

Unit - (below 15,000')

#461 100 Unit A

STATE LEASE M-78845

151

COUNTY: Loving
TRACT : Sec. 78, Blk. 33, H&TC Ry. Co.
PART : Mid/Part of SW/Part
ACRES : 100
American Trading and Production
LESSEE: Corporation
DATE : February 6, 1979
TERM : 3 Years
BONUS : \$50,167.00
RENTAL: \$5.00 \$500.00
FILE : 113544

Legal
Rental 718
Min. A/c
Min. Map. 1007
Pass To:

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8
4
5
F276898
AMERICAN TRADING & PROD

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C/7 American Trading & Production Co.
March 16, 1981

78845

MINERAL LEASE APPLICATION
(Oil and Gas Lease)
(Bid Form)

RECEIVED IN THE GENERAL

LAND OFFICE ON OR BEFORE

10 A.M. FEB 6 1979

To the Commissioner of the General Land Office
and the School Land Board
Austin, Texas

By virtue of Article 5421c, Vernon's Civil Statutes, and other applicable laws, providing for the leasing of river beds and channels, unsold surveyed school lands, and areas within tidewater limits including islands, lakes, salt water lakes, bays, inlets, marshes, reefs, the bed of the sea, and that portion of the Gulf of Mexico within the jurisdiction of the State of Texas, I herewith tender my application for the following area:

Mgl.
No.
31

Survey	Tract	Blk	Tsp	Original Grantee	Acres	Designated Area	County
78		33		H&TC Railroad Co.	100	Mid/part of SW/part	Loving

(Only one tract may be included in this application, and it must be described the same as in the advertised list).

I accept and agree to the terms and requirements of said statutes, and I agree to pay to the State of Texas at the General Land Office, Austin, Texas, one-fifth (1/5) of the gross production of oil and/or gas, or the value of same that may be produced thereon.

And beginning with the second year of the lease, I agree to pay delay rental in the sum of \$5.00 per acre, which shall operate as a rental and cover the privilege of deferring the commencement of a well for twelve (12) months from said date. In like manner and upon like payments or tenders the commencement of a well may be further deferred for like periods of the same number of months successively during the primary term of my lease.

If production in commercial quantities should be secured within the three-year primary term, or any extension thereof, my lease shall continue as long thereafter as oil or gas is produced therefrom in commercial quantities.

IN ADDITION TO THE ABOVE, I HEREBY BID AND ENCLOSE HERewith AS A CASH
BONUS THE SUM OF (\$50,167.00) Fifty Thousand One Hundred Sixty-seven
and no/100

66807

DOLLARS.
66808

There is also attached remittance in the amount of (\$501.67) Five
Hundred one and 67/100 Dollars, being 1% of the cash bonus offered
as a special sale fee as provided in Article 5382d-1, Vernon's Civil Statutes.

PLEASE COMPLETE (ONE DIGIT PER SPACE)

MARGINAL NO. 31APPLICANT: A M E R I C A N T R A D -
I N G & P R O D C O R PROYALTY: . 2 0 0 0 0BONUS: \$ 50,167.00February 5, 1979

(Date)

AMERICAN TRADING AND PRODUCTION CORPORATION

(Applicant)

Post Office Drawer 992

(Address)

Midland, Texas 79702

(Post Office)

CERTIFICATE

I, Linda Fisher, Secretary of the School Land Board, do hereby certify that at a regular meeting of said Board held in the General Land Office, Austin, Texas, on the 6th day of February, A. D., 1979, the above application No. 67285 was accepted, all of which is shown in Vol. 35, Page _____, of the Minutes of said Board.

Given under my hand this the 7th day of May, A. D., 1979, at Austin, Texas.

Linda Fisher
Secretary of the School Land Board

APPLICATION NO. 67285

①
M-78845
Bill
2-6-79
met

The State of Texas General Land Office



Austin, Texas

OIL AND GAS LEASE No. 78845

WHEREAS, pursuant to Chapter 32 and Subchapters A-E, G and H of Chapter 52 of the Natural Resources Code (hereinafter called N.R.C.), and subject to all rules and regulations promulgated by the Commissioner of the General Land Office and/or the School Land Board pursuant thereto, and all other applicable statutes and amendments to said N.R.C., the following area, to-wit:

Mid/Part of SW/Part of Section 78, Block 33, H&TC Ry. Co. Survey, Loving County, Texas, containing 100 acres, as shown on the official map of Loving County, Texas, now on file in the General Land Office in Austin, Texas, and as further shown on the plat attached hereto and made a part hereof,

was, after being duly advertised, offered for lease on the 6th day of February, 19 79, at 10:00 o'clock A.M., by the Commissioner of the General Land Office of the State of Texas and the School Land Board of the State of Texas, for the sole and only purpose of prospecting and drilling for, and producing oil and/or gas that may be found and produced from the above described area; and

WHEREAS, after all bids and remittances which were received up to said time have been duly considered by the Commissioner of the General Land Office and the School Land Board at a regular meeting thereof in the General Land Office, on the 6th day of February, 19 79, and it was found and determined that

AMERICAN TRADING AND PRODUCTION CORPORATION

whose address is Post Office Drawer 992, Midland, Texas 79702,
had offered the highest and best bid for a lease of the area above described and is, therefore, entitled to receive a lease thereon:

NOW, THEREFORE, I, BOB ARMSTRONG, Commissioner of the General Land Office of the State of Texas, hereinafter sometimes referred to as "Lessor", whose address is Austin, Texas, by virtue of the authority vested in me and in consideration of the payment by the hereinafter designated Lessee, the sum of Fifty Thousand One Hundred Sixty-seven and No/100----- Dollars

(\$ 50,167.00), receipt of which is hereby acknowledged and of the royalties, covenants, stipulations and conditions contained and hereby agreed to be paid, observed and performed by Lessee, do hereby demise, grant, lease and let unto

American Trading and Production Corporation

the exclusive right to prospect for, produce and take oil and/or gas from the aforesaid area upon the following terms and conditions, to-wit:

1. Subject to the other provisions hereof, this lease shall be for a term of THREE (3) years from this date (herein called "primary term") and as long thereafter as oil or gas is produced in paying quantities from said area.

2. If no well be commenced on the land hereby leased on or before the 6th day of February, 19 80, this lease shall terminate as to both parties unless the Lessee on or before said date shall pay or tender to the Commissioner of the General Land Office of the State of Texas at Austin, Texas, the sum of FIVE AND NO/100 Dollars

(\$ 5.00), per acre, which shall operate as rental and cover the privilege of deferring the commencement of a well for twelve (12) months from said date. In like manner and upon like payments or tenders the commencement of a well may be further deferred for like periods of the same number of months successively during the primary term hereof.

3. When production of oil and/or gas is secured, the Lessee agrees to pay or cause to be paid to the Commissioner of the General Land Office in Austin, Texas, for the use and benefit of the State of Texas, during the term hereof:

(A) As a royalty on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided,

ONE-FIFTH (1/5)

part of the gross production or the market value thereof, at the option of the Lessor, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity for the field where produced and when run, or 2) the highest market price thereof offered or paid for the field where produced and when run, or 3) the gross pro-

ceeds of the sale thereof, whichever is the greater. Lessee agrees that before any gas produced from the land hereby leased is sold, used or processed in a plant, it will be run free of cost to Lessor through an adequate oil and gas separator of conventional type or other equipment at least as efficient to the end that all liquid hydrocarbons recoverable from the gas by such means will be recovered. Upon written consent of Lessor, the requirement that such gas be run through such a separator or other equipment may be waived upon such terms and conditions as prescribed by Lessor.

(B) As a royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (A) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of

gasoline, liquid hydrocarbons or other products)

ONE-FIFTH (1/5)

part of the gross production or the market value thereof, at the option of the Lessor, such value to be based on the highest market price paid or offered for gas of comparable quality for the field where produced and when run, or the gross price paid or offered to the producer, whichever is the greater; provided that the maximum pressure base in measuring the gas under this lease contract shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to test made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

For the purposes of this lease "field" means the general area in which the land covered by this lease is located.

(C) As a royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons,

ONE-FIFTH (1/5)

part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the Lessor. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%) or that percent accruing to Lessee, whichever is the greater, of the total plant production of liquid hydrocarbons, attributable to the gas produced from this lease; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arms' length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is the greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is the greater.

(D) As a royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead", "dry" or any other gas, by fractionating, burning or any other processing,

ONE-FIFTH (1/5)

part of the gross production of such products, or the market value thereof, at the option of Lessor, such market value to be determined as follows:

- (1) On the basis of the highest market price of each product, during the same month in which such product is produced, or
- (2) On the basis of the average gross sale price for each of the products for the same month in which such products are produced; whichever is the greater.

(E) Lessee agrees that all royalties accruing to Lessor under this lease shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products produced hereunder ready for sale or use.

(F) Notwithstanding anything contained herein to the contrary, Lessor may, at its option, upon not less than 60 days notice to Lessee, require at any time or from time to time that payment of all or any royalties accruing to Lessor under this lease be made in kind without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and otherwise making the oil, gas and other products produced hereunder ready for sale or use.

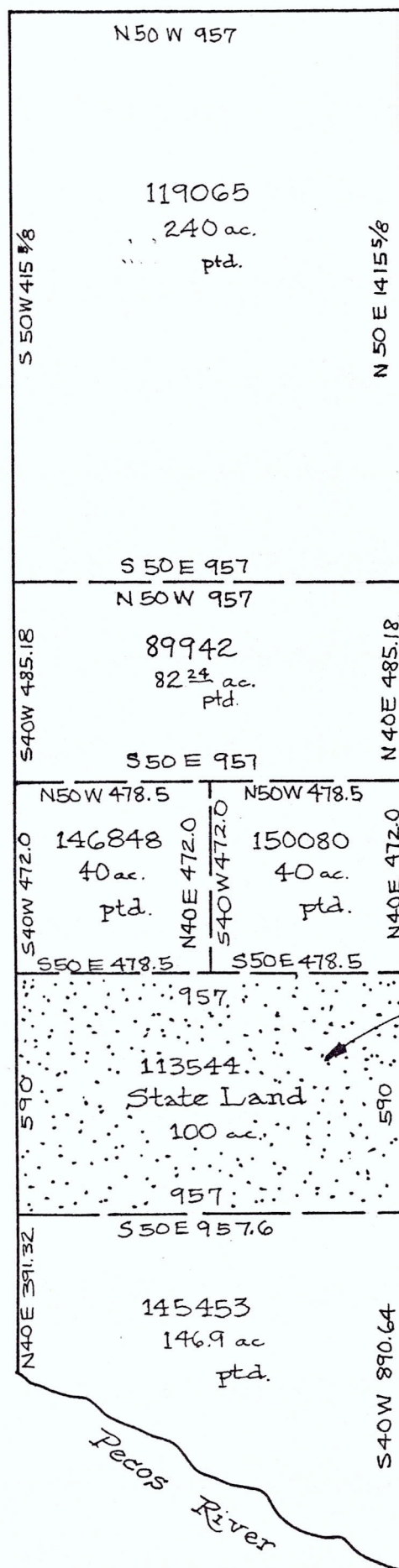
(G) No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding anything contained herein to the contrary, and subject to the consent in writing of the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed and no royalties shall be payable on the gas so recycled until such time as the same may thereafter be produced and sold or used by Lessee in such manner as to entitle Lessor to a royalty thereon under the royalty provisions of this lease.

(H) During any year beginning with the anniversary date of this lease, if this lease is maintained by production, the royalties paid to Lessor in no event shall be less than an amount equal to the total annual delay rental herein provided; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of this lease a sum equal to the total annual rental less the amount of royalties paid during the preceding year.

4. All royalties not taken in kind shall be paid to the Commissioner of the General Land Office at Austin, Texas in the following manner:

Royalty on oil shall be due and payable on or before the 5th day of the second month succeeding the month of production, and royalty on gas shall be due and payable on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts, and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. In all cases the authority of a manager or agent to act for the Lessee herein must be filed in the General Land Office. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid on each lease. Any royalty not paid or affidavits and supporting documents not filed when due shall become delinquent and shall have added to the sum owing a delinquency penalty of one percent (1%) of such sum for each thirty (30) day period of delinquency or a fractional period thereof; provided, however, that each such penalty shall never be less than Five Dollars (\$5). The lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.

5. Lessee shall annually furnish the Commissioner of the General Land Office with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease and shall furnish said Commissioner with copies of all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts within thirty (30) days after entering into or making such contracts, agreements or amendments. Such contracts and agreements when received by the General Land Office shall be held in confidence by the General Land Office unless otherwise authorized by Lessee. All other contracts and records pertaining to the production, transportation, sale and marketing of the oil and gas produced on said premises, including the books and accounts, receipts and discharges of all wells, tanks, pools, meters, and pipelines shall at all times be subject to inspection and examination by the Commissioner of the General Land Office, the Attorney General, the Governor, or the representative of any of them. The State shall have a first lien upon all oil and gas produced from the area covered by this lease, to secure payment of all unpaid royalty and other sums of money that may become due under this lease.



Section 78, Blk. 33, H. & T.C. Ry. Co.
Loving County

6. Notwithstanding any provision of this lease to the contrary, after a well producing or capable of producing oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the production therefrom.

7. If oil and/or gas should be produced in commercial quantities in a well on land privately owned or on State land leased at a lesser royalty, which well is within one thousand (1,000) feet of the area included herein, the Lessee shall, within sixty (60) days after such initial production on such land, begin in good faith and prosecute diligently the drilling of an offset well on this area, and such offset well shall be drilled to such depth as may be necessary to prevent the undue drainage of this area, and the Lessee, manager or driller shall use all means necessary in a good faith effort to make such offset well produce oil and/or gas in commercial quantities.

8. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if after discovery and production of oil or gas the production thereof should cease from any cause, this lease shall not terminate if on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay rental in the same manner as provided in Paragraph Number 2 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in gas well within the primary term hereof, Lessee shall resume payment of annual rental in the same manner as provided in Paragraph Number 2 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in gas well and the failure to make such annual rental payment shall subject the lease to forfeiture under the provisions of Paragraph Number 18 hereof. If at the expiration of the primary term or at any time thereafter a shut-in gas well is located on the leased premises payments shall be made in accordance with the provisions of Paragraph Number 10 hereof.

9. In the event production of oil or gas on the leased premises after once obtained shall cease from any cause at the expiration of the primary term hereof or at any time or times thereafter, this lease shall not terminate if Lessee commences additional drilling or reworking operations within sixty (60) days thereafter, and the lease shall remain in full force and effect so long as such operations continue in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation; and if such drilling or reworking operations result in the production of oil or gas, the lease shall remain in full force and effect so long as oil or gas is produced therefrom in paying quantities or payment of shut-in gas well royalties or compensatory royalties is made as hereinafter provided or as provided elsewhere in the statutes of the State of Texas. Lessee shall give written notice to the General Land Office within five (5) days of any cessation of production.

10. If, at the expiration of the primary term or at any time thereafter, there is located on the leased premises a well or wells capable of producing gas in paying quantities and such gas is not otherwise produced for lack of a suitable market and this lease is not otherwise being maintained in force and effect, Lessee may pay as royalty a sum of money equal to double the annual rental provided for in this lease but in no event to be less than \$1,200.00 per annum for each well capable of producing gas in paying quantities; such payment shall be made prior to the expiration of the primary term of this lease or if the primary term has expired within sixty (60) days after Lessee shuts in such well or ceases to produce gas therefrom or within sixty (60) days after this lease ceases to be otherwise maintained in force and effect; and if such payment is made, this lease shall be considered to be a producing lease and such shut-in gas well royalty payment shall extend the term of this lease for a period of one (1) year from the end of the primary term or, if after the primary term, from the first day of the month next succeeding the month in which such well was shut in or production ceased or this lease ceased to be otherwise maintained in force and effect; and thereafter, if no suitable market for such gas exists, Lessee may extend this lease for four (4) additional and successive periods of one (1) year each by the payment of a like sum of money each year as above provided, on or before the expiration of the extended term. Provided, however, that if, while this lease is being maintained in force and effect by payment of such shut-in gas well royalty, gas should be sold and delivered in paying quantities from a well situated within 1,000 feet of the leased premises and completed in the same producing reservoir, or in any case where drainage is occurring, the right to further extend this lease by such shut-in gas well royalty payments shall cease and this lease shall remain in force and effect for the remainder of the current one-year period for which the shut-in gas well royalty has been paid and for an additional period not to exceed five (5) years from the expiration of the primary term by payment by Lessee of compensatory royalty at the royalty rate provided for herein, of the value at the well of production from the well completed in the same producing reservoir from which gas is being sold and delivered and which is situated within 1,000 feet of or draining the leased premises on which such shut-in gas well is situated, such compensatory royalty to be paid monthly to the Commissioner of the General Land Office beginning on or before the last day of the month next succeeding the month in which such gas is sold and delivered from the well situated within 1,000 feet of or draining the leased premises and completed in the same producing reservoir, provided further that in the event such compensatory royalties paid in any twelve-month period are in an amount less than the annual shut-in gas well royalties provided for herein, Lessee shall pay an additional sum of money equal to the difference between such compensatory royalties paid and such shut-in gas well royalties within thirty (30) days from the end of such twelve-month period; provided further that nothing herein shall relieve Lessee of the obligation of reasonable development, nor of the obligation to drill offset wells as required by law.

11. If, at the expiration of the primary term of this lease, production of oil or gas has not been obtained on the leased premises but drilling operations are being conducted thereon in good faith and in a good and workmanlike manner, Lessee may, on or before the expiration of the primary term, file in the General Land Office written application to the Commissioner of the General Land Office for a thirty (30) day extension of this lease, accompanied by payment of Three Thousand Dollars (\$3,000.00) if this lease covers six hundred forty (640) acres or less and Six Thousand Dollars (\$6,000.00) if this lease covers more than six hundred forty (640) acres and the Commissioner shall, in writing, extend this lease for a thirty (30) day period from and after the expiration of the primary term and so long thereafter as oil or gas is produced in paying quantities; provided further, that Lessee may, so long as such drilling operations are being conducted make like application and payment during any thirty (30) day extended period for an additional extension of thirty (30) days and, upon receipt of such application and payment, the Commissioner shall, in writing, again extend this lease so that same shall remain in force for such additional thirty (30) day period and so long thereafter as oil or gas is produced in paying quantities; provided, however, that this lease shall not be extended for more than a total of three hundred ninety (390) days from and after the expiration of the primary term unless production in paying quantities has been obtained.

12. Written notice of all operations on a State of Texas lease shall be submitted to the Commissioner of the General Land Office by Lessee or operator within five (5) days of spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or wells. Such written notice to the General Land Office shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to the total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after the making of said survey.

13. Lessee shall have the right to use water produced on said land necessary for operations hereunder and solely upon the leased premises; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for water flood operations without the prior written consent of Lessor. Lessee shall have the right to use so much of the surface of the land that may be reasonably necessary for drilling and operating wells and transporting and marketing the production therefrom, such use to be conducted under conditions of least injury to the surface of the land.

14. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level off all slush pits and cellars and completely clean up the drilling site of all rubbish thereon.

15. Lessee shall erect, at a distance not to exceed 25 feet from each well on the premises covered by this lease, a legible sign on which shall be stated the name of the operator, the lease designation and the well number. Where two or more wells on the same lease or where wells on two or more leases are connected to the same tank battery, whether by individual flow line connections direct to the tank or tanks or by use of a multiple header

system, each line between each well and such tank or header shall be legibly identified at all times, either by a firmly attached tag or plate or an identification properly painted on such line at a distance not to exceed three (3) feet from such tank or header connection. Said signs, tags, plates or other identification markers shall be maintained in a legible condition throughout the term of this lease.

16. The lease may be transferred at any time. All transfers must be recorded in the county where the area is located, and the recorded transfer or a copy certified to by the County Clerk of the county where the transfer is recorded must be filed in the General Land Office within ninety (90) days of the execution date, as provided by Section 52.026, N.R.C., accompanied by a filing fee of Five Dollars (\$5.00).

17. Lessee may relinquish the rights granted hereunder to the State at any time by recording the relinquishment in the county where this area is situated and filing the recorded relinquishment or certified copy of same in the General Land Office within ninety (90) days after its execution accompanied by a filing fee of Five Dollars (\$5.00). Such relinquishment will not have the effect of releasing Lessee from any liability theretofore accrued in favor of the State.

18. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with General Land Office rules and regulations or refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease to the highest bidder, under the same regulations controlling the original sale of leases.

19. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative thereto.

20. In the event this lease covers a riverbed, Lessee is hereby specifically granted the right of eminent domain and condemnation as provided for in Sections 52.092-52.093, N.R.C., as a part of the consideration moving to Lessor for the covenants herein made by Lessee.

21. In the event this lease covers land leased under the provisions of Subchapter B, Chapter 52, N.R.C., no surface location on this area may be closer than six hundred sixty (660) feet from the center of any navigable ship channel, and special permission from the Commissioner of the General Land Office will be necessary to make any surface location between six hundred sixty (660) feet and two thousand one hundred sixty (2,160) feet from the center of any such navigable ship channel. Also in such event this lease shall be subject to all rules and regulations promulgated by the Commissioner of the General Land Office, and amendments thereto, governing drilling and producing operations on permanent free school lands.

22. Upon the termination of this lease for any cause, Lessee shall not, in any event, be permitted to remove the casing or any part of the equipment from any producing, dry, or abandoned well or wells without the written consent of the Commissioner of the General Land Office or his authorized representative; nor shall Lessee, without the written consent of said Commissioner or his authorized representative remove from the leased premises the casing or any other equipment, material, machinery, appliances or property owned by Lessee and used by Lessee in the development and production of oil or gas therefrom until all dry or abandoned wells have been plugged and until all slush or refuse pits have been properly filled and all broken or discarded lumber, machinery, or debris shall have been removed from the premises to the satisfaction of the said Commissioner or his authorized representative.

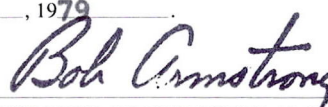
23. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling operations thereon, or from producing oil and/or gas therefrom, after effort made in good faith, by reason of war, rebellion, riots, strikes, acts of God or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended upon proper and satisfactory proof presented to the School Land Board in support of Lessee's contention and Lessee shall not be liable for damages for failure to comply therewith (except in the event of lease operations suspended as provided in the rules and regulations adopted by the School Land Board); and this lease shall be extended while and so long as Lessee is prevented, by any such cause, from drilling, reworking operations or producing oil and/or gas from the leased premises, provided, however, that nothing herein shall be construed to suspend the payment of rentals during the primary or extended term.

24. No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission of Texas, after notice and hearing as provided in Title 3 of the N.R.C., finds that:

- (a) the person, agency, or entity that executed the lease in question does not require the natural gas or casinghead gas to meet its own existing needs for fuel;
 - (b) no private or public hospital, nursing home, or other similar health-care facility in this state requires the natural gas or casinghead gas to meet its existing needs for fuel;
 - (c) no public or private school in this state that provides elementary, secondary, or higher education requires the natural gas or casinghead gas to meet its existing needs for fuel;
 - (d) no facility of the state or of any county, municipality, or other political subdivision in this state requires the natural gas or casinghead gas to meet its existing needs for fuel;
 - (e) no producer of food and fiber requires the natural gas or casinghead gas necessary to meet the existing needs of irrigation pumps and other machinery directly related to this production; and
 - (f) no person who resides in this state and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs;
- provided, however, the Railroad Commission of Texas may grant exceptions to these provisions as set forth in Section 52.296 of the N.R.C.

25. The covenants, conditions and agreements contained herein shall extend to and be binding upon the heirs, executors, administrators, successors or assigns of Lessee herein.

IN TESTIMONY WHEREOF, Witness the signature of the Commissioner of the General Land Office, under the seal of the General Land Office, this 6th day of February, 1979.


COMMISSIONER OF THE GENERAL LAND OFFICE

Approved _____
Audit _____
Legal _____
Engineer _____
Geologist _____
Execution _____

ORIGINAL SIGNED

OIL AND GAS LEASE NO. 78845
DATE 2-6-79 BY Mick

AMERICAN TRADING AND PRODUCTION CORPORATION
OIL & GAS DIVISION

RECEIPT NO- 00490

RENTAL RECEIPT

CHECK NO- 25857

COMMISSIONER OF THE GENERAL
LAND OFFICE-STATE OF TEXAS
GENERAL LAND OFFICE
AUSTIN TX 78701

121 DATE- 1/04/80

GENTLEMEN.

WE ARE HERewith ENCLOSING CHECK FOR THE SUM OF \$500.00 IN
FULL PAYMENT OF THE DELAY RENTAL FOR THE 12 MONTHS BEGINNING- 2/06/80.

FOR-	LEASE NO.	LEASE DATE	COUNTY/PROVINCE	COUNTRY/STATE	BOOK	PAGE
	2329	2/06/79	LOVING	TX	53	625

PROSPECT AREA-
ARNO

LESSOR-
STATE OF TEXAS 78845

LAND DESCRIPTION-
MID/PART OF SW/PART OF SEC 78, BLK 33, H&TC RY CO
SURV.

TO THE CREDIT OF-
ST LSE #78845

47800

BANK SERVICE CHARGE \$.00 RENTAL AMOUNT-\$ 500.00

PLEASE ACKNOWLEDGE RECEIPT ON THE ORIGINAL AND RETURN.
KEEPING THE ENCLOSED COPY FOR YOUR RECORDS.

AMERICAN TRADING AND PRODUCTION CORPORATION

[Signature]

THE ABOVE DESCRIBED CHECK FOR THE SUM OF
AND DEPOSITED BY US AS ABOVE REQUESTED.

\$500.00 HAS BEEN RECEIVED

ORIGINAL TO BE RETURNED TO.

AMERICAN TRADING AND PRODUCTION CORP.
1300 MAIN, SUITE 1114
HOUSTON, TEXAS 77002

BY

DATE

③ M-78845
Rental Payment
1-12-80



002.1

AMERICAN TRADING AND PRODUCTION CORPORATION

WESTERN UNITED LIFE BUILDING
POST OFFICE DRAWER 992
MIDLAND, TEXAS 79702

915 / 684-4463

July 18, 1980

WEST TEXAS / NEW MEXICO DISTRICT

Commissioner of the General Land Office
1700 North Congress
Austin, Texas 78701

Re: American Trading and Production Corporation
ARNO 704-Acre Gas Unit No. 2
Loving County, Texas

Dear Sir:

Application is here made on behalf of American Trading and Production Corporation for the State of Texas to comit the below described Oil and Gas Lease to the 704-acre ARNO Gas Unit No. 2 described on the Pooling Agreement And Declaration of Gas Pooling attached hereto, and as outlined in red on the attached land plat, with the State lease outlined in yellow:

OIL AND GAS LEASE

Dated: February 6, 1979

Lessor: The State of Texas No. 78845

Lessee: American Trading and Production Corporation

Recorded: Volume 53, Page 625, Oil and Gas Lease
Records of Loving County, Texas

Description: Mid/Part of SW/Part of Section 78, Block 33,
H&TC Ry. Co. Survey, Loving County, Texas,
containing 100 acres, as shown on the
official map of Loving County now on file
in the General Land Office in Austin, Texas.

American Trading has completed its ARNO Gas Unit No. 1 as a shut-in gas well in the Fusselman formation, as shown on the plat, with the 704-acre unit being outlined in blue, containing no State lands.

It is anticipated that operations for the drilling of the proposed

Commissioner of the General Land Office

July 18, 1980

ARNO Gas Unit No. 2 well will be commenced within the next forty (40) days, at the location shown, or any alternate legal location within the Unit Area which is agreed to by the working interest owners, and will be drilled to a depth sufficient to test production capabilities in the Ellenburger formation.

Execution of the attached Agreement, which has been executed in behalf of American Trading and Production Corporation, and the return of the instrument to the undersigned will be appreciated. Please call the undersigned at (915) 682-1436 in the event additional material or information is necessary in order for you to approve the proposed pooling.

Yours very truly,

A handwritten signature in cursive script, reading "J. T. Dickerson".

J. T. Dickerson
Land Consultant

(915) 682-1436

JTDve

Encl:

(4)

M-78845

Ltr fr

American Trading and
Production Corp.

Dated 7-18-80 *gs*

J. T. DICKERSON
LAND, LEASE AND UNIT SPECIALIST
404 W. ILLINOIS
MIDLAND, TEXAS 79701

August 7, 1980

915 682-1436 OFFICE

915 694-2979 HOME

Mr. Virgil Morrell
Commissioner of the General Land Office
1700 North Congress
Austin, Texas 78701

Re: American Trading and Production Corporation
ARNO 704-Acre Gas Unit No. 2
Loving County, Texas

Dear Mr. Morrell:

I am enclosing for your advance perusal copies of the Declaration and Ratification covering the above Unit, while American Trading and Production Corporation is in the process of obtaining execution of same in their Houston office.

Please advise me, by a collect telephone call, in the event you find anything out of order.

Yours very truly,

J. T. Dickerson
J. T. Dickerson

JTDve

Encl:

(5)

M-78845

Ltr fr

J. I. Dickerson

dated 8-7-80 g



161

J. T. DICKERSON
LAND, LEASE AND UNIT SPECIALIST
404 W. ILLINOIS
MIDLAND, TEXAS 79701

915 682-1436 OFFICE

August 25, 1980

915 694-2979 HOME

80-68
APP. S.L.B.
8-5-80
you
filed
15, m.
Commissioner of the General Land Office
1700 North Congress
Austin, Texas 78701

Attention: Mr. Jack Howard

Re: American Trading and Production Corporation
ARNO 704-Acre Gas Unit No. 2
Loving County, Texas

Dear Sir:

In accord with information received from your office that the School Land Board has approved the above referenced Unit as to rights below the depth of 15,000 feet, enclosed herewith are two (2) originals executed by American Trading and Production Corporation of the Declaration of Gas Pooling and Ratification of Declaration of Gas Pooling. Please return a copy of the Declaration at such time as it has been executed by the State of Texas.

As you will recall, the proposed Unit well is projected to a depth sufficient to test the Ellenburger formation. In the event the well is drilled to such depth and productive gas zones are encountered between the depths of 5,000 feet and 15,000 feet, you have indicated that every consideration will be given to the State's ratification of additional pooling rights.

Yours very truly,

J. T. Dickerson
J. T. Dickerson

JTDve

Encl:

⑥

m- 78845

Ltr fr

J. J. Dickerson

Dated 8-25-80 gr

0.50.00

September 25, 1980

Mr. J. T. Dickerson
Land, Lease and Unit Specialist
404 W. Illinois
Midland, Texas 79701

Re: Gas Pooling Agreement Ratification of
M-78845
ARNO Unit No. 2
Loving County, Texas

Gentlemen:

Enclosed is the captioned ratification of declaration of gas pooling, fully executed by the Commissioner of the General Land Office and a the declaration of gas pooling. A copy of each has been retained for our files.

If we may be of further service, please advise.

Sincerely,

Bob Armstrong

By

Linda Fisher, Secretary
School Land Board
Phone 512 475-2071

LF/rm
Enclosures

⑦

M-78845

Ltr to

J. J. Dickerson

Dated 9-25-80 *gs*

DO NOT DESTROY

#461

-MEMO-

Operator American Trading & Production Corp.

Unit Name Arno #1

County Parag

Effective Date 9/22/80

Unitized for: Oil ☐ Gas ☒ Oil & Gas ☐

1. M.F. No. 78845 Code 1

Area Tr.

Sec. 78 Blk. 33 Survey N & TC.

^{100.00}
704.00 x 1/5 02.84091 %

2. M.F. No.

Area Tr.

Sec. Blk. Survey

 x %

3. M.F. No.

Area Tr.

Sec. Blk. Survey

 x %

4. M.F. No.

Area Tr.

Sec. Blk. Survey

 x %

REMARKS:

Below 15,000'

Prepared by ELH Entered Unit Book

POOLING COMMITTEE REPORT

9-22-80

TO: SCHOOL LAND BOARD

APP. S.L.B. 8-5-80

DATE: July 29, 1980

OPERATOR: American Trading & Production Corp. COUNTY Loving

UNIT NAME: ARNO No. 2 FIELD Mentone

FILE NUMBER	TOTAL ACRES	ACRES IN UNIT
M-78845	100	100

Unitized for:

Kind of land:

Oil
Gas X (See Remarks)
Oil and Gas

State Owned X
Relinquishment Act
Free Royalty

Size of Unit 704 Acres
State owned 100 Acres
Privately owned 604 Acres

Well location:
State land
Private land X

Participation:

Railroad Commission Field Rules:

Basis Surface Acreage
Royalty 1/5

Spacing 640 + 10%
Well factor
Acreage factor 100%

Agrees to drill to density of field rules: Yes X No
Holds only acreage included in unit past
primary term: Yes X No
Satisfactory geological data furnished: Yes X No

REMARKS: The applicant requests gas pooling below 5000 feet in this multipay area. The unit well will be a 22,000-foot Ellenburger test and it is recommended that approval be for gas below 15000'.

State Lease M-78845 was acquired 2-6-79 with a 3-year term and 1/5 royalty.

APPROVAL: Recommended X

Not Recommended

ajw
10-2-80

Sharon Gillespie

Jack M. Howard

DECLARATION OF GAS POOLING
AMERICAN TRADING AND PRODUCTION CORPORATION ARNO NO. 2 704-ACRE GAS UNIT

STATE OF TEXAS X

COUNTY OF LOVING X

This instrument is made and entered into by and between the parties signatory hereto as the present owners and holders of the Oil and Gas Leases and unleased minerals described on Exhibit "B" attached hereto and made a part hereof.

WITNESSETH:

WHEREAS, said Oil and Gas Leases and unleased minerals aggregately cover, among other lands, the 704-acres of land described by numbered Tracts on Exhibit "A" attached hereto and made a part hereof, situated in Loving County, Texas.

WHEREAS, it is the desire of the undersigned parties to consolidate and unitize the numbered Tracts of land described on Exhibit "A" into a single Pooled Unit for the production of gas and associated liquid hydrocarbons produced from a well classified by the Texas Railroad Commission as a gas well, as to all depths and strata below the depth of 5,000 feet below the surface.

NOW, THEREFORE, in consideration of the premises, the present owners and holders of said leases and unleased mineral interest pursuant to and in accordance with the right, power and authority conferred upon them under the terms and provisions of said leases and all pooling amendments and pooling agreements thereto of legal record in Loving County, Texas (and said leases, amendments and agreements and the records thereof in the public records are referred to for all purposes), do hereby consolidate and unitize all of said described and numbered Tracts of land which together contain in the aggregate 704-acres, more or less, into a single Pooled Unit, covering all depths and strata below the depth of 5,000 feet below the surface, for the exploration, development and operation of said leases and land for the production of gas and associated liquid hydrocarbons from a well classified by the Texas Railroad Commission as a gas well. For the purpose of computing royalties, overriding royalties, and other payments out of production which may become due and payable under said leases, all of such gas and associated liquid hydrocarbons produced from any of the said described and numbered Tracts of land within the Pooled Unit shall be allocated to each separate Tract in the proportion that the number of surface acres included within each such Tract bears to the total number of surface acres included within the Pooled Unit.

This Declaration of Gas Pooling shall become effective on the date of its recordation in the appropriate records of Loving County, Texas and shall remain in effect as long as the pooled mineral is being produced thereunder, or so long as drilling or reworking operations are being prosecuted thereon with no more than sixty (60) days between cessation of either production or such operations and the beginning or resumption of either of them, or so long as all existing leases covering the pooled minerals are maintained in force insofar as they cover the Pooled Unit, by payment of shut-in gas well royalties, or by other means, in accordance with the terms of said leases. The unit covered by this designation may be dissolved by the owners and holders of the pooled leases through the filing of an instrument for record in Loving County, Texas, at any time after the cessation of production on said unit, or the completion of a dry hole thereon prior to production.

Any party owing or holding an interest in the Oil and Gas Leases and unleased minerals described on Exhibit "A" attached hereto may become a party to the instrument by signing the original of this instrument, a

counterpart thereof, or a ratification thereof. The signing of any such instrument shall have the same effect as if all parties had executed or signed the same instrument.

IN WITNESS THEREOF, the parties hereto have executed this instrument upon the respective dates indicated below.

Date Executed:
August 1, 1980

AMERICAN TRADING AND PRODUCTION CORPORATION

ATTEST:

By: [Signature]
Assistant Secretary

By: [Signature]
E. R. Kemp
Vice President
Oil & Gas Division

Date Executed:

SUNMARK EXPLORATION COMPANY,
A DIVISION OF SUN OIL COMPANY (DELAWARE)

By: _____
Attorney In Fact

Date Executed:

TIPPERARY OIL AND GAS CORPORATION

...ATTEST:

By: _____

By: _____
Vice President

Date Executed:

UNION OIL COMPANY OF CALIFORNIA

By: _____
Attorney In Fact

Date Executed:

AMERICAN PUBLIC ENERGY COMPANY

ATTEST:

By: _____

By: _____
Vice President

Date Executed:

GRIFFIN & BURNETT, INC.

ATTEST:

By: _____

By: _____

Date Executed:

DAVID FASKEN

Date Executed: _____

BEN J. FORTSON

Date Executed: _____

WILLIAM K. YOUNG

Date Executed: _____

FRANK G. YOUNG

Date Executed: _____

MARSHALL R. YOUNG OIL COMPANY

ATTEST:

By: _____
Assistant Secretary

By: _____
Vice President

Date Executed: _____

CURTIS POOL

STATE OF TEXAS X
COUNTY OF HARRIS X

BEFORE ME, the undersigned authority, a Notary Public in and for Harris County, Texas, on this day personally appeared E. R. KEMP, known to me to be the person whose name is subscribed to the foregoing instrument as Vice President, Oil & Gas Division of American Trading and Production Corporation, a corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, in the capacity therein stated, and as the act of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 1st day of August, 1980.

Patricia T. Chambers
Notary Public in and for
Harris County, Texas

My Commission Expires:
July 31, 1984

STATE OF _____X
COUNTY OF _____X

BEFORE ME, the undersigned authority, a Notary Public in and for _____ County, Texas, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument as _____ of Sunmark Exploration Company, A Division of Sun Oil Company (Delaware), and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, in the capacity therein stated, and as the act of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 1980.

My Commission Expires: _____

Notary Public in and for

County, _____

STATE OF _____X

COUNTY OF _____X

BEFORE ME, the undersigned authority, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument, as _____, of Tipperary Oil and Gas Corporation, a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 1980.

My Commission Expires: _____

Notary Public in and for
_____ County, _____

STATE OF _____X

COUNTY OF _____X

BEFORE ME, the undersigned authority, on this day personally appeared DAVID FASKEN, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 1980.

My Commission Expires: _____

Notary Public in and for
_____ County, _____

STATE OF _____X

COUNTY OF _____X

BEFORE ME, the undersigned authority, on this day personally appeared BEN J. FORTSON, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 1980.

(Acknowledgement page to Declaration of Gas Pooling, ARNO Gas Unit No. 2)

STATE OF _____ X
COUNTY OF _____ X

BEFORE ME, _____, a Notary Public,
on this day personally appeared _____,
known to me to be the person whose name is subscribed to the
foregoing instrument as _____ of UNION
OIL COMPANY OF CALIFORNIA, and acknowledged to me that he
subscribed the name of UNION OIL COMPANY OF CALIFORNIA there-
to as principal and his own name as _____,
and that UNION OIL COMPANY OF CALIFORNIA executed said instru-
ment by and through him for the purposes and consideration
therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____
day of _____, 1980.

My Commission Expires: _____ Notary Public in and for
_____ County, _____

STATE OF _____ X
COUNTY OF _____ X

BEFORE ME, _____, a Notary Public,
on this day personally appeared _____,
known to me to be the person whose name is subscribed to the
foregoing instrument as _____ of AMERICAN
PUBLIC ENERGY COMPANY, and acknowledged to me that he sub-
scribed the name of AMERICAN PUBLIC ENERGY COMPANY thereto
as principal and his own name as _____,
and that AMERICAN PUBLIC ENERGY COMPANY executed said instru-
ment by and through him for the purposes and consideration
therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____
day of _____, 1980.

My Commission Expires: _____ Notary Public in and for
_____ County, _____

STATE OF _____ X
COUNTY OF _____ X

BEFORE ME, _____, a Notary Public,
on this day personally appeared _____,
known to me to be the person whose name is subscribed to the
foregoing instrument as _____ of GRIFFIN
& BURNETT, INC., and acknowledged to me that he subscribed the
name of GRIFFIN & BURNETT, INC. thereto as principal and his
own name as _____, and that GRIFFIN & BURNETT,
INC. executed said instrument by and through him for the purposes
and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____
day of _____, 1980.

My Commission Expires: _____ Notary Public in and for
_____ County, _____

STATE OF _____ X

COUNTY OF _____ X

BEFORE ME, the undersigned authority, on this day personally appeared WILLIAM K. YOUNG, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 1980.

My Commission Expires: _____

Notary Public in and for
_____ County, _____

STATE OF _____ X

COUNTY OF _____ X

BEFORE ME, the undersigned authority, on this day personally appeared FRANK G. YOUNG, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 1980.

My Commission Expires: _____

Notary Public in and for
_____ County, _____

STATE OF _____ X

COUNTY OF _____ X

BEFORE ME, _____, a Notary Public, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument as _____ of MARSHALL R. YOUNG OIL COMPANY, and acknowledged to me that he subscribed the name of MARSHALL R. YOUNG OIL COMPANY thereto as principal and his own name as _____, and that MARSHALL R. YOUNG OIL COMPANY executed said instrument by and through him for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 1980.

My Commission Expires: _____

Notary Public in and for
_____ County, _____

STATE OF _____X

COUNTY OF _____X

BEFORE ME, the undersigned authority, on this day personally appeared CURTIS POOL, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 1980.

My Commission Expires: _____

Notary Public in and for
_____ County, _____

STATE OF _____X

COUNTY OF _____X

BEFORE ME, the undersigned authority, on this day personally appeared MARSHALL S. McCREA, JR., TRUSTEE, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 1980.

My Commission Expires: _____

Notary Public in and for
_____ County, _____

STATE OF _____X

COUNTY OF _____X

BEFORE ME, the undersigned authority, on this day personally appeared RICHARD S. BROOKS, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 1980.

My Commission Expires: _____

Notary Public in and for
_____ County, _____

(Acknowledgment page to Declaration of Gas Pooling, ARNO Gas Unit No. 2)

EXHIBIT "A" PART "1"

Attached to and made a part of Declaration of Gas Pooling for
the ARNO No. 2 704-Acre Gas Unit

UNIT DESCRIPTION

704.00 acres, more or less, lying in Loving County, Texas, and comprising the tracts shown below:

TRACT NO. 1

All of that part of the Southeast One-Half (SE/2) of Section 80, Block 33, H&TC RR Co. Survey, which is not included in the American Quasar Petroleum Company's Ford Chapman Unit (recorded in Volume 50, Page 170, Deed Records of Loving County, Texas) and in the American Trading and Production Corporation ARNO Gas Unit No. 1 (a counterpart copy of which is recorded in Volume 60, Page 382, Deed Records of Loving County, Texas), and comprising 26.59 acres, more or less.

TRACT NO. 2

Farm Lots 29, 30, 33 and 34 and the most Southwesterly 338 feet of the Porterville Townsite (said 338 feet lying Southwest of the Cataga Gas Unit No. 2, recorded in Volume 51, Page 221, Deed Records of Loving County, Texas) all situated in Section 79, Block 33, H&TC RR Co. Survey, and comprising 40.675 acres, more or less.

TRACT NO. 3

.....Farm Lots 37 and 38 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 10.00 acres, more or less.

TRACT NO. 4

.....Farm Lots 41, 42, 45, 46, 49, 50, 55 and 56 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 40.00 acres, more or less.

TRACT NO. 5

.....Farm Lots 31, 32, 35, 36, 53 and 54 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 30.00 acres, more or less.

TRACT NO. 6

Farm Lots 39 and 40 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 10.00 acres, more or less.

TRACT NO. 7

Farm Lots 43 and 44 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 10.00 acres, more or less.

TRACT NO. 8

Farm Lots 47, 51, 57 and 58 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 20.00 acres, more or less.

TRACT NO. 9

Farm Lots 48 and 52 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 10.00 acres, more or less.

TRACT NO. 10

Farm Lot 59 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 5.00 acres, more or less.

TRACT NO. 11

Farm Lot 60 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 5.00 acres, more or less.

TRACT NO. 12

Farm Lots 69, 70, 73, 74 and 77 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 43.12 acres, more or less.

TRACT NO. 13

Farm Lots 61, 62, 63, 64, 65, 66, 67, 68, 71, 72, 75, 76 and 78 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 95.37 acres more or less.

TRACT NO. 14

Farm Lots numbered 19 to 29 inclusive of the F. N. Johnson Subdivision of Section 78, Block 33, H&TC RR Co. Survey, as per plat thereof recorded in Volume 3, Page 617, Deed Records of Loving County, Texas, said Lots being in the Southwest end of said Section 78, and comprising 146.90 acres, more or less.

TRACT NO. 15

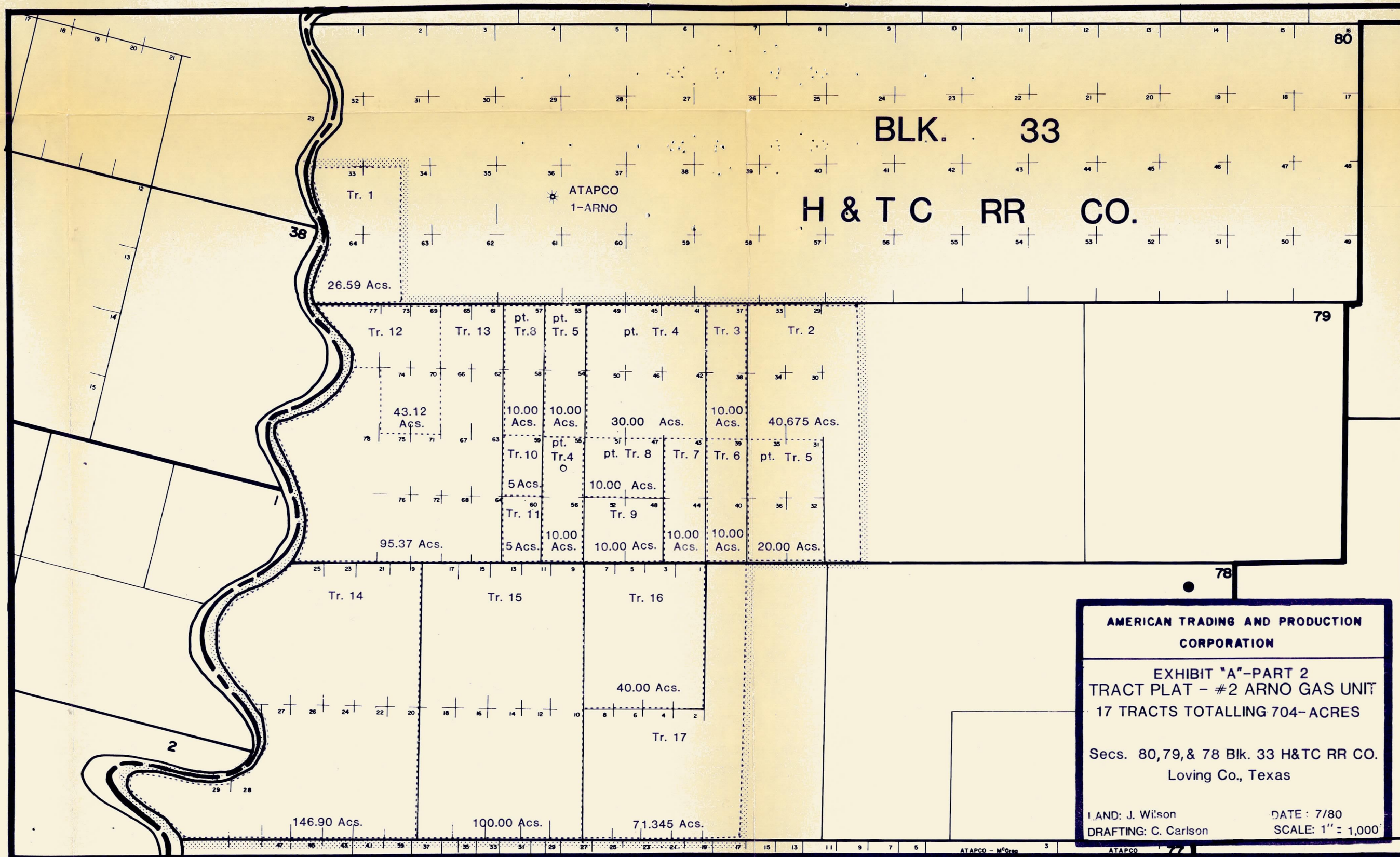
The Mid/Part of the Southwest/Part of Section 78, Block 33, H&TC RR Co. Survey (also described as Lots 9 through 18 inclusive of the Southwest One-Half (SW/2) of said Section 78), and comprising 100.00 acres, more or less.

TRACT NO. 16

Farm Lots 1, 3, 5 and 7 of the F. N. Johnson Subdivision of Section 78, Block 33, H&TC RR Co. Survey, and comprising 40.00 acres, more or less.

TRACT NO. 17

Farm Lots 2, 4, 6 and 8 of the F. N. Johnson Subdivision of Section 78, and the most Southwesterly 31.345 acres of the Southwest One-Quarter of the Northeast One-Half (SW/4 NE/2) of Section 78, Block 33, H&TC RR Co. Survey, and comprising 71.345 acres, more of less.



RECEIVED

AUG 28 1980

General Land Office

EXHIBIT "B"

Attached to and made a part of Pooling Agreement and Declaration
of Gas Pooling for the ARNO No. 2 704-Acre Gas Unit.

LEASES IN POOLED UNIT

(All recording data refer to the
Oil and Gas Lease Records of Loving County, Texas)

<u>LESSOR</u>	<u>LESSEE</u>	<u>DATE</u>	<u>RECORDED VOL. PAGE</u>	<u>TRACT NO.</u>
University Church of Christ of Abilene, Texas	William J. Phelan	12-15-78	54 64	1
The Childrens Home of Lubbock, Texas, et al	American Trading and Production Corporation	12-15-78	54 69	1
Jesse W. Bush	Curtis Pool	4-20-79	54 527	2
Boyd E. Kern, Independent Executor of the Estate of Betty R. Kern	American Trading and Production Corporation	4-11-80	56 566	3
Ellie Spear	Curtis Pool	3-14-79	53 663	4
Howell Spear	Curtis Pool	7-18-78	51 845	4
Felmont Oil Corporation	American Trading and Production Corporation	3- 1-79	56 109	4
Marshall S. McCrea, Jr., Trustee	American Trading and Production Corporation	10- 3-78	53 4	4
Marshall S. McCrea, Jr., Trustee	American Trading and Production Corporation	10- 3-78	53 4	5
Marshall S. McCrea, et al	The Pure Oil Company	4-30-60	17 587	6
George Hammarlund, et al	Curtis Pool	10- 1-63	23 278	7
Ruth M. Vaughan	Curtis Pool	7-18-78	51 841	8
James M. Raymond	Curtis Pool	7-18-78	52 143	8
Dorothy Jane Williams and Husband, Paul Williams	Curtis Pool	7-18-78	52 145	8
Mary D. Fisher	Curtis Pool	7-18-78	52 147	8
Brenda Vaughan Petke	Curtis Pool	7-18-78	52 149	8
Nancy Vaughan Ridgley	Curtis Pool	7-18-78	52 327	8
Charles R. Prindle	Curtis Pool	10- 1-63	23 243	9
Marshall S. McCrea, Jr., Trustee	American Trading and Production Corporation	10- 3-78	53 4	10
Joanne J. Dietrick	Curtis Pool	1-21-80	56 532	10
Marguerite M. Kendall	Griffin & Burnett, Inc.	9-25-78	52 866	10

LESSOR	LESSEE	DATE	RECORDED VOL.	PAGE	TRACT NO.
John Vanderlee	Curtis Pool	7-18-78	51	843	11
Felmont Oil Corporation	American Trading and Production Corporation	3- 1-79	56	109	12
Young Bell, Trustee, et al	Curtis Pool	8-28-63	23	556	13
Minnie McCarter	The Pure Oil Company	9-15-59	16	447	13
Florence M. Anthony, Individually and as Independent Executrix of the Estate of H. F. Anthony- deceased	The Pure Oil Company	9-29-59	16	497	13
Avoca Corporation	The Pure Oil Company	11- 9-59	16	560	13
George S. Bond	The Pure Oil Company	6-10-59	16	406	13
U. S. Smelting & Refining Co.	Mann Rankin & Randall B. Johnston	10-14-63	23	235	13
Vera Bond	Curtis Pool	8-15-73	38	251	13
H. M. Boddy, et al	H. V. Beck, Jr.	3-31-80			14
The State of Texas	American Trading and Production Corporation	2- 6-79	53	625	15
Anna Goodrich, et al	American Trading and Production Corporation	4- 1-79	55	258	16
STARR Commonwealth For Boys	Curtis Pool	8-31-78	52	323	17
UV Industries, Inc.	American Trading and Production Corporation	9-29-78	53	143	17
Transwestern, Inc.	Curtis Pool	12- 4-78 (Amended by Instrument dated 3-22-79, recorded in Vol. 54, Page 549)	54	546	17
Hermon Peirce Hubbard, et al	Curtis Pool	9-14-78	53	107	17
Felmont Oil Corporation	American Trading and Production Corporation	7-21-80			17

UNLEASED MINERALS IN POOLED UNIT

<u>OWNER</u>	<u>TRACT NO.</u>
Curtis Pool	5, 10 & 17
Heirs of Arthur N. Lauer	14

RATIFICATION OF DECLARATION OF GAS POOLING
AMERICAN TRADING AND PRODUCTION CORPORATION
ARNO NO. 2 704-ACRE GAS UNIT

THE STATE OF TEXAS X

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF LOVING X

THAT, WHEREAS, a counterpart copy of a Declaration of Gas Pooling, has been executed as of August 1, 1980, by American Trading and Production Corporation, as Operator, and other lease and mineral owners have executed counterpart copies of the Declaration of Gas Pooling as of sundry dates in order to form a gas and associated liquid hydrocarbons Unit consisting of 704-acres of land, more or less, out of Sections 78 and 79, Block 33, H&TC Ry. Co. Survey, Loving County, Texas, more particularly described therein, for the proposed American Trading and Production Corporation ARNO No. 2 which is projected to a depth sufficient to test the Ellenburger formation; and,

WHEREAS, the mineral pooled by the Declaration of Gas Unit is gas and associated liquid hydrocarbons produced from a well classified by the Texas Railroad Commission as a gas well, and the pooled mineral extends to all depths and strata below the depth of 5,000 feet underlying the surface boundaries of the pooled Unit; and,

WHEREAS, the Declaration of Gas Unit, by Exhibit "A" (Part "1") describes each Tract in the Unit Area, and, by Exhibit "A" (Part "2") shows on a map the boundary lines of the Unit Area and the Tracts therein; and,

WHEREAS, the Declaration of Gas Pooling provides that any Party owning or holding an interest in the Oil and Gas Leases and unleased minerals in the Unit Area may become a party to the instrument by signing the original of said instrument, a counterpart copy thereof, or a ratification thereof; and,

WHEREAS, the State of Texas is the owner of fee lands within the Unit Area, identified as Tract No. 15 on Exhibit "A" (Parts "1" and "2"), and Exhibit "B", which lands are subject to an Oil and Gas Lease dated February 6, 1979 owned by American Trading and Production Corporation, et al and pursuant to the provisions of Sub-Chapter E, Chapter 52, of the Natural Resources Code authorizing the same, the School Land Board has approved the Declaration of Gas Unit and the commitment of the State's royalty interest thereto AS TO AND ONLY AS TO all depths and strata lying below the depth of 15,000 feet below the surface, upon the condition, however, that the Working Interest Owners agree to the terms hereinafter set forth in consideration of the limited commitment of the State's royalty interest. The Commissioner of the General Land Office is authorized by the aforesaid provision to execute said Declaration of Gas Unit, or a ratification thereof, on behalf of the State.

NOW, THEREFORE, the Commissioner of the General Land Office of the State of Texas, acting on behalf of the State, for and in consideration of the premises and the benefits anticipated to accrue to the State under said Declaration of Gas Unit, does hereby commit to said Declaration of Gas Unit the royalty interest of the State of Texas under Tract No. 15, as identified on Exhibit "A", (Parts "1" and "2"), and Exhibit "B" thereto AS TO AND ONLY AS TO all depths and strata lying below the depth of 15,000 feet below the surface and, except for said limited depths and except as hereinafter set forth, does hereby agree that the State of Texas shall be bound by all of the provisions of said Declaration of Gas Unit, the same as if the undersigned had executed the original or a counterpart copy of said Declaration of Gas Unit.

This instrument is executed by the undersigned upon the condition that the Working Interest Owners agree to the following terms in consideration of the commitment of the State's Royalty Interest to said Declaration of Gas Unit:

POOLING AND EFFECT:

The parties hereto commit all of their interests which are within the unit to the extent and as above described into said unit and unitize and pool hereunder the separate tracts described on the attached Exhibit "A" for and during the term hereof, so that such pooling or unitization shall have the following effect:

- (a) The unit, to the extent as above described, shall be operated as an entirety for the exploration, development and production of the pooled mineral, rather than as separate tracts.
- (b) All drilling operations, reworking or other operations with respect to the pooled mineral on land within the unit shall be considered as though the same were on each separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this agreement.
- (c) Production of the pooled mineral from the unit allocated to each separate tract, respectively, as hereinafter provided, shall be deemed to have been produced from each such separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this agreement.
- (d) All rights to the production of the pooled mineral from the unit, including royalties and other payments, shall be determined and governed by the lease or other contract pertaining to each separate tract, respectively, based upon the production so allocated to such tract only, and in lieu of the actual production of the pooled mineral therefrom.
- (e) A shut-in gas well located upon any lease included within said unit shall be considered as a shut-in gas well located upon each lease included within said unit; provided, however, that shut-in gas well royalty shall be paid to the State on each State lease wholly or partially within the unit, according to the terms of such lease as though such shut-in gas well were located on said lease, it being agreed that shut-in royalties provided in each State lease shall not be shared with other royalty owners or otherwise diminished by reason of this agreement.
- (f) Notwithstanding any other provision hereof, it is expressly agreed that each State lease may be maintained in force as to areas lying outside the Unit Area shown on Exhibit "A" only as provided in each such lease without regard to unit operations or unit production. Neither production of the pooled mineral, nor unit operations with respect thereto, nor the payment of shut-in royalties from a unit gas well, shall serve to hold any State lease in force as to any area outside the Unit Area, regardless of whether the production or operations on the unit are actually located on the State lease or not. "Area" as used in this paragraph shall be based upon surface acres to the end that the area inside the surface boundaries of the pooled unit, if held, will be held as to all depths and horizons.
- (g) If the Railroad Commission of Texas (or any other regulatory body having jurisdiction) shall adopt field rules providing for gas units of less than 640 acres, then Lessee agrees to either (1) drill to the density permitted by the Railroad Commission, (2) reform the unit to comply with Railroad Commission unit rules, or (3) make application to the School Land Board of the State of Texas for such remedy as may be agreeable to the Board.
- (h) This agreement shall not relieve Lessee from the duty of protecting any State leases from drainage from any well situated

on privately owned land, but, subject to such obligation, the parties hereto may produce the allowable for the entire unit as fixed by the Railroad Commission of Texas or other lawful authority, from any one or more wells completed thereon.

- (i) There shall be no obligation to drill internal offsets to any other well on separate tracts within the unit nor to develop the tracts separately, as to the pooled mineral except as provided herein.
- (j) Should this agreement terminate for any cause, in whole or in part, the leases and other contracts affecting the lands within the unit, if not then otherwise maintained in force and effect, shall remain and may be maintained in force and effect under their respective terms and conditions in the same manner as though there had been production or operations under said lease or contract and the same had ceased on the date of the termination of this agreement.

2.

ALLOCATION OF ROYALTY:

For the purpose of computing the royalty to which each royalty owner shall be entitled on production of the pooled mineral, there shall be allocated to each tract committed to the above referred unit, that pro rata portion of the pooled mineral produced from the pooled unit which the number of surface acres covered by each such tract and included in the unit bears to the total number of surface acres included in said unit, and the share of production to which each interest owner is entitled shall be computed on the basis of such owner's interest in the production so allocated to each tract.

3.

TAKING ROYALTY IN KIND:

Notwithstanding anything contained herein to the contrary, the State may, at its option, upon not less than 60 days' notice to Lessee, require that payment of all or any royalties accruing to the State under this pooling or unitization agreement be made in kind, without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and otherwise making the oil, gas and other products produced hereunder ready for sale or use.

4.

FULL MARKET VALUE:

In the event the State does not elect to take its royalty in kind, the State shall receive full market value for its royalty hereunder, such value to be determined as follows:

- (a) As to royalty on oil by (1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity for the field where produced and when run, or (2) the highest market price thereof offered or paid for the field where produced and when run, or (3) the gross proceeds of the sale thereof, whichever is the greater;
- (b) As to royalty on gas, such value to be based on (1) the highest market price paid or offered for gas of comparable quality for the field where produced and when run, or (2) the gross price paid or offered to the producer, whichever is the greater.

(For the purposes of this Agreement "field" means the general area in which the lands covered hereby are located.

5.

EFFECTIVE DATE:

This Agreement shall become effective when signed by the Commissioner of the General Land Office of the State of Texas, or from the date production of the pooled mineral is the first obtained, whichever date is sooner.

6.

TERM:

This Agreement shall remain in effect as long as the pooled mineral is being produced from said unit, or so long as drilling or reworking operations are being prosecuted thereon with no more than sixty (60) days between cessation of either production or such operations and the beginning or resumption of either of them, as the case may be, from time to time thereafter, or so long as all existing leases covering the pooled mineral are maintained in force insofar as they are included in the pooled unit by payment or tender of shut-in gas well royalties, or by other means, in accordance with the terms of said leases. Nothing herein shall amend or modify Section 52.031 of the Natural Resources Code, or any of the provisions thereof which are contained in any State lease included in this Agreement.

7.

STATE LAND:

Insofar as the royalty interest of the State of Texas in and under any State tract committed to the unit is concerned, this Agreement is entered into, made and executed by the undersigned Commissioner of the General Land Office by virtue of the authority and pursuant to the provisions of Sub-Chapter E, Chapter 52, of the Natural Resources Code, authorizing the same, after the prerequisites, findings and approval hereof, as provided in said Code, having been duly considered, made and obtained.

8.

DISSOLUTION:

The unit covered by this Agreement may be dissolved by the parties hereto, their heirs, successors or assigns, by an instrument filed for record in Loving County, Texas, and a certified copy thereof filed in the General Land Office at any time after the cessation of production on said unit or the completion of a dry hole thereon prior to production.

9.

COUNTERPART EXECUTION:

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement upon the respective dates indicated below.

Date Executed 9-22-80

STATE OF TEXAS

By: Ben Armstrong
Commissioner of the
General Land Office

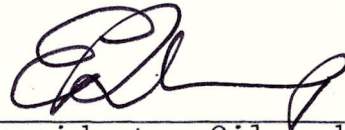
Approved
Audit LG
Legal Jan
Geology Amr
Execution JS
Engineering _____

Date Executed 8-1-80

AMERICAN TRADING AND PRODUCTION CORPORATION

ATTEST:

By: 
Assistant Secretary

By: 
Vice President - Oil and Gas Division

Date Executed _____

SUNMARK EXPLORATION COMPANY,
A DIVISION OF SUN OIL COMPANY (DELAWARE)

By: _____
Attorney-In-Fact

Date Executed _____

TIPPERARY OIL AND GAS CORPORATION

ATTEST:

By: _____

By: _____
Vice President

Date Executed _____

UNION OIL COMPANY OF CALIFORNIA

By: _____
Attorney-In-Fact

Date Executed _____

AMERICAN PUBLIC ENERGY COMPANY

ATTEST:

By: _____

By: _____
Vice President

Date Executed _____

GRIFFIN & BURNETT, INC.

ATTEST:

By: _____

By: _____

Date Executed _____

DAVID FASKEN

Date Executed _____

BEN J. FORTSON

Date Executed _____

WILLIAM K. YOUNG

Date Executed _____

FRANK G. YOUNG

(Signature page to Ratification of Declaration of Gas Pooling - ARNO Gas Unit No. 2)

Date Executed _____

MARSHALL R. YOUNG OIL COMPANY

ATTEST:

By: _____
Assistant Secretary

By: _____
Vice President

Date Executed _____

CURTIS POOL

CERTIFICATE

I, LINDA FISHER, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on the 5th day of August, 1980, the foregoing instrument was presented to and approved by said Board under the provisions of Sub-Chapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am custodian.

IN TESTIMONY WHEREOF, witness my hand this the 19th day of September, 1980.

Linda K. Fisher
Secretary of the School Land Board

THE STATE OF TEXAS X

COUNTY OF TRAVIS X

BEFORE ME, the undersigned authority, on this day personally appeared BOB ARMSTRONG, Commissioner of the General Land Office, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 25th day of September, 1980.

My Commission Expires:
9-30-80

Linda M. Fisher
Notary Public in and for
Travis County, Texas

STATE OF TEXAS X

COUNTY OF HARRIS X

BEFORE ME, the undersigned authority, on this day personally appeared E. R. KEMP, Vice President, Oil and Gas Division, of AMERICAN TRADING AND PRODUCTION CORPORATION, a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 1st day of August, 1980.

My Commission Expires
July 31, 1984

Patricia T. Chambers
Notary Public in and for
Harris County, Texas

(Signature and Acknowledgment page to Ratification of Declaration of Gas Pooling - ARNO Gas Unit No. 2)

STATE OF _____X

COUNTY OF _____X

BEFORE ME, the undersigned authority, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument as, _____, of SUNMARK EXPLORATION COMPANY, A DIVISION OF SUN OIL COMPANY (DELAWARE), a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 1980.

My Commission Expires: _____

Notary Public in and for
County, _____

STATE OF _____X

COUNTY OF _____X

BEFORE ME, the undersigned authority, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument as, _____, of TIPPERARY OIL AND GAS CORPORATION, a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 1980.

My Commission Expires: _____

Notary Public in and for
County, _____

STATE OF _____X

COUNTY OF _____X

BEFORE ME, the undersigned authority, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument as, _____, of UNION OIL COMPANY OF CALIFORNIA, a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 1980.

My Commission Expires: _____

Notary Public in and for
County, _____

(Acknowledgment page to Ratification of Declaration of Gas Pooling - ARNO Gas Unit No. 2).

STATE OF _____X

COUNTY OF _____X

BEFORE ME, the undersigned authority, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument as, _____, of AMERICAN PUBLIC ENERGY COMPANY, a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 1980.

My Commission Expires: _____ Notary Public in and for _____ County, _____

STATE OF _____X

COUNTY OF _____X

BEFORE ME, the undersigned authority, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument as, _____, of GRIFFIN & BURNETT, INC., a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 1980.

My Commission Expires: _____ Notary Public in and for _____ County, _____

STATE OF _____X

COUNTY OF _____X

BEFORE ME, the undersigned authority, on this day personally appeared CURTIS POOL, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 1980.

My Commission Expires: _____ Notary Public in and for _____ County, _____

(Acknowledgment page to Ratification of Declaration of Gas Pooling - ARNO Gas Unit No. 2)

STATE OF _____ X

COUNTY OF _____ X

BEFORE ME, the undersigned authority, on this day personally appeared WILLIAM K. YOUNG, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 1980.

My Commission Expires: _____

Notary Public in and for
_____ County, _____

STATE OF _____ X

COUNTY OF _____ X

BEFORE ME, the undersigned authority, on this day personally appeared FRANK G. YOUNG, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 1980.

My Commission Expires: _____

Notary Public in and for
_____ County, _____

STATE OF _____ X

COUNTY OF _____ X

BEFORE ME, _____, a Notary Public, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument as _____ of MARSHALL R. YOUNG OIL COMPANY, and acknowledged to me that he subscribed the name of MARSHALL R. YOUNG OIL COMPANY thereto as principal and his own name as _____, and that MARSHALL R. YOUNG OIL COMPANY executed said instrument by and through him for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 1980.

My Commission Expires: _____

Notary Public in and for
_____ County, _____

STATE OF _____X

COUNTY OF _____X

BEFORE ME, the undersigned authority, on this day personally appeared DAVID FASKEN, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 1980.

My Commission Expires: _____ Notary Public in and for _____ County, _____

STATE OF _____X

COUNTY OF _____X

BEFORE ME, the undersigned authority, on this day personally appeared BEN J. FORTSON, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 1980.

My Commission Expires: _____ Notary Public in and for _____ County, _____

STATE OF _____X

COUNTY OF _____X

BEFORE ME, the undersigned authority, on this day personally appeared MARSHALL S. McCREA, JR., TRUSTEE, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 1980.

My Commission Expires: _____ Notary Public in and for _____ County, _____

(Acknowledgment page to Ratification of Declaration of Gas Pooling - ARNO Gas Unit No. 2)

STATE OF _____X

COUNTY OF _____X

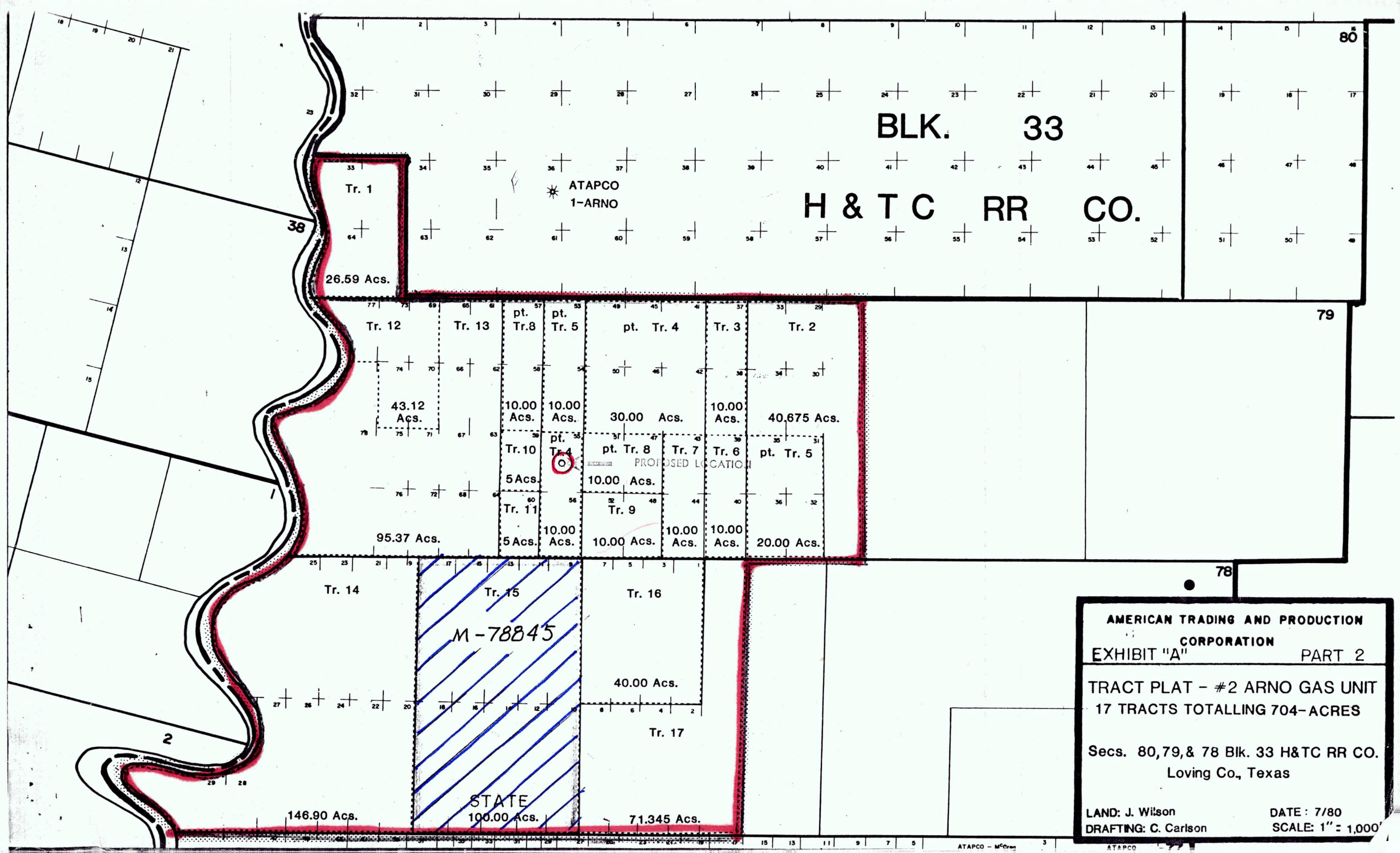
BEFORE ME, the undersigned authority, on this day personally appeared RICHARD S. BROOKS, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 1980.

My Commission Expires: _____

Notary Public in and for
County, _____

(Acknowledgment page to Ratification of Declaration of Gas Pooling -
ARNO Gas Unit No. 2)



BLK. 33

H & T C RR CO.

ATAPCO
1-ARNO

Tr. 1

26.59 Acs.

Tr. 12

Tr. 13

pt. Tr. 8

pt. Tr. 5

pt. Tr. 4

Tr. 3

Tr. 2

43.12
Acs.

10.00
Acs.

10.00
Acs.

30.00 Acs.

10.00
Acs.

40.675 Acs.

Tr. 10

pt. Tr. 4

Tr. 8

Tr. 7

Tr. 6

pt. Tr. 5

5 Acs.

10.00 Acs.

Tr. 9

10.00 Acs.

10.00 Acs.

10.00 Acs.

20.00 Acs.

95.37 Acs.

Tr. 14

Tr. 15

Tr. 16

M-78845

40.00 Acs.

Tr. 17

146.90 Acs.

STATE
100.00 Acs.

71.345 Acs.

AMERICAN TRADING AND PRODUCTION
CORPORATION
EXHIBIT "A" PART 2

TRACT PLAT - #2 ARNO GAS UNIT
17 TRACTS TOTALLING 704-ACRES

Secs. 80, 79, & 78 Blk. 33 H&TC RR CO.
Loving Co., Texas

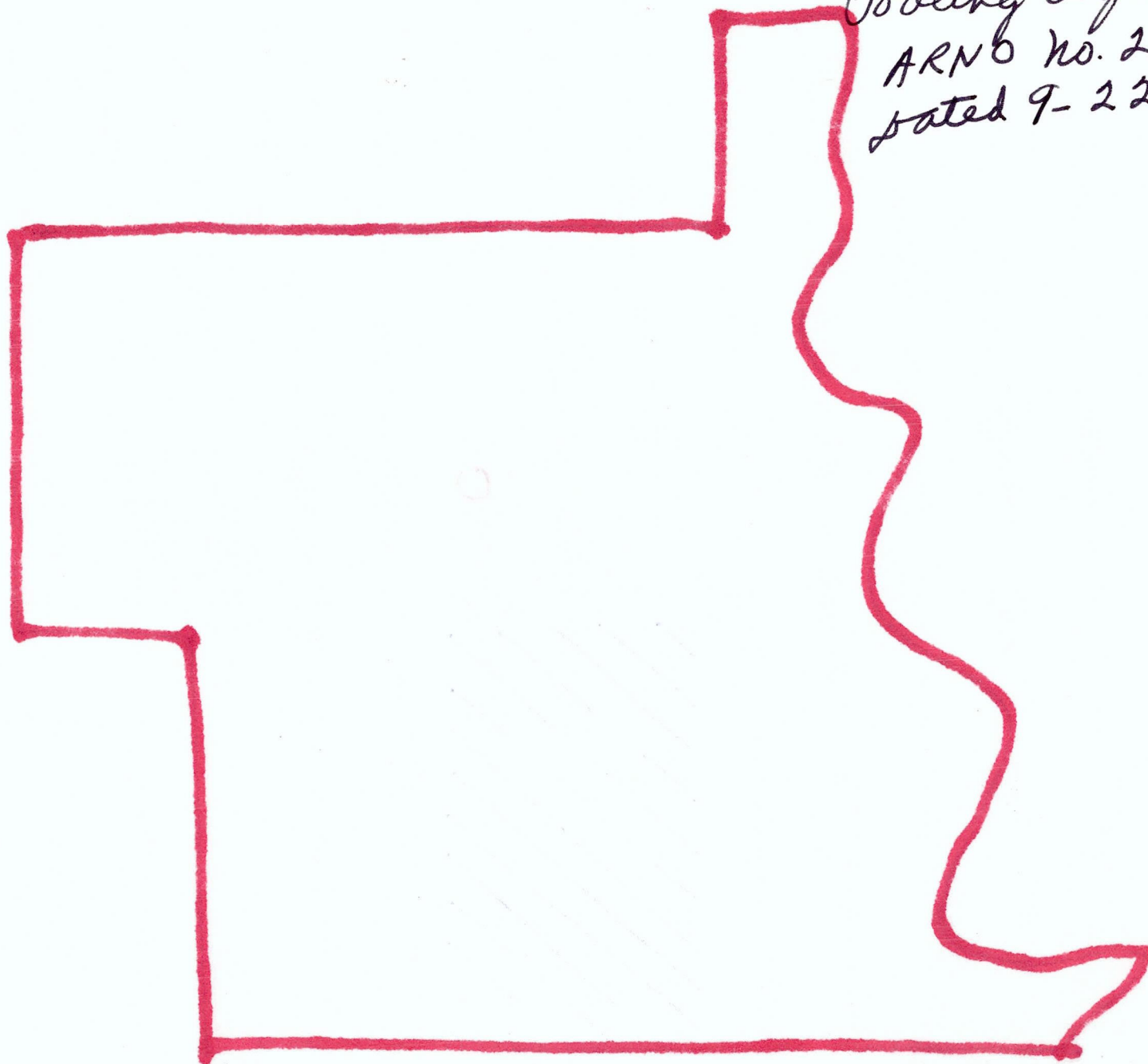
LAND: J. Wilson
DRAFTING: C. Carlson

DATE: 7/80
SCALE: 1" = 1,000'

⑧

m- 78845

Pooling agreement
ARNO No. 2 Unit
dated 9-22-80 gsd



American Trading & Production Corporation
Capital National Bank Building
1300 Main - Suite 1114
Houston, Texas 77002



4657

Certified Mail
Return Receipt Requested

033032

AMERICAN TRADING AND PRODUCTION CORPORATION ✓ OIL AND GAS DIVISION

VOUCHER NO.	INV. IDENT.	INVOICE AMOUNT	CASH DISCOUNT	VOUCHER DATE	DEDUCTION AMOUNT	NET AMOUNT
00480		500.00		12/31/0		500.00
00480	FOR PAYMENT OF RENTAL 2329			PER ATTACHED RECEIPT*		
00480	LEASE DATE COUNTRY/STATE			COUNTY/PARISH	*	
00480	2/ 6/79 TX			LOVING	*	
00480	BOOK 53 PAGE 625			FOR 12 MOS. BEGIN- 2/06/81*	*	
00480	TO THE CREDIT OF			500.00	*	
00480	ST LSE #78845				*	
				121		
	Baltimore, Md.					46367
CHECK NO.	PAID DATE	TOTAL INVOICE AMOUNT	CASH DISCOUNT	TOTAL DEDUCTIONS	CHECK AMOUNT	
33032	1/02/81	500.00			500.00	

DETACH BEFORE DEPOSITING CHECK

AMERICAN TRADING AND PRODUCTION CORPORATION
OIL & GAS DIVISION

RECEIPT NO- 01215

R E N T A L R E C E I P T

CHECK NO- 33032

COMMISSIONER OF THE GENERAL
LAND OFFICE-STATE OF TEXAS
GENERAL LAND OFFICE
AUSTIN TX 78701

DATE- 1/02/1

GENTLEMEN.

WE ARE HERewith ENCLOSING CHECK FOR THE SUM OF \$500.00 IN
FULL PAYMENT OF THE DELAY RENTAL FOR THE 12 MONTHS BEGINNING- 2/06/81.

FOR- LEASE NO. LEASE DATE COUNTY/PROVINCE COUNTRY/STATE BOOK PAGE
2329 2/06/79 LOVING TX 53 625

PROSPECT AREA-

ARND

LESSOR-
STATE OF TEXAS 78845

LAND DESCRIPTION-
MID/PART OF SW/PART OF SEC 79, BLK 33, H&TC RY CO
SURV.

TO THE CREDIT OF-
ST LSE #78845

46367

BANK SERVICE CHARGE \$.00 RENTAL AMOUNT-\$ 500.00

PLEASE ACKNOWLEDGE RECEIPT ON THE ORIGINAL AND RETURN.
KEEPING THE ENCLOSED COPY FOR YOUR RECORDS.

AMERICAN TRADING AND PRODUCTION CORPORATION

St. Chambers

THE ABOVE DESCRIBED CHECK FOR THE SUM OF \$500.00 HAS BEEN RECEIVED
AND DEPOSITED BY US AS ABOVE REQUESTED.

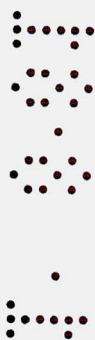
ORIGINAL TO BE RETURNED TO.

AMERICAN TRADING AND PRODUCTION CORP.
1300 MAIN, SUITE 1114
HOUSTON, TEXAS 77002

BY

DATE

⑨ M-78845
Rental Payment
1-8-81



February 4, 1982

American Trading and Production Corporation
1300 Main, Suite 1114
Houston, Texas 77002

ATTENTION: Accounting Manager

RE: State Lease M-78845
Arno #2 Unit Lease
Mentone Field
Loving County, Texas

Gentlemen:

This will acknowledge receipt of your \$1200.00 check for shut-in gas royalty for the above lease.

Please complete and return one copy of the enclosed shut-in gas affidavits.

If the annual shut-in affidavit has already been forwarded, please disregard this request.

Sincerely yours,

Charles F. Whitsel, Unit Supervisor
Resource Accounting
Telephone No. 512-475-2856

DGD/pdg
Enclosures

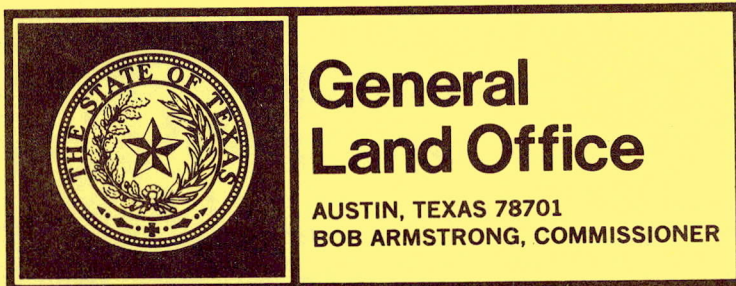
(10)

M. F. 78845
CORRESPONDENCE FILE
TO

AMERICAN TRADING + PROD

FROM

DATED 2-4-82



March 9, 1982

American Trading and Production Corporation
1300 Main, Suite 1114
Houston, Texas 77002

SECOND REQUEST

ATTENTION: Accounting Manager

RE: State Lease M-78845
Arno #2 Unit Lease
Mentone Field
Loving County, Texas

Gentlemen:

Enclosed is a copy of our letter to you dated February 4, 1982 and as of this date we have not received a reply to this letter.

In order to expedite the handling of your correspondence, please direct your reply to the undersigned Supervisor.

Your prompt attention to this matter is requested.

Sincerely yours,

Charles F. Whitsel, Unit Supervisor
Resource Accounting
Telephone No. 512-475-2856
Enclosure

DGD/pdg

M. F. 78845
CORRESPONDENCE FILE
TO

American Trade + Groc

~~FROM~~

DATED B-9-82

(11)

March 22, 1982

American Trading and Production Corporation
Western United Life Building
Post Office Drawer 992
Midland, Texas 79702

ATTENTION: Accounting Manager

RE: State Lease M-78845
Arno #2 Unit Lease
Mentone Field
Loving County, Texas

Gentlemen:

This will acknowledge receipt of your \$1200.00 check for shut-in gas royalty for the above lease.

Please complete and return one copy of the enclosed shut-in gas affidavits.

If the annual shut-in affidavit has already been forwarded, please disregard this request.

Sincerely yours,

Charles F. Whitsel, Unit Supervisor
Resource Accounting
Telephone No. 512-475-2856

DGD/pdg
Enclosures

(12)

M. F. 78845

CORRESPONDENCE FILE

TO

AMERICAN TRAD + PROP

FROM

DATED 3/22/82

M-78845

SHUT-IN AFFIDAVIT

Enter appropriate comments, if any,
and initial. Pass to next person
within one day.

Affidavit Auditor Initial: DGD Date: 4-2-82
Comments:

Exploration & De- RA 4-5-8
velopment
Comments:

Legal-Energy JS 4-5-82
Resources
Comments:

Affidavit Auditor DGD 4-6-82
Comments:

AMERICAN TRADING AND PRODUCTION CORPORATION
OIL & GAS DIVISION
SHUT-IN GAS WELL ROYALTY

RENTAL RECEIPT

NO. 13392

HOUSTON, TEXAS, February 1 19 82

General Land Office

Austin, Texas 78701

GENTLEMEN:

We are herewith enclosing check for the sum of \$ 1,200.00 shut-in gas royalty in full payment of the delay rental period from February 6, 1982 to February 6, 1983

payable under the terms of oil and gas lease executed on February 6, 1979 by

The State of Texas (Lease No. 78845)

in favor of American Trading and Production Corporation

insofar as said lease covers the following described land in Loving County, Texas to-wit.

Mid/Part of SW/Part of Section 78, Block 33, H&TC Ry. Co. Survey, Loving County, Texas, containing 100 acres as shown on the official map of Loving County, Texas, now on file in the General Land Office in Austin, Texas, and as further shown on the plat attached hereto and made a part of. (and being Tract No. 15 of the ARNO Gas Unit No. 2).

Atapco Lease # 2329-2-82

For your convenience in making distribution of this shut-in royalty rental, as far as can be ascertained from our files it should be distributed as follows:

TO THE CREDIT OF: STATE OF TEXAS \$ 1,200.00
(COMMISSIONER OF THE GENERAL LAND OFFICE)

Bank service charge \$ XXXXXXXXXX

Kindly acknowledge receipt on the original and return it in the enclosed stamped and addressed envelope, keeping the enclosed copy of this letter for your records.

Yours very truly,

AMERICAN TRADING AND PRODUCTION CORPORATION

The above described check for the sum of \$ 1,200.00 above requested.

has this day been received and deposited by us as

ORIGINAL TO BE RETURNED TO:

AMERICAN TRADING AND PRODUCTION CORP.

1300 Main, Suite 1114

Houston, Texas 77002

By _____

Date _____

Receipt Returned 2-3-82
D.G.D.

Op

De

Part

The
and

2

3.

4.

List additional wells and information under Remarks.

5. Is there a well that is draining this lease, but further than 1000'? No

Lease	Date of first production
1	1964
2	1965
3	1966
4	1967
5	1968
6	1969
7	1970
8	1971
9	1972
10	1973
11	1974
12	1975
13	1976
14	1977
15	1978
16	1979
17	1980
18	1981
19	1982
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21	1984
22	1985
23	1986
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42	2005
43	2006
44	2007
45	2008
46	2009
47	2010
48	2011
49	2012
50	2013
51	2014
52	2015
53	2016
54	2017
55	2018
56	2019
57	2020
58	2021
59	2022
60	2023
61	2024
62	2025
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131	2094
132	2095
133	2096
134	2097
135	2098
136	2099
137	2100
138	2101
139	2102
140	2103
141	2104
142	2105
143	2106
144	2107
145	2108
146	2109
147	2110
148	2111
149	2112
150	2113
151	2114
152	2115
153	2116
154	2117
155	2118
156	2119
157	2120
158	2121
159	2122
160	2123

*Gas contains 54% CO₂ and there is no available market at this location.

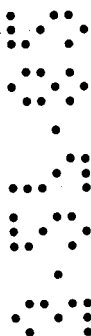
V-88-82
4-6-82

#1200.00
Rec'd 2-2-82
Reg. # 59758

G.L.O. use only

Receiving Stamp

Commission expires 6-8-85



M.F. No. 78845
Affidavit and

(13)

Shut-in Gas Royalty Payment

For 2-6- 1984 2-6- 1983

Commissioner

Filed by D. Donaldson
Clerk

G.L.O. use only:

M-_____

Has lease been amended? _____

Electric or Radio Active Logs filed? _____

Potential Test (RRC Form GWT-1 received? _____

Primary Term Expired _____, 19____

Acres _____ Rental \$ _____ Twice Rental \$ _____

Checked by _____ Audited by _____

Shut-in Gas Royalty for _____ 19____ to _____ 19____ \$ _____

AMERICAN TRADING AND PRODUCTION CORPORATION

WESTERN UNITED LIFE BUILDING
POST OFFICE DRAWER 992
MIDLAND, TEXAS 79702 ✓

915 / 684-4463

February 1, 1982

WEST TEXAS / NEW MEXICO DISTRICT

General Land Office
1700 North Congress Avenue
Austin, Texas 78701

Attention: Mr. Lanvil Gilbert

Re: (American Trading and Production Corporation)'s
ARNO Gas Unit No. 2,
State of Texas Lease No. 78845,
Loving County, Texas
ATAPCO Lease No. 2329-2-82

X 1,200.⁰⁰ 50758

Gentlemen:

122

Reference is made to State of Texas Lease No. 78845 dated February 6, 1979, covering the following described land:

Mid/Part of SW/Part of Section 78, Block 33, H&TC Ry. Co. Survey, Loving County, Texas, containing 100 acres, as shown on the official map of Loving County, Texas, now on file in the General Land Office in Austin, Texas, and as further shown on the plat attached hereto and made a part hereof.

The entirety of the above lease, as to depths below 15,000 feet, was pooled by the General Land Office into ATAPCO's No. 2 ARNO Gas Unit comprising 704 acres in Sections 78, 79 and 80, Block 33, H&TC Ry. Co. Survey, Loving County, Texas.

The No. 2 ARNO Gas Unit well was spudded on November 25, 1980, and drilled to a total depth of 21,700 feet and completed as a shut-in gas well in the Ellenburger formation. A copy of Operator's Form G-1 filed with the Texas Railroad Commission is enclosed herewith. The well remains shut-in for lack of market due to the large quantity of CO₂ produced with the gas from the Ellenburger formation. The only gas transmission lines in the vicinity of the well are sweet gas lines.

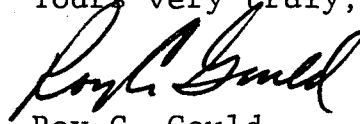
Accordingly, and pursuant to the terms and provisions of Paragraph No. 10 of subject lease, enclosed is our check in the amount of \$1,200.00 representing shut-in gas well royalty for the period from

February 1, 1982

February 6, 1982 to February 6, 1983. Enclosed also is our form of receipt for such payment, and it would be appreciated if you would return a signed copy to us at your earliest convenience.

Please advise us in the event the enclosures are not entirely in order.

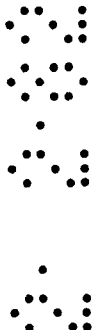
Yours very truly,



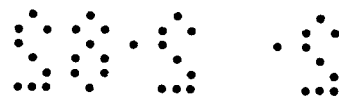
Roy C. Gould
District Operations Manager

RCGve

Encl:



(14) M-78845
Ltr From ATAPCO
dtd 2-1-82 DGD



API No. if Available 42 301 30270

GAS WELL BACK PRESSURE TEST COMPLETION OR RECOMPLETION REPORT AND LOG

1. FIELD NAME (as per RRC Records or Wildcat) Wildcat		2. LEASE NAME Arno Gas Unit		7. RRC District 8
3. OPERATOR ATAPCO				8. RRC Identification Number
4. ADDRESS P. O. Drawer 992, Midland, TX 79702				9. Well Number 2
5. LOCATION (Section, Block, and Survey) Sec. 79, Blk 33 H & TC RR Co		5b. Distance and Direction from nearest town in this county. 3 mi. SW from Mentone		10. County Loving
6. If Operator has changed within last 60 days - Give former Operator.		12. If Workover or Reclass, give former Field (with Reservoir) & Gas ID or Oil Lease #.		11. Purpose of Test Initial Potential ☒ Retest ☐ Reclass ☐
13. Pipe Line Connection None		FIELD & RESERVOIR		14. Completion or Recompletion Date 6-18-81
15. List of Offset Operators Notified and Date of Notification None Notified		Any Condensate on hand at time of Workover or Recompletion? ☐ Yes ☒ No		16. Type of Electric or other Log Run. CNL-FDC CDL, BHC, DI/DLL

Section I - GAS MEASUREMENT DATA										
Date of Test 7-21-81		Gas Measurement Method (Check One)								Gas produced during test 322 MCF
		Orifice Meter ☒	Positive Choke ☐	Orifice Vent Meter ☐	Pitot Tube ☐	Critical-flow Prover ☐				
Run No.	Line Size	Orifice or Choke Size	24 Hr. Coeff. Orif or Choke	Static P _m or Choke Press	Diff. h _w	Flow Temp. °F	Temp. Factor F _{ff}	Gravity Factor F _g	Compress Factor F _{pv}	Volume MCF/DAY
1	4.0	1.750	19763	330	10	110	.9551	.7201	1.0283	803
2	4.0	1.750	19763	345	50	65	.9952	.7201	1.0384	1931
3	4.0	1.750	19763	650	30	30	1.0302	.7201	1.1067	2265
4	4.0	1.750	19763	665	41	35	1.0249	.7201	1.1048	2660

Section II - FIELD DATA AND PRESSURE CALCULATIONS										
Gravity (Dry Gas) 1.157		Gravity Liquid Hydrocarbon 0 Deg. API		Gas-Liquid Hydro Ratio 0 CF/Bbl		Gravity of Mixture G_{mix} = 1.157		Avg. Shut-In Temp. 181 °F		Bottom Hole Temp. 280 °F @ 21242 (Depth)
$D_{eff}^{8/3} = 11.08$		$\sqrt{T_f} = \sqrt{637} = 25.25$		$\sqrt{GL} = \sqrt{24577} = 156.77$						
$\frac{1.157 \times (D_{eff})^{8/3}}{\sqrt{T}} = 491$				$\frac{\sqrt{GL}}{C} = .31942$						
Run No.	Time of Run Min.	Choke Size	Wellhead Press P _w PSIA	Wellhead Flow Temp. °F	P _w ² (Thousands)	R	R ² (Thousands)	P _i	P _w /P _i	
Shut-In			1800	82	3239					
1	60	.125	1737	76	3016	256.4	65.7	1808	.990	
2	60	.156	1617	75	2614	436.1	190.2	1755	.989	
3	60	.188	1555	75	2417	590.7	349.0	1674	.965	
4	60	.250	1445	74	2087	849.8	722.1	1676	.862	
Run No.	F	K	S = $\frac{1}{z}$	E _{ks}	P _f and P _s	P _f ² and P _s ²	P _f ² - P _s ²	Angle of Slope θ = 55.6 n = .685 Absolute Open Flow 7150 MCF/DAY		
Shut-In		.7188	1.291	2.529	4552	20717				
1	.994	.7182	1.297	2.539	4456	19860	857			
2	.982	.7097	1.293	2.504	4192	17577	3140			
3	.967	.6988	1.289	2.462	4094	16763	3954			
4	.932	.6734	1.280	2.369	3970	15759	4958			

An inclination survey has been run in accordance with Statewide Rule 11 and the results are available upon request. Maximum horizontal displacement was **91.72** feet at a measured depth of **21,700** feet.

