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June 9, 2009

VIA HAND DELIVERY

United States Department of The Interior
Minerals Management Service
1201 Elmwood Park Blvd.
New Orleans, LA 70123
Attn: Sue Dickson

RE: **FILING OF MINERAL MORTGAGES/FINANCING STATEMENTS**
Our Ref.: 103163.0001

Dear Ms. Dickson:

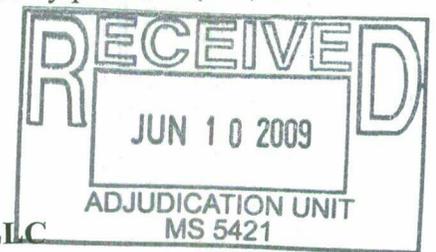
Attached herewith is a copy of Multiple Obligations Mortgage, Second Lien Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement by Virgin Oil Company, Inc. in favor of CIT Capital USA, Inc. relating to the following Outer Continental Shelf Leases: (1) OCS-G 0419, (2) OCS-G 0420, (3) OCS-G 17753, (4) OCS-G 18011, (5) OCS-G 19750, (6) OCS-G 25948, (7) OCS-G 25949, (8) OCS-G 25980, (9) OCS-G 27042, and (10) OCS-G 30664. Please file the aforementioned Mortgage in Category 1, Mortgage, Deed of Trust, Security Agreement.

Thank you for your help and assistance in this matter. If you have any questions whatsoever, please call or email me. My contact information is: Amanda Butler, Esq., 601 Poydras, 12th Floor, New Orleans, Louisiana 70130 and I can be reached by phone at (504) 654-1180, or email abutler@mcglinchey.com.

Sincerely,

McGlinchey Stafford, PLLC

Amanda Butler
Amanda J. Butler, Esq.



816507.1

Plaquemines Parish Recording Page

Dorothy M Lundin
Clerk of Court
PO Box 40
Belle Chasse, LA 70037
(504) 297-5180

Received From :
VINSON & ELKINS L.L.P.
1001 FANNIN STREET
SUITE 2300
HOUSTON, TX 77002-6760

First MORTGAGOR

VIRGIN OIL CO INC

First MORTGAGEE

CIT CAPITAL USA INC

Index Type : Mortgage

File # : 2007-00006713

Type of Document : Mortgage

Book : 486

Page : 66

Recording Pages : 56

Recorded Information

I hereby certify that the attached document was filed for registry and recorded in the Clerk of Court's office for Plaquemines Parish, Louisiana

On (Recorded Date) : 09/24/2007

At (Recorded Time) : 1:50:53PM



Victoria S. Anderson
Deputy Clerk



Doc ID - 001930120056

A TRUE COPY OF THE ORIGINAL
RECORDED IN THE PARISH OF PLAQUEMINES
IN M.C.B. 486 FOLIO 66
UNDER ENTRY NO. 2007-00006713
ON Sept. 24, 2007
Victoria S. Anderson
BY CLERK OF COURT

Return To :

Do not Detach this Recording Page from Original Document

MULTIPLE OBLIGATIONS MORTGAGE

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

FROM
VIRGIN OIL COMPANY, INC.
(Taxpayer I.D. No. 72-131-9002)
IN FAVOR OF
DAVID M. BORNSTEIN, TRUSTEE,
and
CIT CAPITAL USA INC.
(Taxpayer I.D. No. 36-3871861)

Dated and effective as of September 11, 2007

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 COVERS GOODS WHICH ARE OR ARE TO BECOME FIXTURES ON THE REAL PROPERTY DESCRIBED HEREIN. THIS INSTRUMENT 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.

A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY ALLOW BENEFICIARY (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 GRANTOR (AS HEREINAFTER DEFINED) UNDER THIS MORTGAGE.

THIS INSTRUMENT SECURES AN OBLIGATION THAT MAY INCREASE OR DECREASE FROM TIME TO TIME.