Signature of Authorized Representative: [Signature] Name of Company Conducting Survey: Parker Drilling Company

I have knowledge that the cementing operations, as reflected by the information found on the reverse side of this form, were performed as indicated by such information.

Signature of Cementer or Authorized Representative: [Signature] Name of Cementing Company: Halliburton Company

CERTIFICATE:
I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction and that data and facts stated therein are true, correct, and complete, to the best of my knowledge.

[Signature] REPRESENTATIVE OF COMPANY ATAPCO

SECTION III

DATA ON WELL COMPLETION AND LOG (Not Required on Retest)

17. Type of Completion: New Well ☒ Deepening ☐ Plug Back ☐ Other ☐				18. Permit to Drill, Plug Back or Deepen DATE 9-22-80 PERMIT NO. 093468 Rule 37 Exception CASE NO. Water Injection Permit PERMIT NO. Salt Water Disposal Permit PERMIT NO. Other PERMIT NO.	
19. Notice of Intention to Drill this Well was filed in Name of ATAPCO				20. Number of Producing Wells on this Lease in This Field (Reservoir) including this Well one	
21. Total Number of Acres in this Lease. 704				22. Date Plug Back, Deepening, Work Over or Drilling Operations: Commenced 11-25-80 Completed 5-28-81	
23. Distance to Nearest Well, Same Lease & Reservoir none				24. Location of Well, Relative to Nearest Lease Boundaries of Lease on which this Well is Located 1650 Feet From NW Line And 3000 Feet From NE Line of the Arno Gas Unit Lease	
25. Elevation (OF, RKB, RT, GR, ETC) 2692' RKB 2665' GL				26. Was Directional Survey Made Other Than Inclination (Form W-12)? ☐ Yes ☒ No	
27. Top of Pay 21,105	28. Total Depth 21,700	29. P. B. Depth 21,612	30. Surface Casing Determined by: Field Rules ☐ Recommendation of T.D.W.R. ☒ Railroad Commission (Special) ☐ Dt. of Ltr. 9-17-80		
31. Is Well Multiple Completion? Yes ☐ No ☒		32. If Multiple Completion List All Reservoir Names (Completion in this Well) and Oil Lease or Gas ID No. FIELD & RESERVOIR			33. Intervals Drilled by: Rotary Tools Cable Tools X
34. Name of Drilling Contractor Parker Drilling Co.				35. Is Cementing Affidavit Attached? ☒ Yes ☐ No	

36. CASING RECORD (Report All Strings Set in Well)							
CASING SIZE	WT #/FT.	DEPTH SET	MULTISTAGE TOOL DEPTH	TYPE & AMOUNT CEMENT (Sacks)	HOLE SIZE	TOP OF CEMENT	SLURRY VOL. cu. ft.
20"	94	915'	----	1750 "C"	26"	Circ.	2954
13 3/8"	61-68-72	4115'	----	3800 "C"	17 1/2"	Circ.	7722
10 3/4"	51-55.5-60.7	11450'	4181-6220-11450	2840 "C"	12/1/4"	58'	4405

37. LINER RECORD				
Size	Top	Bottom	Sacks Cement	Slurry Screen Vol.
7 3/4" - 46.1#	11204	18035	1545 "H"	1915 cu. ft.
5" - 23.08#	17623	21699	410 "H"	664 cu. ft.

38. TUBING RECORD			39. Producing Interval (this completion) indicate Depth of Perforation or Open Hole	
Size	Depth Set	Packer Set	From	To
3 1/2" OD	7029	---	21105	21125
2 7/8" OD	10577	17606	21240	21384
			From	To
			From	To

40. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.	
Depth Interval	Amount and Kind of Material Used
21105-21125	4,000 gal. 20% Hcl + 20,000 gal. 20% Hcl
21105-21384	50,000 gal 20% Hcl

41. FORMATION RECORD (LIST DEPTHS OF PRINCIPAL GEOLOGICAL MARKERS AND FORMATION TOPS)			
Formations	Depth	Formations	Depth
Lamar	4175	Wolfcamp	11,225
Cherry Canyon	4231	Atoka	16,480
Bone Springs	7843	Barnett	17,594

REMARKS	
	Woodford 18,367
	Siluro-Devonian 18,788
	Fusselman 18,987
	Montoya 19,436
	Simpson 19,946
	Ellenburger 21,020

(14) M-78845

Ltr. Fr. Amer. TRAD. + PROD.

Dated 2-1-82 DGD.

00000000

U. S. F. 78845
COMMISSION REPORT
WILL # 2
BOB ASKEWING, COMMISSIONER
R. V. PHIPPS
AUG 6 1982

YES ☒ NO ☐ (Instruction (2) on back side.)

WELL STATUS REPORT

OPERATOR ATAPCO

Within Arno No. 2 unit

STATE LEASE NO. M-78845 FEE R.A.L. FREE ROYALTY

OFFSET, APPROX. FT. FROM STATE LEASE

LEASE Arno Gass Unit WELL NO. 2

FIELD NAME WILDCAT xx COUNTY Loving

REPORT NO. 1 SPUD DATE 5/16/82 DRILLING DEPTH

COMPLETION DATE TOTAL DEPTH 17,540' (Atoka)

PERFS 1ST COMPLETION: YES NO

POTENTIAL/TEST: OIL GAS D&A

REMARKS:

BA/jmh/gs

2-25-75

W. A. White

INSPECTOR

DATE August 11, 1982

(16)

M. F.

78845

APPLICATION TO DRILL

WELL #

2

FILED SEP 13 1982

19

BOB ARMSTRONG, COMMISSIONER
R. V. PHIPPS

BY:

CORRECTION

ASSIGNMENT AND BILL OF SALE

STATE OF TEXAS §
 § KNOW ALL PERSONS BY THESE PRESENTS, THAT:
COUNTY OF LOVING §

THIS ASSIGNMENT AND BILL OF SALE ("ASSIGNMENT") IS

FROM: AMPECO 1979-2 Drilling Program ("Assignor")
 Two NorthPark East, Suite 800
 Dallas, Texas 75231

TO: AmQuest Corporation ("Assignee")
 Two NorthPark East, Suite 800
 Dallas, Texas 75231

Assignor, for and in consideration of the premises, and other good and valuable consideration paid by Assignee, the receipt and sufficiency of which are hereby acknowledged and confessed by Assignor, does hereby sell, assign, transfer, set over and deliver, without warranties or covenants of title, express or implied, except as specifically set forth below, unto Assignee, effective as of 7:30 a.m. Dallas, Texas time, on September 16, 1982 (the "Effective Date"), the following properties and rights:

(a) 70.19 percent of all of Assignor's right, title and interest in and to the oil, gas and mineral leases described in Exhibit "A" attached hereto and made a part hereof (the "Leases") insofar as the Leases cover the lands described in the Leases or in Exhibit "A" hereof and all of which lands are located in the state and county above named;

(b) A like interest in, to and under or by virtue of the presently existing and valid unitization, communitization and pooling agreements in the properties covered and the units and pooled or communitized areas created thereby (including all units formed under orders, regulations, rules or other official acts of any Federal, state or other governmental agency having jurisdiction) which relate to any of the properties, lands or interests described in Exhibit "A";

(c) A like interest in and to all improvements, easements, surface leases, permits, licenses, servitudes, rights-of-way and other interests appertaining to the Leases in connection with the exploration, development or operation of the Leases (all such improvements, easements, surface leases, permits, licenses, servitudes, rights-of-way and other interests, subject to the Existing Burdens, are referred to in this Assignment as the "Easements");

(d) A like interest in and to all personal property, fixtures and improvements situated upon or used or held for use (except automotive equipment or motor vehicles) in connection with the production, treatment, storage or transportation of oil, gas, distillate, condensate, casinghead gas or other liquid or vaporous hydrocarbons or other minerals from the Leases, and all wells, tanks, boilers, buildings, plants, fixtures, machinery and other equipment, pipelines, powerlines, telephone and telegraph lines, roads and other appurtenances appertaining to the Leases (all such personal property and fixtures are referred to in this Assignment as the "Assigned Appurtenances");

AmQuest Corporation
11 North Park East, Suite 800
P.O. Box 31350
Dallas, Texas 75231-0350

(e) A like interest in and to all rights, duties and obligations attributable to or arising from any valid oil, casinghead gas and gas sales, purchase, exchange and processing contracts and agreements, insofar and only insofar as the same are appurtenant or relate to the Leases or the production therefrom or attributable thereto (all such rights, duties and obligations are referred to in this Assignment as the "Contract Rights");

(f) Without limiting the foregoing, all right, title and interest of Assignor in and to all presently existing oil, gas and mineral leases, including the Leases, and interests in oil, gas and mineral leases (whether now owned or hereafter acquired by operation of law or otherwise) in and to the lands specifically described in Exhibit "A" hereto even though Assignor's interest in said lands be incorrectly described in, or a description of such interests be omitted from, Exhibit "A" (the "Additional Interests").

The Assignment herein made is subject to:

(1) A proportionate part of the terms, provisions, covenants and royalties set forth in the Leases;

(2) The terms and conditions of all existing orders, rules and regulations and ordinances of Federal, state and other governmental agencies having jurisdiction;

(3) Any valid and subsisting oil, casinghead gas and gas sales, purchase, exchange and processing contracts and agreements, insofar and only insofar as the same are appurtenant or relate to the Leases;

(4) A proportionate part of all overriding royalty interests, restrictions, exceptions, reservations, burdens, encumbrances, conditions, limitations, interests, instruments, agreements and other matters, if any, which are described in Exhibit "A" and which burden or affect the properties, rights or interests herein assigned;

(5) The terms and conditions contained in the Joint Operating Agreement, if any, which cover and affect any of the Leases and the lands covered thereby.

All of such orders, rules, regulations, ordinances, instruments, burdens, encumbrances, reservations, terms, conditions, agreements, overriding royalty interests, taxes and rights described in clauses (1) through (5) of this Assignment, to the extent the same are valid and enforceable and apply to the lands and interests described above are referred to in this Assignment as "Existing Burdens"; and the properties specified in clauses (a) and (b) of this Assignment, subject to the Existing Burdens, are referred to in this Assignment as the "Subject Interests".

TO HAVE AND TO HOLD, all and singular, the Subject Interests, the Easements, the Assigned Appurtenances, the Contract Rights, and the Additional Interests unto the Assignee, Assignee's successors in title and assigns, forever. Assignor hereby binds Assignor, and Assignor's successors and assigns, to warrant and to defend the title to the Subject Interests, subject only to the Existing Burdens, unto Assignee, and Assignee's successors and assigns, against every person lawfully claiming or to claim the same, or any part thereof,

by, through and under Assignor, but not otherwise. The reference herein to the Existing Burdens is for the purpose of protecting Assignor on Assignor's warranties, and shall not create, nor constitute a recognition of, any rights in third parties. This Assignment, in respect of the Assigned Appurtenances, is made without warranty, including all implied warranties, and the IMPLIED WARRANTY OF MERCHANTABILITY AND THE IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE ARE HEREBY EXPRESSLY NEGATED. This Assignment, in respect of the Easements, the Contract Rights and the Additional Interests, is made without warranties or covenants, expressed or implied.

The term "oil, gas and mineral lease" as used in this Assignment and in Exhibit "A" hereto includes in addition to oil, gas and mineral leases, oil and gas leases, oil, gas and sulphur leases, other mineral leases, co-lessor's agreements, lease ratifications and extensions and subleases, as appropriate.

All of the terms, provisions, covenants and agreements herein contained shall extend to and be binding upon the parties hereto and their respective successors in title and assigns.

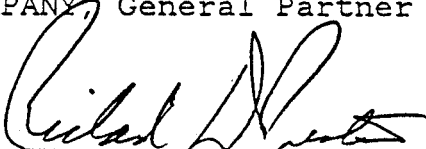
This Assignment is a correction assignment and shall be in lieu of and in full substitution for, that certain assignment and bill of sale (the "Superseded Assignment") from Assignor to Assignee, which Superseded Assignment covered a portion of the oil, gas and mineral leases described on Exhibit "A" hereto and recited an effective time of September 15, 1982 at 5:00 p.m., Dallas, Texas, time.

IN WITNESS WHEREOF, Assignor has executed this Assignment on the date of the acknowledgment annexed hereto, but this Assignment shall be effective as of the Effective Date hereinabove recited.

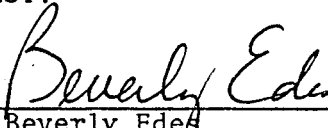
ASSIGNOR:

AMPECO 1979-2 DRILLING PROGRAM

By: AMERICAN PUBLIC ENERGY
COMPANY, General Partner

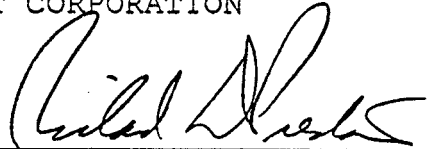
By: 
Richard D. Preston,
Vice President-
Finance

ATTEST:

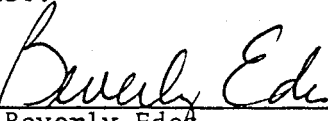
By: 
Beverly Ede
Assistant Secretary

ASSIGNEE:

AMQUEST CORPORATION

By: 
Richard D. Preston,
Vice President-
Finance

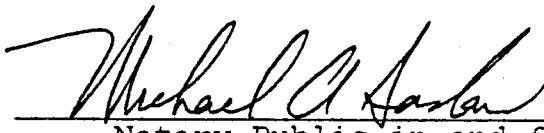
ATTEST:

By: 
Beverly Ede
Assistant Secretary

THE STATE OF TEXAS §
COUNTY OF DALLAS §

Before me, the undersigned authority, on this day personally appeared Richard D. Preston, Vice President-Finance of American Public Energy Company, a Texas corporation that is the general partner of AMPECO 1979-2 Drilling Program, a limited partnership, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said partnership.

Given under my hand and seal of office on this the 15th day of September, A.D. 1982.


Notary Public in and for
the State of Texas

(SEAL)

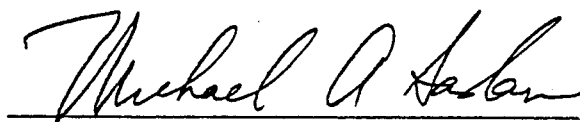
My Commission expires: _____

MIKE SASLAW, Notary Public
In and for the State of Texas
My Commission Expires 8/12/86

THE STATE OF TEXAS §
COUNTY OF DALLAS §

Before me, the undersigned authority, on this day personally appeared Richard D. Preston, Vice President-Finance of AmQuest Corporation, a Delaware corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said corporation.

Given under my hand and seal of office on this the 16th day of September, A.D. 1982.


Notary Public in and for
the State of Texas

(SEAL)

My Commission expires: _____

MIKE SASLAW, Notary Public
In and for the State of Texas
My Commission Expires 8/12/86

STATE OF TEXAS
COUNTY OF LOVING

PAGE 1 of 7

<u>LEASE NO.</u>	<u>LESSOR</u>	<u>LESSEE</u>	<u>DATE</u>	<u>DESCRIPTION</u>	<u>BOOK</u>	<u>PAGE</u>
203101-A	University Church of Christ	William J. Phelan	12/15/78	280.67 acre tract out of SE/2 Section 80, Block 33, H&TC RR Co. Survey, being Lots 33-44 & Lots 52-64 & parts of Lots 46 & 51 SW of the boundary line of the American Quasar Petroleum Co.'s Ford Chapman Unit	54	64
203101-B	Childrens Home of Lubbock, et al	American Trading	12/15/78	same as above	54	69
203102-A	Olix Energy Company	Curtis Pool	4/11/79	SE/2 Lot 1, Section 81, Block 33 H&TC RR Co. Survey	53	622
203102-B	Bell, Young, Trustee, et al	Curtis Pool	8/28/63	SE/2 Lot 1, E. L. Stratton, S/D, Section 81, Block 33, H&TC RR Co. Survey, limited to 200 feet below Lamar Lime in Bell Canyon Formation	23	556
203102-C	U. V. Industries	American Trading	9/29/78	SE/2 Lot 1, Section 81, H&TC RR Co. Survey	53	146
203102-D	McCrea, Marshall S., Jr., et al	American Trading	10/3/78	same as above	52	736
203102-E	Grimmett, Robert P., Jr.,	Curtis Pool	7/27/78	same as above	52	325
203102-F	Giles, Mary Kathryn	Curtis Pool	7/27/78	same as above	52	140
203102-G	Garrett, R. L., Jr.	Curtis Pool	7/27/78	same as above	52	137
203102-H	Kendall, Tom	Curtis Pool	7/27/78	same as above	52	134

STATE OF TEXAS
COUNTY OF LOVING

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<u>LEASE NO.</u>	<u>LESSOR</u>	<u>LESSEE</u>	<u>DATE</u>	<u>DESCRIPTION</u>	<u>BOOK</u>	<u>PAGE</u>
203102-I	McCarter, Vera	Curtis Pool	7/27/78	SE/2 Lot 1, Section 81, Block 33, H&TC RR Co. Survey	52	131
203102-J	Roberts, Opal McCarter	Curtis Pool	7/27/78	same as above	52	128
203102-K	Sherley, Mary Jane M.	Curtis Pool	7/27/78	same as above	52	125
203102-L	Anthony, H. F., et al	Curtis Pool	7/18/78	same as above	51	839
203103-A	Vaughan, Ruth M.	Curtis Pool	7/18/78	Farm Lots 47, 51, 57 & 58, Section 79, Block 33, H&TC RR Co. Survey, below base of Delaware Formation	51	841
203103-B	Raymond, James M.	Curtis Pool	7/18/78	same as above	52	143
203103-C	Williams, Dorothy Jame, et vir	Curtis Pool	7/18/78	same as above	52	145
203103-D	Fisher, Mary D.	Curtis Pool	7/18/78	same as above	52	147
203103-E	Petko, Brenda Vaughan	Curtis Pool	7/18/78	same as above	52	149
203103-F	Ridgley, Nancy Vaughan	Curtis Pool	7/18/78	same as above	52	327
203104-A	Vanderlee, John	Curtis Pool	7/18/78	Farm Lot 60, Section 79, Block 33, H&TC RR Co. Survey	51	843
203105-A	McCrea, Marshall S., Jr., Trustee	American Trading	10/3/78	Tract 1: All of Lots 41, 42, 45, 46, 49, 50, 55 & 56, containing 40 acres - 1/4 MI Tract 2: All of Lots 31, 32, 35, 36, 53 & 54, containing 30 acres - 1/2 MI Tract 3: All of Lot 59, containing 5 acres - 3/8 MI, all in Section 79, Block 33, H&TC RR Co. Survey	53	4

STATE OF TEXAS
COUNTY OF LOVING

<u>LEASE NO.</u>	<u>LESSOR</u>	<u>LESSEE</u>	<u>DATE</u>	<u>DESCRIPTION</u>	<u>BOOK</u>	<u>PAGE</u>
203105-B	Spear, Ellie	Curtis Pool	3/14/79	Lots 41, 42, 45, 46, 49, 50, 55 & 56, Section 79, containing 40 acres & Lot 42, Section 77, all in Block 33, H&TC RR Co. Survey, containing 10 acres	53	663
203105-C	Spear, Howell	Curtis Pool	7/18/78	same as above	51	845
203106-A	Greenbeck, William C., et al	Curtis Pool	7/19/78	SW/4 Farm Lot 4, Section 77, Block 33, H&TC RR Co. Survey	51	847
203106-B	Moosechekian, Esther, et al	Curtis Pool	7/25/78	same as above	52	329
203107-A	Allen, Jessie Bell, et al	Curtis Pool	7/18/78	SE/80 acres of NE 3/8ths Section 78, Block 33, H&TC RR Co. Survey	52	331
203108-A	Hammarlund, George, et al	Curtis Pool	8/1/78	Lot 1, Section 77, Block 33, H&TC RR Co. Survey	52	319
203108-B	Clark, Lillian Hammarlund	Curtis Pool	8/1/78	same as above	52	321
203109-A	Bush, Jesse W., et ux	Curtis Pool	4/20/79	Lots 29, 30, 33 & 34 & most southwesterly 338 feet of Porterville Townsite limit to below 5,000 feet below surface	54	527
203110-A	Presbyterian Church	Curtis Pool	8/21/78	Lot 30, Section 77, Block 33, H&TC RR Co. Survey	52	717
203111-A	Boddy, H. M., et ux	H. V. Beck, Jr.	8/16/78	Lots 6 & 8, Section 77, Block 33, H&TC RR Co. Survey	53	364

101600
EXHIBIT "A"

1979-2 Drilling Program

PAGE 4 of 7

STATE OF TEXAS
COUNTY OF LOVING

<u>LEASE NO.</u>	<u>LESSOR</u>	<u>LESSEE</u>	<u>DATE</u>	<u>DESCRIPTION</u>	<u>BOOK</u>	<u>PAGE</u>
203112-A	Massingill, Louise, et al	Curtis Pool	9/20/78	Lots 43, 44, 45, 46, 47 & 48, Section 77, Block 33, H&TC RR Co. Survey	53	104
203113-A	Hubbard, Herman P., et al	Curtis Pool	9/14/78	Lots 5, 7, 9, 11 & 13-28, Section 77 and SW/4 NE/2 & Lots 2, 4, 6 & 8 of F. N. Johnson S/D, Section 78, All in Block 33, H&TC RR Co. Survey, lease covers other lands not affected hereby	53	107
203113-B	U. V. Industries, Inc.	Curtis Pool	9/29/78	Lots 5, 7, 9, 11 & 13-28, Section 77, H&TC RR Co. Survey	53	149
203113-C	Goodrich, Anna, et al	American Trading	4/1/79	Lots 1, 3 5&7, F. N. Johnson S/D, Section 78 & Lots 13-28 Section 77, All in Block 33, H&TC RR Co. Survey	55	258
203113-D	Transwestern, Inc.	Curtis Pool	12/4/78	Farm Lots 5, 7, 9, 11 & 13 to 28 both inclusive, Section 77, Farm Lots 2, 4, 6 & 8 of F. N. Johnson S/D of SW/2 & SW/4 NE/2 Section 78, All in Block 33, H&TC RR Co. Survey	54	546
203113-E	Starr Commonwealth for Boys	Curtis Pool	8/31/78	SW/4 NE/2 & Lots 2, 4, 6 & 8, F. N. Johnson S/D of SW/2 Section 78, Block 33, H&TC RR Co. Survey	52	323
203113-F	U. V. Industries, Inc.	American Trading	9/21/78	Lots 2, 4, 6 & 8 & SW/4 NE/2 Section 78, Block 33, H&TC RR Co. Survey	53	143
203113-G	Felmont Oil Corporation	American Trading	7/21/80	S/31.45 acres of SW/4 NE/2 of Section 78 & Farm Lots 2, 4, 6 & 8 of F. N. Johnson S/D of Section 78, Block 33, H&TC RR Co. Survey	57	822

STATE OF TEXAS

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COUNTY OF LOVING

<u>LEASE NO.</u>	<u>LESSOR</u>	<u>LESSEE</u>	<u>DATE</u>	<u>DESCRIPTION</u>	<u>BOOK</u>	<u>PAGE</u>
203114-A	1st National Bank of Odessa, Texas, Trustee	American Trading	8/10/79	NE/10.62 acres of Lot 11, Section 81, Block 33, H&TC RR Co. Survey	55	429
203114-B	Angehr, J. C., et ux	Curtis Pool	8/13/79	same as above	40	581
✓ 203115-A	State of Texas	American Trading	2/6/79	Mid/Part of SW/Part of Section 78, Block 33, H&TC RR Co. Survey	53	625
203117-A	Hammarlund, George, et al	Curtis Pool	8/28/63	Lots 43 & 44, E. L. Stratton S/D, Section 79, Block 33, H&TC RR Co. Survey, Limited to 200 feet below Bell Canyon Formation	23	278
203118-A	McCrea, Marshall S., Jr., et al	American Trading	10/3/78	NE/2 of Lot 29 & NE/2 Lot 4 & all of Lots 3 & 31 Section 77, Block 33, H&TC RR Co. Survey	53	1
203119-A	Dripps, Raymond M., et al	Curtis Pool	9/15/78	SW/40 acre of Lot 11, Section 81, Block 33, H&TC RR Co. Survey, limited to depths below 11,600 feet	39	108
203120-A	Adam, Charles A., Jr., et al	American Trading	5/9/69	All of Farm Lots 5 & 6 & NW/2 of Farm Lot 1, E. L. Stratton S/D Section 81, Block 33, H&TC RR Co. Survey, Lease covers other lands not affected hereby	30	634
203121-A	Felmont Oil Corporation	American Trading	3/1/79	Section 76 - Tracts 9 & 10 & E/2 Tract 11 & E/2 Tract 12, J. B. Marshall S/D, Block 33, H&TC RR Co. Survey, Section 77, Farm Lots 3, 6, 8, 10, 12, 5, 7, 9, 11, 13, 37 & SW/2 Lot 35, E. L. Stratton S/D, Block 33, H&TC RR Co. Survey, Section 79, Farm Lots 41, 42, 45, 46, 49, 50, 55, 56, 69, 70, 73, 74 & 77, E. L. Stratton S/D, Block 33, H&TC RR Co. Survey	56	109

STATE OF TEXAS
COUNTY OF LOVING

<u>LEASE NO.</u>	<u>LESSOR</u>	<u>LESSEE</u>	<u>DATE</u>	<u>DESCRIPTION</u>	<u>BOOK</u>	<u>PAGE</u>
203121-B	Beachum, H. R., Estate of	N. S. Marrow	2/19/79	All of Lots 9 & 10, and the NE/2 of Lots 11 & 12 of the J. B. Marshall S/D of Section 76, Block 33, H&TC RR Co. Survey	58	630
203122-A	Thaxton, Felix S., et ux	N. S. Marrow	7/18/73	Insofar and only insofar as lease covers 267.198 acres, being all of NW/2 of Section 80, Block 33, H&TC RR Co. Survey, lying SW of American Quasar Petroleum Ford Chapman Unit, Limited to rights below 11,600 feet, but not below 19,312 feet	37	630
203122-B	Thaxton, Lillas M.	N. S. Marrow	7/18/73	same as above	37	632
203122-C	Jackson, Mary Stovall, et vir	N. S. Marrow	7/18/73	same as above	37	651
203122-D	Flag-Redfern Oil Co.	American Trading	3/18/80	267.198 acres out of NW/2 Section 80, Block 33, H&TC RR Co. Survey, Limited to rights between 11,600 feet and 19,312 feet	56	707
203123-A	Bell, Ruth V.	Brian Murphy	4/21/80	East 1/8 of Section 38, Block 2, H&GN RR Co. Survey	391	128
203123-B	FNB of Midland, S. Trustee	J. Robert Creech	4/29/80	East 80 acres of Section 38, Block 2, H&GN RR Co. Survey	391	126
203124-A	Lafayette Bank & Trust, Trustee	J. Robert Creech	5/28/80	All of Lots 14, 15, 16 and 17 of Section 37, Block 2, H&GN RR Co. Survey	393	44
203125-A	Powers, Ross F.	J. Robert Creech	5/28/80	All of Lots 14, 15, 16 & 17 Section 37, Block 2, H&GN RR Co. Survey	393	42
203126-A	U. S. Smelting, Refining	Mann Rankin, et al	10/14/63	Lots 61, 62, 63, 64, 65, 66, 67, 68, 71, 72, 75, 78, Section 79, Block 33, H&TC RR Co. Survey, containing 95.37 acres limited to 200 feet below Lamar Line in Bell Canyon Formation	23	235

1979-2 Drilling Program

PAGE 7 of 7

EXHIBIT "A"

STATE OF TEXAS
COUNTY OF LOVING

LEASE NO.	LESSOR	LESSEE	DATE	DESCRIPTION	BOOK	PAGE
203127-A	Kern, Boyd, Ind. Exec.	J. T. Dickerson	4/11/80	Farm Lots 37 & 38 of E. L. Stratton S/D of Section 79, Block 33, H&TC RR Co. Survey and Farm Lots 39 & 41 of E. L. Stratton S/D of Section 77, Block 33, H&TC RR Co. Survey	56	566
203128-A	Prindle, C. R.	Curtis Pool	10/1/63	Lots 48 & 52, E. L. Stratton S/D, Section 79, Block 33, H&TC RR Co. Survey	23	243
203129-A	Boddy, H. M., et al	H. V. Beck, Jr.	3/31/80	Lots 19-29 inclusive, F. N. Johnson S/D, Section 78, Block 33, H&TC RR Co. Survey	56	702

FILE NO. 1131

AMPECO 1979-2 DRILLING PROGRAM

TO

AMQUEST CORPORATION

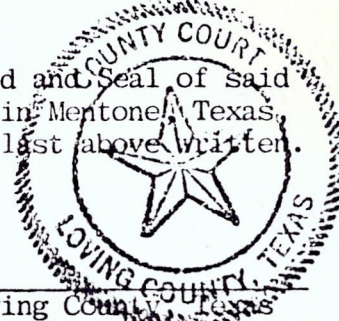
FILING AND RECORDING CERTIFICATE

THE STATE OF TEXAS)
COUNTY OF LOVING)

I, Edna Dewees, Clerk of the County Court in and for said County, do hereby certify that the within instrument in writing, dated the 16th day of September, 1982, with its certification of authentication, was filed for record in my office this 23rd day of September, 1982 at 10:00 o'clock A. m. and recorded the 28th day of September, 1982 at 2:00 o'clock P. m. in the Oil and Gas Lease Records of said County in Volume 64, Page 514.

WITNESS my Hand and Seal of said Court, at office in Mentone, Texas, on date and year last above written.

Edna Dewees
County Clerk, Loving County, Texas



Indexed: Fee: \$23.00
Direct
Reverse

17

M 78845

Correction Assignment

File Dated

10-16-82
Bob Armstrong, Commissioner dd

RECEIVED AS STATED

\$ 10.00

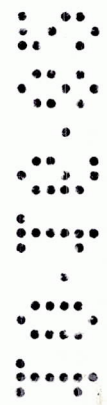
DATE

10-16-82

Reg. No.

15288

GENERAL LAND OFFICE



THE STATE OF TEXAS

County of LOVING } I, Edna Dewees, Clerk
of the County Court of Loving County, Texas, do hereby certify that
the foregoing is a true and correct copy of the original CORRECTION ASSIGNMENT AND BILL OF SALE
from AMPECO 1979-2 DRILLING PROGRAM to AMQUEST CORPORATION dated September
16, 1982, filed for record September 23, 1982, File No. 1131,
as the same appears of record in my office in book 64 page 514, Oil & Gas Lease Records.

Given under my Hand and Seal of said Court, at office in Mentone, Texas
this 28th day of September 19 82.

Edna Dewees Clerk,

By _____ Deputy.

CHECK DATE

10/14/82

FUND ☐

101500

CHECK NO.

00998

VENDOR

DESCRIPTION

AMOUNT

Filing Fee:

Assignment of State of Texas Lease #78845
AMPECO 1979-2 Drilling Program to AmQuest Corporation
Arno Prospect #2031
Loving County, Texas

~~161~~
171

15288

AMERICAN PUBLIC ENERGY COMPANY - LAND

TWO NORTHPARK EAST, SUITE 800
DALLAS, TEXAS 75231

TOTAL

\$10.00

DETACH BEFORE DEPOSITING

AmQuest

Corporation

October 14, 1982

Commissioner of General Land Office
Stephen F. Austin Building
1700 North Congress
Austin, Texas 78701

Attention: Mr. Morelle

Re: Assignment of State of Texas
Lease #78845
AMPECO 1979-2 Drilling Program
to AmQuest Corporation
Arno Prospect #2031
Loving County, Texas

Dear Sir:

We herewith enclose our check #00998 in the amount of \$10.00 which will cover the cost of filing the enclosed certified copy of the captioned assignment.

Should you need any further information, please do not hesitate to call me.

Very truly yours,

AMQUEST CORPORATION

By Beverly Edes
Beverly Edes
Land Department

/be
Enclosure

15288

AmQuest Corporation

Post Office Box 31350

Two NorthPark East / Suite 800 / Dallas, Texas 75231-0350 / (214) 369-6699

161

N. F. 78845

18

CORRESPONDENCE FILE

To

From

AmQuest Corp.

Dated 10-16-82

dd

10.10.85

October 19, 1982

AmQuest Corporation
P. O. Box 31350
Two North Park East/Suite 900
Dallas, Texas 75231-0350

Attn: Beverly Edes

Re: Correction Assignment of Oil & Gas Lease
M-78845 (AMPECO 1979-2)
Loving County, Texas

Gentlemen:

The certified copy of Assignment of Oil and Gas Lease, affecting the captioned tract, has been filed in our records.

ⁿ
Your \$10.00 remittance has been applied as the filing fee due thereon.

Sincerely yours,

BOB ARMSTRONG

By:
Dena Dupont, Assistant
Oil and Gas Division
Legal Department
512 475-4246

/dd

M. F. 78845

(19)

CORRESPONDENCE FILE

(To) AmQuest Corp.
From

Dated 10-19-82

dd

WITHIN/ ARNO No. 2 UNIT M-78845

THIS APPLICATION MUST BE FILED IN DUPLICATE IN THE APPROPRIATE DISTRICT OFFICE.

FORM W-1

1/1/81

API Well No. 42 42 301 30270 Instruction (7a & b) on back side.		RAILROAD COMMISSION OF TEXAS OIL AND GAS DIVISION		☐ Directional Well ☐ Sidetrack		☒ Amended Permit (Explain in Remarks)		RRC Permit Number, if previously assigned. 165974	
APPLICATION FOR PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER						7. RRC District 8			
Check one: ☐ DRILL ☐ DEEPEN (Below Casing) ☐ DEEPEN (Within Casing) ☒ PLUG BACK ☐ RE-ENTER						8. County Loving			
1. Operator ATAPCO		4a. Lease Name (32 Spaces Maximum) Arno Gas Unit		4b. RRC Lease or ID No. (if assigned) 694977		9. Well Number 12			
2. Address (including City and Zip Code) P. O. Drawer 992 Midland, Texas 79702		5. Location (Sec., Blk., Survey) Sec. 79, Blk 33, H & TC RR Co. Survey		6. This well is to be located 3 miles Southwest Direction from Mentone.		10. Number of Contiguous Acres in Lease or Interest Tract 704			
3. Is Form P-5 (Organization Report) in Exact Operator Name Filed? YES ☒ NO ☐ (Instruction (2) on back side.)		11. Distance from Proposed Location to Nearest Lease or Unit Line (ft.) 1690'		12. Total Depth 17550'					

EACH PROPOSED COMPLETION

REFER TO INSTRUCTIONS ON BACK SIDE. READ CAREFULLY AND FURNISH COMPLETE DATA.

13.	14.	15.	16.	17.	18.	19.	20.	21.	22.	23.
FIELD NAME (Exactly as shown on R.R.C. Proration Schedule including Reservoir if applicable.) If Wildcat, so state below. One zone per line. List all zones for which a permit is sought.	Completion Depth	All Prior Rule 37 Exec. Case Numbers for this wellbore. If none, State None.	Applicable Field Rules Spacing Pattern, if no Rules, State 407-1200. (ft.)	Applicable Field Rules Density Pattern, if no Rules, State 407-1200. (ft.)	Number of Acres in Drilling Unit for this well AND DESIGNATE ON PLAT.	Is this acreage presently assigned to another well in same res. on same lease? Yes or No. If yes explain in remarks.	Distance and Direction from proposed location to nearest drilling completed or planned for well in same res. on same lease (ft.)	Is this a 1. Regular or 2. Rule 37 Exc. Location? Check the appropriate box.	Oil, Gas, or other Type Well (Specify)	Number of completed, permitted or applied for, locations on this lease in same reservoir for which this permit is sought?
Moore - Hooper (Atoka)	16872'	None	1320-2640	640	704	No	None	Regular 1 ☒ Rule 37 2 ☐ Rule 37 3 ☐ Rule 37 4 ☐ Rule 37 5 ☐ Rule 37 6 ☐ Rule 37 7 ☐ Rule 37 8 ☐ Rule 37 9 ☐ Rule 37 10 ☐ Rule 37 11 ☐ Rule 37 12 ☐ Rule 37 13 ☐ Rule 37 14 ☐ Rule 37 15 ☐ Rule 37 16 ☐ Rule 37 17 ☐ Rule 37 18 ☐ Rule 37 19 ☐ Rule 37 20 ☐ Rule 37 21 ☐ Rule 37 22 ☐ Rule 37 23 ☐ Rule 37 24 ☐ Rule 37 25 ☐ Rule 37 26 ☐ Rule 37 27 ☐ Rule 37 28 ☐ Rule 37 29 ☐ Rule 37 30 ☐ Rule 37 31 ☐ Rule 37 32 ☐ Rule 37 33 ☐ Rule 37 34 ☐ Rule 37 35 ☐ Rule 37 36 ☐ Rule 37 37 ☐ Rule 37 38 ☐ Rule 37 39 ☐ Rule 37 40 ☐ Rule 37 41 ☐ Rule 37 42 ☐ Rule 37 43 ☐ Rule 37 44 ☐ Rule 37 45 ☐ Rule 37 46 ☐ Rule 37 47 ☐ Rule 37 48 ☐ Rule 37 49 ☐ Rule 37 50 ☐ Rule 37 51 ☐ Rule 37 52 ☐ Rule 37 53 ☐ Rule 37 54 ☐ Rule 37 55 ☐ Rule 37 56 ☐ Rule 37 57 ☐ Rule 37 58 ☐ Rule 37 59 ☐ Rule 37 60 ☐ Rule 37 61 ☐ Rule 37 62 ☐ Rule 37 63 ☐ Rule 37 64 ☐ Rule 37 65 ☐ Rule 37 66 ☐ Rule 37 67 ☐ Rule 37 68 ☐ Rule 37 69 ☐ Rule 37 70 ☐ Rule 37 71 ☐ Rule 37 72 ☐ Rule 37 73 ☐ Rule 37 74 ☐ Rule 37 75 ☐ Rule 37 76 ☐ Rule 37 77 ☐ Rule 37 78 ☐ Rule 37 79 ☐ Rule 37 80 ☐ Rule 37 81 ☐ Rule 37 82 ☐ Rule 37 83 ☐ Rule 37 84 ☐ Rule 37 85 ☐ Rule 37 86 ☐ Rule 37 87 ☐ Rule 37 88 ☐ Rule 37 89 ☐ Rule 37 90 ☐ Rule 37 91 ☐ Rule 37 92 ☐ Rule 37 93 ☐ Rule 37 94 ☐ Rule 37 95 ☐ Rule 37 96 ☐ Rule 37 97 ☐ Rule 37 98 ☐ Rule 37 99 ☐ Rule 37 100 ☐ Rule 37 101 ☐ Rule 37 102 ☐ Rule 37 103 ☐ Rule 37 104 ☐ Rule 37 105 ☐ Rule 37 106 ☐ Rule 37 107 ☐ Rule 37 108 ☐ Rule 37 109 ☐ Rule 37 110 ☐ Rule 37 111 ☐ Rule 37 112 ☐ Rule 37 113 ☐ Rule 37 114 ☐ Rule 37 115 ☐ Rule 37 116 ☐ Rule 37 117 ☐ Rule 37 118 ☐ Rule 37 119 ☐ Rule 37 120 ☐ Rule 37 121 ☐ Rule 37 122 ☐ Rule 37 123 ☐ Rule 37 124 ☐ Rule 37 125 ☐ Rule 37 126 ☐ Rule 37 127 ☐ Rule 37 128 ☐ Rule 37 129 ☐ Rule 37 130 ☐ Rule 37 131 ☐ Rule 37 132 ☐ Rule 37 133 ☐ Rule 37 134 ☐ Rule 37 135 ☐ Rule 37 136 ☐ Rule 37 137 ☐ Rule 37 138 ☐ Rule 37 139 ☐ Rule 37 140 ☐ Rule 37 141 ☐ Rule 37 142 ☐ Rule 37 143 ☐ Rule 37 144 ☐ Rule 37 145 ☐ Rule 37 146 ☐ Rule 37 147 ☐ Rule 37 148 ☐ Rule 37 149 ☐ Rule 37 150 ☐ Rule 37 151 ☐ Rule 37 152 ☐ Rule 37 153 ☐ Rule 37 154 ☐ Rule 37 155 ☐ Rule 37 156 ☐ Rule 37 157 ☐ Rule 37 158 ☐ Rule 37 159 ☐ Rule 37 160 ☐ Rule 37 161 ☐ Rule 37 162 ☐ Rule 37 163 ☐ Rule 37 164 ☐ Rule 37 165 ☐ Rule 37 166 ☐ Rule 37 167 ☐ Rule 37 168 ☐ Rule 37 169 ☐ Rule 37 170 ☐ Rule 37 171 ☐ Rule 37 172 ☐ Rule 37 173 ☐ Rule 37 174 ☐ Rule 37 175 ☐ Rule 37 176 ☐ Rule 37 177 ☐ Rule 37 178 ☐ Rule 37 179 ☐ Rule 37 180 ☐ Rule 37 181 ☐ Rule 37 182 ☐ Rule 37 183 ☐ Rule 37 184 ☐ Rule 37 185 ☐ Rule 37 186 ☐ Rule 37 187 ☐ Rule 37 188 ☐ Rule 37 189 ☐ Rule 37 190 ☐ Rule 37 191 ☐ Rule 37 192 ☐ Rule 37 193 ☐ Rule 37 194 ☐ Rule 37 195 ☐ Rule 37 196 ☐ Rule 37 197 ☐ Rule 37 198 ☐ Rule 37 199 ☐ Rule 37 200 ☐ Rule 37 201 ☐ Rule 37 202 ☐ Rule 37 203 ☐ Rule 37 204 ☐ Rule 37 205 ☐ Rule 37 206 ☐ Rule 37 207 ☐ Rule 37 208 ☐ Rule 37 209 ☐ Rule 37 210 ☐ Rule 37 211 ☐ Rule 37 212 ☐ Rule 37 213 ☐ Rule 37 214 ☐ Rule 37 215 ☐ Rule 37 216 ☐ Rule 37 217 ☐ Rule 37 218 ☐ Rule 37 219 ☐ Rule 37 220 ☐ Rule 37 221 ☐ Rule 37 222 ☐ Rule 37 223 ☐ Rule 37 224 ☐ Rule 37 225 ☐ Rule 37 226 ☐ Rule 37 227 ☐ Rule 37 228 ☐ Rule 37 229 ☐ Rule 37 230 ☐ Rule 37 231 ☐ Rule 37 232 ☐ Rule 37 233 ☐ Rule 37 234 ☐ Rule 37 235 ☐ Rule 37 236 ☐ Rule 37 237 ☐ Rule 37 238 ☐ Rule 37 239 ☐ Rule 37 240 ☐ Rule 37 241 ☐ Rule 37 242 ☐ Rule 37 243 ☐ Rule 37 244 ☐ Rule 37 245 ☐ Rule 37 246 ☐ Rule 37 247 ☐ Rule 37 248 ☐ Rule 37 249 ☐ Rule 37 250 ☐ Rule 37 251 ☐ Rule 37 252 ☐ Rule 37 253 ☐ Rule 37 254 ☐ Rule 37 255 ☐ Rule 37 256 ☐ Rule 37 257 ☐ Rule 37 258 ☐ Rule 37 259 ☐ Rule 37 260 ☐ Rule 37 261 ☐ Rule 37 262 ☐ Rule 37 263 ☐ Rule 37 264 ☐ Rule 37 265 ☐ Rule 37 266 ☐ Rule 37 267 ☐ Rule 37 268 ☐ Rule 37 269 ☐ Rule 37 270 ☐ Rule 37 271 ☐ Rule 37 272 ☐ Rule 37 273 ☐ Rule 37 274 ☐ Rule 37 275 ☐ Rule 37 276 ☐ Rule 37 277 ☐ Rule 37 278 ☐ Rule 37 279 ☐ Rule 37 280 ☐ Rule 37 281 ☐ Rule 37 282 ☐ Rule 37 283 ☐ Rule 37 284 ☐ Rule 37 285 ☐ Rule 37 286 ☐ Rule 37 287 ☐ Rule 37 288 ☐ Rule 37 289 ☐ Rule 37 290 ☐ Rule 37 291 ☐ Rule 37 292 ☐ Rule 37 293 ☐ Rule 37 294 ☐ Rule 37 295 ☐ Rule 37 296 ☐ Rule 37 297 ☐ Rule 37 298 ☐ Rule 37 299 ☐ Rule 37 300 ☐ Rule 37 301 ☐ Rule 37 302 ☐ Rule 37 303 ☐ Rule 37 304 ☐ Rule 37 305 ☐ Rule 37 306 ☐ Rule 37 307 ☐ Rule 37 308 ☐ Rule 37 309 ☐ Rule 37 310 ☐ Rule 37 311 ☐ Rule 37 312 ☐ Rule 37 313 ☐ Rule 37 314 ☐ Rule 37 315 ☐ Rule 37 316 ☐ Rule 37 317 ☐ Rule 37 318 ☐ Rule 37 319 ☐ Rule 37 320 ☐ Rule 37 321 ☐ Rule 37 322 ☐ Rule 37 323 ☐ Rule 37 324 ☐ Rule 37 325 ☐ Rule 37 326 ☐ Rule 37 327 ☐ Rule 37 328 ☐ Rule 37 329 ☐ Rule 37 330 ☐ Rule 37 331 ☐ Rule 37 332 ☐ Rule 37 333 ☐ Rule 37 334 ☐ Rule 37 335 ☐ Rule 37 336 ☐ Rule 37 337 ☐ Rule 37 338 ☐ Rule 37 339 ☐ Rule 37 340 ☐ Rule 37 341 ☐ Rule 37 342 ☐ Rule 37 343 ☐ Rule 37 344 ☐ Rule 37 345 ☐ Rule 37 346 ☐ Rule 37 347 ☐ Rule 37 348 ☐ Rule 37 349 ☐ Rule 37 350 ☐ Rule 37 351 ☐ Rule 37 352 ☐ Rule 37 353 ☐ Rule 37 354 ☐ Rule 37 355 ☐ Rule 37 356 ☐ Rule 37 357 ☐ Rule 37 358 ☐ Rule 37 359 ☐ Rule 37 360 ☐ Rule 37 361 ☐ Rule 37 362 ☐ Rule 37 363 ☐ Rule 37 364 ☐ Rule 37 365 ☐ Rule 37 366 ☐ Rule 37 367 ☐ Rule 37 368 ☐ Rule 37 369 ☐ Rule 37 370 ☐ Rule 37 371 ☐ Rule 37 372 ☐ Rule 37 373 ☐ Rule 37 374 ☐ Rule 37 375 ☐ Rule 37 376 ☐ Rule 37 377 ☐ Rule 37 378 ☐ Rule 37 379 ☐ Rule 37 380 ☐ Rule 37 381 ☐ Rule 37 382 ☐ Rule 37 383 ☐ Rule 37 384 ☐ Rule 37 385 ☐ Rule 37 386 ☐ Rule 37 387 ☐ Rule 37 388 ☐ Rule 37 389 ☐ Rule 37 390 ☐ Rule 37 391 ☐ Rule 37 392 ☐ Rule 37 393 ☐ Rule 37 394 ☐ Rule 37 395 ☐ Rule 37 396 ☐ Rule 37 397 ☐ Rule 37 398 ☐ Rule 37 399 ☐ Rule 37 400 ☐ Rule 37 401 ☐ Rule 37 402 ☐ Rule 37 403 ☐ Rule 37 404 ☐ Rule 37 405 ☐ Rule 37 406 ☐ Rule 37 407 ☐ Rule 37 408 ☐ Rule 37 409 ☐ Rule 37 410 ☐ Rule 37 411 ☐ Rule 37 412 ☐ Rule 37 413 ☐ Rule 37 414 ☐ Rule 37 415 ☐ Rule 37 416 ☐ Rule 37 417 ☐ Rule 37 418 ☐ Rule 37 419 ☐ Rule 37 420 ☐ Rule 37 421 ☐ Rule 37 422 ☐ Rule 37 423 ☐ Rule 37 424 ☐ Rule 37 425 ☐ Rule 37 426 ☐ Rule 37 427 ☐ Rule 37 428 ☐ Rule 37 429 ☐ Rule 37 430 ☐ Rule 37 431 ☐ Rule 37 432 ☐ Rule 37 433 ☐ Rule 37 434 ☐ Rule 37 435 ☐ Rule 37 436 ☐ Rule 37 437 ☐ Rule 37 438 ☐ Rule 37 439 ☐ Rule 37 440 ☐ Rule 37 441 ☐ Rule 37 442 ☐ Rule 37 443 ☐ Rule 37 444 ☐ Rule 37 445 ☐ Rule 37 446 ☐ Rule 37 447 ☐ Rule 37 448 ☐ Rule 37 449 ☐ Rule 37 450 ☐ Rule 37 451 ☐ Rule 37 452 ☐ Rule 37 453 ☐ Rule 37 454 ☐ Rule 37 455 ☐ Rule 37 456 ☐ Rule 37 457 ☐ Rule 37 458 ☐ Rule 37 459 ☐ Rule 37 460 ☐ Rule 37 461 ☐ Rule 37 462 ☐ Rule 37 463 ☐ Rule 37 464 ☐ Rule 37 465 ☐ Rule 37 466 ☐ Rule 37 467 ☐ Rule 37 468 ☐ Rule 37 469 ☐ Rule 37 470 ☐ Rule 37 471 ☐ Rule 37 472 ☐ Rule 37 473 ☐ Rule 37 474 ☐ Rule 37 475 ☐ Rule 37 476 ☐ Rule 37 477 ☐ Rule 37 478 ☐ Rule 37 479 ☐ Rule 37 480 ☐ Rule 37 481 ☐ Rule 37 482 ☐ Rule 37 483 ☐ Rule 37 484 ☐ Rule 37 485 ☐ Rule 37 486 ☐ Rule 37 487 ☐ Rule 37 488 ☐ Rule 37 489 ☐ Rule 37 490 ☐ Rule 37 491 ☐ Rule 37 492 ☐ Rule 37 493 ☐ Rule 37 494 ☐ Rule 37 495 ☐ Rule 37 496 ☐ Rule 37 497 ☐ Rule 37 498 ☐ Rule 37 499 ☐ Rule 37 500 ☐ Rule 37 501 ☐ Rule 37 502 ☐ Rule 37 503 ☐ Rule 37 504 ☐ Rule 37 505 ☐ Rule 37 506 ☐ Rule 37 507 ☐ Rule 37 508 ☐ Rule 37 509 ☐ Rule 37 510 ☐ Rule 37 511 ☐ Rule 37 512 ☐ Rule 37 513 ☐ Rule 37 514 ☐ Rule 37 515 ☐ Rule 37 516 ☐ Rule 37 517 ☐ Rule 37 518 ☐ Rule 37 519 ☐ Rule 37 520 ☐ Rule 37 521 ☐ Rule 37 522 ☐ Rule 37 523 ☐ Rule 37 524 ☐ Rule 37 525 ☐ Rule 37 526 ☐ Rule 37 527 ☐ Rule 37 528 ☐ Rule 37 529 ☐ Rule 37 530 ☐ Rule 37 531 ☐ Rule 37 532 ☐ Rule 37 533 ☐ Rule 37 534 ☐ Rule 37 535 ☐ Rule 37 536 ☐ Rule 37 537 ☐ Rule 37 538 ☐ Rule 37 539 ☐ Rule 37 540 ☐ Rule 37 541 ☐ Rule 37 542 ☐ Rule 37 543 ☐ Rule 37 544 ☐ Rule 37 545 ☐ Rule 37 546 ☐ Rule 37 547 ☐ Rule 37 548 ☐ Rule 37 549 ☐ Rule 37 550 ☐ Rule 37 551 ☐ Rule 37 552 ☐ Rule 37 553 ☐ Rule 37 554 ☐ Rule 37 555 ☐ Rule 37 556 ☐ Rule 37 557 ☐ Rule 37 558 ☐ Rule 37 559 ☐ Rule 37 560 ☐ Rule 37 561 ☐ Rule 37 562 ☐ Rule 37 563 ☐ Rule 37 564 ☐ Rule 37 565 ☐ Rule 37 566 ☐ Rule 37 567 ☐ Rule 37 568 ☐ Rule 37 569 ☐ Rule 37 570 ☐ Rule 37 571 ☐ Rule 37 572 ☐ Rule 37 573 ☐ Rule 37 574 ☐ Rule 37 575 ☐ Rule 37 576 ☐ Rule 37 577 ☐ Rule 37 578 ☐ Rule 37 579 ☐ Rule 37 580 ☐ Rule 37 581 ☐ Rule 37 582 ☐ Rule 37 583 ☐ Rule 37 584 ☐ Rule 37 585 ☐ Rule 37 586 ☐ Rule 37 587 ☐ Rule 37 588 ☐ Rule 37 589 ☐ Rule 37 590 ☐ Rule 37 591 ☐ Rule 37 592 ☐ Rule 37 593 ☐ Rule 37 594 ☐ Rule 37 595 ☐ Rule 37 596 ☐ Rule 37 597 ☐ Rule 37 598 ☐ Rule 37 599 ☐ Rule 37 600 ☐ Rule 37 601 ☐ Rule 37 602 ☐ Rule 37 603 ☐ Rule 37 604 ☐ Rule 37 605 ☐ Rule 37 606 ☐ Rule 37 607 ☐ Rule 37 608 ☐ Rule 37 609 ☐ Rule 37 610 ☐ Rule 37 611 ☐ Rule 37 612 ☐ Rule 37 613 ☐ Rule 37 614 ☐ Rule 37 615 ☐ Rule 37 616 ☐ Rule 37 617 ☐ Rule 37 618 ☐ Rule 37 619 ☐ Rule 37 620 ☐ Rule 37 621 ☐ Rule 37 622 ☐ Rule 37 623 ☐ Rule 37 624 ☐ Rule 37 625 ☐ Rule 37 626 ☐ Rule 37 627 ☐ Rule 37 628 ☐ Rule 37 629 ☐ Rule 37 630 ☐ Rule 37 631 ☐ Rule 37 632 ☐ Rule 37 633 ☐ Rule 37 634 ☐ Rule 37 635 ☐ Rule 37 636 ☐ Rule 37 637 ☐ Rule 37 638 ☐ Rule 37 639 ☐ Rule 37 640 ☐ Rule 37 641 ☐ Rule 37 642 ☐ Rule 37 643 ☐ Rule 37 644 ☐ Rule 37 645 ☐ Rule 37 646 ☐ Rule 37 647 ☐ Rule 37 648 ☐ Rule 37 649 ☐ Rule 37 650 ☐ Rule 37 651 ☐ Rule 37 652 ☐ Rule 37 653 ☐ Rule 37 654 ☐ Rule 37 655 ☐ Rule 37 656 ☐ Rule 37 657 ☐ Rule 37 658 ☐ Rule 37 659 ☐ Rule 37 660 ☐ Rule 37 661 ☐ Rule 37 662 ☐ Rule 37 663 ☐ Rule 37 664 ☐ Rule 37 665 ☐ Rule 37 666 ☐ Rule 37 667 ☐ Rule 37 668 ☐ Rule 37 669 ☐ Rule 37 670 ☐ Rule 37 671 ☐ Rule 37 672 ☐ Rule 37 673 ☐ Rule 37 674 ☐ Rule 37 675 ☐ Rule 37 676 ☐ Rule 37 677 ☐ Rule 37 678 ☐ Rule 37 679 ☐ Rule 37 680 ☐ Rule 37 681 ☐ Rule 37 682 ☐ Rule 37 683 ☐ Rule 37 684 ☐ Rule 37 685 ☐ Rule 37 686 ☐ Rule 37 687 ☐ Rule 37 688 ☐ Rule 37 689 ☐ Rule 37 690 ☐ Rule 37 691 ☐ Rule 37 692 ☐ Rule 37 693 ☐ Rule 37 694 ☐ Rule 37 695 ☐ Rule 37 696 ☐ Rule 37 697 ☐ Rule 37 698 ☐ Rule 37 699 ☐ Rule 37 700 ☐ Rule 37 701 ☐ Rule 37 702 ☐ Rule 37 703 ☐ Rule 37 704 ☐ Rule 37 705 ☐ Rule 37 706 ☐ Rule 37 707 ☐ Rule 37 708 ☐ Rule 37 709 ☐ Rule 37 710 ☐ Rule 37 711 ☐ Rule 37 712 ☐ Rule 37 713 ☐ Rule 37 714 ☐ Rule 37 715 ☐ Rule 37 716 ☐ Rule 37 717 ☐ Rule 37 718 ☐ Rule 37 719 ☐ Rule 37 720 ☐ Rule 37 721 ☐ Rule 37 722 ☐ Rule 37 723 ☐ Rule 37 724 ☐ Rule 37 725 ☐ Rule 37 726 ☐ Rule 37 727 ☐ Rule 37 728 ☐ Rule 37 729 ☐ Rule 37 730 ☐ Rule 37 731 ☐ Rule 37 732 ☐ Rule 37 733 ☐ Rule 37 734 ☐ Rule 37 735 ☐ Rule 37 736 ☐ Rule 37 737 ☐ Rule 37 738 ☐ Rule 37 739 ☐ Rule 37 740 ☐ Rule 37 741 ☐ Rule 37 742 ☐ Rule 37 743 ☐ Rule 37 744 ☐ Rule 37 745 ☐ Rule 37 746 ☐ Rule 37 747 ☐ Rule 37 748 ☐ Rule 37 749 ☐ Rule 37 750 ☐ Rule 37 751 ☐ Rule 37 752 ☐ Rule 37 753 ☐ Rule 37 754 ☐ Rule 37 755 ☐ Rule 37 756 ☐ Rule 37 757 ☐ Rule 37 758 ☐ Rule 37 759 ☐ Rule 37 760 ☐ Rule 37 761 ☐ Rule 37 762 ☐ Rule 37 763 ☐ Rule 37 764 ☐ Rule 37 765 ☐ Rule 37 766 ☐ Rule 37 767 ☐ Rule 37 768 ☐ Rule 37 769 ☐ Rule 37 770 ☐ Rule 37 771 ☐ Rule 37 772 ☐ Rule 37 773 ☐ Rule 37 774 ☐ Rule 37 775 ☐ Rule 37 776 ☐ Rule 37 777 ☐ Rule 37 778 ☐ Rule 37 779 ☐ Rule 37 780 ☐ Rule 37 781 ☐ Rule 37 782 ☐ Rule 37 783 ☐ Rule 37 784 ☐ Rule 37 785 ☐ Rule 37 786 ☐ Rule 37 787 ☐ Rule 37 788 ☐ Rule 37 789 ☐ Rule 37 790 ☐ Rule 37 791 ☐ Rule 37 792 ☐ Rule 37 793 <		

(20)

78845

M. F.

APPLICATION TO DRILL

WELL # 2-PB
OCT 20 1982
SCB ARMSTRONG, COMMISSIONER
BY: E. V. PHIPPS

TYPE FIELD	FIELD OPERATOR LEASE	WELL NUMBER	RRC IDENT NUMBER	MONTH	GAS-M.C.F.		CUMULATIVE STAT = UNPRODUCED GAS (M.C.F.)	BAL. RISE STATUS	GATHERER	PERMIT	LEASE PRODUCTION	PLANT PRODUCTION	STATUS	GATHERER
					ALLOWABLE	PRODUCTION								
A	MONAHANS, NORTH (GLORIETA) AMOCO PRODUCTION CO.-ANDREWS SEALY SMITH FOUNDATION "A" DEL 64 BHP 2205	62417 020430 42	540 /CONTINUED/ 057362	7 /CONTINUED/ CONTINUED/ 12 1	4667R 4659R	4667 4659		9-1	AMOCF		15			MOBILE
A	MONAHANS, NE. (PENN DETRITAL, UP) SHELL OIL COMPANY SEALY-SMITH 35 COMPLETION DATE 10/23/68 POTENTIAL (G-1) 100 PERF 8062- 8083 TD 8224 DEL 90 BHP 76	62418 773840 1	666 055567	8 9 10 11 12 1	2720R 2720R 2720R 2687R 2687R 2669R	2669 2329 2579 2312 2285 2492			ELNAT					SHELL
	SEALY-SMITH 47 COMPLETION DATE 2/15/69 POTENTIAL (G-1) 48 PERF 8135- 8193 TD 8300 DEL 48 U BHP 57	1	055568	8 9 10 11 12 1	1813R 1813R 1813R 1542R 1524R 1661R	1780 1552 1720 1542 1524 1661			ELNAT					SHELL
NO	MONROE, DEEP (ATOKA) PIONEER PRODUCTION CORP. ROMONE UNIT COMPLETION DATE 4/23/73 POTENTIAL (G-1) 9500 PERF 14823-14829 TD 17295 WHP 2514 X DEL 155 BHP 9538	62496 665730 1	300 055832	8 9 10 11 12 1	4699R 4482R 4698R 4647R 4740R 4729R	3558 4345 4570 4647 4740 4729	1141- 137- 128- 30810 806-		DELGO					
NO	MONUMENT DRAW (WOLFCAMP) ARCO OIL & GAS CO. ROBBINS, J.P. COMPLETION DATE 4/18/80 POTENTIAL (G-1) 270 PERF 17633-15055 TD 18345 WHP 7920 DEL 102	62626 029340 1X	500 091771	8 9 10 11 12 1	2058R 1790R 1894R 2058R 1345R 1894R	2058 1345 1894 1543 1022 1682	445- 515- 323- 61140 212- 14-		UNTTG					
NP	MOORE-HOOPER (ATOKA) ATAPCO ARNO GAS UNIT COMPLETION DATE 5/19/82 POTENTIAL (G-1) 4300 PERF 16570-16872 TD 21700 POTE 4300 WHP 10300 DEL 615	62718 035633 2	200 101567	8 9 10 11 12 1	-0- 11070R 19065R 4086 9544 9485	-0- 3712 6442 5015 4965 4670	121 929 4579 4815		INTRT					
	SUN EXPLORATION & PRODUCTION CO. MOORE-HOOPER UNIT -A- COMPLETION DATE 12/03/77 POTENTIAL (G-1) 459 PERF 16344-16955 TD 19238 WHP 6750 X DEL 160 BHP 15093	829430 1	074666	8 9 10 11 12 1	2183R 2183R 2183R 1063 2483 2468	1229 1928 1528 1448 1021 1588	385 1462 880		VALEV					
OIL AND GAS DIVISION														

DISTRICT 08

JANUARY 1983

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78845

3-30-83

(21)

Memo

3-30-83

Exploration and Development

Lease Status Report

DO NOT DESTROY

DATE

NAME

TO: Mineral Acctg. 10-2-80 R. V. PHIPPS

M.F. No. 78845

Lease PT, Sect 8, Blk 33, H&TC

County Loving

Operator ATA PCO

Effective Date

☐ P & A (Last Well on Lease) _____

☐ First Producing Well on Lease _____

☐ Commingle Production _____

☒ Unit & Pooling Agreements 9-22-80

☐ Amendments to Units _____

☐ Other: Note Below _____

BTH
10-2-80
DGD
10/2/80
JB
10/7-80

AMERICAN TRADING AND PRODUCTION CORPORATION
WESTERN UNITED LIFE BUILDING
POST OFFICE DRAWER 992
MIDLAND, TEXAS 79702

915/684-4463

March 17, 1983

WEST TEXAS/NEW MEXICO DISTRICT

ROYALTY AND OVERRIDING ROYALTY OWNERS
(See Address List Attached)

RE: Gas Division Order
Arno Gas Unit No. 2
Loving County, Texas

Gentlemen:

Enclosed for each Royalty and Overriding Royalty owner are two (2) copies of a Gas Division Order covering your interests in the gas produced from subject well.

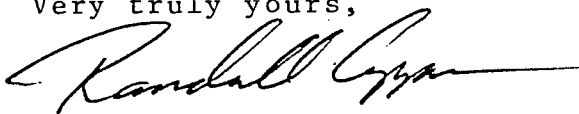
After verification of interests and addresses shown, each party should execute the Division Order in the manner indicated, and insert your Social Security or Tax Identification Number, and return one copy to American Trading, at the following address:

American Trading and Production Corporation
P. O. Drawer 992
Midland, Texas 79702

Attn: Randall Capps

If you should have any questions, please feel free to contact the undersigned.

Very truly yours,



Randall Capps
Senior Landman

Encl.

ADDRESS LIST

ROYALTY AND OVERRIDING ROYALTY OWNERS

ATAPCO ARNO GAS UNIT NO. 2

University Church of Christ
P O Box 8244
ACU Station
Abilene, Texas 79601

Children's Home of Lubbock, TX
Idalou Highway
Lubbock, Texas 79408

Home for the Aged
Gunter, Texas
P O Box 28908
Dallas, Texas 75228

Mary Stovall Jackson
2513 McCallum Dr.
Austin, Texas 78703

Grace N. Thaxton
3212 Fairfax Walk
Austin, Texas 78705

Mariellen Andrews Reid
1200 Spruce Street
Lockhart, Texas 78644

Herbert A. Reid
1200 Spruce Street
Lockhart, Texas 78644

Joseph M. Reid
1200 Spruce Street
Lockhart, Texas 78644

The Flag-Redfern Oil Company
P O Box 2280
Midland, Texas 79702

Felmont Oil Corporation
P O Box 2266
Midland, Texas 79702

G.L.M. Oil and Gas Company
6800 Park Ten Blvd.
Suite 200 North
San Antonio, Texas 78213

Adobe Oil & Gas Corporation
1100 Western United Life Bldg.
Midland, Texas 79701

Ruth Virginia Bell
2508 Spring Park Way
Richardson, Texas 75081

Jesse W. Bush and wife,
May Jarine Bush
P O Box 342
Pecos, Texas 79772

Sharon B. St. Clair
% Jesse W. Bush
P O Box 342
Pecos, Texas 79772

Gwendolyn B. Geltemeyer
% Jesse W. Bush
P O Box 342
Pecos, Texas 79772

Boyd E. Kern, Independent Executor
and Trustee of the Estate of Betty
R. Kern, Deceased
9150 Larston Road
Houston, Texas 77055

Curtis A. Pool
061 Mid-America Bldg.
Midland, Texas 79701

Howell Spear
Box 4246
Gulfport, Mississippi 39501

Sun-West, a partnership composed of
Jonathan Spear, Rex Spear, Nelson
Spear and Shane Spear
603 Seco Drive
Hobbs, New Mexico 88240

Marshall S. McCrea, Jr., Trustee
907 First Nat'l Bank Bldg.
Midland, Texas 79701

George E. McCrea, Trustee
907 First Nat'l Bank Bldg.
Midland, Texas 79701

Horseshoe Oil & Gas Corporation
907 First Nat'l Bank Bldg.
Midland, Texas 79701

Nautilus Exploration, Inc.
907 First Nat'l Bank Bldg.
Midland, Texas 79701

Elizabeth J. McCrea
P O Box 872
San Angelo, Texas 76902

H. C. N. L., Inc.
113 West 3rd Street
Grand Island, Nebraska 68801

Betty Seele
3628 May
Topeka, Kansas 66611

Dale G. Hammarlund and wife,
Dorothy J. Hammarlund
Rt. 1, Box 76
St. Mary's, Kansas 66536

Eldon L. Clark
6048 Horizon
East Lansing, Michigan 48823

Esther Pachosa
1814 N. Winter St.
Topeka, Kansas 66608

Duncan Drilling Company, a partnership
composed of James O. Duncan and Dave
Duncan
P O Box 109
Big Spring, Texas 79720

R. H. Weaver
105 West 4th Street
Big Spring, Texas 79720

Mann Rankin
P O Box 274
Midland, Texas 79702

W. Wayne Roye
P O Box 2013
Midland, Texas 79702

Randall B. Johnston
P O Box 1824
Midland, Texas 79702

Dorothy Greer Foster, Individually and
as Independent Executrix of the Estate
of James A. Foster, Deceased
2612 Northrup
Midland, Texas 79703

Ruth M. Vaughn
300 Caversham
Bryn Mawr, Pennsylvania 19010

James M. Raymond
Box 1445
Kerrville, Texas 78028

Dorothy Jane Williams
4812 Marietta Way
Sacramento, California 95841

Mary D. Fisher
5201 W. Camelback Rd., FP 220
Phoenix, Arizona 85031

Brenda Vaughn Petke
300 Caversham Road
Bryn Mawr, Pennsylvania 19010

Nancy Vaughn Ridgley
109 N. Remington Ave.
Columbus, Ohio 43209

Ruth Crandall
601 E. Fesler
Santa Maria, California 93454

Marion M. Hopkins
601 E. Fesler
Santa Maria, California 93454

Irene Motta
165 Firview Dr.
Arroyo Grande, California 93420

Leland Prindle
P O Box 345
Santa Paula, California 93060

Marguerite L. Kendall
6101 Heliotrope Avenue
Maywood, California 90270

Joanne Jorgensen Deatrick
5531 Selkirk Drive
Huntington Beach, California 92649

John Vanderlee
2101 Chelsea
Fort Worth, Texas 76112

R. L. Garrett, Jr.
P O box 3847
Corpus Christi, Texas 78404

Mary Kathryn Garrett Giles
P O Box 3847
Corpus Christi, Texas 78404

Tom Kendall
107 Kendall Drive
Pauls Valley, Oklahoma 73075

Robert P. Grimmett, Jr.
103 Kendall Drive
Pauls Valley, Oklahoma 73075

Vera McCarter
P O Box 3847
Corpus Christi, Texas 78404

Opal McCarter Roberts
316 North "G" Street
Muskogee, Oklahoma 74401

Mary Jane McCarter Sherley
2521-B Airport Circle
Arlington, Texas 76010

H. F. Anthony
P O Box 1512
Monahans, Texas 79756

Hilda J. Anthony
1255 Hays Street
San Leandro, California 94577

Jean Rowe
P O Box 263
Balmorhea, Texas 79718

Elizabeth Steward
P O Box 523
Hotchkiss, Colorado 81412

Jesse Bell Allen, Trustee (Surviving
Trustee under the "Young Bell Trust")
Bellacres No. 2
Pecos, Texas 79772

The State of Texas
% General Land Office
Austin, Texas 78701

Starr Commonwealth for Boys
a Michigan Corporation
Albion, Michigan 49224

Transwestern Gas Supply Company
a Texas Corporation
P O Box 2521
Houston, Texas 77001

Frances H. Kerr, Individually and as
Independent Executrix of the Estate
of William L. Kerr, Deceased
1200 Country Club Dr.
Midland, Texas 79701

GAS DIVISION ORDER

February 21, 1983

TO: AMERICAN TRADING AND PRODUCTION CORPORATION
BALTIMORE, MARYLAND 21203

The undersigned, and each of us, certify and guarantee that we are the owners of and hereby warrant the title to our respective interests as set out below in the gas produced and sold from all wells on the ATAPCO ARNO Gas Unit No. 2 farm or lease, located in Loving County, State of Texas, more particularly described as follows:

SEE EXHIBIT "A" ATTACHED

Effective September 13, 1983 (First Production) and until further written notice, you are hereby authorized to give credit for all proceeds due or derived from such sale of gas from said property subject to the conditions, covenants and directions following:

ROYALTY AND OVERRIDING ROYALTY INTERESTS

CREDIT TO	DIVISION OF INTEREST	ADDRESS
<u>TRACT NO. 1 ATAPCO LEASE NO. 2354</u>		
University Church of Christ, Abilene, Texas	1/8 X 1/8 X 26.59/704 RI PLUS 1/2 X 1/16 X 26.59/704 (.0017705)	P. O. Box 8244 ACU Station Abilene, Texas 79601
Children's Home of Lubbock, Texas	1/16 X 1/8 X 26.59/704 RI PLUS 1/4 X 1/16 X 26.59/704 (.0008853)	Idalou Highway Lubbock, Texas 79408
Home for the Aged Gunter, Texas	1/16 X 1/8 X 26.59/704 RI PLUS 1/4 X 1/16 X 26.59/704 (.0008852)	P. O. Box 28908 Dallas, Texas 75228
Mary Stovall Jackson	1/8 X 1/8 X 26.59/704 RI (.0005902)	2513 McCallum Dr. Austin, Texas 78703
Grace N. Thaxton	1/8 X 1/8 X 26.59/704 RI (.0005902)	3212 Fairfax Walk Austin, Texas 78705
Mariellen Andrews Reid	1/16 X 1/8 X 26.59/704 RI (.0002951)	1200 Spruce Street Lockhart, Texas 78644
Herbert A. Reid	1/32 X 1/8 X 26.59/704 RI (.0001475)	1200 Spruce Street Lockhart, Texas 78644
Joseph M. Reid	1/32 X 1/8 X 26.59/704 RI (.0001475)	1200 Spruce Street Lockhart, Texas 78644
The Flag-Redfern Oil Company	1/8 X 1/8 X 26.59/704 RI (.0005902)	P. O. Box 2280 Midland, Texas 79702
Felmont Oil Corporation	1/16 X 1/8 X 26.59/704 RI (.0002951)	P. O. Box 2266 Midland, Texas 79702
L.M. Oil and Gas Company (2)	1/32 X 1/8 X 26.59/704 RI (.0001475)	6800 Park Ten Blvd. Suite 200 North San Antonio, Texas 78213

G.L.O. Copy

Adobe Oil & Gas Corporation	1/32 X 1/8 X 26.59/704 (.0001475)	RI	1100 Western United Life Building Midland, Texas 79701
Ruth Virginia Bell	1/8 X 1/8 X 26.59/704 (.0005902)	RI	2508 Spring Park Way Richardson, Texas 75081
<u>TRACT NO. 2 ATAPCO LEASE NO. 2363</u>			
Jesse W. Bush and wife, May Jarine Bush	11/80 X 40.675/704 (.0079448)	RI	P. O. Box 342 Pecos, Texas 79772
Sharon B. St. Clair	1/32 X 40.675/704 (.0018056)	RI	c/o Jesse W. Bush P. O. Box 342 Pecos, Texas 79772
Gwendolyn B. Geltemeyer	1/32 X 40.675/704 (.0018056)	RI	c/o Jesse W. Bush P. O. Box 342 Pecos, Texas 79772
<u>TRACT NO. 3 ATAPCO LEASE NO. 2393</u>			
Boyd E. Kern, Independent Executor and Trustee of the Estate of Betty R. Kern, Deceased	3/16 X 10/704 (.0026634)	RI	9150 Larston Road Houston, Texas 77055
Curtis A. Pool (1)	1/32 X 10/704 (.0004439)	ORRI	061 Mid-America Bldg. Midland, Texas 79701
<u>TRACT NO. 4 ATAPCO LEASE NO. 2305</u>			
Howell Spear	1/8 X 3/16 X 40/704 (.0013317)	RI	Box 4246 Gulfport, Miss. 39501
Sun-West, a partnership composed of Jonathan Spear, Rex Spear, Nelson Spear and Shane Spear	3/8 X 1/4 X 40/704 (.0053269)	RI	603 Seco Drive Hobbs, New Mex. 88240
Felmont Oil Corporation	1/4 X 3/16 X 40/704 (.0026634)	RI	P. O. Box 2266 Midland, Texas 79702
Marshall S. McCrea, Jr., Trustee	1/8 X 3/16 X 40/704 (.0013317)	RI	907 First Nat'l Bank Bldg. Midland, Texas 79701
George E. McCrea, Trustee	1/8 X 3/16 X 40/704 (.0013317)	RI	907 First Nat'l Bank Bldg. Midland, Texas 79701
<u>TRACT NO. 5 ATAPCO LEASE NO. 2353</u>			
Horseshoe Oil & Gas Corporation	1/6 X 1/16 X 30/704 Plus 1/12 X 3/16 X 30/704 (.0011096)	RI	907 First Nat'l Bank Bldg. Midland, Texas 79701
Nautilus Exploration, Inc.	1/6 X 1/16 X 30/704 Plus 1/12 X 3/16 X 30/704 (.0011096)	RI	907 First Nat'l Bank Bldg. Midland, Texas 79701
Jesse W. Bush	2/3 X 1/8 X 30/704 (.0035508)	RI	P. O. Box 342 Pecos, Texas 79772
Curtis A. Pool (1)	1/3 X 1/16 X 30/704 Plus 1/6 X 3/16 X 30/704 (.0022193)	RI	061 Mid-America Bldg. Midland, Texas 79701

TRACT NO. 6 UNION OIL COMPANY OF CALIFORNIA LEASE NO.

Elizabeth J. McCrea	1/8 X 10/704 (.0017756)	RI	P. O. Box 872 San Angelo, Texas 76902
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TRACT NO. 7 ATAPCO LEASE NO. 2351

H. C. N. L., Inc.	1/6 X 1/8 X 10/704 (.0002959)	RI	113 West 3rd Street Grand Island, Neb. 68801
Betty Seele	1/6 X 1/8 X 10/704 (.0002959)	RI	3628 May Topeka, Kansas 66611
Dale G. Hammarlund and wife, Dorothy J. Hammarlund	1/3 X 1/8 X 10/704 (.0005919)	RI	R. 1, Box 76 St. Mary's, Kansas 66536
Eldon L. Clark	1/6 X 1/8 X 10/704 (.0002959)	RI	6048 Horizon East Lansing, Mich. 48823
Esther Pachosa	1/6 X 1/8 X 10/704 (.0002959)	RI	1814 N. Winter St. Topeka, Kansas 66608
Duncan Drilling Company, a partnership composed of James O. Duncan and Dave Duncan	23/32 X 1/16 X 10/704 (.0006381)	ORRI	P. O. Box 109 Big Spring, Texas 79720
R. H. Weaver	1/32 X 1/16 X 10/704 (.0000277)	ORRI	105 West 4th Street Big Spring, Texas 79720
Mann Rankin	3/32 X 1/16 X 10/704 (.0000832)	ORRI	P. O. Box 274 Midland, Texas 79702
W. Wayne Roye	1/32 X 1/16 X 10/704 (.0000277)	ORRI	P. O. Box 2013 Midland, Texas 79702
Randall B. Johnston	1/16 X 1/16 X 10/704 (.0000555)	ORRI	P. O. Box 1824 Midland, Texas 79702
Dorothy Greer Foster, Individually and as Independent Executrix of the Estate of James A. Foster, Deceased	1/32 X 1/16 X 10/704 (.0000277)	ORRI	2612 Northrup Midland, Texas 79703
Curtis A. Pool (1)	1/32 X 1/16 X 10/704 (.0000277)	ORRI	061 Mid-America Bldg. Midland, Texas 79701

TRACT NO. 8 ATAPCO LEASE NO. 2303

Ruth M. Vaughn	1/4 X 3/16 X 20/704 (.0013317)	RI	300 Caversham Bryn Mawr, Penn. 19010
James M. Raymond	1/3 X 3/16 X 20/704 (.0017756)	RI	Box 1445 Kerrville, Texas 78028
Dorothy Jane Williams	1/8 X 3/16 X 20/704 (.0006659)	RI	4812 Marietta Way Sacramento, Calif. 9584
Mary D. Fisher	1/8 X 3/16 X 20/704 (.0006659)	RI	5201 W. Camelback Rd., FP220 Phoenix, Ariz. 85031
Brenda Vaughn Petke	1/12 X 3/16 X 20/704 (.0004439)	RI	300 Caversham Road Bryn Mawr, Penn. 19010
Nancy Vaughn Ridgley	1/12 X 3/16 X 20/704 (.0004439)	RI	109 N. Remington Ave. Columbus, Ohio 43209

TRACT NO. 9 ATAPCO LEASE NO. 2351

Ruth Crandall	1/4 X 1/8 X 10/704 (.0004439)	RI	601 E. Fesler Santa Maria, CA 93454
Marion M. Hopkins	1/4 X 1/8 X 10/704 (.0004439)	RI	601 E. Fesler Santa Maria, CA 93454
Irene Motta	1/4 X 1/8 X 10/704 (.0004439)	RI	165 Firview Dr. Arroyo Grande, CA 93420
Leland Prindle	1/4 X 1/8 X 10/704 (.0004439)	RI	P. O. Box 345 Santa Paula, CA 93060
Duncan Drilling Company, 19/32 X 1/16 X 10/704 a partnership composed of (.0005271) James O. Duncan and Dave Duncan		ORRI	P. O. Box 109 Big Spring, Texas 79720
R. H. Weaver	1/32 X 1/16 X 10/704 (.0000277)	ORRI	105 West 4th Street Big Spring, Texas 79720
Mann Rankin	9/64 X 1/16 X 10/704 (.0001248)	ORRI	P. O. Box 274 Midland, Texas 79702
. Wayne Roye	3/64 X 1/16 X 10/704 (.0000416)	ORRI	P. O. Box 2013 Midland, Texas 79702
Randall B. Johnston	3/32 X 1/16 X 10/704 (.0000832)	ORRI	P. O. Box 1824 Midland, Texas 79702
Dorothy Greer Foster, Individually and as Independent Executrix of the Estate of James A. Foster, Deceased	3/64 X 1/16 X 10/704 (.0000416)	ORRI	2616 Northrup Midland, Texas 79703
Arztis A. Pool (1)	3/64 X 1/16 X 10/704 (.0000416)	ORRI	061 Mid-America Bldg. Midland, Texas 79701

TRACT NO. 10 ATAPCO LEASE NO. 2353

Marshall S. McCrea, Jr., Trustee	3/16 X 3/16 X 5/704 (.0002496)	RI	907 First Nat'l Bank Bld Midland, Texas 79701
George E. McCrea, Trustee	3/16 X 3/16 X 5/704 (.0002496)	RI	907 First Nat'l Bank Bld Midland, Texas 79701
Arztis A. Pool (1)	3/8 X 3/16 X 5/704 (.0004992)	RI	061 Mid-America Bldg. Midland, Texas 79701
Arguerite L. Kendall	1/8 X 3/16 X 5/704 (.0001664)	RI	6101 Heliotrope Avenue Maywood, CA 90270
Joanne Jorgensen Watrick	1/8 X 3/16 X 5/704 (.0001664)	RI	5531 Selkirk Drive Huntington Beach, CA 92649

TRACT NO. 11 ATAPCO LEASE NO. 2304

John Vanderlee	3/16 X 5/704 (.0013312)	RI	2101 Chelsea Fort Worth, Texas 76112
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TRACT NO. 12 ATAPCO LEASE NO. 2392

Elmont Oil Corporation	3/16 X 43.12/704 (.0114844)	RI	P. O. Box 2266 Midland, Texas 79702
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TRACT NO. 13 ATAPCO LEASE NO. 2351

Vera Bond	1/2 X 90.37/95.37 X 1/8 X 95.37/704 RI PLUS 1/4 X 5/95.37 X 1/8 X 95.37/704 (.0082449)	
R. L. Garrett, Jr.	3/128 X 1/8 X 95.37/704 (.0003969)	RI P. O. Box 3847 Corpus Christi, TX 7840
Mary Kathryn Garrett Giles	3/128 X 1/8 X 95.37/704 (.0003969)	RI P. O. Box 3847 Corpus Christi, TX 7840
Tom Kendall	3/128 X 1/8 X 95.37/704 (.0003969)	RI 107 Kendall Drive Pauls Valley, OK 73075
Robert P. Grimmett, Jr.	3/128 X 1/8 X 95.37/704 (.0003969)	RI 103 Kendall Drive Pauls Valley, OK 73075
Vera McCarter	1/32 X 1/8 X 95.37/704 (.0005292)	RI P. O. Box 3847 Corpus Christi, TX 7840
Opal McCarter Roberts	1/32 X 1/8 X 95.37/704 (.0005292)	RI 316 North "G" Street Muskogee, OK 74401
Mary Jane McCarter Sherley	1/32 X 1/8 X 95.37/704 (.0005292)	RI 2521-B Airport Circle Arlington, Texas 76010
H. F. Anthony	1/64 X 1/8 X 95.37/704 (.0002646)	RI P. O. Box 1512 Monahans, Texas 79756
ilda J. Anthony	1/64 X 1/8 X 95.37/704 (.0002646)	RI 1255 Hays Street San Leandro, CA 94577
ean Rowe	1/64 X 1/8 X 95.37/704 (.0002646)	RI P. O. Box 263 Balmorhea, Texas 79718
Elizabeth Steward	1/64 X 1/8 X 95.37/704 (.0002646)	RI P. O. Box 523 Hotchkiss, Colo. 81412
Adobe Oil & Gas Corpora- tion	1/16 X 3/16 X 95.37/704 (.0015875)	RI 1100 Western United Lif Bldg. Midland, Texas 79701
L. M. Oil and Gas Company (2)	1/16 X 3/16 X 95.37/704 (.0015875)	RI 6800 Park Ten Blvd. Suite 200 North San Antonio, Texas 7821
Jesse Bell Allen, Trustee (Surviving Trustee under the "Young Bell Trust", dated June 17, 1927, and extended by Agreement dated March 10, 1962, re- corded Vol. 29, Page 404, D/R, Loving Co., Texas)	1/8 X 1/8 X 95.37/704 (.0021167)	RI Bellacres No. 2 Pecos, Texas 79772
Harwin Terry Mann	1/8 X 5/95.37 X 1/8 X 95.37/704 RI (.0001110)	
Howard C. Mann	1/8 X 5/95.37 X 1/8 X 95.37/704 RI (.0001110)	
Duncan Drilling Company, a partnership composed of James O. Duncan and Dave Duncan	19/32 X 3/16 X 1/16 X 95.37/704 ORRI (.0009426)	P. O. Box 109 Big Spring, TX 79720

R. H. Weaver	1/32 X 3/16 X 1/16 X 95.37/704 ORRI (.0000496)	105 West 4th Street Big Spring, TX 79720
Mann Rankin	9/64 X 3/16 X 1/16 X 95.37/704 ORRI (.0002232)	P. O. Box 274 Midland, Texas 79702
Randall B. Johnston	6/64 X 3/16 X 1/16 X 95.37/704 ORRI (.0001488)	P. O. Box 1824 Midland, Texas 79702
W. Wayne Roye	3/64 X 3/16 X 1/16 X 95.37/704 ORRI (.0000744)	P. O. Box 2013 Midland, Texas 79702
Dorothy Greer Foster, Individually and as Independent Executrix of the Estate of James A. Foster, Deceased	3/64 X 3/16 X 1/16 X 95.37/704 ORRI (.0000744)	2612 Northrup Midland, Texas 79703
Curtis A. Pool (1)	3/64 X 3/16 X 1/16 X 95.37/704 ORRI (.0000744)	061 Mid-America Bldg. Midland, Texas 79701
<u>TRACT NO. 14 ATAPCO LEASE NO. 2395</u>		
H. N. Boddy	127/256 X 7/32 X 146.9/704 RI LESS 1/2 X 1/4 X 1/8 X 146.9/704 (.0193836)	
Vivian Boddy, Individu- ally and as Independent Executrix of the Estate of J. E. Boddy, Deceased	127/256 X 7/32 X 146.9/704 RI LESS 1/2 X 1/4 X 1/8 X 146.9/704 (.0193836)	
Vera A. Bond	1/4 X 1/8 X 146.9/704 (.0065206)	RI
<u>TRACT NO. 15 ATAPCO LEASE NO. 2329</u>		
The State of Texas	1/5 X 100/704 (.0284100)	RI c/o General Land Office Austin, Texas 78701
<u>TRACT NO. 16 ATAPCO LEASE NO. 2361</u>		
Anna Goodrich	1/5 X 40/704 (.0113640)	RI
<u>TRACT NO. 17 ATAPCO LEASE NO. 2313</u>		
Starr Commonwealth for Boys, a Michigan Corporation	7/8 X 3/16 X 71.345/704 (.0166261)	RI Albion, Mich. 49224
Transwestern Gas Supply Company, a Texas Corporation	1/32 X 1/4 X 71.345/704 (.0007917)	RI P. O. Box 2521 Houston, Texas 77001
Frances H. Kerr, Indivi- dually and as Independent Executrix of the Estate of William L. Kerr, Deceased	1/256 X 3/16 X 71.345/704 (.0000742)	RI 1200 Country Club Dr. Midland, Texas 79701
Herman Pierce Hubbard and wife, Barbara Hubbard	1/256 X 3/16 X 71.345/704 (.0000742)	RI
L. M. Oil and Gas Company (2)	1/32 X 1/4 X 71.345/704 (.0007917)	RI 6800 Park Ten Blvd. Suite 200 North San Antonio, Texas 78213
Felmont Oil Corporation	3/64 X 3/16 X 71.345/704 (.0008907)	RI P. O. Box 2266 Midland, Texas 79702

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Curtis A. Pool (1) 1/128 X 3/16 X 71.345/704 RI 061 Mid-America Bldg.
(.0001484)

NOTES:

- (1) The overriding royalty and royalty interests owned by Curtis Pool in Tract Nos. 3, 5, 7, 9, 10, 13 and 17 shall be paid to ATAPCO under the provisions of and for the period of time set forth in that certain Letter Agreement dated October 16, 1980 between ATAPCO and Curtis Pool.
- (2)a The interest of G. L. M. Oil and Gas Company in Tract Nos. 1, 13 and 17 is subject to a production payment owned by The Lyndon Baines Johnson Foundation No. 2, which was conveyed by that certain instrument dated October 18, 1979, recorded in Volume 60, Page 24, Deed Records of Loving County, Texas. By execution of this Division Order, The Lyndon Baines Johnson Foundation No. 2 agrees that its interest in production from the well covered by this Division Order may be paid to G. L. M. Oil and Gas Company.
- (2)b The production payment owned by The Lyndon Baines Johnson Foundation No. 2 is subject to a Deed of Trust and Mortgage to Continental Illinois National Bank and Trust Company of Chicago, Agent dated October 18, 1979, recorded in Volume 23, Page 27, Deed of Trust Records, as supplemented by an instrument dated February 29, 1980, recorded in Volume 23, Page 221, Deed of Trust Records, Loving County, Texas. By execution of this Division Order, the said Continental Illinois National Bank and Trust Company of Chicago, Agent agrees that this interest may be paid to G. L. M. Oil and Gas Company.

FIRST: It is understood that the gas produced and sold from the above described land is being sold under contract dated August 18, 1980, between AMERICAN TRADING AND PRODUCTION CORPORATION, as Seller and INTRATEX GAS COMPANY as Buyer, and that said contract, and any amendments, extensions or renewals thereof, shall govern as to the price to be paid for said gas and the times when such payments are to be made.

SECOND: Payments are to be made in checks of AMERICAN TRADING AND PRODUCTION CORPORATION (sometimes herein called "AMERICAN TRADING") to be delivered or mailed to the parties thereto entitled at the addresses above given. However, it is agreed if, at any settlement date, the amount payable to any party hereunder shall be less than Five Dollars (\$5.00) AMERICAN TRADING may withhold payment, without interest, and in lieu of the scheduled payments make payments at semiannual intervals for amounts which have accumulated to Five Dollars (\$5.00) or more. The undersigned authorize AMERICAN TRADING to withhold from the proceeds of any and all gas referred to herein the amount of any tax placed thereon, or on the production thereof, by any governmental authority, and to pay the same in our behalf.