WHEN RECORDED OR FILED RETURN TO:

Vinson & Elkins L.L.P.
2500 First City Tower
1001 Fannin Street
Houston, Texas 77002-6760
Attention: Linda Daugherty

THIS DOCUMENT PREPARED BY:

Vinson & Elkins L.L.P.
2500 First City Tower
1001 Fannin Street
Houston, Texas 77002-6760

- 2 -

Houston 3343585v.7

THIS AMENDED AND RESTATED DEED OF TRUST, MORTGAGE, ASSIGNMENT, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT (hereinafter referred to as this "Mortgage"), is entered into effective as of the 11th day of September, 2007, by VIRGIN OIL COMPANY, INC., a Louisiana corporation, whose principal place of business and mailing address is 909 Poydras Street, Suite 2200, New Orleans, Louisiana 70130 (being hereinafter referred to as "Grantor"), to David M. Bornstein, as Trustee (the "Trustee") for the benefit of CIT CAPITAL USA INC., in its capacity as Administrative Agent (as defined below) (in such capacity, the "Beneficiary") on behalf and for the ratable benefit of the Lenders (as defined below).

WITNESSETH:

WHEREAS, the Grantor, as borrower and Whitney National Bank, a national banking association ("Whitney"), as lender, entered into that certain Credit Agreement entered into as of June 24, 2004, as amended by that certain First Amendment to Credit Agreement dated November 5, 2004, that certain Second Amendment to Credit Agreement date November 23, 2004, that certain Third Amendment to Credit Agreement dated January 27, 2006 and that certain Fourth Amendment to Credit Agreement dated June 5, 2006 (the "Original Credit Agreement");

WHEREAS, the obligations of Grantor under the Original Credit Agreement were secured by, *inter alia*, that certain Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement entered into as of June 24, 2004, as amended by that certain First Amendment to Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement entered into as of November 23, 2004, and as amended by that certain Second Amendment to Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement entered into as of January 27, 2006 (collectively, the "Original Mortgage"), counterparts of which Original Mortgage are recorded as set forth on Exhibit B attached hereto and made a part hereof;

WHEREAS, Whitney has sold its notes, security instruments and liens to the Administrative Agent (as defined below), pursuant to that certain Master Assignment of Notes, Security Instruments and Liens dated of even date herewith among the Borrower, Whitney, the Administrative Agent and the Lenders (defined below);

WHEREAS, Grantor, as Borrower, CIT Capital USA Inc. (in its individual capacity "CIT", and together with Whitney, collectively, the "Lenders") and Beneficiary, as administrative agent for the Lenders (in such capacity, together with its successors in such capacity, the "Administrative Agent") have amended and restated the Original Credit Agreement as set forth in that certain Amended and Restated Credit Agreement dated as of even date herewith (the "Credit Agreement"); and

WHEREAS, as a condition to the Lenders' agreement to enter into the Credit Agreement, to amend and restate the Original Credit Agreement and extend credit to the Grantor thereunder,

Grantor has agreed to the ongoing mortgage of those certain property interests described and referred to in Exhibit A, and the parties have amended and restated the Original Mortgage as set forth herein, and Grantor has agreed to enter into this Mortgage and deliver same to Beneficiary, for the benefit of the Lenders;

NOW THEREFORE, in consideration of the mutual covenants, agreements and undertakings herein contained, the Grantor, the Trustee and the Beneficiary agree as follows:

ARTICLE 1.

Granting Clauses: Secured Indebtedness

Section 1.1 Grant and Mortgage. Grantor for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, 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 Grantor hereinafter described, does hereby (a) GRANT, BARGAIN, SELL, CONVEY, TRANSFER, ASSIGN and SET OVER to 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 are adjacent to (or cover properties located in or are adjacent to) the State of Texas, (the "Texas Mortgaged Properties"), and (b) MORTGAGE, ASSIGN, WARRANTY, PLEDGE and HYPOTHECATE to Beneficiary and grant to Beneficiary a continuing security interest in all of the following described rights, interests and properties which were not granted to Trustee in clause (a) above or which are located in the State of Louisiana or 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 "Louisiana Mortgaged Properties"):

(a) The oil, gas and/or mineral leases (and other properties, if any) which are described in Exhibit A attached hereto and made a part hereto;

(b) All interests of the Grantor (whether now owned or hereafter acquired by operation of law or otherwise) in the oil, gas and/or mineral leases (and other properties, if any) described in Exhibit A hereto;

(c) Without limitation of the foregoing, all other right, title and interest of Grantor (whether now owned or hereafter acquired by operation of law or otherwise) of whatever kind of character (including, without limitation, interests in oil, gas and/or mineral leases, fee mineral and/or royalty interests, and other interests) in and to the lands which are described or referred to in Exhibit A hereto as a part of the descriptions (contained in such Exhibit A) of oil, gas and/or other mineral leases (and/or other properties) and/or mineral servitudes and/or mineral rights, or which are otherwise described in any of the leases or other instruments described in Exhibit A hereto, even though the Grantor's interest therein may be incorrectly described in, or omitted from, Exhibit A hereto;

(d) All of Grantor's interest (whether now owned or thereafter 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;

(e) All of Grantor'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, purchase, exchange and/or processing agreements, gas balancing agreements, transportation 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, any contracts listed in Exhibit A hereto), as same may be amended or supplemented from time to time;

(f) All of Grantor's interest (whether now owned or hereafter acquired by operation of law or otherwise) in and to all improvements, fixtures, other constructions, component parts, movable or immovable property and other property (including, without limitation, all wells, pumping units, wellhead equipment, tanks, pipelines, flow lines, gathering lines, compressors, dehydration units, separators, meters, buildings, injection facilities, salt water disposal facilities, and power, telephone and telegraph lines), and all easements, servitudes, rights-of-way, 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 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;

(g) All rights, estates, powers and privileges appurtenant to the foregoing rights, interests and properties; and

(h) All proceeds and products of all of the foregoing.

TO HAVE AND TO HOLD (a) the Texas Mortgaged Properties unto the Trustee, and its successors or substitutes in this trust, and to its successors and assigns, in trust, however, upon the terms, provisions and conditions herein set forth, and (b) the Louisiana Mortgaged Properties unto Beneficiary, and Beneficiary's successors and assigns, upon the terms, provisions and conditions herein set forth (the Texas Mortgaged Properties and the Louisiana Mortgaged Properties being 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 Grantor hereinafter described, Grantor hereby grants to Beneficiary, on behalf of and for the ratable benefit of the Lenders, a continuing security interest in the entire interest of Grantor (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 Grantor as a result of Grantor (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, or other oil, gas, other hydrocarbons or other minerals), 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, or other oil, gas other hydrocarbons or other minerals), and all renewals or replacements of the foregoing or substitutions of 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 Grantor is operator or non-operator), or the treating, handling, storing, processing, transporting, or marketing of Production of other oil, gas, other hydrocarbons or other minerals (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) any rights and interests of Grantor 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 Grantor concerning the Mortgaged Properties;

(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 Grantor or in which Grantor 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, excluding the Grantor's equity ownership in Virgin Offshore U.S.A., Inc. or Virgin Offshore LLC (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");

(h) all proceeds of the Collateral, whether such proceeds or payments are goods, money, documents, deposit accounts, 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"); and

(i) the deposit account at Whitney National Bank for Account Number 715-62-8852 between the Grantor, as debtor and the Beneficiary as the secured party.

Section 1.3 Notes, 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 Obligations (as that term is defined in the Credit Agreement), including all indebtedness evidenced by the Notes (as that term is defined in the Credit Agreement);

(b) All other indebtedness, obligations and liabilities of Grantor and any Guarantor (as defined in the Credit Agreement) arising out of the Credit Agreement or any other Loan Document (as defined below);

(c) All future advances or other value, of whatever class or for whatever purpose, at any time hereafter made or given by any Lender to Grantor in connection with the Credit Agreement or any other Loan Document, whether or not the advances are given pursuant to a commitment, whether or not the advances are presently contemplated by the parties hereto, and whether or not Grantor is indebted to such Lender at the time of such events;

(d) All other indebtedness and obligations owed to Lenders, now or hereafter incurred or arising pursuant to or permitted by the provisions of the Notes, 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 any advance or loan evidence or governed by the Notes, this Mortgage, and such other instruments being herein sometimes collectively called the "Loan Documents"; and

(e) 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 made to Grantor 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 MAXIMUM SECURED AMOUNT. NOTWITHSTANDING ANY PROVISION HEREOF TO THE CONTRARY, THE INDEBTEDNESS SECURED HEREBY SHALL NOT, AT ANY TIME OR FROM TIME TO TIME, EXCEED AN AGGREGATE MAXIMUM AMOUNT OF \$150,000,000.

ARTICLE 2.