THIRD: In case of any adverse claim of title or in case title shall not be satisfactory to AMERICAN TRADING at any time during the term of this Division Order, each of the undersigned agrees to furnish complete abstract of title and other evidence of title satisfactory to AMERICAN TRADING and authorize AMERICAN TRADING to withhold payment, without obligation to pay interest on the amount so withheld, until satisfactory indemnity shall be furnished to AMERICAN TRADING against such adverse claims or any such defects in title, or until title shall be made satisfactory to AMERICAN TRADING. Each undersigned party, as to the interest of such party hereunder, respectively agrees, in the event suit is filed in any court affecting title to said gas, either before or after severance, to indemnify and save harmless AMERICAN TRADING against any and all liability for loss, cost, damage and expense which AMERICAN TRADING may suffer or incur on account of receiving and paying said party the proceeds derived from the sale of said gas. Where AMERICAN TRADING, pursuant to the provisions hereof, withholds payment, or any part thereof, each undersigned party from whom payment is so withheld severally agrees to indemnify and hold AMERICAN TRADING harmless from all liability for any tax, together with all interest and penalties incident thereto, imposed or assessed against, or paid by it on account of, the sum or sums so withheld from payment to said party, and severally agrees that AMERICAN TRADING may deduct all such taxes, interest and penalties so paid by it from any sums owing by it to said party.

FOURTH: The undersigned severally agrees to notify AMERICAN TRADING of any change of ownership, and no transfer of interest shall be binding upon AMERICAN TRADING until transfer order and the recorded instrument evidencing such transfer, or a certified copy thereof, shall be furnished to AMERICAN TRADING. Transfers of interest shall be made effective on the first day of the calendar month in which notice is received by AMERICAN TRADING. AMERICAN TRADING is hereby relieved of any responsibility for determining if and when any of the interests hereinabove set forth shall or should revert to or be owned by other parties as a result of the completion or discharge of money or other payments from said interests and the signers hereof whose interests are affected by such money or other payments, if any, agree to give AMERICAN TRADING notice in writing by registered letter addressed to AMERICAN TRADING AND PRODUCTION CORPORATION, P. O. Box 238, Baltimore, Maryland 21203, when any such money or other payments have been completed or discharged or when any other division of interest than that set forth above shall, for any reason, become effective and to furnish transfer orders accordingly, and that in the event such notice shall not be received, AMERICAN TRADING shall be held harmless in the event of, and is hereby released from any and all damage or loss which might arise out of, any overpayment.

FIFTH: This Division Order shall become valid and binding on each and every owner above names as soon as signed by owner, regardless of whether or not all of the above named owners have so signed. No change as to one owner shall affect this Division Order as to the interest of the other parties.

WITNESSES or ATTEST:

OWNER

SS./TAX ID #

E X H I B I T "A"

704.00 acres, more or less, lying in Loving County, Texas, and comprising the tracts shown below:

TRACT NO. 1

All of that part of the Southeast One-Half (SE $\frac{1}{2}$) of Section 80, Block 33, H&TC RR Co. Survey, which is not included in the American Quasar Petroleum Company's Ford Chapman Unit (recorded in Volume 50, Page 170, Deed Records of Loving County, Texas) and in the American Trading and Production Corporation ARNO GAS UNIT NO. 1 (a counterpart copy of which is recorded in Volume _____, Page _____, Deed Records of Loving County, Texas), and comprising 26.59 acres, more or less.

TRACT NO. 2

Farm Lots 29, 30, 33 and 34 and the most Southwesterly 338 feet of the Porterville Townsite (said 338 feet lying Southwest of the Cataga Gas Unit No. 2, recorded in Volume 51, Page 221, Deed Records of Loving County, Texas) all situated in Section 79, Block 33, H&TC RR Co. Survey, and comprising 40.675 acres, more or less.

TRACT NO. 3

Farm Lots 37 and 38 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 10.00 acres, more or less.

TRACT NO. 4

Farm Lots 41, 42, 45, 46, 49, 50, 55 and 56 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 40.00 acres, more or less.

TRACT NO. 5

Farm Lots 31, 32, 35, 36, 53 and 54 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 30.00 acres, more or less.

TRACT NO. 6

Farm Lots 39 and 40 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 10.00 acres, more or less.

TRACT NO. 7

Farm Lots 43 and 44 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 10.00 acres, more or less.

TRACT NO. 8

Farm Lots 47, 51, 57 and 58 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 20.00 acres, more or less.

TRACT NO. 9

Farm Lots 48 and 52 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 10.00 acres, more or less.

TRACT NO. 10

Farm Lot 59 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 5.00 acres, more or less.

TRACT NO. 11

Farm Lot 60 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 5.00 acres, more or less.

TRACT NO. 12

Farm Lots 69, 70, 73, 74 and 77 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 43.12 acres, more or less.

TRACT NO. 13

Farm Lots 61, 62, 63, 64, 65, 66, 67, 68, 71, 72, 75, 76 and 78 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 95.37 acres, more or less.

TRACT NO. 14

Farm Lots numbered 19 to 29 inclusive of the F. N. Johnson Subdivision of Section 78, Block 33, H&TC RR Co. Survey, as per plat thereof recorded in Volume 3, Page 617, Deed Records of Loving County, Texas, said Lots being in the Southwest end of said Section 78, and comprising 146.90 acres, more or less.

TRACT NO. 15

The Mid/Part of the Southwest/Part of Section 78, Block 33, H&TC RR Co. Survey (also described as Lots 9 through 18 inclusive of the Southwest One-Half (SW $\frac{1}{2}$) of said Section 78), and comprising 100.00 acres, more or less.

TRACT NO. 16

Farm Lots 1, 3, 5 and 7 of the F. N. Johnson Subdivision of Section 78, Block 33, H&TC RR Co. Survey, and comprising 40.00 acres, more or less.

TRACT NO. 17

Farm Lots 2, 4, 6 and 8 of the F. N. Johnson Subdivision of Section 78, and the most Southwesterly 31.345 acres of the Southwest One-Quarter of the Northeast One-Half (SE $\frac{1}{4}$ NE $\frac{1}{2}$) of Section 78, Block 33, H&TC RR Co. Survey, and comprising 71.345 acres, more or less.

Garry Mauro
Commissioner
General Land Office



April 4, 1983

American Trading & Production Company
Western United Life Bldg.
P. O. Drawer 992
Midland, Texas 79702

RE: State Lease M-78845
Atapco Arno Gas
Unit No. 2
Loving County, Texas

Gentlemen:

This letter is issued in lieu of the ordinary form of "Division Order" prepared by the oil companies primarily for execution by the individual royalty owner.

Inasmuch as the statutes provide the royalties the State shall receive, it is felt that it would not be in conformity with the law for the General Land Office to execute your division order and thereby attempt to bind the State by the provisions contained therein.

The General Land Office, insofar as permitted under the law, acquiesces in the sale of the oil and/or gas to you from this lease, which oil and/or gas shall become your property when the State has been paid for same, as prescribed by law and under the terms and conditions as set out in the lease covering the area in question.

Very truly yours,

Max J. Werkenthin, Attorney
Energy Resources
Phone: 512-475-6749
Enclosure

22

M. F. 78843
CORRESPONDENCE FILE

To

DIVISION ORDER

From

Dated 4-4-83

MINERAL ACCOUNTING
MEMORANDUM

(File in "B" File)

RE: M- 78845

Split from M- _____
which is

Operator _____

☐ Producing

Lease _____

☐ Nonproducing

County Loving

Date

Name

FROM: Mineral Accounting

8-17-83

NS

TO: Exploration & Development

TO: Legal

NONPRODUCING

___ Delay Rental Due On _____ Not Received

___ Primary Term Expired _____

PRODUCING STATUS

OIL: No production reported from _____ through _____
mo./year mo./year

Oil Royalty Status: ☐ Due \$ _____ ☐ Royalty paid in full

Name _____

GAS: No production reported from _____ through _____
mo./year mo./year

Gas Royalty Status: ☐ Due \$ _____ ☐ Royalty paid in full

Name _____

RENTAL:

MAPS:

GLO-RA-12-(1-82)

*Please show status of Unit. Cannot
find royalty coming in.*

*First prod. will occur sept. 13, 1983
state will participate in all production from that time*

(23) M-78845
Acty Memo
8-17-83

IMPORTANT: RETAIN WHITE COPY AND
RETURN YELLOW COPY WITH
REQUESTED DOCUMENTS.

March 7, 1984

ATAPCO
110 West Louisiana, Suite 300
Midland, TX 79701

RE: State Lease M-78845
Arno Gas Unit #2 Lease
Moore-Hooper (Atoka) Field
Loving County, Texas

Gentlemen:

In auditing the above referenced lease, we find the first gas report, form MA-2 filed was for the month of November, 1983. Our records reveal production was secured on this lease during September, 1982.

Please file the necessary gas reports and supporting documents for months September 1982 through October 1983 at the earliest possible date.

Thank you for your cooperation.

Sincerely yours,

Charles Whitsel, Gas Supervisor
Resource Accounting
Telephone No. 512-475-2858

TB/jrf

M. P. M-18845

CORRESPONDENCE FILE

To

ATAPCO

From

Dated 3-⁷~~6~~-84

Atapco
 Wino #2
 M-78845

b-file

	1	2	3	4	5	6
	TOTAL NCF	1 st rptd. Gross Value	Royalty Paid	Royalty from Tax Reimbursement	TOTAL	
Sept 1982	3712	817845	23235	1743	24978	1
10/82	6448	2068509	58767	4407	63174	2
11/82	5015	1606278	45635	3423	49058	3
12/82	4965	1601284	45493	3412	48905	4
1/83	4670	1524448	43310	3248	46558	5
2/83	3558	1166642	33144	2486	35630	6
3/83	3675	1213842	34457	2584	37041	7
4/83	3121	1030261	29269	2195	31464	8
5/83	2685	886804	25194	1890	27084	9
6/83	2413	796850	22638	1674	24552	10
7/83	2325	768012	21831	1637	23458	11
8/83	2291	755046	21451	1609	23060	12
9/83	2121	698531	19845	1488	21333	13
10/83	2217	730399	20748	1556	22304	14

\$333.72

Gross Value X .075 X .028410 = Royalty on Tax
 Reimbursement
 to be paid.

122

333.22

47774

✓ AMERICAN TRADING &
 PROD. CORP.

(25)

M. F. 78845

CORRESPONDENCE FILE

(TO)

ATAPCO

~~FROM~~

DATED 1-6-84

T. Lov

PARTIAL ASSIGNMENT OF OIL AND GAS LEASES

STATE OF TEXAS X
COUNTY OF LOVING X

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, American Trading and Production Corporation (hereinafter referred to as "Assignor") is the present owner of the following described Oil and Gas Leases covering lands lying and being situated in the County of Loving, State of Texas, together with all rights thereunder or incident thereto.

1. ATAPCO Lease No: 2329-2-82
Dated : February 6, 1979
Lessor : The State of Texas (#78845)
Lessee : American Trading and Production Corporation
Recorded : Volume 53, Page 625, OGL Records
Description : Mid/Part of SW/Part of Section 78, Block 33, H&TC Ry. Co. Survey, containing 100 acres, more or less.
2. ATAPCO Lease No: 2330-2-82
Dated : February 6, 1979
Lessor : The State of Texas (#78844)
Lessee : American Trading and Production Corporation
Recorded : Volume 53, Page 631, OGL Records
Description : SW/Part and SW 146 acres of NE/Part of Section 76, Block 33, H&TC Ry. Co. Survey, containing 331 acres, more or less.

NOW, THEREFORE, for and in consideration of Ten Dollars (and other good and valuable considerations), the receipt of which is hereby acknowledged, the Assignor does hereby Bargain, Sell, Transfer, Assign, and Convey an undivided Seventy-Five and One-Half percent (75.50%) of all of Assignor's right, title and interest in and under the above described leases and lands covered thereby, together with the same percentage of all personal property used or obtained in connection therewith to the following named parties, their respective heirs, personal representatives, successors, and assigns ('Assignees'), in the proportion shown for each of said parties:

Sun Oil Company (Delaware)		25.0000 %
David Fasken		10.0000 %
Ben J. Fortson		10.0000 %
Tipperary Oil and Gas Corporation		10.0000 %
American Public Energy Company		8.0000 %
William K. Young		4.1667 %
Frank G. Young		4.1667 %
Marshall R. Young Oil Company		4.1666 %
		<u>75.5000 %</u>

so that from and after the date hereof the above described Oil and Gas Leases and lands covered thereby and all personal property located thereon or used and obtained in connection therewith, shall be owned as hereinafter set forth:

American Trading and Production Corporation	24.5000 %
Sun Oil Company (Delaware)	25.0000 %
David Fasken	10.0000 %
Ben J. Fortson	10.0000 %
Tipperary Oil and Gas Corporation	10.0000 %
American Public Energy Company	8.0000 %
William K. Young	4.1667 %
Frank G. Young	4.1667 %
Marshall R. Young Oil Company	<u>4.1666</u> %
	100.0000 %

This Assignment is made and delivered subject to the following:

1. All of the terms and conditions contained in these certain Letter Agreements dated September 28, 1979 between Assignor and Sunmark Exploration Company and dated September 28, 1979 between Assignor and American Public Energy Company.

2. Assignees shall bear and pay their proportionate parts of all burdens created by Assignor against the said leases, which are of legal record.

3. This Partial Assignment of Oil and Gas Leases replaces, supersedes and is in lieu of that certain Partial Assignment of Oil and Gas Leases dated November 5, 1979 from American Trading and Production Corporation to Sun Oil Company (Delaware) et al, recorded in Volume 56, Pages 344-352, Oil and Gas Lease Records of Loving County, Texas, INSOFAR AND ONLY INSOFAR as said November 5, 1979 Assignment covers and includes the two (2) State of Texas Oil and Gas Leases hereinabove described, for the sole and only purpose of timely filing a certified copy of this In Lieu Partial Assignment of Oil and Gas Leases with the General Land office of the State of Texas. It is not the purpose of this instrument to modify or affect any changes in the ownership of the above described leases, or interests thereunder, which may have occurred in the interval of time from November 5, 1979 to the date hereof, as reflected in the public records of Loving County, Texas.

The provisions hereof shall be considered as covenants running

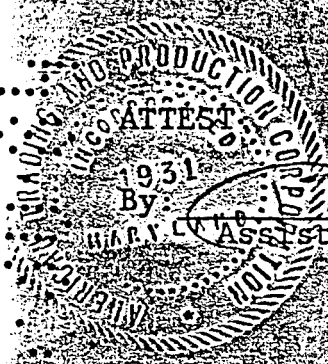
with the land and leases, and shall be binding upon the parties here-
to, their heirs, successors, assigns, and personal representatives,
and any transfer or assignment of the Oil and Gas Leases and lands
herein assigned shall be subject to the provisions hereof.

This Assignment is made without warranty of title, either ex-
press or implied.

IN WITNESS WHEREOF, this instrument of Assignment has been ex-
ecuted this 15th day of July 1981.

AMERICAN TRADING AND
PRODUCTION CORPORATION

By: 
E. R. KEMP
Vice President
Oil & Gas Division

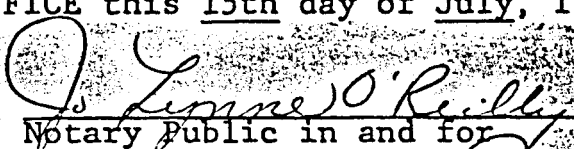
 ATTEST
1931
By: 
Assistant Secretary

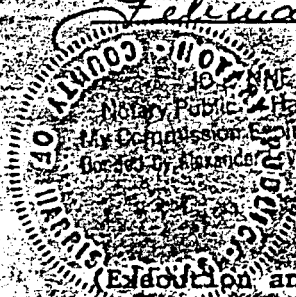
STATE OF TEXAS X
COUNTY OF HARRIS X

BEFORE ME, the undersigned authority, a Notary Public in and
for Harris County, Texas, on this day personally appeared E. R. KEMP,
known to me to be the person whose name is subscribed to the foregoing
instrument as Vice President, Oil & Gas Division of American Trading
and Production Corporation, a corporation, and acknowledged to me
that he executed said instrument for the purposes and consideration
therein expressed, in the capacity therein stated, and as the act of
said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 15th day of July, 1981.

My Commission Expires:
February 9, 1984


Notary Public in and for
Harris County, Texas

 J. L. O'REILLY
Notary Public, Harris County, Texas
My Commission Expires February 9, 1984
Bonded by American Surety Lawyers Surety Corp.

(Execution and Acknowledgement page to In Lieu Partial Assignment of Oil and Gas
Leases from American Trading and Production Corporation, as Assignor to Sun Oil
Company (Delaware) et al, as Assignees, covering lands in Loving County, Texas).

FILE NO. 1333

AMERICAN TRADING AND PRODUCTION
CORPORATION

TO

SUN OIL COMPANY (DELAWARE), DAVID
FASKEN, BEN J. FORTSON, TIPPERARY OIL
AND GAS CORPORATION, AMERICAN PUBLIC
ENERGY COMPANY, WILLIAM K. YOUNG,
FRANK G. YOUNG and MARSHALL R. YOUNG
OIL COMPANY

FILING AND RECORDING CERTIFICATE

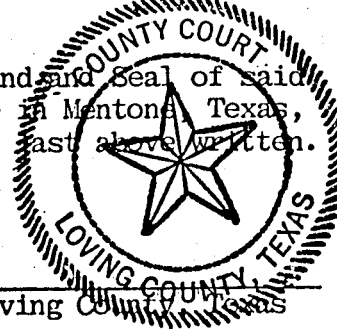
THE STATE OF TEXAS)
COUNTY OF LOVING)

I, Edna Dewees, Clerk of the
County Court in and for said County,
do hereby certify that the within
instrument in writing, dated the
15th day of July , 19 81 ,
with its certification of authenti-
cation, was filed for record in my
office this 8th day of September ,
1981 at 10:00 o'clock a . m. and re-
corded the 15th day of September ,
1981 at 2:00 o'clock p . m. in the
OIL AND GAS LEASE Records
of said County in Volume 62 , Page
38 .

WITNESS my Hand and Seal of said
Court, at office in Mentone, Texas,
on date and year last above written.

Edna Dewees

County Clerk, Loving County, Texas



Indexed:	Fee:	\$ 9.00
Direct	Add'l. Index	1.00
Reverse	Total	\$10.00

VOLUME 62, PAGE 41

(26)

M

78843

Assignment

File dated

6-30-84

Garry Mauro, Commissioner

RECEIVED AS STATED

7/25/84

DATE

6-30-84

Reg. No.

157608

GENERAL LAND OFFICE

THE STATE OF TEXAS, }

County of Loving I, Edna Dewees Clerk

of the County Court of Loving County, Texas, do hereby certify that

the foregoing is a true and correct copy of the ~~original~~ PARTIAL ASSIGNMENT OF OIL and GAS LEASES, from

AMERICAN TRADING and PRODUCTION CORPORATION to SUN OIL COMPANY, ET AL, dated the

15th day of July, 1981, filed for record the 8th day of September, 1981, FILE NO. 1333

as the same appears of record in my office in book 62 page 38 OIL AND GAS LEASE RECORDS

GIVEN UNDER MY HAND and the seal of said Court, at office in Mentone, Texas

this 11th day of May 1984

Edna Dewees Clerk

By Deputy.

LOVING

M-78845

TX.

LOVING

VOLUME 91, PAGE 204, DEED

ASSIGNMENT AND BILL OF SALE

For the sum of One Hundred Dollars (\$100.00) and other good and valuable consideration paid to it, the receipt and sufficiency of which are hereby acknowledged, the undersigned SUN OPERATING LIMITED PARTNERSHIP ("Assignor"), a Delaware limited partnership of which Oryx Energy Company is Managing General Partner, whose mailing address is P.O. Box 2880, Dallas, Texas 75221, has GRANTED, SOLD, TRANSFERRED, ASSIGNED and CONVEYED, and by these presents does GRANT, SELL, TRANSFER, ASSIGN and CONVEY, unto HEADINGTON MINERALS, INC. ("Assignee"), a Delaware corporation, whose offices are at 7557 Rambler, Suite 1150, Dallas, Texas 75231, the following:

- (a) all of Assignor's rights, titles and interests in and to the properties and interests which are described in the schedule attached as Exhibit "A" hereto, together with the interest in and to all wells, casing, pipe, tubing, separators, wellhead and in-hole equipment, tanks, motors, pipelines, meters, regulators, gathering lines, fixtures, injection and disposal wells and facilities, and other personal property and equipment in, on or used in connection with such leases (or the units, if any, in which such leases or any portions thereof are included) which is attributable to such interests in such leases; and
- (b) all of the interests in permits, licenses, servitudes, easements, rights-of-way, orders, surface leases, operating agreements, pooling agreements, unitization agreements, communitization agreements, processing agreements, transportation agreements, disposal agreements, water rights, equipment leases, hydrocarbon sales agreements, farmout agreements, farmin agreements, exploration agreements, options, and all other agreements which cover, relate or are appurtenant to, or are used in connection with the properties and interests described in the schedules attached as Exhibits "A" and "B".

Assignor warrants and represents to Assignee that:

- (1) each lease or determinable interest described in Exhibit "A" is in full force and effect;
- (2) Assignor has the good right and authority to sell and convey each property and interest described in Exhibit "A";
- (3) each property and interest herein assigned and conveyed is free and clear of all liens, security interests and encumbrances (other than inchoate operators' liens attributable to unbilled joint account expenditures);
- (4) Assignor has not previously conveyed any property or interest herein assigned and conveyed;
- (5) the properties and interests herein assigned and conveyed shall vest in Assignee that interest in and to the properties described

~~\$25~~
\$50

in the schedule attached hereto as Exhibit "B" which:

- (a) obligates Assignee to bear and pay not more than that portion of the costs and expenses of developing and operating each property described in Exhibit "B" which is set forth thereon as the "Working Interest" with respect to such property; and
 - (b) entitles Assignee to receive not less than that portion of the oil, gas and related hydrocarbons in, under and produced from each property described in Exhibit "B" which is set forth thereon as the "Income Interest" with respect to such property; and
- (6) Assignor will warrant and defend the title to each property and interest herein assigned and conveyed from and against the claims and demands of all persons whomsoever lawfully claiming the same or any part thereof.

The representations and warranties contained in this paragraph shall continue through November 30, 1990, and any claim or demand for breach thereof must be presented within fifteen (15) days after such date pursuant to the Sale and Purchase Agreement dated February 28, 1990, between Assignor and Assignee.

After November 30, 1990, there will only continue in effect the representations and warranties of Assignor to Assignee that:

- (i) Assignor has not previously conveyed any property or interest herein assigned and conveyed; and
- (ii) each property and interest herein assigned and conveyed is free and clear of all liens, security interests and encumbrances (other than inchoate operators' liens attributable to unbilled joint account expenditures) created by, through or under Assignor.

Assignee shall be subrogated to all of the rights, claims and causes of action of Assignor with respect to and under warranties of title heretofore made by other parties with respect to the interests herein assigned and conveyed.

Assignor makes no warranty or representation with respect to the merchantability, condition or fitness for any purpose, or operability of any well, personal property or equipment, and any well, personal property or equipment hereby transferred and assigned is sold and delivered "AS IS" and "WHERE IS", in the condition in which the same exists and with all faults and defects, whether apparent or hidden.

Each transfer, assignment and conveyance herein made is made expressly subject to the terms and provisions of: (a) the Sale and Purchase Agreement which is hereinabove described and which is hereby ratified and incorporated herein by reference for all purposes, the same as if copied herein in full, and (b) each instrument and agreement (whether or not filed for record in any recording jurisdiction) (i) to which any right, title or interest herein assigned or conveyed is subject, and (ii) which requires that this transfer, assignment and conveyance be made expressly subject to the terms and provisions of such instrument.

This assignment and conveyance shall be effective for all purposes, including the production of oil and gas, as of October 1, 1989, at 7:00 o'clock A.M., at the time in effect at the location of the properties and interests herein described.

EXECUTED as of March 30, 1990.

SUN OPERATING LIMITED PARTNERSHIP

By ORYX ENERGY COMPANY,
its Managing General Partner

By Joyce T. Hagar ^{meD}
ATTORNEY-IN-FACT
JOYCE T. HAGAR

(Texas Acknowledgement)

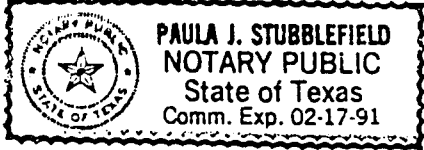
STATE OF TEXAS §
 §
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me this 30th day of March, 1990, by JOYCE T. HAGAR, the Attorney-in-Fact of Oryx Energy Company, a Delaware corporation, on behalf of said corporation, as Managing General Partner of Sun Operating Limited Partnership, a limited partnership, on behalf of said limited partnership.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on this 30th day of March, 1990.

Paula J. Stubblefield
Notary Public in and for
The State of Texas

(Print Name)
My Commission Expires: _____



PLEASE RETURN TO
HUGHES & LUCE
2800 MOMENTUM PLACE
1717 MAIN STREET
DALLAS, TEXAS 75201
ATTENTION: GREG HAUSDORF

EXHIBIT "A"
MENTONE FIELD
LOVING COUNTY, TEXASLEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714431-000
LESSOR: Anthony, H.F., Individually & as Agent and Attorney-in-Fact
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 51 PAGE 839
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714431-001
LESSOR: Sherley, Mary Jane McCarter
LEASE DATE: 07/27/78
RECORDING DATA: BOOK 52 PAGE 125
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714431-002
LESSOR: Roberts, Opal McCarter
LEASE DATE: 07/27/78
RECORDING DATA: BOOK 52 PAGE 128
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714431-003
LESSOR: McCarter, Vera
LEASE DATE: 07/27/78
RECORDING DATA: BOOK 52 PAGE 131
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714431-004
LESSOR: Kendall, Tom
LEASE DATE: 07/27/78
RECORDING DATA: BOOK 52 PAGE 134
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714431-005
LESSOR: Garrett, R.L., Jr.
LEASE DATE: 07/27/78
RECORDING DATA: BOOK 52 PAGE 137
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714431-006
LESSOR: Giles, Mary Kathryn Garrett
LEASE DATE: 07/27/78
RECORDING DATA: BOOK 52 PAGE 140
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714431-007
LESSOR: Grimmett, Robert P., Jr.
LEASE DATE: 07/27/78
RECORDING DATA: BOOK 52 PAGE 325
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey

MENTONE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714431-008
LESSOR: McCrea, Marshall S., Jr. & McRea, George E.,
Trustees, et al
LEASE DATE: 10/03/78
RECORDING DATA: BOOK 52 PAGE 736
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co.
Survey

ORYX LEASE NO.: 714431-009
LESSOR: U.V. Industries, Inc.
LEASE DATE: 09/29/78
RECORDING DATA: BOOK 53 PAGE 146
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co.
Survey

ORYX LEASE NO.: 714431-010
LESSOR: Bell, Young & Allen, Jessie B., Co-Trustees
LEASE DATE: 08/28/63
RECORDING DATA: BOOK 23 PAGE 556
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RR Co.
Survey, limited to depths below 200 feet below the
Lamar Lime in the Bell Canyon Formation

ORYX LEASE NO.: 714431-011
LESSOR: Olix Energy Company
LEASE DATE: 04/11/79
RECORDING DATA: BOOK 53 PAGE 622
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co.
Survey

ORYX LEASE NO.: 714451-000
LESSOR: Dripps, Raymond M., Individually and as Independent
Executor
LEASE DATE: 09/15/73 as extended 09/20/78
RECORDING DATA: BOOK 39 PAGE 108; Extension Recorded Book 52,
Page 334
DESCRIPTION: The Southwest forty (SW/40) acres of Lot 11,
Section 81, Block 33, H&TC RR Co. Survey, limited
to depths below 11,600 feet down to but not below
19,312 feet; said depths to be measured vertically
from the surface of the earth

ORYX LEASE NO.: 714589-000
LESSOR: University Church of Christ, Abilene, Texas
LEASE DATE: 12/15/78
RECORDING DATA: BOOK 54 PAGE 64
DESCRIPTION: A tract of 280.267 acres out of the SE/2 of
Section 80, Block 33, H&TC RY Co. Survey, and
being all of Lots 33 through 45 and all of Lots 52
through 64 and those parts of Lots 46 and 51 which
are located Southwest of the boundary line of the
American Quasar Petroleum Company's 704 acre Ford
Chapman Unit (Recorded Vol. 50, Pg. 710, Deed
Records, Loving County, Texas). Said Lots being
shown by W. H. Thaxton's Subdivision Plat on said
Section 80 of Block 33, H&TC RY Co. Survey on
record in the office of the County Clerk of Loving
County, Texas, and estimated to contain 280.267
acres, more or less.

MENTONE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714589-001
LESSOR: The Children's Home of Lubbock and The Home for the Aged, Gunter, Texas
LEASE DATE: 12/15/78
RECORDING DATA: BOOK 54 PAGE 69
DESCRIPTION: A tract of 280.267 acres out of the SE/2 of Section 80, Block 33, H&TC RY Co. Survey, and being all of Lots 33 through 45 and all of Lots 52 through 64 and those parts of Lots 46 and 51 which are located Southwest of the boundary line of the American Quasar Petroleum Company's 704 acre Ford Chapman Unit (Recorded Vol. 50, Pg. 710, Deed Records, Loving County, Texas). Said Lots being shown by W. H. Thaxton's Subdivision Plat on said Section 80 of Block 33, H&TC RY Co. Survey on record in the office of the County Clerk of Loving County, Texas, and estimated to contain 280.267 acres, more or less.

ORYX LEASE NO.: 714591-000
LESSOR: First National Bank of Odessa, Texas, Trustee
LEASE DATE: 08/10/79
RECORDING DATA: BOOK 55 PAGE 429
DESCRIPTION: NE 10.62 acres of Lot 11, Section 81, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714591-001
LESSOR: Angehr, James C., et ux
LEASE DATE: 04/25/74
RECORDING DATA: BOOK 40 PAGE 581
DESCRIPTION: NE 10.62 acres of Lot 11, Section 81, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714592-000
LESSOR: Flag-Redfern Oil Company
LEASE DATE: 03/19/80
RECORDING DATA: BOOK 56 PAGE 707
DESCRIPTION: A 267.198 acre tract out of NW/2 Section 80, Block 33, H&TC RR Co. Survey, and being more particularly described as Tract No. 5 in that certain Declaration of Gas Pooling for the Arno Gas Unit No. 1, a Counterpart copy of which is dated 10/08/79, and recorded in Volume 60, Page 382 of the Deed Records of Loving County, Texas, reference to which is made for all purposes, as to and only as to all depth rights and strata lying between the subsurface depths of 11,600 feet and 19,312 feet, being bottomed in the Montoya Formation

MENTONE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714443-000
LESSOR: Raymond, James M.
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 52 PAGE 143
DESCRIPTION: Farm Lots 47, 51, 57 & 58, Section 79, Block 33,
H&TC RR Co. Survey, below the base of the Delaware
Formation

ORYX LEASE NO.: 714443-001
LESSOR: Vaughan, Ruth M.
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 51 PAGE 841
DESCRIPTION: Farm Lots 47, 51, 57 & 58 Section 79, Block 33,
H&TC RR Co. Survey, below the base of the Delaware
Formation

ORYX LEASE NO.: 714443-002
LESSOR: Williams, Dorothy Jane, et vir
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 52 PAGE 145
DESCRIPTION: Farm Lots 47, 51, 57 & 58, Section 79, Block 33,
H&TC RR Co. Survey, below the base of the Delaware
Formation

ORYX LEASE NO.: 714443-003
LESSOR: Fisher, Mary D.
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 52 PAGE 147
DESCRIPTION: Farm Lots 47, 51, 57 & 58, Section 79, Block 33,
H&TC RR Co. Survey, below the base of the Delaware
Formation

ORYX LEASE NO.: 714443-004
LESSOR: Petke, Brenda Vaughn
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 52 PAGE 149
DESCRIPTION: Farm Lots 47, 51, 57 & 58, Section 79, Block 33,
H&TC RR Co. Survey, below the base of the Delaware
Formation

ORYX LEASE NO.: 714443-005
LESSOR: Ridgley, Nancy Vaughn
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 52 PAGE 327
DESCRIPTION: Farm Lots 47, 51, 57 & 58, Section 79, Block 33,
H&TC RR Co. Survey, below the base of the Delaware
Formation

ORYX LEASE NO.: 714445-000
LESSOR: Vanderlee, John
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 51 PAGE 843
DESCRIPTION: Farm Lot 60, Section 79, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714446-000
LESSOR: Spear, Ellie
LEASE DATE: 03/14/79
RECORDING DATA: BOOK 53 PAGE 663
DESCRIPTION: Insofar and only insofar as lease covers Farm Lots
41, 42, 45, 46, 49, 50, 55 & 56, Section 79, Block
33, H&TC RR Co. Survey and Lot 42, Section 77,
Block 33; H&TC RR Co. Survey

MENTONE FIELD - (4)

MENTONE FIELD
LOVING COUNTY, TEXASLEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714446-001
LESSOR: Spear, Howell
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 51 PAGE 845
DESCRIPTION: Insofar and only insofar as lease covers Farm Lots 41, 42, 45, 46, 49, 50, 55 & 56, Section 79, Block 33, H&TC RR Co. Survey and Lot 42, Section 77, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714456-000
LESSOR: Starr Commonwealth For Boys, A Michigan Corporation
LEASE DATE: 08/31/78
RECORDING DATA: BOOK 52 PAGE 323
DESCRIPTION: SW/4 NE/2 and Lots 2, 4, 6 & 8 of F. N. Johnson's Subdivision of the SW/2 of Section 78, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714456-001
LESSOR: U V Industries, Inc.
LEASE DATE: 09/29/78
RECORDING DATA: BOOK 53 PAGE 143
DESCRIPTION: Lots 2, 4, 6 & 8 and SW/4 NE/2, Section 78, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714456-002
LESSOR: Felmont Oil Corporation
LEASE DATE: 07/21/80
RECORDING DATA: BOOK 57 PAGE 822
DESCRIPTION: South 31.345 acres of SW/4 NE/2 and Farm Lots 2, 4, 6 & 8, F. N. Johnson Subdivision of Section 78, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714466-000
LESSOR: Goodrich, Anna, et al
LEASE DATE: 04/01/79
RECORDING DATA: BOOK 55 PAGE 258
DESCRIPTION: Insofar and only insofar as lease covers Lots 1, 3, 5, & 7 of F. N. Johnson's Subdivision of Section 78, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714466-002
LESSOR: Hubbard, Herman Peirce, et al
LEASE DATE: 09/14/78
RECORDING DATA: BOOK 53 PAGE 107
DESCRIPTION: Insofar and only insofar as lease covers the SW/4 NE/2 and Lots 2, 4, 6 & 8 of F. N. Johnson's Subdivision of the SW/2 of Section 78, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714466-003
LESSOR: Transwestern, Inc.
LEASE DATE: 12/04/78
RECORDING DATA: BOOK 54 PAGE 546
DESCRIPTION: Insofar and only insofar as lease covers Farm Lots 2, 4, 6 & 8 of F. N. Johnson's Subdivision of the SW/2 and the SW/4 NE/2, all in Section 78, Block 33, H&TC RR Co. Survey

MENTONE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714582-000
LESSOR: State of Texas M-78845
LEASE DATE: 02/06/79
RECORDING DATA: BOOK 53 PAGE 625
DESCRIPTION: Mid/Part of SW/Part of Section 78, Block 33, H&TC
RY Co. Survey, as shown on the official map of
Loving County, Texas, now on file in the General
Land Office in Austin, Texas, and as further shown
on the plat attached to and made a part of State
of Texas Lease No. M-78845 as it appears of record
in Book 53 at Page 625 of the Oil & Gas Lease
Records of Loving County, Texas

ORYX LEASE NO.: 714584-000
LESSOR: Hammarlund, George, et al
LEASE DATE: 10/01/63
RECORDING DATA: BOOK 23 PAGE 278
DESCRIPTION: Lots 43 & 44, Section 79, Block 33, H&TC RR Co.
Survey, limited to depths below 200 feet below the
Lamar Lime in the Bell Canyon Formation

ORYX LEASE NO.: 714585-000
LESSOR: Bell, Young, Trustee, et al
LEASE DATE: 08/28/63
RECORDING DATA: BOOK 23 PAGE 556
DESCRIPTION: Lots 61 thru 68 inclusive and Lots 71, 72, 75, 76
and 78, Section 79, Block 33, H&TC RR Co. Survey,
limited to depths below 200 feet below the Lamar
Lime in the Bell Canyon Formation

ORYX LEASE NO.: 714586-000
LESSOR: Prindle, Charles R.
LEASE DATE: 10/01/63
RECORDING DATA: BOOK 23 PAGE 243
DESCRIPTION: Lots 48 and 52 of Section 79, Block 33, H&TC RR
Co. Survey, limited to depths below 200 feet below
the Lamar Lime in the Bell Canyon Formation

ORYX LEASE NO.: 714588-000
LESSOR: McCrea, Marshall S. Jr., Trustee
LEASE DATE: 10/03/78
RECORDING DATA: BOOK 53 PAGE 4
DESCRIPTION: Lots 31, 32, 35, 36, 41, 42, 45, 46, 49, 50, 53,
55, 56 and 59, Section 79, Block 33, H&TC Ry Co.
Survey

ORYX LEASE NO.: 714590-000
LESSOR: Bush, Jessie W., et ux
LEASE DATE: 04/20/79
RECORDING DATA: BOOK 54 PAGE 527
DESCRIPTION: Lots 29, 30, 33 & 34 and the Most Southwesterly
338 feet of Porterville Townsite, Section 79,
Block 33, H&TC RR Co. Survey, same being all that
portion of lands covered by Oil and Gas Lease
dated 4/8/74 between Jesse W. Bush et ux as
lessors and Griffin, Ross & Burnett, Inc. as
lessee, Recorded in Vol. 43, Pg. 131, Oil and Gas
Lease Records of Loving County, Texas, which is
not included in the Gataga Gas Unit No. 2 which
was established by the Railroad Commission of
Texas Special Order date 6/23/75 in the Oil and
Gas Docket No. 8-65-012, and Recorded in Vol. 51,
Pg. 221, Deed Records of Loving County, Texas; All
limited to depths below a depth of 5,000 feet,
below the surface of the earth

MENTONE FIELD
LOVING COUNTY, TEXASLEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714593-000
LESSOR: Boddy, H. M. & Boddy, Vivan, Individually and as Independent Executor of Estate of J. E. Boddy, deceased

LEASE DATE: 03/31/80
RECORDING DATA: BOOK 56 PAGE 702
DESCRIPTION: Lots numbered 19 to 29 inclusive, of the F.N. Johnson Subdivision of Section 78, Block 33, H&TC Ry Co. Survey, as per plat thereof, recorded in Book 3, Page 617, Deed Records of Loving County, Texas, said Lots being in the Southwest end of said Section.

ORYX LEASE NO.: 714594-000
LESSOR: Felmont Oil Corporation
LEASE DATE: 03/01/79
RECORDING DATA: BOOK 56 PAGE 109
DESCRIPTION: Insofar and only insofar as lease covers Farm Lots 41, 42, 45, 46, 49, 50, 55, 56, 69, 70, 73, 74 and 77, of E. L. Stratton's Subdivision of Section 79, Block 33, H&TC Ry Co. Survey as per plat of said Subdivision duly recorded in Deed Records of Loving County, Texas.

ORYX LEASE NO.: 716900-000
LESSOR: Kern, Boyd E., Independent Executor of the Estate of Betty R. Kern, deceased
LEASE DATE: 04/11/80
RECORDING DATA: BOOK 56 PAGE 566
DESCRIPTION: Insofar and only insofar as lease covers Farm Lots 37 & 38 of E. L. Stratton's Subdivision of Section 79, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 716914-000
LESSOR: United States Smelting, Refining and Mining Co.
LEASE DATE: 10/14/63
RECORDING DATA: BOOK 23 PAGE 235
DESCRIPTION: Lots 61, 62, 63, 64, 65, 66, 67, 68, 71, 72, 75, 76 and 78, Section 79, Block 33, H&TC RR Co. Survey, limited to depths below 200 feet below the Lamar Lime in the Bell Canyon Formation

THE PROPERTIES AND INTERESTS DESCRIBED IN CONNECTION WITH THE ABOVE-NAMED FIELD ARE SUBJECT TO THE ASSOCIATED CONTRACTS AND MISCELLANEOUS AGREEMENTS DESCRIBED ON THE SCHEDULE ATTACHED HERETO FOR SUCH FIELD.

SCHEDULE OF ASSOCIATED CONTRACTS AND MISCELLANEOUS AGREEMENTS

MENTONE FIELD
LOVING COUNTY, TEXAS

<u>TYPE OF AGREEMENT</u>	<u>DATE</u>	<u>CONTRACT NO.</u>	<u>CONTRACT DATA</u>
Letter Agreement	09/28/79	C-1826	(PN 411021) Arno Unit #1 and (PN 410938) Arno Unit #2
Operating Agreement	09/25/79	C-1826-A	(PN 411021) Arno Unit #1
Unitization Agreement	01/10/80	C-1826-B	
Operating Agreement	07/01/80	C-1826-C	(PN 410938) Arno Unit #2
Unitization Agreement	08/01/80	C-1826-D	
Miscellaneous Agreement	07/21/80	In Lse. File 714456-000	
Letter Agreement	10/03/78	In Lse. File 714588-000	
Letter Agreement (1)	09/28/79	In Lse. File 714589-000	
Letter Agreement (2)	09/28/79	In Lse. File 714589-000	
Miscellaneous Agreement	04/15/79	In Lse. File 714594-000	

<u>TYPE OF AGREEMENT</u>	<u>DATE</u>	<u>CONTRACT NO.</u>	<u>GAS PURCHASER</u>
Gas Contract	12/03/80	51692	Intratex Gas Co.

EXHIBIT "A"
GRICE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 504096-000
LESSOR: Bailey, Mabel et al
LEASE DATE: 02/21/48
RECORDING DATA: BOOK 6 PAGE 358
DESCRIPTION: Insofar and only insofar as the lease covers W/2 NE/4 and the NE/4 SW/4, W/2 NW/4 Sec. 48, Blk 54, Township 1, T&P Ry Co. Survey, from the surface to a depth of 4,900 feet.

ORYX LEASE NO.: 504097-000
LESSOR: Fraser, George C. et al
LEASE DATE: 11/22/49
RECORDING DATA: BOOK 7 PAGE 379
DESCRIPTION: The W/2 SW/4 Sec. 37, Blk. 54, T-1, T&P Ry. Co. Survey, from the surface to 5,000 feet.

ORYX LEASE NO.: 504098-000
LESSOR: Johnson, W. D., Jr. et al
LEASE DATE: 07/03/50
RECORDING DATA: BOOK 8 PAGE 481
DESCRIPTION: The N/2 SE/4 from the surface to 4699 feet of Sec. 38, Blk 54, Township 1, T&P Ry. Co. Survey.

ORYX LEASE NO.: 504099-000
LESSOR: Johnson, W. D., Jr. et al
LEASE DATE: 02/07/50
RECORDING DATA: BOOK 8 PAGE 159
DESCRIPTION: The N/2 NE/4 from the surface to 5,300 feet in Sec. 38, Blk 54, T-1, T&P Ry. Co. Survey.

THE PROPERTIES AND INTERESTS DESCRIBED IN CONNECTION WITH THE ABOVE-NAMED FIELD ARE SUBJECT TO THE FOLLOWING DESCRIBED ASSOCIATED CONTRACTS AND MISCELLANEOUS AGREEMENTS:

<u>TYPE OF AGREEMENT</u>	<u>DATE</u>	<u>CONTRACT NO.</u>	<u>CONTRACT DATA</u>
Operating Agreement	05/15/63	5-7630	Operating Agreement
Operating Agreement	09/01/59	5-7629	Johnson 48-C
Operating Agreement	09/01/59	5-7628	Johnson, W D 48, A
Unitization Agreement	10/30/57	504099	Designation of Drill Site

<u>TYPE OF AGREEMENT</u>	<u>DATE</u>	<u>CONTRACT NO.</u>	<u>GAS PURCHASER</u>
Gas Contract	04/02/74	10479	Phillips Petroleum Co.

STATE: TEXAS

FIELD: MENTONE

PROPERTY
NUMBER PROPERTY NAME

WORKING INCOME
INTEREST INTEREST COUNTY NAME

410938 ARNO UNIT #2

0.2099108 0.1782883 LOVING

411021 ARNO UNIT #1

0.2215733 0.1796461 LOVING

follows: The Properties identified above are described as

PROPERTY
NUMBER

PROPERTY NAME

410938 ARNO UNIT #2

704 acres of land, more or less, in Sections 78 and 79, Block 33, H&TC RR Co. Survey, Loving County, Texas, described in Declaration of Gas Pooling dated August 1, 1980, recorded in Volume 62, at page 681, of the Deed Records of Loving County, Texas, limited to production from the Atoka Formation

411021 ARNO UNIT #1

704 acres of land, more or less, in Sections 80 and 81, Block 33, H&TC RR Co. Survey, Loving County, Texas, described in Declaration of Gas Pooling dated October 8, 1979, recorded in Volume 60, at page 382, of the Deed Records of Loving County, Texas, limited to production from the Fusselman Formation

STATE:TEXAS

FIELD:GRICE

PROPERTY NUMBER	PROPERTY NAME	WORKING INTEREST	INCOME INTEREST	COUNTY NAME
570437	JOHNSON-TXL OIL FAC	0.6562500	0.4847412	LOVING
571581	JOHNSON-38	0.6562500	0.5332031	LOVING
571583	JOHNSON 38-B	0.5937500	0.5383300	LOVING
571584	JOHNSON 48-C	0.6875000	0.5156250	LOVING
571585	JOHNSON 48 & A -SHIELD	0.7031250	0.5712891	LOVING
719929	T-X-L-37	0.6562500	0.5383301	LOVING

The Properties identified above are described as follows:

<u>PROPERTY NUMBER</u>	<u>PROPERTY NAME</u>	
571581	JOHNSON-38	All oil, gas and related hydrocarbons in and produced from the Delaware Formation in and under the N/2 SE/4 of Section 38, Block 54, Township 1, T&P Ry. Co. Survey, Loving County, Texas
571583	JOHNSON 38-B	All oil, gas and related hydrocarbons in and produced from the Delaware Formation in and under the N/2 NE/4 of Section 38, Block 54, Township 1, T&P Ry. Co. Survey, Loving County, Texas
571584	JOHNSON 48-C	All oil, gas and related hydrocarbons in and produced from the Delaware Formation in and under the NE/4 SW/4 and W/2 NW/4 of Section 48, Block 54, Township 1, T&P Ry. Co. Survey, Loving County, Texas
571585	JOHNSON 48 & A -SHIELD	All oil, gas and related hydrocarbons, in and produced from the Delaware Formation in and under the W/2 NE/4 of Section 48, Block 54, Township 1, T&P Ry. Co. Survey, Loving County, Texas
719929	T-X-L-37	All oil, gas and related hydrocarbons in and produced from the Delaware Formation in and under the W/2 SW/4 of Section 37, Block 54, Township 1, T&P Ry. Co. Survey, Loving County, Texas

FILE NO: 249

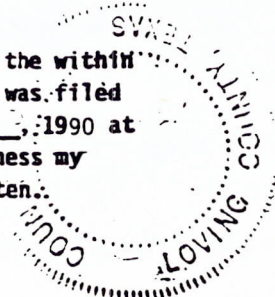
GRANTOR: SUN OPERATING LIMITED PARTNERSHIP, BY ORYX ENERGY COMPANY,
ITS MANAGING GENERAL PARTNER
GRANTEE: HEADINGTON MINERALS, INC.

I, Juanita Busby, Clerk of the County Court, in and for said County do hereby certify that the within instrument in writing, dated MARCH 30, 1990 with its certification of authentication, was filed for record in my office APRIL 4, 1990 at 2:30 o'clock P.M. and recorded APRIL 4, 1990 at 4:00 P.M. in the DEED Records of Loving County, Texas in Vol: 91, Pg:204. Witness my Hand and Seal of Said Court, at office in Mentone, Texas, on date and year last above written.

Judy Crow, Deputy

FEE: \$29.00

JUANITA BUSBY, COUNTY CLERK
LOVING COUNTY, TEXAS



27

MF 78845
Item Asmt & BOS
To
From Headington Min
Date 4-4-91 Jg

THE STATE OF TEXAS, }

County of LOVING I, JUANITA BUSBY Clerk

of the COUNTY Court of LOVING County, Texas, do hereby certify that

the foregoing is a true and correct copy of the original RECORDED ASSIGNMENT AND BILL OF SALE

SUN OPERATING LIMITED PARTNERSHIP TO HEADINGTON MINERALS, INC.

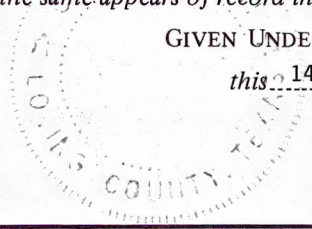
FILE NO. 249, FILED FOR RECORD-APRIL 4, 1990

as the same appears of record in my office in book 92 page 204

GIVEN UNDER MY HAND and the seal of said Court, at office in MENTONE, TEXAS

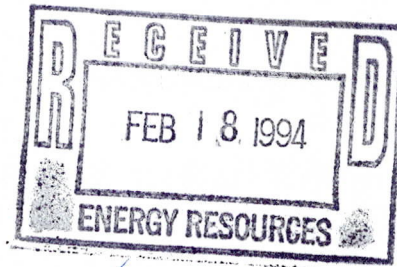
this 14TH day of FEBRUARY 19 91

JUANITA BUSBY Clerk
By Judy Crow Deputy



X 25⁰⁰

94035786



THOMPSON & KNIGHT

A Professional Corporation

ATTORNEY AND COUNSELORS

1200 SAN JACINTO CENTER TOWN LAKE

98 SAN JACINTO BOULEVARD 512-474-8211

AUSTIN, TX 78701

No.008829

February 17, 1994

PAY *Twenty Five + no/100 Dollars* — \$ 25⁰⁰

TO THE
ORDER OF

•General Land Office

THOMPSON & KNIGHT

By *Peggy Ballard*

NOT VALID FOR AMOUNTS OVER \$5000.00

NCNB TEXAS SAN ANTONIO, TEXAS

008829

28.

MF 78845
ITEM Ltr. (check stub)
TO _____
FROM _____
DATE 2-17-94



Co., La., Ms., Mt., Ne.,
N.M., Ok., Tx. and Wy.

DEED OF TRUST, MORTGAGE, ASSIGNMENT,
SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT
FROM
HEADINGTON MINERALS, INC.
(Taxpayer I.D. No. [REDACTED])
AND
ALCALDE ENERGY CORP.
(Taxpayer I.D. No. [REDACTED])
TO
TRUSTEE (AS HEREIN BELOW DEFINED)
AND
UNION BANK, LENDER
(Taxpayer I.D. No. [REDACTED])

Dated December 20, 1993

A CARBON, PHOTOGRAPHIC, FACSIMILE, OR OTHER REPRODUCTION OF THIS INSTRUMENT IS SUFFICIENT AS A FINANCING STATEMENT.

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS, SECURES PAYMENT OF FUTURE ADVANCES, AND COVERS PROCEEDS OF COLLATERAL.

THIS INSTRUMENT COVERS MINERALS AND OTHER SUBSTANCES OF VALUE WHICH MAY BE EXTRACTED FROM THE EARTH (INCLUDING WITHOUT LIMITATION OIL AND GAS), AND THE ACCOUNTS RELATED THERETO, WHICH WILL BE FINANCED AT THE WELLHEADS OR MINEHEADS OF THE WELLS OR MINES LOCATED ON THE PROPERTIES DESCRIBED IN SECTION 1.1 OF THIS INSTRUMENT. THIS INSTRUMENT, WHICH COVERS GOODS WHICH ARE OR ARE TO BECOME FIXTURES ON THE REAL PROPERTY DESCRIBED HEREIN, IS TO BE FILED FOR RECORD, AMONG OTHER PLACES, IN THE REAL ESTATE OR COMPARABLE RECORDS OF THE COUNTIES AND/OR PARISHES REFERENCED IN EXHIBIT A HERETO AND SUCH FILING SHALL SERVE, AMONG OTHER PURPOSES, AS A FIXTURE FILING. THE MORTGAGOR HAS AN INTEREST OF RECORD IN THE REAL ESTATE AND IMMOVABLE PROPERTY CONCERNED, WHICH INTEREST IS DESCRIBED IN SECTION 1.1 OF THIS INSTRUMENT.

A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY ALLOW LENDER (AS HEREINAFTER DEFINED) OR THE TRUSTEE (AS HEREINAFTER DEFINED) TO TAKE THE MORTGAGED PROPERTIES AND SELL THEM WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY THE MORTGAGOR (AS HEREINAFTER DEFINED) UNDER THIS MORTGAGE.

WHEN RECORDED OR FILED RETURN TO:

Thompson & Knight,
A Professional Corporation
1700 Pacific Avenue
Suite 3300
Dallas, Texas 75201
Attention: Patricia Sone

THIS INSTRUMENT PREPARED BY:

Karen E. Lynch
Thompson & Knight, P.C.
1700 Pacific Avenue
Suite 3300
Dallas, Texas 75201



A Certified Copy
If it bears the seal & signature of
the County Clerk imprinted in purple
ink. Attest: _____ 199__

Quanita Spaulding County Clerk

DEED OF TRUST, MORTGAGE, ASSIGNMENT,
SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT

THIS DEED OF TRUST, MORTGAGE, ASSIGNMENT, SECURITY AGREEMENT,
FIXTURE FILING AND FINANCING STATEMENT (this "Mortgage"),

ARTICLE I.

Granting Clauses; Secured Indebtedness

Section 1.1. Grant and Mortgage. HEADINGTON MINERALS, INC., a Delaware corporation ("Headington") and ALCALDE ENERGY CORP, an Oklahoma corporation ("Alcalde") (Headington and Alcalde are herein collectively called "Mortgagor"), for and in consideration of the sum of Ten Dollars (\$10.00) to Mortgagor in hand paid, and in order to secure the payment of the secured indebtedness hereinafter referred to and the performance of the obligations, covenants, agreements, warranties and undertakings of Mortgagor hereinafter described, do hereby collectively (a) GRANT, BARGAIN, SELL, CONVEY, TRANSFER, ASSIGN and SET OVER to "Trustee" (as hereinafter defined), and grant to Trustee a POWER OF SALE (pursuant to this Mortgage and applicable law) with respect to, the "Applicable Percentage" (as herein after defined) of those of following described properties, rights and interests which are located in (or cover properties located in) the States of Mississippi, Nebraska and Texas or which are located within (or cover properties located within) the offshore area over which the United States of America asserts jurisdiction and to which the laws of any such state are applicable with respect to this Mortgage and/or the liens or security interests created hereby (the "Deed of Trust Mortgaged Properties"), and (b) MORTGAGE, ASSIGN, WARRANT, PLEDGE AND HYPOTHECATE to "Lender" (as hereinafter defined), and grant to Lender a POWER OF SALE (pursuant to this Mortgage and applicable law) with respect to, the Applicable Percentage all of the following described rights, interests and properties which were not granted to Trustee in clause (a) above, including without limitation those of the following described rights, interests and properties located in the States of Colorado, Louisiana, Montana, Nebraska, New Mexico, Oklahoma and Wyoming (the "Other Mortgaged Properties"):

A. All of Mortgagor's right, title and interest in and to the oil, gas and/or other mineral properties and/or mineral rights which are described in Exhibit A attached hereto and made a part hereof;

B. Without limitation of the foregoing, all other right, title and interest of Mortgagor of whatever kind or character (whether now owned or hereafter acquired by operation of law or otherwise) in, to or under (i) the oil, gas and/or mineral leases, mineral deeds, assignments or other agreements described in Exhibit A hereto, and (ii) the lands described or referred to in Exhibit A (or described in any of the instruments described or referred to in Exhibit A), without regard to any limitations as to specific lands or depths that may be set forth in Exhibit A hereto (or in any of the leases or other agreements described in Exhibit A) and further without regard to any undivided interest limitations that may be set forth in Exhibit A hereto or in any of the leases or other agreements described in Exhibit A ;

C. To the extent not described in clause A or B above, all of Mortgagor's interest (whether now owned or hereafter acquired by operation of law or otherwise) in and to all presently existing and hereafter created oil, gas and/or mineral unitization, pooling and/or communitization agreements, declarations and/or orders, and in and to the properties, rights and interests covered and the units created thereby (including, without limitation, units formed under orders, rules, regulations or other official acts of any federal, state or other authority having jurisdiction), which cover, affect or otherwise relate to the properties, rights and interests described in clause A or B above;

D. All of Mortgagor's interest in and rights under (whether now owned or hereafter acquired by operation of law or otherwise) all presently existing and hereafter created operating agreements, equipment leases, production sales contracts, processing agreements, transportation agreements, gas balancing agreements, farmout and/or farm-in agreements, salt water disposal agreements, area of mutual interest agreements, and other contracts and/or agreements which cover, affect, or otherwise relate to the properties, rights and interests described in clause A, B or C above or to the operation of such properties, rights and interests or to the treating, handling, storing, processing, transporting or marketing of oil, gas, other hydrocarbons, or other minerals produced from (or allocated to) such properties, rights and interests (including, but not limited to, those contracts listed in Exhibit A hereto), as same may be amended or supplemented from time to time; and

E. All of Mortgagor's interest (whether now owned or hereafter acquired by operation of law or otherwise) in and to all improvements, fixtures movable or immovable property and other real and/or personal property (including, without limitation, all wells, pumping units, wellhead equipment, tanks, pipelines, flow lines, gathering lines, compressors, dehydration units, separators, meters, buildings, injection facilities, salt water disposal facilities, and power, telephone and telegraph lines),



A Certified Copy
If it bears the seal & signature of
the County Clerk Imprinted in purple
ink. Attest: _____ 199__

Quanita Buckley County Clerk

and all easements, servitudes, rights-of-way, surface leases, licenses, permits and other surface rights, which are now or hereafter used, or held for use, in connection with the properties, rights and interests described in clause A, B or C above, or in connection with the operation of such properties, rights and interests, or in connection with the treating, handling, storing, processing, transporting or marketing of oil, gas, other hydrocarbons, or other minerals produced from (or allocated to) such properties, rights and interests; and

F. All rights, estates, powers and privileges appurtenant to the foregoing rights, interests and properties.

TO HAVE AND TO HOLD (a) the Deed of Trust Mortgaged Properties unto the Trustee, and its successors or substitutes in this trust, and to its or their successors and assigns, in trust, however, upon the terms, provisions and conditions herein set forth, and (b) the Other Mortgaged Properties unto Lender, and Lender's heirs, devisees, representatives, successors and assigns, upon the terms, provisions and conditions herein set forth (the Deed of Trust Mortgaged Properties and the Other Mortgaged Properties are herein sometimes collectively called the "Mortgaged Properties"). As used throughout this Mortgage, the term "Trustee" shall mean (a) with respect to all of the Deed of Trust Mortgaged Properties which are located in (or which cover properties located in) the States of Texas and Mississippi, or which are located within (or cover properties located within) the offshore area over which the United States of America asserts jurisdiction and to which the laws of any such state are applicable with respect to this Mortgage and/or the liens or security interests created hereby, Patrick H. McGarey, and (b) with respect to those Deed of Trust Mortgaged Properties located in the State of Nebraska, Steven F. Matoon.

As used in this Mortgage, the term "Applicable Percentage" shall mean (a) with respect to Headington, an undivided 31.617% of 100% and (b) with respect to Alcalde, 100%.

Section 1.2. Grant of Security Interest. In order to further secure the payment of the secured indebtedness hereinafter referred to and the performance of the obligations, covenants, agreements, warranties, and undertakings of Mortgagor hereinafter described, Mortgagor hereby grants to Lender a security interest in the Applicable Percentage of the entire interest of Mortgagor (whether now owned or hereafter acquired by operation of law or otherwise) in and to:

(a) all oil, gas, other hydrocarbons, and other minerals produced from or allocated to the Mortgaged Properties, and any products processed or obtained therefrom (herein collectively called the "Production"), together with all proceeds of Production (regardless of whether Production to which such proceeds relate occurred on or before or after the date hereof), and together with all liens and security interests securing payment of the proceeds of the Production, including, but not limited to, those liens and security interests provided for under (i) statutes enacted in the jurisdictions in which the Mortgaged Properties are located, or (ii) statutes made applicable to the Mortgaged Properties under federal law (or some combination of federal and state law);

(b) without limitation of any other provisions of this Section 1.2, all payments received in lieu of production from the Mortgaged Properties (regardless of whether such payments accrued, and/or the events which gave rise to such payments occurred, on or before or after the date hereof), including, without limitation, "take or pay" payments and similar payments, payments received in settlement of or pursuant to a judgment rendered with respect to take or pay or similar obligations or other obligations under a production sales contract, payments received in buyout or buydown or other settlement of a production sales contract, and payments received under a gas balancing or similar agreement as a result of (or received otherwise in settlement of or pursuant to judgment rendered with respect to) rights held by Mortgagor as a result of Mortgagor (and/or its predecessors in title) taking or having taken less gas from lands covered by a Mortgaged Property (or lands pooled or unitized therewith) than their ownership of such Mortgaged Property would entitle them to receive (the payments described in this subsection (b) being herein called "Payments in Lieu of Production");

(c) all equipment, inventory, improvements, fixtures, accessions, goods and other personal property or movable property of whatever nature now or hereafter located on or used or held for use in connection with the Mortgaged Properties (or in connection with the operation thereof or the treating, handling, storing, processing, transporting, or marketing of Production), and all licenses and permits of whatever nature now or hereafter used or held for use in connection with the Mortgaged Properties (or in connection with the operation thereof or the treating, handling, storing, processing, transporting, or marketing of Production), and all renewals or replacements of the foregoing or substitutions for the foregoing;

(d) all contract rights, choses in action (i.e., rights to enforce contracts or to bring claims thereunder) and other general intangibles (regardless of whether the same arose, and/or the events which gave rise to the same occurred, on or before or after the date hereof) related to the Mortgaged

Properties, the operation thereof (whether Mortgagor is operator or non-operator), or the treating, handling, storing, processing, transporting, or marketing of Production (including, without limitation, any of the same relating to payment of proceeds of Production or to payment of amounts which could constitute Payments in Lieu of Production);

(e) Without limitation of the generality of the foregoing, any rights and interests of Mortgagor under any present or future hedge or swap agreements, cap, floor, collar, exchange, forward or other hedge or protection agreements or transactions relating to crude oil, natural gas or other hydrocarbons, or any option with respect to any such agreement or transaction now existing or hereafter entered into by or on behalf of Mortgagor;

(f) all geological, geophysical, engineering, accounting, title, legal, and other technical or business data concerning the Mortgaged Properties, the Production or any other item of Property (as hereinafter defined) which are now or hereafter in the possession of Mortgagor or in which Mortgagor can otherwise grant a security interest, and all books, files, records, magnetic media, and other forms of recording or obtaining access to such data;

(g) all money, documents, instruments, chattel paper, securities, accounts or general intangibles arising from or by virtue of any transaction (regardless of whether such transaction occurred on or before or after the date hereof) related to the Mortgaged Properties, the Production or any other item of Property (all of the properties, rights and interests described in subsections (a), (b), (c), (d), (e) and (f) above and this subsection (g) being herein sometimes collectively called the "Collateral"); and

(h) all proceeds of the Collateral, whether such proceeds or payments are goods, money, documents, instruments, chattel paper, securities, accounts, general intangibles, fixtures, real immovable property, personal movable property or other assets (the Mortgaged Properties, the Collateral and the proceeds of the Collateral being herein sometimes collectively called the "Property").

Section 1.3. Note, Loan Documents, Other Obligations. This Mortgage is made to secure and enforce the payment and performance of the following promissory notes, obligations, indebtedness and liabilities:

(a) All indebtedness and other obligations now or hereafter incurred or arising pursuant to the provisions of that certain Credit and Security Agreement dated September 29, 1993, between Alcalde (formerly known as T-Corp.) and Union Bank (herein called "Lender"), as amended under that certain First Amendment to Credit and Security Agreement (the "Amendment") of even date herewith, together with all supplements thereto and amendments or modifications thereof, and all agreements given in substitution therefor or in restatement, renewal or extension thereof, in whole or in part (such Credit and Security Agreement, as amended under the Amendment, and as the same may from time to time be otherwise supplemented, amended or modified, and all other agreements given in substitution therefor or in restatement, renewal or extension thereof, in whole or in part, being herein called the "Credit Agreement");

(b) One certain Revolving Credit Note dated of even date herewith, in the principal amount of Five Million Dollars (\$5,000,000) such Revolving Credit Note being made in renewal, extension and increase of (but not in substitution or novation of) that certain note dated September 29, 1993), made by Mortgagor and payable to the order of Lender, on or before December 1, 1994, bearing interest as therein provided, and containing a provision for the payment of a reasonable additional amount as attorneys' fees and all other notes given in substitution therefor or in modification, renewal or extension thereof, in whole or in part (such Revolving Credit Note, as from time to time supplemented, amended, or modified and all other notes given in substitution therefor, or in modification, renewal or extension thereof, in whole or in part, being herein called the "Note");

(c) All indebtedness and other obligations now or hereafter incurred or arising pursuant to or permitted by the provisions of the Note, the Credit Agreement, this Mortgage or any other instrument now or hereafter evidencing, governing, guaranteeing or securing the "secured indebtedness" (as hereinafter defined) or any part thereof or otherwise executed in connection with a loan evidenced or governed by the Note or the Credit Agreement (the Note, the Credit Agreement, this Mortgage and such other instruments being herein sometimes collectively called the "Loan Documents");

(d) All other loans and future advances made by Lender to Alcalde and all other debts, obligations and liabilities of Alcalde of every kind and character now or hereafter existing in favor of Lender, whether direct or indirect, primary or secondary, joint or several, fixed or contingent, and whether originally payable to Lender or to a third party and subsequently acquired by Lender, it being contemplated that Alcalde may hereafter become indebted to Lender for such further debts, obligations and liabilities; and

(e) Payment of and performance of any and all present or future obligations of Alcalde according to the terms of any present or future interest or currency rate swap, rate cap, rate floor,



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rate collar, exchange transaction, forward rate agreement, or other exchange or rate protection agreements or any option with respect to any such transaction now existing or hereafter entered into between Alcalde and Lender;

(f) Payment of and performance of any and all present or future obligations of Alcalde according to the terms of any present or future swap agreements, cap, floor, collar, exchange transaction, forward agreement or other exchange or protection agreements relating to crude oil, natural gas or other hydrocarbons, or any option with respect to any such transaction now existing or hereafter entered into between Alcalde and Lender;

(g) Without limiting the generality of the foregoing, all post-petition interest, expenses, and other duties and liabilities with respect to indebtedness or other obligations described above in this Section 1.3, which would be owed but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization, or similar proceeding.

Section 1.4. Secured Indebtedness. The indebtedness referred to in Section 1.3, and all renewals, extensions and modifications thereof, and all substitutions therefor, in whole or in part, are herein sometimes referred to as the "secured indebtedness" or the "indebtedness secured hereby". It is contemplated and acknowledged that the secured indebtedness may include revolving credit loans and advances from time to time, and that this Mortgage shall have effect, as of the date hereof, to secure all secured indebtedness, regardless of whether any amounts are advanced on the date hereof or on a later date or, whether having been advanced, are later repaid in part or in whole and further advances made at a later date.

Section 1.5. NEW MEXICO AGGREGATE UNPAID PRINCIPAL AMOUNT. AS TO ONLY THE MORTGAGED PROPERTIES SITUATED IN THE STATE OF NEW MEXICO, THE AGGREGATE UNPAID PRINCIPAL AMOUNT OF THE SECURED INDEBTEDNESS OUTSTANDING AT ANY PARTICULAR TIME (AFTER HAVING GIVEN EFFECT TO ALL ADVANCES AND ALL REPAYMENTS MADE PRIOR TO SUCH TIME) WHICH IS SECURED BY PROPERTY LOCATED IN NEW MEXICO SHALL NOT EXCEED AN AGGREGATE AN UNPAID PRINCIPAL AMOUNT OF \$8,000,000.

SECTION 1.6. LOUISIANA MAXIMUM SECURED AMOUNT. NOTWITHSTANDING ANY PROVISION HEREOF TO THE CONTRARY, THE OUTSTANDING INDEBTEDNESS SECURED BY PROPERTY LOCATED IN THE STATE OF LOUISIANA SHALL NOT, AT ANY TIME OR FROM TIME TO TIME, EXCEED AN AGGREGATE MAXIMUM AMOUNT OF \$20,000,000.

SECTION 1.7. MONTANA AGGREGATE UNPAID PRINCIPAL AMOUNT. AS TO ONLY THE MORTGAGED PROPERTIES SITUATED IN THE STATE OF MONTANA, THE AGGREGATE UNPAID PRINCIPAL AMOUNT OF THE SECURED INDEBTEDNESS OUTSTANDING AT ANY PARTICULAR TIME (AFTER HAVING GIVEN EFFECT TO ALL ADVANCES AND ALL REPAYMENTS MADE PRIOR TO SUCH TIME) WHICH IS SECURED BY PROPERTY LOCATED IN MONTANA SHALL NOT AGGREGATE AN UNPAID PRINCIPAL AMOUNT IN EXCESS OF \$5,000,000.

ARTICLE II

Representations, Warranties and Covenants

Section 2.1. Mortgagor represents, warrants, and covenants as follows:

(a) **Title and Permitted Encumbrances.** Mortgagor has, and Mortgagor covenants to maintain, good and defensible title to the Property, free and clear of all liens, security interests, and encumbrances except for (i) the contracts, agreements, burdens, encumbrances and other matters set forth in the descriptions of certain of the Mortgaged Properties on Exhibit A hereto, (ii) the liens and security interests evidenced by this Mortgage, (iii) statutory liens for taxes which are not yet delinquent, (iv) liens under operating agreements, pooling orders and unitization agreements, and mechanics' and materialmen's liens, with respect to obligations which are not yet due, (v) other liens and security interests in favor of Lender and (vi) minor defects and irregularities in title to any Property, so long as such defects and irregularities neither (A) are liens which secure other indebtedness or obligations nor (B) materially impair the value of such Property or the use thereof for the purposes for which such Property is held (the matters described in the foregoing clauses (i), (ii), (iii), (iv), (v) and (vi) being herein called the "Permitted Encumbrances"); Mortgagor will warrant and defend title to the Property, subject as aforesaid, against the claims and demands of all persons claiming or to claim the same or any part thereof. Without limitation of the foregoing, the ownership by Mortgagor of the Properties does and will, with respect to each well, unit or other property identified on Exhibit B hereto, entitle Mortgagor to receive (subject to the terms and provisions of this Mortgage) a decimal share of the oil, gas and other hydrocarbons produced from, or allocated to, such well, unit or other property equal to not less than the decimal share set forth, for such well or unit, in the column headed "Income Interest" on Exhibit B, and cause Mortgagor to be obligated to bear a decimal share of the cost of operation of such well or unit equal to not more than the decimal share set forth, for such well, unit or other property, in the column headed



"Working Interest" on Exhibit B. The above-described shares of production which Mortgagor is entitled to receive and shares of expenses which Mortgagor is obligated to bear are not and will not be subject to change (other than changes which arise pursuant to non-consent provisions of operating agreements described in Exhibit A in connection with operations hereafter proposed), except, and only to the extent that, such changes are reflected in Exhibit A and/or Exhibit B, as the case may be. There is not and will not be any unexpired financing statement covering any part of the Property on file in any public office naming any party other than Lender as secured party.

(b) Leases and Contracts: Performance of Obligations. The oil, gas and/or mineral leases, mineral deeds, assignments (whether reserving or creating a Property), contracts, servitudes and other agreements forming a part of the Property, to the extent the same cover or otherwise relate to the Property, are in full force and effect, and Mortgagor agrees to so maintain them or, as appropriate, to utilize all reasonable efforts to cause them to be maintained in full force and effect. Mortgagor is not in default with respect to Mortgagor's obligations (and Mortgagor is not aware of any default by any third party with respect to such third party's obligations) under such leases, contracts, servitudes or mineral deeds, assignments and other agreements, or under the Permitted Encumbrances, or otherwise attendant to the ownership or operation of any part of the Property, where such default could adversely affect the ownership or operation of the Property; Mortgagor will fulfill all such obligations coming due in the future, and will use all efforts legally available to it to cause any third parties to fulfill such obligations.

(c) Sale of Production. No Mortgaged Property is or will become subject to any contractual or other arrangement (i) whereby payment for Production is or can be deferred for a substantial period after the month in which such Production is delivered (i.e., in the case of oil, not in excess of 60 days, and in the case of gas, not in excess of 90 days) or (ii) whereby payments are made to Mortgagor other than by checks, drafts, wire transfer advises or other similar writings, instruments or communications for the immediate payment of money. Except for production sales contracts, processing agreements or transportation agreements (or other agreements relating to the marketing of Production) listed on Exhibit A (in connection with the Mortgaged Properties to where they relate), (i) no Mortgaged Property is or will become subject to any contractual or other arrangement for the sale, processing or transportation of Production (or otherwise related to the marketing of Production) which cannot be cancelled on 120 days' (or less) notice and (ii) all contractual or other arrangements for the sale, processing or transportation of Production (or otherwise related to the marketing of Production) shall be bona fide arm's length transactions with third parties not affiliated with Mortgagor and shall be at the best price (and on the best terms) available (such price shall, in the case of Production sales which are subject to price controls, be determined giving consideration to such fact). Mortgagor is presently receiving a price for all production from (or attributable to) each Mortgaged Property as computed in accordance with the terms of the applicable production sales contract, and is not having deliveries of production from such Mortgaged Property curtailed substantially below such property's delivery capacity. Neither Mortgagor, nor any of its predecessors in title, has received prepayments (including, but not limited to, payments for gas not taken pursuant to "take or pay" or other similar arrangements) for any oil, gas or other hydrocarbons produced or to be produced from the Mortgaged Properties after the date hereof, and Mortgagor hereby covenants not to enter into any such advance or prepayment arrangements whereby it accepts consideration for oil, gas or other hydrocarbons not yet produced. No Mortgaged Property is or will become subject to any "take or pay" or other similar arrangement (i) which can be satisfied in whole or in part by the production or transportation of gas from other properties or (ii) as a result of which production from the Mortgaged Properties may be required to be delivered to one or more third parties without payment (or without full payment) therefor as a result of payments made, or other actions taken, with respect to other properties. Except as disclosed in the Credit Agreement, there is no Mortgaged Property with respect to which Mortgagor, or its predecessors in title, has, prior to the date hereof, taken more ("overproduced"), or less ("underproduced"), gas from the lands covered thereby (or pooled or unitized therewith) than its ownership interest in such Mortgaged Property would entitle it to take. Mortgagor will not become materially "overproduced" (as above defined) with respect to any well on the Mortgaged Properties (or on any unit in which the Mortgaged Properties participate) in an amount in excess of Mortgagor's share of gas produced from such well during the preceding four calendar months. Except as disclosed in the Credit Agreement, no Mortgaged Property is or will become subject to a gas balancing arrangement under which one or more third parties may take a portion of the production attributable to such Mortgaged Property without payment (or without full payment) therefor as a result of production having been taken from, or as a result of other actions or inactions with respect to, other properties. No Mortgaged Property is subject at the present time to any regulatory refund obligation and, to the best of Mortgagor's knowledge, no facts exist which might cause the same to be imposed.

(d) Condition of Personal or Movable Property. The equipment, inventory, improvements, fixtures, goods and other tangible personal movable property forming a part of the Property are and will remain in good repair and condition and are and will be adequate for the normal operation of the Property in accordance with prudent industry standards; all of such Property is, and will remain, located on the Mortgaged Properties, except for that portion thereof which is or shall be located elsewhere (including that usually located on the Mortgaged Properties but temporarily located elsewhere) in the course of the normal operation of the Property.



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(e) Operation of Mortgaged Properties. The Mortgaged Properties are being (and, to the extent the same could adversely affect the ownership or operation of the Mortgaged Properties after the date hereof, have in the past been), and hereafter will be, maintained, operated and developed in a good and workmanlike manner, in accordance with prudent industry standards and in conformity with all applicable laws and all rules, regulations and orders of all duly constituted authorities having jurisdiction and in conformity with all oil, gas and/or other mineral leases and other contracts and agreements forming a part of the Property and in conformity with the Permitted Encumbrances. Mortgagor has, and will have in the future, all governmental licenses and permits necessary or appropriate to own and operate the Property; Mortgagor has not received notice of any violations in respect of any such licenses or permits.

(f) Sale or Disposal. Mortgagor will not, without the prior written consent of Lender, sell, exchange, lease, transfer, or otherwise dispose of any part of, or interest in, the Property other than (i) sales, transfers and other dispositions of machinery, equipment and other personal/movable property and fixtures made in connection with a release, surrender or abandonment (to which Lender has given its prior written consent) of a lease, or made in connection with the abandonment (to which Lender has given its prior written consent) of a well, (ii) sales, transfers and other dispositions of machinery, equipment and other personal movable property and fixtures which are (A) obsolete for their intended purpose and disposed of in the ordinary course of business or (B) replaced by articles of at least equal suitability and value owned by Mortgagor free and clear of all liens except this Mortgage and the Permitted Encumbrances, and (iii) sales of Production which are made in the ordinary course of business and in compliance with Section 2.1(c) hereof; provided that nothing in clause (iv) shall be construed as limiting Lender's rights under Article III of this Mortgage. Mortgagor shall account fully and faithfully for and, if Lender so elects, shall promptly pay or turn over to Lender the proceeds in whatever form received from disposition in any manner of any of the Property. Mortgagor shall at all times keep the Property and its proceeds separate and distinct from other property of Mortgagor and shall keep accurate and complete records of the Property and its proceeds.

(g) Ad Valorem and Severance Taxes. Mortgagor (or some third party on behalf of Mortgagor) has paid and discharged, and will continue to pay and discharge, all ad valorem taxes assessed against the Property or any part thereof and all production, severance and other taxes assessed against, or measured by, the Production or the value, or proceeds, of the Production.

(h) Suits and Claims. There are no suits, actions, claims, investigations, inquiries, proceedings or demands pending (or, to Mortgagor's knowledge, threatened) which affect the Property (including, without limitation, any which challenge or otherwise pertain to Mortgagor's title to the Property) and no judicial or administrative actions, suits or proceedings pending (or, to Mortgagor's knowledge, threatened) against Mortgagor.

(i) Environmental.

(A) Current Status. To the best knowledge of Mortgagor (after all appropriate inquiry), the Property is not in violation of or subject to any existing, pending or, threatened investigation or inquiry by any governmental authority or to any remedial obligations under any applicable laws, orders, rules, or regulations pertaining to health or the environment (such laws, orders, rules or regulations as they now exist or are hereafter enacted and/or amended hereinafter sometimes collectively called "Applicable Environmental Laws"), including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 (as amended, hereinafter called "CERCLA"), the Resource Conservation and Recovery Act of 1976, as amended by the Used Oil Recycling Act of 1980, the Solid Waste Disposal Act Amendments of 1980, and the Hazardous and Solid Waste Amendments of 1984 (as amended, hereinafter called "RCRA") and applicable state law, and this representation will continue to be true and correct following disclosure to the applicable governmental authorities of all relevant facts, conditions and circumstances, if any, pertaining to the Property and Mortgagor. The use which Mortgagor makes and intends to make of the Property will not result in the disposal or other release of any hazardous substance or solid waste on or to the Property. The terms "hazardous substance" and "release" as used in this Mortgage shall have the meanings specified in CERCLA, and the terms "solid waste" and "disposal" (or "disposed") shall have the meanings specified in RCRA; provided, in the event either CERCLA or RCRA is amended so as to broaden the meaning of any term defined thereby, such broader meaning shall apply subsequent to the effective date of such amendment and provided further, to the extent that the laws of the states in which the Mortgaged Properties are located establish a meaning for "hazardous substance," "release," "solid waste," or "disposal" which is broader than that specified in either CERCLA or RCRA, such broader meaning shall apply. To the best knowledge of Mortgagor (after all appropriate inquiry), the "Associated Property" (as such term is hereinafter defined) is not in violation of any Applicable Environmental Laws for which Mortgagor or its predecessors in the Property would be responsible. The term "Associated Property" as used in this Mortgage shall mean any and all interests in and to (and or carved out of) the lands which are described or referred to in Exhibit A hereto, or which are otherwise described in any of the oil, gas



and/or mineral leases or other instruments described in or referred to in such Exhibit A, whether or not such property interests are owned by Mortgagor.

(B) Future Performance. Mortgagor will not cause or permit the Property, the Associated Property or Mortgagor to be in violation of, or do anything or permit anything to be done which will subject the Property or the Associated Property to, any remedial obligations under any Applicable Environmental Laws, assuming disclosure to the applicable governmental authorities of all relevant facts, conditions and circumstances, if any, pertaining to the Property or the Associated Property and Mortgagor will promptly notify Lender in writing of any existing, pending or, to the best knowledge of Mortgagor, threatened investigation or inquiry by any governmental authority in connection with any Applicable Environmental Laws. Mortgagor will take all steps necessary to determine that no hazardous substances or solid wastes have been disposed of or otherwise released on or to the Property or the Associated Property. Mortgagor will not cause or permit the disposal or other release of any hazardous substance or solid waste on or to the Property or the Associated Property and covenants and agrees to keep or cause the Property or the Associated Property to be kept free of any hazardous substance or solid waste and to remove the same (or if removal is prohibited by law, to take whatever action is required by law) promptly upon discovery at its sole expense. Upon Lender's reasonable request, at any time and from time to time during the existence of this Mortgage, Mortgagor will provide at Mortgagor's sole expense an inspection or audit of the Property and the Associated Property from an engineering or consulting firm approved by Lender, indicating the presence or absence of hazardous substances and solid waste on the Property and/or the Associated Property.

(j) Not Abandon Wells; Participate in Operations. Mortgagor will not, without prior written consent of Lender, abandon, or consent to the abandonment of, any well producing from the Mortgaged Properties (or properties unitized therewith) so long as such well is capable (or is subject to being made capable through drilling, reworking or other operations which it would be commercially feasible to conduct) of producing oil, gas, or other hydrocarbons or other minerals in commercial quantities (as determined without considering the effect of this Mortgage). Mortgagor will not, without prior written consent of Lender, elect not to participate in a proposed operation on the Mortgaged Properties where the effect of such election would be the forfeiture either temporarily (i.e. until a certain sum of money is received out of the forfeited interest) or permanently of any interest in the Mortgaged Properties.

(k) Defense of Mortgage. If the validity or priority of this Mortgage or of any rights, titles, liens or security interests created or evidenced hereby with respect to the Property or any part thereof or the title of Mortgagor to the Property shall be endangered or questioned or shall be attacked directly or indirectly or if any legal proceedings are instituted against Mortgagor with respect thereto, Mortgagor will give prompt written notice thereof to Lender and at Mortgagor's own cost and expense will diligently endeavor to cure any defect that may be developed or claimed, and will take all necessary and proper steps for the defense of such legal proceedings, including, but not limited to, the employment of counsel, the prosecution or defense of litigation and the release or discharge of all adverse claims, and Trustee and Lender, or either of them (whether or not named as parties to legal proceedings with respect thereto), are hereby authorized and empowered to take such additional steps as in their judgment and discretion may be necessary or proper for the defense of any such legal proceedings or the protection of the validity or priority of this Mortgage and the rights, titles, liens and security interests created or evidenced hereby, including but not limited to the employment of independent counsel, the prosecution or defense of litigation, the compromise or discharge of any adverse claims made with respect to the Property, the purchase of any tax title and the removal of prior liens or security interests, and all expenditures so made of every kind and character shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Lender or Trustee (as the case may be) and shall bear interest from the date expended until paid at the rate described in Section 2.3 hereof, and the party incurring such expenses shall be subrogated to all rights of the person receiving such payment.

(l) Fees and Expenses; Indemnity. Mortgagor will reimburse Trustee and Lender (for purposes of this paragraph, the terms "Trustee" and "Lender" shall include the directors, officers, partners, employees and agents of Trustee or Lender, respectively, and any persons or entities owned or controlled by or affiliated with Trustee or Lender, respectively) for all expenditures, including reasonable attorneys' fees and expenses, incurred or expended in connection with (i) the breach by Mortgagor of any covenant, agreement or condition contained herein or in any other Loan Document, (ii) the exercise by Lender and/or Trustee of any of their rights and remedies hereunder or under any other Loan Document, and (iii) the protection of the Property and/or Lender's and/or Trustee's liens and security interests therein. Mortgagor will indemnify and hold harmless Trustee and Lender from and against (and will reimburse Trustee and Lender for) all expenditures, including reasonable attorneys' fees and expenses, incurred or expended in connection with all claims, demands, liabilities, losses, damages (including without limitation consequential damages), causes of action, judgments, penalties, costs and expenses (including without limitation reasonable attorneys' fees and expenses) which may be imposed upon, asserted against or incurred or paid by either of them on account of, in connection with, or arising out of (A) any bodily injury or death or property damage occurring in or upon or in the vicinity of the Property through any cause whatsoever, (B) any act



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performed or omitted to be performed hereunder or the breach of any representation or warranty herein, (C) the exercise of any rights and remedies hereunder or under any other Loan Document, (D) any transaction, act, omission, event or circumstance arising out of or in any way connected with the Property or with this Mortgage or any other Loan Document, (E) any violation on or prior to the Release Date (as hereinafter defined) of any Applicable Environmental Law, (F) any act, omission, event or circumstance existing or occurring on or prior to the Release Date (including without limitation the presence on the Property or the Associated Property or release from the Property or the Associated Property of hazardous substances or solid wastes disposed of or otherwise released), resulting from or in connection with the ownership, construction, occupancy, operation, use and/or maintenance of the Property or the Associated Property, regardless of whether the act, omission, event or circumstance constituted a violation of any Applicable Environmental Law at the time of its existence or occurrence, and (G) any and all claims or proceedings (whether brought by private party or governmental agencies) for bodily injury, property damage, abatement or remediation, environmental damage or impairment or any other injury or damage resulting from or relating to any hazardous or toxic substance, solid waste or contaminated material located upon or migrating into, from or through the Property or the Associated Property (whether or not the release of such materials was caused by Mortgagor, a tenant or subtenant or a prior owner or tenant or subtenant on the Property or the Associated Property and whether or not the alleged liability is attributable to the handling, storage, generation, transportation, removal or disposal of such substance, waste or material or the mere presence of such substance, waste or material on the Property or the Associated Property), which the Lender and/or the Trustee may have liability with respect to due to the making of the loan or loans evidenced by the Note, the granting of this Mortgage, the exercise of any of their rights under the Loan Documents, or otherwise. Lender 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 Lender in compromise, satisfaction or discharge of any such claim, action or judgment, and all court costs, attorneys' fees and other expenses of every character expended by Lender pursuant to the provisions of this section shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Lender. The "Release Date" as used herein shall mean the earlier of the following two dates: (i) the date on which the indebtedness and obligations secured hereby have been paid and performed in full and this Mortgage has been released of record, or (ii) the date on which the lien of this Mortgage is foreclosed or a deed in lieu of such foreclosure is fully effective and recorded. **WITHOUT LIMITATION, IT IS THE INTENTION OF MORTGAGOR AND MORTGAGOR AGREES THAT THE FOREGOING INDEMNITIES SHALL APPLY TO EACH INDEMNIFIED PARTY WITH RESPECT TO CLAIMS, DEMANDS, LIABILITIES, LOSSES, DAMAGES, CAUSES OF ACTION, JUDGMENTS, PENALTIES, COSTS AND EXPENSES (INCLUDING WITHOUT LIMITATION REASONABLE ATTORNEYS' FEES) WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF THE NEGLIGENCE OF SUCH (AND/OR ANY OTHER) INDEMNIFIED PARTY.** However, such indemnities shall not apply to any particular indemnified party (but shall apply to the other indemnified parties) to the extent the subject of the indemnification is caused by or arises out of the gross negligence or willful misconduct of such particular indemnified party. The foregoing indemnities shall not terminate upon the Release Date or upon the release, foreclosure or other termination of this Mortgage but will survive the Release Date, foreclosure of this Mortgage or conveyance in lieu of foreclosure, and the repayment of the secured indebtedness and the discharge and release of this Mortgage and the other documents evidencing and/or securing the secured indebtedness. Any amount to be paid hereunder by Mortgagor to Lender and/or Trustee shall be a demand obligation owing by Mortgagor to Lender and/or Trustee and shall be subject to and covered by the provisions of the last two sentences of paragraph 2.3 hereof.

(m) Insurance. Mortgagor will carry insurance as provided in the Credit Agreement. In the event of any loss under any insurance policies so carried by Mortgagor, Lender shall have the right (but not the obligation) to make proof of loss and collect the same, and all amounts so received shall be applied toward costs, charges and expenses (including reasonable attorneys' fees), if any, incurred in the collection thereof, then to the payment, in the order determined by Lender in its own discretion, of the secured indebtedness, and any balance remaining shall be subject to the order of Mortgagor. Lender is hereby authorized but not obligated to enforce in its name or in the name of Mortgagor payment of any or all of said policies or settle or compromise any claim in respect thereof, and to collect and make receipts for the proceeds thereof and Lender is hereby appointed Mortgagor's agent and attorney-in-fact to endorse any check or draft payable to Mortgagor in order to collect the proceeds of insurance. In the event of foreclosure of this Mortgage, or other transfer of title to the Property in extinguishment in whole or in part of the secured indebtedness, all right, title and interest of Mortgagor in and to such policies then in force concerning the Property and all proceeds payable thereunder shall thereupon vest in the purchaser at such foreclosure or Lender or other transferee in the event of such other transfer of title.

(n) Further Assurances. Mortgagor will, on request of Lender, (i) promptly correct any defect, error or omission which may be discovered in the contents of this Mortgage, or in any other Loan Document, or in the execution or acknowledgment of this Mortgage or any other Loan Document; (ii) execute, acknowledge, deliver and record and/or file such further instruments (including, without limitation, further deeds of trust, mortgages, security agreements, financing



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statements, continuation statements, and assignments of production, accounts, funds, contract rights, general intangibles, and proceeds) and do such further acts as may be necessary, desirable or proper to carry out more effectively the purposes of this Mortgage and the other Loan Documents and to more fully identify and subject to the liens and security interests hereof any property intended to be covered hereby, including specifically, but without limitation, any renewals, additions, substitutions, replacements, or appurtenances to the Property; and (iii) execute, acknowledge, deliver, and file and/or record any document or instrument (including specifically any financing statement) desired by Lender to protect the lien or the security interest hereunder against the rights or interests of third persons. Mortgagor shall pay all costs connected with any of the foregoing.

(o) Name and Place of Business. Mortgagor has not, during the preceding five years, been known by or used any other corporate or partnership, trade or fictitious name. Mortgagor will not cause or permit any change to be made in its name, identity, or corporate or partnership structure, or its federal employer identification number unless Mortgagor shall have notified Lender of such change at least thirty (30) days prior to the effective date of such change, and shall have first taken all action required by Lender for the purpose of further perfecting or protecting the lien and security interest of Lender (or of Trustee, on behalf of Lender) in the Property. Mortgagor's principal place of business and chief executive office, and the place where Mortgagor keeps its books and records concerning the Property (including, particularly, the records with respect to "Production Proceeds", as defined in Section 3.1 hereof, from the Mortgaged Properties) has for the preceding four months been, and will continue to be (unless Mortgagor notifies Lender of any change in writing at least thirty (30) days prior to the date of such change), the address set forth opposite the signature of Mortgagor to this Mortgage.

(p) Not a Foreign Person. Mortgagor is not a "foreign person" within the meaning of the Internal Revenue Code of 1986, as amended, (hereinafter called the "Code"), Sections 1445 and 7701 (i.e. Mortgagor is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate as those terms are defined in the Code and any regulations promulgated thereunder).

Section 2.2. Compliance by Operator. As to any part of the Mortgaged Properties which is not a working interest, Mortgagor agrees to take all such action and to exercise all rights and remedies as are available to Mortgagor to (a) cause the owner or owners of the working interest in such properties to comply with the covenants and agreements contained herein, and (b) preserve the value of the Property and Lender's interest therein. As to any part of the Mortgaged Properties which is a working interest but which is operated by a party other than Mortgagor, Mortgagor agrees to take all such action and to exercise all rights and remedies as are available to Mortgagor (including, but not limited to, all rights under any operating agreement) to cause the party who is the operator of such property to comply with the covenants and agreements contained herein.

Section 2.3. Performance by Lender on Mortgagor's Behalf. Mortgagor agrees that, if Mortgagor fails to perform any act or to take any action which hereunder Mortgagor is required to perform or take, or to pay any money which hereunder Mortgagor is required to pay, Lender, in Mortgagor's name or its own name, may, but shall not be obligated to, perform or cause to be performed such act or take such action or pay such money, and any expenses so incurred by Lender and any money so paid by Lender shall be a demand obligation owing by Mortgagor to Lender (which obligation Mortgagor hereby expressly promises to pay) and Lender, upon making such payment, shall be subrogated to all of the rights of the person, corporation or body politic receiving such payment. Each amount due and owing by Mortgagor to Trustee and/or Lender pursuant to this Mortgage shall bear interest each day, from the date of such expenditure or payment until paid, at a rate equal to the rate as provided for past due principal under the Note (provided that, should applicable law provide for a maximum permissible rate of interest on such amounts, such rate shall not be greater than such maximum permissible rate); all such amounts, together with such interest thereon, shall be a part of the secured indebtedness and shall be secured by this Mortgage.

ARTICLE III

Assignment of Production, Accounts, and Proceeds

Section 3.1. Assignment of Production. Mortgagor does hereby absolutely and unconditionally assign, transfer and set over to Lender all Production which accrues to Mortgagor's interest in the Mortgaged Properties, all proceeds of such Production and all Payments in Lieu of Production (herein collectively referred to as the "Production Proceeds"), together with the immediate and continuing right to collect and receive such Production Proceeds. Mortgagor directs and instructs any and all purchasers of any Production to pay to Lender all of the Production Proceeds accruing to Mortgagor's interest until such time as such purchasers have been furnished with evidence that all secured indebtedness has been paid and that this Mortgage has been released. Mortgagor agrees that no purchasers of the Production shall have any responsibility for the application of any funds paid to Lender.

Section 3.2. Effectuating Payment of Production Proceeds to Lender. Independent of the foregoing provisions and authorities herein granted, Mortgagor agrees to execute and deliver any and all transfer orders, division orders and other instruments that may be requested by Lender or that may be required by



any purchaser of any Production for the purpose of effectuating payment of the Production Proceeds to Lender. If under any existing sales agreements, other than division orders or transfer orders, any Production Proceeds are required to be paid by the purchaser to Mortgagor so that under such existing agreements payment cannot be made of such Production Proceeds to Lender, Mortgagor's interest in all Production Proceeds under such sales agreements and in all other Production Proceeds which for any reason may be paid to Mortgagor shall, when received by Mortgagor, constitute trust funds in Mortgagor's hands and shall be immediately paid over to Lender. Without limitation upon any of the foregoing, Mortgagor hereby constitutes and appoints Lender as Mortgagor's special attorney-in-fact (with full power of substitution, either generally or for such periods or purposes as Lender may from time to time prescribe) in the name, place and stead of Mortgagor to do any and every act and exercise any and every power that Mortgagor might or could do or exercise personally with respect to all Production and Production Proceeds (the same having been assigned by Mortgagor to Lender pursuant to Section 3.1 hereof), expressly inclusive, but not limited to, the right, power and authority to:

(a) Execute and deliver in the name of Mortgagor any and all transfer orders, division orders, letters in lieu of transfer orders, indemnifications, certificates and other instruments of every nature that may be requested or required by any purchaser of Production from any of the Mortgaged Properties for the purposes of effectuating payment of the Production Proceeds to Lender or which Lender may otherwise deem necessary or appropriate to effect the intent and purposes of the assignment contained in Section 3.1; and

(b) If under any product sales agreements other than division orders or transfer orders, any Production Proceeds are required to be paid by the purchaser to Mortgagor so that under such existing agreements payment cannot be made of such Production Proceeds to Lender, to make, execute and enter into such sales agreements or other agreements as are necessary to direct Production Proceeds to be payable to Lender;

giving and granting unto said attorney-in-fact full power and authority to do and perform any and every act and thing whatsoever necessary and requisite to be done as fully and to all intents and purposes, as Mortgagor might or could do if personally present; and Mortgagor shall be bound thereby as fully and effectively as if Mortgagor had personally executed, acknowledged and delivered any of the foregoing certificates or documents. The powers and authorities herein conferred upon Lender may be exercised by Lender through any person who, at the time of the execution of the particular instrument, is an officer of Lender. The power of attorney herein conferred is granted for valuable consideration and hence is coupled with an interest and is irrevocable so long as the secured indebtedness, or any part thereof, shall remain unpaid. All persons dealing with Lender or any substitute, shall be fully protected in treating the powers and authorities conferred by this paragraph as continuing in full force and effect until advised by Lender that all the secured indebtedness is fully and finally paid. Lender may, but shall not be obligated to, take such action as it deems appropriate in an effort to collect the Production Proceeds and any reasonable expenses (including reasonable attorney's fees) so incurred by Lender shall be a demand obligation of Mortgagor and shall be part of the secured indebtedness, and shall bear interest each day, from the date of such expenditure or payment until paid, at the rate described in Section 2.3 hereof.

Section 3.3. Change of Purchaser. To the extent a default has occurred hereunder and is continuing, should any person now or hereafter purchasing or taking Production fail to make payment promptly to Lender of the Production Proceeds, Lender shall, subject to then existing contractual prohibitions, have the right to make, or to require Mortgagor to make, a change of purchaser, and the right to designate or approve the new purchaser, and Lender shall have no liability or responsibility in connection therewith so long as ordinary care is used in making such designation.

Section 3.4. Application of Production Proceeds. So long as no default has occurred hereunder, the Production Proceeds received by Lender during each calendar month shall on the first business day of the next succeeding calendar month (or, at the option of Lender, on any earlier date) be applied by Lender as follows:

FIRST, to the payment of all secured indebtedness then due and payable, in such manner and order as Lender deems advisable;

SECOND, to the prepayment of the remainder of the secured indebtedness in such manner and order and to such extent as Lender deems advisable; and

THIRD, the remainder, if any, of the Production Proceeds shall be paid over to Mortgagor or to Mortgagor's order or to such other parties as may be entitled thereto by law.

After a default hereunder has occurred, all Production Proceeds from time to time in the hands of Lender shall be applied by it toward the payment of all secured indebtedness (principal, interest, attorneys' fees and other fees and expenses) at such times and in such manner and order and to such extent as Lender deems advisable.

Section 3.5. Release From Liability; Indemnification. Lender and its successors and assigns are hereby absolved from all liability for failure to enforce collection of the Production Proceeds and from all other responsibility in connection therewith, except the responsibility of each to account to Mortgagor for



funds actually received by each. Mortgagor agrees to indemnify and hold harmless Lender (for purposes of this paragraph, the term "Lender" shall include the directors, officers, partners, employees and agents of Lender and any persons or entities owned or controlled by or affiliated with Lender) from and against all claims, demands, liabilities, losses, damages (including without limitation consequential damages), causes of action, judgments, penalties, costs and expenses (including without limitation reasonable attorneys' fees and expenses) imposed upon, asserted against or incurred or paid by Lender by reason of the assertion that Lender received, either before or after payment in full of the secured indebtedness, funds from the production of oil, gas, other hydrocarbons or other minerals claimed by third persons (and/or funds attributable to sales of production which (i) were made at prices in excess of the maximum price permitted by applicable law or (ii) were otherwise made in violation of laws, rules, regulations and/or orders governing such sales), and Lender shall have the right to defend against any such claims or actions, employing attorneys of its own selection, and if not furnished with indemnity satisfactory to it, Lender 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 Lender in compromise, satisfaction or discharge of any such claim, action or judgment, and all court costs, attorneys' fees and other expenses of every character expended by Lender pursuant to the provisions of this section shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Lender and shall bear interest, from the date expended until paid, at the rate described in Section 2.3 hereof. The foregoing indemnities shall not terminate upon the Release Date or upon the release, foreclosure or other termination of this Mortgage but will survive the Release Date, foreclosure of this Mortgage or conveyance in lieu of foreclosure, and the repayment of the secured indebtedness and the discharge and release of this Mortgage and the other documents evidencing and/or securing the secured indebtedness. **WITHOUT LIMITATION, IT IS THE INTENTION OF MORTGAGOR AND MORTGAGOR AGREES THAT THE FOREGOING INDEMNITIES SHALL APPLY TO EACH INDEMNIFIED PARTY WITH RESPECT TO ALL CLAIMS, DEMANDS, LIABILITIES, LOSSES, DAMAGES (INCLUDING WITHOUT LIMITATION CONSEQUENTIAL DAMAGES), CAUSES OF ACTION, JUDGMENTS, PENALTIES, COSTS AND EXPENSES (INCLUDING WITHOUT LIMITATION REASONABLE ATTORNEYS' FEES AND EXPENSES) WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF THE NEGLIGENCE OF SUCH (AND/OR ANY OTHER) INDEMNIFIED PARTY.** However, such indemnities shall not apply to any particular indemnified party (but shall apply to the other indemnified parties) to the extent the subject of the indemnification is caused by or arises out of the gross negligence or willful misconduct of such particular indemnified party.

Section 3.6. Mortgagor's Absolute Obligation to Pay Note. Nothing herein contained shall detract from or limit the obligations of Mortgagor to make prompt payment of the Note, and any and all other secured indebtedness, at the time and in the manner provided herein and in the Loan Documents, regardless of whether the Production and Production Proceeds herein assigned are sufficient to pay same, and the rights under this Article III shall be cumulative of all other rights of Lender under the Loan Documents.

Section 3.7. Rights Under Oklahoma Oil and Gas Owners' Lien Act. Mortgagor hereby grants, sells, assigns and sets over unto Lender during the term hereof, all of Mortgagor's rights and interests pursuant to the provisions of the Oil and Gas Owners' Lien Act (OKLA. STAT. tit. 52, §§548.1-548.6 (the "Oklahoma Act")), hereby vesting in Lender all of Mortgagor's rights as an interest owner to the continuing security interest in and lien upon the oil or gas severed or the proceeds of sale. Lender may, at its option, file the verified notice of lien in order to perfect such lien, but shall not be obligated to make such filing and shall not be held liable to Mortgagor for any act or omission pursuant to the Oklahoma Act.

Section 3.8. Rights Under New Mexico Act. Mortgagor hereby grants, sells, assigns and sets over unto Lender, during the term hereof, all of Mortgagor's rights and interests pursuant to the provisions of Sections 48-9-1, et seq., N.M.S.A. 1978 Comp. (the "New Mexico Act"), hereby vesting in Lender all of Mortgagor's rights as an interest owner to the continuing security interest in and lien upon the oil or gas severed or the proceeds of sale. Lender may, at its option, file the verified notice of lien in order to perfect such lien, but shall not be obligated to make such filing and shall not be held liable to Mortgagor for any act or omission pursuant to the New Mexico Act.

Section 3.9. Rights Under Wyoming Statutes. Mortgagor hereby appoints Lender as its attorney-in-fact to pursue any and all lien rights of the Mortgagor to liens and security interests in the Mortgaged Properties securing payment of the Production Proceeds attributable to the Mortgaged properties, including, but not limited to, those liens and security interests provided for by Section 34.1-319, Wyoming Statutes Annotated, 1988 Republished Edition (1991 Supp.). Mortgagor further hereby assigns to Lender any and all such liens, security interests, financing statements, or similar interests of Mortgagor attributable to its interests in the Mortgaged Properties and Production Proceeds therefrom arising under or created by statutory provision, judicial decision, or otherwise.

ARTICLE IV.

Remedies Upon Default



A Certified Copy
If it bears the seal & signature of
the County Clerk imprinted in purple
ink. Attest: FEB 1 1994
Quanta Bessley County Clerk

Section 4.1. Default. The term "default" as used in this Mortgage shall mean the occurrence of an "Event of Default" as defined in the Credit Agreement.

Section 4.2. Acceleration of Secured Indebtedness. Upon the occurrence of a default, Lender at any time and from time to time may without notice to Mortgagor or any other person declare any or all of the secured indebtedness immediately due and payable and all such secured indebtedness shall thereupon be immediately due and payable, without presentment, demand, protest, notice of protest, notice of acceleration or of intention to accelerate, putting the Mortgagor in default, dishonor, notice of dishonor or any other notice or declaration of any kind, all of which are hereby expressly waived by Mortgagor, and the liens evidenced hereby shall be subject to foreclosure in any manner provided for herein or provided for by law as Lender may elect.

Section 4.3. Pre-Foreclosure Remedies. Upon the occurrence of a default, or any event or circumstance which, with the lapse of time or the giving of notice, or both, would constitute a default hereunder, Lender is authorized, prior or subsequent to the institution of any foreclosure proceedings, to enter upon the Property, or any part thereof, and to take possession of the Property and all books and records relating thereto, and to exercise without interference from Mortgagor any and all rights which Mortgagor has with respect to the management, possession, operation, protection or preservation of the Property. If necessary to obtain the possession provided for above, Lender may invoke any and all remedies to dispossess Mortgagor. All costs, expenses and liabilities of every character incurred by Lender in managing, operating, maintaining, protecting or preserving the Property shall constitute a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Lender and shall bear interest from date of expenditure until paid at the rate described in Section 2.3 hereof, all of which shall constitute a portion of the secured indebtedness and shall be secured by this Mortgage and by any other instrument securing the secured indebtedness. In connection with any action taken by Lender pursuant to this Section 4.3, **LENDER SHALL NOT BE LIABLE FOR ANY LOSS SUSTAINED BY MORTGAGOR RESULTING FROM ANY ACT OR OMISSION OF LENDER IN MANAGING THE PROPERTY UNLESS SUCH LOSS IS CAUSED BY THE WILLFUL MISCONDUCT AND BAD FAITH OF LENDER**, nor shall Lender be obligated to perform or discharge any obligation, duty or liability of Mortgagor arising under any agreement forming a part of the Property or arising under any Permitted Encumbrance or otherwise arising. Mortgagor hereby assents to, ratifies and confirms any and all actions of Lender with respect to the Property taken under this Section 4.3.

Section 4.4. Foreclosure.

(a) Upon the occurrence of a default, Trustee is authorized and empowered and it shall be Trustee's special duty at the request of Lender to sell the Deed of Trust Mortgaged Properties, or any part thereof, as an entirety or in parcels as Lender may elect, at such place or places and otherwise in the manner and upon such notice as may be required by law or, in the absence of any such requirement, as Trustee may deem appropriate. If Trustee shall have given notice of sale hereunder, any successor or substitute Trustee thereafter appointed may complete the sale and the conveyance of the property pursuant thereto as if such notice had been given by the successor or substitute Trustee conducting the sale. Cumulative of the foregoing and the other provisions of this Section 4.4:

(i) As to any portion of the Deed of Trust Mortgaged Properties located in the State of Texas (or within the offshore area over which the United States of America asserts jurisdiction and to which the laws of such state are applicable with respect to this Mortgage and/or the liens or security interests created hereby), such sales of all or any part of such Deed of Trust Mortgaged Properties shall be conducted at the courthouse of any county (whether or not the counties in which such Deed of Trust Mortgaged Properties are located are contiguous) in the State of Texas in which any part of such Deed of Trust Mortgaged Properties is situated or which lies shoreward of any Deed of Trust Mortgaged Property (i.e., to the extent a particular Deed of Trust Mortgaged Property lies offshore within the reasonable projected seaward extension of the relevant county boundary), at public vendue to the highest bidder for cash between the hours of ten o'clock a.m. and four o'clock p.m. on the first Tuesday in any month or at such other place, time and date as provided by the statutes of the State of Texas then in force governing sales of real estate under powers conferred by deed of trust, after having given notice of such sale in accordance with such statutes.

(ii) As to those Deed of Trust Mortgaged Properties located in the State of California, Trustee is requested, authorized and empowered to record a written notice of default and election to sell and, after a lapse of such time as is required by law, following recordation of such notice, give a notice of sale as required by law and sell such Deed of Trust Mortgaged Properties at the time and place of sale fixed in such notice to the highest bidder for cash.

A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY ALLOW TRUSTEE TO TAKE THE MORTGAGED PROPERTIES AND SELL THEM WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY MORTGAGOR UNDER THIS MORTGAGE.



(b) Upon the occurrence of a default, this Mortgage may be foreclosed as to the Other Mortgaged Properties, or any part thereof, in any manner permitted by applicable law. Cumulative of the foregoing and the other provisions of this Section 4.4:

(i) As to Other Mortgaged Properties located in the State of Louisiana (or within the offshore area over which the United States of America asserts jurisdiction and to which the laws of such state are applicable with respect to this Mortgage and/or the liens or security interests created hereby), Lender may foreclose this Mortgage by executory process subject to, and on the terms and conditions required or permitted by, applicable law, and shall have the right to appoint a keeper of such Other Mortgaged Properties.

(ii) As to Other Mortgaged Properties located in the State of Oklahoma, Mortgagor hereby confers on Lender the power to sell the Mortgaged Properties in accordance with the Oklahoma Power of Sale Mortgage Foreclosure Act (OKLA. STAT. tit. 46, §§41-49), as the same may be amended from time to time. Mortgagor hereby represents and warrants to Lender that this Mortgage transaction does not involve a consumer loan as said term is defined in Section 3-104 of Title 14A of the Oklahoma Statutes, that this Mortgage does not secure an extension of credit made primarily for agricultural purposes as defined in paragraph 4 of Section 1-301 of Title 14A of the Oklahoma Statutes, and that this Mortgage is not a mortgage on the Mortgagor's homestead.

(iii) As to Other Mortgaged Properties located in the State of Arkansas, Mortgagor shall have the power to sell such Other Mortgaged Properties for cash at public sale to the highest bidder 60 days following the recording in the Arkansas counties reflected in Exhibit A hereto of a notice of default and intention to sell and publication of notice in a newspaper in general circulation in said counties for 30 days, once a week for four consecutive weeks prior to the date of sale, with the final publication no more than 7 days prior to the sale.

(iv) As to Other Mortgaged Properties located in Alabama (or within the offshore area over which the United States asserts jurisdiction and to which the laws of Alabama are applicable with respect to this Mortgage and/or the liens or security interests created hereby), Lender or its designee is authorized, after giving at least twenty-one days notice of the time, place and terms of sale by publication once a week for three consecutive weeks in a newspaper of general circulation published in such county, to sell the Other Mortgaged Properties in front of the courthouse door of any county in the State of Alabama in which any part of the Other Mortgaged Properties is located (or which lies shoreward of any Other Mortgaged Property), at public outcry, to the highest bidder for cash, and to apply the proceeds of said sale as provided in Section 4.7 hereof. If Lender shall have given notice of sale hereunder, any designee thereafter appointed may complete the sale and the conveyance of the property pursuant thereto as if such notice had been given by the designee conducting the sale.

(v) WARNING RELATING TO THOSE PROPERTIES LOCATED IN THE STATE OF MICHIGAN: THIS MORTGAGE CONTAINS A POWER OF SALE AND UPON DEFAULT MAY BE FORECLOSED BY ADVERTISEMENT. IN FORECLOSURE BY ADVERTISEMENT AND THE SALE OF THE PROPERTY IN CONNECTION THEREWITH, NO HEARING IS REQUIRED AND THE ONLY NOTICE REQUIRED IS THE PUBLICATION OF NOTICE IN A LOCAL NEWSPAPER AND THE POSTING OF A COPY OF THE NOTICE ON THE PROPERTY.

A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY ALLOW LENDER TO TAKE THE MORTGAGED PROPERTIES AND SELL THEM WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY MORTGAGOR UNDER THIS MORTGAGE.

(c) Upon the occurrence of a default, Lender may exercise its rights of enforcement with respect to the Collateral under the Texas Business and Commerce Code, as amended, the Louisiana Commercial Laws or under the Uniform Commercial Code or other applicable statute in force in any state to the extent the same is applicable law. Cumulative of the foregoing and the other provisions of this Section 4.4:

(i) Lender may enter upon the Mortgaged Properties or otherwise upon Mortgagor's premises to take possession of, assemble and collect the Collateral or to render it unusable; and

(ii) Lender may require Mortgagor to assemble the Collateral and make it available at a place Lender designates which is mutually convenient to allow Lender to take possession or dispose of the Collateral; and

(iii) written notice mailed to Mortgagor as provided herein at least five (5) days prior to the date of public sale of the Collateral or prior to the date after which private sale of the Collateral will be made shall constitute reasonable notice; and



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Quantita Spaulding
County Clerk

(iv) in the event of a foreclosure of the liens and/or security interests evidenced hereby, the Collateral, or any part thereof, and the Mortgaged Properties, or any part thereof may, at the option of Lender, be sold, as a whole or in parts, together or separately (including, without limitation, where a portion of the Mortgaged Properties is sold, the Collateral related thereto may be sold in connection therewith); and

(v) the expenses of sale provided for in clause FIRST of Section 4.7 shall include the reasonable expenses of retaking the Collateral, or any part thereof, holding the same and preparing the same for sale or other disposition; and

(vi) should, under this subsection, the Collateral be disposed of other than by sale, any proceeds of such disposition shall be treated under Section 4.7 as if the same were sales proceeds; and

(vii) as to the Collateral located in or otherwise subject to the laws of the State of Louisiana, Lender may foreclose this Mortgage as a security agreement affecting the Collateral by executory process subject to, and on the terms and conditions required or permitted by applicable law, and shall have the right to appoint a keeper of such Collateral.

(d) To the extent permitted by applicable law, the sale by Trustee or Lender hereunder of less than the whole of the Property shall not exhaust the powers of sale herein granted or the right to judicial foreclosure, and successive sale or sales may be made until the whole of the Property shall be sold, and, if the proceeds of such sale of less than the whole of the Property shall be less than the aggregate of the indebtedness secured hereby and the expense of conducting such sale, this Mortgage and the liens and security interests hereof shall remain in full force and effect as to the unsold portion of the Property just as though no sale had been made; provided, however, that Mortgagor shall never have any right to require the sale of less than the whole of the Property. In the event any sale hereunder is not completed or is defective in the opinion of Lender, such sale shall not exhaust the powers of sale hereunder or the right to judicial foreclosure, and Lender shall have the right to cause a subsequent sale or sales to be made. Any sale may be adjourned by announcement at the time and place appointed for such sale without further notice except as may be required by law. The Trustee or his successor or substitute, and the Lender acting under power of sale, may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by it (including, without limitation, the posting of notices and the conduct of sale). Any and all statements of fact or other recitals made in any deed or deeds, or other instruments of transfer, given in connection with a sale as to nonpayment of the secured indebtedness or as to the occurrence of any default, or as to Lender's having declared all of indebtedness to be due and payable, or as to the request to sell, or as to notice of time, place and terms of sale and the properties to be sold having been duly given, or, with respect to any sale by the Trustee, or any successor or substitute trustee, as to the refusal, failure or inability to act of Trustee or any substitute or successor trustee or the appointment of any substitute or successor trustee, or as to any other act or thing having been duly done, shall be taken as prima facie evidence of the truth of the facts so stated and recited. With respect to any sale held in foreclosure of the liens and/or security interests covered hereby, it shall not be necessary for the Trustee, Lender, any public officer acting under execution or order of the court or any other party to have physically present or constructively in his/her or its possession, either at the time of or prior to such sale, the Property or any part thereof.

(e) As to Property now or hereafter located in, or otherwise subject to the laws of, the State of Louisiana, Mortgagor acknowledges the secured indebtedness, whether now existing or to arise hereafter, and for Mortgagor, Mortgagor's heirs, devisees, personal representatives, successors and assigns, hereby confesses judgment for the full amount of the secured indebtedness in favor of the Lender. Mortgagor further agrees that the Lender may cause all or any part of the Property to be seized and sold after due process of law, the Mortgagor waiving the benefit of all laws or parts of laws relative to the appraisal of property seized and sold under executory process or other legal process, and consenting that all or any part of the Property may be sold without appraisal, either in its entirety or in lots and parcels, as the Lender may determine, to the highest bidder for cash or on such terms as the plaintiff in such proceedings may direct. Mortgagor hereby waives (i) the benefit of appraisal provided for in articles 2332, 2336, 2723, and 2724 of the Louisiana Code of Civil Procedure and all other laws conferring the same; (ii) the demand and three (3) days notice of demand as provided in articles 2639 and 2721 of the Louisiana Code of Civil Procedure; (iii) the notice of seizure provided for in articles 2293 and 2721 of the Louisiana Code of Civil Procedure; (iv) the three (3) days delay provided for in articles 2331 and 2722 of the Louisiana Code of Civil Procedure; and (v) all other laws providing rights of notice, demand, appraisal, or delay. Mortgagor expressly authorizes and agrees that Lender shall have the right to appoint a keeper of such Property pursuant to the terms and provisions of La. R.S. 9:5131 *et seq.* and La. R.S. 9:5136 *et seq.*, which keeper may be the Lender, any agent or employee thereof, or any other person, firm, or corporation. Compensation for the services of the keeper is hereby fixed at five percent (5%) of the amount due or sued for or claimed or sought to be protected, preserved, or enforced in the proceeding for the recognition or enforcement of this Mortgage and shall be secured by the liens and security interests of this Mortgage.

Section 4.5. Effective as Mortgage. As to the Deed of Trust Mortgaged Properties, this instrument shall be effective as a mortgage as well as a deed of trust and upon the occurrence of a default may be foreclosed as to the Deed of Trust Mortgaged Properties, or any portion thereof, in any manner permitted by applicable law, and any foreclosure suit may be brought by Trustee or by Lender. To the extent, if any,



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If it bears the seal & signature of
the County Clerk imprinted in purple
ink. Attest: FEB 1 1994

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required to cause this instrument to be so effective as a mortgage as well as a deed of trust, Mortgagor hereby mortgages the Deed of Trust Mortgaged Properties to Lender. In the event a foreclosure hereunder as to the Deed of Trust Mortgaged Properties, or any part thereof, shall be commenced by Trustee, or his substitute or successor, Lender may at any time before the sale of such properties direct Trustee to abandon the sale, and may then institute suit for the foreclosure of this Mortgage as to such properties. It is agreed that if Lender should institute a suit for the foreclosure of this Mortgage, Lender may at any time before the entry of a final judgment in said suit dismiss the same, and require Trustee, [his/its] substitute or successor to sell the Deed of Trust Mortgaged Properties, or any part thereof, in accordance with the provisions of this Mortgage.

Section 4.6. Receiver. In addition to all other remedies herein provided for, Mortgagor agrees that, upon the occurrence of a default or any event or circumstance which, with the lapse of time or the giving or notice, or both, would constitute a default hereunder, Lender shall as a matter of right be entitled to the appointment of a receiver or receivers for all or any part of the Property, whether such receivership be incident to a proposed sale (or sales) of such property or otherwise, and without regard to the value of the Property or the solvency of any person or persons liable for the payment of the indebtedness secured hereby, and Mortgagor does hereby consent to the appointment of such receiver or receivers, waives any and all defenses to such appointment, and agrees not to oppose any application therefor by Lender, and agrees that such appointment shall in no manner impair, prejudice or otherwise affect the rights of Lender under Article III hereof. Nothing herein is to be construed to deprive Lender of any other right, remedy or privilege it may now or hereafter have under the law to have a receiver appointed. Any money advanced by Lender in connection with any such receivership shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Lender and shall bear interest, from the date of making such advancement by Lender until paid, at the rate described in Section 2.3 hereof.

Section 4.7. Proceeds of Foreclosure. The proceeds of any sale held in foreclosure of the liens and/or security interests evidenced hereby shall be applied:

FIRST, to the payment of all necessary costs and expenses incident to such foreclosure sale, including but not limited to all court costs and charges of every character in the event foreclosed by suit and including but not limited to a reasonable fee to the Trustee if such sale was made by the Trustee acting under the provisions of Section 4.4(a) and including but not limited to the compensation of the keeper, if any;

SECOND, to the payment of the secured indebtedness (including specifically without limitation the principal, interest and attorneys' fees due and unpaid on the Note and the amounts due and unpaid and owed to Lender under this Mortgage) in such manner and order as Lender may elect; and

THIRD, the remainder, if any there shall be, shall be paid to Mortgagor, or to Mortgagor's heirs, devisees, representatives, successors or assigns, or such other persons as may be entitled thereto by law.

Section 4.8. Lender as Purchaser. Any party constituting Lender shall have the right to become the purchaser at any sale held in foreclosure of the liens and/or security interests evidenced hereby, and any Lender purchasing at any such sale shall have the right to credit upon the amount of the bid made therefor, to the extent necessary to satisfy such bid, the secured indebtedness owing to such Lender, or if such Lender holds less than all of such indebtedness, the pro rata part thereof owing to such Lender, accounting to all other Lenders not joining in such bid in cash for the portion of such bid or bids apportionable to such non-bidding Lender or Lenders.

Section 4.9. Foreclosure as to Matured Debt. Upon the occurrence of a default, Lender shall have the right to proceed with foreclosure of the liens and/or security interests evidenced hereby without declaring the entire secured indebtedness due, and in such event, any such foreclosure sale may be made subject to the unmatured part of the secured indebtedness and shall not in any manner affect the unmatured part of the secured indebtedness, but as to such unmatured part, this Mortgage shall remain in full force and effect just as though no sale had been made. The proceeds of such sale shall be applied as provided in Section 4.7 except that the amount paid under clause SECOND thereof shall be only the matured portion of the secured indebtedness and any proceeds of such sale in excess of those provided for in clauses FIRST and SECOND (modified as provided above) shall be applied as provided in clause SECOND AND THIRD of Section 3.4 hereof. Several sales may be made hereunder without exhausting the right of sale for any unmatured part of the secured indebtedness.

Section 4.10. Remedies Cumulative. All remedies herein provided for are cumulative of each other and of all other remedies existing at law or in equity and are cumulative of any and all other remedies provided for in any other Loan Document, and Trustee and Lender shall, in addition to the remedies herein provided, be entitled to avail themselves of all such other remedies as may now or hereafter exist at law or in equity for the collection of the secured indebtedness and the enforcement of the covenants herein and the foreclosure of the liens and/or security interests evidenced hereby, and the resort to any



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remedy provided for hereunder or under any such other Loan Document or provided for by law shall not prevent the concurrent or subsequent employment of any other appropriate remedy or remedies.

Section 4.11. Lender's Discretion as to Security. Lender may resort to any security given by this Mortgage or to any other security now existing or hereafter given to secure the payment of the secured indebtedness, in whole or in part, and in such portions and in such order as may seem best to Lender in its sole and uncontrolled discretion, and any such action shall not in any way be considered as a waiver of any of the rights, benefits, liens or security interests evidenced by this Mortgage.

Section 4.12. Mortgagor's Waiver of Certain Rights. To the full extent Mortgagor may do so, Mortgagor agrees that Mortgagor will not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force providing for any appraisal, valuation, stay, extension or redemption, and Mortgagor, for Mortgagor, Mortgagor's heirs, devisees, representatives, successors and assigns, and for any and all persons ever claiming any interest in the Property, to the extent permitted by applicable law, hereby waives and releases all rights of appraisal, valuation, stay of execution, redemption, notice of intention to mature or declare due the whole of the secured indebtedness, notice of election to mature or declare due the whole of the secured indebtedness and all rights to a marshaling of assets of Mortgagor, including the Property, or to a sale in inverse order of alienation in the event of foreclosure of the liens and/or security interests hereby created. Mortgagor shall not have or assert any right under any statute or rule of law pertaining to the marshaling of assets, sale in inverse order of alienation, the exemption of homestead, the administration of estates of decedents, or other matters whatever to defeat, reduce or affect the right of Trustee and/or Lender under the terms of this Mortgage to a sale of the Property for the collection of the secured indebtedness without any prior or different resort for collection, or the right of Lender under the terms of this Mortgage to the payment of the secured indebtedness out of the proceeds of sale of the Property in preference to every other claimant whatever. If any law referred to in this section and now in force, of which Mortgagor or Mortgagor's heirs, devisees, representatives, successors or assigns or any other persons claiming any interest in the Mortgaged Properties or the Collateral might take advantage despite this section, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to preclude the application of this section.

Section 4.13. Mortgagor as Tenant Post-Foreclosure. In the event there is a foreclosure sale hereunder and at the time of such sale Mortgagor or Mortgagor's heirs, devisees, representatives, successors or assigns or any other persons claiming any interest in the Property by, through or under Mortgagor are occupying or using the Property, or any part thereof, each and all shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either landlord or tenant, at a reasonable rental per day based upon the value of the property occupied, such rental to be due daily to the purchaser. To the extent permitted by applicable law, the purchaser at such sale shall, notwithstanding any language herein apparently to the contrary, have the sole option to demand immediate possession following the sale or to permit the occupants to remain as tenants at will. In the event the tenant fails to surrender possession of said property upon demand, the purchaser shall be entitled to institute and maintain a summary action for possession of the property (such as an action for forcible entry and detainer) in any court having jurisdiction.

Section 4.14. Waiver of Oklahoma Appraisal. As to Property situated in or otherwise subject to the laws of the State of Oklahoma, appraisal of the Property is hereby waived (or not) at the option of Lender, such option to be exercised at the time judgment is rendered in any foreclosure hereof or at any time prior thereto.

Section 4.15. Limitation on New Mexico Redemption Period. Pursuant to Section 39-5-19 of New Mexico Statutes, 1978 Annotated, the redemption period after foreclosure sale for any Property situated in or otherwise subject to the laws of the State of New Mexico shall be limited to one (1) month.

Section 4.16. Waiver of Arkansas Right of Redemption. In addition to and without limitation to the foregoing in any manner, Mortgagor hereby releases unto Lender all right of redemption under the laws of the State of Arkansas, including without limitation all rights under Ark. Code Ann. § 18-49-106, as amended.

ARTICLE V.

Miscellaneous

Section 5.1. Scope of Mortgage. This Mortgage is a deed of trust and mortgage of both real immovable and personal movable property, a security agreement, a financing statement and an assignment, and also covers proceeds and fixtures.

Section 5.2. Effective as a Financing Statement. This Mortgage shall be effective as a financing statement filed as a fixture filing with respect to all fixtures included within the Property. This Mortgage shall also be effective as a financing statement covering minerals and other substances of value which may be extracted from the earth (including without limitation oil and gas), and accounts related thereto, which will be financed at the wellhead or minehead of the wells or mines located on the Mortgaged Properties. This Mortgage is to be filed for record in the real/immovable property records of each county or parish



where any part of the Mortgaged Properties is situated or which lies shoreward of any Mortgaged Property (i.e., to the extent a Mortgaged Property lies offshore within the projected seaward extension of the relevant [LA. or county or parish] boundaries), and may also be filed in the offices of the Bureau of Land Management or the Minerals Management Service or state agency (or any successor agencies). This Mortgage shall also be effective as a financing statement covering any other Property and may be filed in any other appropriate filing or recording office. The mailing address of Mortgagor is the address of Mortgagor set forth at the end of this Mortgage and the address of Lender from which information concerning the security interests hereunder may be obtained is the address of Lender set forth at the end of this Mortgage.

Section 5.3. Reproduction of Mortgage as Financing Statement. A carbon, photographic, facsimile or other reproduction of this Mortgage or of any financing statement relating to this Mortgage shall be sufficient as a financing statement for any of the purposes referred to in Section 5.2.

Section 5.4. Notice to Account Debtors. In addition to, but without limitation of, the rights granted in Article III hereof, Lender may at any time notify the account debtors or obligors of any accounts, chattel paper, negotiable instruments or other evidences of indebtedness included in the Collateral to pay Lender directly.

Section 5.5. Waiver by Lender. Lender may at any time and from time to time in writing waive compliance by Mortgagor with any covenant herein made by Mortgagor to the extent and in the manner specified in such writing, or consent to Mortgagor's doing any act which hereunder Mortgagor is prohibited from doing, or to Mortgagor's failing to do any act which hereunder Mortgagor is required to do, to the extent and in the manner specified in such writing, or release any part of the Property or any interest therein or any Production Proceeds from the lien and security interest of this Mortgage, without the joinder of Trustee, or release any party liable, either directly or indirectly, for the secured indebtedness or for any covenant herein or in any other Loan Document, without impairing or releasing the liability of any other party. No such act shall in any way impair the rights or powers of Lender (or Trustee) hereunder except to the extent specifically agreed to by Lender in such writing.

Section 5.6. No Impairment of Security. The lien, security interest and other security rights of Lender hereunder shall not be impaired by any indulgence, moratorium or release granted by Lender including, but not limited to, any renewal, extension or modification which Lender may grant with respect to any secured indebtedness, or any surrender, compromise, release, renewal, extension, exchange or substitution which Lender may grant in respect of the Property (including without limitation Production Proceeds), or any part thereof or any interest therein, or any release or indulgence granted to any endorser, guarantor or surety of any secured indebtedness.

Section 5.7. Acts Not Constituting Waiver by Lender. Lender may waive any default without waiving any other prior or subsequent default. Lender may remedy any default without waiving the default remedied. Neither failure by Trustee or Lender to exercise, nor delay by Trustee or Lender in exercising, any right, power or remedy upon any default shall be construed as a waiver of such default or as a waiver of the right to exercise any such right, power or remedy at a later date. No single or partial exercise by Trustee or Lender of any right, power or remedy hereunder shall exhaust the same or shall preclude any other or further exercise thereof, and every such right, power or remedy hereunder may be exercised at any time and from time to time. No modification or waiver of any provision hereof nor consent to any departure by Mortgagor therefrom shall in any event be effective unless the same shall be in writing and signed by Lender and then such waiver or consent shall be effective only in the specific instances, for the purpose for which given and to the extent therein specified. No notice to nor demand on Mortgagor in any case shall of itself entitle Mortgagor to any other or further notice or demand in similar or other circumstances. Acceptance by Lender of any payment in an amount less than the amount then due on any secured indebtedness shall be deemed an acceptance on account only and shall not in any way excuse the existence of a default hereunder.

Section 5.8. Mortgagor's Successors. In the event the ownership of the Property or any part thereof becomes vested in a person other than Mortgagor, Lender and Trustee may, without notice to Mortgagor, deal with such successor or successors in interest with reference to this Mortgage and to the indebtedness secured hereby in the same manner as with Mortgagor, without in any way vitiating or discharging Mortgagor's liability hereunder or for the payment of the indebtedness or performance of the obligations secured hereby. No transfer of the Property, no forbearance on the part of Lender, and no extension of the time for the payment of the indebtedness secured hereby given by Lender shall operate to release, discharge, modify, change or affect, in whole or in part, the liability of Mortgagor hereunder or for the payment of the indebtedness or performance of the obligations secured hereby or the liability of any other person hereunder or for the payment of the indebtedness secured hereby.

Section 5.9. Place of Payment. All secured indebtedness which may be owing hereunder at any time by Mortgagor shall be payable at the place designated in the Note (or if no such designation is made, at the address of Lender indicated at the end of this Mortgage), or at such other place as Lender may designate in writing.

Section 5.10. Subrogation to Existing Liens. To the extent that proceeds of the Note are used to pay indebtedness secured by any outstanding lien, security interest, charge or prior encumbrance against



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the Property, such proceeds have been advanced by Lender at Mortgagor's request, and Lender shall be subrogated to any and all rights, security interests and liens owned by any owner or holder of such outstanding liens, security interests, charges or encumbrances, irrespective of whether said liens, security interests, charges or encumbrances are released, and it is expressly understood that, in consideration of the payment of such indebtedness by Lender, Mortgagor hereby waives and releases all demands and causes of action for offsets and payments to, upon and in connection with the said indebtedness.

Section 5.11. Application of Payments to Certain Indebtedness. If any part of the secured indebtedness cannot be lawfully secured by this Mortgage or if any part of the Property cannot be lawfully subject to the lien and security interest hereof to the full extent of such indebtedness, then all payments made shall be applied on said indebtedness first in discharge of that portion thereof which is not secured by this Mortgage.

Section 5.12. Compliance With Usury Laws. It is the intent of Mortgagor, Lender and all other parties to the Loan Documents to contract in strict compliance with applicable usury law from time to time in effect. In furtherance thereof, it is stipulated and agreed that none of the terms and provisions contained herein shall ever be construed to create a contract to pay, for the use, forbearance or detention of money, interest in excess of the maximum amount of interest permitted to be charged by applicable law from time to time in effect.

Section 5.13. Substitute Trustee. Any Trustee may resign by an instrument in writing addressed to Lender, or any Trustee may be removed at any time with or without cause by an instrument in writing executed by Lender. In case of the death, resignation, removal, or disqualification of any Trustee, or if for any reason Lender shall deem it desirable to appoint a substitute or successor trustee to act instead of any one or more of the herein named trustees or any substitute or successor trustee, then Lender shall have the right and is hereby authorized and empowered to appoint successor trustees, or substitute trustees, without other formality than appointment and designation in writing executed by Lender and the authority hereby conferred shall extend to the appointment of other successor and substitute trustees successively until the indebtedness secured hereby has been paid in full, or until the Property is sold hereunder. In the event the secured indebtedness is owned by more than one person or entity, the holder or holders of not less than a majority in the amount of such indebtedness shall have the right and authority to make the appointment of a successor or substitute trustee as provided for in the preceding sentence or to remove any Trustee as provided in the first sentence of this section. Such appointment and designation by Lender, or by the holder or holders of not less than a majority of the indebtedness secured hereby, shall be full evidence of the right and authority to make the same and of all facts therein recited. If Lender is a corporation or association and such appointment is executed in its behalf by an officer of such corporation or association, such appointment shall be conclusively presumed to be executed with authority and shall be valid and sufficient without proof of any action by the board of directors or any superior officer of the corporation or association. Upon the making of any such appointment and designation, all of the estate and title of the subject Trustee in the Deed of Trust Mortgaged Properties shall vest in the named successor or substitute Trustee and such successor or substitute shall thereupon succeed to, and shall hold, possess and execute, all the rights, powers, privileges, immunities and duties herein conferred upon Trustee; but nevertheless, upon the written request of Lender or of the successor or substitute Trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor or substitute Trustee all of the estate and title in the Deed of Trust Mortgaged Properties of the Trustee so ceasing to act, together with all the rights, powers, privileges, immunities and duties herein conferred upon the Trustee, and shall duly assign, transfer and deliver any of the properties and moneys held by said Trustee hereunder to said successor or substitute Trustee. All references herein to Trustee shall be deemed to refer to any Trustee (including any successor or substitute appointed and designated as herein provided) from time to time acting hereunder.

Section 5.14. No Liability for Trustee. THE TRUSTEE SHALL NOT BE LIABLE FOR ANY ERROR OF JUDGMENT OR ACT DONE BY TRUSTEE IN GOOD FAITH, OR BE OTHERWISE RESPONSIBLE OR ACCOUNTABLE UNDER ANY CIRCUMSTANCES WHATSOEVER (INCLUDING, WITHOUT LIMITATION, THE TRUSTEE'S NEGLIGENCE), EXCEPT FOR TRUSTEE'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. The Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by any of them hereunder, believed by the relying Trustee or Trustees in good faith to be genuine. All moneys received by Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by law), and Trustee shall be under no liability for interest on any moneys received by any of them hereunder. Mortgagor hereby ratifies and confirms any and all acts which the herein named Trustee or any successor or successors, substitute or substitutes, shall do lawfully by virtue hereof. Mortgagor will reimburse Trustee for, and indemnify and save each of them harmless against, any and all liability and expenses (including attorneys fees) which may be incurred by them in the performance of duties. The foregoing indemnities shall not terminate upon the Release Date or upon the release, foreclosure or other termination of this Mortgage but will survive the Release Date, foreclosure of this Mortgage or conveyance in lieu of foreclosure, and the repayment of the secured indebtedness and the discharge and release of this Mortgage and the other documents evidencing and/or securing the secured indebtedness. Any amount to be paid hereunder by Mortgagor to any Trustee shall be a demand



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obligation owing by Mortgagor to such Trustee and shall be subject to and covered by the provisions of the last two sentences of paragraph 2.3 hereof.

Section 5.15. Release of Mortgage. If all of the secured indebtedness be paid as the same becomes due and payable, all other requirements of the Credit Agreement are satisfied and all of the covenants, warranties, undertakings and agreements made in this Mortgage are kept and performed, and if neither the Mortgagor nor the Lender is bound to the other or to any third person to permit any obligation or secured indebtedness to be incurred then or thereafter, then, upon sixty (60) days prior written notice (or such lesser number of days as may be mandated by applicable law), the Mortgagor may request the Lender to terminate this Mortgage. Upon such termination the Mortgagor may further request the Lender to provide a written act of release of this Mortgage (except to the extent expressly provided herein with respect to indemnification and other rights which are to continue following the release hereof). Lender agrees to deliver such an act of release (subject to the foregoing limitation), all at the cost and expense of the Mortgagor, within sixty (60) days (or such lesser number of days as may be mandated by applicable law) of receiving such request unless Lender in good faith, has cause to believe that Mortgagor is not entitled to a termination of this Mortgage. Notwithstanding the foregoing, it is understood and agreed that certain indemnifications, and other rights, which are provided herein to continue following the release hereof, shall continue in effect notwithstanding such release.

Section 5.16. Notices. All notices, requests, consents, demands and other communications required or permitted hereunder shall be in writing and shall be deemed sufficiently given or furnished if delivered by personal delivery, by telecopy, by delivery service with proof of delivery, or by registered or certified United States mail, postage prepaid, at the addresses specified at the end of this Mortgage (unless changed by similar notice in writing given by the particular party whose address is to be changed). Any such notice or communication shall be deemed to have been given (a) in the case of personal delivery or delivery service, as of the date of first attempted delivery at the address and in the manner provided herein, (b) in the case of telecopy, upon receipt, and (c) in the case of registered or certified United States mail, three days after deposit in the mail. Notwithstanding the foregoing, or anything else in the Loan Documents which may appear to the contrary, any notice given in connection with a foreclosure of the liens and/or security interests created hereunder, or otherwise in connection with the exercise by Lender or Trustee of their respective rights hereunder or under any other Loan Document, which is given in a manner permitted by applicable law shall constitute proper notice; without limitation of the foregoing, notice given in a form required or permitted by statute shall (as to the portion of the Property to which such statute is applicable) constitute proper notice.

Section 5.17. Invalidity of Certain Provisions. A determination that any provision of this Mortgage is unenforceable or invalid shall not affect the enforceability or validity of any other provision and the determination that the application of any provision of this Mortgage to any person or circumstance is illegal or unenforceable shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances.

Section 5.18. Gender; Titles. Within this Mortgage, words of any gender shall be held and construed to include any other gender, and words in the singular number shall be held and construed to include the plural, unless the context otherwise requires. Titles appearing at the beginning of any subdivisions hereof are for convenience only, do not constitute any part of such subdivisions, and shall be disregarded in construing the language contained in such subdivisions.

Section 5.19. Recording. Mortgagor will cause this Mortgage and all amendments and supplements thereto and substitutions therefor and all financing statements and continuation statements relating thereto to be recorded, filed, re-recorded and refiled in such manner and in such places as Trustee or Lender shall reasonably request and will pay all such recording, filing, re-recording and refiling taxes, fees and other charges.

Section 5.20. Reporting Compliance. Mortgagor agrees to comply with any and all reporting requirements applicable to the transaction evidenced by the Note and secured by this Mortgage which are set forth in any law, statute, ordinance, rule, regulation, order or determination of any governmental authority, and further agrees upon request of Lender to furnish Lender with evidence of such compliance.

Section 5.21. Lender's Consent. Except where otherwise expressly provided herein, in any instance hereunder where the approval, consent or the exercise of judgment of Lender is required, the granting or denial of such approval or consent and the exercise of such judgment shall be within the sole discretion of Lender, and Lender shall not, for any reason or to any extent, be required to grant such approval or consent or exercise such judgment in any particular manner, regardless of the reasonableness of either the request or Lender's judgment.

Section 5.22. Certain Obligations of Mortgagor. Without limiting Mortgagor's obligations hereunder, Mortgagor liability hereunder shall extend to and include all post petition interest, expenses, and other duties and liabilities with respect to Mortgagor's obligations hereunder which would be owed but for the fact that the same may be unenforceable due to the existence of a bankruptcy, reorganization or similar proceeding.



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Section 5.23. Counterparts. This Mortgage may be executed in several counterparts, all of which are identical, except that, (a) to facilitate recordation, certain counterparts hereof may include only that portion of Exhibit A and/or Exhibit B which contains descriptions of the Mortgaged Properties located in (or otherwise subject to the requirements and/or protections of the recording or filing acts or regulations of) the recording jurisdiction in which the particular counterpart is to be recorded, and other portions of Exhibit A and/or Exhibit B shall be included in such counterparts by reference only, (b) only those counterparts hereof being retained by Lender and Mortgagor or otherwise containing counterpart descriptions of Mortgaged Properties located in (or otherwise subject to the requirements and/or protections of the recording or filing acts or regulations of) the State of Louisiana are executed by Lender, (c) the execution of this Mortgage by Mortgagor may not be witnessed on those counterparts hereof containing descriptions of Mortgaged Properties located in States where witnessing is not required and/or encouraged by applicable law, and (d) the execution of this Mortgage by Mortgagor may not be attested on those counterparts hereof containing descriptions of Mortgaged Properties located in states where attestation is not required and/or encouraged by applicable law. All of such counterparts together shall constitute one and the same instrument. Complete copies of this Mortgage containing the entire Exhibit A and Exhibit B, and being fully executed by Lender, attested and sealed by a representative of Mortgagor, and witnessed by two individuals, have been retained by Mortgagor and Lender.

Section 5.24. Successors and Assigns. The terms, provisions, covenants, representations, indemnifications and conditions hereof shall be binding upon Mortgagor, and the successors and assigns of Mortgagor, and shall inure to the benefit of Trustee and Lender and their respective successors and assigns, and shall constitute covenants running with the Mortgaged Properties. All references in this Mortgage to Mortgagor, Trustee or Lender shall be deemed to include all such successors and assigns.

Section 5.25. FINAL AGREEMENT OF THE PARTIES. THE WRITTEN LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 5.26. CHOICE OF LAW. WITHOUT REGARD TO PRINCIPLE OF CONFLICT OF LAWS, THIS MORTGAGE SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE AND THE LAWS OF THE UNITED STATES OF AMERICA, EXCEPT THAT TO THE EXTENT THAT THE LAW OF A STATE IN WHICH A PORTION OF THE PROPERTY IS LOCATED (OR WHICH IS OTHERWISE APPLICABLE TO A PORTION OF THE PROPERTY) NECESSARILY GOVERNS WITH RESPECT TO PROCEDURAL AND SUBSTANTIVE MATTERS RELATING TO THE CREATION, PERFECTION AND ENFORCEMENT OF THE LIENS, SECURITY INTERESTS AND OTHER RIGHTS AND REMEDIES OF THE TRUSTEE OR THE LENDER GRANTED HEREIN, THE LAW OF SUCH STATE SHALL APPLY AS TO THAT PORTION OF THE PROPERTY LOCATED IN (OR OTHERWISE SUBJECT TO THE LAWS OF) SUCH STATE.

Section 5.27. Multiple Mortgagors. Unless the context clearly indicates otherwise, as used in this Mortgage, "Mortgagor" means Alcalde and Headington or either of them. The obligations and liabilities of Mortgagor hereunder shall be joint and several.

Section 5.28. Appearance, Resolutions. For purposes of Louisiana law, including but not limited to the availability of executory process, Mortgagor and Lender have appeared on this date before the undersigned Notaries Public and witnesses in order to execute this Mortgage. Mortgagor attaches to counterparts hereof being recorded in Louisiana certified resolutions of its Board of Directors authorizing the execution and delivery of this Mortgage.

Section 5.29. Paraph. Mortgagor acknowledges that no promissory note or other instrument has been presented to the undersigned Notary Public(s) to be paraphed for identification herewith.



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ink. Attest: 11-1-1994 199__
Juanita Bentley
County Clerk

THUS DONE AND PASSED this 20th day of December, 1993, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Headington and me, Notary, after reading of the whole.

WITNESSES:

HEADINGTON MINERALS, INC.

Name: Patricia B. Sone

By: Timothy C. Headington
Name: Timothy C. Headington
Title: President

Name: Karen E. Lynch

ATTEST:



By: Dwight S. Jones
Name: Dwight S. Jones
Title: Secretary

NOTARY PUBLIC

THUS DONE AND PASSED THIS 20th day of December, 1993, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Alcalde and me, Notary, after reading of the whole.

WITNESSES:

ALCALDE ENERGY CORP.

Name: Patricia B. Sone

By: Timothy C. Headington
Name: Timothy C. Headington
Title: President

Name: Karen E. Lynch

ATTEST:



By: Dwight S. Jones
Name: Dwight S. Jones
Title: Secretary

NOTARY PUBLIC

The address of Mortgagor
(Alcalde and Headington) is:

7557 Rambler Road, Suite 1150
Dallas, Texas 75231-4166
(Dallas County)

THUS DONE AND PASSED THIS 20th day of December, 1993, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Lender and me, Notary, after reading of the whole.

WITNESSES:

UNION BANK

Name: Patricia B. Sone

By: Patrick H. McGarey
Name: Patrick H. McGarey
Title: Vice President

Name: Karen E. Lynch

NOTARY PUBLIC



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The address of Lender
is:

c/o Union Bank Energy Capital Services
500 N. Akard, Suite 4200
(Dallas County)
Dallas, Texas 75201

The address of Trustee is:

1. Patrick McGarey
c/o Union Bank Energy Capital Services
500 N. Akard, Suite 4200
Dallas, Texas 75201
2. Steven F. Mattoon
P. O. Box 316
Sidney, Nebraska 69162

This instrument prepared by:

Karen E. Lynch
Thompson & Knight, P.C.
3300 First City Center
1700 Pacific Avenue
Dallas, Texas 75201



A Certified Copy
If it bears the seal & signature of
the County Clerk imprinted in purple
ink. Attest: _____ 199__

Janetta Spooling County Clerk

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 20th day of December, 1993 there personally appeared before me Timothy C. Headington, the President of Headington Minerals, Inc., a Delaware corporation, and Timothy C. Headington, the President of Alcalde Energy Corp., an Oklahoma corporation, known to me to be such officers, such corporations being a party to the foregoing instrument:

LOUISIANA and WYOMING

On this date before me, the undersigned authority, personally came and appeared Timothy C. Headington, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the President of Headington Minerals, Inc., a Delaware corporation, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

On this date before me, the undersigned authority, personally came and appeared Timothy C. Headington, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the President of Alcalde Energy Corp., an Oklahoma corporation, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

COLORADO, OKLAHOMA, NEW MEXICO, TEXAS, WYOMING and NEBRASKA

This instrument was acknowledged before me on this day, Timothy C. Headington as President of Headington Minerals, Inc., a Delaware corporation, on behalf of said corporation.

This instrument was acknowledged before me on this day, Timothy C. Headington as President of Alcalde Energy Corp., an Oklahoma corporation, on behalf of said corporation.

MONTANA

On this 20th day of December, 1993, before me personally appeared Timothy C. Headington known to me to be the President of Headington Minerals, Inc., the corporation described in and that executed the within and foregoing instrument and acknowledged to me that the corporation executed the same.

On this 20th day of December, 1993, before me personally appeared Timothy C. Headington known to me to be the President of Alcalde Energy Corp., the corporation described in and that executed the within and foregoing instrument and acknowledged to me that the corporation executed the same.

MISSISSIPPI

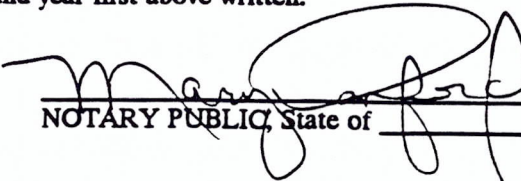
Personally appeared before me, the undersigned authority in and for said county and state, on this 20th day of December, 1993, within my jurisdiction, the within named Timothy C. Headington, who acknowledged that he is the President of Headington Minerals, Inc. a Delaware corporation, and that for and on behalf of said corporation, as its act and deed, he executed the above and foregoing instrument, after first having been duly authorized by said corporation to do so.

Personally appeared before me, the undersigned authority in and for said county and state, on this 20th day of December, 1993, within my jurisdiction, the within named Timothy C. Headington, who acknowledged that he is the President of Alcalde Energy Corp., an Oklahoma corporation, and that for and on behalf of said corporation, as its act and deed, he executed the above and foregoing instrument, after first having been duly authorized by said corporation to do so.



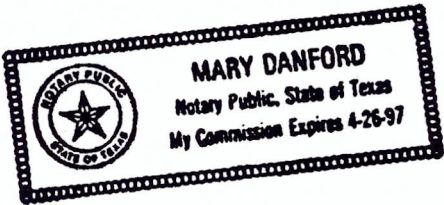
A Certified Copy
If it bears the seal & signature of
the County Clerk imprinted in purple
ink. Attest: FEB 1 1994 199
Janita Spaulding County Clerk

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Dallas,
County of Dallas, State of Texas, on the day and year first above written.



NOTARY PUBLIC, State of _____

[SEAL]



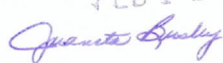
A Certified Copy
If it bears the seal & signature of
the County Clerk inprinted in purple
ink. Attest: FEB 11 1994 199_____
 County Clerk

EXHIBIT "A"
MENTONE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.:	714431-000
LESSOR:	Anthony, H.F., Individually & as Agent and Attorney-in-Fact
LEASE DATE:	07/18/78
RECORDING DATA:	BOOK 51 PAGE 839
DESCRIPTION:	SE/2 Lot 1, Section 81, Block 33, H&TC RR Co. Survey
ORYX LEASE NO.:	714431-001
LESSOR:	Sherley, Mary Jane McCarter
LEASE DATE:	07/27/78
RECORDING DATA:	BOOK 52 PAGE 125
DESCRIPTION:	SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey
ORYX LEASE NO.:	714431-002
LESSOR:	Roberts, Opal McCarter
LEASE DATE:	07/27/78
RECORDING DATA:	BOOK 52 PAGE 128
DESCRIPTION:	SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey
ORYX LEASE NO.:	714431-003
LESSOR:	McCarter, Vera
LEASE DATE:	07/27/78
RECORDING DATA:	BOOK 52 PAGE 131
DESCRIPTION:	SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey
ORYX LEASE NO.:	714431-004
LESSOR:	Kendall, Tom
LEASE DATE:	07/27/78
RECORDING DATA:	BOOK 52 PAGE 134
DESCRIPTION:	SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey
ORYX LEASE NO.:	714431-005
LESSOR:	Garrett, R.L., Jr.
LEASE DATE:	07/27/78
RECORDING DATA:	BOOK 52 PAGE 137
DESCRIPTION:	SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey
ORYX LEASE NO.:	714431-006
LESSOR:	Giles, Mary Kathryn Garrett
LEASE DATE:	07/27/78
RECORDING DATA:	BOOK 52 PAGE 140
DESCRIPTION:	SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey
ORYX LEASE NO.:	714431-007
LESSOR:	Grimmett, Robert P., Jr.
LEASE DATE:	07/27/78
RECORDING DATA:	BOOK 52 PAGE 325
DESCRIPTION:	SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey



MENTONE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714431-008
LESSOR: McCrea, Marshall S., Jr. & McRea, George E.,
Trustees, et al
LEASE DATE: 10/03/78
RECORDING DATA: BOOK 52 PAGE 736
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co.
Survey

ORYX LEASE NO.: 714431-009
LESSOR: U.V. Industries, Inc.
LEASE DATE: 09/29/78
RECORDING DATA: BOOK 53 PAGE 146
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co.
Survey

ORYX LEASE NO.: 714431-010
LESSOR: Bell, Young & Allen, Jessie B., Co-Trustees
LEASE DATE: 08/28/63
RECORDING DATA: BOOK 23 PAGE 556
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RR Co.
Survey, limited to depths below 200 feet below the
Lamar Lime in the Bell Canyon Formation

ORYX LEASE NO.: 714431-011
LESSOR: Olix Energy Company
LEASE DATE: 04/11/79
RECORDING DATA: BOOK 53 PAGE 622
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co.
Survey

ORYX LEASE NO.: 714451-000
LESSOR: Dripps, Raymond M., Individually and as Independent
Executor
LEASE DATE: 09/15/73 as extended 09/20/78
RECORDING DATA: BOOK 39 PAGE 108; Extension Recorded Book 52,
Page 334
DESCRIPTION: The Southwest forty (SW/40) acres of Lot 11,
Section 81, Block 33, H&TC RR Co. Survey, limited
to depths below 11,600 feet down to but not below
19,312 feet; said depths to be measured vertically
from the surface of the earth

ORYX LEASE NO.: 714589-000
LESSOR: University Church of Christ, Abilene, Texas
LEASE DATE: 12/15/78
RECORDING DATA: BOOK 54 PAGE 64
DESCRIPTION: A tract of 280.267 acres out of the SE/2 of
Section 80, Block 33, H&TC RY Co. Survey, and
being all of Lots 33 through 45 and all of Lots 52
through 64 and those parts of Lots 46 and 51 which
are located Southwest of the boundary line of the
American Quasar Petroleum Company's 704 acre Ford
Chapman Unit (Recorded Vol. 50, Pg. 710, Deed
Records, Loving County, Texas). Said Lots being
shown by W. H. Thaxton's Subdivision Plat on said
Section 80 of Block 33, H&TC RY Co. Survey on
record in the office of the County Clerk of Loving
County, Texas, and estimated to contain 280.267
acres, more or less.



MENTONE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714589-001
LESSOR: The Children's Home of Lubbock and The Home for the Aged, Gunter, Texas
LEASE DATE: 12/15/78
RECORDING DATA: BOOK 54 PAGE 69
DESCRIPTION: A tract of 280.267 acres out of the SE/2 of Section 80, Block 33, H&TC RY Co. Survey, and being all of Lots 33 through 45 and all of Lots 52 through 64 and those parts of Lots 46 and 51 which are located Southwest of the boundary line of the American Quasar Petroleum Company's 704 acre Ford Chapman Unit (Recorded Vol. 50, Pg. 710, Deed Records, Loving County, Texas). Said Lots being shown by W. H. Thaxton's Subdivision Plat on said Section 80 of Block 33, H&TC RY Co. Survey on record in the office of the County Clerk of Loving County, Texas, and estimated to contain 280.267 acres, more or less.

ORYX LEASE NO.: 714591-000
LESSOR: First National Bank of Odessa, Texas, Trustee
LEASE DATE: 08/10/79
RECORDING DATA: BOOK 55 PAGE 429
DESCRIPTION: NE 10.62 acres of Lot 11, Section 81, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714591-001
LESSOR: Angehr, James C., et ux
LEASE DATE: 04/25/74
RECORDING DATA: BOOK 40 PAGE 581
DESCRIPTION: NE 10.62 acres of Lot 11, Section 81, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714592-000
LESSOR: Flag-Redfern Oil Company
LEASE DATE: 03/19/80
RECORDING DATA: BOOK 56 PAGE 707
DESCRIPTION: A 267.198 acre tract out of NW/2 Section 80, Block 33, H&TC RR Co. Survey, and being more particularly described as Tract No. 5 in that certain Declaration of Gas Pooling for the Arno Gas Unit No. 1, a Counterpart copy of which is dated 10/08/79, and recorded in Volume 60, Page 382 of the Deed Records of Loving County, Texas, reference to which is made for all purposes, as to and only as to all depth rights and strata lying between the subsurface depths of 11,600 feet and 19,312 feet, being bottomed in the Montoya Formation



MENTONE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714443-000
LESSOR: Raymond, James M.
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 52 PAGE 143
DESCRIPTION: Farm Lots 47, 51, 57 & 58, Section 79, Block 33,
H&TC RR Co. Survey, below the base of the Delaware
Formation

ORYX LEASE NO.: 714443-001
LESSOR: Vaughan, Ruth M.
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 51 PAGE 841
DESCRIPTION: Farm Lots 47, 51, 57 & 58 Section 79, Block 33,
H&TC RR Co. Survey, below the base of the Delaware
Formation

ORYX LEASE NO.: 714443-002
LESSOR: Williams, Dorothy Jane, et vir
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 52 PAGE 145
DESCRIPTION: Farm Lots 47, 51, 57 & 58, Section 79, Block 33,
H&TC RR Co. Survey, below the base of the Delaware
Formation

ORYX LEASE NO.: 714443-003
LESSOR: Fisher, Mary D.
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 52 PAGE 147
DESCRIPTION: Farm Lots 47, 51, 57 & 58, Section 79, Block 33,
H&TC RR Co. Survey, below the base of the Delaware
Formation

ORYX LEASE NO.: 714443-004
LESSOR: Petke, Brenda Vaughn
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 52 PAGE 149
DESCRIPTION: Farm Lots 47, 51, 57 & 58, Section 79, Block 33,
H&TC RR Co. Survey, below the base of the Delaware
Formation

ORYX LEASE NO.: 714443-005
LESSOR: Ridgley, Nancy Vaughn
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 52 PAGE 327
DESCRIPTION: Farm Lots 47, 51, 57 & 58, Section 79, Block 33,
H&TC RR Co. Survey, below the base of the Delaware
Formation

ORYX LEASE NO.: 714445-000
LESSOR: Vanderlee, John
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 51 PAGE 843
DESCRIPTION: Farm Lot 60, Section 79, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714446-000
LESSOR: Spear, Ellie
LEASE DATE: 03/14/79
RECORDING DATA: BOOK 53 PAGE 663
DESCRIPTION: Insofar and only insofar as lease covers Farm Lots
41, 42, 45, 46, 49, 50, 55 & 56, Section 79, Block
33, H&TC RR Co. Survey and Lot 42, Section 77,
Block 33, H&TC RR Co. Survey

MENTONE FIELD - (4)



MENTONE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714446-001
LESSOR: Spear, Howell
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 51 PAGE 845
DESCRIPTION: Insofar and only insofar as lease covers Farm Lots 41, 42, 45, 46, 49, 50, 55 & 56, Section 79, Block 33, H&TC RR Co. Survey and Lot 42, Section 77, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714456-000
LESSOR: Starr Commonwealth For Boys, A Michigan Corporation
LEASE DATE: 08/31/78
RECORDING DATA: BOOK 52 PAGE 323
DESCRIPTION: SW/4 NE/2 and Lots 2, 4, 6 & 8 of F. N. Johnson's Subdivision of the SW/2 of Section 78, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714456-001
LESSOR: U V Industries, Inc.
LEASE DATE: 09/29/78
RECORDING DATA: BOOK 53 PAGE 143
DESCRIPTION: Lots 2, 4, 6 & 8 and SW/4 NE/2, Section 78, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714456-002
LESSOR: Felmont Oil Corporation
LEASE DATE: 07/21/80
RECORDING DATA: BOOK 57 PAGE 822
DESCRIPTION: South 31.345 acres of SW/4 NE/2 and Farm Lots 2, 4, 6 & 8, F. N. Johnson Subdivision of Section 78, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714466-000
LESSOR: Goodrich, Anna, et al
LEASE DATE: 04/01/79
RECORDING DATA: BOOK 55 PAGE 258
DESCRIPTION: Insofar and only insofar as lease covers Lots 1, 3, 5, & 7 of F. N. Johnson's Subdivision of Section 78, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714466-002
LESSOR: Hubbard, Herman Peirce, et al
LEASE DATE: 09/14/78
RECORDING DATA: BOOK 53 PAGE 107
DESCRIPTION: Insofar and only insofar as lease covers the SW/4 NE/2 and Lots 2, 4, 6 & 8 of F. N. Johnson's Subdivision of the SW/2 of Section 78, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714466-003
LESSOR: Transwestern, Inc.
LEASE DATE: 12/04/78
RECORDING DATA: BOOK 54 PAGE 546
DESCRIPTION: Insofar and only insofar as lease covers Farm Lots 2, 4, 6 & 8 of F. N. Johnson's Subdivision of the SW/2 and the SW/4 NE/2, all in Section 78, Block 33, H&TC RR Co. Survey



MENTONE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714582-000
LESSOR: State of Texas M-78845
LEASE DATE: 02/06/79
RECORDING DATA: BOOK 53 PAGE 625
DESCRIPTION: Mid/Part of SW/Part of Section 78, Block 33, H&TC
RY Co. Survey, as shown on the official map of
Loving County, Texas, now on file in the General
Land Office in Austin, Texas, and as further shown
on the plat attached to and made a part of State
of Texas Lease No. M-78845 as it appears of record
in Book 53 at Page 625 of the Oil & Gas Lease
Records of Loving County, Texas

ORYX LEASE NO.: 714584-000
LESSOR: Hammarlund, George, et al
LEASE DATE: 10/01/63
RECORDING DATA: BOOK 23 PAGE 278
DESCRIPTION: Lots 43 & 44, Section 79, Block 33, H&TC RR Co.
Survey, limited to depths below 200 feet below the
Lamar Lime in the Bell Canyon Formation

ORYX LEASE NO.: 714585-000
LESSOR: Bell, Young, Trustee, et al
LEASE DATE: 08/28/63
RECORDING DATA: BOOK 23 PAGE 556
DESCRIPTION: Lots 61 thru 68 inclusive and Lots 71, 72, 75, 76
and 78, Section 79, Block 33, H&TC RR Co. Survey,
limited to depths below 200 feet below the Lamar
Lime in the Bell Canyon Formation

ORYX LEASE NO.: 714586-000
LESSOR: Prindle, Charles R.
LEASE DATE: 10/01/63
RECORDING DATA: BOOK 23 PAGE 243
DESCRIPTION: Lots 48 and 52 of Section 79, Block 33, H&TC RR
Co. Survey, limited to depths below 200 feet below
the Lamar Lime in the Bell Canyon Formation

ORYX LEASE NO.: 714588-000
LESSOR: McCrea, Marshall S. Jr., Trustee
LEASE DATE: 10/03/78
RECORDING DATA: BOOK 53 PAGE 4
DESCRIPTION: Lots 31, 32, 35, 36, 41, 42, 45, 46, 49, 50, 53,
55, 56 and 59, Section 79, Block 33, H&TC Ry Co.
Survey

ORYX LEASE NO.: 714590-000
LESSOR: Bush, Jessie W., et ux
LEASE DATE: 04/20/79
RECORDING DATA: BOOK 54 PAGE 527
DESCRIPTION: Lots 29, 30, 33 & 34 and the Most Southwesterly
338 feet of Porterville Townsite, Section 79,
Block 33, H&TC RR Co. Survey, same being all that
portion of lands covered by Oil and Gas Lease
dated 4/8/74 between Jesse W. Bush et ux as
lessors and Griffin, Ross & Burnett, Inc. as
lessee, Recorded in Vol. 43, Pg. 131, Oil and Gas
Lease Records of Loving County, Texas, which is
not included in the Gataga Gas Unit No. 2 which
was established by the Railroad Commission of
Texas Special Order date 6/23/75 in the Oil and
Gas Docket No. 8-65-012, and Recorded in Vol. 51,
Pg. 221, Deed Records of Loving County, Texas; All
limited to depths below a depth of 5,000 feet
below the surface of the earth



MENTONE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714593-000
LESSOR: Boddy, H. M. & Boddy, Vivan, Individually and as Independent Executor of Estate of J. E. Boddy, deceased

LEASE DATE: 03/31/80
RECORDING DATA: BOOK 56 PAGE 702
DESCRIPTION: Lots numbered 19 to 29 inclusive, of the F.N. Johnson Subdivision of Section 78, Block 33, H&TC Ry Co. Survey, as per plat thereof, recorded in Book 3, Page 617, Deed Records of Loving County, Texas, said Lots being in the Southwest end of said Section.

ORYX LEASE NO.: 714594-000
LESSOR: Felmont Oil Corporation
LEASE DATE: 03/01/79
RECORDING DATA: BOOK 56 PAGE 109
DESCRIPTION: Insofar and only insofar as lease covers Farm Lots 41, 42, 45, 46, 49, 50, 55, 56, 69, 70, 73, 74 and 77, of E. L. Stratton's Subdivision of Section 79, Block 33, H&TC Ry Co. Survey as per plat of said Subdivision duly recorded in Deed Records of Loving County, Texas.

ORYX LEASE NO.: 716900-000
LESSOR: Kern, Boyd E., Independent Executor of the Estate of Betty R. Kern, deceased
LEASE DATE: 04/11/80
RECORDING DATA: BOOK 56 PAGE 566
DESCRIPTION: Insofar and only insofar as lease covers Farm Lots 37 & 38 of E. L. Stratton's Subdivision of Section 79, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 716914-000
LESSOR: United States Smelting, Refining and Mining Co.
LEASE DATE: 10/14/63
RECORDING DATA: BOOK 23 PAGE 235
DESCRIPTION: Lots 61, 62, 63, 64, 65, 66, 67, 68, 71, 72, 75, 76 and 78, Section 79, Block 33, H&TC RR Co. Survey, limited to depths below 200 feet below the Lamar Lime in the Bell Canyon Formation

THE PROPERTIES AND INTERESTS DESCRIBED IN CONNECTION WITH THE ABOVE-NAMED FIELD ARE SUBJECT TO THE ASSOCIATED CONTRACTS AND MISCELLANEOUS AGREEMENTS DESCRIBED ON THE SCHEDULE ATTACHED HERETO FOR SUCH FIELD.



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the County Clerk imprinted in purple
ink. Attest: FEB 11 1984

Quanita Bishop County Clerk

SCHEDULE OF ASSOCIATED CONTRACTS AND MISCELLANEOUS AGREEMENTS

MENTONE FIELD
LOVING COUNTY, TEXAS

<u>TYPE OF AGREEMENT</u>	<u>DATE</u>	<u>CONTRACT NO.</u>	<u>CONTRACT DATA</u>
Letter Agreement	09/28/79	C-1826	(PN 411021) Arno Unit #1 and (PN 410938) Arno Unit #2
Operating Agreement	09/25/79	C-1826-A	(PN 411021) Arno Unit #1
Unitization Agreement	01/10/80	C-1826-B	
Operating Agreement	07/01/80	C-1826-C	(PN 410938) Arno Unit #2
Unitization Agreement	08/01/80	C-1826-D	
Miscellaneous Agreement	07/21/80	In Lse. File 714456-000	
Letter Agreement	10/03/78	In Lse. File 714588-000	
Letter Agreement (1)	09/28/79	In Lse. File 714589-000	
Letter Agreement (2)	09/28/79	In Lse. File 714589-000	
Miscellaneous Agreement	04/15/79	In Lse. File 714594-000	

<u>TYPE OF AGREEMENT</u>	<u>DATE</u>	<u>CONTRACT NO.</u>	<u>GAS PURCHASER</u>
Gas Contract	12/03/80	51692	Intratex Gas Co.



A Certified Copy
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the County Clerk imprinted in purple
ink. Attest: FEB 11 1994 199

Janita Spaulding County Clerk

EXHIBIT "A"
GRICE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 504096-000
LESSOR: Bailey, Mabel et al
LEASE DATE: 02/21/48
RECORDING DATA: BOOK 6 PAGE 358
DESCRIPTION: Insofar and only insofar as the lease covers W/2 NE/4 and the NE/4 SW/4, W/2 NW/4 Sec. 48, Blk 54, Township 1, T&P Ry Co. Survey, from the surface to a depth of 4,900 feet.

ORYX LEASE NO.: 504097-000
LESSOR: Fraser, George C. et al
LEASE DATE: 11/22/49
RECORDING DATA: BOOK 7 PAGE 379
DESCRIPTION: The W/2 SW/4 Sec. 37, Blk. 54, T-1, T&P Ry. Co. Survey, from the surface to 5,000 feet.

ORYX LEASE NO.: 504098-000
LESSOR: Johnson, W. D., Jr. et al
LEASE DATE: 07/03/50
RECORDING DATA: BOOK 8 PAGE 481
DESCRIPTION: The N/2 SE/4 from the surface to 4699 feet of Sec. 38, Blk 54, Township 1, T&P Ry. Co. Survey.

ORYX LEASE NO.: 504099-000
LESSOR: Johnson, W. D., Jr. et al
LEASE DATE: 02/07/50
RECORDING DATA: BOOK 8 PAGE 159
DESCRIPTION: The N/2 NE/4 from the surface to 5,300 feet in Sec. 38, Blk 54, T-1, T&P Ry. Co. Survey.

THE PROPERTIES AND INTERESTS DESCRIBED IN CONNECTION WITH THE ABOVE-NAMED FIELD ARE SUBJECT TO THE FOLLOWING DESCRIBED ASSOCIATED CONTRACTS AND MISCELLANEOUS AGREEMENTS:

<u>TYPE OF AGREEMENT</u>	<u>DATE</u>	<u>CONTRACT NO.</u>	<u>CONTRACT DATA</u>
Operating Agreement	05/15/63	5-7630	Operating Agreement
Operating Agreement	09/01/59	5-7629	Johnson 48-C
Operating Agreement	09/01/59	5-7628	Johnson, W D 48, A
Unitization Agreement	10/30/57	504099	Designation of Drill Site

<u>TYPE OF AGREEMENT</u>	<u>DATE</u>	<u>CONTRACT NO.</u>	<u>GAS PURCHASER</u>
Gas Contract	04/02/74	10479	Phillips Petroleum Co.

GRICE FIELD - (1)



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the County Clerk imprinted in purple
ink. Attest: FEB 11 1994

Quanta Spaulding County Clerk

STATE:TEXAS

FIELD:MENTONE

PROPERTY NUMBER	PROPERTY NAME	WORKING INTEREST	INCOME INTEREST	COUNTY NAME
410938	ARNO UNIT #2	0.2099108	0.1782883	LOVING
411021	ARNO UNIT #1	0.2215733	0.1796461	LOVING

The Properties identified above are described as follows:

<u>PROPERTY NUMBER</u>	<u>PROPERTY NAME</u>	
410938	ARNO UNIT #2	704 acres of land, more or less, in Sections 78 and 79, Block 33, H&TC RR Co. Survey, Loving County, Texas, described in Declaration of Gas Pooling dated August 1, 1980, recorded in Volume 62, at page 681, of the Deed Records of Loving County, Texas, limited to production from the Atoka Formation
411021	ARNO UNIT #1	704 acres of land, more or less, in Sections 80 and 81, Block 33, H&TC RR Co. Survey, Loving County, Texas, described in Declaration of Gas Pooling dated October 8, 1979, recorded in Volume 60, at page 382, of the Deed Records of Loving County, Texas, limited to production from the Fusselman Formation



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the County Clerk imprinted in purple
ink. Attest: FEB 11 1994 199
Janette Spaulding County Clerk

EXHIBIT "B"

STATE:TEXAS

FIELD:GRICE

PROPERTY NUMBER	PROPERTY NAME	WORKING INTEREST	INCOME INTEREST	COUNTY NAME
570437	JOHNSON-TXL OIL FAC	0.6562500	0.4847412	LOVING
571581	JOHNSON-38	0.6562500	0.5332031	LOVING
571583	JOHNSON 38-B	0.5937500	0.5383300	LOVING
571584	JOHNSON 48-C	0.6875000	0.5156250	LOVING
571585	JOHNSON 48 & A -SHIELD	0.7031250	0.5712891	LOVING
719929	T-X-L-37	0.6562500	0.5383301	LOVING

The Properties identified above are described as follows:

<u>PROPERTY NUMBER</u>	<u>PROPERTY NAME</u>	
571581	JOHNSON-38	All oil, gas and related hydrocarbons in and produced from the Delaware Formation in and under the N/2 SE/4 of Section 38, Block 54, Township 1, T&P Ry. Co. Survey, Loving County, Texas
571583	JOHNSON 38-B	All oil, gas and related hydrocarbons in and produced from the Delaware Formation in and under the N/2 NE/4 of Section 38, Block 54, Township 1, T&P Ry. Co. Survey, Loving County, Texas
571584	JOHNSON 48-C	All oil, gas and related hydrocarbons in and produced from the Delaware Formation in and under the NE/4 SW/4 and W/2 NW/4 of Section 48, Block 54, Township 1, T&P Ry. Co. Survey, Loving County, Texas
571585	JOHNSON 48 & A -SHIELD	All oil, gas and related hydrocarbons, in and produced from the Delaware Formation in and under the W/2 NE/4 of Section 48, Block 54, Township 1, T&P Ry. Co. Survey, Loving County, Texas
719929	T-X-L-37	All oil, gas and related hydrocarbons in and produced from the Delaware Formation in and under the W/2 SW/4 of Section 37, Block 54, Township 1, T&P Ry. Co. Survey, Loving County, Texas

A Certified Copy
If it bears the seal & signature of
the County Clerk imprinted in purple
ink. Attest: FEB 11 1994 199
County Clerk



FILE NO: 1

GRANTOR: HEADINGTON MINERALS, ETAL
GRANTEE: MATOON, STEVEN F., TRSTE.

I, Juanita Busby, Clerk of the County Court, in and for said County, do hereby certify that the within instrument in writing, dated 12/20/1993 with its certification of authentication, was filed for record in my office 01/04/1994 at 10:00 A.M. o'clock and recorded 01/04/1994 at 2:00 P.M. in the DEED/TRUST Records of Loving County, Texas, in VOL 45, PG: 800. Witness my Hand and Seal of Said Court, at office in Mentone, Texas, on date and year last above written.

JUANITA BUSBY, COUNTY CLERK
LOVING COUNTY, TEXAS

[Signature], DEPUTY



29.

MF 288245
ITEM Assignment
TO _____
FROM _____
DATE 2-17-94

THE STATE OF TEXAS, }

County of Loving I, Juanita Busby Clerk

of the County Court of Loving County, Texas, do hereby certify that

the foregoing is a true and correct copy of the original recorded Deed of Trust, Mortgage Assignment, Security Agreement, Fixture Filing and Financing Statement

File # 1 filed for Record January 4, 1994 Headington Minerals, etal to Steven F. Mantoon, Trustee and Union Bank Lender

as the same appears of record in my office in book _____ page _____

GIVEN UNDER MY HAND and the seal of said Court, at office in Mentone, Texas

this 11 th day of February 1994

Juanita Busby Clerk
By _____ Deputy.



Texas General Land Office
Garry Mauro, Commissioner

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701-1495
(512) 463-5001

February 28, 1994

PATRICIA SONE
THOMPSON & KNIGHT
1700 PACIFIC AVENUE, SUITE 3300
DALLAS, TEXAS 75201

RE: ASSIGNMENT FILING

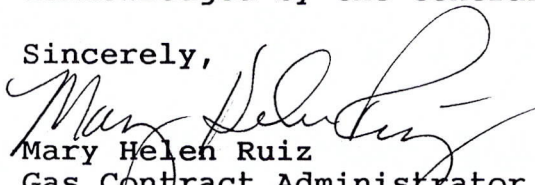
Dear Ms. SONE:

The General Land Office received the following instruments on February 17, 1994, and has filed them in Mineral File No. M-78845.

DEED OF TRUST, MORTGAGE, ASSIGNMENT, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT from HEADINGTON MINERALS, INC. & ALCALDE ENERGY CORPORATION to PATRICK McGAREY c/o UNION BANK ENERGY CAPITAL SERVICES & STEVEN F. MATOON, dated December 20, 1993, recorded in LOVING County, Texas.

The total amount of the fees received for the filing of the instruments listed above is \$25.00, the receipt of which is acknowledged by the General Land Office.

Sincerely,


Mary Helen Ruiz
Gas Contract Administrator
Energy Resources
(512) 475-1532

MHR/mhr

30.

MF

78845

ITEM

Ltr.

TO

Thompson + Knight

FROM

DATE

2-28-94

THOMPSON & KNIGHT

A PROFESSIONAL CORPORATION
ATTORNEYS AND COUNSELORS

1200 SAN JACINTO CENTER
98 SAN JACINTO BOULEVARD
AUSTIN, TEXAS 78701-4081
(512) 469-6100
FAX (512) 469-6180

July 17, 1998

DIRECT DIAL:

(512) 469-6133

DALLAS
FORT WORTH
HOUSTON
MONTERREY, MEXICO

ack
HR

ack
HR

General Land Office
Energy Resources Division
Stephen F. Austin Building
Austin, Texas 78701

Re: State of Texas lease M-78845

Gentlemen:

Enclosed please find an Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement from Headington Oil Company, L.P. and Headington Minerals, Inc. to Union Bank of California, N.A. covering, among other properties, the above referenced state lease. Also enclosed is our firm check in the amount of \$25.00 in payment of your filing fees.

Please send your letter of acknowledgment to:

Julie Dixon
Thompson & Knight
3300 First City Center
Dallas, Texas 75201.

Thank you for your prompt attention to this request.

Yours very truly,

Peggy Ballard

Peggy Ballard
Legal Assistant

pb
Enclosure

129

X25.00

98058164

La., Mt., N.M., Ok.,
Tx., and Wy.
(Headington Minerals)

AMENDED AND RESTATED DEED OF TRUST, MORTGAGE, ASSIGNMENT,
SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT

FROM
HEADINGTON OIL COMPANY, L.P.
(Taxpayer I.D. No. [REDACTED])
AND
HEADINGTON MINERALS, INC.
(Taxpayer I.D. No. [REDACTED])

TO
RANDY OSTERBERG, TRUSTEE

AND
UNION BANK OF CALIFORNIA, N.A., AGENT
(Taxpayer I.D. No. [REDACTED])

Dated June 26, 1998

A CARBON, PHOTOGRAPHIC, FACSIMILE, OR OTHER REPRODUCTION OF THIS INSTRUMENT IS SUFFICIENT AS A FINANCING STATEMENT.

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS, SECURES PAYMENT OF FUTURE ADVANCES, AND COVERS PROCEEDS OF COLLATERAL.

THIS INSTRUMENT COVERS MINERALS AND OTHER SUBSTANCES OF VALUE WHICH MAY BE EXTRACTED FROM THE EARTH (INCLUDING WITHOUT LIMITATION OIL AND GAS), AND THE ACCOUNTS RELATED THERETO, WHICH WILL BE FINANCED AT THE WELLHEADS OR MINEHEADS OF THE WELLS OR MINES LOCATED ON THE PROPERTIES DESCRIBED IN SECTION 1.1 OF THIS INSTRUMENT. THIS INSTRUMENT, WHICH COVERS GOODS WHICH ARE OR ARE TO BECOME FIXTURES ON THE REAL PROPERTY DESCRIBED HEREIN, IS TO BE FILED FOR RECORD, AMONG OTHER PLACES, IN THE REAL ESTATE OR COMPARABLE RECORDS OF THE COUNTIES AND/OR PARISHES REFERENCED IN EXHIBIT A HERETO AND SUCH FILING SHALL SERVE, AMONG OTHER PURPOSES, AS A FIXTURE FILING. THE MORTGAGOR HAS AN INTEREST OF RECORD IN THE REAL ESTATE AND IMMOVABLE PROPERTY CONCERNED, WHICH INTEREST IS DESCRIBED IN SECTION 1.1 OF THIS INSTRUMENT.

A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY ALLOW AGENT (AS HEREINAFTER DEFINED) OR THE TRUSTEE (AS HEREINAFTER DEFINED) TO TAKE THE MORTGAGED PROPERTIES AND SELL THEM WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY THE MORTGAGOR (AS HEREINAFTER DEFINED) UNDER THIS MORTGAGE.

WHEN RECORDED OR FILED RETURN TO: THIS INSTRUMENT PREPARED BY:

Thompson & Knight,
A Professional Corporation
1700 Pacific Avenue
Suite 3300
Dallas, Texas 75201
Attention: Julie Dixon

Timothy W. Dowdy
Thompson & Knight, P.C.
1700 Pacific Avenue
Suite 3300
Dallas, Texas 75201

AMENDED AND RESTATED DEED OF TRUST, MORTGAGE, ASSIGNMENT,
SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT

THIS AMENDED AND RESTATED DEED OF TRUST, MORTGAGE,
ASSIGNMENT, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING
STATEMENT (this "Mortgage"),

ARTICLE I.

Granting Clauses: Secured Indebtedness

Section 1.1. Grant and Mortgage. Headington Oil Company, L.P., a Texas limited partnership (herein "HOCLP") and HEADINGTON MINERALS, INC., a Delaware corporation (nerein called "HMI"; HMI and HOCLP are herein collectively called "Mortgagor"), for and in consideration of the sum of Ten Dollars (\$10.00) to Mortgagor in hand paid, and in order to secure the payment of the secured indebtedness hereinafter referred to and the performance of the obligations, covenants, agreements, warranties and undertakings of Mortgagor hereinafter described, do hereby (a) GRANT, BARGAIN, SELL, CONVEY, TRANSFER, ASSIGN and SET OVER to Randy Osterberg ("Trustee"), and grant to Trustee a POWER OF SALE (pursuant to this Mortgage and applicable law) with respect to, those of the following described properties, rights and interests which are located in (or cover properties located in) the State of Texas or which are located within (or cover properties located within) the offshore area over which the United States of America asserts jurisdiction and to which the laws of such state are applicable with respect to this Mortgage and/or the liens or security interests created hereby (the "Deed of Trust Mortgaged Properties"), and (b) MORTGAGE, ASSIGN, WARRANT, PLEDGE AND HYPOTHECATE to "Agent" (as hereinafter defined), and grant to Agent a POWER OF SALE (pursuant to this Mortgage and applicable law) with respect to, all of the following described rights, interests and properties which were not granted to Trustee in clause (a) above, including without limitation those of the following described rights, interests and properties located in the States of Louisiana, Montana, New Mexico, Oklahoma, and Wyoming (the "Other Mortgaged Properties"):

A. An undivided 41.7456% interest in and to all rights, titles, interests and estates conveyed by those certain conveyances (the "SOLP Conveyances") described on Annex I;

B. Without limitation of the foregoing, all other rights, titles and interests of HOCLP, and an undivided 41.7456% interest in all other rights, titles and interests held (of record or otherwise) by HMI, in and to the oil, gas and/or other mineral properties and/or mineral rights which are described in Exhibit A attached hereto and made a part hereof;

C. Without limitation of the foregoing, all other rights, titles and interests (of whatever kind or character, whether now owned or hereafter acquired by operation of law or otherwise) of HOCLP and an undivided 41.7456% interest in all other rights, titles and interests (of whatever kind or character, whether now held or hereafter acquired by operation of law or otherwise) held (of record or otherwise) by HMI in, to or under (i) the oil, gas and/or mineral leases, mineral deeds, assignments or other agreements described in Exhibit A hereto, and (ii) the lands described or referred to in Exhibit A (or described in any of the instruments described or referred to in Exhibit A), without regard to any limitations as to specific lands or depths that may be set forth in Exhibit A hereto (or in any of the leases or other agreements described in Exhibit A) and further without regard to any undivided interest limitations that may be set forth in Exhibit A hereto or in any of the leases or other agreements described in Exhibit A;

D. All of Mortgagor's interest (whether now owned or hereafter acquired by operation of law or otherwise) in and to all presently existing and hereafter created oil, gas and/or mineral unitization, pooling and/or communitization agreements, declarations and/or orders, and in and to the properties, rights and interests covered and the units created thereby (including, without limitation, units formed under orders, rules, regulations or other official acts of any federal, state or other authority having jurisdiction), which cover, affect or otherwise relate to the properties, rights and interests described in clause A, B or C

above, to the extent and only to the extent such interest is attributable to the properties, rights and interests described in clause A, B or C above;

E. All of Mortgagor's interest in and rights under (whether now owned or hereafter acquired by operation of law or otherwise) all presently existing and hereafter created operating agreements, equipment leases, production sales contracts, processing agreements, transportation agreements, gas balancing agreements, farmout and/or farm-in agreements, salt water disposal agreements, area of mutual interest agreements, and other contracts and/or agreements which cover, affect, or otherwise relate to the properties, rights and interests described in clause A, B, C or D above or to the operation of such properties, rights and interests or to the treating, handling, storing, processing, transporting or marketing of oil, gas, other hydrocarbons, or other minerals produced from (or allocated to) such properties, rights and interests (including, but not limited to, those contracts listed in Exhibit A hereto), as same may be amended or supplemented from time to time, to the extent and only to the extent such interest and rights are attributable to the properties, rights and interests described in clause A, B, C or D above; and

F. All of Mortgagor's interest (whether now owned or hereafter acquired by operation of law or otherwise) in and to all improvements, fixtures, movable or immovable property and other real and/or personal property (including, without limitation, all wells, pumping units, wellhead equipment, tanks, pipelines, flow lines, gathering lines, plants, compressors, dehydration units, separators, meters, buildings, injection facilities, salt water disposal facilities, and power, telephone and telegraph lines), and all easements, servitudes, rights-of-way, surface leases, licenses, permits and other surface rights, which are now or hereafter used, or held for use, in connection with the properties, rights and interests described in clause A, B, C or D above, or in connection with the operation of such properties, rights and interests, or in connection with the treating, handling, storing, processing, transporting or marketing of oil, gas, other hydrocarbons, or other minerals produced from (or allocated to) such properties, rights and interests, to the extent and only to the extent such interest is attributable to the properties, rights and interests described in clause A, B or C above; and

G. All rights, estates, powers and privileges appurtenant to the foregoing rights, interests and properties.

TO HAVE AND TO HOLD (a) the Deed of Trust Mortgaged Properties unto the Trustee, and its successors or substitutes in this trust, and to its or their successors and assigns, in trust, however, upon the terms, provisions and conditions herein set forth, and (b) the Other Mortgaged Properties unto Agent, and Agent's heirs, devisees, representatives, successors and assigns, upon the terms, provisions and conditions herein set forth (the Deed of Trust Mortgaged Properties and the Other Mortgaged Properties are herein sometimes collectively called the "Mortgaged Properties").