Representations, Warranties and Covenants

Section 2.1 Grantor represents, warrants, and covenants as follows:

(a) Title and Permitted Encumbrances. Grantor has, and Grantor covenants to maintain, good and merchantable title to the Mortgaged Properties, 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 preliminary title opinions delivered by Grantor, and other routine operational agreements directly related to the Mortgaged Properties which do not provide for material future commitments, which do not alter the share of revenues which Grantor is entitled to receive (or share of expenses that Grantor is obligated to bear) with respect to the lands covered thereby and which are of a type normally employed by prudent parties with respect to oil and gas properties, (ii) the liens and security interests evidenced by this Mortgage, (iii) statutory liens for taxes which are not yet delinquent (or which are being contested by Grantor in good faith and for which Grantor has established adequate reserves), (iv) liens under operating agreements, pooling orders and unitization agreements with respect to obligations which are not yet due (or which are being contested by Grantor in good faith and for which Grantor has established adequate reserves), (v) mechanics' and materialmen's liens, with respect to obligations which are not yet due (or which are being contested by Grantor in good faith and for which Grantor has established adequate reserves or has secured adequate indemnification from the effects thereof), (vi) other liens and security interests (if any) in favor of Beneficiary, on behalf of and for the benefit of Lenders, and (vii) Liens permitted to be placed on the Mortgaged Properties under Section 9.3 of the Credit Agreement (the matters described in the foregoing clauses being herein called the "Permitted Encumbrances"); Grantor 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.

(b) Leases and Contracts; Performance of Obligations. The oil, gas and/or mineral leases, contracts, 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 Grantor agrees to so maintain them in full force and effect as long as the production is of commercial quantities and/or additional operations or activities are expected to result in successful production of hydrocarbons, i.e., Grantor may allow a lease to expire if no further reserves are possibly located thereon or a well(s) existing on such lease ceases to produce in commercial quantities. All rents, royalties and other payments due and payable under such leases, contracts, and other agreements, or under the Permitted Encumbrances, or otherwise attendant to the ownership or operation of the Property, have been, and will continue to be, properly and timely paid. Grantor is not in default with respect to Grantor's material obligations (and Grantor is not aware of any default by any third party with respect to such third party's obligations) under such leases, contracts, and other agreements, or under the Permitted Encumbrances, or otherwise attendant to the ownership or operation of any part of the Property, where such default could materially adversely affect the ownership or operation of the Property; Grantor will fulfill all such material obligations coming due in the future. Grantor is not currently accounting (and will not hereafter agree to account) for any royalties, or overriding royalties or other payments out of production, on a basis (other than delivery in kind) other than proceeds received by Grantor from sale of production, and there are no situations where a contingent liability to account on another basis may exist.

(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 Grantor 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) entered into in the ordinary course of business and consistent with Grantor's past practices, 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. Grantor is presently receiving a price for all Production from (or attributable to) each Mortgaged Property covered by an applicable production sales contract in accordance with the terms of such contract, and, to the best of Grantor's knowledge, is not having deliveries of Production from such Mortgaged Property curtailed substantially below such property's delivery capacity. Neither Grantor, 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 as to which there are recoupment rights outstanding, and Grantor 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 for immaterial overproduction that occurs in the course of routine operations where no party is affirmatively taking more than its share of gas, there is no Mortgaged Property with respect to which Grantor, or (to the best of Grantor's knowledge) 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. Grantor will not (except for immaterial over-production that occurs in the course of routine operations where no party is affirmatively taking more than its share of gas) become "overproduced" (as above defined) with respect to any well on the Mortgaged Properties (or on any unit in which the Mortgaged Properties participate). 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 Grantor's knowledge, no facts exist which might cause the same to be imposed.

(d) Condition of Personal Property. The equipment, inventory, improvements, fixtures, goods and other tangible personal/movable property forming a part of the Collateral are, and will (subject to repair and/or replacement in the ordinary course of business and events of casualty and force majeure) remain, in good repair and condition and are and will be adequate for the normal operation of the Collateral in accordance with prudent industry standards; all of such Collateral 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 Collateral. Upon request of Beneficiary, Grantor will deliver to Beneficiary and Lenders an inventory and/or financing statements describing and showing the make, model, serial number and location of all equipment, inventory, fixtures, goods and other tangible personal property forming a part of the Property.