Section 1.2. Grant of Security Interest. In order to further secure the payment of the secured indebtedness hereinafter referred to and the performance of the obligations, covenants, agreements, warranties, and undertakings of Mortgagor hereinafter described, Mortgagor hereby grants to Agent (as hereinafter defined) a security interest in the entire interest of Mortgagor (whether now owned or hereafter acquired by operation of law or otherwise) in and to:

(a) all oil, gas, other hydrocarbons, and other minerals produced from or allocated to the Mortgaged Properties, and any products processed or obtained therefrom (herein collectively called the "Production"), together with all proceeds of Production (regardless of whether Production to which such proceeds relate occurred on or before or after the date hereof), and together with all liens and security interests securing payment of the proceeds of the Production, including, but not limited to, those liens and security interests provided for under (i) statutes enacted in the jurisdictions in which the Mortgaged Properties are located, or (ii) statutes made applicable to the Mortgaged Properties under federal law (or some combination of federal and state law);

(b) without limitation of any other provisions of this Section 1.2, all payments received in lieu of production from the Mortgaged Properties (regardless of whether such

payments accrued, and/or the events which gave rise to such payments occurred, on or before or after the date hereof), including, without limitation, "take or pay" payments and similar payments, payments received in settlement of or pursuant to a judgment rendered with respect to take or pay or similar obligations or other obligations under a production sales contract, payments received in buyout or buydown or other settlement of a production sales contract, and payments received under a gas balancing or similar agreement as a result of (or received otherwise in settlement of or pursuant to judgment rendered with respect to) rights held by Mortgagor as a result of Mortgagor (and/or its predecessors in title) taking or having taken less gas from lands covered by a Mortgaged Property (or lands pooled or unitized therewith) than their ownership of such Mortgaged Property would entitle them to receive (the payments described in this subsection (b) being herein called "Payments in Lieu of Production");

(c) to the extent of the interest therein attributable to the Mortgaged Properties, all equipment, inventory, improvements, fixtures, accessions, goods and other personal property or movable property of whatever nature now or hereafter located on or used or held for use in connection with the Mortgaged Properties (or in connection with the operation thereof or the treating, handling, storing, processing, transporting, or marketing of Production), and all licenses and permits of whatever nature now or hereafter used or held for use in connection with the Mortgaged Properties (or in connection with the operation thereof or the treating, handling, storing, processing, transporting, or marketing of Production), and all renewals or replacements of the foregoing or substitutions for the foregoing;

(d) all contract rights, choses in action (i.e., rights to enforce contracts or to bring claims thereunder) and other general intangibles (regardless of whether the same arose, and/or the events which gave rise to the same occurred, on or before or after the date hereof) attributable to the Mortgaged Properties, the operation thereof (whether Mortgagor is operator or non-operator), or the treating, handling, storing, processing, transporting, or marketing of Production (including, without limitation, any of the same relating to payment of proceeds of Production or to payment of amounts which could constitute Payments in Lieu of Production);

(e) Without limitation of the generality of the foregoing, any rights and interests of HOCLP under any present or future hedge or swap agreements, cap, floor, collar, exchange, forward or other hedge or protection agreements or transactions relating to crude oil, natural gas or other hydrocarbons, or any option with respect to any such agreement or transaction now existing or hereafter entered into by or on behalf of Mortgagor;

(f) all geological, geophysical, engineering, accounting, title, legal, and other technical or business data concerning the Mortgaged Properties, the Production or any other item of Property (as hereinafter defined) which are now or hereafter in the possession of HOCLP or in which HOCLP can otherwise grant a security interest, and all books, files, records, magnetic media, and other forms of recording or obtaining access to such data;

(g) all money, documents, instruments, chattel paper, securities, accounts or general intangibles arising from or by virtue of any transaction (regardless of whether such transaction occurred on or before or after the date hereof) related to the Mortgaged Properties, the Production or any other item of Property (all of the properties, rights and interests described in subsections (a), (b), (c), (d), (e) and (f) above and this subsection (g) being herein sometimes collectively called the "Collateral"); and

(h) all proceeds of the Collateral, whether such proceeds or payments are goods, money, documents, instruments, chattel paper, securities, accounts, general intangibles, fixtures, real immovable property, personal movable property or other assets (the Mortgaged Properties, the Collateral and the proceeds of the Collateral being herein sometimes collectively called the "Property").

Section 1.3. Note, Loan Documents, Other Obligations. This Mortgage is made to secure and enforce the payment and performance of the following promissory notes, obligations, indebtedness and liabilities:

(a) All indebtedness and other obligations now or hereafter incurred or arising pursuant to the provisions of that certain Credit Agreement dated of even date herewith, between Headington Oil Company, L.P., as Borrower, Headington Resources, Inc., Headington Petroleum, LLC and Headington Nevada, LLC and Union Bank of California, N.A. in its capacity as Agent for the benefit of lenders (herein collectively called "Lender") under the Credit Agreement (such lenders currently are Union Bank of California, N.A., Den norske Bank ASA and Comerica Bank - Texas), and all supplements thereto and amendments or modifications thereof, and all agreements given in substitution therefor or in restatement, renewal or extension thereof, in whole or in part (such Credit Agreement as the same may from time to time be supplemented, amended or modified, and all other agreements given in substitution therefor or in restatement, renewal or extension thereof, in whole or in part, being herein called the "Credit Agreement") (Union Bank of California, N.A. in such capacity as Agent is herein called "Agent" and in its individually capacity is herein called "Union Bank");

(b) One certain promissory note dated of even date herewith, in the principal amount of Ninety Million Dollars (\$90,000,000) made by HOCLP and payable to the order of Union Bank, on or before October 31, 2003, bearing interest as therein provided, and containing a provision for the payment of a reasonable additional amount as attorneys' fees, and all other notes given in substitution therefor or in modification, renewal or extension thereof, in whole or in part;

(c) One certain promissory note dated of even date herewith, in the principal amount of Forty-Five Million Dollars (\$45,000,000) made by HOCLP and payable to the order of Den norske Bank ASA, on or before October 31, 2003 bearing interest as therein provided, and containing a provision for the payment of a reasonable additional amount as attorneys' fees, and all other notes given in substitution therefor or in modification, renewal or extension thereof, in whole or in part;

(d) One certain promissory note dated of even date herewith, in the principal amount of Fifteen Million Dollars (\$15,000,000) made by HOCLP and payable to the order of Comerica Bank-Texas, a Texas state banking association, on or before October 31, 2003, bearing interest as therein provided, and containing a provision for the payment of a reasonable additional amount as attorneys' fees, and all other notes given in substitution therefor or in modification, renewal or extension thereof, in whole or in part;

(e) All indebtedness and other obligations now outstanding or hereafter incurred or arising pursuant to the provisions of one or more letters of credit issued by Union Bank of California, N.A. to HOCLP and all other letters of credit given in substitution therefor or in modification, renewal or extension thereof, in whole or in part (such letters of credit, as from time to time supplemented, amended, or modified, and all other letters of credit given in substitution therefor or in modification, renewal or extension thereof, in whole or in part, being herein collectively called the "Letter of Credit");

(f) Payment of and performance of any and all present or future obligations of HOCLP according to the terms of any present or future interest or currency rate swap, rate cap, rate floor, rate collar, exchange transaction, forward rate agreement, or other exchange or rate protection agreements or any option with respect to any such transaction now existing or hereafter entered into between HOCLP and Agent or any affiliate of Agent;

(g) Payment of and performance of any and all present or future obligations of HOCLP according to the terms of any present or future swap agreements, cap, floor, collar, exchange transaction, forward agreement or other exchange or protection agreements relating to crude oil, natural gas or other hydrocarbons, or any option with respect to any such transaction now existing or hereafter entered into between HOCLP and Agent or any affiliate of Agent;

(h) All indebtedness and other obligations now or hereafter incurred or arising pursuant to or permitted by the provisions of the Note (as hereinafter defined), the Credit Agreement, the Letter of Credit, this Mortgage or any other instrument now or hereafter

evidencing, governing, guaranteeing or securing the "secured indebtedness" (as hereinafter defined) or any part thereof or otherwise executed in connection with a loan evidenced or governed by the Note, the Letter of Credit or the Credit Agreement (the Note, the Credit Agreement, the Letter of Credit, this Mortgage and such other instruments being herein sometimes collectively called the "Loan Documents");

(i) All other loans and future advances made by one or more Lenders to HOCLP and all other debts, obligations and liabilities of HOCLP of every kind and character now or hereafter existing in favor of one or more Lenders, whether direct or indirect, primary or secondary, joint or several, fixed or contingent, and whether originally payable to one or more Lenders or to a third party and subsequently acquired by one or more Lenders, it being contemplated that HOCLP may hereafter become indebted to one or more Lenders for such further debts, obligations and liabilities; and

(j) Without limiting the generality of the foregoing, all post-petition interest, expenses, and other duties and liabilities with respect to indebtedness or other obligations described above in this Section 1.3, which would be owed but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization, or similar proceeding.

Section 1.4. Secured Indebtedness. The notes described in Sections 1.3(b) through Section 1.3(d), as from time to time supplemented, amended, or modified and all other notes given in substitution therefor, or in modification, renewal or extension thereof, in whole or in part, being herein sometimes collectively called the "Note". The indebtedness referred to in Section 1.3, and all renewals, extensions and modifications thereof, and all substitutions therefor, in whole or in part, are herein sometimes referred to as the "secured indebtedness" or the "indebtedness secured hereby". It is contemplated and acknowledged that the secured indebtedness may include revolving credit loans and advances from time to time, and that this Mortgage shall have effect, as of the date hereof, to secure all secured indebtedness, regardless of whether any amounts are advanced on the date hereof or on a later date or, whether having been advanced, are later repaid in part or in whole and further advances made at a later date.

Section 1.5. NEW MEXICO AGGREGATE UNPAID PRINCIPAL AMOUNT. AS TO ONLY THE MORTGAGED PROPERTIES SITUATED IN THE STATE OF NEW MEXICO, THE AGGREGATE UNPAID PRINCIPAL AMOUNT OF THE SECURED INDEBTEDNESS OUTSTANDING AT ANY PARTICULAR TIME (AFTER HAVING GIVEN EFFECT TO ALL ADVANCES AND ALL REPAYMENTS MADE PRIOR TO SUCH TIME) WHICH IS SECURED BY PROPERTY LOCATED IN NEW MEXICO SHALL NOT EXCEED AN AGGREGATE AN UNPAID PRINCIPAL AMOUNT OF \$300,000,000.

Section 1.6. LOUISIANA MAXIMUM SECURED AMOUNT. NOTWITHSTANDING ANY PROVISION HEREOF TO THE CONTRARY, THE OUTSTANDING INDEBTEDNESS SECURED BY PROPERTY LOCATED IN THE STATE OF LOUISIANA SHALL NOT, AT ANY TIME OR FROM TIME TO TIME, EXCEED AN AGGREGATE MAXIMUM AMOUNT OF \$300,000,000.

Section 1.7. MONTANA AGGREGATE UNPAID PRINCIPAL AMOUNT. AS TO ONLY THE MORTGAGED PROPERTIES SITUATED IN THE STATE OF MONTANA, THE AGGREGATE UNPAID PRINCIPAL AMOUNT OF THE SECURED INDEBTEDNESS OUTSTANDING AT ANY PARTICULAR TIME (AFTER HAVING GIVEN EFFECT TO ALL ADVANCES AND ALL REPAYMENTS MADE PRIOR TO SUCH TIME) WHICH IS SECURED BY PROPERTY LOCATED IN MONTANA SHALL NOT AGGREGATE AN UNPAID PRINCIPAL AMOUNT IN EXCESS OF \$300,000,000.

ARTICLE II.

Representations, Warranties and Covenants

Section 2.1. Mortgagor represents, warrants, and covenants as follows:

(a) Title and Permitted Encumbrances. Mortgagor has, and Mortgagor covenants to maintain, good and defensible title to the Property, free and clear of all liens, security interests, and encumbrances except for (i) the contracts, agreements, burdens, encumbrances and other matters set forth in the descriptions of certain of the Mortgaged Properties on Exhibit A hereto, (ii) the liens and security interests evidenced by this Mortgage, (iii) statutory liens for taxes which are not yet delinquent, (iv) liens under operating agreements, pooling orders and unitization agreements, and mechanics' and materialmen's liens, with respect to obligations which are not yet due, (v) other liens and security interests (if any) in favor of Agent and (vi) minor defects and irregularities in title to any Property, so long as such defects and irregularities neither (A) are liens which secure other indebtedness or obligations nor (B) materially impair the value of such Property or the use thereof for the purposes for which such Property is held (the matters described in the foregoing clauses (i), (ii), (iii), (iv), (v) and (vi) being herein called the "Permitted Encumbrances"); Mortgagor will warrant and defend title to the Property, subject as aforesaid, against the claims and demands (including claims which would be a Permitted Encumbrance under item (vi) above) of all persons claiming or to claim the same or any part thereof. Without limitation of the foregoing, the ownership by Mortgagor of the Properties does and will, with respect to each well, unit or other property identified on Schedule I, attached hereto and made a part hereof, entitle Mortgagor to receive (subject to the terms and provisions of this Mortgage) a decimal share of the oil, gas and other hydrocarbons produced from, or allocated to, such well or unit equal to not less than 41.7456% of the decimal share set forth, for such well or unit, in the column headed "NRI" on Schedule I, and cause Mortgagor to be obligated to bear a decimal share of the cost of operation of such well or unit equal to not more than 41.7456% of the decimal share set forth, for such well or unit, in the column headed "WT" on Schedule I. The above-described shares of production which Mortgagor is entitled to receive and shares of expenses which Mortgagor is obligated to bear are not and will not be subject to change (other than changes which arise pursuant to non-consent provisions of operating agreements described in Exhibit A in connection with operations hereafter proposed), except, and only to the extent that, such changes are reflected in Exhibit A and/or Schedule I, as the case may be. There is not and will not be any unexpired financing statement covering any part of the Property on file in any public office naming any party other than Agent as secured party.

(b) Leases and Contracts; Performance of Obligations. The oil, gas and/or mineral leases, mineral deeds, assignments (whether reserving or creating a Property), contracts, servitudes and other agreements forming a part of the Property, to the extent the same cover or otherwise relate to the Property, are in full force and effect, and Mortgagor agrees to so maintain them or, as appropriate, to utilize all reasonable efforts to cause them to be maintained in full force and effect. Mortgagor is not in default with respect to Mortgagor's obligations (and Mortgagor is not aware of any default by any third party with respect to such third party's obligations) under such leases, contracts, servitudes or mineral deeds, assignments and other agreements, or under the Permitted Encumbrances, or otherwise attendant to the ownership or operation of any part of the Property, where such default could adversely affect the ownership or operation of the Property; Mortgagor will fulfill all such obligations coming due in the future, and will use all efforts legally available to it to cause any third parties to fulfill such obligations.

(c) Sale of Production. No Mortgaged Property is or will become subject to any contractual or other arrangement (i) whereby payment for production is or can be deferred for a substantial period after the month in which such production is delivered (i.e., in the case of oil, not in excess of 60 days, and in the case of gas, not in excess of 90 days) or (ii) whereby payments are made to Mortgagor other than by checks, drafts, wire transfer advises or other similar writings, instruments or communications for the immediate payment of money. Except for production sales contracts, processing agreements or transportation agreements (or other agreements relating to the marketing of Production)

listed on Exhibit A (in connection with the Mortgaged Properties to which they relate), (i) no Mortgaged Property is or will become subject to any contractual or other arrangement for the sale, processing or transportation of Production (or otherwise related to the marketing of Production) which cannot be canceled on 120 days' (or less) notice and (ii) all contractual or other arrangements for the sale, processing or transportation of Production (or otherwise related to the marketing of Production) shall be bona fide arm's length transactions with third parties not affiliated with Mortgagor and shall be at the best price (and on the best terms) available (such price shall, in the case of Production sales which are subject to price controls, be determined giving consideration to such fact). Mortgagor is presently receiving a price for all production from (or attributable to) each Mortgaged Property as computed in accordance with the terms of the applicable production sales contract, and is not having deliveries of production from such Mortgaged Property curtailed substantially below such property's delivery capacity. Neither Mortgagor, nor any of its predecessors in title, has received prepayments (including, but not limited to, payments for gas not taken pursuant to "take or pay" or other similar arrangements) for any oil, gas or other hydrocarbons produced or to be produced from the Mortgaged Properties after the date hereof, and Mortgagor hereby covenants not to enter into any such advance or prepayment arrangements whereby it accepts consideration for oil, gas or other hydrocarbons not yet produced. No Mortgaged Property is or will become subject to any "take or pay" or other similar arrangement (i) which can be satisfied in whole or in part by the production or transportation of gas from other properties or (ii) as a result of which production from the Mortgaged Properties may be required to be delivered to one or more third parties without payment (or without full payment) therefor as a result of payments made, or other actions taken, with respect to other properties. Except as disclosed in the Credit Agreement, there is no Mortgaged Property with respect to which Mortgagor, or its predecessors in title, has, prior to the date hereof, taken more ("overproduced"), or less ("underproduced"), gas from the lands covered thereby (or pooled or unitized therewith) than its ownership interest in such Mortgaged Property would entitle it to take. Mortgagor will not become materially "overproduced" (as above defined) with respect to any well on the Mortgaged Properties (or on any unit in which the Mortgaged Properties participate) in an amount in excess of Mortgagor's share of gas produced from such well during the preceding four calendar months. Except as disclosed in the Credit Agreement, no Mortgaged Property is or will become subject to a gas balancing arrangement under which one or more third parties may take a portion of the production attributable to such Mortgaged Property without payment (or without full payment) therefor as a result of production having been taken from, or as a result of other actions or inactions with respect to, other properties. No Mortgaged Property is subject at the present time to any regulatory refund obligation and, to the best of Mortgagor's knowledge, no facts exist which might cause the same to be imposed.

(d) Condition of Personal or Movable Property. The equipment, inventory, improvements, fixtures, goods and other tangible personal movable property forming a part of the Property are and will remain in good repair and condition and are and will be adequate for the normal operation of the Property in accordance with prudent industry standards; all of such Property is, and will remain, located on the Mortgaged Properties, except for that portion thereof which is or shall be located elsewhere (including that usually located on the Mortgaged Properties but temporarily located elsewhere) in the course of the normal operation of the Property.

(e) Operation of Mortgaged Properties. The Mortgaged Properties are being (and, to the extent the same could adversely affect the ownership or operation of the Mortgaged Properties after the date hereof, have in the past been), and hereafter will be, maintained, operated and developed in a good and workmanlike manner, in accordance with prudent industry standards and in conformity with all applicable laws and all rules, regulations and orders of all duly constituted authorities having jurisdiction and in conformity with all oil, gas and/or other mineral leases and other contracts and agreements forming a part of the Property and in conformity with the Permitted Encumbrances. Mortgagor has, and will have in the future, all governmental licenses and permits necessary or appropriate to own and operate the Property; Mortgagor has not received notice of any violations in respect of any such licenses or permits.

(f) Sale or Disposal. Mortgagor will not, without the prior written consent of Agent, sell, exchange, lease, transfer, or otherwise dispose of any part of, or interest in, the Property other than (i) sales, transfers and other dispositions of machinery, equipment and other personal/movable property and fixtures made in connection with a release, surrender or abandonment (to which Agent has given its prior written consent) of a lease, or made in connection with the abandonment (to which Agent has given its prior written consent) of a well, (ii) sales, transfers and other dispositions of machinery, equipment and other personal movable property and fixtures which are (A) obsolete for their intended purpose and disposed of in the ordinary course of business or (B) replaced by articles of at least equal suitability and value owned by Mortgagor free and clear of all liens except this Mortgage and the Permitted Encumbrances, and (iii) sales of Production which are made in the ordinary course of business and in compliance with Section 2.1(c) hereof; provided that nothing in clause (iii) shall be construed as limiting Agent's rights under Article III of this Mortgage. Mortgagor shall account fully and faithfully for and, if Agent so elects, shall promptly pay or turn over to Agent the proceeds in whatever form received from disposition in any manner of any of the Property. Mortgagor shall at all times keep the Property and its proceeds separate and distinct from other property of Mortgagor and shall keep accurate and complete records of the Property and its proceeds.

(g) Ad Valorem and Severance Taxes. Mortgagor (or some third party on behalf of Mortgagor) has paid and discharged, and will continue to pay and discharge, all ad valorem taxes assessed against the Property or any part thereof and all production, severance and other taxes assessed against, or measured by, the Production or the value, or proceeds, of the Production.

(h) Suits and Claims. There are no suits, actions, claims, investigations, inquiries, proceedings or demands pending (or, to Mortgagor's knowledge, threatened) which affect the Property (including, without limitation, any which challenge or otherwise pertain to Mortgagor's title to the Property) and no judicial or administrative actions, suits or proceedings pending (or, to Mortgagor's knowledge, threatened) against Mortgagor.

(i) Environmental.

(A) Current Status. To the best knowledge of Mortgagor (after all appropriate inquiry), the Property is not in violation of or subject to any existing, pending or, threatened investigation or inquiry by any governmental authority or to any remedial obligations under any applicable laws, orders, rules, or regulations pertaining to health or the environment (such laws, orders, rules or regulations as they now exist or are hereafter enacted and/or amended hereinafter sometimes collectively called "Applicable Environmental Laws"), including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 (as amended, hereinafter called "CERCLA"), the Resource Conservation and Recovery Act of 1976, as amended by the Used Oil Recycling Act of 1980, the Solid Waste Disposal Act Amendments of 1980, and the Hazardous and Solid Waste Amendments of 1984 (as amended, hereinafter called "RCRA") and applicable state law, and this representation will continue to be true and correct following disclosure to the applicable governmental authorities of all relevant facts, conditions and circumstances, if any, pertaining to the Property and Mortgagor. The use which Mortgagor makes and intends to make of the Property will not result in the disposal or other release of any hazardous substance or solid waste on or to the Property. The terms "hazardous substance" and "release" as used in this Mortgage shall have the meanings specified in CERCLA, and the terms "solid waste" and "disposal" (or "disposed") shall have the meanings specified in RCRA; provided, in the event either CERCLA or RCRA is amended so as to broaden the meaning of any term defined thereby, such broader meaning shall apply subsequent to the effective date of such amendment and provided further, to the extent that the laws of the states in which the Mortgaged Properties are located establish a meaning for "hazardous substance," "release," "solid waste," or "disposal" which is broader than that specified in either CERCLA or RCRA, such broader meaning shall apply. To the best knowledge of Mortgagor (after all appropriate inquiry), the "Associated Property" (as such term is hereinafter defined) is

not in violation of any Applicable Environmental Laws for which Mortgagor or its predecessors in the Property would be responsible. The term "Associated Property" as used in this Mortgage shall mean any and all interests in and to (and or carved out of) the lands which are described or referred to in Exhibit A hereto, or which are otherwise described in any of the oil, gas and/or mineral leases or other instruments described in or referred to in such Exhibit A, whether or not such property interests are owned by Mortgagor.

(B) Future Performance. Mortgagor will not cause or permit the Property, the Associated Property or Mortgagor to be in violation of, or do anything or permit anything to be done which will subject the Property or the Associated Property to, any remedial obligations under any Applicable Environmental Laws, assuming disclosure to the applicable governmental authorities of all relevant facts, conditions and circumstances, if any, pertaining to the Property or the Associated Property and Mortgagor will promptly notify Agent in writing of any existing, pending or, to the best knowledge of Mortgagor, threatened investigation or inquiry by any governmental authority in connection with any Applicable Environmental Laws. Mortgagor will take all steps necessary to determine that no hazardous substances or solid wastes have been disposed of or otherwise released on or to the Property or the Associated Property. Mortgagor will not cause or permit the disposal or other release of any hazardous substance or solid waste on or to the Property or the Associated Property and covenants and agrees to keep or cause the Property or the Associated Property to be kept free of any hazardous substance or solid waste and to remove the same (or if removal is prohibited by law, to take whatever action is required by law) promptly upon discovery at its sole expense. Upon Agent's reasonable request, at any time and from time to time during the existence of this Mortgage, Mortgagor will provide at Mortgagor's sole expense an inspection or audit of the Property and the Associated Property from an engineering or consulting firm approved by Agent, indicating the presence or absence of hazardous substances and solid waste on the Property and/or the Associated Property.

(j) Not Abandon Wells; Participate in Operations. Mortgagor will not, without prior written consent of Agent, abandon, or consent to the abandonment of, any well producing from the Mortgaged Properties (or properties unitized therewith) so long as such well is capable (or is subject to being made capable through drilling, reworking or other operations which it would be commercially feasible to conduct) of producing oil, gas, or other hydrocarbons or other minerals in commercial quantities (as determined without considering the effect of this Mortgage). Mortgagor will not, without prior written consent of Agent, elect not to participate in a proposed operation on the Mortgaged Properties where the effect of such election would be the forfeiture either temporarily (i.e. until a certain sum of money is received out of the forfeited interest) or permanently of any interest in the Mortgaged Properties.

(k) Defense of Mortgage. If the validity or priority of this Mortgage or of any rights, titles, liens or security interests created or evidenced hereby with respect to the Property or any part thereof or the title of Mortgagor to the Property shall be endangered or questioned or shall be attacked directly or indirectly or if any legal proceedings are instituted against Mortgagor with respect thereto, Mortgagor will give prompt written notice thereof to Agent and at Mortgagor's own cost and expense will diligently endeavor to cure any defect that may be developed or claimed, and will take all necessary and proper steps for the defense of such legal proceedings, including, but not limited to, the employment of counsel, the prosecution or defense of litigation and the release or discharge of all adverse claims, and Trustee and Agent, or either of them (whether or not named as parties to legal proceedings with respect thereto), are hereby authorized and empowered to take such additional steps as in their judgment and discretion may be necessary or proper for the defense of any such legal proceedings or the protection of the validity or priority of this Mortgage and the rights, titles, liens and security interests created or evidenced hereby, including but not limited to the employment of independent counsel, the prosecution or defense of litigation, the compromise or discharge of any adverse claims made with respect to the Property, the purchase of any tax title and the removal of prior liens or security interests, and all expenditures so made of every kind and character shall be a demand obligation (which

obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Agent or Trustee (as the case may be) and shall bear interest from the date expended until paid at the rate described in Section 2.3 hereof, and the party incurring such expenses shall be subrogated to all rights of the person receiving such payment.

(l) **Fees and Expenses: Indemnity.** HOCLP will reimburse Trustee, Agent and each Lender (for purposes of this paragraph, the terms "Trustee," "Agent" and "Lender" shall include the directors, officers, partners, employees and agents of Trustee, Agent or any Lender, respectively, and any persons or entities owned or controlled by or affiliated with Trustee, Agent or any Lender, respectively) for all expenditures, including reasonable attorneys' fees and expenses, incurred or expended in connection with (i) the breach by Mortgagor of any covenant, agreement or condition contained herein or in any other Loan Document, (ii) the exercise by Agent and/or Trustee of any of their rights and remedies hereunder or under any other Loan Document, and (iii) the protection of the Property and/or Agent's, Lender's and/or Trustee's liens and security interests therein. HOCLP will indemnify and hold harmless Trustee, Agent and each Lender from and against (and will reimburse Trustee, Agent and each Lender for) all expenditures, including reasonable attorneys' fees and expenses, incurred or expended in connection with all claims, demands, liabilities, losses, damages (including without limitation consequential damages), causes of action, judgments, penalties, costs and expenses (including without limitation reasonable attorneys' fees and expenses) which may be imposed upon, asserted against or incurred or paid by either of them on account of, in connection with, or arising out of (A) any bodily injury or death or property damage occurring in or upon or in the vicinity of the Property through any cause whatsoever, (B) any act performed or omitted to be performed hereunder or the breach of any representation or warranty herein, (C) the exercise of any rights and remedies hereunder or under any other Loan Document, (D) any transaction, act, omission, event or circumstance arising out of or in any way connected with the Property or with this Mortgage or any other Loan Document, (E) any violation on or prior to the Release Date (as hereinafter defined) of any Applicable Environmental Law, (F) any act, omission, event or circumstance existing or occurring on or prior to the Release Date (including without limitation the presence on the Property or the Associated Property or release from the Property or the Associated Property of hazardous substances or solid wastes disposed of or otherwise released), resulting from or in connection with the ownership, construction, occupancy, operation, use and/or maintenance of the Property or the Associated Property, regardless of whether the act, omission, event or circumstance constituted a violation of any Applicable Environmental Law at the time of its existence or occurrence, and (G) any and all claims or proceedings (whether brought by private party or governmental agencies) for bodily injury, property damage, abatement or remediation, environmental damage or impairment or any other injury or damage resulting from or relating to any hazardous or toxic substance, solid waste or contaminated material located upon or migrating into, from or through the Property or the Associated Property (whether or not the release of such materials was caused by Mortgagor, a tenant or subtenant or a prior owner or tenant or subtenant on the Property or the Associated Property and whether or not the alleged liability is attributable to the handling, storage, generation, transportation, removal or disposal of such substance, waste or material or the mere presence of such substance, waste or material on the Property or the Associated Property), which the Trustee and/or the Agent and/or any Lender may have liability with respect to due to the making of the loan or loans evidenced by the Note, the granting of this Mortgage, the exercise of any of their rights under the Loan Documents, or otherwise. Agent 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 Agent in compromise, satisfaction or discharge of any such claim, action or judgment, and all court costs, attorneys' fees and other expenses of every character expended by Agent, Trustee or Lender pursuant to the provisions of this section shall be a demand obligation (which obligation HOCLP hereby expressly promises to pay) owing to the applicable party or parties. The "Release Date" as used herein shall mean the earlier of the following two dates: (i) the date on which the indebtedness and obligations secured hereby have been paid and performed in full and this Mortgage has been released of record, or (ii) the date on which the lien of this Mortgage is foreclosed or a deed in lieu of such foreclosure is fully effective and recorded. **WITHOUT LIMITATION, IT IS THE INTENTION OF MORTGAGOR AND MORTGAGOR AGREES THAT THE FOREGOING INDEMNITIES SHALL APPLY TO EACH INDEMNIFIED PARTY**

WITH RESPECT TO CLAIMS, DEMANDS, LIABILITIES, LOSSES, DAMAGES, CAUSES OF ACTION, JUDGMENTS, PENALTIES, COSTS AND EXPENSES (INCLUDING WITHOUT LIMITATION REASONABLE ATTORNEYS' FEES) WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF THE NEGLIGENCE OF SUCH (AND/OR ANY OTHER) INDEMNIFIED PARTY.

However, such indemnities shall not apply to any particular indemnified party (but shall apply to the other indemnified parties) to the extent the subject of the indemnification is caused by or arises out of the gross negligence or willful misconduct of such particular indemnified party. The foregoing indemnities shall not terminate upon the Release Date or upon the release, foreclosure or other termination of this Mortgage but will survive the Release Date, foreclosure of this Mortgage or conveyance in lieu of foreclosure, and the repayment of the secured indebtedness and the discharge and release of this Mortgage and the other documents evidencing and/or securing the secured indebtedness. Any amount to be paid hereunder to Agent, Trustee and/or any Lender shall be a demand obligation owing to Agent, Trustee and/or any Lender and shall be subject to and covered by the provisions of Section 2.3 hereof.

(m) Insurance. Mortgagor will carry insurance as provided in the Credit Agreement. In the event of any loss under any insurance policies so carried by Mortgagor, Agent shall have the right (but not the obligation) to make proof of loss and collect the same, and all amounts so received shall be applied toward costs, charges and expenses (including reasonable attorneys' fees), if any, incurred in the collection thereof, then to the payment, in the order determined by Agent in its own discretion, of the secured indebtedness, and any balance remaining shall be subject to the order of Mortgagor. Agent is hereby authorized but not obligated to enforce in its name or in the name of Mortgagor payment of any or all of said policies or settle or compromise any claim in respect thereof, and to collect and make receipts for the proceeds thereof and Agent is hereby appointed Mortgagor's agent and attorney-in-fact to endorse any check or draft payable to Mortgagor in order to collect the proceeds of insurance. In the event of foreclosure of this Mortgage, or other transfer of title to the Property in extinguishment in whole or in part of the secured indebtedness, all right, title and interest of Mortgagor in and to such policies then in force concerning the Property and all proceeds payable thereunder shall thereupon vest in the purchaser at such foreclosure or Agent or other transferee in the event of such other transfer of title.

(n) Further Assurances. Mortgagor will, on request of Agent, (i) promptly correct any defect, error or omission which may be discovered in the contents of this Mortgage, or in any other Loan Document, or in the execution or acknowledgment of this Mortgage or any other Loan Document; (ii) execute, acknowledge, deliver and record and/or file such further instruments (including, without limitation, further deeds of trust, mortgages, security agreements, financing statements, continuation statements, and assignments of production, accounts, funds, contract rights, general intangibles, and proceeds) and do such further acts as may be necessary, desirable or proper to carry out more effectively the purposes of this Mortgage and the other Loan Documents and to more fully identify and subject to the liens and security interests hereof any property intended to be covered hereby, including specifically, but without limitation, any renewals, additions, substitutions, replacements, or appurtenances to the Property; and (iii) execute, acknowledge, deliver, and file and/or record any document or instrument (including specifically any financing statement) desired by Agent to protect the lien or the security interest hereunder against the rights or interests of third persons. Mortgagor shall pay all costs connected with any of the foregoing.

(o) Name and Place of Business. Mortgagor has not, during the preceding five years, been known by or used any other corporate or partnership, trade or fictitious name. Mortgagor will not cause or permit any change to be made in its name, identity, or corporate or partnership structure, or its federal employer identification number unless Mortgagor shall have notified Agent of such change at least thirty (30) days prior to the effective date of such change, and shall have first taken all action required by Agent for the purpose of further perfecting or protecting the lien and security interest of Agent (or of Trustee, on behalf of Agent) in the Property. Mortgagor's principal place of business and chief executive office, and the place where Mortgagor keeps its books and records concerning the Property (including, particularly, the records with respect to "Production Proceeds", as defined in Section 3.1 hereof, from the Mortgaged Properties) has for the preceding four

months been, and will continue to be (unless Mortgagor notifies Agent of any change in writing at least thirty (30) days prior to the date of such change), the address set forth opposite the signature of Mortgagor to this Mortgage.

(p) Not a Foreign Person. Mortgagor is not a "foreign person" within the meaning of the Internal Revenue Code of 1986, as amended, (hereinafter called the "Code"), Sections 1445 and 7701 (i.e. Mortgagor is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate as those terms are defined in the Code and any regulations promulgated thereunder).

Section 2.2. Compliance by Operator. As to any part of the Mortgaged Properties which is not a working interest, Mortgagor agrees to take all such action and to exercise all rights and remedies as are available to Mortgagor to (a) cause the owner or owners of the working interest in such properties to comply with the covenants and agreements contained herein, and (b) preserve the value of the Property and Agent's interest therein. As to any part of the Mortgaged Properties which is a working interest but which is operated by a party other than Mortgagor, Mortgagor agrees to take all such action and to exercise all rights and remedies as are available to Mortgagor (including, but not limited to, all rights under any operating agreement) to cause the party who is the operator of such property to comply with the covenants and agreements contained herein.

Section 2.3. Performance by Agent on Mortgagor's Behalf. Mortgagor agrees that, if Mortgagor fails to perform any act or to take any action which hereunder Mortgagor is required to perform or take, or to pay any money which hereunder is required to be paid, Agent, in Mortgagor's name or its own name, may, but shall not be obligated to, perform or cause to be performed such act or take such action or pay such money, and any expenses so incurred by Agent and any money so paid by Agent shall be a demand obligation owing by HOCLP to Agent (which obligation HOCLP hereby expressly promises to pay) and Agent, upon making such payment, shall be subrogated to all of the rights of the person, corporation or body politic receiving such payment. Each amount due and owing by HOCLP to Trustee, Agent and/or any Lender pursuant to this Mortgage shall bear interest each day, from the date of such expenditure or payment until paid, at a rate equal to the rate as provided for past due principal under the Note (provided that, should applicable law provide for a maximum permissible rate of interest on such amounts, such rate shall not be greater than such maximum permissible rate); all such amounts, together with such interest thereon, shall be a part of the secured indebtedness and shall be secured by this Mortgage.

ARTICLE III.

Assignment of Production, Accounts, and Proceeds

Section 3.1. Assignment of Production. Mortgagor does hereby absolutely and unconditionally assign, transfer and set over to Agent all Production which accrues to Mortgagor's interest in the Mortgaged Properties, all proceeds of such Production and all Payments in Lieu of Production (herein collectively referred to as the "Production Proceeds"), together with the immediate and continuing right to collect and receive such Production Proceeds. Mortgagor directs and instructs any and all purchasers of any Production to pay to Agent all of the Production Proceeds accruing to Mortgagor's interest until such time as such purchasers have been furnished with evidence that all secured indebtedness has been paid and that this Mortgage has been released. Mortgagor agrees that no purchasers of the Production shall have any responsibility for the application of any funds paid to Agent.

Section 3.2. Effectuating Payment of Production Proceeds to Agent. Independent of the foregoing provisions and authorities herein granted, Mortgagor agrees to execute and deliver any and all transfer orders, division orders and other instruments that may be requested by Agent or that may be required by any purchaser of any Production for the purpose of effectuating payment of the Production Proceeds to Agent. If under any existing sales agreements, other than division orders or transfer orders, any Production Proceeds are required to be paid by the purchaser to Mortgagor so that under such existing agreements payment cannot be made of such Production Proceeds to Agent, Mortgagor's interest in all Production Proceeds under such sales agreements

and in all other Production Proceeds which for any reason may be paid to Mortgagor shall, when received by Mortgagor, constitute trust funds in Mortgagor's hands and shall be immediately paid over to Agent. Without limitation upon any of the foregoing, Mortgagor hereby constitutes and appoints Agent as Mortgagor's special attorney-in-fact (with full power of substitution, either generally or for such periods or purposes as Agent may from time to time prescribe) in the name, place and stead of Mortgagor to do any and every act and exercise any and every power that Mortgagor might or could do or exercise personally with respect to all Production and Production Proceeds (the same having been assigned by Mortgagor to Agent pursuant to Section 3.1 hereof), expressly inclusive, but not limited to, the right, power and authority to:

(a) Execute and deliver in the name of Mortgagor any and all transfer orders, division orders, letters in lieu of transfer orders, indemnifications, certificates and other instruments of every nature that may be requested or required by any purchaser of Production from any of the Mortgaged Properties for the purposes of effectuating payment of the Production Proceeds to Agent or which Agent may otherwise deem necessary or appropriate to effect the intent and purposes of the assignment contained in Section 3.1; and

(b) If under any product sales agreements other than division orders or transfer orders, any Production Proceeds are required to be paid by the purchaser to Mortgagor so that under such existing agreements payment cannot be made of such Production Proceeds to Agent, to make, execute and enter into such sales agreements or other agreements as are necessary to direct Production Proceeds to be payable to Agent;

giving and granting unto said attorney-in-fact full power and authority to do and perform any and every act and thing whatsoever necessary and requisite to be done as fully and to all intents and purposes, as Mortgagor might or could do if personally present; and Mortgagor shall be bound thereby as fully and effectively as if Mortgagor had personally executed, acknowledged and delivered any of the foregoing certificates or documents. The powers and authorities herein conferred upon Agent may be exercised by Agent through any person who, at the time of the execution of the particular instrument, is an officer of Agent. The power of attorney herein conferred is granted for valuable consideration and hence is coupled with an interest and is irrevocable so long as the secured indebtedness, or any part thereof, shall remain unpaid. All persons dealing with Agent or any substitute, shall be fully protected in treating the powers and authorities conferred by this paragraph as continuing in full force and effect until advised by Agent that all the secured indebtedness is fully and finally paid. Agent may, but shall not be obligated to, take such action as it deems appropriate in an effort to collect the Production Proceeds and any reasonable expenses (including reasonable attorney's fees) so incurred by Agent shall be a demand obligation of Mortgagor and shall be part of the secured indebtedness, and shall bear interest each day, from the date of such expenditure or payment until paid, at the rate described in Section 2.3 hereof.

Section 3.3. Change of Purchaser. To the extent a default has occurred hereunder and is continuing, should any person now or hereafter purchasing or taking Production fail to make payment promptly to Agent of the Production Proceeds, Agent shall, subject to then existing contractual prohibitions, have the right to make, or to require Mortgagor to make, a change of purchaser, and the right to designate or approve the new purchaser, and Agent shall have no liability or responsibility in connection therewith so long as ordinary care is used in making such designation.

Section 3.4. Application of Production Proceeds. So long as no default has occurred hereunder, the Production Proceeds received by Agent during each calendar month shall on the first business day of the next succeeding calendar month (or, at the option of Agent, on any earlier date) be applied by Agent as follows:

FIRST, to the payment of all secured indebtedness then due and payable, in such manner and order as Agent deems advisable;

SECOND, to the prepayment of the remainder of the secured indebtedness in such manner and order and to such extent as Agent deems advisable; and

THIRD, the remainder, if any, of the Production Proceeds shall be paid over to Mortgagor or to Mortgagor's order or to such other parties as may be entitled thereto by law.

After a default hereunder has occurred, all Production Proceeds from time to time in the hands of Agent shall be applied by it toward the payment of all secured indebtedness (principal, interest, attorneys' fees and other fees and expenses) at such times and in such manner and order and to such extent as Agent deems advisable.

Section 3.5. Release From Liability: Indemnification. Agent and its successors and assigns are hereby absolved from all liability for failure to enforce collection of the Production Proceeds and from all other responsibility in connection therewith, except the responsibility of each to account to Mortgagor for funds actually received by each. HOCLP agrees to indemnify and hold harmless Agent (for purposes of this paragraph, the term "Agent" shall include the directors, officers, partners, employees and agents of Agent and any persons or entities owned or controlled by or affiliated with Agent) from and against all claims, demands, liabilities, losses, damages (including without limitation consequential damages), causes of action, judgments, penalties, costs and expenses (including without limitation reasonable attorneys' fees and expenses) imposed upon, asserted against or incurred or paid by Agent by reason of the assertion that Agent received, either before or after payment in full of the secured indebtedness, funds from the production of oil, gas, other hydrocarbons or other minerals claimed by third persons (and/or funds attributable to sales of production which (i) were made at prices in excess of the maximum price permitted by applicable law or (ii) were otherwise made in violation of laws, rules, regulations and/or orders governing such sales), and Agent shall have the right to defend against any such claims or actions, employing attorneys of its own selection, and if not furnished with indemnity satisfactory to it, Agent 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 Agent in compromise, satisfaction or discharge of any such claim, action or judgment, and all court costs, attorneys' fees and other expenses of every character expended by Agent pursuant to the provisions of this section shall be a demand obligation (which obligation HOCLP hereby expressly promises to pay) owing by HOCLP to Agent and shall bear interest, from the date expended until paid, at the rate described in Section 2.3 hereof. The foregoing indemnities shall not terminate upon the Release Date or upon the release, foreclosure or other termination of this Mortgage but will survive the Release Date, foreclosure of this Mortgage or conveyance in lieu of foreclosure, and the repayment of the secured indebtedness and the discharge and release of this Mortgage and the other documents evidencing and/or securing the secured indebtedness. **WITHOUT LIMITATION, IT IS THE INTENTION OF MORTGAGOR AND MORTGAGOR AGREES THAT THE FOREGOING INDEMNITIES SHALL APPLY TO EACH INDEMNIFIED PARTY WITH RESPECT TO ALL CLAIMS, DEMANDS, LIABILITIES, LOSSES, DAMAGES (INCLUDING WITHOUT LIMITATION CONSEQUENTIAL DAMAGES), CAUSES OF ACTION, JUDGMENTS, PENALTIES, COSTS AND EXPENSES (INCLUDING WITHOUT LIMITATION REASONABLE ATTORNEYS' FEES AND EXPENSES) WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF THE NEGLIGENCE OF SUCH (AND/OR ANY OTHER) INDEMNIFIED PARTY.** However, such indemnities shall not apply to any particular indemnified party (but shall apply to the other indemnified parties) to the extent the subject of the indemnification is caused by or arises out of the gross negligence or willful misconduct of such particular indemnified party.

Section 3.6. HOCLP's Absolute Obligation to Pay Note. Nothing herein contained shall detract from or limit the obligations of HOCLP to make prompt payment of the Note, and any and all other secured indebtedness, at the time and in the manner provided herein and in the Loan Documents, regardless of whether the Production and Production Proceeds herein assigned are sufficient to pay same, and the rights under this Article III shall be cumulative of all other rights of Agent under the Loan Documents.

Section 3.7. Rights Under Oklahoma Oil and Gas Owners' Lien Act. Mortgagor hereby grants, sells, assigns and sets over unto Agent during the term hereof, all of Mortgagor's rights and interests pursuant to the provisions of the Oil and Gas Owners' Lien Act (OKLA. STAT. tit. 52, §§548.1-548.6 (the "Oklahoma Act")), hereby vesting in Agent all of Mortgagor's rights as an interest owner to the continuing security interest in and lien upon the oil or gas severed or the proceeds of sale. Agent may, at its option, file the verified notice of lien in order to perfect such

lien, but shall not be obligated to make such filing and shall not be held liable to Mortgagor for any act or omission pursuant to the Oklahoma Act.

Section 3.8. Rights Under New Mexico Act. Mortgagor hereby grants, sells, assigns and sets over unto Agent, during the term hereof, all of Mortgagor's rights and interests pursuant to the provisions of Sections 48-9-1, et seq., N.M.S.A. 1978 Comp. (the "New Mexico Act"), hereby vesting in Agent all of Mortgagor's rights as an interest owner to the continuing security interest in and lien upon the oil or gas severed or the proceeds of sale. Agent may, at its option, file the verified notice of lien in order to perfect such lien, but shall not be obligated to make such filing and shall not be held liable to Mortgagor for any act or omission pursuant to the New Mexico Act.

Section 3.9. Rights Under Wyoming Statutes. Mortgagor hereby appoints Agent as its attorney-in-fact to pursue any and all lien rights of the Mortgagor to liens and security interests in the Mortgaged Properties securing payment of the Production Proceeds attributable to the Mortgaged properties, including, but not limited to, those liens and security interests provided for by Section 34.1-319, Wyoming Statutes Annotated, 1988 Republished Edition (1991 Supp.). Mortgagor further hereby assigns to Agent any and all such liens, security interests, financing statements, or similar interests of Mortgagor attributable to its interests in the Mortgaged Properties and Production Proceeds therefrom arising under or created by statutory provision, judicial decision, or otherwise.

ARTICLE IV.

Remedies Upon Default

Section 4.1. Default. The term "default" as used in this Mortgage shall mean the occurrence of an "Event of Default" as defined in the Credit Agreement.

Section 4.2. Acceleration of Secured Indebtedness. Upon the occurrence of a default, Agent at any time and from time to time may without notice to Mortgagor or any other person declare any or all of the secured indebtedness immediately due and payable and all such secured indebtedness shall thereupon be immediately due and payable, without presentment, demand, protest, notice of protest, notice of acceleration or of intention to accelerate, putting the Mortgagor in default, dishonor, notice of dishonor or any other notice or declaration of any kind, all of which are hereby expressly waived by Mortgagor, and the liens evidenced hereby shall be subject to foreclosure in any manner provided for herein or provided for by law as Agent may elect.

Section 4.3. Pre-Foreclosure Remedies. Upon the occurrence of a default, or any event or circumstance which, with the lapse of time or the giving of notice, or both, would constitute a default hereunder, Agent is authorized, prior or subsequent to the institution of any foreclosure proceedings, to enter upon the Property, or any part thereof, and to take possession of the Property and all books and records relating thereto, and to exercise without interference from Mortgagor any and all rights which Mortgagor has with respect to the management, possession, operation, protection or preservation of the Property. If necessary to obtain the possession provided for above, Agent may invoke any and all remedies to dispossess Mortgagor. All costs, expenses and liabilities of every character incurred by Agent in managing, operating, maintaining, protecting or preserving the Property shall constitute a demand obligation (which obligation HOCLP hereby expressly promises to pay) owing by HOCLP to Agent and shall bear interest from date of expenditure until paid at the rate described in Section 2.3 hereof, all of which shall constitute a portion of the secured indebtedness and shall be secured by this Mortgage and by any other instrument securing the secured indebtedness. In connection with any action taken by Agent pursuant to this Section 4.3, **AGENT SHALL NOT BE LIABLE FOR ANY LOSS SUSTAINED BY MORTGAGOR RESULTING FROM ANY ACT OR OMISSION OF AGENT IN MANAGING THE PROPERTY UNLESS SUCH LOSS IS CAUSED BY THE WILLFUL MISCONDUCT AND BAD FAITH OF AGENT**, nor shall Agent be obligated to perform or discharge any obligation, duty or liability of Mortgagor arising under any agreement forming a part of the Property or arising under any Permitted Encumbrance

or otherwise arising. Mortgagor hereby assents to, ratifies and confirms any and all actions of Agent with respect to the Property taken under this Section 4.3.

Section 4.4. Foreclosure.

(a) Upon the occurrence of a default, Trustee is authorized and empowered and it shall be Trustee's special duty at the request of Agent to sell the Deed of Trust Mortgaged Properties, or any part thereof, as an entirety or in parcels as Agent may elect, at such place or places and otherwise in the manner and upon such notice as may be required by law or, in the absence of any such requirement, as Trustee may deem appropriate. If Trustee shall have given notice of sale hereunder, any successor or substitute Trustee thereafter appointed may complete the sale and the conveyance of the property pursuant thereto as if such notice had been given by the successor or substitute Trustee conducting the sale. Cumulative of the foregoing and the other provisions of this Section 4.4, as to any portion of the Deed of Trust Mortgaged Properties located in the State of Texas (or within the offshore area over which the United States of America asserts jurisdiction and to which the laws of such state are applicable with respect to this Mortgage and/or the liens or security interests created hereby), such sales of all or any part of such Deed of Trust Mortgaged Properties shall be conducted at the courthouse of any county (whether or not the counties in which such Deed of Trust Mortgaged Properties are located are contiguous) in the State of Texas in which any part of such Deed of Trust Mortgaged Properties is situated or which lies shoreward of any Deed of Trust Mortgaged Property (i.e., to the extent a particular Deed of Trust Mortgaged Property lies offshore within the reasonable projected seaward extension of the relevant county boundary), at public vendue to the highest bidder for cash between the hours of ten o'clock a.m. and four o'clock p.m. on the first Tuesday in any month or at such other place, time and date as provided by the statutes of the State of Texas then in force governing sales of real estate under powers conferred by deed of trust, after having given notice of such sale in accordance with such statutes.

A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY ALLOW TRUSTEE TO TAKE THE MORTGAGED PROPERTIES AND SELL THEM WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY MORTGAGOR UNDER THIS MORTGAGE.

(b) Upon the occurrence of a default, this Mortgage may be foreclosed as to the Other Mortgaged Properties, or any part thereof, in any manner permitted by applicable law. Cumulative of the foregoing and the other provisions of this Section 4.4:

(i) As to Other Mortgaged Properties located in the State of Louisiana (or within the offshore area over which the United States of America asserts jurisdiction and to which the laws of such state are applicable with respect to this Mortgage and/or the liens or security interests created hereby), Agent may foreclose this Mortgage by executory process subject to, and on the terms and conditions required or permitted by, applicable law, and shall have the right to appoint a keeper of such Other Mortgaged Properties.

(ii) As to Other Mortgaged Properties located in the State of Oklahoma, Mortgagor hereby confers on Agent the power to sell the Mortgaged Properties in accordance with the Oklahoma Power of Sale Mortgage Foreclosure Act (OKLA. STAT. tit. 46, §§41-49), as the same may be amended from time to time. Mortgagor hereby represents and warrants to Agent that this Mortgage transaction does not involve a consumer loan as said term is defined in Section 3-104 of Title 14A of the Oklahoma Statutes, that this Mortgage does not secure an extension of credit made primarily for agricultural purposes as defined in paragraph 4 of Section 1-301 of Title 14A of the Oklahoma Statutes, and that this Mortgage is not a mortgage on the Mortgagor's homestead.

A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY ALLOW AGENT TO TAKE THE MORTGAGED PROPERTIES AND SELL THEM WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY MORTGAGOR UNDER THIS MORTGAGE.

(c) Upon the occurrence of a default, Agent may exercise its rights of enforcement with respect to the Collateral under the Texas Business and Commerce Code, as amended, the Louisiana Commercial Laws or under the Uniform Commercial Code or other applicable statute in force in any state to the extent the same is applicable law. Cumulative of the foregoing and the other provisions of this Section 4.4:

(i) Agent may enter upon the Mortgaged Properties or otherwise upon Mortgagor's premises to take possession of, assemble and collect the Collateral or to render it unusable; and

(ii) Agent may require Mortgagor to assemble the Collateral and make it available at a place Agent designates which is mutually convenient to allow Agent to take possession or dispose of the Collateral; and

(iii) written notice mailed to Mortgagor as provided herein at least five (5) days prior to the date of public sale of the Collateral or prior to the date after which private sale of the Collateral will be made shall constitute reasonable notice; and

(iv) in the event of a foreclosure of the liens and/or security interests evidenced hereby, the Collateral, or any part thereof, and the Mortgaged Properties, or any part thereof may, at the option of Agent, be sold, as a whole or in parts, together or separately (including, without limitation, where a portion of the Mortgaged Properties is sold, the Collateral related thereto may be sold in connection therewith); and

(v) the expenses of sale provided for in clause FIRST of Section 4.7 shall include the reasonable expenses of retaking the Collateral, or any part thereof, holding the same and preparing the same for sale or other disposition; and

(vi) should, under this subsection, the Collateral be disposed of other than by sale, any proceeds of such disposition shall be treated under Section 4.7 as if the same were sales proceeds; and

(vii) as to the Collateral located in or otherwise subject to the laws of the State of Louisiana, Agent may foreclose this Mortgage as a security agreement affecting the Collateral by executory process subject to, and on the terms and conditions required or permitted by applicable law, and shall have the right to appoint a keeper of such Collateral.

(d) To the extent permitted by applicable law, the sale by Trustee or Agent hereunder of less than the whole of the Property shall not exhaust the powers of sale herein granted or the right to judicial foreclosure, and successive sale or sales may be made until the whole of the Property shall be sold, and, if the proceeds of such sale of less than the whole of the Property shall be less than the aggregate of the indebtedness secured hereby and the expense of conducting such sale, this Mortgage and the liens and security interests hereof shall remain in full force and effect as to the unsold portion of the Property just as though no sale had been made; provided, however, that Mortgagor shall never have any right to require the sale of less than the whole of the Property. In the event any sale hereunder is not completed or is defective in the opinion of Agent, such sale shall not exhaust the powers of sale hereunder or the right to judicial foreclosure, and Agent shall have the right to cause a subsequent sale or sales to be made. Any sale may be adjourned by announcement at the time and place appointed for such sale without further notice except as may be required by law. The Trustee or his successor or substitute, and the Agent acting under power of sale, may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by it (including, without limitation, the posting of notices and the conduct of sale). Any and all statements of fact or other recitals made in any deed or deeds, or other instruments of transfer, given in connection with a sale as to nonpayment of the secured indebtedness or as to the occurrence of any default, or as to Agent's having declared all of indebtedness to be due and payable, or as to the request to sell, or as to notice of time, place and terms of sale and the properties to be sold having been duly given, or, with respect to any sale by the Trustee, or any successor or substitute trustee, as to the refusal, failure or inability to act of Trustee or any substitute or successor trustee or the appointment of any substitute or successor trustee, or as to any other act or thing having been duly done, shall be taken as prima facie evidence of the truth of the facts so stated and recited. With respect to any sale held in

foreclosure of the liens and/or security interests covered hereby, it shall not be necessary for the Trustee, Agent, any public officer acting under execution or order of the court or any other party to have physically present or constructively in his/her or its possession, either at the time of or prior to such sale, the Property or any part thereof.

(e) As to Property now or hereafter located in, or otherwise subject to the laws of, the State of Louisiana, Mortgagor acknowledges the secured indebtedness, whether now existing or to arise hereafter, and for Mortgagor, Mortgagor's heirs, devisees, personal representatives, successors and assigns, hereby confesses judgment for the full amount of the secured indebtedness in favor of the Agent. Mortgagor further agrees that the Agent may cause all or any part of the Property to be seized and sold after due process of law, the Mortgagor waiving the benefit of all laws or parts of laws relative to the appraisal of property seized and sold under executory process or other legal process, and consenting that all or any part of the Property may be sold without appraisal, either in its entirety or in lots and parcels, as the Agent may determine, to the highest bidder for cash or on such terms as the plaintiff in such proceedings may direct. Mortgagor hereby waives (i) the benefit of appraisal provided for in articles 2332, 2336, 2723, and 2724 of the Louisiana Code of Civil Procedure and all other laws conferring the same; (ii) the demand and three (3) days notice of demand as provided in articles 2639 and 2721 of the Louisiana Code of Civil Procedure; (iii) the notice of seizure provided for in articles 2293 and 2721 of the Louisiana Code of Civil Procedure; (iv) the three (3) days delay provided for in articles 2331 and 2722 of the Louisiana Code of Civil Procedure; and (v) all other laws providing rights of notice, demand, appraisal, or delay. Mortgagor expressly authorizes and agrees that Agent shall have the right to appoint a keeper of such Property pursuant to the terms and provisions of La. R.S. 9:5131 et seq. and La. R.S. 9:5136 et seq., which keeper may be the Agent, any agent or employee thereof, or any other person, firm, or corporation. Compensation for the services of the keeper is hereby fixed at five percent (5%) of the amount due or sued for or claimed or sought to be protected, preserved, or enforced in the proceeding for the recognition or enforcement of this Mortgage and shall be secured by the liens and security interests of this Mortgage.

Section 4.5. Effective as Mortgage. As to the Deed of Trust Mortgaged Properties, this instrument shall be effective as a mortgage as well as a deed of trust and upon the occurrence of a default may be foreclosed as to the Deed of Trust Mortgaged Properties, or any portion thereof, in any manner permitted by applicable law, and any foreclosure suit may be brought by Trustee or by Agent. To the extent, if any, required to cause this instrument to be so effective as a mortgage as well as a deed of trust, Mortgagor hereby mortgages the Deed of Trust Mortgaged Properties to Agent. In the event a foreclosure hereunder as to the Deed of Trust Mortgaged Properties, or any part thereof, shall be commenced by Trustee, or his substitute or successor, Agent may at any time before the sale of such properties direct Trustee to abandon the sale, and may then institute suit for the foreclosure of this Mortgage as to such properties. It is agreed that if Agent should institute a suit for the foreclosure of this Mortgage, Agent may at any time before the entry of a final judgment in said suit dismiss the same, and require Trustee, its substitute or successor to sell the Deed of Trust Mortgaged Properties, or any part thereof, in accordance with the provisions of this Mortgage.

Section 4.6. Receiver. In addition to all other remedies herein provided for, Mortgagor agrees that, upon the occurrence of a default or any event or circumstance which, with the lapse of time or the giving of notice, or both, would constitute a default hereunder, Agent shall as a matter of right be entitled to the appointment of a receiver or receivers for all or any part of the Property, whether such receivership be incident to a proposed sale (or sales) of such property or otherwise, and without regard to the value of the Property or the solvency of any person or persons liable for the payment of the indebtedness secured hereby, and Mortgagor does hereby consent to the appointment of such receiver or receivers, waives any and all defenses to such appointment, and agrees not to oppose any application therefor by Agent, and agrees that such appointment shall in no manner impair, prejudice or otherwise affect the rights of Agent under Article III hereof. Nothing herein is to be construed to deprive Agent of any other right, remedy or privilege it may now or hereafter have under the law to have a receiver appointed. Any money advanced by Agent in connection with any such receivership shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Agent and shall bear interest, from the date of making such advancement by Agent until paid, at the rate described in Section 2.3 hereof.

Section 4.7. Proceeds of Foreclosure. The proceeds of any sale held in foreclosure of the liens and/or security interests evidenced hereby shall be applied:

FIRST, to the payment of all necessary costs and expenses incident to such foreclosure sale, including but not limited to all court costs and charges of every character in the event foreclosed by suit and including but not limited to a reasonable fee to the Trustee if such sale was made by the Trustee acting under the provisions of Section 4.4(a) and including but not limited to the compensation of the keeper, if any;

SECOND, to the payment of the secured indebtedness (including specifically without limitation the principal, interest and attorneys' fees due and unpaid on the Note and the amounts due and unpaid and owed to Agent under this Mortgage) in such manner and order as Agent may elect; and

THIRD, the remainder, if any there shall be, shall be paid to Mortgagor, or to Mortgagor's heirs, devisees, representatives, successors or assigns, or such other persons as may be entitled thereto by law.

Section 4.8. Lender as Purchaser. Any party constituting Lender shall have the right to become the purchaser at any sale held in foreclosure of the liens and/or security interests evidenced hereby, and any Lender purchasing at any such sale shall have the right to credit upon the amount of the bid made therefor, to the extent necessary to satisfy such bid, the secured indebtedness owing to such Lender, or if such Lender holds less than all of such indebtedness, the pro rata part thereof owing to such Lender, accounting to all other Lenders not joining in such bid in cash for the portion of such bid or bids apportionable to such non-bidding Lender or Lenders.

Section 4.9. Foreclosure as to Matured Debt. Upon the occurrence of a default, Agent shall have the right to proceed with foreclosure of the liens and/or security interests evidenced hereby without declaring the entire secured indebtedness due, and in such event, any such foreclosure sale may be made subject to the unmatured part of the secured indebtedness and shall not in any manner affect the unmatured part of the secured indebtedness, but as to such unmatured part, this Mortgage shall remain in full force and effect just as though no sale had been made. The proceeds of such sale shall be applied as provided in Section 4.7 except that the amount paid under clause SECOND thereof shall be only the matured portion of the secured indebtedness and any proceeds of such sale in excess of those provided for in clauses FIRST and SECOND (modified as provided above) shall be applied as provided in clause SECOND AND THIRD of Section 3.4 hereof. Several sales may be made hereunder without exhausting the right of sale for any unmatured part of the secured indebtedness.

Section 4.10. Remedies Cumulative. All remedies herein provided for are cumulative of each other and of all other remedies existing at law or in equity and are cumulative of any and all other remedies provided for in any other Loan Document, and Trustee and Agent shall, in addition to the remedies herein provided, be entitled to avail themselves of all such other remedies as may now or hereafter exist at law or in equity for the collection of the secured indebtedness and the enforcement of the covenants herein and the foreclosure of the liens and/or security interests evidenced hereby, and the resort to any remedy provided for hereunder or under any such other Loan Document or provided for by law shall not prevent the concurrent or subsequent employment of any other appropriate remedy or remedies.

Section 4.11. Agent's Discretion as to Security. Agent may resort to any security given by this Mortgage or to any other security now existing or hereafter given to secure the payment of the secured indebtedness, in whole or in part, and in such portions and in such order as may seem best to Agent in its sole and uncontrolled discretion, and any such action shall not in any way be considered as a waiver of any of the rights, benefits, liens or security interests evidenced by this Mortgage.

Section 4.12. Mortgagor's Waiver of Certain Rights. To the full extent Mortgagor may do so, Mortgagor agrees that Mortgagor will not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force providing for any appraisalment, valuation, stay, extension or redemption, and Mortgagor, for Mortgagor, Mortgagor's heirs,

devisees, representatives, successors and assigns, and for any and all persons ever claiming any interest in the Property, to the extent permitted by applicable law, hereby waives and releases all rights of appraisalment, valuation, stay of execution, redemption, notice of intention to mature or declare due the whole of the secured indebtedness, notice of election to mature or declare due the whole of the secured indebtedness and all rights to a marshaling of assets of Mortgagor, including the Property, or to a sale in inverse order of alienation in the event of foreclosure of the liens and/or security interests hereby created. Mortgagor shall not have or assert any right under any statute or rule of law pertaining to the marshaling of assets, sale in inverse order of alienation, the exemption of homestead, the administration of estates of decedents, or other matters whatever to defeat, reduce or affect the right of Trustee and/or Agent under the terms of this Mortgage to a sale of the Property for the collection of the secured indebtedness without any prior or different resort for collection, or the right of Agent under the terms of this Mortgage to the payment of the secured indebtedness out of the proceeds of sale of the Property in preference to every other claimant whatever. If any law referred to in this section and now in force, of which Mortgagor or Mortgagor's heirs, devisees, representatives, successors or assigns or any other persons claiming any interest in the Mortgaged Properties or the Collateral might take advantage despite this section, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to preclude the application of this section.

Section 4.13. Mortgagor as Tenant Post-Foreclosure. In the event there is a foreclosure sale hereunder and at the time of such sale Mortgagor or Mortgagor's heirs, devisees, representatives, successors or assigns or any other persons claiming any interest in the Property by, through or under Mortgagor are occupying or using the Property, or any part thereof, each and all shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either landlord or tenant, at a reasonable rental per day based upon the value of the property occupied, such rental to be due daily to the purchaser. To the extent permitted by applicable law, the purchaser at such sale shall, notwithstanding any language herein apparently to the contrary, have the sole option to demand immediate possession following the sale or to permit the occupants to remain as tenants at will. In the event the tenant fails to surrender possession of said property upon demand, the purchaser shall be entitled to institute and maintain a summary action for possession of the property (such as an action for forcible entry and detainer) in any court having jurisdiction.

Section 4.14. Waiver of Oklahoma Appraisalment. As to Property situated in or otherwise subject to the laws of the State of Oklahoma, appraisalment of the Property is hereby waived (or not) at the option of Agent, such option to be exercised at the time judgment is rendered in any foreclosure hereof or at any time prior thereto.

Section 4.15. Limitation on New Mexico Redemption Period. Pursuant to Section 39-5-19 of New Mexico Statutes, 1978 Annotated, the redemption period after foreclosure sale for any Property situated in or otherwise subject to the laws of the State of New Mexico shall be limited to one (1) month.

ARTICLE V.

Miscellaneous

Section 5.1. Scope of Mortgage. This Mortgage is a deed of trust and mortgage of both real immovable and personal movable property, a security agreement, a financing statement and an assignment, and also covers proceeds and fixtures.

Section 5.2. Effective as a Financing Statement. This Mortgage shall be effective as a financing statement filed as a fixture filing with respect to all fixtures included within the Property. This Mortgage shall also be effective as a financing statement covering minerals and other substances of value which may be extracted from the earth (including without limitation oil and gas), and accounts related thereto, which will be financed at the wellhead or minehead of the wells or mines located on the Mortgaged Properties. This Mortgage is to be filed for record in the real/immovable property records of each county or parish where any part of the Mortgaged Properties is situated or which lies shoreward of any Mortgaged Property (i.e., to the extent a Mortgaged Property lies offshore within the projected seaward extension of the relevant [LA. or

county or parish] boundaries), and may also be filed in the offices of the Bureau of Land Management or the Minerals Management Service or state agency (or any successor agencies). This Mortgage shall also be effective as a financing statement covering any other Property and may be filed in any other appropriate filing or recording office. The mailing address of Mortgagor is the address of Mortgagor set forth at the end of this Mortgage and the address of Agent from which information concerning the security interests hereunder may be obtained is the address of Agent set forth at the end of this Mortgage.

Section 5.3. Reproduction of Mortgage as Financing Statement. A carbon, photographic, facsimile or other reproduction of this Mortgage or of any financing statement relating to this Mortgage shall be sufficient as a financing statement for any of the purposes referred to in Section 5.2.

Section 5.4. Notice to Account Debtors. In addition to, but without limitation of, the rights granted in Article III hereof, Agent may at any time notify the account debtors or obligors of any accounts, chattel paper, negotiable instruments or other evidences of indebtedness included in the Collateral to pay Agent directly.

Section 5.5. Waiver by Agent. Agent may at any time and from time to time in writing waive compliance by Mortgagor with any covenant herein made by Mortgagor to the extent and in the manner specified in such writing, or consent to Mortgagor's doing any act which hereunder Mortgagor is prohibited from doing, or to Mortgagor's failing to do any act which hereunder Mortgagor is required to do, to the extent and in the manner specified in such writing, or release any part of the Property or any interest therein or any Production Proceeds from the lien and security interest of this Mortgage, without the joinder of Trustee, or release any party liable, either directly or indirectly, for the secured indebtedness or for any covenant herein or in any other Loan Document, without impairing or releasing the liability of any other party. No such act shall in any way impair the rights or powers of Agent (or Trustee) hereunder except to the extent specifically agreed to by Agent in such writing.

Section 5.6. No Impairment of Security. The lien, security interest and other security rights of Agent hereunder shall not be impaired by any indulgence, moratorium or release granted by Agent including, but not limited to, any renewal, extension or modification which Agent may grant with respect to any secured indebtedness, or any surrender, compromise, release, renewal, extension, exchange or substitution which Agent may grant in respect of the Property (including without limitation Production Proceeds), or any part thereof or any interest therein, or any release or indulgence granted to any endorser, guarantor or surety of any secured indebtedness.

Section 5.7. Acts Not Constituting Waiver by Agent. Agent may waive any default without waiving any other prior or subsequent default. Agent may remedy any default without waiving the default remedied. Neither failure by Trustee or Agent to exercise, nor delay by Trustee or Agent in exercising, any right, power or remedy upon any default shall be construed as a waiver of such default or as a waiver of the right to exercise any such right, power or remedy at a later date. No single or partial exercise by Trustee or Agent of any right, power or remedy hereunder shall exhaust the same or shall preclude any other or further exercise thereof, and every such right, power or remedy hereunder may be exercised at any time and from time to time. No modification or waiver of any provision hereof nor consent to any departure by Mortgagor therefrom shall in any event be effective unless the same shall be in writing and signed by Agent and then such waiver or consent shall be effective only in the specific instances, for the purpose for which given and to the extent therein specified. No notice to nor demand on Mortgagor in any case shall of itself entitle Mortgagor to any other or further notice or demand in similar or other circumstances. Acceptance by Agent of any payment in an amount less than the amount then due on any secured indebtedness shall be deemed an acceptance on account only and shall not in any way excuse the existence of a default hereunder.

Section 5.8. Mortgagor's Successors. In the event the ownership of the Property or any part thereof becomes vested in a person other than Mortgagor, Agent and Trustee may, without notice to Mortgagor, deal with such successor or successors in interest with reference to this Mortgage and to the indebtedness secured hereby in the same manner as with Mortgagor, without in any way vitiating or discharging Mortgagor's liability hereunder or for the payment of the indebtedness or performance of the obligations secured hereby. No transfer of the Property, no

forbearance on the part of Agent, and no extension of the time for the payment of the indebtedness secured hereby given by Agent shall operate to release, discharge, modify, change or affect, in whole or in part, the liability of Mortgagor hereunder or for the payment of the indebtedness or performance of the obligations secured hereby or the liability of any other person hereunder or for the payment of the indebtedness secured hereby.

Section 5.9. Place of Payment. All secured indebtedness which may be owing hereunder at any time by Mortgagor shall be payable at the place designated in the Note (or if no such designation is made, at the address of Agent indicated at the end of this Mortgage), or at such other place as Agent may designate in writing.

Section 5.10. Subrogation to Existing Liens. To the extent that proceeds of the Note are used to pay indebtedness secured by any outstanding lien, security interest, charge or prior encumbrance against the Property, such proceeds have been advanced by Agent at Mortgagor's request, and Agent shall be subrogated to any and all rights, security interests and liens owned by any owner or holder of such outstanding liens, security interests, charges or encumbrances, irrespective of whether said liens, security interests, charges or encumbrances are released, and it is expressly understood that, in consideration of the payment of such indebtedness by Agent, Mortgagor hereby waives and releases all demands and causes of action for offsets and payments to, upon and in connection with the said indebtedness.

Section 5.11. Application of Payments to Certain Indebtedness. If any part of the secured indebtedness cannot be lawfully secured by this Mortgage or if any part of the Property cannot be lawfully subject to the lien and security interest hereof to the full extent of such indebtedness, then all payments made shall be applied on said indebtedness first in discharge of that portion thereof which is not secured by this Mortgage.

Section 5.12. Compliance With Usury Laws. It is the intent of Mortgagor, Lender and all other parties to the Loan Documents to contract in strict compliance with applicable usury law from time to time in effect. In furtherance thereof, it is stipulated and agreed that none of the terms and provisions contained herein shall ever be construed to create a contract to pay, for the use, forbearance or detention of money, interest in excess of the maximum amount of interest permitted to be charged by applicable law from time to time in effect.

Section 5.13. Substitute Trustee. Any Trustee may resign by an instrument in writing addressed to Agent, or any Trustee may be removed at any time with or without cause by an instrument in writing executed by Agent. In case of the death, resignation, removal, or disqualification of any Trustee, or if for any reason Agent shall deem it desirable to appoint a substitute or successor trustee to act instead of any one or more of the herein named trustees or any substitute or successor trustee, then Agent shall have the right and is hereby authorized and empowered to appoint successor trustees, or substitute trustees, without other formality than appointment and designation in writing executed by Agent and the authority hereby conferred shall extend to the appointment of other successor and substitute trustees successively until the indebtedness secured hereby has been paid in full, or until the Property is sold hereunder. In the event the secured indebtedness is owned by more than one person or entity, the holder or holders of not less than a majority in the amount of such indebtedness shall have the right and authority to make the appointment of a successor or substitute trustee as provided for in the preceding sentence or to remove any Trustee as provided in the first sentence of this section. Such appointment and designation by Agent, or by the holder or holders of not less than a majority of the indebtedness secured hereby, shall be full evidence of the right and authority to make the same and of all facts therein recited. If Agent is a corporation or association and such appointment is executed in its behalf by an officer of such corporation or association, such appointment shall be conclusively presumed to be executed with authority and shall be valid and sufficient without proof of any action by the board of directors or any superior officer of the corporation or association. Upon the making of any such appointment and designation, all of the estate and title of the subject Trustee in the Deed of Trust Mortgaged Properties shall vest in the named successor or substitute Trustee and such successor or substitute shall thereupon succeed to, and shall hold, possess and execute, all the rights, powers, privileges, immunities and duties herein conferred upon Trustee; but nevertheless, upon the written request of Agent or of the successor or substitute Trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor or substitute Trustee all of the estate and title in the Deed of Trust

Mortgaged Properties of the Trustee so ceasing to act, together with all the rights, powers, privileges, immunities and duties herein conferred upon the Trustee, and shall duly assign, transfer and deliver any of the properties and moneys held by said Trustee hereunder to said successor or substitute Trustee. All references herein to Trustee shall be deemed to refer to any Trustee (including any successor or substitute appointed and designated as herein provided) from time to time acting hereunder.

Section 5.14. No Liability for Trustee. **THE TRUSTEE SHALL NOT BE LIABLE FOR ANY ERROR OF JUDGMENT OR ACT DONE BY TRUSTEE IN GOOD FAITH, OR BE OTHERWISE RESPONSIBLE OR ACCOUNTABLE UNDER ANY CIRCUMSTANCES WHATSOEVER (INCLUDING, WITHOUT LIMITATION, THE TRUSTEE'S NEGLIGENCE), EXCEPT FOR TRUSTEE'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.** The Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by any of them hereunder, believed by the relying Trustee or Trustees in good faith to be genuine. All moneys received by Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by law), and Trustee shall be under no liability for interest on any moneys received by any of them hereunder. Mortgagor hereby ratifies and confirms any and all acts which the herein named Trustee or any successor or successors, substitute or substitutes, shall do lawfully by virtue hereof. Mortgagor will reimburse Trustee for, and indemnify and save each of them harmless against, any and all liability and expenses (including attorneys fees) which may be incurred by them in the performance of duties. The foregoing indemnities shall not terminate upon the Release Date or upon the release, foreclosure or other termination of this Mortgage but will survive the Release Date, foreclosure of this Mortgage or conveyance in lieu of foreclosure, and the repayment of the secured indebtedness and the discharge and release of this Mortgage and the other documents evidencing and/or securing the secured indebtedness. Any amount to be paid hereunder by Mortgagor to any Trustee shall be a demand obligation owing by Mortgagor to such Trustee and shall be subject to and covered by the provisions of Section 2.3 hereof.

Section 5.15. Release of Mortgage. If all of the secured indebtedness be paid as the same becomes due and payable and all of the covenants, warranties, undertakings and agreements made in this Mortgage are kept and performed and Agent shall have no further obligation to provide credit or advance funds to Mortgagor or the maker of any promissory note (or other obligor with respect to other indebtedness) secured hereby, then, Agent shall, at Mortgagor's request, release this Mortgage, in due form and at Mortgagor's cost; provided, however, that, notwithstanding such release, certain indemnifications, and other rights, which are provided herein to continue following the release hereof, shall continue in effect unaffected by such release.

Section 5.16. Notices. All notices, requests, consents, demands and other communications required or permitted hereunder shall be in writing and shall be deemed sufficiently given or furnished if delivered by personal delivery, by telecopy, by delivery service with proof of delivery, or by registered or certified United States mail, postage prepaid, at the addresses specified at the end of this Mortgage (unless changed by similar notice in writing given by the particular party whose address is to be changed). Any such notice or communication shall be deemed to have been given (a) in the case of personal delivery or delivery service, as of the date of first attempted delivery at the address and in the manner provided herein, (b) in the case of telecopy, upon receipt, and (c) in the case of registered or certified United States mail, three days after deposit in the mail. Notwithstanding the foregoing, or anything else in the Loan Documents which may appear to the contrary, any notice given in connection with a foreclosure of the liens and/or security interests created hereunder, or otherwise in connection with the exercise by Agent, any Lender or Trustee of their respective rights hereunder or under any other Loan Document, which is given in a manner permitted by applicable law shall constitute proper notice; without limitation of the foregoing, notice given in a form required or permitted by statute shall (as to the portion of the Property to which such statute is applicable) constitute proper notice.

Section 5.17. Invalidity of Certain Provisions. A determination that any provision of this Mortgage is unenforceable or invalid shall not affect the enforceability or validity of any other provision and the determination that the application of any provision of this Mortgage to any

person or circumstance is illegal or unenforceable shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances.

Section 5.18. Gender; Titles. Within this Mortgage, words of any gender shall be held and construed to include any other gender, and words in the singular number shall be held and construed to include the plural, unless the context otherwise requires. Titles appearing at the beginning of any subdivisions hereof are for convenience only, do not constitute any part of such subdivisions, and shall be disregarded in construing the language contained in such subdivisions.

Section 5.19. Recording. Mortgagor will cause this Mortgage and all amendments and supplements thereto and substitutions therefor and all financing statements and continuation statements relating thereto to be recorded, filed, re-recorded and refiled in such manner and in such places as Trustee or Agent shall reasonably request and will pay all such recording, filing, re-recording and refiling taxes, fees and other charges.

Section 5.20. Reporting Compliance. Mortgagor agrees to comply with any and all reporting requirements applicable to the transaction evidenced by the Note and secured by this Mortgage which are set forth in any law, statute, ordinance, rule, regulation, order or determination of any governmental authority, and further agrees upon request of Agent to furnish Agent with evidence of such compliance.

Section 5.21. Certain Consent. Except where otherwise expressly provided herein, in any instance hereunder where the approval, consent or the exercise of judgment of Agent or any Lender is required, the granting or denial of such approval or consent and the exercise of such judgment shall be within the sole discretion of such party, and such party shall not, for any reason or to any extent, be required to grant such approval or consent or exercise such judgment in any particular manner, regardless of the reasonableness of either the request or judgment of such party.

Section 5.22. Counterparts. This Mortgage may be executed in several counterparts, all of which are identical, except that, to facilitate recordation, certain counterparts hereof may include only that portion of Exhibit A which contains descriptions of the Mortgaged Properties located in (or otherwise subject to the requirements and/or protections of the recording or filing acts or regulations of) the recording jurisdiction in which the particular counterpart is to be recorded, and other portions of Exhibit A shall be included in such counterparts by reference only. All of such counterparts together shall constitute one and the same instrument. Complete copies of this Mortgage containing the entire Exhibit A, Annex I and Schedule I, have been retained by Mortgagor and Agent.

Section 5.23. Successors and Assigns. The terms, provisions, covenants, representations, indemnifications and conditions hereof shall be binding upon Mortgagor, and the successors and assigns of Mortgagor, and shall inure to the benefit of Agent, Trustee and each person constituting Lender and their respective successors and assigns, and shall constitute covenants running with the Mortgaged Properties. Should the agency under which Agent serves be terminated, or otherwise cease to exist, Lender (including the respective successors and assigns of each person constituting Lender named herein) shall be deemed to be the successors to Agent. All references in this Mortgage to Mortgagor, Trustee or Agent shall be deemed to include all such successors and assigns.

Section 5.24. FINAL AGREEMENT OF THE PARTIES. THE WRITTEN LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 5.25. CHOICE OF LAW. WITHOUT REGARD TO PRINCIPLE OF CONFLICT OF LAWS, THIS MORTGAGE SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE AND THE LAWS OF THE UNITED

STATES OF AMERICA, EXCEPT THAT TO THE EXTENT THAT THE LAW OF A STATE IN WHICH A PORTION OF THE PROPERTY IS LOCATED (OR WHICH IS OTHERWISE APPLICABLE TO A PORTION OF THE PROPERTY) NECESSARILY GOVERNS WITH RESPECT TO PROCEDURAL AND SUBSTANTIVE MATTERS RELATING TO THE CREATION, PERFECTION AND ENFORCEMENT OF THE LIENS, SECURITY INTERESTS AND OTHER RIGHTS AND REMEDIES OF THE TRUSTEE OR THE AGENT GRANTED HEREIN, THE LAW OF SUCH STATE SHALL APPLY AS TO THAT PORTION OF THE PROPERTY LOCATED IN (OR OTHERWISE SUBJECT TO THE LAWS OF) SUCH STATE.

Section 5.26. Restatement of Prior Mortgages. The Notes described in Section 1.3(b), Section 1.3(c) and Section 1.3(d) are given in renewal, increase and extension of indebtedness outstanding under the promissory notes described in and secured by the instruments set forth in Annex II attached hereto and made a part hereof (as amended or supplemented to the date hereof, the "Prior Mortgages"). HOCLP has assumed, pursuant to that certain Assumption Agreement dated of even date hereof by and among Headington Resources, Inc. (formerly known as Alcalde Energy Corp.; herein called "Original Borrower"), HOCLP, Agent and Lenders, all of the indebtedness and obligations owing by the Original Borrower pursuant to that certain Credit Agreement dated as of May 9, 1995 (as amended, supplemented and/or restated) by and among Original Borrower, Union Bank of California, N.A. in its capacity as agent for the benefit of certain financial institutions named therein, and has assumed all of the indebtedness and obligations owing pursuant to the promissory notes described in the Prior Mortgages. HOCLP has received a conveyance from Original Borrower of various properties, rights and interests for which HMI continues to act as nominee title holder, including, without limitation, those covered by and subject to the Prior Mortgages. It is the desire and intention of the parties hereto to renew and extend all liens, rights, powers, privileges, superior titles, estates and security interests existing by virtue of the Prior Mortgages and in connection therewith, it is understood and agreed that this Mortgage restates and amends each of the Prior Mortgages in its entirety. This Mortgage renews and extends all liens, rights, powers, privileges, superior titles, estates and security interests existing by virtue of each of the Prior Mortgages, but the terms, provisions and conditions of such liens, powers, privileges, superior titles, estates and security interests shall hereafter be governed in all respects by this Mortgage and any amendments or supplements thereto.

Section 5.27. No Personal Liability/HMI. Notwithstanding anything herein which may appear to the contrary, HMI shall have no personal liability with respect to its obligations hereunder, and, in connection therewith, no provisions hereof shall be construed as creating any monetary obligations from HMI to Agent.

Section 5.28. Appearance, Resolutions. For purposes of Louisiana law, including but not limited to the availability of executory process, Mortgagor and Agent have appeared on this date before the undersigned Notaries Public and witnesses in order to execute this Mortgage. Mortgagor attaches to counterparts hereof being recorded in Louisiana certified resolutions of its Board of Directors authorizing the execution and delivery of this Mortgage.

Section 5.29. Paraph. Mortgagor acknowledges that no promissory note or other instrument has been presented to the undersigned Notary Public(s) to be paraphed for identification herewith.

Section 5.30 Certain Obligations of Mortgagor. Without limiting Mortgagor's obligations hereunder, Mortgagor liability hereunder shall extend to and include all post petition interest, expenses, and other duties and liabilities with respect to Mortgagor's obligations hereunder which would be owed but for the fact that the same may be unenforceable due to the existence of a bankruptcy, reorganization or similar proceeding.

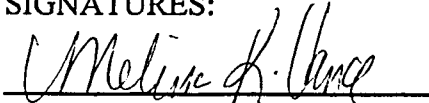
Section 5.31 Authority of Agent. The persons constituting Lender may, by agreement among them, provide for and regulate the exercise of rights and remedies hereunder, but, unless and until modified to the contrary in writing signed by all such persons and recorded in the same counties and parishes as this Mortgage is recorded, (i) all persons other than Mortgagor and its affiliates shall be entitled to rely on the releases, waivers, consents, approvals, notifications and other acts (including, without limitation, appointment of substitute or successor trustee, or

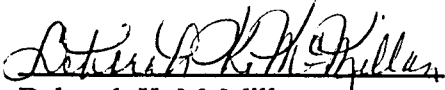
trustees, hereunder and the bidding in of all or any part of the secured indebtedness held by any one or more Lenders, whether the same be conducted under the provisions hereof or otherwise) of Agent, without inquiry into any such agreements or the existence of required consent or approval of any persons constituting Lender and without the joinder of any party other than Agent in such releases, waivers, consents, approvals, notifications or other acts and (ii) all notices, requests, consents, demands and other communications required or permitted to be given hereunder may be given to Agent.

Ellicott 848

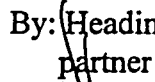
THUS DONE AND PASSED this 26th day of June, 1998, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Mortgagor and me, Notary, after reading of the whole.

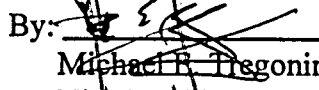
WITNESSES FOR ALL
SIGNATURES:


Melissa K. Vance

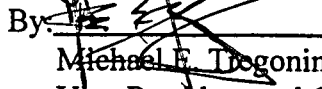

Deborah K. McMillan

HEADINGTON OIL COMPANY, L.P.

By:  Headington Petroleum, L.L.C., its general partner

By: 
Michael E. Tregoning
Vice President and Chief Financial Officer

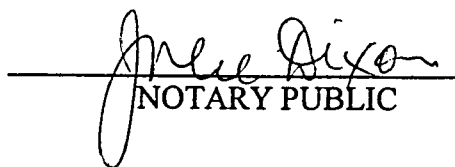
HEADINGTON MINERALS, INC.

By: 
Michael E. Tregoning
Vice President and Chief Financial Officer

ATTEST:

By: 
Daniel T. Brewer
Assistant Secretary




NOTARY PUBLIC

The address of HOCLP and HMI (Mortgagor) is:

7557 Rambler Road, Suite 1150
Dallas, Texas 75231-4166
(Dallas County)

THUS DONE AND PASSED this 26th day of June, 1998 in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Agent and me, Notary, after reading of the whole.

WITNESSES FOR BOTH SIGNATURES: UNION BANK OF CALIFORNIA, N.A.

Melissa K. Vance
Melissa K. Vance

Deborah K. McMillan
Deborah K. McMillan

By: Carl Stutzman
Carl Stutzman
Senior Vice President and Manager

By: Dustin Gaspari
Dustin Gaspari
Assistant Vice President

Julie Dixon
NOTARY PUBLIC



The address of Agent and Trustee is:

This instrument prepared by:

c/o Union Bank Energy Capital Services
500 N. Akard, Suite 4200
Dallas, Texas 75201
(Dallas County)

Timothy W. Dowdy
Thompson & Knight, P.C.
1700 Pacific Avenue
Suite 3300
Dallas, Texas 75201

STATE OF TEXAS §
 §
 COUNTY OF DALLAS §

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 26th day of June, 1998, there personally appeared before me Michael E. Tregoning, the Vice President and Chief Financial Officer of Headington Petroleum, L.L.C., a Texas limited liability company, acting as general partner of Headington Oil Company, L.P., a Texas limited partnership, known to me to be such Vice President and Chief Financial Officer, such limited partnership being a party to the foregoing instrument:

LOUISIANA

On this 26th day of June, 1998, before me, the undersigned authority, personally came and appeared Michael E. Tregoning, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the Vice President and Chief Financial Officer of Headington Petroleum, L.L.C., a Texas limited liability company, acting as general partner of Headington Oil Company, L.P., a Texas limited partnership, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such limited partnership through such limited liability company as its general partner by proper authority and as the free act and deed of such limited partnership through such limited liability company as its general partner and for the uses and purposes therein set forth and apparent.

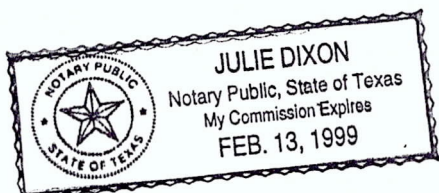
MONTANA

On this 26th day of June, 1998, before me personally appeared Michael E. Tregoning known to me to be the Vice President and Chief Financial Officer of Headington Petroleum, L.L.C., a Texas limited liability company, acting as general partner of Headington Oil Company, L.P., a Texas limited partnership, the limited partnership described in and that executed the within and foregoing instrument and acknowledged to me that the limited liability company acting as general partner of the limited partnership executed the same.

NEW MEXICO, OKLAHOMA, TEXAS, and WYOMING

This instrument was acknowledged before me on this 26th day of June, 1998, Michael E. Tregoning as Vice President and Chief Financial Officer of Headington Petroleum, L.L.C., a Texas limited liability company, acting as general partner of Headington Oil Company, L.P., a Texas limited partnership, on behalf of said limited liability company acting as general partner of the limited partnership.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Dallas, County of Dallas, State of Texas, on the day and year first above written.



Julie Dixon

 NOTARY PUBLIC, State of Texas

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 26th day of June, 1998, there personally appeared before me Michael E. Tregoning, the Vice President and Chief Financial Officer of Headington Minerals, Inc., a Delaware corporation, known to me to be such officer, such corporation being a party to the foregoing instrument:

LOUISIANA

On this 26th day of June, 1998, before me, the undersigned authority, personally came and appeared Michael E. Tregoning, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the Vice President and Chief Financial Officer of Headington Minerals, Inc., a Delaware corporation, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

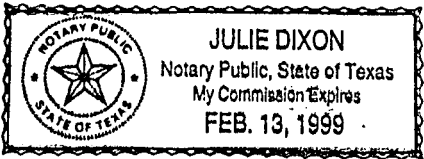
MONTANA

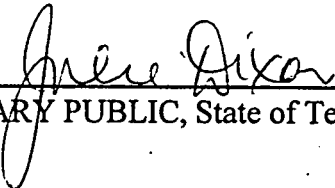
On this 26th day of June, 1998, before me personally appeared Michael E. Tregoning known to me to be the Vice President and Chief Financial Officer of Headington Minerals, Inc., the corporation described in and that executed the within and foregoing instrument and acknowledged to me that the corporation executed the same.

NEW MEXICO, OKLAHOMA, TEXAS, and WYOMING

This instrument was acknowledged before me on this 26th day of June, 1998, Michael E. Tregoning as Vice President and Chief Financial Officer of Headington Minerals, Inc., a Delaware corporation, on behalf of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Dallas, County of Dallas, State of Texas, on the day and year first above written.





NOTARY PUBLIC, State of Texas

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 26th day of June, 1998, there personally appeared before me Carl Stutzman and Dustin Gaspari, a Senior Vice President and Manager and an Assistant Vice President, respectively, of Union Bank of California, N.A., a national banking association, known to me to be such officers, such association being a party to the foregoing instrument:

LOUISIANA

On this 26th day of June, 1998, before me, the undersigned authority, personally came and appeared Carl Stutzman and Dustin Gaspari, to me personally known and known by me to be the persons whose genuine signatures are affixed to the foregoing document as a Senior Vice President and Manager and an Assistant Vice President, respectively, of Union Bank of California, N.A., a national banking association, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that they signed the above and foregoing document as their own free act and deed on behalf of such association by authority of its board of directors and as the free act and deed of such association and for the uses and purposes therein set forth and apparent, acting as Agent.

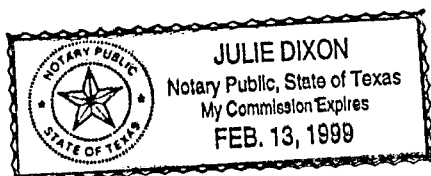
MONTANA

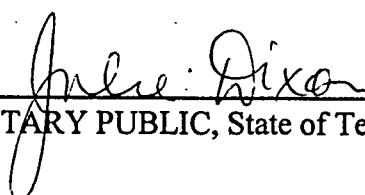
On this 26th day of June, 1998, before me personally appeared Carl Stutzman and Dustin Gaspari known to me to be a Senior Vice President and Manager and an Assistant Vice President, respectively, of Union Bank of California, N.A., a national banking association, the banking association described in and that executed the within and foregoing instrument and acknowledged to me that the association executed the same, acting as Agent.

NEW MEXICO, OKLAHOMA, TEXAS, and WYOMING

This instrument was acknowledged before me on this 26th day of June, 1998, by Carl Stutzman and Dustin Gaspari as a Senior Vice President and Manager and an Assistant Vice President, respectively, of Union Bank of California, N.A., a national banking association, on behalf of said association, acting as Agent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Dallas, County of Dallas, State of Texas, on the day and year first above written.