(e) Operation of Mortgaged Properties. The Mortgaged Properties (and properties unitized therewith) 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 in all material respects with all applicable laws and all rules, regulations and orders of all duly constituted authorities having jurisdiction and in conformity in all material respects with all oil, gas and/or other mineral leases (including, without limitation, in conformity with all provisions where the failure to be in conformity could affect the validity and/or continuance in force of a lease) and other contracts and agreements forming a part of the Property and in conformity with the Permitted Encumbrances; specifically in this connection, (i) no Mortgaged Property is subject to having allowable production after the date hereof materially reduced below the full and regular allowable (including the maximum permissible tolerance) because of any overproduction (whether or not the same was permissible at the time) prior to the date hereof and (ii) none of the wells located on the Mortgaged Properties (or properties unitized therewith) are or will be deviated from the vertical more than the maximum permitted by applicable laws, regulations, rules and orders, and such wells are, and will remain, bottomed under and producing from, with the well bores wholly within, the Mortgaged Properties (or, in the case of wells located on properties unitized therewith, such unitized properties). To the best of Grantor's knowledge there are no dry holes, or otherwise inactive wells (other than Well No. 2, OCS-G-17753, West Cameron Block 42; OCS-G-15097, West Cameron Block 494; and OCS-G-10605, East Cameron Block 2, the later not being included in the Mortgaged Properties, but plugging and abandonment, as well as removal of the production platform and other associated equipment, are existing obligations), located on the Mortgaged Properties or on lands pooled or unitized therewith (including, without limitation, any wells which would, if located in Texas, require compliance with Railroad Commission Rule 14(b)(2)), which would expose Grantor to plugging and abandonment obligations in excess of \$100,000 in the aggregate, except for those associated with OCS-G-17753, West Cameron Block 42; OCS-G-15097, West Cameron Block 494; and, OCS-G-10605, East Cameron Block 2. Grantor has, and will have in the future, all governmental

licenses and permits necessary or appropriate to own and operate the Property; Grantor has not received notice of any violations in respect of any such licenses or permits.

(f) Sale or Disposal. Grantor will not, without the prior written consent of Beneficiary, sell, exchange, lease, transfer, or otherwise dispose of any part of, or interest in, the Property other than (i) a release, surrender or abandonment of a lease which does not include a well capable of producing (or capable of being made capable of producing) in paying quantities and which is not included in a unit which includes such a well, (ii) 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 Beneficiary has given its prior written consent or with respect to which a release has been given under clause (i)) of a lease, (iii) sales, transfers and other dispositions of machinery, equipment and other personal/movable property and fixtures in connection with the abandonment (to which the Beneficiary has given its prior written consent) of a well, (iv) sales, transfers and other dispositions of machinery, equipment and other personal/movable property and fixtures which are (A) worthless or 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 Grantor free and clear of all liens except this Mortgage and the Permitted Encumbrances, and (v) sales of Production that has been produced which are made in compliance with Section 2.1(c) hereof, in the ordinary course of business, in bona fide arm's length transactions with third parties not affiliated with Grantor and at the best price (and on the best terms) available (which shall, in the case of Production which is subject to price controls and/or is sold, in accordance with customary industry practice, pursuant to long term purchase contracts, be determined giving consideration to such matters); provided that nothing in clause (v) shall be construed as limiting Beneficiary's rights under Article III of this Mortgage. Grantor shall account fully and faithfully for and, if Beneficiary so elects, shall promptly pay or turn over to Beneficiary the proceeds in whatever form received from disposition in any manner of any of the Property. Grantor shall at all times keep the Property and its proceeds separate and distinct from other property of Grantor and shall keep accurate and complete records of the Property and its proceeds; provided, however, that Grantor shall be entitled to commingle proceeds from the Property with proceeds from non-mortgaged assets in any deposit account maintained by Grantor with Beneficiary and in which Beneficiary, on behalf of and for the ratable benefit of the Lenders, has a valid first priority security interest.

(g) Ad Valorem and Severance Taxes. Grantor 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 value, or proceeds, of the Production except to the extent same are being contested in good faith and Grantor has established adequate reserves therefor.

(h) Suits and Claims. Except as disclosed in writing to the Beneficiary, there are no suits, actions, claims, investigations, inquiries, proceedings or demands pending (or, to Grantor's knowledge, threatened) which materially and adversely affect the

Property (including, without limitation, any which challenge or otherwise pertain to Grantor's title to the Property) and no judicial or administrative actions, suits or proceedings pending (or, to Grantor's knowledge, threatened) against Grantor which do or may reasonably be expected to materially and adversely affect Grantor.

(i) Not Abandon Wells; Participate in Operations. Grantor will not, without prior written consent of Beneficiary, 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). Grantor will not, without prior written consent of Beneficiary (which consent, after giving due regard to Grantor's business and technical reasons for electing not to participate, will not be unreasonably withheld), 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.

(j) 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 Grantor to the Property shall be endangered or questioned or shall be attached directly or indirectly or if any legal proceedings are instituted against Grantor with respect thereto, Grantor will give prompt written notice to Beneficiary and at Grantor'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 Beneficiary, 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 reasonable 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 Grantor hereby expressly promises to pay) owing by Grantor to Beneficiary 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.

(k) Fees and Expenses; Indemnity. Grantor will reimburse Trustee and Beneficiary for all expenditures, including reasonable attorneys' fees and expenses, incurred or expended in connection with (i) the breach by Grantor of any covenant,

agreement or condition contained herein or in any other Loan Document, (ii) the exercise of any rights and remedies hereunder or under any other Loan Document, and (iii) the protection of the Property and/or liens and security interests therein. **GRANTOR WILL INDEMNIFY AND HOLD HARMLESS TRUSTEE AND BENEFICIARY (FOR PURPOSES OF THIS PARAGRAPH, THE TERMS "TRUSTEE" AND "BENEFICIARY" SHALL INCLUDE THE DIRECTORS, OFFICERS, PARTNERS, EMPLOYEES AND LENDERS OF TRUSTEE OR BENEFICIARY RESPECTIVELY, AND ANY PERSONS OR ENTITIES OWNED OR CONTROLLED BY OR AFFILIATED WITH TRUSTEE OR BENEFICIARY, RESPECTIVELY) 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) WHICH MAY BE IMPOSED UPON, ASSERTED AGAINST OR INCURRED OR PAID BY THE TRUSTEE OR THE BENEFICIARY 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 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 DOCUMENTS, (E) ANY VIOLATION ON OR PRIOR TO THE RELEASE DATE (AS HEREINAFTER DEFINED) OF ANY 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 RELEASE FROM THE 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, REGARDLESS OF WHETHER THE ACT, OMISSION, EVENT OR CIRCUMSTANCES CONSTITUTED A VIOLATION OF ANY 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 (WHETHER OR NOT THE RELEASE OF SUCH**

MATERIALS WAS CAUSED BY GRANTOR, A TENANT OR SUBTENANT OR A PRIOR OWNER OR TENANT OR SUBTENANT ON THE 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, WHICH THE BENEFICIARY AND/OR THE TRUSTEE MAY HAVE LIABILITY WITH RESPECT DUE TO THE MAKING OF THE LOAN OR LOANS EVIDENCED BY ANY NOTES, THE GRANTING OF THIS MORTGAGE, THE EXERCISE OF ANY OF THEIR RIGHTS UNDER THE LOAN DOCUMENTS, OR OTHERWISE. Beneficiary 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 Beneficiary 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 Beneficiary or Trustee pursuant to the provisions of this section shall be a demand obligation (which obligation Grantor hereby expressly promises to pay) owing by Grantor 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. 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 Grantor to Beneficiary or Trustee shall be a demand obligation owing by Grantor to the applicable party or parties and shall be subject to and covered by the provisions of Section 2.3 hereof.

(l) Insurance. Grantor will carry insurance on the Property and the operations thereof in commercially reasonable amounts consistent with industry standards and Grantor's historical practices. In the event of any loss under any insurance policies so carried by Grantor, Beneficiary 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 Beneficiary in its own discretion, of the secured indebtedness, and any balance remaining shall be subject to the order of Grantor. Beneficiary is hereby authorized but not obligated to enforce in its name or in the name of Grantor payment of any or all said policies or settle or compromise any claim in respect thereof, and to collect and make receipts for the

proceeds thereof and Beneficiary is hereby appointed Grantor's agent and attorney-in-fact to endorse any check or draft payable to Grantor 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 Grantor 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 other transferee in the event of such other transfer of title.