NOTARY PUBLIC, State of Texas

7.17.98

SCHEDULE I

Prevailno	County	State	Well Name	Operator	Field	SEC	TWN	RNG	WI	NRI
001201	Franklin	LA	Holt D, JE #1	Headington Oil Co.	Baskinton	28	016N	008E	0.50000000	0.43750000
001208	Franklin	LA	Zachry, Paul	Headington Oil Co.	Baskinton	22	016N	008E	0.50000000	0.43750000
003201	Richland	MT	Albin #1-28	Headington Oil Co.	Brorson, S.	28	024N	057E	0.90000000	0.77850000
003101	Richland	MT	Albin #3	Headington Oil Co.	Brorson, S.	28	024N	057E	0.38003900	0.32511200
003301	Richland	MT	Doyle #1-9	Vintage Petroleum	Cottonwood	09	026N	059E	0.10622212	0.08648620
003301	Richland	MT	Doyle (BP)	Vintage Petroleum	Cottonwood	09	026N	059E	0.10598050	0.08364289
002901	Richland	MT	Dynneson	Headington Oil Co.	Brorson, S	05	023N	058E	0.62500000	0.54687500
009101	Beaver	OK	Altmiller #1,2	Headington Oil Co.	Como, SE	11	001N	025E	1.00000000	0.87500000
016401	Beaver	OK	Baldwin Unit	BRG Petroleum, Inc.	Logan, S	10	001N	026E	0.56250000	0.49228750
009001	Beaver	OK	Custer Unit #1	Amoco Production	Como	09	001N	025E	0.25000000	0.21875000
009002	Beaver	OK	Custer Unit #2	Amoco Production	Como	09	001N	025E	0.25000000	0.21875000
011201	Beaver	OK	Fox Clarence E.	Union Oil Co. of CA	Ivanhoe	06	001N	028E	0.28375340	0.24828420
009104	Beaver	OK	Harper, Caleb	Headington Oil Co.	Como, SE	35	001N	024E	1.00000000	0.87500000
008001	Beaver	OK	Kirton Kliever #1-25	Golden Gas Energy	Boyd, SE	25	003N	021E	0.50000000	0.40625000

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7.17.98

VOL 52, PG 476, DT

Prevailno	County	State	Well Name	Operator	Field	SEC	TWN	RNG	WI	NRI
008201	Beaver	OK	Sargent Unit 3695	Sullivan & Company	Camrick Gas Area	11	002N	020E	0.50000000	0.43750000
011202	Beaver	OK	Viola Baxter #1-6	Kaiser-Francis Oil	Ivanhoe	06	001N	028E	0.28375330	0.24828430
011203	Beaver	OK	Viola Baxter #2-6	Kaiser-Francis Oil	Ivanhoe	06	001N	028E	0.28375330	0.24828430
049006	Beaver	OK	Wilson, Vernie #1	Headington Oil Co.	Camrick Gas Area	05	001N	021E	0.37525870	0.32982030
009701	Caddo	OK	Bear Unit	D1 Exploration	Eakly, E	19	010N	012W	0.06251954	0.05079680
009701	Caddo	OK	Bear Unit	D1 Exploration	Eakly, E	19	010N	012W	0.06251910	0.05079680
018301	Caddo	OK	Entz	Oklahoma Oil & Gas	Hinton, W	05	011N	012W	0.22546940	0.19728570
018302	Caddo	OK	Luellen #1-5	Continental Resource	Hinton, W	05	011N	012W	0.22546320	0.19728027
018303	Caddo	OK	Meriwether #1-5	Oklahoma Oil & Gas	Hinton, W	05	011N	012W	0.22546940	0.19728570
018303	Caddo	OK	Meriwether #2-5	Oklahoma Oil & Gas	Hinton, W	05	011N	012W	0.22546940	0.19728020
018601	Caddo	OK	Rackley #1-18	Alexander Energy	Oney	18	009N	010W	0.12492790	0.10150390
120708	Caddo	OK	Saunders #1-33	Anson	Eakley	33	10N	12W	0.02207030	0.00000000
018603	Caddo	OK	Scott B #1-15	Apache Corp	Oney	15	009N	011W	0.01562500	0.01269530
014004	Caddo	OK	Sylvester #1-21	Swift Energy Company	Fort Cobb, N	21	011N	013W	0.01562500	0.01269532

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Prevailno	County	State	Well Name	Operator	Field	SEC	TWN	RNG	WI	NRI
014005	Caddo	OK	Tucker #1-A	Swift Energy Company	Fort Cobb, N	30	011N	012W	0.27817900	0.22040000
014005	Caddo	OK	Tucker 1-A (PUD)	Swift Energy Company	Fort Cobb, N	30	011N	012W	0.27817900	0.22040000
120703	Caddo	OK	Young #1-33	An-Son Corp	Eakly, E	33	010N	012W	0.01278900	0.01119000
005801	Carter	OK	Brandon	Walker Keith F	Fox	21	002S	003W	0.25000000	0.21875000
010901	Carter	OK	Dundee Healtan Sand Unit	Arco Oil & Gas Co.	Healdton	04	004S	003W	0.04792100	0.04125370
016242	Carter	OK	Doake 1-14	Chesapeake Operating	Sho-Vel-Tum	14	001S	003W	0.00000000	0.05468750
016203	Carter	OK	Fox Deese Springer	Chevron USA Inc.	Sho-Vel-Tum	33	002S	003W	0.02583500	0.01903370
010902	Carter	OK	Healdton #3 Unit PH2	Citation Oil	Healdton	09	004S	003W	0.05495100	0.04808170
010903	Carter	OK	Healdton Arbuckle Unit	Citation Oil	Healdton	03	004S	003W	0.11632600	0.10113540
016208	Carter	OK	McCrary Unit #1	Texaco Inc.	Sho-Vel-Tum	14	001S	003W	0.24609000	0.21191406
016211	Carter	OK	Tilghman #1	Walker Keith F	Sho-Vel-Tum	21	002S	003W	0.12500000	0.10937500
077927	Dewey	OK	Gore #1-3	Gore Gail B	Putnam	03	016N	018W	0.09380840	0.07621940
014801	Dewey	OK	Mosteller #1-30	Vega Energy Co	Putnam	30	018N	016W	0.19737930	0.16937360
014802	Dewey	OK	Nicholas #1-29	Kaiser-Francis Oil	Putnam	29	016N	015W	0.08464000	0.07397460

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Prevailno	County	State	Well Name	Operator	Field	SEC	TWN	RNG	WI	NRI
014836	Dewey	OK	Putnam Oswego Gas Plant	Mobil Oil Corp	Putnam	29	016N	016W	0.06288230	
014828	Dewey	OK	Rein Gladys #1	Arco Oil & Gas Co.	Putnam	09	017N	018W	0.25000000	0.21875000
014832	Dewey	OK	Riggs #1	Vega Energy Co	Putnam/Taloga	30	018N	016W	0.18712650	0.16040230
014833	Dewey	OK	Zieber #1-30	Vega Energy Co	Putnam/Taloga	30	018N	016W	0.12668590	0.09396110
010601	Garvin	OK	Anderson Jud #1	Headington Oil Co	Golden Trend	34	003N	004W	1.00000000	0.87500000
007701	Garvin	OK	Maggie Kay #1-24	Continental Oper	Antioch, SW	24	003N	003W	0.06250000	0.05078130
016209	Garvin	OK	Perkins #1-32	Whitmar Operating	Sho-Vel-Tum	32	001N	003W	0.08625000	0.07547680
016209	Garvin	OK	Perkins 1-32 (BP)	Whitmar Operating	Sho-Vel-Tum	32	001N	003W	0.08625920	0.07547680
007702	Garvin	OK	Phoenix A-1	Anadarko Petroleum	Antioch, SW	24	003N	003W	0.50000000	0.43750000
007703	Garvin	OK	Phoenix B-1	Anararko Petroleum	Antioch, SW	24	003N	003W	0.50000000	0.43750000
016212	Garvin	OK	Tussy Deese Sand Unit	Louis Dreyfus Nat	Sho-Vel-Tum	29	001N	003W	0.00595900	0.00521410
016901	Kay	OK	Caughlin A & B #1,2,3	Headington Oil Co	Tonkawa	25	025N	001W	1.00000000	0.82031250
016905	Kay	OK	Liles, Jay #1	Headington Oil Co	Tonkawa	36	025N	001W	1.00000000	0.84765630
016909	Kay	OK	State A	Headington Oil Co	Tonkawa	36	025N	001W	1.00000000	0.87500000

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Prevailno	County	State	Well Name	Operator	Field	SEC	TWN	RNG	WI	NRI
018001	Lincoln	OK	Lewis VF	Headington Oil Co	Agra, W	31	017N	004E	1.00000000	0.82031250
015001	Major	OK	Bierig	UMC Petroleum Corp	Ringwood	30	021N	010W	0.75000000	0.61523400
015021	Major	OK	Foster USA #1	UMC Petroleum Corp	Ringwood	23	021N	011W	0.75000000	0.61621700
015004	Major	OK	Glennie #1,2A	Louis Dreyfus Gas	Ringwood	22	021N	011W	0.37500000	0.32812500
014302	Major	OK	Glidewell Herald #2-25	American Exploration	Oklahoma City	25	022N	012W	0.15625000	0.13043850
015007	Major	OK	Lee #1	UMC Petroleum Corp	Ringwood	19	021N	010W	0.75000000	0.59438300
015008	Major	OK	Lowder #1,2	UMC Petroleum Corp	Ringwood	19	021N	010W	0.75000000	0.58218200
015009	Major	OK	Lydia	UMC Petroleum Corp	Ringwood	23	021N	011W	0.75000000	0.60019800
015020	Major	OK	Olson #1	Ramco Oil & Gas	Ringwood	24	021N	011W	0.1148000	0.09756900
014304	Major	OK	Weaver, LL #1-20	American Exploration	Oklahoma City	20	022N	011W	0.14505210	0.12107000
010603	McClain	OK	Burns, RL A	Headington Oil Co	Golden Trend	33	005N	004W	1.00000000	0.87500000
017402	McClain	OK	Clinkenbeard #1-33	Samedan Oil Corp	Washington District	33	008N	003W	0.00000000	0.02663577
011401	McClain	OK	Costello Heirs	Anadarko Petroleum	Lindsay, N	28	005N	004W	0.03482790	0.02829770

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Prevailno	County	State	Well Name	Operator	Field	SEC	TWN	RNG	WI	NRI
010604	McClain	OK	Dacus A-1	Oxy USA Inc	Golden Trend	29	005N	004W	0.09930000	0.08688750
011402	McClain	OK	Deaner A-1	Oxy USA Inc	Lindsay, N	27	005N	004W	0.38400000	0.32103000
051406	McClain	OK	Dougherty D-1	An-Son Corp	Curty, SW	05	005N	004W	0.29310230	0.23979380
013001	McClain	OK	Edwards Unit	Edwards & Leach Oil	New Castle, E	11	007N	004W	0.36666670	0.31576080
012001	McClain	OK	Ewing Cunningham Unit	Universal Resources	Noble, W	34	008N	003W	0.50000000	0.40916570
010608	McClain	OK	Gooch B	Oxy USA Inc	Golden Trend	32	005N	004W	0.06206250	0.05430470
017401	McClain	OK	Goodrich B	Universal Resources	Washington Dist	33	008N	003W	0.34829550	0.28785740
012301	McClain	OK	Harrison Unit #1-A	Brent Baker	Curtis	09	005N	004W	0.25000000	0.21875000
051407	McClain	OK	Howard Estate #1-5	An-Son Corp	Curty, SW	05	005N	004W	0.29166670	0.23640940
011403	McClain	OK	Lackey #1-28	United Oil Corp	Lindsay, N	28	005N	004W	0.33333330	0.33333330
010609	McClain	OK	Neal A	Oxy USA Inc	Golden Trend	30	005N	004W	0.09930000	0.08688750
014701	McClain	OK	Reas Hanley (HMI)	Headington Oil Co	Payne	04	005N	003W	0.92537300	0.80970140
011405	McClain	OK	Street A	Lance Ruffel Oil&Gas	Lindsay, N	21	005N	004W	0.37204700	0.27906910
014702	McClain	OK	Vierson Unit	Penner Energy, Inc.	Payne	08	006N	003W	0.29142511	0.24297418

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Prevailno	County	State	Well Name	Operator	Field	SEC	TWN	RNG	WI	NRI
013602	McClain	OK	Webb #2-34	United Oil Corp	Dibble, N	34	005N	004W	0.04687500	0.04101600
013901	McClain	OK	Wilson Unit Tulip	Headington Oil Co	Freeny, N	14	008N	004W	0.44708870	0.39045520
007801	Pontotoc	OK	Gray B	Headington Oil Co	Beebee-Kanawa, SW	25	005N	004E	1.00000000	0.87500000
007811	Pontotoc	OK	Neal B	Headington Oil Co	Beebee-Kanawa, SW	25	005N	004E	1.00000000	0.87500000
007818	Pontotoc	OK	Neal, John A #1	Headington Oil Co	Beebee-Kanawa, SW	25	005N	004E	1.00000000	0.82031250
007819	Pontotoc	OK	Summers A-1	Headington Oil Co	Beebee-Kanawa, SW	25	005N	004E	1.00000000	0.87500000
012501	Roger Mills	OK	Glaesman #1-29	Sonat Exploration	Unnamed	29	016N	021W	0.02500000	0.02187500
013701	Roger Mills	OK	Smith, Fred #1	Headington Oil Co	Durham, N	11	016N	026W	0.93198500	0.79558260
014829	Roger Mills	OK	State #2-13	Continental Oper	Putnam	13	017N	021W	0.25000000	0.21875000
014830	Roger Mills	OK	State #3-13	Continental Oper	Putnam	13	017N	021W	0.25000000	0.21875000
014831	Roger Mills	OK	Wooley, Elmo #1-13	Continental Oper	Putnam	13	017N	021W	0.50000000	0.43750000
007908	Seminole	OK	Harjoche, Frank #1	Keener Oil Company	Blakely, N	10	008N	006E	0.33333330	0.29166670
011501	Seminole	OK	Melissa	Headington Oil Co	Little River	26	007N	006E	1.00000000	0.82031280
011502	Seminole	OK	Melissa Wood #2	Headington Oil Co	Little River	26	007N	006E	0.50000000	0.43750000

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Prevailno	County	State	Well Name	Operator	Field	SEC	TWN	RNG	WI	NRI
016204	Stephens	OK	Heard 1-33	Chesapeake Operating	Sho-Vel-Tum	33	1N	4W	0.04687500	0.04101562
011101	Stephens	OK	Mayberry #1-23 R	Kaiser-Francis	Hope, SW	23	001N	007W	0.02870100	0.02434270
016210	Stephens	OK	Pickens #1-9	Cross Timbers Prod	Sho-Vel-Tum	09	001S	004W	0.18750000	0.16406250
011104	Stephens	OK	Rhoades #1-23	UMC Petroleum Corp	Hope, SW	23	001N	007W	0.07964800	0.06754200
016213	Stephens	OK	Velma Mid Blk Sims East	Amoco Production	Sho-Vel-Tum	02	002S	004W	0.01495800	0.01148420
019402	Stephens	OK	Wade #1-17 (MOC)	Meridian Oil Company	Doyle, E	17	001N	004W	0.05413900	0.04290500
011103	Stephens	OK	Watts 2-23	Universal Resources	Hope, SW	23	001N	007W	0.15929594	0.13321900
016215	Stephens	OK	Williams Trotter	Samedan Oil Corp	Sho-Vel-Tum	16	001S	004W	0.39300000	0.34375000
022801	Coke	TX	IAB Unit PH2 North	Cross Timbers Prod	I A B, NE				0.23444142	0.20513624
0277701	Cooke	TX	Sivells Bend Field	Chevron USA Inc	Sivells Bend				0.09246650	0.08090800
025001	Crane	TX	Earp Switzer #1	Durham, Inc.	Abell				0.00000000	0.04608300
025005	Crane	TX	Earp-Switzer #2	Durham, Inc.	Abell				0.00000000	0.04608300
025002	Crane	TX	Forest Switzer	Chisos Operating	Abell				0.36866000	0.32257750

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Prevailno	County	State	Well Name	Operator	Field	SEC	TWN	RNG	WI	NRI
025004	Crane	TX	Renaud #1	Parker & Parsley Dev	Abell	17	BLK	H&T	0.36866000	0.32257750
009204	Dawson	TX	Spraberry Unit, West	Texaco	Spraberry, W				0.052333560	0.04579365
010801	Hartley	TX	Jones, I.W. Unit	Exxon Co USA	Lathem-Canyon-Gra				0.03316390	0.02736020
010802	Hartley	TX	Lathem	Exxon Co USA	Lathem-Canyon-Gra				0.50000000	0.40312500
010803	Hartley	TX	Powell Estate #1	Exxon Co USA	Lathem-Canyon-Gra				0.10450000	0.07491060
024403	Lipscomb	TX	Lutie Gex #2	Exxon Co USA	Mammoth Creek				0.25000000	0.21875000
024401	Lipscomb	TX	Lutie Gex #3	Exxon Co USA	Mammoth Creek				0.25000000	0.21875000
023401	Lipscomb	TX	Paine, Sim #1	Maxus Exploration Co	Kiowa Creek				0.33333333	0.28644650
023405	Lipscomb	TX	Paine, Sim #5	Maxus Exploration Co.	Kiowa Creek				0.33333333	0.29166638
024404	Lipscomb	TX	Schultz Bros. E #1	Valence Operating Co	Mammoth Creek				0.25000000	0.21875000
024405	Lipscomb	TX	Schultz Bros. E #2	Valence Operating Co	Mammoth Creek				0.25000000	0.21875000
0024406	Lipscomb	TX	Schultz Bros. E #3	Exxon Co USA	Mammoth Creek				0.25000000	0.21875000

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Prevailno	County	State	Well Name	Operator	Field	SEC	TWN	RNG	WI	NRI
024407	Lipscomb	TX	Schultz Bros. E #4	Exxon Co USA	Mammoth Creek				0.00000000	0.00000000
014401	Lipscomb	TX	Stoughton, GW #2893	Headington Oil Co	Follett, W				1.00000000	0.87500000
026201	Loving	TX	Arno Unit #1	BC Operating	Mentone				0.22157330	0.17964614
026202	Loving	TX	Arno Unit #2	BC Operating	Mentone				0.20991080	0.17828830
022201	Loving	TX	Johnson 38-B #1,2	Headington Oil Co	Grice				0.90625000	0.74340820
022202	Loving	TX	Johnson 48-C #1, 2, 3	Headington Oil Co	Grice				0.68750000	0.51562500
022206	Loving	TX	Johnson TXL Oil Facility	Headington Oil Co	Grice				0.90625000	0.00000000
022208	Loving	TX	Johnson, WD 38 #1	Headington Oil Co	Grice				0.90625000	0.73632810
022207	Loving	TX	Johnson, WD 38 #2	Headington Oil Co	Grice				0.90625000	0.73632810
022209	Loving	TX	Johnson, WD 48 #2	Headington Oil Co	Grice				0.70312500	0.57128910
022210	Loving	TX	Johnson, WD 48A #3	Headington Oil Co	Grice				0.70312500	0.57128910
022213	Loving	TX	TXL 37 #2	Headington Oil Co	Grice				0.90625000	0.74340820
023201	Scurry	TX	Arledge GH "C"	Headington Oil Co	Kelly-Snyder				0.71551110	0.62607200

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Prevailno	County	State	Well Name	Operator	Field	SEC	TWN	RNG	WI	NRI
001601	Scurry	TX	Sentell, LS	Headington Oil Co	Snyder, N				1.00000000	0.86564658
020903	Smith	TX	Moseley, Bishop #4	Phillips Petroleum	Chapel Hill				0.48946200	0.42827930
025701	Smith	TX	Overton #14 Burns #5	Exxon Co USA	Overton				0.13215000	0.11563156
020904	Smith	TX	Sun #1R	Sklar & Phillips	Chapel Hill				0.48000000	0.48000000
020905	Smith	TX	Warren, Dan #1	Phillips Petroleum	Chapel Hill				0.48946200	0.42827930
022101	Stonewall	TX	Green, Ruby #3	Headington Oil Co	Gloria Gay				0.50000000	0.43750000
022102	Stonewall	TX	Green, Ruby #3A	Headington Oil Co	Gloria Gay				0.50000000	0.43750000
022104	Stonewall	TX	Hoy, BF	Kelly Baxter	Gloria Gay, W				0.50000000	0.43750000
022105	Stonewall	TX	Jordan, GW #1	Headington Oil Co	Gloria Gay, W				0.50000000	0.41015620
026602	Stonewall	TX	Smith (PUD)	Rose Expl Inc	Skinner				0.50000000	0.43750000
026601	Stonewall	TX	Smith, A1 #1	Rose Expl Inc	Skinner				0.50000000	0.43750000
023901	Campbell	WY	Alpha MinneIUSA Wtr Fld	Swift Energy	Alpha	11	051N	069W	0.05003700	0.04126870
023901	Campbell	WY	Alpha MinneIUSA Wtr Fld	Swift Energy	Alpha	11	051N	069W	0.05003700	0.04126870
023801	Campbell	WY	Anderson State A-1	Headington Oil Co	Ash Draw	23	057N	071W	0.50000000	0.39467310

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Prevailno	County	State	Well Name	Operator	Field	SEC	TWN	RNG	WI	NRI
023802	Campbell	WY	Ashdraw Fed SWD HM Flint	Headington Oil Co	Ash Draw	11	057N	071W	1.00000000	1.00000000
023804	Campbell	WY	Flint, HM A-1	Headington Oil Co	Ash Draw	14	057N	071W	0.74847500	0.83976670
023806	Campbell	WY	Flint, HM B-1	Headington Oil Co	Ash Draw	14	057N	071W	0.70000000	0.61250000
023807	Campbell	WY	Flint, HM B-2	Headington Oil Co	Ash Draw	14	057N	071W	0.50000000	0.43750000
023808	Campbell	WY	Flint, HM et al	Headington Oil Co	Ash Draw	14	057N	071W	0.40000000	0.35000000
023913	Campbell	WY	John Fee #31-11	Maxus Expl Co	Alpha	11	051N	069W	0.00000000	0.00000000
023914	Campbell	WY	John Fee #41-11	Maxus Expl Co	Alpha	11	051N	069W w	0.00000000	0.00000000
023809	Campbell	WY	Little Powder River Fed	Headington Oil Co	Ash Draw	14	057N	071W	0.57031250	0.46337891
013301	Converse	WY	Anderson State	Headington Oil Co	Well Draw	18	033N	067W	0.75297460	0.65882300
013302	Converse	WY	Etchemendy A #1	Headington Oil Co	Well Draw	18	033N	067W	0.56250000	0.48828120
016801	Sweetwater	WY	Arch Unit #118	Union Pacific	Patrick Draw	15	019N	099W	0.40623810	0.33006850
016802	Sweetwater	WY	Arch Unit #123	Union Pacific	Patrick Draw	15	019N	099W	0.40268690	0.27523700
016803	Sweetwater	WY	Arch Unit A	Union Pacific	Patrick Draw		019N	099W	0.00050900	0.00044530
016817	Sweetwater	WY	Arch Unit B & C	Union Pacific	Patrick Draw		019N	099W	0.34855750	0.27362500
016817	Sweetwater	WY	Arch Unit B & C	Union Pacific	Patrick Draw		019N	099W	0.34855750	0.27362500

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Prevailno	County	State	Well Name	Operator	Field	SEC	TWN	RNG	WI	NRI
084901	Sweetwater	WY	Patrick Draw State #1-36	Headington Oil Co	Patrick Draw	36	020N	099W	0.34855000	0.29626750
084902	Sweetwater	WY	Patrick Draw State #2-36	Headington Oil Co	Patrick Draw	36	020N	099W	0.34855000	0.29626750
084903	Sweetwater	WY	Patrick Draw State #3-36	Headington Oil Co	Patrick Draw	36	020N	099W	0.34855000	0.29626750
084904	Sweetwater	WY	Patrick Draw State #5-36	Headington Oil Co	Patrick Draw	36	020N	099W	0.34855000	0.29626750
084905	Sweetwater	WY	Patrick Draw State #6-36	Headington Oil Co	Patrick Draw	36	020N	099W	0.34855000	0.29626750
084906	Sweetwater	WY	Patrick Draw State #8-36	Headington Oil Co	Patrick Draw	36	020N	099W	0.34855000	0.29626750

ANNEX I

1. Assignment and Bill of Sale dated March 30, 1990, from Sun Operating Limited Partnership ("SOLP") to Headington Minerals, Inc. ("HMI"), recorded in Conveyance Book 286, Page 489, Records of Franklin Parish, Louisiana, as corrected by Correction Assignment and Bill of Sale dated February 21, 1991, recorded in Conveyance Book 291, Register No. 262477, Records of Franklin Parish, Louisiana.
2. Assignment and Bill of Sale dated March 30, 1990, from SOLP to HMI, recorded in Book E223, Page 428, Records of Richland County, Montana, as corrected by Correction Assignment and Bill of Sale dated February 20, 1991, recorded in Book E227, Page 709, Records of Richland County, Montana.
3. Assignment and Bill of Sale dated July 2, 1990, from SOLP to HMI, recorded in Book E225, Page 89, Records of Richland County, Montana.
4. ~~Assignment and Bill of Sale dated March 30, 1990, from SOLP to HMI, recorded in Oil & Gas Book 449, Page 43, Records of Lea County, New Mexico.~~
5. ~~Assignment and Bill of Sale dated July 2, 1990, from SOLP to HMI, recorded in Oil & Gas Book 453, Page 80, Records of Lea County, New Mexico, as corrected by Correction Assignment and Bill of Sale dated October 10, 1990, from Oryx Energy Company to HMI, recorded in O&G Book 455, Page 770, Records of Lea County, New Mexico.~~
6. Assignment and Bill of Sale dated March 30, 1990, from SOLP to HMI, recorded in Book 821, Page 93, Records of Beaver County, Oklahoma, as corrected by Correction Assignment and Bill of Sale dated February 20, 1991, recorded in Book 845, Page 487, Records of Beaver County, Oklahoma.
7. ~~Assignment and Bill of Sale dated March 30, 1990, from SOLP to HMI, recorded in Book 588, Page 502, Records of Blaine County, Oklahoma, as corrected by Correction Assignment and Bill of Sale dated July 2, 1990, recorded in Book 595, Page 725, Records of Blaine County, Oklahoma.~~
8. ~~Mineral Deed and Bill of Sale dated March 30, 1990 from SOLP to HMI, recorded in Book 588, Page 225, Records of Blaine County, Oklahoma.~~
9. ~~Assignment and Bill of Sale dated as of July 2, 1990, from SOLP to HMI, recorded in Book 595, Page 732, Records of Blaine County, Oklahoma.~~
10. ~~Partial Assignment of Oil and Gas Leases dated November 29, 1990, from SOLP to HMI, recorded in Book 617, Page 736, Records of Blaine County, Oklahoma.~~
11. ~~Assignment of Oil and Gas Leases dated November 19, 1992, from SOLP to HMI, recorded in Book 647, Page 470, Records of Blaine County, Oklahoma.~~
12. Assignment and Bill of Sale dated as of March 30, 1990, from SOLP to HMI, recorded in Book 1555, Page 201, Records of Caddo County, Oklahoma.
13. Assignment and Bill of Sale dated as of July 2, 1990, from SOLP to HMI, recorded in Book 1581, Page 153, Records of Caddo County, Oklahoma.
14. Assignment and Bill of Sale dated February 20, 1991, from SOLP to HMI, recorded in Book 1630, Page 152, Records of Caddo County, Oklahoma.
15. Assignment of Oil and Gas Leases dated November 25, 1992, from SOLP to HMI, recorded in Book 1763, Page 202, Records of Caddo County, Oklahoma.
16. Assignment and Bill of Sale dated March 30, 1990, from SOLP to HMI, recorded in Book 1621, Page 292, Records of Carter County, Oklahoma, as corrected by

Correction Assignment and Bill of Sale dated March 15, 1991, recorded in Book 1657, Page 1, Records of Carter County, Oklahoma.

17. Assignment and Bill of Sale dated July 2, 1990, from SOLP to HMI, recorded in Book 1633, Page 324, Records of Carter County, Oklahoma.
18. Mineral Deed and Bill of Sale dated March 30, 1990, from SOLP to HMI, recorded in Book 1622, Page 232, Records of Carter County, Oklahoma.
19. Assignment and Bill of Sale dated March 30, 1990, from SOLP to HMI, recorded in 854, Page 136, Records of Dewey County, Oklahoma.
20. Assignment and Bill of Sale dated July 2, 1990, from SOLP to HMI, recorded in 868, Page 47, Records of Dewey County, Oklahoma.
21. Assignment and Bill of Sale dated August 18, 1992, from SOLP to HMI, recorded in 951, Page 148, Records of Dewey County, Oklahoma.
22. Assignment and Bill of Sale dated March 30, 1990, from SOLP to HMI, recorded in Book 1273, Page 16, Records of Garvin County, Oklahoma, as corrected by Correction Assignment and Bill of Sale dated February 20, 1991, recorded in Book 1300, Page 212, Records of Garvin County, Oklahoma.
23. ~~Assignment and Bill of Sale dated as of March 30, 1990, from SOLP to HMI, recorded in Book 2181, Page 301, Records of Grady County, Oklahoma.~~
24. ~~Assignment and Bill of Sale dated as of July 2, 1990, from SOLP to HMI, recorded in Book 2220, Page 109, Records of Grady County, Oklahoma.~~
25. Assignment and Bill of Sale dated March 30, 1990, from SOLP to HMI, recorded in Book 737, Page 50, Records of Kay County, Oklahoma, as corrected by Correction Assignment and Bill of Sale dated February 20, 1991, recorded in Book 780, Page 211, Records of Kay County, Oklahoma.
26. Assignment and Bill of Sale dated March 30, 1990, from SOLP to HMI, recorded in Book 1150, Page 441, Records of Lincoln County, Oklahoma.
27. Assignment and Bill of Sale dated July 2, 1990, from SOLP to HMI, recorded in Book 1159, Page 723, Records of Lincoln County, Oklahoma.
28. Assignment and Bill of Sale dated as of March 30, 1990, from SOLP to HMI, recorded in Book 1138, Page 335, Records of Major County, Oklahoma, as corrected by Correction Assignment and Bill of Sale dated February 20, 1991, recorded in Book 1204, Page 333, Records of Major County, Oklahoma.
29. Assignment and Bill of Sale dated as of July 2, 1990, from SOLP to HMI, recorded in Book 1157, Page 144, Records of Major County, Oklahoma.
30. Assignment and Bill of Sale dated March 30, 1990, from SOLP to HMI, recorded in Book 1278, Page 872, Records of McClain County, Oklahoma, as corrected by Correction Assignment and Bill of Sale dated February 20, 1991, recorded in Book 1301, Page 344, Records of McClain County, Oklahoma.
31. Assignment and Bill of Sale dated July 2, 1990, from SOLP to HMI, recorded in Book 1285, Page 803, and in Book 1305, Page 531, Records of McClain County, Oklahoma, as corrected by Correction Assignment and Bill of Sale dated February 2, 1991, recorded in Book 1301, Page 338, Records of McClain County, Oklahoma.
32. Assignment and Bill of Sale dated July 2, 1990, from SOLP to HMI, recorded in Book 1285, Page 819, Records of McClain County, Oklahoma.

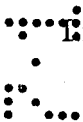
33. Mineral Deed and Bill of Sale dated March 30, 1990, from SOLP to HMI, recorded in Book 1279, Page 592, Records of McClain County, Oklahoma.
34. Assignment and Bill of Sale dated March 30, 1990, from SOLP to HMI, recorded in 1346, Page 186, Records of Pontotoc County, Oklahoma, as corrected by Correction Assignment and Bill of Sale dated February 20, 1991, recorded in Book 1363, Page 291, Records of Pontotoc County, Oklahoma.
35. Assignment and Bill of Sale dated March 30, 1990, from SOLP to HMI, recorded in 1125, Page 79, Records of Roger Mills County, Oklahoma.
36. Assignment and Bill of Sale dated July 29, 1990, from SOLP to HMI, recorded in 1153, Page 149, Records of Roger Mills County, Oklahoma.
37. Assignment and Bill of Sale dated March 30, 1990, from SOLP to HMI, recorded in 1645, Page 660, Records of Seminole County, Oklahoma.
38. Assignment and Bill of Sale dated July 2, 1990, from SOLP to HMI, recorded in 1651, Page 647, Records of Seminole County, Oklahoma.
39. Assignment and Bill of Sale dated as of March 30, 1990, from SOLP to HMI, recorded in Book 1775, Page 350, Records of Stephens County, Oklahoma, as corrected by Correction Assignment and Bill of Sale dated February 20, 1991, recorded in Book 1806, Page 920, Records of Stephens County, Oklahoma.
40. Assignment and Bill of Sale dated as of July 2, 1990, from SOLP to HMI, recorded in Book 1785, Page 1, Records of Stephens County, Oklahoma.
41. Assignment and Bill of Sale dated March 30, 1990, from SOLP to HMI, recorded in Volume 282, Page 124, Records of Coke County, Texas.
42. Assignment and Bill of Sale dated July 2, 1990, from SOLP to HMI, recorded in Vol. 811, Page 398, Records of Cooke County, Texas, as corrected by Correction Assignment and Bill of Sale dated February 20, 1991, recorded in Vol. 821, Page 346, Records of Cooke County, Texas.
43. Assignment and Bill of Sale dated as of March 30, 1990, from SOLP to HMI, recorded in Vol. 322, Page 605, Records of Crane County, Texas.
44. Assignment and Bill of Sale dated as of March 30, 1990, from SOLP to HMI, recorded in File No. 1281, Volume 328, Page 547, Records of Dawson County, Texas.
45. Assignment and Bill of Sale dated as of March 30, 1990, from SOLP to HMI, recorded in Volume 10, Page 242, Records of Hartley County, Texas, as corrected by Correction Assignment and Bill of Sale dated February 20, 1991, recorded in Volume 13, Page 605, Records of Hartley County, Texas.
46. Assignment of Oil and Gas Leases dated May 27, 1993, from SOLP to HMI, recorded in Volume 21, Page 392, Records of Hartley County, Texas.
47. Assignment and Bill of Sale dated March 30, 1990, from SOLP to HMI, recorded in Volume 307, Page 727, Records of Lipscomb County, Texas.
48. Assignment and Bill of Sale dated July 2, 1990, from SOLP to HMI, recorded in Volume 310, Page 123, Records of Lipscomb County, Texas.
49. Assignment and Bill of Sale dated July 2, 1990, from SOLP to HMI, recorded in Volume 310, Page 128, Records of Lipscomb County, Texas.

50. Assignment and Bill of Sale dated March 30, 1990, from SOLP to HMI, recorded in Volume 91, Page 204, Records of Loving County, Texas.
51. Assignment and Bill of Sale dated March 30, 1990, from SOLP to HMI, recorded in Volume 308, Page 289, Records of Scurry County, Texas.
52. Assignment and Bill of Sale dated as of March 30, 1990, from SOLP to HMI, recorded in Volume 3000, Page 39, Land Records of Smith County, Texas.
53. Mineral Deed and Bill of Sale dated March 30, 1990, from SOLP to HMI, recorded in Book 3000, Page 688, Records of Smith County, Texas.
54. Assignment of Oil and Gas Leases dated October 29, 1992, from SOLP to HMI, recorded in Volume 3299, Page 671, Land Records of Smith County, Texas.
55. Assignment and Bill of Sale dated as of March 30, 1990, from SOLP to HMI, recorded in Volume 357, Page 667, Records of Stonewall County, Texas.
56. Assignment and Bill of Sale dated July 2, 1990, from SOLP to HMI, recorded in Volume 359, Page 196, Records of Stonewall County, Texas.
57. Assignment and Bill of Sale dated March 30, 1990, from SOLP to HMI, recorded in Book 1099, Page 233, Records of Campbell County, Wyoming, as corrected by Correction Assignment and Bill of Sale dated February 20, 1991, recorded in Book 1139, Page 241, Records of Campbell County, Wyoming.
58. Assignment and Bill of Sale dated July 2, 1990, from SOLP to HMI, recorded in Book 1119, Page 59, Records of Campbell County, Wyoming, as corrected by Correction Assignment and Bill of Sale dated February 20, 1991, recorded in Book 1139, Page 248, Records of Campbell County, Wyoming.
59. Assignment and Bill of Sale dated March 30, 1990, from SOLP to HMI, recorded in Book 807, Page 777, Records of Sweetwater County, Wyoming.

Annex II

Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated May 9, 1995, from Alcalde Energy Corp. and Headington Minerals, Inc. to Union Bank.

<u>Recording Jurisdiction</u>	<u>Recording Data</u>
Franklin Parish, LA	Register No. 277678, Conv. Book 314, Page 596, Mtg. Book 242, Page 881, filed 5/26/95
Richland County, MT	Book B146, Page 341, filed 5/22/95
Beaver County, OK	Book 946, Page 75, filed 5/19/95
Caddo County, OK	Book 1977, Page 44, filed 5/22/95
Carter County, OK	Book 1994, Page 1, filed 5/19/95
Custer County, OK	Book 947, Page 520, filed 5/19/95
Dewey County, OK	Book 1028, Page 87, filed 5/19/95
Garvin County, OK	Book 1419, Page 443, filed 5/19/95
Kay County, OK	Book 924, Page 884, filed 5/19/95
Lincoln County, OK	Book 1274, Page 493, filed 5/19/95
Major County, OK	Book 1385, Page 24, filed 5/19/95
McClain County, OK	Book 1397, Page 910, filed 5/19/95
Pontotoc County, OK	Book 1448, Page 469, filed 5/19/95
Roger Mills County, OK	Book 1464, Page 211, filed 5/22/95

Seminole County, OK	Book 1921, Page 114, filed 5/19/95
Stephens County, OK	Book 1954, Page 517, filed 5/19/95
Coke County, TX	Vol. 60, Page 232, filed 5/19/95
Cooke County, TX	Vol. 912, Page 138, filed 5/22/95
Crane County, TX	Vol. 368, Page 328, filed 5/19/95
Dawson County, TX	Vol. 225, Page 655, Deed of Trust Records, filed 5/22/95
 Hartley County, TX	Vol. 30, Page 390, filed 5/19/95
 Hipscomb County, TX	Vol. 352, Page 581, Real Property Records, filed 5/19/95
Loving County, TX	Vol. 47, Page 634, Deed of Trust Records, filed 5/19/95
Scurry County, TX	Vol. 300, Page 495, Deed of Trust Records, filed 5/22/95
Smith County, TX	Vol. 3662, Page 219, filed 5/19/95
Stonewall County, TX	Vol. 79, Page 209, Deed of Trust Records, filed 5/19/95
Campbell County, WY	Book 1336, Page 546, filed 5/26/95
Sweetwater County, WY	No. 1189225, Book 863, Page 326, filed 5/19/95
Bureau of Land Management, New Mexico (Lease Nos. USA LC-054667, LC-068037, LC-058626-A, LC-058626-B, LC-060824, LC-060825,	filed 6/23/95
Bureau of Indian Affairs, Muskogee Area Office	filed 8/11/95

State Farm and Loan Office, State of
Wyoming (Lease Nos. 78-0769, O-22688)

filed 8/23/95

Bureau of Land Management, Wyoming
(Lease Nos. USA W-0217684-A, W-582-A,
W-068129-D, W-068129-B, W-068134-F,
W-0100885-A, W-108050-A, W-0129100,
W-0202917, W-2712, W-7750, W-8516, W-
0123071, W-0123071-A, W-0123071-B, W-
0123079, W-0180872, W-0100885-C, W-
30629, W-28673, W-29665, W-56937,
Evanston-025383, Evanston-025420,
Evanston-026076, Evanston-026083,
Evanston-026084, Evanston-026085, W-
0403, W-0737, W-0910, W-01175, W-
02151, W-02181, W-02271, W-05566, W-
06133, W-014548, W-014549, W-018635,
W-018786, W-020292, W-029324, W-
039722, W-025723, W-0311292)

rejected 6/14/95 as this office will not accept
mortgages for filing

as amended by that certain First Amendment to Deed of Trust, Mortgage, Assignment, Security
Agreement, Fixture Filing and Financing Statement dated January 13, 1997, from Alcalde
Energy Corp. and Headington Minerals, Inc. to Union Bank of California, N.A., Agent.

Recording Jurisdiction

Recording Data

Franklin Parish, LA

Reg. No. 284146,
Mtg. Book 253,
filed 3/6/97

Richland County, MT

Book B151, Page 826,
filed 2/27/97

Beaver County, OK

Book 982, Page 711,
filed 2/27/97

Caddo County, OK

Book 2105, Page 198,
filed 2/27/97

Carter County, OK

Book 3104, Page 231,
filed 3/5/97

Custer County, OK

Book 995, Page 334,
filed 3/5/97

Dewey County, OK

Book 1062, Page 331,
filed 3/6/97

Garvin County, OK

Book 1472, Page 273,
filed 3/5/97

Kay County, OK

Book 975, Page 023,
filed 3/13/97

Lincoln County, OK	Book 1322, Page 391, filed 3/21/97
Major County, OK	Book 1426, Page 226, filed 3/13/97
McClain County, OK	Book 1445, Page 1, filed 3/13/97
Pontotoc County, OK	Book 1484, Page 501, filed 3/13/97
Roger Mills County, OK	Book 1517, Page 97, filed 3/19/97
Seminole County, OK	Book 2023, Page 1, filed 3/19/97
Stephens County, OK	Book 2025, Page 201, filed 3/26/97
Coke County, TX	Vol. 88, Page 170, filed 2/27/97
Cooke County, TX	Vol. 967, Page 346, filed 2/27/97
Crane County, TX	Vol. 384, Page 645, filed 2/27/97
Dawson County, TX	Vol. 232, Page 547, filed 2/28/97
Hartley County, TX	Vol. 40, Page 321, filed 2/27/97
Lipscomb County, TX	Vol. 365, Page 723, filed 2/27/97
Loving County, TX	Vol. 50, Page 351, Deed of Trust Records, filed 2/28/97
Scurry County, TX	Vol. 308, Page 349, filed 2/27/97
Smith County, TX	Vol. 3920, Page 868, filed 2/27/97
Stonewall County, TX	Vol. 398, Page 704, filed 2/27/97
Campbell County, WY	Book 1417, Page 440, Photos, filed 2/27/97
Sweetwater County, WY	Book 883, Page 868, filed 2/27/97

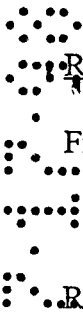
Bureau of Indian Affairs, Muskogee Area
Office (BIA Contact Nos. 14-20-0402-5888
and 14-20-402-1477 in McClain County,
OK, and 1-27-IND-334 in Seminole County,
OK)

received in their office on 3/7/97

State Farm and Loan Office, State of
Wyoming (Lease Nos. 78-0769, O-22688)

sent 2/27/97

as amended by that certain Second Amendment to Deed of Trust, Mortgage, Assignment,
Security Agreement, Fixture Filing and Financing Statement dated September 16, 1997 from
Alcalde Energy Corp. and Headington Minerals, Inc. to Union Bank of California, N.A., Agent.



Recording Jurisdiction

Recording Data

Franklin Parish, LA

Mtg. Book 257, Page 615,
Register No. 286247,
filed 9/23/97

Richland County, MT

Book B153, Page 911,
filed 9/24/97

Beaver County, OK

Book 993, Page 236,
filed 9/23/97

Caddo County, OK

Book 2134, Page 366,
filed 9/25/97

Carter County, OK

Book 3175, Page 194,
filed 9/23/97

Custer County, OK

Book 1010, Page 167,
filed 9/23/97

Dewey County, OK

Book 1072, Page 477,
filed 9/23/97

Garvin County, OK

Book 1488, Page 342,
filed 9/23/97

Kay County, OK

Book 992, Page 757,
filed 9/23/97

Lincoln County, OK

Book 1336, Page 636,
filed 9/23/97

Major County, OK

Book 1439, Page 24,
filed 9/23/97

McClain County, OK

Book 1462, Page 50,
filed 9/23/97

Pontotoc County, OK	Book 1495, Page 784, filed 9/23/97
Roger Mills County, OK	Book 1534, Page 268, filed 9/23/97
Seminole County, OK	Book 2055, Page 101, filed 9/23/97
Stephens County, OK	Book 2072, Page 235, filed 9/23/97
Coke County, TX	Vol. 99, Page 169, filed 9/23/97
Cooke County, TX	Vol. 987, Page 437, filed 9/24/97
 Crane County, TX	Vol. 390, Page 491, filed 9/24/97
 Dawson County, TX	Vol. 234, Page 761, Deed of Trust Records, filed 9/23/97
 Hartley County, TX	Vol. 43, Page 297, filed 9/23/97
Lipscomb County, TX	Vol. 370, Page 500, Real Property Records, filed 9/23/97
Loving County, TX	Vol. 51, Page 330, Deed of Trust Records, filed 9/23/97
Scurry County, TX	Vol. 311, Page 491, filed 9/23/97
Smith County, TX	Vol. 4034, Page 143, filed 9/23/97
Stonewall County, TX	Vol. 82, Page 405, Deed of Trust Rercords, filed 9/23/97
Campbell County, WY	Book 1448, Page 143, Photos, filed 9/29/97
Sweetwater County, WY	Book 890, Page 311, filed 9/24/97

Bureau of Indian Affairs, Muskogee Area
Office (BIA Contact Nos. 14-20-0402-5888
and 14-20-402-1477 in McClain County,
OK, and 1-27-IND-334 in Seminole County,
OK)

sent 9/25/97

State Farm and Loan Office, State of
Wyoming (Lease Nos. 78-0769, O-22688)

filed 10/24/97



EXHIBIT "A"

Loving County, Texas

DATE: February 21, 1948
LESSOR: Mabel Bailey, et al
LESSEE: Intercoast Petroleum Corp.
RECORDED: Book 6, Page 358
LANDS: T & P RR Co. Survey, Block 54, Township 1
Section 48: NW/4 SW/4; SE/4SW/4; E/2 NW/4;
W/2 SE/4; E/2 NE/4; LIMITED FROM SURFACE
TO 4,900 FEET



EXHIBIT "A"
MENTONE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714431-000
LESSOR: Anthony, H.F., Individually & as Agent and Attorney-in-Fact
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 51 PAGE 839.
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714431-001
LESSOR: Sherley, Mary Jane McCarter
LEASE DATE: 07/27/78
RECORDING DATA: BOOK 52 PAGE 125
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714431-002
LESSOR: Roberts, Opal McCarter
LEASE DATE: 07/27/78
RECORDING DATA: BOOK 52 PAGE 128
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714431-003
LESSOR: McCarter, Vera
LEASE DATE: 07/27/78
RECORDING DATA: BOOK 52 PAGE 131
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714431-004
LESSOR: Kendall, Tom
LEASE DATE: 07/27/78
RECORDING DATA: BOOK 52 PAGE 134
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714431-005
LESSOR: Garrett, R.L., Jr.
LEASE DATE: 07/27/78
RECORDING DATA: BOOK 52 PAGE 137
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714431-006
LESSOR: Giles, Mary Kathryn Garrett
LEASE DATE: 07/27/78
RECORDING DATA: BOOK 52 PAGE 140
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714431-007
LESSOR: Grimmett, Robert P., Jr.
LEASE DATE: 07/27/78
RECORDING DATA: BOOK 52 PAGE 325
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey

MENTONE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714431-008
LESSOR: McCrea, Marshall S., Jr. & McRea, George E., Trustees, et al
LEASE DATE: 10/03/78
RECORDING DATA: BOOK 52 PAGE 736
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714431-009
LESSOR: U.V. Industries, Inc.
LEASE DATE: 09/29/78
RECORDING DATA: BOOK 53 PAGE 146
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714431-010
LESSOR: Bell, Young & Allen, Jessie B., Co-Trustees
LEASE DATE: 08/28/63
RECORDING DATA: BOOK 23 PAGE 556
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RR Co. Survey, limited to depths below 200 feet below the Lamar Lime in the Bell Canyon Formation

ORYX LEASE NO.: 714431-011
LESSOR: Olix Energy Company
LEASE DATE: 04/11/79
RECORDING DATA: BOOK 53 PAGE 622
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714451-000
LESSOR: Dripps, Raymond M., Individually and as Independent Executor
LEASE DATE: 09/15/73 as extended 09/20/78
RECORDING DATA: BOOK 39 PAGE 108; Extension Recorded Book 52, Page 334
DESCRIPTION: The Southwest forty (SW/40) acres of Lot 11, Section 81, Block 33, H&TC RR Co. Survey, limited to depths below 11,600 feet down to but not below 19,312 feet; said depths to be measured vertically from the surface of the earth

ORYX LEASE NO.: 714589-000
LESSOR: University Church of Christ, Abilene, Texas
LEASE DATE: 12/15/78
RECORDING DATA: BOOK 54 PAGE 64
DESCRIPTION: A tract of 280.267 acres out of the SE/2 of Section 80, Block 33, H&TC RY Co. Survey, and being all of Lots 33 through 45 and all of Lots 52 through 64 and those parts of Lots 46 and 51 which are located Southwest of the boundary line of the American Quasar Petroleum Company's 704 acre Ford Chapman Unit (Recorded Vol. 50, Pg. 710, Deed Records, Loving County, Texas). Said Lots being shown by W. H. Thaxton's Subdivision Plat on said Section 80 of Block 33, H&TC RY Co. Survey on record in the office of the County Clerk of Loving County, Texas, and estimated to contain 280.267 acres, more or less.

MENTONE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714589-001
LESSOR: The Children's Home of Lubbock and The Home for the
Aged, Gunter, Texas
LEASE DATE: 12/15/78
RECORDING DATA: BOOK 54 PAGE 69
DESCRIPTION: A tract of 280.267 acres out of the SE/2 of
Section 80, Block 33, H&TC RY Co. Survey, and
being all of Lots 33 through 45 and all of Lots 52
through 64 and those parts of Lots 46 and 51 which
are located Southwest of the boundary line of the
American Quasar Petroleum Company's 704 acre Ford
Chapman Unit (Recorded Vol. 50, Pg. 710, Deed
Records, Loving County, Texas). Said Lots being
shown by W. H. Thaxton's Subdivision Plat on said
Section 80 of Block 33, H&TC RY Co. Survey on
record in the office of the County Clerk of Loving
County, Texas, and estimated to contain 280.267
acres, more or less.

ORYX LEASE NO.: 714591-000
LESSOR: First National Bank of Odessa, Texas, Trustee
LEASE DATE: 08/10/79
RECORDING DATA: BOOK 55 PAGE 429
DESCRIPTION: NE 10.62 acres of Lot 11, Section 81, Block 33,
H&TC RR Co. Survey

ORYX LEASE NO.: 714591-001
LESSOR: Angehr, James C., et ux
LEASE DATE: 04/25/74
RECORDING DATA: BOOK 40 PAGE 581
DESCRIPTION: NE 10.62 acres of Lot 11, Section 81, Block 33,
H&TC RR Co. Survey

ORYX LEASE NO.: 714592-000
LESSOR: Flag-Redfern Oil Company
LEASE DATE: 03/19/80
RECORDING DATA: BOOK 56 PAGE 707
DESCRIPTION: A 267.198 acre tract out of NW/2 Section 80, Block
33, H&TC RR Co. Survey, and being more particularly
described as Tract No. 5 in that certain
Declaration of Gas Pooling for the Arno Gas Unit
No. 1, a Counterpart copy of which is dated
10/08/79, and recorded in Volume 60, Page 382 of
the Deed Records of Loving County, Texas, reference
to which is made for all purposes, as to and only
as to all depth rights and strata lying between the
subsurface depths of 11,600 feet and 19,312 feet,
being bottomed in the Montoya Formation

MENTONE FIELD
LOVING COUNTY, TEXASLEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714443-000
LESSOR: Raymond, James M.
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 52 PAGE 143
DESCRIPTION: Farm Lots 47, 51, 57 & 58, Section 79, Block 33,
H&TC RR Co. Survey, below the base of the Delaware
Formation

ORYX LEASE NO.: 714443-001
LESSOR: Vaughan, Ruth M.
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 51 PAGE 841
DESCRIPTION: Farm Lots 47, 51, 57 & 58 Section 79, Block 33,
H&TC RR Co. Survey, below the base of the Delaware
Formation

ORYX LEASE NO.: 714443-002
LESSOR: Williams, Dorothy Jane, et vir
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 52 PAGE 145
DESCRIPTION: Farm Lots 47, 51, 57 & 58, Section 79, Block 33,
H&TC RR Co. Survey, below the base of the Delaware
Formation

ORYX LEASE NO.: 714443-003
LESSOR: Fisher, Mary D.
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 52 PAGE 147
DESCRIPTION: Farm Lots 47, 51, 57 & 58, Section 79, Block 33,
H&TC RR Co. Survey, below the base of the Delaware
Formation

ORYX LEASE NO.: 714443-004
LESSOR: Petke, Brenda Vaughn
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 52 PAGE 149
DESCRIPTION: Farm Lots 47, 51, 57 & 58, Section 79, Block 33,
H&TC RR Co. Survey, below the base of the Delaware
Formation

ORYX LEASE NO.: 714443-005
LESSOR: Ridgley, Nancy Vaughn
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 52 PAGE 327
DESCRIPTION: Farm Lots 47, 51, 57 & 58, Section 79, Block 33,
H&TC RR Co. Survey, below the base of the Delaware
Formation

ORYX LEASE NO.: 714445-000
LESSOR: Vanderlee, John
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 51 PAGE 843
DESCRIPTION: Farm Lot 60, Section 79, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714446-000
LESSOR: Spear, Ellie
LEASE DATE: 03/14/79
RECORDING DATA: BOOK 53 PAGE 663
DESCRIPTION: Insofar and only insofar as lease covers Farm Lots
41, 42, 45, 46, 49, 50, 55 & 56, Section 79, Block
33; H&TC RR Co. Survey and Lot 42, Section 77,
Block 33; H&TC RR Co. Survey

MENTONE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714446-001
LESSOR: Spear, Howell
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 51 PAGE 845
DESCRIPTION: Insofar and only insofar as lease covers Farm Lots 41, 42, 45, 46, 49, 50, 55 & 56, Section 79, Block 33, H&TC RR Co. Survey and Lot 42, Section 77, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714456-000
LESSOR: Starr Commonwealth For Boys, A Michigan Corporation
LEASE DATE: 08/31/78
RECORDING DATA: BOOK 52 PAGE 323
DESCRIPTION: SW/4 NE/2 and Lots 2, 4, 6 & 8 of F. N. Johnson's Subdivision of the SW/2 of Section 78, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714456-001
LESSOR: U V Industries, Inc.
LEASE DATE: 09/29/78
RECORDING DATA: BOOK 53 PAGE 143
DESCRIPTION: Lots 2, 4, 6 & 8 and SW/4 NE/2, Section 78, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714456-002
LESSOR: Felmont Oil Corporation
LEASE DATE: 07/21/80
RECORDING DATA: BOOK 57 PAGE 822
DESCRIPTION: South 31.345 acres of SW/4 NE/2 and Farm Lots 2, 4, 6 & 8, F. N. Johnson Subdivision of Section 78, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714466-000
LESSOR: Goodrich, Anna, et al
LEASE DATE: 04/01/79
RECORDING DATA: BOOK 55 PAGE 258
DESCRIPTION: Insofar and only insofar as lease covers Lots 1, 3, 5, & 7 of F. N. Johnson's Subdivision of Section 78, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714466-002
LESSOR: Hubbard, Herman Peirce, et al
LEASE DATE: 09/14/78
RECORDING DATA: BOOK 53 PAGE 107
DESCRIPTION: Insofar and only insofar as lease covers the SW/4 NE/2 and Lots 2, 4, 6 & 8 of F. N. Johnson's Subdivision of the SW/2 of Section 78, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714466-003
LESSOR: Transwestern, Inc.
LEASE DATE: 12/04/78
RECORDING DATA: BOOK 54 PAGE 546
DESCRIPTION: Insofar and only insofar as lease covers Farm Lots 2, 4, 6 & 8 of F. N. Johnson's Subdivision of the SW/2 and the SW/4 NE/2, all in Section 78, Block 33, H&TC RR Co. Survey

MENTONE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714582-000
LESSOR: State of Texas M-78845
LEASE DATE: 02/06/79
RECORDING DATA: BOOK 53 PAGE 625
DESCRIPTION: Mid/Part of SW/Part of Section 78, Block 33, H&TC
RY Co. Survey, as shown on the official map of
Loving County, Texas, now on file in the General
Land Office in Austin, Texas, and as further shown
on the plat attached to and made a part of State
of Texas Lease No. M-78845 as it appears of record
in Book 53 at Page 625 of the Oil & Gas Lease
Records of Loving County, Texas

ORYX LEASE NO.: 714584-000
LESSOR: Hammarlund, George, et al
LEASE DATE: 10/01/63
RECORDING DATA: BOOK 23 PAGE 278
DESCRIPTION: Lots 43 & 44, Section 79, Block 33, H&TC RR Co.
Survey, limited to depths below 200 feet below the
Lamar Lime in the Bell Canyon Formation

ORYX LEASE NO.: 714585-000
LESSOR: Bell, Young, Trustee, et al
LEASE DATE: 08/28/63
RECORDING DATA: BOOK 23 PAGE 556
DESCRIPTION: Lots 61 thru 68 inclusive and Lots 71, 72, 75, 76
and 78, Section 79, Block 33, H&TC RR Co. Survey,
limited to depths below 200 feet below the Lamar
Lime in the Bell Canyon Formation

ORYX LEASE NO.: 714586-000
LESSOR: Prindle, Charles R.
LEASE DATE: 10/01/63
RECORDING DATA: BOOK 23 PAGE 243
DESCRIPTION: Lots 48 and 52 of Section 79, Block 33, H&TC RR
Co. Survey, limited to depths below 200 feet below
the Lamar Lime in the Bell Canyon Formation

ORYX LEASE NO.: 714588-000
LESSOR: McCrea, Marshall S. Jr., Trustee
LEASE DATE: 10/03/78
RECORDING DATA: BOOK 53 PAGE 4
DESCRIPTION: Lots 31, 32, 35, 36, 41, 42, 45, 46, 49, 50, 53,
55, 56 and 59, Section 79, Block 33, H&TC Ry Co.
Survey

ORYX LEASE NO.: 714590-000
LESSOR: Bush, Jessie W., et ux
LEASE DATE: 04/20/79
RECORDING DATA: BOOK 54 PAGE 527
DESCRIPTION: Lots 29, 30, 33 & 34 and the Most Southwesterly
338 feet of Porterville Townsite, Section 79,
Block 33, H&TC RR Co. Survey, same being all that
portion of lands covered by Oil and Gas Lease
dated 4/8/74 between Jesse W. Bush et ux as
lessors and Griffin, Ross & Burnett, Inc. as
lessee, Recorded in Vol. 43, Pg. 131, Oil and Gas
Lease Records of Loving County, Texas, which is
not included in the Gataga Gas Unit No. 2 which
was established by the Railroad Commission of
Texas Special Order date 6/23/75 in the Oil and
Gas Docket No. 8-65-012, and Recorded in Vol. 51,
Pg. 221, Deed Records of Loving County, Texas; All
limited to depths below a depth of 5,000 feet
below the surface of the earth

MENTONE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714593-000
LESSOR: Boddy, H. M. & Boddy, Vivan, Individually and as Independent Executor of Estate of J. E. Boddy, deceased

LEASE DATE: 03/31/80
RECORDING DATA: BOOK 56 PAGE 702
DESCRIPTION: Lots numbered 19 to 29 inclusive, of the F.N. Johnson Subdivision of Section 78, Block 33, H&TC Ry Co. Survey, as per plat thereof, recorded in Book 3, Page 617, Deed Records of Loving County, Texas, said Lots being in the Southwest end of said Section.

ORYX LEASE NO.: 714594-000
LESSOR: Felmont Oil Corporation
LEASE DATE: 03/01/79
RECORDING DATA: BOOK 56 PAGE 109
DESCRIPTION: Insofar and only insofar as lease covers Farm Lots 41, 42, 45, 46, 49, 50, 55, 56, 69, 70, 73, 74 and 77, of E. L. Stratton's Subdivision of Section 79, Block 33, H&TC Ry Co. Survey as per plat of said Subdivision duly recorded in Deed Records of Loving County, Texas.

ORYX LEASE NO.: 716900-000
LESSOR: Kern, Boyd E., Independent Executor of the Estate of Betty R. Kern, deceased
LEASE DATE: 04/11/80
RECORDING DATA: BOOK 56 PAGE 566
DESCRIPTION: Insofar and only insofar as lease covers Farm Lots 37 & 38 of E. L. Stratton's Subdivision of Section 79, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 716914-000
LESSOR: United States Smelting, Refining and Mining Co.
LEASE DATE: 10/14/63
RECORDING DATA: BOOK 23 PAGE 235
DESCRIPTION: Lots 61, 62, 63, 64, 65, 66, 67, 68, 71, 72, 75, 76 and 78, Section 79, Block 33, H&TC RR Co. Survey, limited to depths below 200 feet below the Lamar Lime in the Bell Canyon Formation

THE PROPERTIES AND INTERESTS DESCRIBED IN CONNECTION WITH THE ABOVE-NAMED FIELD ARE SUBJECT TO THE ASSOCIATED CONTRACTS AND MISCELLANEOUS AGREEMENTS DESCRIBED ON THE SCHEDULE ATTACHED HERETO FOR SUCH FIELD.

SCHEDULE OF ASSOCIATED CONTRACTS AND MISCELLANEOUS AGREEMENTSMENTONE FIELD
LOVING COUNTY, TEXAS

<u>TYPE OF AGREEMENT</u>	<u>DATE</u>	<u>CONTRACT NO.</u>	<u>CONTRACT DATA</u>
Letter Agreement	09/28/79	C-1826	(PN 411021) Arno Unit #1 and (PN 410938) Arno Unit #2
Operating Agreement	09/25/79	C-1826-A	(PN 411021) Arno Unit #1
Unitization Agreement	01/10/80	C-1826-B	
Operating Agreement	07/01/80	C-1826-C	(PN 410938) Arno Unit #2
Unitization Agreement	08/01/80	C-1826-D	
Miscellaneous Agreement	07/21/80	In Lse. File 714456-000	
Letter Agreement	10/03/78	In Lse. File 714588-000	
Letter Agreement (1)	09/28/79	In Lse. File 714589-000	
Letter Agreement (2)	09/28/79	In Lse. File 714589-000	
Miscellaneous Agreement	04/15/79	In Lse. File 714594-000	

<u>TYPE OF AGREEMENT</u>	<u>DATE</u>	<u>CONTRACT NO.</u>	<u>GAS PURCHASER</u>
Gas Contract	12/03/80	51692	Intratex Gas Co.

EXHIBIT "A"
GRICE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 504096-000
LESSOR: Bailey, Mabel et al
LEASE DATE: 02/21/48
RECORDING DATA: BOOK 6 PAGE 358
DESCRIPTION: Insofar and only insofar as the lease covers W/2 NE/4 and the NE/4 SW/4, W/2 NW/4 Sec. 48, Blk 54, Township 1, T&P Ry Co. Survey, from the surface to a depth of 4,900 feet.

ORYX LEASE NO.: 504097-000
LESSOR: Fraser, George C. et al
LEASE DATE: 11/22/49
RECORDING DATA: BOOK 7 PAGE 379
DESCRIPTION: The W/2 SW/4 Sec. 37, Blk. 54, T-1, T&P Ry. Co. Survey, from the surface to 5,000 feet.

ORYX LEASE NO.: 504098-000
LESSOR: Johnson, W. D., Jr. et al
LEASE DATE: 07/03/50
RECORDING DATA: BOOK 8 PAGE 481
DESCRIPTION: The N/2 SE/4 from the surface to 4699 feet of Sec. 38, Blk 54, Township 1, T&P Ry. Co. Survey.

ORYX LEASE NO.: 504099-000
LESSOR: Johnson, W. D., Jr. et al
LEASE DATE: 02/07/50
RECORDING DATA: BOOK 8 PAGE 159
DESCRIPTION: The N/2 NE/4 from the surface to 5,300 feet in Sec. 38, Blk 54, T-1, T&P Ry. Co. Survey.

THE PROPERTIES AND INTERESTS DESCRIBED IN CONNECTION WITH THE ABOVE-NAMED FIELD ARE SUBJECT TO THE FOLLOWING DESCRIBED ASSOCIATED CONTRACTS AND MISCELLANEOUS AGREEMENTS:

<u>TYPE OF AGREEMENT</u>	<u>DATE</u>	<u>CONTRACT NO.</u>	<u>CONTRACT DATA</u>
Operating Agreement	05/15/63	5-7630	Operating Agreement.
Operating Agreement	09/01/59	5-7629	Johnson 48-C
Operating Agreement	09/01/59	5-7628	Johnson, W D 48, A
Unitization Agreement	10/30/57	504099	Designation of Drill Site

<u>TYPE OF AGREEMENT</u>	<u>DATE</u>	<u>CONTRACT NO.</u>	<u>GAS PURCHASER</u>
Gas Contract	04/02/74	10479	Phillips Petroleum Co.

07-01-98A09:39 FILE

FILE NO: 98 661

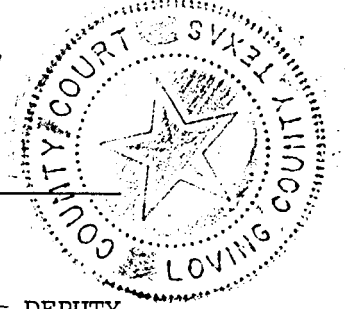
GRANTOR: HEADINGTON OIL COMPANY, L.P., ET AL

GRANTEE: UNION BANK/CALIFORNIA, N.A., AGENT, ET AL

I, LENELL CHANDLER, Clerk of the County Court, in and for said County, do hereby certify that the within instrument in writing, dated 06/26/1998 with its certification of authentication, was filed for record in my office 07/01/1998 at 9:39AM o'clock and recorded 07/01/1998 at 2:00 P.M. in the DEED/TRUST Records of Loving County, Texas, in VOL 52 , PG: 444. Witness my Hand and Seal of Said Court, at office in Mentone, Texas, on date and year last above written.

LENELL CHANDLER, COUNTY CLERK
LOVING COUNTY, TEXAS

Sherlene Burrows, DEPUTY
SHERLENE BURROWS



FEE: 137.00

M-78845 (31)
Assign
7.17.98

7.17.98



Texas General Land Office
Garry Mauro, Commissioner

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701-1495
(512) 463-5001

September 24, 1998

Attention: Peggy Ballard
Thompson & Knight
Attorneys and Counselors
1700 Pacific Avenue, Suite 3300
Dallas, Texas 75201-4693

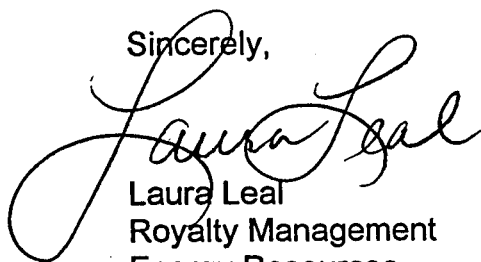
Dear Ms. Ballard :

The General Land Office received the following instruments on July 17, 1998 , and has filed them in Leases, M- 78845.

Documents of Deed, Mortgage, Security Agreement, Fixture Filing, Financial Statement Assignment of an Oil and Gas Lease effective and executed on June 26, 1998 from Headington Oil Company, L.P. and Headington Minerals, Inc. to Union Bank of California, N.A. Loving County, Texas.

\$25.00 was received concerning the aforementioned documents. If you have any questions, please feel free to call me at (512) 475-1540.

Sincerely,



Laura Leal
Royalty Management
Energy Resources

M-78845 (32)
Ltr
9-24-98

Texas General
Land Office



David Dewhurst
Commissioner

COPY

January 11, 2000

Ms. Linda Rainer
Thompson & Knight L.L.P.
1700 Pacific Avenue Suite 3300
Dallas, Texas 75201-1751

RE: Mineral Lease Assignment

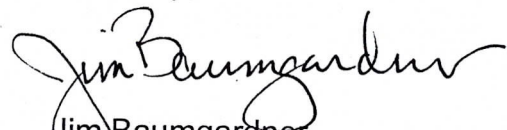
Dear Ms. Rainer:

The General Land Office received the following instrument on November 18, 1999, and has filed it in MF078845.

Second Supplement and Amendment to Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement (100%) with an execution date of October 26, 1999, from Headington Oil Company, L.P. and Headington Minerals, Inc., as Assignor, to Union Bank of California, N.A., as Assignee, recorded in Loving County, Texas.

Filing fees of \$25.00 were received in connection with the above assignment. If you have any questions, please feel free to call me at (512) 475-2230.

Sincerely,


Jim Baumgardner
Landman
Energy Resources

Stephen F. Austin Building

1700 North
Congress Avenue

Austin, Texas
78701-1495

512-463-5001

Thompson & Knight; MF078845

THOMPSON & KNIGHT L.L.P. TRUST ACCOUNT

VENDOR: 62690

DATE: 01/07/00

CHECK #: 11842

TEXAS GENERAL LAND OFFICE

TRUST CHECK 11842

FILING FEES/84421.00033

CHECK
NUMBER

011842

DATE OF
INVOICE

INVOICE
NUMBER

VOUCHER
NUMBER

254141

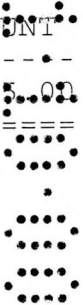
129

AUTH: TWD

00023030

CHECK AMOUNT

\$ Cash 25.00



THOMPSON & KNIGHT

L.L.P.

ATTORNEYS AND COUNSELORS

1700 PACIFIC AVENUE • SUITE 3300
DALLAS, TEXAS 75201-4693
(214) 969-1700
FAX (214) 969-1751
www.tklaw.com

DIRECT DIAL:
(214) 969-1449
E-Mail: RainerL@tklaw.com

AUSTIN
DALLAS
FORT WORTH
HOUSTON
MONTERREY, MEXICO

2826
MF078845

December 31, 1999

General Land Office
Oil and Gas Division
Legal Department
1700 North Congress
Austin, TX 78701
Attn: Jim Baumgardner

Jim:

As requested enclosed herewith is certified copy of the Deed titled Second Supplement and Amendment to Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement **between Headington Oil Company and Union Bank of California recorded 11/5/99 in Vol. 10, Page 292.** Also enclosed is a check for \$25.00 to cover the filing fee and for your convenience, I have enclosed a self-addressed, postage paid, envelope for return of the recorded instrument.

Thank you for your assistance in this matter, if you have any questions or concerns, please contact me at 1-800-777-9696, extension 1449.

Sincerely,

Linda Graham Rainer

LR/bja
Enc.
RECEIVED
00 JAN 3 PM 4:15
ENERGY RESOURCES
84421 00083 dallas 1090657.1

THOMPSON & KNIGHT

L.L.P.

ATTORNEYS AND COUNSELORS

1700 PACIFIC AVENUE • SUITE 3300

DALLAS, TEXAS 75201-4693

(214) 969-1700

FAX (214) 969-1751

www.tklaw.com

DIRECT DIAL:

(214) 969-1321

E-Mail: allenb@tklaw.com

AUSTIN

DALLAS

FORT WORTH

HOUSTON

MONTERREY, MEXICO

November 17, 1999

VIA UPS

General Land Office
Oil and Gas Division
Legal Department
1700 North Congress
Austin, TX 78701

Attention: Laura Leal

Re: Second Supplement and Amendment to Amended and Restated Deed of Trust,
Mortgage, Assignment, Security Agreement, Fixture Filing and Financing
Statement from **Headington Oil Company, L.P. and Headington Minerals Inc.**
to Randy Osterberg, Trustee, in favor of **Union Bank of California, N.A., as
Agent**

State of Texas General Land Office
Lease No. M-78845

••••• Dear Laura:

•••••

Please find enclosed the above referenced document for filing in your Mortgage Records.

•••••

Please return the recorded document in the enclosed stamped addressed envelope.

•••••

If you need additional information please call me immediately at (800) 777-9696, extension
1449. Thank you for your attention to this matter.

•••••

•••••

Sincerely,

Linda Rainer *BR*

Linda Rainer

Enclosures

HOCLP 2 sup.

84421 00033 Dallas 1073503.4

**SECOND SUPPLEMENT AND AMENDMENT TO
AMENDED AND RESTATED DEED OF TRUST, MORTGAGE, ASSIGNMENT,
SECURITY AGREEMENT, FIXTURE FILING AND
FINANCING STATEMENT**

Recitals:

1. Reference is made to that certain Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement (the "Original Mortgage") dated June 26, 1998, from Headington Oil Company, L.P. (doing business in the State of Montana as Headington Oil, Limited Partnership) ("HOCLP") and Headington Minerals, Inc. ("HMI") (HOCLP and HMI are herein and in the Original Mortgage collectively called "Mortgagor") to Randy Osterberg, Trustee, in favor of Union Bank of California, N.A., as Agent (herein and in the Original Mortgage called "Agent"), recorded as shown on Schedule II attached hereto and made a part hereof.

The Original Mortgage has heretofore been amended by that certain First Amendment to Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement (the "First Mortgage Amendment") dated June 30, 1998, recorded as shown on Schedule II (The Original Mortgage, as amended by the First Mortgage Amendment, is herein called the "Existing Mortgage").

2. Certain amendments to the Credit Agreement (referred to in Section (a) of Section 1.A. below) have been executed, and Mortgagor has executed and delivered certain new promissory notes (more particularly described in Sections (b), (c) and (d) of Section 1.A. below) which are in renewal and extension of the promissory notes described in Section 1.3(b), 1.3(c) and 1.3(d) of the Existing Mortgage.

3. Mortgagor and Agent desire to execute this instrument (herein called this "Second Mortgage Amendment"; the Existing Mortgage as supplemented and amended by this Second Mortgage Amendment is herein sometimes called the "Mortgage") in order to reflect of record such amendments to the Credit Agreement and such new notes, and in order to further secure payment of the secured indebtedness (as defined in the Mortgage).

Supplement and Amendment:

NOW, THEREFORE, to secure payment of the secured indebtedness, and the performance of the obligations, covenants, agreements, warranties and undertakings contained herein or in the Existing Mortgage, and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration in hand paid to Mortgagor, the receipt and sufficiency of which are hereby acknowledged, the parties hereto have agreed and do hereby agree as follows:

84421 00033 DALLAS 1051926.1



A Certified Copy
If it bears the seal & name of
the County Clerk imprinted in purple
ink. Attest: 12-30-99
Beverly Hanson County Clerk

1. Amendment.

A. Sections 1.3(a), 1.3(b), 1.3(c) and 1.3(d) of the Existing Mortgage are deleted in their entirety and replaced with the following:

(a) All indebtedness and other obligations now or hereafter incurred or arising pursuant to the provisions of that certain Credit Agreement dated June 26, 1998, between Headington Oil Company, L.P., as Borrower, Headington Resources, Inc., Headington Petroleum, LLC and Headington Nevada, LLC and Union Bank of California, N.A. in its capacity as Agent for the benefit of lenders (herein collectively called "Lender") under the Credit Agreement (such lenders currently are Union Bank of California, N.A., Bank One, Texas, N.A. and Comerica Bank - Texas), as amended by that certain First Amendment to Credit Agreement dated September 27, 1999, and all supplements thereto and amendments or modifications thereof, and all agreements given in substitution therefor or in restatement, renewal or extension thereof, in whole or in part (such Credit Agreement as the same may from time to time be supplemented, amended or modified, and all other agreements given in substitution therefor or in restatement, renewal or extension thereof, in whole or in part, being herein called the "Credit Agreement") (Union Bank of California, N.A. in such capacity as Agent is herein called "Agent" and in its individually capacity is herein called "Union Bank");

(b) One certain promissory note dated September 27, 1999, in the principal amount of Seventy-five Million Dollars (\$75,000,000) made by HOCLP and payable to the order of Union Bank, on or before October 31, 2004, bearing interest as therein provided, and containing a provision for the payment of a reasonable additional amount as attorneys' fees, and all other notes given in substitution therefor or in modification, renewal or extension thereof, in whole or in part;

(c) One certain promissory note dated September 27, 1999, in the principal amount of Thirty Million Dollars (\$30,000,000) made by HOCLP and payable to the order of Bank One, Texas, N.A., on or before October 31, 2004 bearing interest as therein provided, and containing a provision for the payment of a reasonable additional amount as attorneys' fees, and all other notes given in substitution therefor or in modification, renewal or extension thereof, in whole or in part;

(d) One certain promissory note dated September 27, 1999, in the principal amount of Forty-five Million Dollars (\$45,000,000) made by HOCLP and payable to the order of Comerica Bank-Texas, a Texas state banking association, on or before October 31, 2004, bearing interest as therein provided, and containing a provision for the payment of a reasonable additional amount as attorneys' fees, and all other notes given in substitution therefor or in modification, renewal or extension thereof, in whole or in part;

2. Grant and Mortgage. Mortgagor (upon and subject to all the terms, covenants, provisions, conditions and authorization set forth in the Existing Mortgage, as amended hereby) does hereby (a) GRANT, BARGAIN, SELL, CONVEY, TRANSFER, ASSIGN AND SET



A Certified Copy
If it bears the seal & name of
the County Clerk imprinted in purple
ink. Attest: 12-30-99
Beverly Hanson County Clerk

OVER to Randy Osterberg, Trustee (the "Trustee"), and grant to Trustee a POWER OF SALE (pursuant to the Mortgage and applicable law) with respect to, those of the following described properties, rights and interests which are located in (or cover properties located in) the state of Texas or which are located within (or cover properties located within) the offshore area over which the United States of America asserts jurisdiction and to which the laws of Texas are applicable with respect to the Mortgage and/or the liens or security interests created thereby (the "Additional Deed of Trust Mortgaged Properties"), and (b) MORTGAGE, ASSIGN, WARRANT, PLEDGE and HYPOTHECATE to Agent, and grant to Agent a POWER OF SALE (pursuant to the Mortgage and applicable law) with respect to, all of the following described rights, interests and properties which were not granted to Trustee in clause (a) above (the "Additional Other Mortgaged Properties")

A. All rights, titles and interests of HOCLP, and an undivided 41.7456% interest in all rights, titles and interests held (of record or otherwise) by HMI, in and to the oil, gas and/or other mineral properties and/or mineral rights which are described in Exhibit A attached hereto and made a part hereof;

B. Without limitation of the foregoing, all other rights, titles and interests (of whatever kind or character, whether now owned or hereafter acquired by operation of law or otherwise) of HOCLP, and an undivided 41.7456% interest in all other rights, titles and interests (of whatever kind or character, whether now held or hereafter acquired by operation of law or otherwise) held (of record or otherwise) by HMI, in and to (i) the oil, gas and/or mineral leases, mineral deeds, assignments or other agreements described in Exhibit A hereto, and (ii) the lands described or referred to in Exhibit A (or described in any of the instruments described or referred to in Exhibit A), without regard to any limitations as to specific lands or depths that may be set forth in Exhibit A hereto (or in any of the leases or other agreements described in Exhibit A) and further without regard to any undivided interest limitations that may be set forth in Exhibit A hereto or in any of the leases or other agreements described in Exhibit A;

C. All of Mortgagor's interest (whether now owned or hereafter acquired by operation of law or otherwise) in and to all presently existing and hereafter created oil, gas and/or mineral unitization, pooling and/or communitization agreements, declarations and/or orders, and in and to the properties, rights and interests covered and the units created thereby (including, without limitation, units formed under orders, rules, regulations or other official acts of any federal, state or other authority having jurisdiction), which cover, affect or otherwise relate to the properties, rights and interests described in clause A or B above, to the extent and only to the extent such interest is attributable to the properties, rights and interests described in clause A or B above;

D. All of Mortgagor's interest in and rights under (whether now owned or hereafter acquired by operation of law or otherwise) all presently existing and hereafter created operating agreements, equipment leases, production sales contracts, processing agreements, transportation agreements, gas balancing agreements, farmout and/or farm-in agreements, salt water disposal agreements, area of mutual interest agreements, and other



A Certified Copy
If it bears the seal & name of
the County Clerk imprinted in purple
ink. Attest: 12-30-99
Beverly Hanson County Clerk

contracts and/or agreements which cover, affect, or otherwise relate to the properties, rights and interests described in clause A, B or C above or to the operation of such properties, rights and interests or to the treating, handling, storing, processing, transporting or marketing of oil, gas, other hydrocarbons, or other minerals produced from (or allocated to) such properties, rights and interests (including, but not limited to, those contracts listed in Exhibit A hereto), as same may be amended or supplemented from time to time, to the extent and only to the extent such interest and rights are attributable to the properties, rights and interests described in clause A, B or C above; and

E. All of Mortgagor's interest (whether now owned or hereafter acquired by operation of law or otherwise) in and to all improvements, fixtures, movable or immovable property and other real and/or personal property (including, without limitation, all wells, pumping units, wellhead equipment, tanks, pipelines, flow lines, gathering lines, plants, compressors, dehydration units, separators, meters, buildings, injection facilities, salt water disposal facilities, and power, telephone and telegraph lines), and all easements, servitudes, rights-of-way, surface leases, licenses, permits and other surface rights, which are now or hereafter used, or held for use, in connection with the properties, rights and interests described in clause A, B or C above, or in connection with the operation of such properties, rights and interests, or in connection with the treating, handling, storing, processing, transporting or marketing of oil, gas, other hydrocarbons, or other minerals produced from (or allocated to) such properties, rights and interests, to the extent and only to the extent such interest is attributable to the properties, rights and interests described in clause A, B or C above; and

F. All rights, estates, powers and privileges appurtenant to the foregoing rights, interests and properties.

TO HAVE AND TO HOLD (a) the Additional Deed of Trust Mortgaged Properties unto the Trustee, and its successors or substitutes in this trust, and to its or their successors and assigns, in trust, however, upon the terms, provisions and conditions herein set forth, and (b) the Additional Other Mortgaged Properties unto Agent, and Agent's heirs, devisees, representatives, successors and assigns, upon the terms, provisions and conditions herein set forth (the Additional Deed of Trust Mortgaged Properties and the Additional Other Mortgaged Properties are herein sometimes collectively called the "Additional Mortgaged Properties").

3. Mortgagor hereby grants to Agent a security interest in the entire interest of Mortgagor (whether now owned or hereafter acquired by operation of law or otherwise) in and to the Additional Mortgaged Properties, and in and to:

(a) all oil, gas, other hydrocarbons, and other minerals produced from or allocated to the Additional Mortgaged Properties, and any products processed or obtained therefrom (herein collectively called the "Additional Production"), together with all proceeds of Additional Production (regardless of whether Additional Production to which such proceeds relate occurred on or before or after the date hereof), and together with all liens and security interests securing payment of the proceeds of the Additional Production,



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including, but not limited to, those liens and security interests provided for under (i) statutes enacted in the jurisdictions in which the Additional Mortgaged Properties are located, or (ii) statutes made applicable to the Additional Mortgaged Properties under federal law (or some combination of federal and state law);

(b) without limitation of any other provisions of this Section 3, all payments received in lieu of production from the Additional Mortgaged Properties (regardless of whether such payments accrued, and/or the events which gave rise to such payments occurred, on or before or after the date hereof), including, without limitation, "take or pay" payments and similar payments, payments received in settlement of or pursuant to a judgment rendered with respect to take or pay or similar obligations or other obligations under a production sales contract, payments received in buyout or buydown or other settlement of a production sales contract, and payments received under a gas balancing or similar agreement as a result of (or received otherwise in settlement of or pursuant to judgment rendered with respect to) rights held by Mortgagor as a result of Mortgagor (and/or its predecessors in title) taking or having taken less gas from lands covered by an Additional Mortgaged Property (or lands pooled or unitized therewith) than their ownership of such an Additional Mortgaged Property would entitle them to receive (the payments described in this subsection (b) being herein called "Additional Payments in Lieu of Production");

(c) to the extent of the interest therein attributable to the Additional Mortgaged Properties, all equipment, inventory, improvements, fixtures, accessions, goods and other personal property or movable property of whatever nature now or hereafter located on or used or held for use in connection with the Additional Mortgaged Properties (or in connection with the operation thereof or the treating, handling, storing, processing, transporting, or marketing of Additional Production), and all licenses and permits of whatever nature now or hereafter used or held for use in connection with the Additional Mortgaged Properties (or in connection with the operation thereof or the treating, handling, storing, processing, transporting, or marketing of Additional Production), and all renewals or replacements of the foregoing or substitutions for the foregoing;

(d) all contract rights, choses in action (i.e., rights to enforce contracts or to bring claims thereunder) and other general intangibles (regardless of whether the same arose, and/or the events which gave rise to the same occurred, on or before or after the date hereof) related to the Additional Mortgaged Properties, the operation thereof (whether Mortgagor is operator or non-operator), or the treating, handling, storing, processing, transporting, or marketing of Additional Production (including, without limitation, any of the same relating to payment of proceeds of Additional Production or to payment of amounts which could constitute Additional Payments in Lieu of Production);

(e) Without limitation of the generality of the foregoing, any rights and interests of HOCLP under any present or future hedge or swap agreements, cap, floor, collar, exchange, forward or other hedge or protection agreements or transactions relating to crude



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oil, natural gas or other hydrocarbons, or any option with respect to any such agreement or transaction now existing or hereafter entered into by or on behalf of Mortgagor;

(f) all geological, geophysical, engineering, accounting, title, legal, and other technical or business data concerning the Additional Mortgaged Properties, the Additional Production or any other item of Additional Property (as hereinafter defined) which are now or hereafter in the possession of Mortgagor or in which Mortgagor can otherwise grant a security interest, and all books, files, records, magnetic media, and other forms of recording or obtaining access to such data;

(g) all money, documents, instruments, chattel paper, securities, accounts or general intangibles arising from or by virtue of any transaction (regardless of whether such transaction occurred on or before or after the date hereof) related to the Additional Mortgaged Properties, the Additional Production or any other item of Additional Property (all of the properties, rights and interests described in subsections (a), (b), (c), (d), (e) and (f) above and this subsection (g) being herein sometimes collectively called the "Additional Collateral"); and

(h) all proceeds of the Additional Collateral, whether such proceeds or payments are goods, money, documents, instruments, chattel paper, securities, accounts, general intangibles, fixtures, real/immovable property, personal/ movable property or other assets (the Additional Mortgaged Properties, the Additional Collateral and the proceeds of the Additional Collateral being herein sometimes collectively called the "Additional Property").

4. Assignment of Production. Mortgagor does hereby absolutely and unconditionally assign, transfer and set over to Agent all Additional Production which accrues to Mortgagor's interest in the Additional Mortgaged Properties, all proceeds of such Additional Production and all Additional Payments in Lieu of Production (herein collectively referred to as the "Additional Production Proceeds"), together with the immediate and continuing right to collect and receive such Additional Production Proceeds. Mortgagor directs and instructs any and all purchasers of any Additional Production to pay to Agent all of the Additional Production Proceeds accruing to Mortgagor's interest until such time as such purchasers have been furnished with evidence that all secured indebtedness has been paid and that the Mortgage has been released. Mortgagor agrees that no purchasers of the Additional Production shall have any responsibility for the application of any funds paid to Agent.

5. Supplement to Mortgage Exhibits. Exhibit A to the Existing Mortgage is hereby supplemented and amended by adding thereto Exhibit A to this Second Mortgage Amendment. All references in the Mortgage to "Exhibit A" (including, without limitation, references to Exhibit A used in the definition of the term "Mortgaged Properties" set forth in the Existing Mortgage) shall refer collectively to Exhibit A to the Existing Mortgage and to Exhibit A to this Second Mortgage Amendment. Schedule I to the Existing Mortgage is hereby supplemented and amended by adding thereto Schedule I to this Second Mortgage Amendment. All references in the Mortgage to "Schedule I" shall refer collectively to Schedule I to the Existing Mortgage and



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to Schedule I to this Second Mortgage Amendment. Any representations or warranties of Mortgagor made in the Existing Mortgage with respect to the Mortgaged Properties shall also apply to the Additional Mortgaged Properties.

6. Definitions. Henceforth, all references to the "Mortgaged Properties" contained in the Mortgage shall include not only those properties which were included in such definition prior to the execution of this Second Mortgage Amendment but also the Additional Mortgaged Properties, and, henceforth, all references to the "Deed of Trust Mortgaged Properties" contained in the Mortgage shall include not only those properties which were included in such definition prior to the execution of this Second Mortgage Amendment but also the Additional Deed of Trust Mortgaged Properties, and, henceforth, all references to the "Other Mortgaged Properties" contained in the Mortgage shall include not only those properties which were included in such definition prior to the execution of this Second Mortgage Amendment but also the Additional Other Mortgaged Properties. Henceforth, all references to the "Collateral," "the proceeds of the Collateral", the "Production", "Payments in Lieu of Production", and "Production Proceeds" contained in the Mortgage, shall include not only those properties, rights, interests, collateral and proceeds which were included within the scope of such terms prior to the execution of this Second Mortgage Amendment but also the Additional Collateral, the proceeds of the Additional Collateral, the Additional Production, the Additional Payments in Lieu of Production and the Additional Production Proceeds. Henceforth all references to the "Property" contained in the Mortgage, shall include not only those properties, rights, interests, collateral and proceeds which were included in such definition prior to the execution of this Second Mortgage Amendment but also the Additional Property.

7. Effect of Amendment. Except as expressly amended hereby, the Existing Mortgage shall remain in full force and effect. Nothing in this Second Mortgage Amendment releases any right, claim, lien, security interests or entitlement of Agent created by or contained in the Existing Mortgage or releases Mortgagor from any covenant, warranty or obligation created by or contained in the Existing Mortgage. To the fullest extent permitted by applicable law, this Second Mortgage Amendment is intended by the parties to have, and shall have, the same dignity and priority as the Existing Mortgage as originally recorded.

8. Scope of Amendment. This Second Mortgage Amendment represents a supplemental deed of trust and mortgage of both real and personal property, a supplemental security agreement, a supplemental assignment, and a supplemental financing statement, and also covers proceeds and fixtures.

9. Effective as Financing Statement. This Second Mortgage Amendment shall be effective as a financing statement filed as a fixture filing with respect to all fixtures included within the Additional Property. This Second Mortgage Amendment shall also be effective as a financing statement covering minerals and other substances of value which may be extracted from the earth (including without limitation oil and gas), and accounts related thereto, which will be financed at the wellhead or minehead of the wells or mines located on the Additional Mortgaged Properties. This Second Mortgage Amendment is to be filed for record in the real estate records of each county or parish where any part of the Additional Mortgaged Properties is



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situated, and may also be filed in the offices of the Bureau of Land Management or the Minerals Management Service or state agency (or any successor agencies). This Second Mortgage Amendment shall also be effective as a financing statement covering any other Additional Property and may be filed in any other appropriate filing or recording office. The mailing address of Mortgagor is the address of Mortgagor set forth at the end of this Second Mortgage Amendment and the address of Agent from which information concerning the security interests hereunder may be obtained is the address of Agent set forth at the end of this Second Mortgage Amendment. A carbon, photographic, facsimile or other reproduction of this instrument or of any financing statement relating to this instrument shall be sufficient as a financing statement for any of the purposes referred to above

10. Counterparts. This instrument may be executed in several counterparts, all of which are identical, except that, to facilitate recordation, (i) certain counterparts hereof may include only that portion of Exhibit A hereto that contains descriptions of properties located in (or otherwise subject to the requirements and/or protections of the recording or filing acts or regulations of) the recording jurisdiction in which a particular counterpart is to be recorded, and other portions of Exhibit A hereto shall be included in such counterparts by reference only, and (ii) certain counterparts hereof may include (as Attachment 1) portions of Exhibit A to the Existing Mortgage which contain descriptions of properties located in (or otherwise subject to the requirements and/or protections of the recording or filing acts or regulations of) the recording jurisdiction in which the particular counterpart is to be recorded. All of such counterparts together shall constitute one and the same instrument. Complete copies of this instrument, containing the entire Exhibit A, have been retained by Mortgagor and Agent.

..... 11. Ratification, Reconfirmation. The Mortgage is hereby ratified, adopted, confirmed, and renewed. All representations, warranties and covenants of Mortgagor in the Existing Mortgage are hereby repeated, remade and incorporated herein by this reference for the benefit of Agent on and as of the date hereof, except to the extent changed by the transactions contemplated by this Second Mortgage Amendment.

..... 12. Successors and Assigns. The terms, provisions, covenants and conditions hereof shall be binding upon Mortgagor, and the successors and assigns of Mortgagor, and shall inure to the benefit of Agent and its successors and assigns. All references in this instrument to Mortgagor or Agent shall be deemed to include all such successors and assigns.

13. Miscellaneous. This Second Mortgage Amendment shall be considered a "Loan Document", as such term is defined in the Mortgage.

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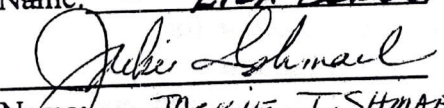


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THUS DONE AND PASSED this 14 day of October, 1999, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Mortgagor and me, Notary, after reading of the whole.

HEADINGTON OIL COMPANY, L.P., doing
business as Headington Oil, Limited Partnership in
the State of Montana

WITNESSES FOR ALL
SIGNATURES:

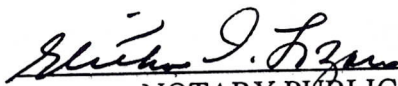

Name: LIZA BERGER

Name: JACKIE ISHMAEL

By:  Headington Petroleum, L.L.C., its general
partner

By: 
Michael E. Tregoning
Vice President and Chief Financial Officer

HEADINGTON MINERALS, INC.

By: 
Michael E. Tregoning
Vice President and Chief Financial Officer


NOTARY PUBLIC

The common address of HOCLP and HMI (Mortgagor) is:

7557 Rambler Road, Suite 1150
Dallas, Texas 75231-4166
(Dallas County)



THUS DONE AND PASSED this ___ day of October, 1999 in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Agent and me, Notary, after reading of the whole.

WITNESSES FOR BOTH
SIGNATURES:

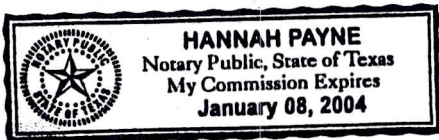
Melissa Cameron
Name: Melissa Cameron

ALI AMED
Name: ALI AMED

UNION BANK OF CALIFORNIA, N.A.

By: [Signature]
Carl Stutzman
Senior Vice President and Manager

By: [Signature]
Dustin Gaspari
Assistant Vice President



Hannah Payne
NOTARY PUBLIC

The address of Agent and Trustee is:

c/o Union Bank Energy Capital Services
500 N. Akard, Suite 4200
Dallas, Texas 75201
(Dallas County)

This instrument prepared by:

Timothy W. Dowdy
Thompson & Knight L.L.P.
1700 Pacific Avenue
Suite 3300
Dallas, Texas 75201



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STATE OF TEXAS §

COUNTY OF DALLAS §

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 26th day of October, 1999, there personally appeared before me Michael E. Tregoning, the Vice President and Chief Financial Officer of Headington Petroleum, L.L.C., a Texas limited liability company, acting as general partner of Headington Oil Company, L.P., a Texas limited partnership, known to me to be such Vice President and Chief Financial Officer, such limited partnership being a party to the foregoing instrument:

LOUISIANA

LOUISIANA

On this date, before me, the undersigned authority, personally came and appeared Michael E. Tregoning, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the Vice President and Chief Financial Officer of Headington Petroleum, L.L.C., a Texas limited liability company, acting as general partner of Headington Oil Company, L.P., a Texas limited partnership, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such limited partnership through such limited liability company as its general partner by proper authority and as the free act and deed of such limited partnership through such limited liability company as its general partner and for the uses & purposes therein set forth and apparent

MONTANA

MONTANA

On this date, before me personally appeared Michael E. Tregoning known to me to be the Vice President and Chief Financial Officer of Headington Petroleum, L.L.C., a Texas limited liability company, acting as general partner of Headington Oil Company, L.P., doing business as Headington Oil, Limited Partnership, a Texas limited partnership, the limited partnership described in and that executed the within and foregoing instrument and acknowledged to me that the limited liability company acting as general partner of the limited partnership executed the same.

NEW MEXICO, OKLAHOMA, TEXAS, and WYOMING

This instrument was acknowledged before me on this date, by Michael E. Tregoning as Vice President and Chief Financial Officer of Headington Petroleum, L.L.C., a Texas limited liability company, as general partner of Headington Oil Company, L.P., a Texas limited partnership, on behalf of said limited liability company acting as general partner of said limited partnership.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Dallas, County of Dallas, State of Texas, on the day and year first above written.



NOTARY PUBLIC, State of Texas



STATE OF TEXAS §
 §
 COUNTY OF DALLAS §

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 14 day of October, 1999, there personally appeared before me Michael E. Tregoning, the Vice President and Chief Financial Officer of Headington Minerals, Inc., a Delaware corporation, known to me to be such officer, such corporation being a party to the foregoing instrument:

LOUISIANA

On this date, before me, the undersigned authority, personally came and appeared Michael E. Tregoning, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the Vice President and Chief Financial Officer of Headington Minerals, Inc., a Delaware corporation, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

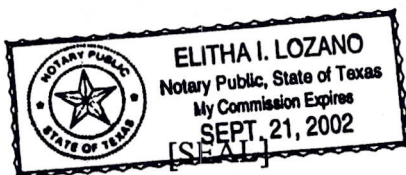
MONTANA

On this date, before me personally appeared Michael E. Tregoning known to me to be the Vice President and Chief Financial Officer of Headington Minerals, Inc., the corporation described in and that executed the within and foregoing instrument and acknowledged to me that the corporation executed the same.

NEW MEXICO, OKLAHOMA, TEXAS, and WYOMING

This instrument was acknowledged before me on this date, by Michael E. Tregoning as Vice President and Chief Financial Officer of Headington Minerals, Inc., a Delaware corporation, on behalf of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Dallas, County of Dallas, State of Texas, on the day and year first above written.



Elitha I. Lozano
 NOTARY PUBLIC, State of Texas

84421 00033 DALLAS 1051926.1

-12-



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STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 14 day of October, 1999, there personally appeared before me Carl Stutzman and Dustin Gaspari, a Senior Vice President and Manager and an Assistant Vice President, respectively, of Union Bank of California, N.A., a national banking association, known to me to be such officers, such association being a party to the foregoing instrument:

LOUISIANA

On this date, before me, the undersigned authority, personally came and appeared Carl Stutzman and Dustin Gaspari, to me personally known and known by me to be the persons whose genuine signatures are affixed to the foregoing document as a Senior Vice President and Manager and an Assistant Vice President, respectively, of Union Bank of California, N.A., a national banking association, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that they signed the above and foregoing document as their own free act and deed on behalf of such association by authority of its board of directors and as the free act and deed of such association and for the uses and purposes therein set forth and apparent, acting as Agent.

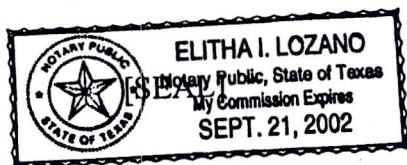
MONTANA

On this date, before me personally appeared Carl Stutzman and Dustin Gaspari known to me to be a Senior Vice President and Manager and an Assistant Vice President, respectively, of Union Bank of California, N.A., a national banking association, the banking association described in and that executed the within and foregoing instrument and acknowledged to me that the association executed the same, acting as Agent.

NEW MEXICO, OKLAHOMA, TEXAS, and WYOMING

This instrument was acknowledged before me on this date, by Carl Stutzman & Dustin Gaspari as Senior Vice President and Manager & Assistant Vice President, respectively, of Union Bank of California, N.A., a national banking association, on behalf of said association, acting as Agent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Dallas, County of Dallas, State of Texas, on the day and year first above written.



Elitha I. Lozano

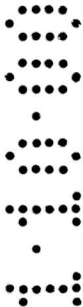
NOTARY PUBLIC, State of Texas



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Schedule I

Property Name	County	WI	NRI
1. East Velma Mid Block Sims SD Unit	Carter OK	.014958	.011484
2. Gladys Love	McClain OK	.730372	.639076
3. NE IAB Unit	Coke TX	.214604	.187778
4. TAS 2 3 4 & 5	Crane TX	.099515	.080855
5. Cowden XX	Crane TX	.049757	.039806
6. P&P Devonian Flood	Crane TX		
7. West Spraberry	Dawson TX	.052335	.042549



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Schedule II

1. Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated June 26, 1998 from Headington Oil Company, L.P. and Headington Minerals, Inc. to Union Bank of California, N.A.

Recording JurisdictionRecording Data

Franklin Parish, LA

Register No. 289155, Mtg. Book 263
filed 7/1/98

Richland County, MT

Doc. #494099;
Book B-156, Page 899,
filed 7/6/98

Beaver County, OK

Book 1007, Page 468,
filed 6/30/98

Caddo County, OK

Book 2183, Page 81,
filed 7/1/98

Carter County, OK

Book 3278, Page 209,
filed 6/30/98

Custer County, OK

Book 1043, Page 375,
filed 6/30/98

Dewey County, OK

Book 1092, Page 164,
filed 6/30/98

Garvin County, OK

Book 1513, Page 191,
filed 6/30/98

Kay County, OK

Reception #7509,
Book 1025, Page 38,
filed 6/30/98

Lincoln County, OK

Book 1360, Page 755,
filed 6/30/98

Major County, OK

Book 1461, Page 36,
filed 6/30/98

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McClain County, OK

Book 1478, Page 878,
filed 6/30/98

Pontotoc County, OK

Book 1514, Page 762,
filed 6/30/98

Roger Mills County, OK

Book 1561, Page 86,
filed 6/30/98

Seminole County, OK

Book 2108, Page 174,
filed 6/30/98

Stephens County, OK

Book 2158, Page 247,
filed 6/30/98

Coke County, TX

Vol. 113, Page 1,
filed 7/2/98

Cooke County, TX

Vol. 1017, Page 245,
filed 7/1/98

Crane County, TX

Vol. 397, Page 328,
filed 6/30/98

Dawson County, TX

Volume 238, Page 503,
filed 6/30/98

Hartley County, TX

Vol. 47, Page 268,
filed 6/30/98

Lipscomb County, TX

Vol. 377, Page 755,
filed 6/30/98

Loving County, TX

Volume 52, Page 444,
filed 7/1/98

Scurry County, TX

Volume 421, Page 605,
filed 7/2/98

Smith County, TX

Volume 4381, Page 178
filed 6/30/98

Stonewall County, TX

Volume 83, Page 496,
filed 6/30/98

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Campbell County, WY

Book 1488, Page 518,
filed 7/6/98

Sweetwater County, WY

Book 900, Page 174,
filed 7/1/98

Bureau of Land Management
New Mexico (Okla) State Office
(Lease Nos. NM-037793-A, NM-
0116712-A and NM-0553862)

Sent for filing 7/9/98; rejected 7/10/98;
this office does not accept mortgages
for filing

Bureau of Land Management -
Wyoming State Office
(Lease Nos. W-56937, Evanston-
025383, Evanston-025420, Evanston-
026076, Evanston-026083, Evanston-
026084, Evanston-026085, W-0403, W-
0737, W-0910, W-01175, W-02151, W-
02181, W-02271, W-05566, W-06133,
W-014548, W-014549, W-018635, W-
018786, W-020292, W-029324, W-
039722, W-025723, W-0311292)

Sent for filing 7/9/98; rejected 7/10/98;
this office does not accept mortgages
for filing

Bureau of Indian Affairs - Muskogee
Area Office
(BIA Contract Nos. 14-20-0402-5888
and I-27-IND-334)

Received 7/20/98

State of Oklahoma
Commissioners of the Land Office
(Lease Nos. 36-CS-8526, 36-CS-8705,
36-CS-8527 and EI-1985)

Received 7/20/98

State of Texas General Land Office
(Lease No. M-78845)

Filed 7/17/98

State of Wyoming
Commissioner of Public Lands
(Lease Nos. 84-00867, 78-0769 and
0-22688)

Received 7/21/98

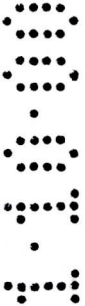


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2. First Amendment to Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated June 30, 1998 from Headington Minerals, Inc. and Headington Oil Company, L.P. to Union Bank of California, N.A. *(Executed in order to reflect of record that in the state and Montana, Headington Oil Company, L.P. is doing business under the assumed name of Headington Oil, Limited Partnership.)*

Recording Jurisdiction

Richland County, MT

Recording DataDoc. No. 494100,
Bk. B-156, Pg. 960,
filed 7/6/98

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If it bears the seal & name of
the County Clerk imprinted in purple
ink. Attest: 12-30-99
Beverly Hanson County Clerk

Exhibit A

The Exhibit A to this counterpart of the Second Mortgage Amendment
is intentionally left blank.

11-05-99A10:28 FILE

FILE NO: 99 997

GRANTOR: HEADINGTON OIL COMPANY, L.P., ET AL

GRANTEE: UNION BANK OF CALIFORNIA, N.A., AGENT, ETAL

I, BEVERLY HANSON, Clerk of the County Court, in and for said County,
do hereby certify that the within instrument in writing, dated 10/11/1999
with its certification of authentication, was filed for record in my office
11/05/1999 at 10:28A o'clock and recorded 11/05/1999 in the
OFFICIAL PUBLIC Records of Loving County, Texas, in VOL 10 , PG: 292.
Witness my Hand and Seal of Said Court, at office in Mentone, Texas,
on date and year last above written.



Beverly Hanson
BEVERLY HANSON, COUNTY CLERK
LOVING COUNTY, TEXAS

FEE:

45.00

SHERLENE BURROWS

, DEPUTY

THE STATE OF TEXAS,

County of Loving

I, Beverly Hanson, Clerk of the County Court of Loving County,
Texas, do certify that the foregoing is a true and correct copy of the original
Recorded 2nd Supplement & Amendment to Amended & Restated Deed of Trust, etc.

HEADINGTON OIL COMPANY, L.P., ET AL to UNION BANK OF CALIFORNIA, N.A., AGENT, ET AL

File # 997 Filed for record November 5, 1999

as the same appears of record in my office in book OPR 10 page 292

GIVEN UNDER MY HAND and the seal of said Court, at office in Mentone, Texas

this 30th day of December 19 99



Beverly Hanson Clerk
By Sherlene Burrows Deputy



A Certified Copy
If it bears the seal & name of
the County Clerk imprinted in purple
ink. Attest: 12-30-99
Beverly Hanson County Clerk

22

File No. MF08845
Letters and
assignment
Date Filed: 1/11/2000
By [Signature] Deputy Commissioner



✓
ENERGEN RESOURCES CORPORATION

605 21st Street North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Page 1

1 400

PAYEE		DATE	CHECK NUMBER	AMOUNT
COMMISSIONER OF THE GENERAL	7808	12/29/1999	36182	\$368.54

03-AP-1858 12211999
ROYALTY PAYMENT
TOTAL INVOICES PAID

12/21/99

368.54

0.00

368.54

X 368.54

00122051

M-78845

Maximum Royalty

File No.

MF078845

Minimum Royalty
~~Rental Payment~~

W.L.

Date Filed:

1/4/00

David S. Rogers, Commissioner

By

David S. Rogers

7. 4.00

February 21, 2003

Larry R. Wollschlager
Wolf Energy, Inc.
201 West Wall Street, Suite 101
Midland, Texas 79701

FILE COPY

RE: Assignment filing; GLO ID 3655

Dear Mr. Wollschlager,

The General Land Office received the following instrument(s) and has filed them in the appropriate files. Please see attached "Exhibit A" for reference.

Assignment, Deed of Conveyance and Bill of Sale, executed
February 25th, 2002, from GRB Properties, Inc., as Assignor,
To Wolf Energy, Inc., as Assignee. MF078845.

Filing fees of \$25.00 were received in connection with the above lease. If you have any questions, please feel free to call me at (800) 998-4GLO, or at my direct number at (512) 463-6521.

Sincerely,

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Exhibit "A"

GLO ID

County

Lease

3655

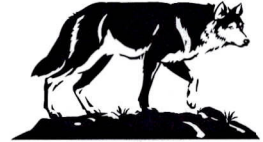
Loving

MF078845

Friday, February 21, 2003

WOLF ENERGY, INC.

201 West Wall Street, Suite 101
Midland, Texas 79701
915-685-0531 office, 915-685-3701 fax



May 1, 2002

Linda Anderson
Texas General Land Office
1700 N. Congress Ave., #600
Austin, TX 78701-1495

3655

Re: M-78845
Arno #2 Gas Unit
Loving Co, TX

Dear Linda Anderson:

Today we spoke with Robert Hatter with the GLO about some questions as to your procedures and requirements.

We have acquired the Arno #2 Gas Unit noted in the caption. The State of Texas has a mineral interest, and we find reference to M-78845, but we have not found the lease in the boxes of volumes of records.

We are enclosing per Mr. Hatter's advice a \$25 filing fee and a certified copy of our assignment from G.R.B. Properties.

Would you be able to send us a copy of the lease so we can review it and file it within Wolf's system?

Thank you for your cooperation. If there are any questions, I can be contacted at 915-685-0531.

Sincerely,


Larry R. Wollschlager

RECEIVED
02 MAY - 6 PM 3:34
ENERGY ASSOCIATES

WOLF ENERGY, INC.

Invoice	Date	Amount	Voucher	Description	3238
050102	05/01/02	25.00	ADM	FILING FEE RE ARNO 2	

02033937

129

X 25.00

INVOICE TOTALS	\$	25.00
DISCOUNTS TAKEN	\$	.00
NET AMOUNT	\$	25.00

ASSIGNMENT, DEED OF CONVEYANCE AND BILL OF SALE

THE STATE OF TEXAS §
 § KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF LOVING §

THIS DEED OF CONVEYANCE AND BILL OF SALE is hereby made and entered by and between GRB PROPERTIES, INC., a Texas Corporation, with mailing address at 3300 North A Street, Building Two, Suite 100, Midland, Texas 79705, hereinafter referred to as "Grantor", and WOLF ENERGY, INC., a Texas Corporation, with mailing address at 201 West Wall, Suite 100, Midland, Texas 79701, hereinafter referred to as "Grantee."

WITNESSETH:

For and in consideration of the sum of Ten dollars (\$10.00) and other good and valuable consideration, the receipt, sufficiency and adequacy of which is hereby acknowledged, Grantor has granted, assigned, sold and conveyed and does, by these presents, grant, assign, sell and convey, without warranty of title either expressed or implied, unto Grantee, its successors and assigns, all of Grantor's right, title and interest in and to:

- 1. All leasehold interest, working interest, operating rights, or other similar interests in the properties described in Exhibit "A" hereto and any rights that arise by operation of law or otherwise in all properties and lands pooled, unitized, communitized or consolidated with such properties (the "Oil and Gas Properties")

EXCEPTING, HOWEVER, AND SUBJECT TO THE FOLLOWING:

GRB PROPERTIES, INC. reserves all rights below 11600' in the Arno #1 Gas Unit as described in Arno #1 Gas Unit "Declaration of Gas Pooling" recorded in Volume 60, pages 382-387. Recorded in Loving Co, TX.

- 2. The wells described on Exhibit "B" hereto (whether producing, operating, shut-in, temporarily abandoned, abandoned, standing or otherwise) being located on the Lease Acreage, including the material and equipment in, on and pertaining to said wells. The equipment included in this sale is sold on an "as is, where is" basis and Grantee agrees that should the well be salvaged and the equipment and personal property be removed, then, in that event, Grantee will plug and abandon the well in accordance with all applicable rules and regulations without cost, risk or expense to Grantor and will restore the wellsite and premises to a state and condition acceptable to the present surface owner(s).
- 3. All contracts and agreements that relate to the Properties and governmental permits and licenses of Grantor (other than bonds) to the extent such permits and licenses are transferable and easements and rights-of-way used or held for use in connection with the Oil and Gas Properties and amendments, ratifications or extensions of any of the foregoing.

Grantee agrees to file all required documents to effect the transfer of ownership and operations pursuant to the rules and regulation of the Railroad Commission of the State of Texas. Grantee agrees to indemnify and hold Grantor harmless from and against any liability, claims, remedies, damages, or causes of action arising out of, connected with or resulting from the operations of Grantee from and after the effective date of this agreement.

This conveyance is made with full substitution and subrogation of Grantee in and to all covenants and warranties by others heretofore given or made in respect of the Properties or any part thereof.

All of the provisions hereof shall inure to the benefit of and be binding upon the parties hereto, their respective successors and assigns.

TO HAVE AND TO HOLD the interest hereby conveyed to Grantee, its successors and assigns, forever; provided, however, that this Assignment is executed with warranty of title by, through and under Grantor, but not otherwise.

IN WITNESS WHEREOF, this instrument is executed this 25 day of February, 2002, but shall be effective as of 7:00 a.m. on March 1, 2002.

GRANTOR:

GRB PROPERTIES, INC.

By: Gary R. Baily
Gary R. Baily, President

STATE OF TEXAS)
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 25th day of February, 2002, by Gary R. Baily, President of GRB Properties, Inc.

TRA D. LATHAM
NOTARY PUBLIC
STATE OF TEXAS
Notary Public

A Certified Copy
If it bears the seal & name of
the County Clerk imprinted in purple
Ink. Attest:

A Certified Copy
If it bears the seal & name of
the County Clerk imprinted in purple
Ink. Attest: 4-36-02
Beverly Hanson County Clerk

5 0 0 2

EXHIBIT "A"

Attached to and made part of that certain Assignment, Bill of Sale and Conveyance dated February 25, 2002 between GRB PROPERTIES, INC. as Assignor and WOLF ENERGY, INC. as Assignee.

<u>Lease No.</u>	<u>Date</u>	<u>Type</u>	<u>Grantor</u>	<u>Grantee</u>	<u>Recording Information</u>	<u>Legal Description</u>
TX000106-01P	04/25/74	Fee	James C. Angehr, et ux	Curtis Pool	Volume 40, Page 581	Northeast 11.126 acres of Lot 11, Section 81, Block 33, H&TC RR Co. Survey, Loving County, Texas; said tract called 10.62 acres in the lease and on resurvey found to contain 11.126 acres.
TX000106-02P	08/10/79	Fee	The First National Bank of Odessa, Texas, Trustee	American Trading and Production Corporation	Volume 55, Page 429	Same as above
TX000107-00R	09/15/73	Fee	Raymond M. Dripps, Individ., and Executor	Curtis Pool	Volume 39, Page 108	The SW/40 acres of Lot 11, Section 81, Block 33, H&TC RR Co. Survey, Loving County, Texas.
TX000108-00R	05/09/69	Fee	Charles A. Adams, Jr., et al	American Trading and Production Corporation	Volume 30, Page 634	All of Lots 5 and 6 and the NW/2 of Lot 1, E. L. Stratton Subdivision of Section 81, Block 33, H&TC RR Co. Survey, Loving County, Texas, as shown by E. L. Strattons's Subdivision plat of said Section 81, Block 33, H&TC RR Co. Survey, on record in the office of the County Clerk of Loving County, Texas.

<u>File No.</u>	<u>Date</u>	<u>Type</u>	<u>Grantor</u>	<u>Grantee</u>	<u>Recording Information</u>	<u>Legal Description</u>
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A Certified Copy
if it bears the seal & name of
the County Clerk imprinted in purple
ink. Attest: *[Signature]*
Beverly Hanson County Clerk



[Handwritten initials]

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TX000109-10R	10/03/78	Fee	Marshall S. McCrea, Jr., Trustee, et al	American Trading and Production Corporation	Volume 52, Page 736	All of the SE/2 of Lot 1, E. L. Stratton Subdivision of Section 81, Block 33, H&TC RR Co. Survey, Loving County, Texas, as shown by E. L. Stratton's Subdivision plat of said Section 81, Block 33, H&TC RR Co. Survey, on record in the office of the County Clerk of Loving County, Texas.
TX000109-02P	07/18/78	Fee	H. F. Anthony, Indiv., and as Agent and Attorney-in-Fact	Curtis Pool	Volume 51, Page 839	Same as above
TX000109-03R	09/29/78	Fee	U. V. Industries, Inc.	American Trading and Production Corporation	Volume 53, Page 146	Same as above
TX000109-04R	04/11/79	Fee	Olix Energy Company	Curtis Pool	Volume 53, Page 662	Same as above
TX000109-05R	08/28/63	Fee	Young Bell, Trustee	Curtis Pool	Volume 23, Page 556	Same as above
TX000109-06R	07/27/78	Fee	M. J. McCarter Sherley	Curtis Pool	Volume 52, Page 125	Same as above
TX000109-07R	07/27/78	Fee	Opal McCarter Roberts	Curtis Pool	Volume 52, Page 128	Same as above
TX000109-08P	07/27/78	Fee	Vera McCarter Company	Curtis Pool	Volume 52, Page 131	Same as above
TX000109-09P	07/27/78	Fee	Tom Kendall	Curtis Pool	Volume 52, Page 134	Same as above
TX000109-10P	7/27/78	Fee	R. L. Garrett, Jr.	Curtis Pool	Volume 52, Page 137	Same as above
TX000109-11P	7/27/78	Fee	M. K. Garrett Giles	Curtis Pool	Volume 52, Page 140	Same as above

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the County Clerk imprinted in purple
Ink. Attest: 4-26-03
Beverly Hanson County Clerk



dpw
sm

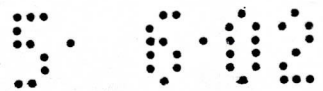


<u>Lease No.</u>	<u>Date</u>	<u>Type</u>	<u>Grantor</u>	<u>Grantee</u>	<u>Recording Information</u>	<u>Legal Description</u>
TX000109-12P	7/27/78	Fee	R. P. Grimmitt, Jr.	Curtis Pool	Volume 52, Page 325	Same as above
TX000110-01R	7/18/73	Fee	Felix S. Thaxton, et ux	N. S. Marrow	Volume 37, Page 630	A 267.198-acre tract out of the Northwest One-half of Section 80, Block 33, H&TC RR Co. Survey, Loving County, Texas, and being all of the said Northwest One-half of Section 80 lying and being located Southwest of the American Quasar Petroleum Co.'s Ford Chapman Unit (recorded in Volume 50, Page 710, Deed Records of Loving County, Texas), and further described as follows: The Northeasterly line of said tract being the Southwesterly line of the said Ford Chapman Unit in the NW/2 of said Section 80, and the Southwesterly line of said tract being the Pecos River; the Northwesterly line of said tract being the Northwesterly line of said Section 80, and being the common line between Sections 80 and 81 of said Block 33, H&TC RR Co. Survey, and the Southeasterly line of said tract being the Southeasterly line of the Northwest One-half of Section 80, and being the common line between this 267.198 acre tract and the 253.676 acre tract described in that certain Oil and Gas Lease dated 12/15/78, recorded in Deed Volume 54, page 64 of the Records of Loving County, Texas, there being sufficient distance between the Northeasterly Southwesterly lines and the Northwesterly Southeasterly lines to encompass 267.198 acres.
TX000110-02R	07/18/73	Fee	Lillas M. Thaxton	N. S. Marrow	Volume 37, Page 632	Same as above

lew
SM

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if it bears the seal & name of
the County Clerk imprinted in purple
ink. Attest *[Signature]*
Beverly Hanson County Clerk





<u>Lease No.</u>	<u>Date</u>	<u>Type</u>	<u>Grantor</u>	<u>Grantee</u>	<u>Recording Information</u>	<u>Legal Description</u>
TX000110-03R	07/18/79	Fee	Mary Stovall Jackson, et vir	N. S. Marrow	Volume 37, Page 651	Same as above
TX000110-04P	03/19/80	Fee	The Flag-Redfern Oil Company	American Trading and Production Corporation	Volume 56, Page 707	Same as above
TX000111-01R	12/15/78	Fee	University Church of Christ, Abilene, Texas	American Trading and Production Corporation	Volume 54, Page 64	A 253.676 acre tract out of the SE/2 of Section 80, Block 33, H&TC RR Co. Survey, Loving County, Texas and being that part of the said SE/2 of Section 80 lying and being located Southwest of the American Quasar Petroleum Co.'s Ford Chapman Unit (recorded in Volume 50, Page 710, Deed Records of Loving County, Texas), which is described as follows: The Northeasterly line of said tract being the Southwesterly line of the said Ford Chapman Unit in the SE/2 of said Section 80, and the Southwesterly line of said tract being parallel to the Northeasterly line of said tract; the Northwesterly line of said tract being the Northwesterly line of the SE/2 of said Section 80, and being the common line between this 253.676 acre tract and the 267.198 acre tract described in that certain Oil & Gas Lease dated 07/18/73, as seen in Volume 37, page 630 of the Records of Loving County, Texas, and the Southeasterly line of said tract being the Southeasterly line of Section 80, and being the common line between Sections 79 and 80 of the said Block 33, H&TC RR Co. Survey; and there shall be a sufficient distance between the Northeasterly Southwesterly parallel lines and

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the County Clerk imprinted in purple
ink. Attest: *[Signature]*
Beverly Hanson County Clerk



LRW
[Signature]

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<u>File No.</u> (Continued from previous page)	<u>Date</u>	<u>Type</u>	<u>Grantor</u>	<u>Grantee</u>	<u>Recording Information</u>	<u>Legal Description</u>
						Northwesterly Southeasterly lines to encompass 253.676 acres. It is estimated that there remains approximately 26.59 acres in the SE/2 of said Section so lying Southwest of the above described 253.676-acre tract
TX000111-02R	12/15/78	Fee	The Children's Home of Lubbock, Texas, et al	American Trading and Production Corporation	Volume 54, Page 69	Same as above
TX000111-01R	12/15/78	Fee	University Church of Christ of Abilene, Texas	William J. Phelan	Volume 54, Page 64	All of that part of the SE/2 of Section 80, Block 33, H&TC RR Co. Survey, Loving County, Texas, which is not included in the American Quasar Petroleum Company's Ford Chapman Unit (recorded in Volume 50, Page 170, Deed Records of Loving County, Texas) and in the American Trading and Production Corporation ARNO Gas Unit No. 1 (a counterpart copy of which is recorded in Volume 60, Page 382, Deed Records of Loving County, Texas), and comprising 26.59 acres, more or less.
TX000111-02R	12/15/78	Fee	The Children's Home of Lubbock, Texas, et al	American Trading and Production Corporation	Volume 54, Page 69	Same as above
TX000113-00R	04/20/79	Fee	Jesse W. Bush	Curtis Pool	Volume 54, Page 527	Lots 29, 30, 33, and 34 and the most Southwesterly 338 feet of the Porterville Townsite (said 338 feet lying Southwest of the Cataga Gas Unit No. 2, recorded Volume 51, Page 221 in the Deed Records of Loving County, Texas) all situated in Section 79, Block 33, H&TC RR Co. Survey, and comprising 40.675 acres, more or less.
TX000114-00P	04/11/80	Fee	Boyd E. Kern, Indep., Executor the Estate of Betty R. Kern	American Trading and Production Corporation	Volume 56, Page 566	Lots 37 and 38 of Section 79, Block 33, H&TC RR Co. Survey, Loving County, Texas, and comprising 10.00 acres, more or less.

LEW
SM

A Certified Copy
If it bears the seal & name of
the County Clerk imprinted in purple
ink. Attest: *[Signature]*
Beverly Hanson County Clerk





<u>Lease No.</u>	<u>Date</u>	<u>Type</u>	<u>Grantor</u>	<u>Grantee</u>	<u>Recording Information</u>	<u>Legal Description</u>
Tx000115-01P	03/14/79	Fee	Ellie Spear	Curtis Pool	Volume 56, Page 633	Lots 41, 42, 45, 46, 49, 50, 55, and 56 of Section 79, Block 33, H&TC RR Co. Survey, Loving County, Texas.
TX000115-02P	07/18/78	Fee	Howell Spear	Curtis Pool	Volume 51, Page 845	Same as above
TX000115-03R	03/01/79	Fee	Felmont Oil Corporation (Subject to letter April 15, 1979)	American Trading and Production Corporation	Volume 56, Page 109	Lots 41, 42, 45, 46, 50, 56, 69, 70, 73, 74, and 77, of Section 79, Block 33, H&TC RR Co. Survey, Loving County, Texas, and comprising 40.00 acres, more or less.
TX000115-04R	10/03/78	Fee	Marshall S. McCrea, Jr., Trustee	American Trading and Production Corporation	Volume 53, Page 4	Lots 31, 32, 35, 36, 41, 42, 45, 46, 49, 50, 53, 54, 55, 56 and 59 of Section 79, Block 33, H&TC RR Co. Survey, Loving County, Texas
TX000112-00R	10/1/63	Fee	George Hammar-Lund, et al (as amended)	Curtis Pool	Volume 23, Page 278	Lots 43, 44, 48, 52, 61, 62, 63, 64, 65, 66, 67, 68, 71, 73, 74 and 78 of Section 79, Block 33, H&TC RR Co. Survey, Loving County, Texas.
TX000116-01P	07/18/78	Fee	Ruth M. Vaughan	Curtis Pool	Volume 51, Page 841	Lots 47, 51, 57, and 58 of Section 79, Block 33, H&TC RR Co. Survey, Loving County, Texas.
TX000116-02P	07/18/78	Fee	James M. Raymond	Curtis Pool	Volume 52, Page 143	Same as above
TX000116-03P	07/18/78	Fee	Dorothy Jane Williams, et vir	Curtis Pool	Volume 52, Page 145	Same as above
TX000116-04P	07/18/78	Fee	Mary D. Fisher	Curtis Pool	Volume 52, Page 147	Same as above
TX000116-05P	07/18/78	Fee	Brenda Vaughan Petke	Curtis Pool	Volume 52, Page 149	Same as above
TX000116-06P	07/18/78	Fee	Nancy Vaughan Ridgley	Curtis Pool	Volume 52, Page 327	Same as above

A Certified Copy
If it bears the seal & name of
the County Clerk imprinted in purple
ink. Attest: *H-06-08*
Beverly Hanson County Clerk



PRW
sm

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<u>Lease No.</u>	<u>Date</u>	<u>Type</u>	<u>Grantor</u>	<u>Grantee</u>	<u>Recording Information</u>	<u>Legal Description</u>
TX000122-00R	10/01/63	Fee	Charles R. Prindle (as amended)	Curtis Pool	Volume 23, Page 243	Lots 43, 44, 48, 52, 61, 62, 63, 64, 65, 66, 67, 68, 71, 73, 74 and 78 of Section 79, Block 33, H&TC RR Co. Survey, Loving County, Texas.
TX000117-00P	07/18/78	Fee	John Vanderlee	Curtis Pool	Volume 51, Page 843	Lot 60 of Section 79, Block 33, H&TC RR Co. Survey, Loving County, Texas.
TX000123-00R	10/14/63	Fee	U. S. Smelting & Refining Company	Mann Rankin & Randall B. Johnston	Volume 23, Page 235	Lots 61, 62, 63, 64, 65, 66, 67, 68, 71, 72, 75, 76, and 78 of Section 79, Block 33, H&TC RR Co. Survey, Loving County, Texas.
TX000118-00R	03/31/80	Fee	H. M. Boddy,	H. V. Beck, Jr.	Volume 56, Page 702	Lots 19 to 29, inclusive, of the F. N. Johnson subdivision of Section 78, Block 33, H&TC RR Co. Survey, Loving Country, Texas, as per plat thereof recorded in Volume 3, Page 617 Deed Records of Loving County, Texas, said Lots being in the Southwest end of said Section 78, and comprising 146.90 acres, more or less.
TX000119-00R	02/06/79	Fee	The State of Texas	American Trading and Production Corporation	Volume 53, Page 625	The Mid/Part of the Southwest /Part of Section 78, Block 33, H&TC RR Co. Survey, Loving County, Texas, (also described as Lots 9 through 18 inclusive of the SW/2 of said Section 78), and comprising 100.00 acres, more or less.
TX000120-00R	04/01/79	Fee	Anna Goodrich, et al (as modified by Letter of Agreement of even date)	American Trading and Production Corporation	Volume 55, Page 258	Lots 1, 3, 5, and 7 of the F. N. Johnson Subdivision of Section 78, Block 33, H&TC RR Co. Survey, Loving County, Texas, and comprising 40.00 acres, more or less.

MF 07 8845

A Certified Copy
If it bears the seal & name of
the County Clerk imprinted in purple
ink. Attest: *[Signature]*
Beverly Hanson County Clerk



[Handwritten signature]

5 6 0 2

<u>Lease No.</u>	<u>Date</u>	<u>Type</u>	<u>Grantor</u>	<u>Grantee</u>	<u>Recording Information</u>	<u>Legal Description</u>
TX000121-01R	08/31/78	Fee	Starr Common-wealth for Boys	Curtis Pool	Volume 52, Page 323	Lots 2, 4, 6, and 8 of the F. N. Johnson Subdivision of Section 78, and the most Southwesterly 31.345 acres of the SW/4 of NE/2 of Section 78, Block 33, H&TC RR Co. Survey, Loving County, Texas, and Comprising 71.345 acres, more or less.
TX000121-02R	09/29/78	Fee	U. V. Industries, Inc.	American Trading and Production Corporation	Volume 53, Page 143	Same as above
TX000121-03R	12/04/78	Fee	Transwestern, Inc. (as amended)	Curtis Pool	Volume 54, Page 546	Same as above
TX000121-04P	09/14/78	Fee	Hermon Pierce Hubbard, et al	Curtis Pool	Volume 53, Page 107	Same as above
TX000121-05P	07/21/80	Fee	Felmont Oil Corporation (subject to Agreement dated July 21, 80)	American Trading and Production Corporation	Volume 57, Page 822	Same as above

A Certified Copy
if it bears the seal & name of
the County Clerk imprinted in purple
ink. Attest: *[Signature]*
Beverly Hanson County Clerk



[Handwritten signature]
LRW

EXHIBIT B

Attached to and made part of that certain Assignment, Bill of Sale and Conveyance dated February 25, 2002 between GRB PROPERTIES, INC. as Assignor and WOLF ENERGY, INC. as Assignee.

Arno #2

7938' FNEL & 1650' FNWL of Section 76, Block 33, H&TC RR Survey, Loving County, Texas

Thaxton #1-D SWD

8724' FNEL & 851' FSEL of Section 80, Block 33, H&TC RR Survey, Loving County, Texas

02-26-02P03:03 FILE

FILE NO: 02 136

GRANTOR: GRB PROPERTIES, INC., A TEXAS CORP.
GRANTEE: WOLF ENERGY, INC., A TEXAS CORP.

I, BEVERLY HANSON, Clerk of the County Court, in and for said County, do hereby certify that the within instrument in writing, dated 03/01/2002 with its certification of authentication, was filed for record in my office 02/26/2002 at 3:08PM o'clock and recorded 02/26/2002 in the OFFICIAL PUBLIC Records of Loving County, Texas, in VOL 23 , PG: 418. Witness my Hand and Seal of Said Court, at office in Mentone, Texas, on date and year last above written.



FEE:

27.00

Beverly Hanson
BEVERLY HANSON, COUNTY CLERK
LOVING COUNTY, TEXAS

, DEPUTY

SHERLENE BURROWS

CERTIFIED COPY CERTIFICATE

STATE OF TEXAS COUNTY OF LOVING

I hereby certify that the above is a true & correct copy of the original record on file in my office.

Beverly Hanson, County & District Clerk, Loving Co., Texas

Attest:

By:

Deputy



A Certified Copy
If it bears the seal & name of
the County Clerk imprinted in purple
ink. Attest: 4-26-02
Beverly Hanson County Clerk

4-26-2002
Beverly Hanson
Deputy

902 2

File No. MF078845 35.
Assigner
Date Filed: 2/21/03
Jerry E. Patterson, Commissioner
By [Signature]

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

September 27, 2004

Linda Sue Graham
Thompson & Knight LLP
1700 Pacific Ave, Suite 3300
Dallas, TX 75201-4693

RE: Assignment filing; GLO ID 4816

Dear Ms. Graham,

The General Land Office received the following instrument(s) and has filed them in the appropriate files. Please see attached "Exhibit A" for reference.

Third Amendment to Amended and Restated Deed of Trust,
Mortgage, Assignment, Security Agreement, Fixture Filing and
Financing Statement, executed August 10th, 2004, from
Headington Oil Company, LP, as Mortgagor, to Randy Osterberg
As Trustee in favor of Union Bank of California, NA, as Agent.
MF078845.

Filing fees of \$0.00 were received in connection with the above lease. If you have any questions, please feel free to call me at (800) 998-4GLO, or at my direct number at (512) 463-6521.

Sincerely,

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Stephen F. Austin Building • 1700 North Congress Avenue • Austin, Texas 78701-1495

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

Exhibit "A"

<i>GLO ID</i>	<i>County</i>	<i>Lease</i>
4816	Loving	MF078845

Monday, September 27, 2004

THOMPSON & KNIGHT LLP

ATTORNEYS AND COUNSELORS

1700 PACIFIC AVENUE • SUITE 3300
DALLAS, TEXAS 75201-4693
(214) 969-1700
FAX (214) 969-1751
www.tklaw.com

Direct: (214) 969-1449
E-Mail: linda.graham@tklaw.com

AUSTIN
DALLAS
FORT WORTH
HOUSTON

ALGIERS
MONTERREY
PARIS
RIO DE JANEIRO

September 16, 2004

MF 078845

The Texas General Land Office
1700 North Congress Avenue
Suite 840
Austin, Texas 78701-1495
Attn: State Leases

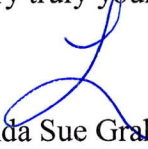
Re: Union Bank of California/ Headington

Dear Clerk:

Please place the enclosed Third Amendment to Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement from Headington Oil Company L.P. and Headington Minerals, Inc. to Union Bank of California within the State Lease File # M-78845. If you have any questions or concerns, please contact me at 800-777-9696, extension 1449.

Thank you for your cooperation in this matter

Very truly yours,


Linda Sue Graham, Landman

/lsg
Enclosure



THIRD AMENDMENT TO AMENDED AND RESTATED
DEED OF TRUST, MORTGAGE, ASSIGNMENT,
SECURITY AGREEMENT, FIXTURE FILING AND
FINANCING STATEMENT

Recitals:

1. Reference is made to that certain Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement (the "Original Mortgage") dated June 26, 1998, from Headington Oil Company, L.P. (doing business in the State of Montana as Headington Oil, Limited Partnership) ("HOCLP") and Headington Minerals, Inc. ("HMI") (HOCLP and HMI are herein and in the Original Mortgage collectively called "Mortgagor") to Randy Osterberg, Trustee, in favor of Union Bank of California, N.A., as Agent (herein and in the Original Mortgage called "Agent"), recorded as shown on Schedule I attached hereto and made a part hereof, as heretofore supplemented and amended by that certain First Amendment to Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement (the "First Mortgage Amendment") dated June 30, 1998, recorded as shown on Schedule I hereto, and by that certain Second Supplement and Amendment to Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement (the "Second Mortgage Amendment") dated October 14, 1999 recorded as shown on Schedule I hereto. The Original Mortgage as amended and supplemented by the First Mortgage Amendment and the Second Mortgage Amendment is herein called the "Existing Mortgage."

2. Certain amendments to the Credit Agreement (referred to in Section 1(a) below) have been executed, and Mortgagor has executed and delivered new promissory notes (more particularly described in Sections 1(b) and 1.3(c) below) which are in renewal and extension of the promissory notes described in Sections 1.3(b) through 1.3(d) of the Existing Mortgage.

3. Mortgagor and Mortgagee desire to execute this instrument (herein called this "Third Mortgage Amendment"; the Existing Mortgage as amended by this Third Mortgage Amendment is herein sometimes called the "Mortgage") in order to reflect of record such amendments to the Credit Agreement and such new notes, and in order to further secure payment of the secured indebtedness (as defined in the Existing Mortgage).

Supplement and Amendment:

NOW, THEREFORE, to secure payment of the secured indebtedness, and the performance of the obligations, covenants, agreements, warranties and undertakings contained herein or in the Existing Mortgage, and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration in hand paid to Mortgagor, the receipt and sufficiency of which are hereby acknowledged, the parties hereto have agreed and do hereby agree as follows:

1. Amendments.

A. Sections 1.3(a), 1.3(b), and 1.3(c) of the Existing Mortgage are deleted in their entirety and replaced with the following:

(a) All indebtedness and other obligations now or hereafter incurred or arising pursuant to the provisions of that certain Credit Agreement dated June 26, 1998,



between Headington Oil Company, L.P., as Borrower, Headington Resources, Inc., Headington Petroleum, LLC and Headington Nevada, LLC and Union Bank of California, N.A. in its capacity as Agent for the benefit of lenders (herein collectively called "Lender") under the Credit Agreement (such lenders currently are Union Bank of California, N.A. and Comerica Bank), as amended by that certain First Amendment to Credit Agreement dated September 27, 1999, that certain Second Amendment to Credit Agreement dated September 29, 2000, that certain Third Amendment to Credit Agreement dated October 31, 2001, that certain Fourth Amendment to Credit Agreement dated August 23, 2002, that certain Fifth Amendment to Credit Agreement dated August 19, 2003, that certain Sixth Amendment to Credit Agreement dated July 29, 2004, and all supplements thereto and amendments or modifications thereof, and all agreements given in substitution therefor or in restatement, renewal or extension thereof, in whole or in part (such Credit Agreement as the same may from time to time be supplemented, amended or modified, and all other agreements given in substitution therefor or in restatement, renewal or extension thereof, in whole or in part, being herein called the "Credit Agreement") (Union Bank of California, N.A. in such capacity as Agent is herein called "Agent" and in its individually capacity is herein called "Union Bank");

(b) One certain promissory note dated August 19, 2003, in the principal amount of One Hundred Five Million Dollars (\$105,000,000) made by HOCLP and payable to the order of Union Bank, on or before October 31, 2010, bearing interest as therein provided, and containing a provision for the payment of a reasonable additional amount as attorneys' fees, and all other notes given in substitution therefor or in modification, renewal or extension thereof, in whole or in part; and

(c) One certain promissory note dated August 19, 2003, in the principal amount of Forty-five Million Dollars (\$45,000,000) made by HOCLP and payable to the order of Comerica Bank, on or before October 31, 2010, bearing interest as therein provided, and containing a provision for the payment of a reasonable additional amount as attorneys' fees, and all other notes given in substitution therefor or in modification, renewal or extension thereof, in whole or in part.

B. Section 1.3(d) of the Existing Mortgage is hereby deleted in its entirety.

2. Effect of Amendment. Except as expressly amended hereby, the Existing Mortgage shall remain in full force and effect. Nothing in this Third Mortgage Amendment releases any right, claim, lien, security interests or entitlement of Agent created by or contained in the Existing Mortgage or releases Mortgagor from any covenant, warranty or obligation created by or contained in the Existing Mortgage, and all covenants, warranties, obligations and other terms of the Existing Mortgage, are applicable to all properties secured by the Mortgage.

3. Counterparts. This instrument may be executed in several counterparts, all of which are identical, except that, to facilitate recordation, certain counterparts hereof may include (as Attachment 1) portions of Exhibit A to the Existing Mortgage which contain descriptions of properties located in (or otherwise subject to the requirements and/or protections of the recording or filing acts or regulations of) the recording jurisdiction in which the particular counterpart is to be recorded. All of such counterparts together shall constitute one and the same instrument.

4. Ratification, Reconfirmation Reinscription. The Mortgage is hereby ratified, restated, adopted, confirmed, reinvested, and renewed, except to the extent of any releases in



writing by the Agent, or its predecessor, which were delivered to Mortgagor prior to the date hereof. All representations, warranties and covenants of Mortgagor in the Existing Mortgage are hereby repeated, remade and incorporated herein by this reference for the benefit of Agent, or as applicable to the properties secured by this Third Mortgage Amendment, on and as of the date hereof, except to the extent changed by the transactions contemplated by this Third Mortgage Amendment.

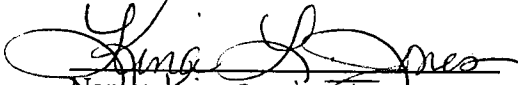
5. Successors and Assigns. The terms, provisions, covenants and conditions hereof shall be binding upon Mortgagor, and the successors and assigns of Mortgagor, and shall inure to the benefit of Mortgagee and its successors and assigns. All references in this instrument to Mortgagor or Mortgagee shall be deemed to include all such successors and assigns.

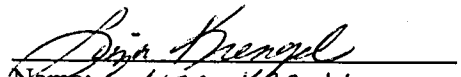
6. Miscellaneous. This Third Mortgage Amendment shall be considered a "Loan Document", as such term is defined in the Mortgage.

7. Paraph. Mortgager acknowledges that no promissory note or other instrument has been presented to the undersigned Notary Public(s) to be paraphed for identification herewith.

Executed by the parties hereto on the dates of their respective acknowledgments.

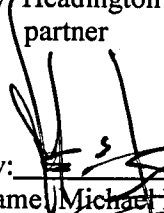
WITNESSES FOR SIGNATURES OF
MORTGAGOR:


Name: Linda L. Jones
Address: _____


Name: LIZA KRENGEL
Address: _____

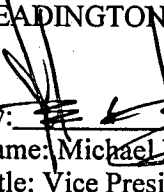
7557 Rambler Road, Suite 1100
Dallas, Texas 75231

HEADINGTON OIL COMPANY, L.P. OF
doing business as Headington Oil, Limited
Partnership in the State of Montana

By:  Headington Petroleum, L.L.C., its general
partner

By: _____
Name: Michael E. Tregoning
Title: Vice President and Chief Financial Officer

HEADINGTON MINERALS, INC.

By:  _____
Name: Michael E. Tregoning
Title: Vice President and Chief Financial Officer



WITNESS FOR BOTH SIGNATURES:

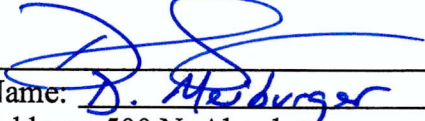
UNION BANK OF CALIFORNIA, N.A.



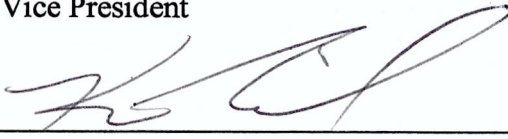
Name: C. Szymanski
Address: 500 N. Akard
Dallas, Texas 75201

By: 

Name: John Clark
Title: Vice President



Name: D. Meiburger
Address: 500 N. Akard
Dallas, Texas 75201

By: 

Name: Kimberly Coil
Title: Assistant Vice President

The address of Mortgagor is:

7557 Rambler Road, Suite 1150
Dallas, Texas 75231

The address of Agent is:

Union Bank of California, N.A.
500 N. Akard, Suite 4200
Dallas, Texas 75201

Instrument Prepared by:

Debra J. Villarreal
Thompson & Knight LLP
1700 Pacific Avenue, Suite 3300
Dallas, Texas 75201



STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 10 day of August, 2004, there personally appeared before me Michael E. Tregoning, the Vice President and Chief Financial Officer of Headington Petroleum, L.L.C., a Texas limited liability company, as general partner of Headington Oil Company, L.P., a Texas limited partnership, known to me to be such Vice President and Chief Financial Officer, such limited partnership being a party to the foregoing instrument:

LOUISIANA

On this date, before me, the undersigned authority, personally came and appeared Michael E. Tregoning, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the Vice President and Chief Financial Officer of Headington Petroleum, L.L.C., a Texas limited liability company, acting as general partner of Headington Oil Company, L.P., a Texas limited partnership, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such limited partnership through such limited liability company as its general partner by proper authority and as the free act and deed of such limited partnership through such limited liability company as its general partner and for the uses & purposes therein set forth and apparent

NEW MEXICO, OKLAHOMA, TEXAS, AND WYOMING

This instrument was acknowledged before me on this date, by Michael E. Tregoning as Vice President and Chief Financial Officer of Headington Petroleum, L.L.C., a Texas limited liability company, as general partner of Headington Oil Company, L.P., a Texas limited partnership, on behalf of said limited liability company acting as general partner for such limited partnership.

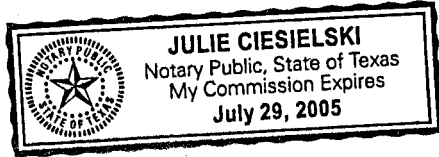
MONTANA

On this date, before me personally appeared Michael E. Tregoning known to me to be the Vice President and Chief Financial Officer of Headington Petroleum, L.L.C., a Texas limited liability company, acting as general partner of Headington Oil Company, L.P., doing business as Headington Oil, Limited Partnership, a Texas limited partnership, the limited partnership described in and that executed the within and foregoing instrument and acknowledged to me that the limited liability company acting as general partner of the limited partnership executed the same.



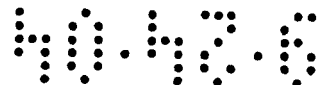
IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Dallas, County of Dallas, State of Texas, on the day and year first above written.

Julie Ciesielski



NOTARY PUBLIC, in and for the State of Texas

SEAL]



STATE OF TEXAS

§
§
§

COUNTY OF DALLAS

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 10 day of August, 2004, there personally appeared before me Michael E. Tregoning, the Vice President and Chief Financial Officer of Headington Minerals, Inc., a Delaware corporation, known to me to be such officer, such corporation being a party to the foregoing instrument:

LOUISIANA

On this date, before me, the undersigned authority, personally came and appeared Michael E. Tregoning, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the Vice President and Chief Financial Officer of Headington Minerals, Inc., a Delaware corporation, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

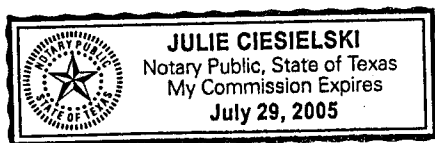
MONTANA

On this date, before me personally appeared Michael E. Tregoning known to me to be the Vice President and Chief Financial Officer of Headington Minerals, Inc., the corporation described in and that executed the within and foregoing instrument and acknowledged to me that the corporation executed the same.

NEW MEXICO, OKLAHOMA, TEXAS, AND WYOMING

This instrument was acknowledged before me on this date, by Michael E. Tregoning as Vice President and Chief Financial Officer of Headington Minerals, Inc., a Delaware corporation, on behalf of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Dallas, County of Dallas, State of Texas, on the day and year first above written..



(SEAL)

Julie Ciesielski
NOTARY PUBLIC, in and for the State of Texas



STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 13th day of August, 2004, there personally appeared before me **John Clark** and **Kimberly Coil**, a Vice President and Assistant Vice President, respectively, of Union Bank of California, N.A., a national banking association, known to me to be such Vice President and such Assistant Vice President, such national banking association being a party to the foregoing instrument:

LOUISIANA

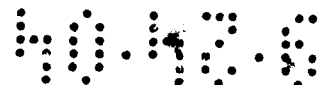
On this date, before me, the undersigned authority, personally came and appeared **John Clark** and **Kimberly Coil**, to me personally known and known by me to be the persons whose genuine signatures are affixed to the foregoing document as a Vice President and Assistant Vice President, respectively, of Union Bank of California, N.A., a national banking association, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that they signed the above and foregoing document as their own free act and deed on behalf of such association by authority of its board of directors and as the free act and deed of such association and for the uses and purposes therein set forth and apparent, acting as Agent.

NEW MEXICO, OKLAHOMA, TEXAS, AND WYOMING

This instrument was acknowledged before me on this date, by **John Clark** and **Kimberly Coil**, a Vice President and Assistant Vice President, respectively, of Union Bank of California, N.A., a national banking association, on behalf of said national banking association, in its capacity as Agent.

MONTANA

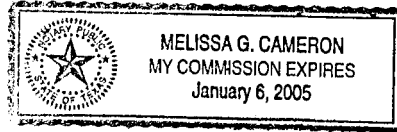
On this date, before me personally appeared **John Clark** and **Kimberly Coil**, known to me to be a Vice President and Assistant Vice President, respectively, of Union Bank of California, N.A., a national banking association, the national banking association described in and that executed the within and foregoing instrument and acknowledged to me that the national banking association executed the same in its capacity as Agent.



IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the
City of Dallas, County of Dallas, State of Texas, on the day and year first above written.

Melissa G. Cameron
NOTARY PUBLIC, in and for the State of Texas

(SEAL]



SCHEDULE I

1. Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated June 26, 1998 from Headington Oil Company, L.P. and Headington Minerals, Inc. to Union Bank of California, N.A.

Recording Jurisdiction

Recording Data

Franklin Parish, LA

Register No. 289155, Mtg. Book 263
filed 7/1/98

Richland County, MT

Doc. #494099;
Book B-156, Page 899,
filed 7/6/98

Beaver County, OK

Book 1007, Page 468,
filed 6/30/98

Caddo County, OK

Book 2183, Page 81,
filed 7/1/98

Carter County, OK

Book 3278, Page 209,
filed 6/30/98

Custer County, OK

Book 1043, Page 375,
filed 6/30/98

Dewey County, OK

Book 1092, Page 164,
filed 6/30/98

Garvin County, OK

Book 1513, Page 191,
filed 6/30/98

Kay County, OK

Reception #7509,
Book 1025, Page 38,
filed 6/30/98

Lincoln County, OK

Book 1360, Page 755,
filed 6/30/98

Major County, OK

Book 1461, Page 36,
filed 6/30/98



Recording Jurisdiction

Recording Data

McClain County, OK

Book 1478, Page 878,
filed 6/30/98

Pontotoc County, OK

Book 1514, Page 762,
filed 6/30/98

Roger Mills County, OK

Book 1561, Page 86,
filed 6/30/98

Seminole County, OK

Book 2108, Page 174,
filed 6/30/98

Stephens County, OK

Book 2158, Page 247,
filed 6/30/98

Coke County, TX

Vol. 113, Page 1,
filed 7/2/98

Cooke County, TX

Vol. 1017, Page 245,
filed 7/1/98

Crane County, TX

Vol. 397, Page 328,
filed 6/30/98

Dawson County, TX

Volume 238, Page 503,
filed 6/30/98

Hartley County, TX

Vol. 47, Page 268,
filed 6/30/98

Lipscomb County, TX

Vol. 377, Page 755,
filed 6/30/98

Loving County, TX

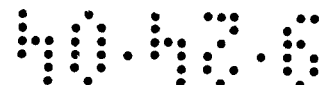
Volume 52, Page 444,
filed 7/1/98

Scurry County, TX

Volume 421, Page 605,
filed 7/2/98

Smith County, TX

Volume 4381, Page 178
filed 6/30/98



Recording Jurisdiction

Recording Data

Stonewall County, TX

Volume 83, Page 496,
filed 6/30/98

Campbell County, WY

Book 1488, Page 518,
filed 7/6/98

Sweetwater County, WY

Book 900, Page 174,
filed 7/1/98

Bureau of Land Management
New Mexico State Office
(Lease Nos. NM-037793-A, NM-
0116712-A and NM-0553862)

Sent for filing 7/9/98; rejected
7/10/98; this office does not accept
mortgages for filing

Bureau of Land Management -
Wyoming State Office
(Lease Nos. W-56937, Evanston-
025383, Evanston-025420, Evanston-
026076, Evanston-026083, Evanston-
026084, Evanston-026085, W-0403, W-
0737, W-0910, W-01175, W-02151, W-
02181, W-02271, W-05566, W-06133,
W-014548, W-014549, W-018635, W-
018786, W-020292, W-029324, W-
039722, W-025723, W-0311292)

Sent for filing 7/9/98; rejected
7/10/98; this office does not accept
mortgages for filing

Bureau of Indian Affairs - Muskogee
Area Office
(BIA Contract Nos. 14-20-0402-5888
and I-27-IND-334)

Received 7/20/98

State of Oklahoma
Commissioners of the Land Office
(Lease Nos. 36-CS-8526, 36-CS-8705,
36-CS-8527 and EI-1985)

Received 7/20/98

State of Texas General Land Office
(Lease No. M-78845)

Filed 7/17/98

State of Wyoming
Commissioner of Public Lands
(Lease Nos. 84-00867, 78-0769 and 0-
22688)

Received 7/21/98



2. First Amendment to Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated June 26, 1998 from Headington Minerals, Inc. and Headington Oil Company, L.P. to Union Bank of California, N.A. (Executed in order to reflect of record that in the state and Montana, Headington Oil Company, L.P. is doing business under the assumed name of Headington Oil, Limited Partnership.)

Recording Jurisdiction

Recording Data

Richland County, MT

Doc. No. 494100,
Bk. B-156, Pg. 960,
filed 7/6/98

3. Second Supplement and Amendment to Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated October 14, 1999 from Headington Oil Company, L.P. and Headington Minerals, Inc. to Union Bank of California, N.A.

Recording Jurisdiction

Recording Data

Franklin Parish, LA

Register No. 294387, MOB 275,
filed 11/4/99

Richland County, MT

Book B-162, Page 171,
filed 11/4/99

Beaver County, OK

Book 1033, Page 310,
filed 11/4/99

Caddo County, OK

Book 2264, Page 493,
filed 12/1/99

Carter County, OK

Book 3461, Page 82,
filed 11/4/99;
Refiled in Book 3467, Page 1,
filed 11/22/99

Custer County, OK

Book 1085, Page 420,
filed 11/9/99

Dewey County, OK

Book 1122, Page 51,
filed 11/15/99



Recording Jurisdiction

Recording Data

Garvin County, OK

Book 1554, Page 117,
filed 11/9/99

Kay County, OK

Book 1076, Page 681,
filed 11/9/99

Lincoln County, OK

Book 1414, Page 356,
filed 11/4/99

Major County, OK

Book 1494, Page 131,
filed 11/9/99;
refiled in Book 1495, Page 3,
filed 11/19/99

McClain County, OK

Book 1531, Page 249,
filed 11/9/99

Pontotoc County, OK

Book 1552, Page 618,
filed 11/9/99

Roger Mills County, OK

Book 1597, Page 249,
filed 11/18/99

Seminole County, OK

Book 2222, Page 128,
filed 11/17/99

Stephens County, OK

Book 2327, Page 144,
filed 11/17/99

Coke County, TX

Vol. 132, Page 187,
filed 11/5/99

Cooke County, TX

Volume 1074, Page 60,
filed 11/4/99

Crane County, TX

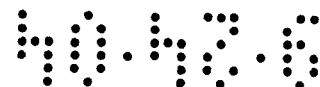
Volume 412, Page 467,
filed 03/07/00

Dawson County, TX

Volume 244, Page 619,
filed 11/4/99

Hartley County, TX

Volume 55, Page 50,
filed 11/4/99



Recording Jurisdiction

Recording Data

Lipscomb County, TX

Vol. 387, Page 695,
filed 11/5/99

Loving County, TX

Volume 10, Page 292,
filed 11/5/99

Scurry County, TX

Volume 448, Page 797,
filed 11/05/99

Smith County, TX

Volume 5031, Page 203,
filed 11/4/99

Stonewall County, TX

Volume 85, Page 183,
filed 11/4/99

Campbell County, WY

Book 1572, Page 346,
filed 11/12/99

Sweetwater County, WY

Book 919, Page 536,
filed 11/4/99

Bureau of Land Management
New Mexico State Office
(Lease Nos. NM-037793-A, NM-
0116712-A and NM-0553862)

Bureau of Land Management -
Wyoming State Office
(Lease Nos. W-56937, Evanston-
025383, Evanston-025420, Evanston-
026076, Evanston-026083, Evanston-
026084, Evanston-026085, W-0403,
W-0737, W-0910, W-01175, W-02151,
W-02181, W-02271, W-05566, W-
06133, W-014548, W-014549, W-
018635, W-018786, W-020292, W-
029324, W-039722, W-025723, W-
0311292)

Bureau of Indian Affairs - Muskogee
Area Office
(BIA Contract Nos. 14-20-0402-5888
and I-27-IND-334)



Recording Jurisdiction

Recording Data

State of Oklahoma
Commissioners of the Land Office
(Lease Nos. 36-CS-8526, 36-CS-8705,
36-CS-8527 and EI-1985)

State of Texas General Land Office
(Lease No. M-78845)

State of Wyoming
Commissioner of Public Lands
(Lease Nos. 84-00867, 78-0769 and 0-
22688)

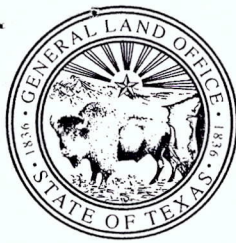
Filed 12/3/99 and Approved 1/4/2000





36.
File No. MF078845
Assignment
Date Filed: 9/27/04
Jerry E. Patterson, Commissioner
By [Signature]

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

January 3, 2005

Lisa Spurgeon
Headington Oil Co., LP
7557 Rambler Rd., Suite 1100
Dallas, TX 75231

RE: Assignment filing; GLO ID 4911

Dear Ms. Spurgeon,

The General Land Office received the following instrument(s) and has filed them in the appropriate files. Please see attached "Exhibit A" for reference.

Assignment & Conveyance executed January 31st, 2002, from Headington Minerals, Inc., as Assignor, to Headington Oil & Gas LP (94.2016%) and Klabzuba Oil & Gas, LP (5.7984%) as Assignees. MF078845.

Filing fees of \$50.00 were received in connection with the above lease. If you have any questions, please feel free to call me at (800) 998-4GLO, or at my direct number at (512) 463-6521.

Sincerely,

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Stephen F. Austin Building • 1700 North Congress Avenue • Austin, Texas 78701-1495

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

Exhibit "A"

GLO ID

County

Lease

4911 *Loving*

MF078845

Monday, January 03, 2005



LISA SPURGEON
email: lisas@headington.com
FAX 214.696.7771
214.696.7773

December 17, 2004

State of Texas
General Land Office
P.O. Box 12873
Austin, Texas 78711

Attention: Assignment Department

RE: Assignment & Conveyance
State of Texas M-78845
Loving County, Texas

Ladies or Gentlemen,

Please find enclosed a certified copy of Assignment & Conveyance between Headington Minerals, Inc., Assignor and Headington Oil Company, L.P et al, Assignees including State of Texas M-78845.

Also enclosed is our check in the amount of \$50.00 as filing fee. Please file in your records and forward an approval to my attention.

Should you have any questions, please call.

Sincerely,

Lisa Spurgeon
Senior Land Analyst

:ls
Enclosure

Headington Oil Company, L.P.

(214) 696-0606

7557 Rambler Road, Suite 1100

Dallas TX 75231

Check Number 0000551552

Invoice #	Inv. Date	Description	Amount	Discount	Net Amount
File Assignment	12/14/2004		50.00	0.00	50.00
X 129 05016294 h					

75520

Vendor

Check Date: 12/17/2004

Check Amount

50.00

STATE OF TEXAS)
)
COUNTY OF LOVING)

KNOW ALL MEN BY THESE PRESENTS, THAT:

NOW, THEREFORE, for a valuable consideration paid to it, the receipt and sufficiency of which are hereby acknowledged, and for the COVENANTS, PROMISES and AGREEMENTS made herein by the ASSIGNEES, HMI has GRANTED, SOLD, TRANSFERRED, ASSIGNED, CONVEYED and DELIVERED, and by these presents does GRANT, SELL, TRANSFER, ASSIGN, CONVEY and DELIVER, unto:

94.2016%

5.7984%

- (a) (i) oil, gas and mineral interests, (ii) royalty in oil, gas and minerals, (iii) oil, gas or mineral leasehold estates (iv) overriding royalty interests, (v) production payment interests, (vi) net profits interests, (vii) reversionary interests, and (viii) the lands and oil, gas and mineral leases described in the schedule attached as Exhibit "A" hereto;
- (b) all wells, casing, pipe, tubing, separators, well-head and in-hole equipment, tanks, motors, pipelines, gathering lines, meters, regulators, fixtures, plants, facilities and other personal property and equipment;
- (c) all permits, licenses, servitudes, easements, rights-of-way, orders, surface leases, operating agreements, pooling agreements, utilization agreements, communitization agreements, processing agreements, transportation agreements, disposal agreements, water rights, equipment leases, hydrocarbon sales agreements, exploration agreements, and all other agreements which cover, relate to, are appurtenant to, or are used in connection with properties and interests described in (a) or (b);

A Certified Copy
if it bears the seal & name of
the County Clerk imprinted in purple
ink. Attest: 12-06-09
Suzette Hanson County Clerk



- (d) all claims, demands, causes of action, accounts and contract rights which relate to or arise from the ownership or operation of a property or interest hereinabove described or to the sale of oil, gas or other hydrocarbon produced therefrom or attributable thereto, including, by way of illustration and not by way of limitation, any claims or rights to effect balancing in kind or in cash because of underproduction of hydrocarbons, take or pay claims, and claims with respect to prices paid for hydrocarbons delivered.

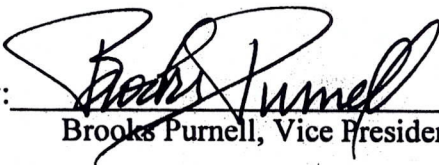
Each transfer, assignment and conveyance herein made is made without warranty or representation as to the merchantability, quality, condition, fitness for any particular purpose, or operability of any well, personal property or equipment so transferred and delivered. All of such wells, personal property and equipment is sold and delivered to the ASSIGNEES and is accepted by ASSIGNEES AS IS, WHERE IS, in the condition in which the same exists and with all faults and defects, whether apparent or hidden, known or unknown.

The interest herein assigned has been held by HMI for the benefit of the ASSIGNEES by and through a Nominee Agreement dated March 29, 1990 by and between HMI, Klabzuba Oil & Gas, A Family Limited Partnership, et al. It is understood and agreed by HMI and ASSIGNEES that such Nominee Agreement shall no longer be of force and effect as to the properties assigned herein, EXCEPT that if there is not presently in force and effect an operating agreement covering any subject property, then the Nominee Agreement Exhibit II Operating Agreement alone shall remain in effect as to such property as between the Assignees hereto with Headington Oil Company, L. P. designated therein as Operator.

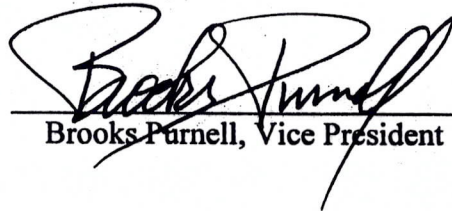
Each transfer, assignment and conveyance herein made shall be effective as of January 1, 2002.

EXECUTED on this 31 day of January, 2002.

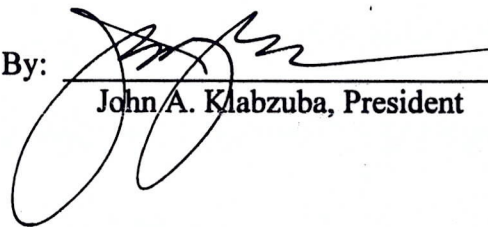
HEADINGTON MINERALS, INC.

By: 
Brooks Purnell, Vice President

HEADINGTON OIL COMPANY, L.P.,
By Headington Petroleum, L.L.C.,
General Partner

By: 
Brooks Purnell, Vice President

KLABZUBA OIL AND GAS, A FAMILY
LIMITED PARTNERSHIP
By Klabzuba Oil & Gas, Inc.,
Its General Partner

By: 
John A. Klabzuba, President



STATE OF TEXAS)

COUNTY OF DALLAS)

The foregoing instrument was acknowledged before me this 31 day of January, 2002, by Brooks Purnell, Vice President of Headington Minerals, Inc., a Delaware corporation, on behalf of said corporation.

My Commission Expires:

Lisa Spurgeon

Notary Public in and for
the State of Texas
Print Name: _____



STATE OF TEXAS)

COUNTY OF DALLAS)

The foregoing instrument was acknowledged before me this 31 day of January, 2002, by Brooks Purnell, Vice President of Headington Petroleum, L.L.C., General Partner of HEADINGTON OIL COMPANY, L.P., a Texas limited partnership, on behalf of such partnership.

My Commission Expires:

Lisa Spurgeon

Notary Public in and for
the State of Texas
Print Name: _____



STATE OF Texas)

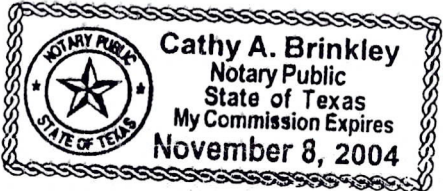
COUNTY OF Tarrant)

The foregoing instrument was acknowledged before me this 13 day of March, 2002, by John A. Klabzuba, President of Klabzuba Oil & Gas, Inc, General Partner of KLABZUBA OIL AND GAS, A FAMILY LIMITED PARTNERSHIP, a Delaware limited partnership, on behalf of such partnership.

My Commission Expires:

Cathy A. Brinkley

Notary Public in and for
the State of _____
Print Name: _____



A Certified Copy
if it bears the seal & name of
the County Clerk imprinted in purple
Ink/Attest: 12-06-04
Beverly Hanson County Clerk

EXHIBIT "A"
MENTONE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

MENTONE PROSPECT #0262

ORYX LEASE NO.: 714431-000
LESSOR: Anthony, H.F., Individually & as Agent and Attorney-in-Fact
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 51 PAGE 839
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714431-001
LESSOR: Sherley, Mary Jane McCarter
LEASE DATE: 07/27/78
RECORDING DATA: BOOK 52 PAGE 125
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714431-002
LESSOR: Roberts, Opal McCarter
LEASE DATE: 07/27/78
RECORDING DATA: BOOK 52 PAGE 128
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714431-003
LESSOR: McCarter, Vera
LEASE DATE: 07/27/78
RECORDING DATA: BOOK 52 PAGE 131
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714431-004
LESSOR: Kendall, Tom
LEASE DATE: 07/27/78
RECORDING DATA: BOOK 52 PAGE 134
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714431-005
LESSOR: Garrett, R.L., Jr.
LEASE DATE: 07/27/78
RECORDING DATA: BOOK 52 PAGE 137
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714431-006
LESSOR: Giles, Mary Kathryn Garrett
LEASE DATE: 07/27/78
RECORDING DATA: BOOK 52 PAGE 140
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714431-007
LESSOR: Grimmett, Robert P., Jr.
LEASE DATE: 07/27/78
RECORDING DATA: BOOK 52 PAGE 325
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co. Survey

A Certified Copy
if it bears the seal & name of
the County Clerk imprinted in purple
ink. Attest: 12-06-04
Beverly Hanson County Clerk



MENTONE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714431-008
LESSOR: McCrea, Marshall S., Jr. & McRea, George E.,
Trustees, et al
LEASE DATE: 10/03/78
RECORDING DATA: BOOK 52 PAGE 736
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co.
Survey

ORYX LEASE NO.: 714431-009
LESSOR: U.V. Industries, Inc.
LEASE DATE: 09/29/78
RECORDING DATA: BOOK 53 PAGE 146
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co.
Survey

ORYX LEASE NO.: 714431-010
LESSOR: Bell, Young & Allen, Jessie B., Co-Trustees
LEASE DATE: 08/28/63
RECORDING DATA: BOOK 23 PAGE 556
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RR Co.
Survey, limited to depths below 200 feet below the
Lamar Lime in the Bell Canyon Formation

ORYX LEASE NO.: 714431-011
LESSOR: Olix Energy Company
LEASE DATE: 04/11/79
RECORDING DATA: BOOK 53 PAGE 622
DESCRIPTION: SE/2 Lot 1, Section 81, Block 33, H&TC RY Co.
Survey

ORYX LEASE NO.: 714451-000
LESSOR: Dripps, Raymond M., Individually and as Independent
Executor
LEASE DATE: 09/15/73 as extended 09/20/78
RECORDING DATA: BOOK 39 PAGE 108; Extension Recorded Book 52,
Page 334
DESCRIPTION: The Southwest forty (SW/40) acres of Lot 11,
Section 81, Block 33, H&TC RR Co. Survey, limited
to depths below 11,600 feet down to but not below
19,312 feet; said depths to be measured vertically
from the surface of the earth

ORYX LEASE NO.: 714589-000
LESSOR: University Church of Christ, Abilene, Texas
LEASE DATE: 12/15/78
RECORDING DATA: BOOK 54 PAGE 64
DESCRIPTION: A tract of 280.267 acres out of the SE/2 of
Section 80, Block 33, H&TC RY Co. Survey, and
being all of Lots 33 through 45 and all of Lots 52
through 64 and those parts of Lots 46 and 51 which
are located Southwest of the boundary line of the
American Quasar Petroleum Company's 704 acre Ford
Chapman Unit (Recorded Vol. 50, Pg. 710, Deed
Records, Loving County, Texas). Said Lots being
shown by W. H. Thaxton's Subdivision Plat on said
Section 80 of Block 33, H&TC RY Co. Survey on
record in the office of the County Clerk of Loving
County, Texas, and estimated to contain 280.267
acres, more or less.



MENTONE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714589-001
LESSOR: The Children's Home of Lubbock and The Home for the Aged, Gunter, Texas
LEASE DATE: 12/15/78
RECORDING DATA: BOOK 54 PAGE 69
DESCRIPTION: A tract of 280.267 acres out of the SE/2 of Section 80, Block 33, H&TC RY Co. Survey, and being all of Lots 33 through 45 and all of Lots 52 through 64 and those parts of Lots 46 and 51 which are located Southwest of the boundary line of the American Quasar Petroleum Company's 704 acre Ford Chapman Unit (Recorded Vol. 50, Pg. 710, Deed Records, Loving County, Texas). Said Lots being shown by W. H. Thaxton's Subdivision Plat on said Section 80 of Block 33, H&TC RY Co. Survey on record in the office of the County Clerk of Loving County, Texas, and estimated to contain 280.267 acres, more or less.

ORYX LEASE NO.: 714591-000
LESSOR: First National Bank of Odessa, Texas, Trustee
LEASE DATE: 08/10/79
RECORDING DATA: BOOK 55 PAGE 429
DESCRIPTION: NE 10.62 acres of Lot 11, Section 81, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714591-001
LESSOR: Angehr, James C., et ux
LEASE DATE: 04/25/74
RECORDING DATA: BOOK 40 PAGE 581
DESCRIPTION: NE 10.62 acres of Lot 11, Section 81, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714592-000
LESSOR: Flag-Redfern Oil Company
LEASE DATE: 03/19/80
RECORDING DATA: BOOK 56 PAGE 707
DESCRIPTION: A 267.198 acre tract out of NW/2 Section 80, Block 33, H&TC RR Co. Survey, and being more particularly described as Tract No. 5 in that certain Declaration of Gas Pooling for the Arno Gas Unit No. 1, a Counterpart copy of which is dated 10/08/79, and recorded in Volume 60, Page 382 of the Deed Records of Loving County, Texas, reference to which is made for all purposes, as to and only as to all depth rights and strata lying between the subsurface depths of 11,600 feet and 19,312 feet, being bottomed in the Montoya Formation



A Certified Copy
If it bears the seal & name of
the County Clerk imprinted in purple
ink. Attest: 12-06-04
Beverly Hanson County Clerk

MENTONE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714443-000
LESSOR: Raymond, James M.
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 52 PAGE 143
DESCRIPTION: Farm Lots 47, 51, 57 & 58, Section 79, Block 33,
H&TC RR Co. Survey, below the base of the Delaware
Formation

ORYX LEASE NO.: 714443-001
LESSOR: Vaughan, Ruth M.
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 51 PAGE 841
DESCRIPTION: Farm Lots 47, 51, 57 & 58 Section 79, Block 33,
H&TC RR Co. Survey, below the base of the Delaware
Formation

ORYX LEASE NO.: 714443-002
LESSOR: Williams, Dorothy Jane, et vir
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 52 PAGE 145
DESCRIPTION: Farm Lots 47, 51, 57 & 58, Section 79, Block 33,
H&TC RR Co. Survey, below the base of the Delaware
Formation

ORYX LEASE NO.: 714443-003
LESSOR: Fisher, Mary D.
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 52 PAGE 147
DESCRIPTION: Farm Lots 47, 51, 57 & 58, Section 79, Block 33,
H&TC RR Co. Survey, below the base of the Delaware
Formation

ORYX LEASE NO.: 714443-004
LESSOR: Petke, Brenda Vaughn
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 52 PAGE 149
DESCRIPTION: Farm Lots 47, 51, 57 & 58, Section 79, Block 33,
H&TC RR Co. Survey, below the base of the Delaware
Formation

ORYX LEASE NO.: 714443-005
LESSOR: Ridgley, Nancy Vaughn
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 52 PAGE 327
DESCRIPTION: Farm Lots 47, 51, 57 & 58, Section 79, Block 33,
H&TC RR Co. Survey, below the base of the Delaware
Formation

ORYX LEASE NO.: 714445-000
LESSOR: Vanderlee, John
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 51 PAGE 843
DESCRIPTION: Farm Lot 60, Section 79, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714446-000
LESSOR: Spear, Ellie
LEASE DATE: 03/14/79
RECORDING DATA: BOOK 53 PAGE 663
DESCRIPTION: Insofar and only insofar as lease covers Farm Lots
41, 42, 45, 46, 49, 50, 55 & 56, Section 79, Block
33, H&TC RR Co. Survey and Lot 42, Section 77,
Block 33, H&TC RR Co. Survey

Certified Copy
 I, the County Clerk, do hereby certify that the foregoing is a true and correct copy of the original as the same appears in the records of the County Clerk's office.
 Inwitness whereof, I have hereunto set my hand and the seal of the County Clerk at the City of Amarillo, Texas, this 12th day of July, 1979.
 Beverly Hanson County Clerk



MENTONE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714446-001
LESSOR: Spear, Howell
LEASE DATE: 07/18/78
RECORDING DATA: BOOK 51 PAGE 845
DESCRIPTION: Insofar and only insofar as lease covers Farm Lots 41, 42, 45, 46, 49, 50, 55 & 56, Section 79, Block 33, H&TC RR Co. Survey and Lot 42, Section 77, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714456-000
LESSOR: Starr Commonwealth For Boys, A Michigan Corporation
LEASE DATE: 08/31/78
RECORDING DATA: BOOK 52 PAGE 323
DESCRIPTION: SW/4 NE/2 and Lots 2, 4, 6 & 8 of F. N. Johnson's Subdivision of the SW/2 of Section 78, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714456-001
LESSOR: U V Industries, Inc.
LEASE DATE: 09/29/78
RECORDING DATA: BOOK 53 PAGE 143
DESCRIPTION: Lots 2, 4, 6 & 8 and SW/4 NE/2, Section 78, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714456-002
LESSOR: Felmont Oil Corporation
LEASE DATE: 07/21/80
RECORDING DATA: BOOK 57 PAGE 822
DESCRIPTION: South 31.345 acres of SW/4 NE/2 and Farm Lots 2, 4, 6 & 8, F. N. Johnson Subdivision of Section 78, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714466-000
LESSOR: Goodrich, Anna, et al
LEASE DATE: 04/01/79
RECORDING DATA: BOOK 55 PAGE 258
DESCRIPTION: Insofar and only insofar as lease covers Lots 1, 3, 5, & 7 of F. N. Johnson's Subdivision of Section 78, Block 33, H&TC RY Co. Survey

ORYX LEASE NO.: 714466-002
LESSOR: Hubbard, Herman Peirce, et al
LEASE DATE: 09/14/78
RECORDING DATA: BOOK 53 PAGE 107
DESCRIPTION: Insofar and only insofar as lease covers the SW/4 NE/2 and Lots 2, 4, 6 & 8 of F. N. Johnson's Subdivision of the SW/2 of Section 78, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 714466-003
LESSOR: Transwestern, Inc.
LEASE DATE: 12/04/78
RECORDING DATA: BOOK 54 PAGE 546
DESCRIPTION: Insofar and only insofar as lease covers Farm Lots 2, 4, 6 & 8 of F. N. Johnson's Subdivision of the SW/2 and the SW/4 NE/2, all in Section 78, Block 33, H&TC RR Co. Survey



I hereby attest the name of
the County Clerk imprinted in purple
Ink. Attest: 12-06-04
Beverly Hanson County Clerk

MENTONE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714582-000
LESSOR: State of Texas M-78845
LEASE DATE: 02/06/79
RECORDING DATA: BOOK 53 PAGE 625
DESCRIPTION: Mid/Part of SW/Part of Section 78, Block 33, H&TC
RY Co. Survey, as shown on the official map of
Loving County, Texas, now on file in the General
Land Office in Austin, Texas, and as further shown
on the plat attached to and made a part of State
of Texas Lease No. M-78845 as it appears of record
in Book 53 at Page 625 of the Oil & Gas Lease
Records of Loving County, Texas

ORYX LEASE NO.: 714584-000
LESSOR: Hammarlund, George, et al
LEASE DATE: 10/01/63
RECORDING DATA: BOOK 23 PAGE 278
DESCRIPTION: Lots 43 & 44, Section 79, Block 33, H&TC RR Co.
Survey, limited to depths below 200 feet below the
Lamar Lime in the Bell Canyon Formation

ORYX LEASE NO.: 714585-000
LESSOR: Bell, Young, Trustee, et al
LEASE DATE: 08/28/63
RECORDING DATA: BOOK 23 PAGE 556
DESCRIPTION: Lots 61 thru 68 inclusive and Lots 71, 72, 75, 76
and 78, Section 79, Block 33, H&TC RR Co. Survey,
limited to depths below 200 feet below the Lamar
Lime in the Bell Canyon Formation

ORYX LEASE NO.: 714586-000
LESSOR: Prindle, Charles R.
LEASE DATE: 10/01/63
RECORDING DATA: BOOK 23 PAGE 243
DESCRIPTION: Lots 48 and 52 of Section 79, Block 33, H&TC RR
Co. Survey, limited to depths below 200 feet below
the Lamar Lime in the Bell Canyon Formation

ORYX LEASE NO.: 714588-000
LESSOR: McCrea, Marshall S. Jr., Trustee
LEASE DATE: 10/03/78
RECORDING DATA: BOOK 53 PAGE 4
DESCRIPTION: Lots 31, 32, 35, 36, 41, 42, 45, 46, 49, 50, 53,
55, 56 and 59, Section 79, Block 33, H&TC Ry Co.
Survey

ORYX LEASE NO.: 714590-000
LESSOR: Bush, Jessie W., et ux
LEASE DATE: 04/20/79
RECORDING DATA: BOOK 54 PAGE 527
DESCRIPTION: Lots 29, 30, 33 & 34 and the Most Southwesterly
338 feet of Porterville Townsite, Section 79,
Block 33, H&TC RR Co. Survey, same being all that
portion of lands covered by Oil and Gas Lease
dated 4/8/74 between Jesse W. Bush et ux as
lessors and Griffin, Ross & Burnett, Inc. as
lessee, Recorded in Vol. 43, Pg. 131, Oil and Gas
Lease Records of Loving County, Texas, which is
not included in the Gataga Gas Unit No. 2 which
was established by the Railroad Commission of
Texas Special Order date 6/23/75 in the Oil and
Gas Docket No. 8-65-012, and Recorded in Vol. 51,
Pg. 221, Deed Records of Loving County, Texas; All
limited to depths below a depth of 5,000 feet
below the surface of the earth

I, Beverly Hanson, County Clerk of Loving County, Texas, do hereby certify that the above is a true and correct copy of the original of the County Clerk's Office. Attest: 12-06-04
Beverly Hanson, County Clerk



MENTONE FIELD
LOVING COUNTY, TEXAS

LEASE AGREEMENTS (OIL AND GAS OR SURFACE)

ORYX LEASE NO.: 714593-000
LESSOR: Boddy, H. M. & Boddy, Vivan, Individually and as Independent Executor of Estate of J. E. Boddy, deceased

LEASE DATE: 03/31/80
RECORDING DATA: BOOK 56 PAGE 702
DESCRIPTION: Lots numbered 19 to 29 inclusive, of the F.N. Johnson Subdivision of Section 78, Block 33, H&TC Ry Co. Survey, as per plat thereof, recorded in Book 3, Page 617, Deed Records of Loving County, Texas, said Lots being in the Southwest end of said Section.

ORYX LEASE NO.: 714594-000
LESSOR: Felmont Oil Corporation
LEASE DATE: 03/01/79

RECORDING DATA: BOOK 56 PAGE 109
DESCRIPTION: Insofar and only insofar as lease covers Farm Lots 41, 42, 45, 46, 49, 50, 55, 56, 69, 70, 73, 74 and 77, of E. L. Stratton's Subdivision of Section 79, Block 33, H&TC Ry Co. Survey as per plat of said Subdivision duly recorded in Deed Records of Loving County, Texas.

ORYX LEASE NO.: 716900-000
LESSOR: Kern, Boyd E., Independent Executor of the Estate of Betty R. Kern, deceased

LEASE DATE: 04/11/80
RECORDING DATA: BOOK 56 PAGE 566
DESCRIPTION: Insofar and only insofar as lease covers Farm Lots 37 & 38 of E. L. Stratton's Subdivision of Section 79, Block 33, H&TC RR Co. Survey

ORYX LEASE NO.: 716914-000
LESSOR: United States Smelting, Refining and Mining Co.
LEASE DATE: 10/14/63

RECORDING DATA: BOOK 23 PAGE 235
DESCRIPTION: Lots 61, 62, 63, 64, 65, 66, 67, 68, 71, 72, 75, 76 and 78, Section 79, Block 33, H&TC RR Co. Survey, limited to depths below 200 feet below the Lamar Lime in the Bell Canyon Formation

WELLS:

Arno #1
Arno #2



I, County Clerk, do hereby certify that the foregoing is a true and correct copy of the original of the County Clerk's record in purple ink. Attest: 12-06-04
Beverly Hanson County Clerk

04-08-02A10:59 FILE

FILE NO: 02 222

GRANTOR: HEADINGTON MINERALS, INC.

GRANTEE: HEADINGTON OIL COMPANY, L.P., ET AL

I, BEVERLY HANSON, Clerk of the County Court, in and for said County, do hereby certify that the within instrument in writing, dated 01/01/2002 with its certification of authentication, was filed for record in my office 04/08/2002 at 10:59A o'clock and recorded 04/08/2002 in the OFFICIAL PUBLIC Records of Loving County, Texas, in VOL 24 , PG: 282. Witness my Hand and Seal of Said Court, at office in Mentone, Texas, on date and year last above written.



FEE: 27.00

BEVERLY HANSON, COUNTY CLERK
LOVING COUNTY, TEXAS

Sami Roberts

, DEPUTY

SAMI ROBERTS

CERTIFIED COPY CERTIFICATE
STATE OF TEXAS COUNTY OF LOVING

I hereby certify that the above is a true & correct copy of the original record on file in my office.

Beverly Hanson, County & District Clerk, Loving Co., Texas

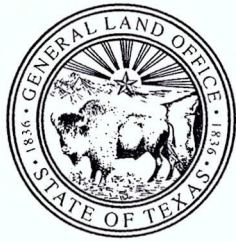
Attest: *December 6, 2004*

By: *Dustin Bumpas*
Deputy

37.
File No. MF 078845
Assignment
Date Filed: 1/3/05
Jerry E. Patterson, Commissioner
By [Signature]

15.57.04

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

May 18, 2006

Ms. Linda Graham
Thompson & Knight LLP
1700 Pacific Ave., Suite 3300
Dallas, Texas 75201-4693

RE: Assignment filing; GLO ID 5488

Dear Ms. Graham,

The General Land Office received the following instrument(s) and has filed them in the appropriate files. Please see attached "Exhibit A" for reference.

Fourth Amendment to Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement, executed February 21st, 2006, from Headington Oil Company, Headington Minerals, Inc, as Mortgagor to Randy Osterberg, as Trustee, and Union Bank of California, NA as Agent. MF078845, Loving Co. TX.

Filing fees of \$0.00 were received in connection with the above lease. If you have any questions, please feel free to call me at (800) 998-4GLO, or at my direct number at (512) 463-6521.

Sincerely,

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Stephen F. Austin Building • 1700 North Congress Avenue • Austin, Texas 78701-1495

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

Exhibit "A"

<i>GLO ID</i>	<i>County</i>	<i>Lease</i>
5488	Loving	MF078845

Thursday, May 18, 2006

THOMPSON & KNIGHT LLP

ATTORNEYS AND COUNSELORS

1700 PACIFIC AVENUE • SUITE 3300

DALLAS, TEXAS 75201-4693

(214) 969-1700

FAX (214) 969-1751

www.tklaw.com

Direct: (214) 969-1449

E-Mail: linda.graham@tklaw.com

AUSTIN
DALLAS
FORT WORTH
HOUSTON
NEW YORK

ALGIERS
MEXICO CITY
MONTERREY
PARIS
RIO DE JANEIRO

May 10, 2006

The Texas General Land Office
1700 North Congress Avenue
Suite 840
Austin, Texas 78701-1495
Attn: State Leases

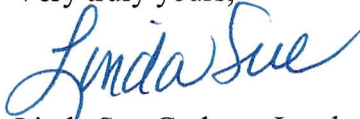
Re: Union Bank of California/ Headington

Dear Clerk:

Please place the enclosed Fourth Amendment to Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement from Headington Oil Company L.P. and Headington Minerals, Inc. to Union Bank of California within the State Lease File # M-78845. If you have any questions or concerns, please contact me at 800-777-9696, extension 1449.

Thank you for your cooperation in this matter

Very truly yours,



Linda Sue Graham, Landman

/lsg
Enclosure

TV 620
2/21/06
5488

After recording, return to:
Debra J. Villarreal
Thompson & Knight LLP
1700 Pacific Avenue, Suite 3300
Dallas, Texas 75201

FOURTH AMENDMENT TO AMENDED AND RESTATED
DEED OF TRUST, MORTGAGE, ASSIGNMENT,
SECURITY AGREEMENT, FIXTURE FILING AND
FINANCING STATEMENT

Recitals:

1. Reference is made to that certain Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement (the "Original Mortgage") dated June 26, 1998, from Headington Oil Company, L.P. (doing business in the State of Montana as Headington Oil, Limited Partnership) ("HOCLP") and Headington Minerals, Inc. ("HMI") (HOCLP and HMI are herein and in the Original Mortgage collectively called "Mortgagor") to Randy Osterberg, Trustee, in favor of Union Bank of California, N.A., as Agent (herein and in the Original Mortgage called "Agent"), recorded as shown on Schedule I attached hereto and made a part hereof, as heretofore supplemented and amended by that certain First Amendment to Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement (the "First Mortgage Amendment") dated June 30, 1998, recorded as shown on Schedule I hereto, by that certain Second Supplement and Amendment to Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement (the "Second Mortgage Amendment") dated October 14, 1999 recorded as shown on Schedule I hereto, and by that certain Third Amendment to Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement (the "Third Mortgage Amendment") dated August 13, 2004, recorded as shown on Schedule I hereto. The Original Mortgage as amended and supplemented by the First Mortgage Amendment, the Second Mortgage Amendment and the Third Mortgage Amendment is herein called the "Existing Mortgage."

2. The Credit Agreement dated June 26, 1998, among Mortgagor, as Borrower, Headington Resource, Inc., Headington Petroleum, L.L.C., and Headington Nevada, L.L.C. and Union Bank of California, N.A., in its capacity as Agent for the benefit of the lenders party thereto (as heretofore amended or modified, the "Existing Credit Agreement") has been amended and restated in its entirety by that certain First Amended and Restated Credit Agreement of even date herewith, and Mortgagor has executed and delivered new promissory notes which are in renewal and extension of the promissory notes described in Sections 1.3(b) and 1.3(c) of the Existing Mortgage.



3. Mortgagor and Mortgagee desire to execute this instrument (herein called this "Fourth Mortgage Amendment"; the Existing Mortgage as amended by this Fourth Mortgage Amendment is herein sometimes called the "Mortgage") in order to reflect of record the restatement of the Existing Credit Agreement and such new notes, and in order to further secure payment of the secured indebtedness (as defined in the Existing Mortgage).