(m) Further Assurances. Grantor will, on request of Beneficiary, (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 Documents; (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) reasonably desired by Beneficiary to protect the lien or the security interest hereunder against the rights or interests of third persons. Grantor shall pay all costs connected with any of the foregoing.

(n) Name and Place of Business. Grantor 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 Grantor shall have notified Beneficiary of such change at least thirty (30) days prior to the effective date of such change, and shall have first taken all action reasonably required by Beneficiary for the purpose of further perfecting or protecting the liens and security interests of Beneficiary, on behalf of and for the benefit of the Lenders, in the Property. Grantor's principal place of business and chief executive office, and the place where Grantor 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, since its creation, been, and will continue to be (unless Grantor notifies Beneficiary 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 Grantor to this Mortgage.

Section 2.2 Compliance by Operator. As to any part of the Mortgaged Properties which is not a working interest, Grantor agrees to use its reasonable efforts to cause the owner or owners of the working interest in such properties to comply with the covenants and agreements contained herein; and as to any part of the Mortgaged Properties which is a working interest but which is operated by a party other than Grantor, Grantor agrees to use its reasonable efforts (including, but not limited to, exercising 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 on Grantor's Behalf. Grantor agrees that, if Grantor fails to perform any act or to take any action, which hereunder Grantor is required to perform or take, or to pay any money which hereunder Grantor is required to pay, Beneficiary, in Grantor'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 Beneficiary and any money so paid by Beneficiary shall be a demand obligation owing by Grantor to Beneficiary (which obligation Grantor hereby expressly promises to pay) and Beneficiary, 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 Grantor to Trustee and/or Beneficiary 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 default or late payment interest rate provided in the Notes, if any, (provided that, should applicable law provide for a maximum permissible rate of interest on such amount, 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 3.

Assignment of Production, Accounts, and Proceeds

Section 3.1 Assignment of Production. Grantor hereby assigns, pledges and transfers to Beneficiary, on behalf of and for the benefit of Lenders, a continuing security interest in all Production, which accrues to Grantor's interest in the Mortgaged Properties, all proceeds of such Production and all payments in lieu of production, and all rights with respect to proceeds or profits to which Grantor is entitled by virtue of ownership of the Mortgaged Properties described in Section 1.1 (herein referred to as the "Production Proceeds"), together with the immediate and continuing right to collect and receive such Production Proceeds. Upon the occurrence of a default, Grantor agrees to direct and instruct any and all purchasers of any Production, or other parties accounting for Production Proceeds, to pay to Beneficiary, on behalf of and for the benefit of the Lenders, all of the Production Proceeds accruing to Grantor's interest until such time as such parties have been furnished with evidence that all secured indebtedness has been paid and that this Mortgage has been released; Grantor agrees that no such parties shall have any responsibility for the application of any funds paid to Beneficiary.

Section 3.2 Effectuating Payment of Production Proceeds to Lender. Upon the occurrence of a default, Grantor agrees to execute and deliver any and all transfer orders, division orders and other instruments that may be reasonably requested by Beneficiary or that may be required by any party for the purpose of effectuating payment of the Production Proceeds to Beneficiary. If under any existing sales agreements, other than division orders or transfer orders, any Production Proceeds are required to be paid to Grantor so that under such existing agreements payment cannot be made of such Production Proceeds to Beneficiary, Grantor's interest in all Production Proceeds under such sales agreements and in all other Production Proceeds which for any reason may be paid to Grantor shall, when received by Grantor, constitute trust funds in Grantor's hands and shall be immediately paid over to Beneficiary, on

behalf of and for the benefit of the Lenders. Without limitation upon any of the foregoing, Grantor hereby constitutes and appoints Beneficiary as Grantor's special attorney-in-fact (with full power of substitution, either generally or for such periods or purposes as Beneficiary may from time to time prescribe) in the name, place and stead of Grantor to do any and every act and exercise any and every power that Grantor might or could do or exercise personally with respect to all Production and Production Proceeds (the same having been assigned by Grantor to Beneficiary 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 Grantor 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 party for the purposes of effectuating payment of the Production Proceeds to Beneficiary or which Beneficiary 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 to Grantor so that under such existing agreements payment cannot be made of such Production Proceeds to Beneficiary, to make, execute and enter into such sales agreements or other agreements as are necessary to direct Production Proceeds to be payable to Beneficiary;