Supplement and Amendment:

NOW, THEREFORE, to secure payment of the secured indebtedness, and the performance of the obligations, covenants, agreements, warranties and undertakings contained herein or in the Existing Mortgage, and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration in hand paid to Mortgagor, the receipt and sufficiency of which are hereby acknowledged, the parties hereto have agreed and do hereby agree as follows:

1. Amendments.

A. Sections 1.3(a), 1.3(b), and 1.3(c) of the Existing Mortgage are deleted in their entirety and replaced with the following:

(a) All indebtedness and other obligations now or hereafter incurred or arising pursuant to the provisions of that certain First Amended and Restated Credit Agreement dated as of February 17, 2006, among HOCLP, as Borrower, Headington Resource, Inc., as guarantor, Headington Petroleum, L.L.C. and Headington Nevada, L.L.C., and Union Bank of California, N.A., in its capacity as Administrative Agent (the "Agent") for the benefit of lenders (herein collectively called "Lenders") (such First Amended and Restated Credit Agreement as the same may from time to time be supplemented, amended, or modified, and all other agreements given in substitution therefor or in restatement, renewal or extension thereof, in whole or in part, being herein called the "Credit Agreement"), which amends and restates in its entirety that Credit Agreement dated June 26, 1998, between HOCLP, as Borrower, Headington Resources, Inc., Headington Petroleum, L.L.C. and Headington Nevada, L.L.C. and Union Bank of California, N.A. in its capacity as Agent for the benefit of lenders party thereto, as amended by that certain First Amendment to Credit Agreement dated September 27, 1999, that certain Second Amendment to Credit Agreement dated September 29, 2000, that certain Third Amendment to Credit Agreement dated October 31, 2001, that certain Fourth Amendment to Credit Agreement dated August 23, 2002, that certain Fifth Amendment to Credit Agreement dated August 19, 2003, and that certain Sixth Amendment to Credit Agreement dated July 29, 2004;

(b) Those certain promissory notes in the maximum aggregate principal amount of \$150,000,000 made by HOCLP and payable to the order of Lenders on or before December 31 2009, bearing variable interests as therein provided and containing a provision for the payment of a reasonable additional amount as attorneys' fees (such notes, as from time to time supplemented, amended or modified, and all other notes given in substitution therefor, or in modification, renewal or extension thereof, in whole or in part, are herein collectively called the "Notes");

(c) Intentionally deleted;

B. Section 1.3(f) and (g) of the Existing Mortgage are hereby amended in their entirety to read as follows:



(f) Payment of and performance of any and all present or future obligations of HOCLP according to the terms of any present or future interest rate, credit, commodity or equity swap, cap, floor, collar, forward foreign exchange transaction, currency swap, cross-currency rate swap, currency option, or any similar transaction or any combination of, or option with respect to, these or similar transactions, for the purpose of hedging HOCLP's exposure to fluctuations in interest or exchange rates, loan, credit, exchange, security or currency valuations or commodity prices with respect to any such transaction now existing or hereafter entered into between HOCLP and any one or more Lenders (or any affiliate of any Lender);

(g) Payment of and performance of any and all present or future obligations of HOCLP according to the terms of any agreement providing for interest rate, credit, commodity or equity swaps, caps, floors, collars, forward foreign exchange transactions, currency swaps, cross-currency rate swaps, currency options, or any similar transaction or any combination of, or option with respect to, these or similar transactions, or any other derivative agreement or other similar agreement or arrangement, in each case now existing or hereafter entered into between HOCLP and any one or more Lenders (or any affiliate of any Lender);

2. Effect of Amendment. Except as expressly amended hereby, the Existing Mortgage shall remain in full force and effect. Nothing in this Fourth Mortgage Amendment releases any right, claim, lien, security interests or entitlement of Agent created by or contained in the Existing Mortgage or releases Mortgagor from any covenant, warranty or obligation created by or contained in the Existing Mortgage, and all covenants, warranties, obligations and other terms of the Existing Mortgage, are applicable to all properties secured by the Mortgage.

3. Counterparts. This instrument may be executed in several counterparts, all of which are identical, except that, to facilitate recordation, certain counterparts hereof may include (as Attachment 1) portions of Exhibit A to the Existing Mortgage which contain descriptions of properties located in (or otherwise subject to the requirements and/or protections of the recording or filing acts or regulations of) the recording jurisdiction in which the particular counterpart is to be recorded. All of such counterparts together shall constitute one and the same instrument.

4. Ratification, Reconfirmation Reinscription. The Mortgage is hereby ratified, restated, adopted, confirmed, reinvested, and renewed, except to the extent of any releases in writing by the Agent, or its predecessor, which were delivered to Mortgagor prior to the date hereof. All representations, warranties and covenants of Mortgagor in the Existing Mortgage are hereby repeated, remade and incorporated herein by this reference for the benefit of Agent, or as applicable to the properties secured by this Fourth Mortgage Amendment, on and as of the date hereof, except to the extent changed by the transactions contemplated by this Fourth Mortgage Amendment.

5. Successors and Assigns. The terms, provisions, covenants and conditions hereof shall be binding upon Mortgagor, and the successors and assigns of Mortgagor, and shall inure to the benefit of Mortgagee and its successors and assigns. All references in this instrument to Mortgagor or Mortgagee shall be deemed to include all such successors and assigns.

6. Miscellaneous. This Fourth Mortgage Amendment shall be considered a "Loan Document", as such term is defined in the Mortgage.

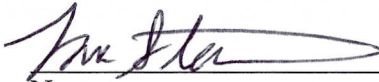
7. Paraph. Mortgager acknowledges that no promissory note or other instrument has been presented to the undersigned Notary Public(s) to be paraphed for identification herewith.



Executed by the parties hereto on the dates of their respective acknowledgments.

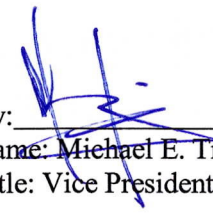
WITNESSES FOR SIGNATURES OF
MORTGAGOR:


Name: Tara Stevens

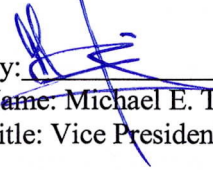

Name: _____

HEADINGTON OIL COMPANY, L.P.
doing business as Headington Oil, Limited
Partnership in the State of Montana

By: Headington Petroleum, L.L.C., its general
partner


By: _____
Name: Michael E. Tregoning
Title: Vice President and Chief Financial Officer

HEADINGTON MINERALS, INC.


By: _____
Name: Michael E. Tregoning
Title: Vice President and Chief Financial Officer

WITNESSES:

Miranda Menis
Name: Miranda Menis

Whitney Randolph
Name: Whitney Randolph

UNION BANK OF CALIFORNIA, N.A.,
as Agent

By: [Signature]
Name: Randall L. Osterberg
Title: Senior Vice President

The address of Mortgagor is:

7557 Rambler Road, Suite 1150
Dallas, Texas 75231

The address of Agent is:

Union Bank of California, N.A.
500 N. Akard, Suite 4200
Dallas, Texas 75201

Instrument Prepared by:

Debra J. Villarreal
Thompson & Knight LLP
1700 Pacific Avenue, Suite 3300
Dallas, Texas 75201

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 17 **day of February, 2006**, there personally appeared before me Michael E. Tregoning, the Vice President and Chief Financial Officer of Headington Petroleum, L.L.C., a Texas limited liability company, as general partner of Headington Oil Company, L.P., a Texas limited partnership, known to me to be such Vice President and Chief Financial Officer, such limited partnership being a party to the foregoing instrument:

LOUISIANA

On this date, before me, the undersigned authority, personally came and appeared Michael E. Tregoning, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the Vice President and Chief Financial Officer of Headington Petroleum, L.L.C., a Texas limited liability company, acting as general partner of Headington Oil Company, L.P., a Texas limited partnership, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such limited partnership through such limited liability company as its general partner by proper authority and as the free act and deed of such limited partnership through such limited liability company as its general partner and for the uses & purposes therein set forth and apparent

NEW MEXICO, OKLAHOMA, TEXAS, AND WYOMING

This instrument was acknowledged before me on this date, by Michael E. Tregoning as Vice President and Chief Financial Officer of Headington Petroleum, L.L.C., a Texas limited liability company, as general partner of Headington Oil Company, L.P., a Texas limited partnership, on behalf of said limited liability company acting as general partner for such limited partnership.

MONTANA

On this date, before me personally appeared Michael E. Tregoning known to me to be the Vice President and Chief Financial Officer of Headington Petroleum, L.L.C., a Texas limited liability company, acting as general partner of Headington Oil Company, L.P., doing business as Headington Oil, Limited Partnership, a Texas limited partnership, the limited partnership described in and that executed the within and foregoing instrument and acknowledged to me that the limited liability company acting as general partner of the limited partnership executed the same.

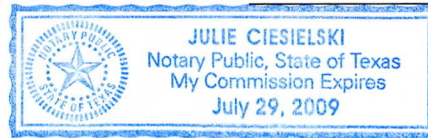


IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Dallas, County of Dallas, State of Texas, on the day and year first above written.

Julie Ciesielski
NOTARY PUBLIC, in and for the State of Texas

[SEAL]

Notary Identification No. _____



STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 17 day of February, 2006, there personally appeared before me Michael E. Tregoning, the Vice President and Chief Financial Officer of Headington Minerals, Inc., a Delaware corporation, known to me to be such officer, such corporation being a party to the foregoing instrument:

LOUISIANA

On this date, before me, the undersigned authority, personally came and appeared Michael E. Tregoning, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the Vice President and Chief Financial Officer of Headington Minerals, Inc., a Delaware corporation, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

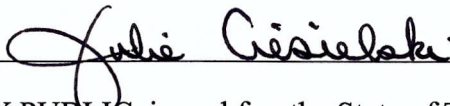
MONTANA

On this date, before me personally appeared Michael E. Tregoning known to me to be the Vice President and Chief Financial Officer of Headington Minerals, Inc., the corporation described in and that executed the within and foregoing instrument and acknowledged to me that the corporation executed the same.

NEW MEXICO, OKLAHOMA, TEXAS, AND WYOMING

This instrument was acknowledged before me on this date, by Michael E. Tregoning as Vice President and Chief Financial Officer of Headington Minerals, Inc., a Delaware corporation, on behalf of said corporation.

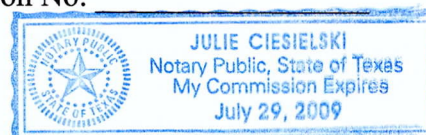
IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Dallas, County of Dallas, State of Texas, on the day and year first above written..



NOTARY PUBLIC, in and for the State of Texas

[SEAL]

Notary Identification No. _____



000033

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this **21st day of February, 2006**, there personally appeared before me Randall L. Osterberg, a Senior Vice President of Union Bank of California, N.A., a national banking association, known to me to be such Senior Vice President, such national banking association being a party to the foregoing instrument:

LOUISIANA

On this date, before me, the undersigned authority, personally came and appeared Randall L. Osterberg, to me personally known and known by me to be the persons whose genuine signatures are affixed to the foregoing document as a Senior Vice President of Union Bank of California, N.A., a national banking association, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such association by authority of its board of directors and as the free act and deed of such association and for the uses and purposes therein set forth and apparent, acting as Agent.

NEW MEXICO, OKLAHOMA, TEXAS, AND WYOMING

This instrument was acknowledged before me on this date, by Randall L. Osterberg, a Senior Vice President of Union Bank of California, N.A., a national banking association, on behalf of said national banking association, in its capacity as Agent.

MONTANA

On this date, before me personally appeared Randall L. Osterberg, known to me to be a Senior Vice President of Union Bank of California, N.A., a national banking association, the national banking association described in and that executed the within and foregoing instrument and acknowledged to me that the national banking association executed the same in its capacity as Agent.



IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Dallas, County of Dallas, State of Texas, on the day and year first above written.

Melissa Owens
NOTARY PUBLIC, in and for the State of Texas



SCHEDULE I

1. Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated June 26, 1998 from Headington Oil Company, L.P. and Headington Minerals, Inc. to Union Bank of California, N.A.

Recording Jurisdiction

Recording Data

Franklin Parish, LA

Register No. 289155, Mtg. Book 263
filed 7/1/98

Richland County, MT

Doc. #494099;
Book B-156, Page 899,
filed 7/6/98

Beaver County, OK

Book 1007, Page 468,
filed 6/30/98

Caddo County, OK

Book 2183, Page 81,
filed 7/1/98

Carter County, OK

Book 3278, Page 209,
filed 6/30/98

Custer County, OK

Book 1043, Page 375,
filed 6/30/98

Dewey County, OK

Book 1092, Page 164,
filed 6/30/98

Garvin County, OK

Book 1513, Page 191,
filed 6/30/98

Kay County, OK

Reception #7509,
Book 1025, Page 38,
filed 6/30/98

Lincoln County, OK

Book 1360, Page 755,
filed 6/30/98

Major County, OK

Book 1461, Page 36,
filed 6/30/98

McClain County, OK

Book 1478, Page 878,
filed 6/30/98



Recording Jurisdiction**Recording Data**

Pontotoc County, OK	Book 1514, Page 762, filed 6/30/98
Roger Mills County, OK	Book 1561, Page 86, filed 6/30/98
Seminole County, OK	Book 2108, Page 174, filed 6/30/98
Stephens County, OK	Book 2158, Page 247, filed 6/30/98
Coke County, TX	Vol. 113, Page 1, filed 7/2/98
Cooke County, TX	Vol. 1017, Page 245, filed 7/1/98
Crane County, TX	Vol. 397, Page 328, filed 6/30/98
Dawson County, TX	Volume 238, Page 503, filed 6/30/98
Hartley County, TX	Vol. 47, Page 268, filed 6/30/98
Lipscomb County, TX	Vol. 377, Page 755, filed 6/30/98
Loving County, TX	Volume 52, Page 444, filed 7/1/98
Scurry County, TX	Volume 421, Page 605, filed 7/2/98
Smith County, TX	Volume 4381, Page 178 filed 6/30/98
Stonewall County, TX	Volume 83, Page 496, filed 6/30/98

Recording Jurisdiction

Campbell County, WY

Sweetwater County, WY

Bureau of Land Management
New Mexico State Office
(Lease Nos. NM-037793-A, NM-0116712-A and NM-0553862)

Bureau of Land Management -
Wyoming State Office
(Lease Nos. W-56937, Evanston-025383, Evanston-025420, Evanston-026076, Evanston-026083, Evanston-026084, Evanston-026085, W-0403, W-0737, W-0910, W-01175, W-02151, W-02181, W-02271, W-05566, W-06133, W-014548, W-014549, W-018635, W-018786, W-020292, W-029324, W-039722, W-025723, W-0311292)

Bureau of Indian Affairs - Muskogee
Area Office
(BIA Contract Nos. 14-20-0402-5888 and I-27-IND-334)

State of Oklahoma
Commissioners of the Land Office
(Lease Nos. 36-CS-8526, 36-CS-8705, 36-CS-8527 and EI-1985)

State of Texas General Land Office
(Lease No. M-78845)

State of Wyoming
Commissioner of Public Lands
(Lease Nos. 84-00867, 78-0769 and 0-22688)

Recording Data

Book 1488, Page 518,
filed 7/6/98

Book 900, Page 174,
filed 7/1/98

Sent for filing 7/9/98; rejected
7/10/98; this office does not accept
mortgages for filing

Sent for filing 7/9/98; rejected
7/10/98; this office does not accept
mortgages for filing

Received 7/20/98

Received 7/20/98

Filed 7/17/98

Received 7/21/98

2. First Amendment to Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated June 26, 1998 from



Headington Minerals, Inc. and Headington Oil Company, L.P. to Union Bank of California, N.A. (Executed in order to reflect of record that in the state and Montana, Headington Oil Company, L.P. is doing business under the assumed name of Headington Oil, Limited Partnership.)

Recording Jurisdiction

Richland County, MT

Recording Data

Doc. No. 494100,
Bk. B-156, Pg. 960,
filed 7/6/98

3. Second Supplement and Amendment to Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated October 14, 1999 from Headington Oil Company, L.P. and Headington Minerals, Inc. to Union Bank of California, N.A.

Recording Jurisdiction

Franklin Parish, LA

Recording Data

Register No. 294387, MOB 275,
filed 11/4/99

Richland County, MT

Book B-162, Page 171,
filed 11/4/99

Beaver County, OK

Book 1033, Page 310,
filed 11/4/99

Caddo County, OK

Book 2264, Page 493,
filed 12/1/99

Carter County, OK

Book 3461, Page 82,
filed 11/4/99;
Refiled in Book 3467, Page 1,
filed 11/22/99

Custer County, OK

Book 1085, Page 420,
filed 11/9/99

Dewey County, OK

Book 1122, Page 51,
filed 11/15/99

Garvin County, OK

Book 1554, Page 117,
filed 11/9/99



Recording Jurisdiction**Recording Data**

Kay County, OK

Book 1076, Page 681,
filed 11/9/99

Lincoln County, OK

Book 1414, Page 356,
filed 11/4/99

Major County, OK

Book 1494, Page 131,
filed 11/9/99;
refiled in Book 1495, Page 3,
filed 11/19/99

McClain County, OK

Book 1531, Page 249,
filed 11/9/99

Pontotoc County, OK

Book 1552, Page 618,
filed 11/9/99

Roger Mills County, OK

Book 1597, Page 249,
filed 11/18/99

Seminole County, OK

Book 2222, Page 128,
filed 11/17/99

Stephens County, OK

Book 2327, Page 144,
filed 11/17/99

Coke County, TX

Vol. 132, Page 187,
filed 11/5/99

Cooke County, TX

Volume 1074, Page 60,
filed 11/4/99

Crane County, TX

Volume 412, Page 467,
filed 03/07/00

Dawson County, TX

Volume 244, Page 619,
filed 11/4/99

Hartley County, TX

Volume 55, Page 50,
filed 11/4/99

Lipscomb County, TX

Vol. 387, Page 695,
filed 11/5/99



Recording Jurisdiction**Recording Data**

Loving County, TX

Volume 10, Page 292,
filed 11/5/99

Scurry County, TX

Volume 448, Page 797,
filed 11/05/99

Smith County, TX

Volume 5031, Page 203,
filed 11/4/99

Stonewall County, TX

Volume 85, Page 183,
filed 11/4/99

Campbell County, WY

Book 1572, Page 346,
filed 11/12/99

Sweetwater County, WY

Book 919, Page 536,
filed 11/4/99

Bureau of Land Management
New Mexico State Office
(Lease Nos. NM-037793-A, NM-
0116712-A and NM-0553862)

Bureau of Land Management -
Wyoming State Office
(Lease Nos. W-56937, Evanston-
025383, Evanston-025420, Evanston-
026076, Evanston-026083, Evanston-
026084, Evanston-026085, W-0403,
W-0737, W-0910, W-01175, W-02151,
W-02181, W-02271, W-05566, W-
06133, W-014548, W-014549, W-
018635, W-018786, W-020292, W-
029324, W-039722, W-025723, W-
0311292)

Bureau of Indian Affairs - Muskogee
Area Office
(BIA Contract Nos. 14-20-0402-5888
and I-27-IND-334)



Recording Jurisdiction**Recording Data**

State of Oklahoma
Commissioners of the Land Office
(Lease Nos. 36-CS-8526, 36-CS-8705,
36-CS-8527 and EI-1985)

State of Texas General Land Office
(Lease No. M-78845)

State of Wyoming
Commissioner of Public Lands
(Lease Nos. 84-00867, 78-0769 and 0-
22688)

Filed 12/3/99 and Approved 1/4/2000

4. Third Amendment to Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated August 13, 2004, from Headington Oil Company, L.P. and Headington Minerals, Inc. to Union Bank of California, N.A.

Recording Jurisdiction**Recording Data**

Franklin Parish, LA

Register No. 315269
Mortgage Book 324
Recorded 08/17/04

Richland County, MT

Document # 526064
Book 189, Page 75
Recorded 08/18/04

Beaver County, OK

Document # I-2004-002211
Book 1122, Page 228
Recorded 08/19/04

Caddo County, OK

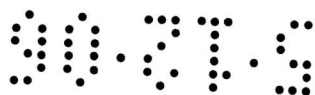
Document # 200400007849
Volume 2496, Page 655
Recorded 08/18/04

Carter County, OK

Document # I-2004-010369
Book 4193, Page 293
Recorded 9/13/04

Custer County, OK

Document # I-2004-004845
Book 1249, Page 726
Recorded 08/18/04



Recording Jurisdiction**Recording Data**

Dewey County, OK

Document # 002845
Book 1219, Page 385
Recorded 08/18/04

Garvin County, OK

Document # I-2004-006501
Book 1707, Page 913
Recorded 08/20/04

Kay County, OK

Document # I-2004-007930
Book 1285, Page 601
Recorded 08/18/04

Lincoln County, OK

Document # 7348
Book 1611, Page 682
Recorded 08/19/04

Major County, OK

Document # I-2004-002410
Book 1612, Page 314
Recorded 08/18/04

McClain County, OK

Document # I-2004-007251
Book 1715, Page 692
Recorded 08/20/04

Pontotoc County, OK

Document # 005325
Book 1915, Page 184
Recorded 08/19/04

Roger Mills County, OK

Document # I-2004-004653
Book 1758, Page 331
Recorded 08/19/04

Seminole County, OK

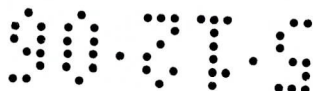
Document # 4963
Book 2633, Page 294
Recorded 08/19/04

Stephens County, OK

Document # 72-2761
Book 3022, Page 325
Recorded 08/19/04

Coke County, TX

Document # 9343
Volume 178, Page 320



Recording Jurisdiction**Recording Data**

Cooke County, TX

Recorded 08/19/04

Document # 18330
Volume 1326, Page 47
Recorded 08/20/04

Crane County, TX

Document # 84855
Volume 460, Page 358
Recorded 08/18/04

Dawson County, TX

Document # 2273
Volume 0539, Page 503
Recorded 08/18/04

Hartley County, TX

Document # 090769
Volume 81, Page 624
Recorded 08/19/04

Lipscomb County, TX

Document # 36920
Volume 421, Page 33
Recorded 08/20/04

Loving County, TX

Volume 42, Page 640
Recorded 08/19/04

Scurry County, TX

Document # 20042863
Volume 556, Page 43
Recorded 08/20/04

Smith County, TX

Document # 2004-R0044274
Volume 7592, Page 429
Recorded 08/23/04

Stonewall County, TX

Document # 040709
Volume 433, Page 420
Recorded 08/19/04

Campbell County, WY

Document # 838397
Book 1993, Page 599
Recorded 08/25/04

Recording Jurisdiction

Sweetwater County, WY

Bureau of Land Management
New Mexico State Office
(Lease Nos. NM-037793-A, NM-0116712-A and NM-0553862)

Bureau of Land Management -
Wyoming State Office
(Lease Nos. W-56937, Evanston-025383, Evanston-025420, Evanston-026076, Evanston-026083, Evanston-026084, Evanston-026085, W-0403, W-0737, W-0910, W-01175, W-02151, W-02181, W-02271, W-05566, W-06133, W-014548, W-014549, W-018635, W-018786, W-020292, W-029324, W-039722, W-025723, W-0311292)

Bureau of Indian Affairs - Muskogee
Area Office
(BIA Contract Nos. 14-20-0402-5888 and I-27-IND-334)

State of Oklahoma
Commissioners of the Land Office
(Lease Nos. 36-CS-8526, 36-CS-8705, 36-CS-8527 and EI-1985)

State of Texas General Land Office
(Lease No. MF-78845)
GLO ID # 4816

State of Wyoming
Office of State Lands and Investments
(Lease Nos. 84-00867, 78-0769 and 0-22688)

Recording Data

Document # 1420361
Book 1007, Page 124
Recorded 08/20/04

Letter and Document sent
09/16/2004

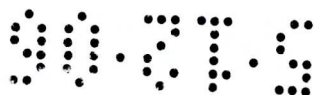
Letter and Document Sent 09/16/2004

Acknowledgement letter of receipt
dated 09/24/2004

Letter and Document Sent 09/16/2004

Letter and Document sent 09/16/2004

Acknowledgement Letter of Receipt
dated 12/16/2004



File No SP 078845

~~ASSIGNMENT FILED IN MF~~

Date Filed: 3/18/06

By [Signature] Jerry E. Patterson, Commissioner

12
11
10
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7
6
5
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1



Entered

Energy Financial Management Request for Write-Off Over \$1000

Gas 0165

Lessee's Name Energen Resources BAN # 1232MF# 78845 Acct Ex./Auditor MM for LS Inv. Amount \$7,308.92Original Billing Date 3/17/1999 Write-Off Request Date: 1/19/2010

Billing Type

Reason for Write-Off (check all that apply)

- | | |
|--|---|
| ☐ Audit | ☒ Debt is 3 Years old or more |
| ☒ Reconciliation | ☐ Lessee bankrupt / out of business |
| ☐ Energy Resources | ☐ Lessee cannot be located |
| ☐ Late / Incorrect Report | ☒ Debt is uncollectible |
| ☐ Late Payment | ☐ Lessee files electronically |
| | ☐ Other |

1. Attach copies of the original invoice, follow-up correspondence, telephone logs, and collection history regarding the unpaid balance.
2. Provide reason that liability should be written-off.
3. Once approved by all necessary parties are obtained, the collection packet will be returned to the EFM Director for removal from the Accounts Receivable.

Submitted by Team Leader:

B. J. Poyson 1/29/2010
Signature and DateComments: - theNo electronic version of recon available. Copy of billing not in mineral file.Quick review of dues v paid shows less than \$1200.00 total royalty due since 199009 production.

Approved by EFM Director:

Chris M. May 01-05-2010
(Signature and Date)Comments: paid

Concurred by Legal Services:

Wendy Smith 2-10-2010
(Signature and Date)

Comments:

Return to Energy Financial Mgmt

For Amounts over \$10,000

Deputy Commissioner Financial Mgmt: _____

For Amounts over \$25,000

Chief Clerk / Deputy Land Comm.: _____

reported AFR
Not entered Sage

Billing	C O M P A N Y	TYPE	MF NUMBER	her Lease	DATE	DATE	AUD	ROYALTY	PENALTY	INTEREST	TOTAL	C O M M E N T S
GAS0165	TAURUS EXPLORATION IN	REC	78845	No	01/20/99	01/20/99	LS	\$3,647.09	\$1,213.02	\$2,393.70	\$7,253.81	NONREPTG & NONPYMNT
GAS0165	TAURUS EXPLORATION IN	REC	78845	No	01/20/99	03/17/99	LS	(\$3,647.09)	(\$1,213.02)	(\$2,393.70)	(\$7,253.81)	REVERSED PER REVISED SCH
GAS0165	ENERGEN RESOURCES COR	REC	78845	No	01/20/99	03/17/99	LS	\$3,647.09	\$1,213.02	\$2,448.81	\$7,308.92	CO NAME CHG/ADJ INT

ROYALTY PAID	PENALTY PAID	INTEREST PAID	TOTAL PAID	DATE RECEIVED	REGISTER NUMBER	Payor
			\$0.00			
			\$0.00			
			\$0.00			

39

File No. MF- 078845

Write off Ltr

Date Filed: 1/15/10

Jerry E. Patterson, Commissioner

By [Signature]

DO NOT DESTROY



Texas General Land Office
UNIT AGREEMENT MEMO

UPA148050

Unit Number 6723
Operator Name MRC Permian Company
Customer ID
Unit Name ARNO # 1H Unit
County 1 Loving RRC District 1 08
County 2 Reeves RRC District 2 08
County 3 RRC District 3
County 4 RRC District 4
Unit type Permanent
State Net Revenue Interest 0.06957730
State Part in Unit 0.33577565
Unit Depth Specified Depths
From Depth 0 Surface
To Depth 10850 100 feet below deepest depth drilled
Well
Formation Wolfcamp
Participation Basis Surface Acreage
Unit Term
Effective Date 03/04/2014
Unitized For Oil And Gas
Old Unit Number Inactive Status Date

If Exclusions Apply: See Remarks

Lease Number	Tract No	Lease Acres in Unit	Total Unit Acres	Tract Participation	Lease Royalty	Tract Royalty Participation	Royalty Rate Reduction Clause
MF116263	1	16.860000	348.030000	0.04844410	0.25000000	0.01211102	No
MF078845	2	100.000000	348.030000	0.28733155	0.20000000	0.05746631	No

API Number 301-32169

Remarks:

52.076 on the Pecos River. Unit depth from the surface to 100 feet below the deepest depth drilled

Prepared By:

REW

Prepared Date:

11-12-14

GLO Base Updated By:

REW

GLO Base Date:

11-12-14

RAM Approval By:

VAN

RAM Approval Date:

3-13-14

GIS By:

GIS Date:

Well Inventory By:

MB

WI Date:

11/12/14

Pooling Committee Report

To: School Land Board

UPA148050

Date of Board Meeting: 03/04/2014

Unit Number: 6723

Effective Date: 03/04/2014

Unit Expiration Date:

Applicant: MRC Permian Company

Attorney Rep:

Operator: MRC Permian Company

Unit Name: ARNO # 1H Unit

Field Name: Phantom (Wolfcamp)

County:

Loving

Reeves

<u>Lease Type</u>	<u>Lease Number</u>	<u>Lease Royalty</u>	<u>Expiration Date</u>	<u>Lease Term</u>	<u>Lease Acres</u>	<u>Lease Acres In Unit</u>	<u>Royalty Participation</u>
52.076	MF116263	0.25000000	03/04/2015	1 years	16.860000	16.860000	0.01211102
U Fee	MF078845	0.20000000	02/06/1982	3 years	100.000000	100.000000	0.05746631

52.076 on the Pecos River

Private Acres:	231.170000
State Acres:	116.860000
Total Unit Acres:	348.030000

<u>Participation Basis:</u>	Surface Acreage
Surface Acreage	
<u>State Acreage:</u>	33.58%
<u>State Net Revenue Interest:</u>	6.96%

<u>Unit Type:</u>	<u>Unitized for:</u>
Permanent	Oil And Gas
<u>Term:</u>	

<u>RRC Rules:</u>	<u>Spacing Acres:</u>
Yes	704 acres for a 5750 foot lateral

Working File Number: UPA148050

REMARKS:

- MRC Permian Company is requesting permanent oil and gas pooling from the surface to 100 feet below the deepest depth drilled in order to test the Wolfcamp Formation.
- The applicant plans to spud the unit well on April 1, 2014, with a proposed TD of 10,750 feet TVD. A 5,750 foot lateral is expected to be drilled.
- With approval of the unit the State's unit royalty participation will be 6.96%.
- To compensate the State for lost lease bonus on the unleased Pecos River, the applicant has agreed to pay the Permanent School Fund \$3,000.00 per net mineral acre, for a total of \$50,580.00.
- The State will participate on a unitized basis from the date of first production.

POOLING COMMITTEE RECOMMENDATION:

The Pooling Committee recommends Board approval of a permanent oil and gas unit under the above-stated provisions.



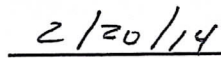
Mary Smith - Office of the Attorney General



Date



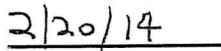
Robert Hatter - General Land Office



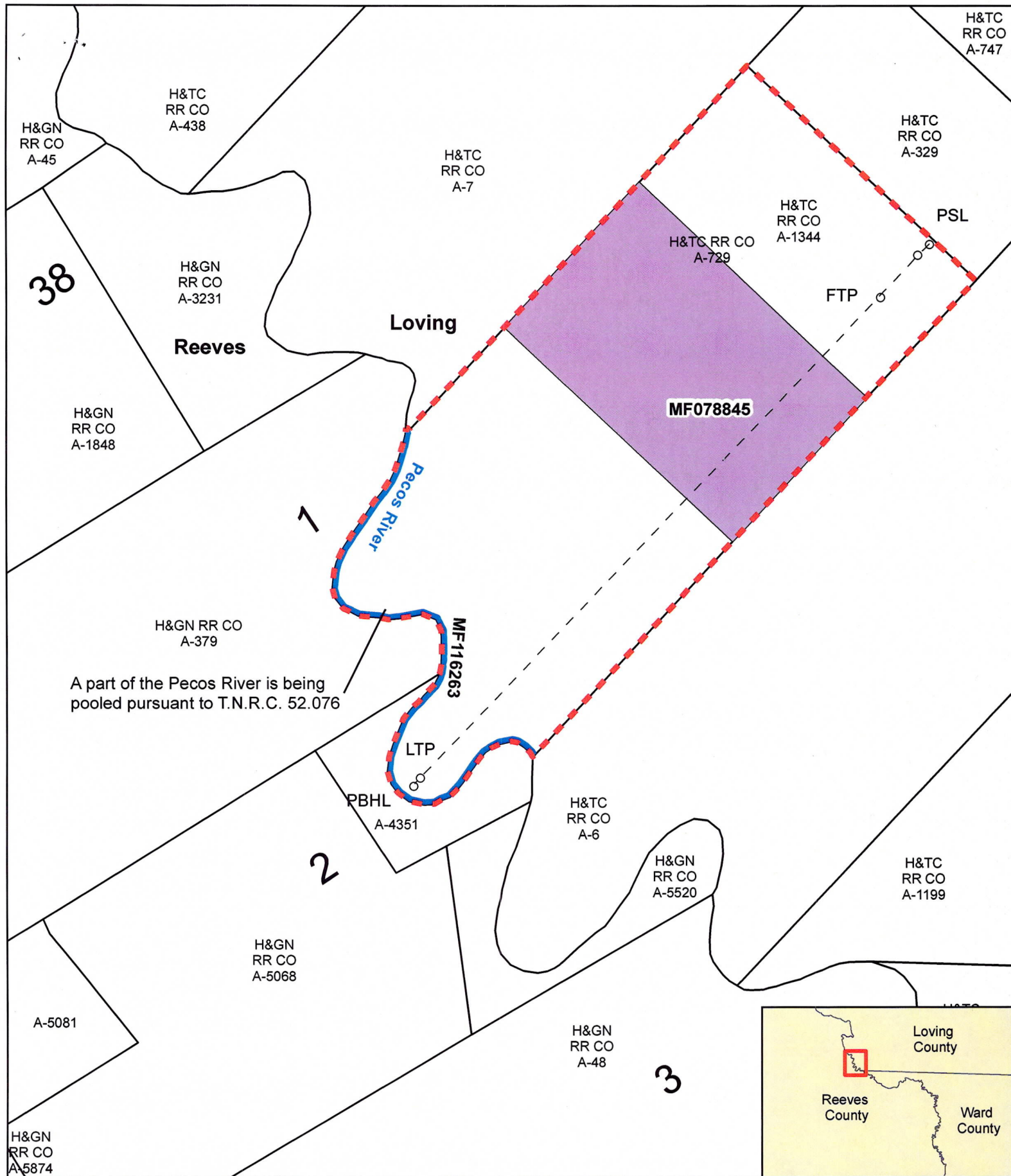
Date



David Zimmerman - Office of the Governor



Date



Unit #6723
 MRC Permian Company
 ARNO #1H Unit
 Phantom (Wolfcamp) Field
 MF078845, MF116263
 Loving /Reeves Counties, Texas

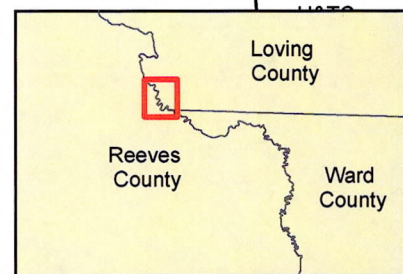
1,000 500 0 1,000 Feet



The Texas General Land Office makes no representations or warranties regarding the accuracy or completeness of the information depicted on this map or the data from which it was produced. This map IS NOT suitable for navigational purposes and does not purport to depict or establish boundaries between private and public land.



Map Generated by:
 Zeke Guillen
 IS/BAS/GIS
 March 2014



POOLING AGREEMENT
MRC PERMIAN COMPANY
ARNO #1H UNIT
GLO UNIT NO. 6723
LOVING AND REEVES COUNTIES, TEXAS

THIS AGREEMENT is entered into by and between the Commissioner of the General Land Office, on behalf of the State of Texas, as "Lessor" and MRC Permian Company, herein referred to as "Lessee", and such other interested parties as may join in the execution hereof, the undersigned parties herein collectively referred to as the "parties", in consideration of the mutual agreements hereinafter set forth and other valuable considerations, the receipt and sufficiency of which are hereby acknowledged, and for the purposes and upon the terms and conditions which follow:

PURPOSES:

1.

This Pooling Agreement ("Agreement") is made for the purposes of conservation and utilization of the pooled mineral, to prevent waste, to facilitate orderly development and to preserve correlative rights. To such end, it is the purpose of this Agreement to effect equitable participation within the unit formed hereby. This Agreement is intended to be performed pursuant to and in compliance with all applicable statutes, decisions, regulations, rules, orders and directives of any governmental agency having jurisdiction over the production and conservation of the pooled mineral and in its interpretation and application shall, in all things, be subject thereto.

UNIT DESCRIPTION:

2.

The oil and gas leases, which are included within the pooled unit, are listed on the attached Exhibit "A", to which leases and the records thereof reference is here made for all pertinent purposes. The pooled unit shall consist of all of the lands described in Exhibit "B" attached hereto and made a part hereof. A plat of the pooled unit is attached hereto as Exhibit "C".

MINERAL POOLED:

3.

The mineral pooled and unitized ("pooled mineral") hereby shall be oil and gas including all hydrocarbons that may be produced from an oil well or a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to all depths underlying the surface boundaries of the pooled unit until the later of one year from the effective date of this Agreement or the date a well spud within one (1) year of the effective date of this Agreement reaches total depth, and thereafter this agreement shall be limited to and only include those depths from the surface to 100 feet below the deepest depth drilled on the unit ("unitized interval").

POOLING AND EFFECT:

4.

The parties hereto commit all of their interests which are within the unit to the extent and as above described into said unit and unitize and pool hereunder the separate tracts described on the attached Exhibit "B", for and during the term hereof, so that such pooling or unitization shall have the following effect:

- (a) The unit, to the extent as above described, shall be operated as an entirety for the exploration, development and production of the pooled mineral, rather than as separate tracts.
- (b) All drilling operations, reworking or other operations with respect to the pooled mineral on land within the unit shall be considered as though the same were on each separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement. In the event the unitized area covered by this Agreement is maintained in force by drilling or reworking operations conducted on a directional well drilled under the unitized area from a surface location on adjacent or adjoining lands not included within the boundaries of the unitized area, such operations shall be considered to have been commenced on the unitized area when drilling is commenced on the adjacent or adjoining land for the purpose of directionally drilling under the unitized area and production of oil or gas from the unitized area through any directional well surfaced on adjacent or adjoining land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations, as the case may be, on the unitized area for all purposes under this Agreement. Nothing in this Agreement is intended or shall be construed as granting to Lessee any leasehold interest, easements, or other rights in or with respect to any such adjacent or adjoining land in addition to any such leasehold interests, easements, or other rights which the lessee, operator or other interest owner in the unitized area may have lawfully acquired from the state or others.
- (c) Production of the pooled mineral from the unit allocated to each separate tract, respectively, as hereinafter provided, shall be deemed to have been produced from each such separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.



- (d) All rights to the production of the pooled mineral from the unit, including royalties and other payments, shall be determined and governed by the lease or other contract pertaining to each separate tract, respectively, based upon the production so allocated to such tract only, in lieu of the actual production of the pooled mineral therefrom. Provided that, payments that are made on a per acre basis shall be reduced according to the number of acres pooled and included herein, so that payments made on a per acre basis shall be calculated based upon the number of acres actually included within the boundaries of the pooled unit covered by this Agreement.
- (e) A shut-in oil or gas well located upon any land or lease included within said unit shall be considered as a shut-in oil or gas well located upon each land or lease included within said unit; provided, however, that shut-in oil or gas well royalty shall be paid to the State on each State lease wholly or partially within the unit, according to the terms of such lease as though such shut-in oil or gas well were located on said lease, it being agreed that shut-in royalties provided in each State lease shall not be shared with other royalty owners.
- (f) Notwithstanding any other provision hereof, it is expressly agreed that each State lease may be maintained in force as to areas lying outside the unitized area described in Exhibit "B" only as provided in each such lease without regard to unit operations or unit production. Neither production of the pooled mineral, nor unit operations with respect thereto, nor the payment of shut-in royalties from a unit well, shall serve to hold any State lease in force as to any area outside the unitized area described in Exhibit "B" regardless of whether the production or operations on the unit are actually located on the State lease or not. "Area" as used in this paragraph shall be based upon surface acres to the end that, except as may otherwise be provided in each State Lease, the area inside the surface boundaries of the pooled unit, if held, will be held as to all depths and horizons.
- (g) If the Railroad Commission of Texas (or any other Texas regulatory body having jurisdiction) shall adopt special field rules providing for oil and/or gas proration units of less than 348 acres, then Lessee agrees to either (1) drill to the density permitted by the Railroad Commission, (2) make application to the School Land Board of the State of Texas to reform the unit to comply with Railroad Commission unit rules, or (3) make application to the School Land Board of the State of Texas for such remedy as may be agreeable to the Board.
- (h) This Agreement shall not relieve Lessee from the duty of protecting the State leases described in Exhibit "A" and the State lands within the boundaries of the pooled unit described in Exhibit "B" from drainage from any well situated on privately owned land, lying outside the unitized area described in Exhibit "B", but, subject to such obligation, Lessee may produce the allowable for the entire unit as fixed by the Railroad Commission of Texas or other lawful authority, from any one or more wells completed thereon.
- (i) There shall be no obligation to drill internal offsets to any other well on separate tracts within the pooled unit, nor to develop the lands within the boundaries thereof separately, as to the pooled mineral.
- (j) Should this Agreement terminate for any cause, the leases and other contracts affecting the lands within the unit, if not then otherwise maintained in force and effect, shall remain and may be maintained in force and effect under their respective terms and conditions in the same manner as though there had been production or operations under said lease or contract and the same had ceased on the date of the termination of this Agreement.

ALLOCATION OF PRODUCTION:

5.

For the purpose of computing the share of production of the pooled mineral to which each interest owner shall be entitled from the pooled unit, there shall be allocated to each tract committed to said unit that pro rata portion of the pooled mineral produced from the pooled unit which the number of surface acres covered by each such tract and included in the unit bears to the total number of surface acres included in said unit, and the share of production to which each interest owner is entitled shall be computed on the basis of such owner's interest in the production so allocated to each tract.

TAKING ROYALTY IN KIND:

6.

Notwithstanding anything contained herein to the contrary, the State may, at its option, upon not less than sixty (60) days notice to Lessee, require that payment of all or any royalties accruing to the State under this pooling or unitization agreement be made in kind, without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and otherwise making the oil, gas and other products produced hereunder ready for sale or use.



FULL MARKET VALUE:

7.

In the event the State does not elect to take its royalty in kind, the State shall receive full market value for its royalty hereunder, such value to be determined as follows:

- (a) As to royalty on oil by (1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity for the field where produced and when run, or (2) the highest market price thereof offered or paid for the field where produced and when run, or (3) gross proceeds of the sale thereof, whichever is the greater;
- (b) As to royalty on gas, such value to be based on (1) the highest market price paid or offered for gas of comparable quality for the field where produced and when run, or (2) the gross price paid or offered to the producer, whichever is the greater.

(For the purposes of this Agreement "field" means the general area in which the lands covered hereby are located.)

EFFECTIVE DATE:

8.

Upon execution by the Commissioner of the General Land Office of the State of Texas this Agreement shall become effective as of March 4, 2014.

TERM:

9.

This Agreement shall remain in effect so long as the pooled mineral is being produced from said unit, or so long as all leases included in the pooled unit are maintained in force by payment of delay rentals or shut-in oil or gas well royalties, by drilling or rework, or by other means, in accordance with the terms of said leases. Nothing herein shall amend or modify Section 52.031 of the Natural Resources Code, or any of the provisions thereof, which are contained in any State lease covered by this Agreement.

STATE LAND:

10.

Insofar as the royalty interest of the State of Texas in and under any State tract committed to the unit is concerned, this Agreement is entered into, made and executed by the undersigned Commissioner of the General Land Office by virtue of the authority and pursuant to the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, authorizing the same, after the prerequisites, findings and approval hereof, as provided in said Code having been duly considered, made and obtained.

DISSOLUTION:

11.

The unit covered by this Agreement may be dissolved by Lessee, his heirs, successors or assigns, by an instrument filed for record in Loving and Reeves Counties, Texas, and a certified copy thereof filed in the General Land Office at any time after the cessation of production on said unit or the completion of a dry hole thereon prior to production or upon such other date as may be approved by the School Land Board and mutually agreed to by the undersigned parties, their successors or assigns.

RATIFICATION/WAIVER:

12.

Nothing in this Agreement, nor the approval of this Agreement by the School Land Board, nor the execution of this Agreement by the Commissioner shall: (1) operate as a ratification or revivor of any State lease that has expired, terminated, or has been released in whole or in part or terminated under the terms of such State lease or the laws applicable thereto; (2) constitute a waiver or release of any claim for money, oil, gas or other hydrocarbons, or other thing due to the State by reason of the existence or failure of such lease; (3) constitute a waiver or release of any claim by the State that such lease is void or voidable for any reason, including, without limitation, violations of the laws of the State with respect to such lease or failure of consideration; (4) constitute a confirmation or recognition of any boundary or acreage of any tract or parcel of land in which the State has or claims an interest; or (5) constitute a ratification of, or a waiver or release of any claim by the State with respect to any violation of a statute, regulation, or any of the common laws of this State, or any breach of any contract, duty, or other obligation owed to the State.

COUNTERPARTS:

13.

This Agreement may be executed in counterparts and if so executed shall be valid, binding and have the same effect as if all the parties hereto actually joined in and executed one and the same document. For recording purposes and in the event counterparts of this Agreement are executed, the executed pages, together with the pages necessary to show acknowledgments, may be combined with the other pages of this Agreement so as to form what shall be deemed and treated as a single original instrument showing execution by all parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement upon the respective dates indicated below.



Date Executed 6/4/14

STATE OF TEXAS

Legal
Content
Geology
Executive

mmj
Am
EW
2

By: Jerry E. Patterson
Jerry E. Patterson, Commissioner
General Land Office

Date Executed May 29, 2014

MRC PERMIANN COMPANY

By: Craig N. Adams JF

Its: Craig N. Adams, Executive Vice President-Land & Legal

CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on March 4, 2014, the foregoing instrument was presented to and approved by said Board under the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am custodian.

IN TESTIMONY WHEREOF, witness my hand this the 5th day of June, 2014.

Stephanie Crenshaw
Secretary of the School Land Board

STATE OF TEXAS

COUNTY OF Dallas

This instrument was acknowledged before me on May 29, 2014, by Craig N. Adams,
as Executive Vice President of MRC Permian Company a Texas corporation on
behalf of said corporation.



Diane E. Strickling
Notary Public in and for the State of Texas

413 9

"Exhibit A"

Lease 1:

Date: March 31, 1980

Recorded: Volume 56, Page 702, Oil and Gas Lease Records of Loving County.

Lessor: H.M. Boddy, a single man, and Vivian Boddy, a widow, individually and as independent Executrix of the Estate of J.E. Boddy.

Lessee: H.V. Beck, Jr.

Lease 2:

Date: February 6, 1979

Recorded: Volume 53, Page 625, Oil and Gas Lease Records of Loving County.

Lessor: State of Texas, acting by and through Bob Armstong, Commissioner of the General Land Office of the State of Texas.

Lessee: American Trading and Producing Company.

Lease 3:

Date: April 1, 1979

Recorded: Volume 55, Page 258, Oil and Gas Lease Records of Loving County.

Lessor: Anna Goodrich, a widow; Thelma Goodrich, individually and as Independent Executrix of the Estate of Descom Goodrich, Deceased; Ellen Goodrich, individually and as Independent Executrix of the Estate of Gaylord Goodrich, Deceased; and Lloyd Lawson Goodrich

Lessee: American Trading and Production Company.

Lease 4:

Date: August 31, 1978
Recorded: Volume 52, Page 323, Oil and Gas Lease Records.
Lessor: Starr Commonwealth for Boys, a Michigan corporation.
Lessee: Curtis Pool.

Lease 5:

Date: September 14, 1978.
Recorded: Volume 53, Page 107, Oil and Gas Lease Records.
Lessor: Hermon Peirce Hubbard and wife, Barbara Hubbard, and Frances H. Kerr, Individually and as Independent Executrix of the Estate of William L. Kerr, Deceased.
Lessee: Curtis Pool.

Lease 6:

Date: September 29, 1978.
Recorded: Volume 53, Page 143, Oil and Gas Lease Records.
Lessor: UV Industries, Inc., formerly United States Smelting Refining and Mining Company.
Lessee: American Trading and Production Company.

Lease 7:

Date: December 4, 1978
Recorded: Volume 54, Page 546, Oil and Gas Lease Records.
Lessor: Transwestern, Inc.
Lessee: Curtis Pool.



Lease 8:

Date: July 21, 1980

Recorded: Volume 57, Page 822, Oil and Gas Lease Records.

Lessor: Felmont Oil Corporation.

Lessee: American Trading and Production Corporation.

"Exhibit B"

Tract 1:

Farm Lots 19-29 (inclusive) of the F. N. Johnson Subdivision of Section 78, containing 146.9 acres, more or less.

Tract 2:

Mid part of the Southwest part of Section 78, also known as Farm Lots 9-18 (inclusive) of the F. N. Johnson Subdivision, containing 100 acres, more or less.

Tract 3:

Farm Lots 1, 3, 5 and 7 of the F. N. Johnson Subdivision of Section 78, containing 40 acres more or less.

Tract 4:

Farm Lots 2, 4, 6 and 8 of the F. N. Johnson Subdivision of Section 78, and the most Southwesterly 31.345 acres of the SW/4 NE/2 of Section 78, together containing 71.345 acres, more or less.

Tract 5:

State of Texas mineral interest in 16.86 acres out of the Pecos River, Loving and Reeves Counties, Texas (Pooling Agreement M-116263 - GLO Unit No. 6723)





LEASE NAME & WELL NO.:

ARNO #1H

UNIT/LEASE ACREAGE:

348.03 ACRES

TOPOGRAPHY & VEGETATION:

NATURAL MESQUITE PASTURE

NEAREST TOWN IN COUNTY:

±3.63 MILES SOUTHWEST OF MENTONE, TEXAS

DESCRIPTION:

**SECTION 78, H. T. C. RR. CO. SURVEY, A-1344
REEVES/LOVING COUNTY, TEXAS**

This location has been very carefully staked on the ground according to the best official survey records, maps, and other data available to us. This plat does not in any way represent a "Boundary Survey", and does not comply with correct T.B.P.I.S. Minimum Standards of Procedures for Boundary Surveys.

CERTIFICATION:



Texas Reg. No. **5857**

I, Michael Blake Brown, a Registered Professional Land Surveyor, and an authorized agent of Topographic Land Surveys, do hereby certify that the above described well location was surveyed and staked on the ground as shown herein. This plat is for Texas Railroad Commission permitting only.

ALL BEARINGS, DISTANCES, AND COORDINATE VALUES CONTAINED HEREON ARE GRID BASED UPON THE TEXAS STATE PLANE COORDINATE SYSTEM, CENTRAL ZONE OF THE NORTH AMERICAN DATUM 1927, U.S. SURVEY FEET
ORIGINAL DOC. SIZE: 8.5"x14"



1400 EVERMAN PARKWAY, Ste. 197 • FT. WORTH, TEXAS 76140
TELEPHONE: (817) 744-7512 • FAX: (817) 744-7548
TEXAS FIRM REGISTRATION NO. 10042504
WWW.TOPOGRAPHIC.COM

SCALE:	1" = 1000'
DATE:	MARCH 14, 2014
COGO:	LOVING_SW_OC
	LO_ARNO_1H_REV1
DRAWN BY:	P.Y.

REV#	DATE	REVISION
REV#01	03/18/14	

LEGEND:

—X— Fence
—E— Powerline
—W— Water Line
—P— Pipeline
--- Unit Lease Line

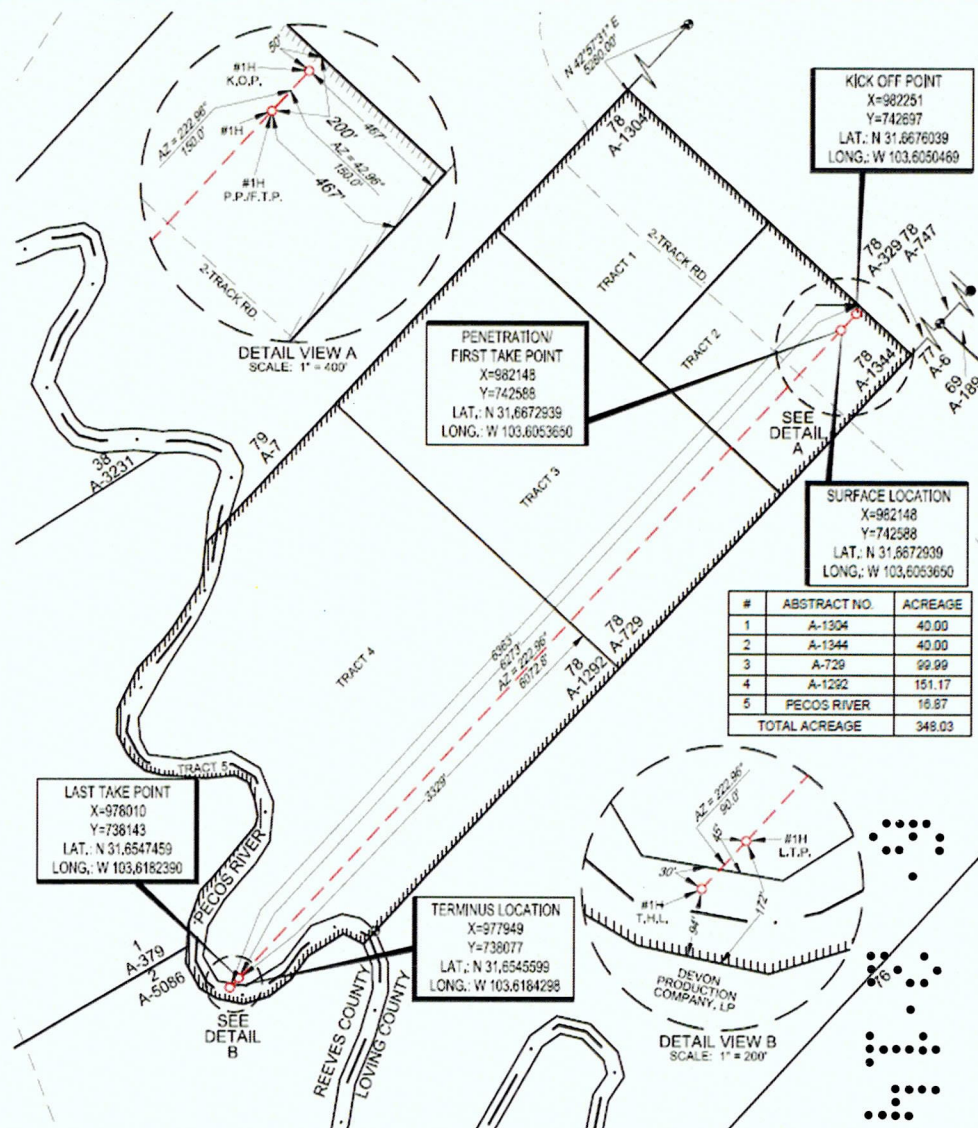
Proposed Surface Hole Location:
UNIT/LEASE: 200' FNEL & 467' FSEL
SURVEY/SECTION: 200' FNEL & 467' FSEL
Ground Elevation: 2663.4', Staked 3/14/14
X=982148 Y=742588
LAT.: N 31.6672939 LONG.: W 103.6053650

Kick Off Point:
UNIT/LEASE: 60' FNEL & 467' FSEL
SURVEY/SECTION: 60' FNEL & 467' FSEL
X=982251 Y=742697
LAT.: N 31.6676039 LONG.: W 103.6050469

Proposed Penetration/First Take Point:
UNIT/LEASE: 200' FNEL & 467' FSEL
SURVEY/SECTION: 200' FNEL & 467' FSEL
X=982148 Y=742588
LAT.: N 31.6672939 LONG.: W 103.6053650

Proposed Last Perforation/Last Take Point:
UNIT/LEASE: 6273' FNEL & 172' FSWL
SURVEY/SECTION: 3329' FNEL & 45' FSWL
X=978010 Y=738143
LAT.: N 31.6547459 LONG.: W 103.6182390

Proposed Terminus Hole Location:
UNIT/LEASE: 6363' FNEL & 94' FSWL
SURVEY/SECTION: 30' FNEL & 94' FSWL
X=977949 Y=738077
LAT.: N 31.6545599 LONG.: W 103.6184298



40

File No. M-78845
Pooling Agent Packet # 6723
Arno # 1 H Unit
Date Filed: 11/12/14
Jerry E. Patterson Commissioner
By [Signature]

0
5
2
2

Matador Production Company

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240
Telephone 972.371.5200 • Fax 972.371.5201

November 5, 2014

General Land Office of the State of Texas
Attn: Harriet Dunne
1700 N. Congress Room 840
Austin, TX 78701

Re: Oil, Gas and Mineral Leases – Arno 1H: *301-32169 MF078845*
1) dated February 6, 1989, recorded in Volume 53, Pages 625-630, Loving County, Texas
2) dated March 4, 2014, recorded in Volume 1088, Page 321, Loving County, Texas *MF11626B*

Dear Mr. Dunne:

Matador Resources Company drilled the Arno 1H Well in Loving County, Texas. The well was completed in the unitized zone and shown capable of producing gas in paying quantities. The well has been shut-in pending construction of a pipeline.

Accordingly, we enclose herewith two (2) checks in the amount of \$1,200.00 in payment of the shut-in rental in accordance with the terms and provisions of the above-described oil, gas and mineral leases.

Please acknowledge receipt of this payment by signing in the space provided below and returning one copy of this letter to our office in the self-addressed, stamped envelope enclosed for this purpose.

Please feel free to call me if you have any questions about this matter.

Very truly yours,

MATADOR RESOURCES COMPANY

J. Troy Wall
Senior Division Order Analyst

Enclosure

5441
Twall @ matadorresources.com
See back →

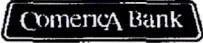
RECEIVED THIS ____ DAY OF November, 2014

Harriet Dunne



121

MF078845 sheet in royalties

MRC PERMIAN COMPANY 5400 LBJ FWY STE 1500 DALLAS, TX 75240		15703590	9855
		DATE <u>11/5/14</u>	32-75/1110 761
PAY TO THE ORDER OF	<u>General Land Office of the State of Texas</u>		\$ <u>1200.00</u>
<u>Two thousand & no/100</u>			DOLLARS
 Comerica Bank www.comerica.com			
FOR	<u>Sheet in Royalties paid 9/11/14</u>		<u>Will Fyfe</u>
⑈009855⑈			

APPROVED BY: _____

CHECK REQUEST

FOR: MRC PERMIAN COMPANY

DATE: November 5, 2014

PAYEE: General Land Office of the State of Texas
Attn: Harriet Dunne

ADDRESS: 1700 N. Congress Avenue Room 840
Austin, Texas 78701

TAX ID#: On File

AMOUNT OF CHECK: \$1,200.00

PROSPECT / WELL NAME: WOLF PROSPECT - 420214-000; ARNO #1H (420214-002)

MRC Lease 420214-F-0033-00

DESCRIPTION: Shut-in Royalty Payment - ARNO #1H Well, Loving County, Texas

Shut-in on 9/11/14 due to Lack of marketing facilities - Waiting on pipeline.

SPECIAL INSTRUCTIONS: _____

DESCRIPTION ON CHECK: Shut-in Royalty Payment - ARNO #1H Well, Loving County, Texas

Shut-in on 9/11/14 due to Lack of marketing facilities - Waiting on pipeline.

Volume 53, Page 625-630, Loving County, Texas

RETURN CHECK TO: Troy Wall

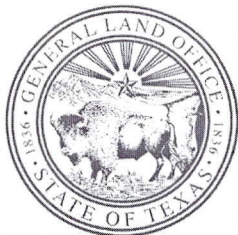
DUE DATE: ASAP

INV #	VENDOR #
G/L #	
PROPERTY # 420214-	
ENTERED DATE:	

File No. MF 078845 41.
Sheet in Royalty
payment
Date Filed: 11-6-14
Jerry E. Patterson, Commissioner
By JEP

TT. 0.14

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

November 13, 2014

(sent via e-mail to TWall@matadorresources.com)

Troy Wall
Matador Resources Company
5400 LBJ Freeway Ste 1500 One Lincoln Center
Dallas TX 75240

Re: State Lease No. MF078845 dated 2/06/79 recorded Vol 53/pg 625
State Lease No. MF116263 dated 3/01/14 recorded Vol 1088/pg 321
ARNO #1H Well – your lease no. 420214-000
Loving Co TX – Shut-in royalty payments

Dear Mr. Wall:

This acknowledges receipt of your two checks in the amount of \$1200.00 each on November 6, 2014 as shut-in royalty payments for the referenced State leases. Acceptance of these payments does not ensure that agreement obligations have been met. Our shut-in affidavit (copy attached) must be completed, notarized and returned to the General Land Office within 30 days of the date of this letter.

If you would like to access the affidavit form online, you may find it here:

<http://www.glo.state.tx.us/energy/leasesales/shut-in/index.html>

Please note that the Texas Administrative Code contains the following provision at Title 31, Part I, Chapter 9, Subchapter C, Rule 9.36, (e).

(e) Affidavit required. Upon receipt of a shut-in royalty, the GLO will send a shut-in affidavit to the party paying the shut-in royalty. The affidavit must be completed and returned to the GLO. Failure to complete and return the affidavit as required may result in a penalty under §9.32(c)(3)(B)(iii), and/or forfeiture of the lease.

The reasons set out in your agreement for a shut-in are “oil or gas is not being produced for lack of suitable production facilities or lack of a suitable market.” Note that the well must be capable of producing in paying quantities. Please be sure your reason(s) in the affidavit address those set out in the lease.

I look forward to hearing from you within the required 30 day period with the executed shut-in affidavit.

Yours truly,

Harriet Dunne, CPL
Mineral Leasing, Energy Resources
512-475-1579
512-475-1543 (fax)
harriet.dunne@glo.texas.gov

Stephen F. Austin Building • 1700 North Congress Avenue • Austin, Texas 78701-1495

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

From: Harriet Dunne
To: Troy Wall
Date: 11/13/2014 2:06 PM
Subject: Response to payment of two shut-in royalties for State Lease MF078845 & MF116263
Attachments: 20141113134013058.pdf; affidavit[1].pdf

Troy,

Attached is my letter requesting a shut-in affidavit to be filled out, one affidavit for each lease.

Attached is the affidavit form. Let me know if you have questions.

I look forward to hearing from you on or before December 15, 2014.

Harriet Dunne, CPL
Manager, Mineral Leasing, Energy Resources
Texas General Land Office
512-475-1579
harriet.dunne@glo.texas.gov

File No. MF078845

42.

Request or shut in
Affidavit

Date Filed: 11-13-14

Jerry E. Patterson, Commissioner

By JEP

**Shut-In Affidavit**

Texas General Land Office
Jerry E. Patterson Commissioner
PO Box 12873
Austin, TX 78711-2873

Permit 782450

Unit 6723

0.06957730 Acre/ft

Please respond fully to all applicable questions on this affidavit. Shut-in may be denied for failure to provide information establishing the validity of this request for shut-in status. For shut-in leases contained within units, separate affidavits must be submitted for each state lease within the unit.

Land Office lease no. M- 078845		Operator Matador Production Company	
Lease name Arno		Field name Phantom (Wolfcamp) + Two Georges (Bone Springs)	
Area	Tract	Part	Acres
Section 78	Block 33	Grantee	County Loving

SHUT-IN PAYMENTS

Wells must be capable of producing in paying quantities. Attach an extra sheet to list additional gas wells.

GAS			
Well # 1H	RRC ID # API# 42-301-32169	Date shut-in 9/11/2014	Produced in past? ☒ Yes ☐ No
Reason shut-in lack of suitable facilities - waiting on pipeline to be built.			
Well capable of producing @ 4.5m MCF/D + 250 Bbls condensate + 2700 Bbls Water			
Well #	RRC ID #	Date shut-in	Produced in past? ☐ Yes ☐ No
Reason shut-in			
Well capable of producing @ MCF/D + Bbls condensate + Bbls Water			
Well #	RRC ID #	Date shut-in	Produced in past? ☐ Yes ☐ No
Reason shut-in			
Well capable of producing @ MCF/D + Bbls condensate + Bbls Water			

Please list additional oil wells in the additional information section below

OIL					
RRC Lease ID #	No. of wells for ID #	Date shut-in	TOTAL DAILY POTENTIAL RATE FOR ID #		
			Bbls oil	MCF gas	Bbls water

Reason oil wells are shut-in

Method of water disposal for above gas and oil leases Truck King

Total shut-in payment due for this lease \$ 1,200 - already paid

Indicate which one of these is applicable ☐ payment is being made at the rate of twice the annual rental
☐ payment is being made at the rate of \$ _____ for each well/completion

Are gas wells connected to a pipeline?
☒ YES ☐ NO

Will purchaser take gas? ☒ yes-price per MCF offered \$ _____ Name of nearest purchaser _____
☐ no Distance _____ Price offered \$ _____

List all producing wells within 1,000 feet of this lease. If there are wells more than 1,000 feet from the lease which are draining the lease, list these also.

Operator	Lease Name	Well #	RRC ID #	Distance	Completion Interval	Status
NONE						

Please provide any additional information here:

We are currently waiting on TXDOT to complete road repairs for FM 867, which is currently washed out from the recent flooding. Without access to FM 867, we are unable to access the Arno location/facilities to resume production. We anticipate the road to be completed in 2-3 weeks based upon information we received from TXDOT.

completion date: 8/29/2014

Contact TROY WALL Phone 972-391-5441
 Operator's representative

I certify that this statement is true and correct.

By: Troy Wall Title: SR. Div. Order Analyst

Sworn and subscribed to before me, the undersigned authority
 this 4th day of December, 20 14

Notary Public in and for

Dallas County, State of Texas

GLO Use Only

Receiving Stamp



Harriet Dunne - RE: Response to payment of two shut-in royalties for State Lease MF078845 & MF116263

From: Troy Wall <TWall@matadorresources.com>
To: Harriet Dunne <Harriet.Dunne@GLO.TEXAS.GOV>
Date: 12/4/2014 3:49 PM
Subject: RE: Response to payment of two shut-in royalties for State Lease MF078845 & MF116263
CC: Jonathan Filbert <jfilbert@matadorresources.com>
Attachments: Arno 1H SI Aff..pdf

Harriet,

I have attached the updated Affidavit. We are currently waiting on TxDOT to complete road repairs for FM 867, which is currently washed out from the recent flooding. Without access to FM867, we are unable to access the Arno location facilities and resume production. We anticipate the road to be completed in 2-3 weeks based upon information we received from TxDot. The completion date was 8/29/14, and the well was shut in on 9/11/14.

Please let me know if you need further information.

From: Harriet Dunne [Harriet.Dunne@GLO.TEXAS.GOV]
Sent: Thursday, December 04, 2014 2:19 PM
To: Troy Wall
Subject: RE: Response to payment of two shut-in royalties for State Lease MF078845 & MF116263

You are absolutely correct. It's been so long I had forgotten. I will consider this e-mail your request and I'll make the refund request tomorrow.

Thank you.

Harriet Dunne, CPL
Manager, Mineral Leasing, Energy Resources
Texas General Land Office
512-475-1579
harriet.dunne@glo.texas.gov

>>> Troy Wall <TWall@matadorresources.com> 12/4/2014 2:02 PM >>>

Harriet,

I am in the process of getting the updated Affidavit to you. I think I remember us deciding that MF116263 wasn't outside of the primary term. I need to request a refund for that payment. I just wanted to confirm before I only sent back the MF078845 Affidavit.

Thank you,

Troy Wall

From: Harriet Dunne [<mailto:Harriet.Dunne@GLO.TEXAS.GOV>]

Sent: Tuesday, December 02, 2014 11:14 AM

To: Troy Wall

Subject: RE: Response to payment of two shut-in royalties for State Lease MF078845 & MF116263

Troy,

Thank you for the affidavit for MF078845. We also need an affidavit for MF116263. I realize they will be the same, but you need to furnish two originally executed affidavits.

Your stated reason for the shut-in is "weather/road repairs." This is not an adequate description of why the well is shut in. There are only two reasons under the lease that a well may be shut in. One is for lack of suitable facilities and the other is for lack of suitable market. I believe you all are waiting on a pipeline to be built. If so, that should be your stated reason on the affidavits.

In the box for additional information on the second page of the affidavit, please explain how long you think it will be for the pipeline to be completed. Let us know the current situation, i.e. buying right of way, laying the pipe, how many miles to be laid, etc.

Please fix the first affidavit, prepare and execute the affidavit for MF116263 and submit the originally executed affidavits to me.

I also need the completion date of the Arno #1H.

I believe with this information I will be able to take this before the Shut In Royalty Committee for approval.

I look forward to hearing from you,

Harriet Dunne, CPL
Manager, Mineral Leasing, Energy Resources
Texas General Land Office
512-475-1579
harriet.dunne@glo.texas.gov

>>> Troy Wall <TWall@matadorresources.com> 11/25/2014 2:05 PM >>>
Harriet,

Attached is the shut in affidavit. Please let me know if this is all you need. Thank you again for your help!

Troy Wall

-----Original Message-----

From: Harriet Dunne [<mailto:Harriet.Dunne@GLO.TEXAS.GOV>]

Sent: Thursday, November 13, 2014 2:06 PM

To: Troy Wall

Subject: Response to payment of two shut-in royalties for State Lease MF078845 & MF116263

Troy,

Attached is my letter requesting a shut-in affidavit to be filled out, one affidavit for each lease.

Attached is the affidavit form. Let me know if you have questions.

I look forward to hearing from you on or before December 15, 2014.

Harriet Dunne, CPL
Manager, Mineral Leasing, Energy Resources Texas General Land Office
512-475-1579
harriet.dunne@glo.texas.gov

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File No. MF078845
Shut in Affidavit

43.

Date Filed: 12-4-14
Jerry E. Patterson, Commissioner
By JEP

SHUT-IN ROYALTY COMMITTEE Meeting, Mineral Leasing
December 22, 2014, 1:15 p.m.

Well Name	Arno #1H Well API 301-32169 RRC Permit 08-782450
------------------	--

State Lease No.	MF078845	Lease NRI	0.20
	MF116263		0.25

State Unit No.	6723	Unit NRI	0.06957730
-----------------------	------	-----------------	------------

Operator	Matador Resources
-----------------	-------------------

Field	Phantom (Wolfcamp) & Two Georges (Bone Springs)	County	Loving
--------------	---	---------------	--------

Lease Date	02/06/79 03/04/14	Lease Term (52.076)	3 yr Perm Unit	Lessee	American Trading & Production MRC Permian
-------------------	----------------------	----------------------------	-----------------------------	---------------	--

Shut-in Royalty	1200.00 x 2	Date Received	11/06/14
------------------------	-------------	----------------------	----------

Affidavit received	11/25/14	Date Well shut in	9/11/14
---------------------------	----------	--------------------------	---------

Reason for shut-in:

Lack of marketing facilities – waiting on pipeline.

Additional Comments:

We are currently waiting on TxDOT to complete road repairs for FM867 which is currently washed out from recent flooding. Without access to FM867 we are unable to access the Arno location facilities and resume production. We anticipate the road to be completed by the end of the month based on info received from TxDOT.

Capable of producing:	Oil	250 bbl/d	Gas	4.5 mmcf/d	Water	2700 bbl/d
------------------------------	------------	-----------	------------	------------	--------------	------------

History:

Well completed	8/29/2014
-----------------------	-----------

Prior Shut-ins	
-----------------------	--

Additional Comments:

MF116263 is a 52.076 within first year of term. No shut-in royalty due on this agreement this year.

Decision of Committee:

Accept payment.

File No. MF078845 44.
SIR Comm agenda +
decision

Date Filed: 12-22-14
Jerry E. Patterson, Commissioner
By [Signature]

MF 116263
Unit 6723
MF 078845
DIVISION ORDER

TO: MRC ENERGY COMPANY
Attn: Troy Wall
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, TX 75240-1017

Date: January 15, 2015
Effective: Date of First Production
Product: Oil and/or Gas

Property Number: 420214-003
Property Name: ARNO 1H
Operator: API 301-32169
Matador Production Company
Parish/State: Loving County, Texas

Property Description:
348.03 acres, more or less, located in Block 33, in the H & T C RR CO Survey, A-329, Loving County, Texas, covering those depths from the top of the Bone Spring Formation to 12,000 feet subsurface.

The undersigned certifies the ownership of their decimal interest in production or proceeds as described above payable by MRC Energy Company.

Payor shall be notified, in writing, of any change in ownership, decimal interest, or payment address. All such changes shall be effective the first day of the month following receipt of such notice.

Payor is authorized to withhold payment pending resolution of a title dispute or adverse claim asserted regarding the interest in production claimed herein by the undersigned. The undersigned agrees to indemnify and reimburse Payor any amount attributable to an interest to which the undersigned is not entitled.

Payor may accrue proceeds until the total amount equals \$100.00, or pay annually upon written request from Owner, or as required by applicable state statute. Upon termination of this agreement, payments shall be made to the respective parties entitled thereto regardless of the amount or amounts due.

This Division Order does not amend any lease or operating agreement between the undersigned and the lessee or operator or any other contracts for the purchase of oil or gas.

OWNER # COM0012	OWNER NAME & ADDRESS Commissioner of the General Land Office of the State of Texas Stephen F Austin Building Austin, TX 78701-1436
---------------------------	---

TYPE INTEREST: Royalty DECIMAL INTEREST: 0.06957877 ✓

Commissioner of the General Land Office

SIGNATURE: _____

TITLE: _____

SS# or Tax ID#: _____

WITNESS: _____

FEDERAL LAW REQUIRES YOU TO PROVIDE YOUR TAXPAYER IDENTIFICATION OR SOCIAL SECURITY NUMBER. FAILURE TO COMPLY WILL RESULT IN 28% TAX WITHHOLDING AND WILL NOT BE REFUNDABLE BY PAYOR.

MODEL FORM DIVISION ORDER ADOPTED AND ENDORSED BY THE NATIONAL ASSOCIATION OF DIVISION ORDER ANALYSTS AND THE NATIONAL ASSOCIATION OF ROYALTY OWNERS. (09-95)



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

July 12, 2016

Troy Wall
Division Order Analyst
MRC Energy Company
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240-1017

Re: State Lease Nos. MF116263/MF078845 Arno 1H (Unit 6723);
MF116244 Lyssy A Unit 1H (Unit 6727); and
MF116251 Norton Schaub 84 TTT B33 WF 2010H (Unit 6718)

Dear Mr. Wall:

The Texas General Land Office (GLO) has received your Division Order for the referenced unit. This Division Order has been filed in the appropriate mineral file.

The payment of royalties attributable to state-owned mineral and royalty interests is set by contract and applicable statutes and rules. The execution of division orders may, in some cases, affect the manner in which such payments are made or calculated. Therefore, Title 31, §9.32, of the Texas Administrative Code specifies that GLO staff cannot execute a division order or bind the state to any terms contained within it.

Subject to applicable state law and the state's right to take its production in-kind, the GLO acquiesces to the sale of oil and gas in accordance with the terms and conditions set out in the oil and gas leases. If you have questions concerning this matter, please feel free to e-mail me at the address below my signature.

We look forward to being put on pay status as soon as you are able to set up the wells in our RRAC system.

Thank you,

Vivian Hernandez
Landman, Energy Resources
512-475-0428
512-475-1543 (fax)
vivian.hernandez@glo.texas.gov

File No. MF 078845County
Division OrderDate Filed: 7-12-16George P. Bush, Commissioner
By V.H.

DIVISION ORDER

MF 078845
MF 116263
Unit 6723

TO: MRC PERMIAN COMPANY
Attn: Debra Warner
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, TX 75240-1017

Date: June 21, 2017

Effective: May 1, 2017
Product: Oil and/or Gas

Property Number / Name: 420214-047 Arno 78-TTT-B33 WF 202H
420214-077 Arno 78-TTT-B33 WF 121H
420214-078 Arno 78-TTT-B33 WF 122H

Operator: Matador Production Company

County/State: Loving County, Texas

Property Description:

348.03 acres out of Section 78, Block 33, H&TC RR Co. Survey, A-1344 and the State of Texas Land underlying the Pecos River as it flows along the southwestern boundary of Section 78, Block 33, H&TC RR Co. Survey, A-1344, Loving and Reeves Counties, Texas

The undersigned certifies the ownership of their decimal interest in production or proceeds as described above payable by MRC Permian Company.

Payor shall be notified, in writing, of any change in ownership, decimal interest, or payment address. All such changes shall be effective the first day of the month following receipt of such notice.

Payor is authorized to withhold payment pending resolution of a title dispute or adverse claim asserted regarding the interest in production claimed herein by the undersigned. The undersigned agrees to indemnify and reimburse Payor any amount attributable to an interest to which the undersigned is not entitled.

Payor may accrue proceeds until the total amount equals \$100.00, or pay annually upon written request from Owner, or as required by applicable state statute. Upon termination of this agreement, payments shall be made to the respective parties entitled thereto regardless of the amount or amounts due.

This Division Order does not amend any lease or operating agreement between the undersigned and the lessee or operator or any other contracts for the purchase of oil or gas.

OWNER #
COM0012

OWNER NAME & ADDRESS
Commissioner of the General Land Office
of the State of Texas
Stephen F Austin Building
1700 N Congress, Room 600
Austin, TX 78701-1436

TYPE INTEREST: Royalty

DECIMAL INTEREST: 0.06957878

Commissioner of the General Land Office of the State of Texas

SIGNATURE: _____

PHONE: _____

SS# or Tax ID#: _____

FAX: _____

WITNESS: _____

E-MAIL: _____

FEDERAL LAW REQUIRES YOU TO PROVIDE YOUR TAXPAYER IDENTIFICATION OR SOCIAL SECURITY NUMBER. FAILURE TO COMPLY WILL RESULT IN 28% TAX WITHHOLDING AND WILL NOT BE REFUNDABLE BY PAYOR.

MODEL FORM DIVISION ORDER ADOPTED AND ENDORSED BY THE NATIONAL ASSOCIATION OF DIVISION ORDER ANALYSTS AND THE NATIONAL ASSOCIATION OF ROYALTY OWNERS. (09-95)

RETAIN COPY FOR YOUR FILES



Matador Resources Company

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240-1017
Voice 972.371.5200 • Fax 214.866.4941

Debra Warner
Division Order Analyst
dwarner@matadorresources.com
Direct: 972-371-5428

June 21, 2017

Re: Arno 78-TTT-B33 WF 202H 420214-047
Arno 78-TTT-B33 WF 121H 420214-077
Arno 78-TTT-B33 WF 122H 420214-078
Loving County, Texas

Dear Interest Owner:

Please note the enclosed division orders crediting you with your interest in the above referenced properties. Please execute both copies of the division order and return one copy to the undersigned at your earliest convenience. Please retain the extra copy for your records.

Please also execute and return the enclosed Form W-9 reflecting your Social Security Number or the Federal Tax Identifying Number.

Please feel free to contact me should you have any questions or require additional information.

Very truly yours,

Debra Warner
Division Order Analyst

Enclosures



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

August 28, 2017

Debra Warner
Division Order Analyst
MRC Energy Company
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240-1017

Re: State Lease Nos. MF078845 and MF116263 Arno 78-TTT-B33 WF 202H, 121H and 122H (Unit 6723)

Dear Mr. Warner:

The Texas General Land Office (GLO) has received your Division Order for the referenced unit. This Division Order has been filed in the appropriate mineral file(s).

The payment of royalties attributable to state-owned mineral and royalty interests is set by contract and applicable statutes and rules. The execution of division orders may, in some cases, affect the manner in which such payments are made or calculated. Therefore, Title 31, §9.32, of the Texas Administrative Code specifies that GLO staff cannot execute a division order or bind the state to any terms contained within it.

Subject to applicable state law and the state's right to take its production in-kind, the GLO acquiesces to the sale of oil and gas in accordance with the terms and conditions set out in the oil and gas leases. If you have questions concerning this matter, please feel free to e-mail me at the address below my signature.

We look forward to being put on pay status as soon as you are able to set up the wells in our RRAC system.

Thank you,

Vivian Hernandez
Landman, Energy Resources
512-475-0428
512-475-1543 (fax)
vivian.hernandez@glo.texas.gov

46
File No. MF 078845

Division Order County

Date Filed: 8-28-17

By V.H. George P. Bush, Commissioner



Texas General Land Office

Reconciliation Billing

George P. Bush, Commissioner

PO Box 12873
Austin, TX 78711-2873
(800) 998-4456
8:00 - 5:00 M-F

Wolf Energy INC.
1304 N Big Spring St
Midland, TX 79701-2752

Billing Date: 6/9/2020
Billing Due Date: 7/9/2020
Customer Number: C000046543

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
20I12124	MF078845	\$5,099.45	\$0.00	\$509.95	\$208.87	\$5,818.27
Total Due		\$5,099.45	\$0.00	\$509.95	\$208.87	\$5,818.27

Penalty and interest have been calculated thru 6/30/2020. Payment remitted after 6/30/2020 will result in additional penalty and interest charges.

Contact Info:

NOTICE

- Please update GLO1 and GLO2 production reports to correct volumes.
- Please do not update GLO3 report to include billed royalty, penalty or interest. This receivable has already been recorded.
- For other royalty reporting questions, visit <http://www.glo.texas.gov>, call (512) 463-6850 or email us at glo123@glo.texas.gov.

This notice does not constitute an Audit Billing Notice as defined in Section 52.135 of the Texas Natural Resources Code and, consequently, does not preclude the TGLO from conducting further examinations of these leases, time periods or issues.

Detach and return with payment

Reconciliation Billing

Wolf Energy INC.

Billing Date: 6/9/2020

Billing Due Date: 7/9/2020

Customer Number: C000046543

Remit Payment To:

Texas General Land Office

PO Box 12873

Austin, TX 78711-2873

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
20I12124	MF078845	\$5,099.45	\$0.00	\$509.95	\$208.87	\$5,818.27
Total Due		\$5,099.45	\$0.00	\$509.95	\$208.87	\$5,818.27
Amt. Paid						

Customer ID: C000046543
 Invoice Number: 2012124
 GLO Lease: MF078845
 GLO Review: WOLF ENERGY, INC.
 Review Period: AUG 2018 THRU SEP 2019

Category Gas
 Auditor/AE: Ckolar
 Billing Date: 6/1/2020
 P&I Calculation Date: 6/30/2020
 Royalty Rate: 20.000%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Month / Year	RRC Number	Gas/Oil Volume	Tract Particp	Price	BTU	Gross Value	Royalty Due	Royalty Paid	Additional Ro	Number of Da	Interest Rate For	Penalty Rate Fron	Interest Rate Fron	Revenue Due
Jul-19	08-94297	0	1.00000000	\$ -	1.000000	\$0.00	\$5,099.45	\$0.00	\$5,099.45	289	6.50%	\$509.95	\$208.87	\$5,818.27
TOTALS		0				\$0.00	\$5,099.45	\$0.00	\$5,099.45			\$509.95	\$208.87	\$5,818.27

ATTN: KARLA HERODE

CERTIFIED MAIL: INVOICE SENT VIA EMAIL: KARLA@WOLFENERGY.COM

COMMENTS: BILLING ON DIFFERENCES OF ROYALTY DUE COMPARED TO PAID FOR WELL ID: 08-46141 08-49139 08-94297 08-101567

COLUMN (8) ROYALTY DUE

COLUMN (9) ROYALTY PAID

COLUMN (10) UNDERPAID ROYALTY

COLUMNS (12), (13), (14) PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENT:
<http://www.glo.texas.gov/energy-business/oil-gas/rrac/forms/penalty-interest-assessment-rules.pdf>

NOTE 1: PLEASE REMIT PAYMENT OF THIS INVOICE SEPARATELY FROM REGULAR ROYALTY PAYMENTS. THE PREFERRED METHOD OF PAYMENT IS BY CHECK ACCOMPANIED WITH THE BOTTOM HALF OF THE ATTACHED INVOICE. IF PAYMENT IS MADE THROUGH ACH DEBIT, NOTIFY THE AUDITOR AS TO THE REMITTANCE DATE SO THE INVOICE CAN BE PROPERLY CREDITED.

47

File No. MF078845

_____ County

Recon Billing

Date Filed: 3/25/2021

George P. Bush, Commissioner

By _____ VD

DIVISION ORDER

MF 078845

TO: MRC PERMIAN COMPANY
Attn: Debra Warner
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, TX 75240-1017

Date: August 17, 2020

Effective: June 1, 2020

Product: Oil and/or Gas

Property Number: 420214.089.01

Property Name: Arno Gas Unit #2

301-30270

Operator: Matador Production Company

County/State: Loving, Texas

Property Description: Arno Gas Unit #2

704.00 acres, more or less, lying in Loving County, Texas, and comprising the tracts shown below and being further described in that certain Declaration of Gas Pooling as recorded in Volume 62, Page 681 in the Deed Records of Loving County, Texas and as amended.

(Effective June 1, 2020, Matador Production Company became the new Operator. Ownership has been set up in accordance with the paysheets that were provided by Wolf Energy, Inc.)

The undersigned certifies the ownership of their decimal interest in production or proceeds as described above payable by MRC Permian Company.

Payor shall be notified, in writing, of any change in ownership, decimal interest, or payment address. All such changes shall be effective the first day of the month following receipt of such notice.

Payor is authorized to withhold payment pending resolution of a title dispute or adverse claim asserted regarding the interest in production claimed herein by the undersigned. The undersigned agrees to indemnify and hold Payor harmless from all liability resulting from payments made to the owner in accordance with such division of interest, including but not limited to attorneys' fees or judgments. The undersigned further agrees to reimburse Payor any amount attributable to an interest to which the undersigned is not entitled.

Payor may accrue proceeds until the total amount equals \$100.00, or pay annually upon written request from Owner, or as required by applicable state statute. Upon termination of this agreement, payments shall be made to the respective parties entitled thereto regardless of the amount or amounts due.

This Division Order does not amend any lease or operating agreement between the undersigned and the lessee or operator or any other contracts for the purchase of oil or gas.

OWNER #
005321

OWNER NAME & ADDRESS
Commissioner of the General
Land Office, State of Texas
Stephen F Austin Building
1700 N Congress, Room 110
Austin, TX 78701-1495

TYPE INTEREST: STTX1

DECIMAL INTEREST: 0.02841000

SIGNATURE: _____

PHONE: _____

PRINTED NAME: _____

FAX: _____

SS# or Tax ID#: On File

E-MAIL: _____

WITNESS: _____

FEDERAL LAW REQUIRES YOU TO PROVIDE YOUR TAXPAYER IDENTIFICATION OR SOCIAL SECURITY NUMBER. FAILURE TO COMPLY WILL RESULT IN 24% TAX WITHHOLDING AND WILL NOT BE REFUNDABLE BY PAYOR.

RETAIN COPY FOR YOUR FILES

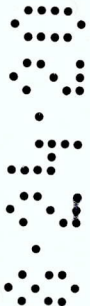
Arno Gas Unit #2 Legal Description		
Tract #	Acres	Tract Description
704.00 acres, more or less, lying in Loving County, Texas, and comprising the tracts shown below and being further described in that certain Declaration of Gas Pooling as recorded in Volume 62, Page 681 in the Deed Records of Loving County, Texas and as amended.		
1	26.590	All of that part of the Southeast One-Half (SE/2) of Section 80, Block 33, E&TC RR Co. Survey, which is not included in the American Quasar Petroleum Company's Ford Chapman Unit (recorded in Volume 50, Page 170, Deed Records of Loving County, Texas) and in the American Trading and Production Corporation Arno Gas Unit No. 1 (a counterpart copy of which is recorded in Volume __, Page __, Deed Records of Loving County, Texas), and comprising 26.59 acres, more or less.
2	40.675	Farm Lots 29, 30, 33 and 34 and the most Southwesterly 338 feet of the Porterville Townsite (said 338 feet lying Southwest of the Cataga Gas Unit No. 2, recorded in Volume 51, Page 221, Deed Records of Loving County, Texas) all situated in Section 79, Block 33, H&TC RR Co. Survey, and comprising 40.675 acres, more or less.
3	10.000	Farm Lots 37 and 38 of Section 79, Block 33, G&TC RR Co. Survey, and comprising 10.00 acres, more or less.
4	40.000	Farm Lots 41, 42, 45, 46, 49, 50, 55 and 56 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 40.00 acres, more or less.
5	30.000	Farm Lots 31, 32, 35, 36, 53 and 54 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 30.00 acres, more or less.
6	10.000	Farm Lots 39 and 40 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 10.00 acres, more or less.
7	10.000	Farm Lots 43 and 44 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 10.00 acres, more or less.
8	20.000	Farm Lots 47, 51, 57 and 58 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 20.00 acres, more or less.
9	10.000	Farm Lots 48 and 52 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 10.00 acres, more or less.
10	5.000	Farm Lot 59 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 5.00 acres, more or less.
11	5.000	Farm Lot 60 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 5.00 acres, more or less.
12	43.120	Farm Lots 69, 70, 73, 74 and 77 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 43.12 acres, more or less.
13	95.370	Farm Lots 61, 62, 63, 64, 65, 66, 67, 68, 71, 72, 75, 76 and 78 of Section 79, Block 33, H&TC RR Co. Survey, and comprising 95.37 acres, more or less.
14	146.900	Farm Lots numbered 19 to 29 inclusive of the F. N. Johnson Subdivision of Section 78, Block 33, H&TC RR Co. Survey, as per plat thereof recorded in Volume 3, Page 617, Deed Records of Loving County, Texas, said Lots being in the Southwest end of Section 78, and comprising 146.90 acres, more or less.
15	100.000	The Mid/Part of the Southwest/Part of Section 78, Block 33, H&TC RR Co. Survey (also described as Lots 9 through 18 inclusive of the Southwest One-Half (SW/2) of said Section 78), and comprising 100.00 acres, more or less.
16	40.000	Farm Lots 1, 3, 5 and 7 of the F. N. Johnson Subdivision of Section 78, Block 33, H&TC RR Co. Survey, and comprising 40.00 acres, more or less.
17	71.345	Farm Lots 2, 4, 6 and 8 of the F. N. Johnson Subdivision of Section 78, and the most Southwesterly 31.345 acres of the Southwest One-Quarter of the Northeast One-Half (SE/4 NE/2) of Section 78, Block 33, H&TC RR Co. Survey, and comprising 71.345 acres, more or less.
	704.000	

Matador Resources Company

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240-1017
Voice 972.371.5200 • Fax 214.866.4928

Debra Warner
Sr. Division Order Analyst
dwarner@matadorresources.com
Direct: 972-371-5428

August 17, 2020



Re: Arno Gas Unit #2 420214.089.01
Loving County, Texas

Dear Interest Owner:

Please note that effective June 1, 2020, Matador Production Company became the Operator of the above referenced property. The ownership has been set up in accordance with the paysheets that were provided by the prior Operator, Wolf Energy, Inc.

Enclosed is a division order reflecting your current ownership in the above referenced property. Please execute both copies of the division order and return one copy to the undersigned at your earliest convenience. Please retain the extra copy for your records.

Please feel free to contact me should you have any questions or require additional information.

Very truly yours,



Debra Warner
Sr. Division Order Analyst

Enclosures



INSTRUCTIONS FOR INTEREST OWNERS: HOW TO COMPLETE THE DIVISION ORDER FORM

The Division Order **SHOULD NOT** be altered in any way unless accompanied by documentary evidence to support the change. (Except to correct spelling errors)

SIGNATURE:

- Correct Name and Interest:** Sign your name as shown on the Division Order.
- Name Change
(i.e.: Marriage or Divorce):** Execute the Division Order using your current name, and provide a copy of the marriage certificate or divorce decree if not previously submitted.
- Agent, Attorney-In-Fact,
Guardian or any party other
than the named interest
owner:** If signed by an agent, attorney-in fact, or anyone other than the named interest owner, evidence of authority must be provided (i.e. power of attorney documents, guardianship documents, etc.)
- Corporations:** Requires the signature of an officer of the corporation with the officer's title reflected.
- Partnerships:** Must be executed by all partners or by an authorized partner. If signed by an authorized partner, we must be furnished a certified copy of the instrument giving said partner authority, if not previously furnished.

TAX ID NUMBER:

Furnish your social security or tax identification number which is associated to the owner name as shown.

NOTE: Federal Law requires you to furnish your Social Security or Tax Identification Number. Failure to comply will result in 24% tax withholding and will not be refundable by Matador Resources Company or its subsidiaries.

MAILING ADDRESS:

Check the address listed on the Division Order. Make sure it reflects your correct mailing address. If the address shown is not correct, please correct it. This will ensure that you receive correspondence and/or payments for your interest

Promptly, return the executed Division Order and W-9 form, if applicable, to the address below. If you do not have a W-9 form in your packet, we have already received this information from you. REMEMBER: Keep one copy for your records.

MRC Permian Company
Attn: Debra Warner
5400 LBJ Freeway, Suite 1500
Dallas, TX 75240-1017

If you have any questions or need further assistance, please feel free to contact me at 972.371.5428.



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

August 10, 2021

Debra Warner
Sr. Division Order Analyst
MRC Energy Company
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240-1017

Re: State Lease No. MF078845 Arno GU 2 Unit 461

Dear Mrs. Warner:

The Texas General Land Office (GLO) has received your Division Order for the referenced unit. This Division Order has been filed in the appropriate mineral file.

The payment of royalties attributable to state-owned mineral and royalty interests is set by contract and applicable statutes and rules. The execution of division orders may, in some cases, affect the manner in which such payments are made or calculated. Therefore, Title 31, §9.32, of the Texas Administrative Code specifies that GLO staff cannot execute a division order or bind the state to any terms contained within it.

Subject to applicable state law and the state's right to take its production in-kind, the GLO acquiesces to the sale of oil and gas in accordance with the terms and conditions set out in the oil and gas leases. If you have questions concerning this matter, please feel free to e-mail me at the address below my signature.

We look forward to being put on pay status as soon as you are able to set up the wells in our RRAC system.

Thank you,

Vivian Zamora
Landman, Energy Resources
512-475-0428
512-475-1404 (fax)
vivian.zamora@glo.texas.gov

File No. MF 078845

Loving County

Division Order

Date Filed: 8/23/2021

George P. Bush, Commissioner

By VJ