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 Grantor might or could do if personally present; and Grantor shall be bound thereby as fully and effectively as if Grantor had personally executed, acknowledged and delivered any of the foregoing certificates or documents. The powers and authorities herein conferred upon Beneficiary may be exercised by Beneficiary through any person who, at the time of the execution of the particular instrument, is an officer of Beneficiary. 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 Beneficiary 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 Beneficiary that all the secured indebtedness is fully and finally paid. Beneficiary 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 Beneficiary shall be a demand obligation of Grantor 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 Release From Liability; Indemnification. BENEFICIARY 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 INCLUDING FAILURE OR ACTION DUE TO BENEFICIARY'S NEGLIGENCE (EXCEPT IN THE CASE OF BENEFICIARY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT) IN

CONNECTION THEREWITH, EXCEPT THE RESPONSIBILITY OF EACH TO ACCOUNT TO GRANTOR FOR FUNDS ACTUALLY RECEIVED BY EACH. GRANTOR AGREES TO INDEMNIFY AND HOLD HARMLESS BENEFICIARY (FOR PURPOSES OF THIS PARAGRAPH, THE TERM "BENEFICIARY" SHALL INCLUDE THE DIRECTORS, OFFICERS, PARTNERS, EMPLOYEES AND LENDERS OF BENEFICIARY AND ANY PERSONS OR ENTITIES OWNED OR CONTROLLED BY OR AFFILIATED WITH BENEFICIARY) 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 BENEFICIARY BY REASON OF THE ASSERTION THAT BENEFICIARY 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 UNLESS RECEIPT OF SAME IS A KNOWN VIOLATION TO BENEFICIARY OR (II) WERE OTHERWISE MADE IN VIOLATION OF LAWS, RULES, REGULATIONS AND/OR ORDERS GOVERNING SUCH SALES) UNLESS RECEIPT OF SAME IS A KNOWN VIOLATION TO BENEFICIARY, AND BENEFICIARY 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, BENEFICIARY 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 BENEFICIARY IN COMPROMISE, SATISFACTION OR DISCHARGE OF ANY SUCH CLAIM, ACTION OR JUDGMENT, AND ALL COURT COSTS, REASONABLE ATTORNEYS' FEES AND OTHER EXPENSES OF EVERY CHARACTER EXPENDED BY BENEFICIARY PURSUANT TO THE PROVISIONS OF THIS SECTION SHALL BE A DEMAND OBLIGATION (WHICH OBLIGATION GRANTOR HEREBY EXPRESSLY PROMISES TO PAY) OWING BY GRANTOR TO BENEFICIARY 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. 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 3.4 Absolute Obligation. Nothing herein contained shall detract from or limit the obligations of Grantor to make prompt payment of the Notes, 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 under the Loan Documents.

ARTICLE 4.
Remedies Upon Default

Section 4.1 Default. The term "default" as used in this Mortgage shall mean the occurrence of any of the following events:

(a) the occurrence of a default under, the Credit Agreement, any Note or any Guarantee (as defined in the Credit Agreement); or

(b) the failure of Grantor to pay any principal of any Note, or any interest on any Note, or any other amount owing under the Credit Agreement or any other Loan Document, as the same shall become due and payable (whether at a date for payment of a fixed installment or contingent or other payment, or as a result of acceleration, or otherwise); or

(c) any representation contained herein (or in any certificate delivered by Grantor to Beneficiary in connection herewith) shall prove to have been incorrect in any material respect on or as of the date made; or

(d) Grantor fails to duly observe, perform or comply with any covenant, agreement, condition or provision contained herein and such failure is not remedied within 30 days after written notice of such failure is given by Beneficiary to Grantor; or

(e) (i) Grantor shall commence any case, proceeding or other action (A) under any existing or future law or any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, custodian or other similar official for it or for all or any substantial part of its assets, or any Grantor shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against any Grantor any case, proceeding or other action of nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against any Grantor any case, proceeding or other action seeking issuance of a warrant of attachment,

execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) any Grantor shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) the Grantor shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(f) Any of the events referred to above in subsection (e) shall occur with respect to any guarantor of the secured indebtedness and shall not be remedied within the applicable grace period (if any) set forth in such subsection.

Section 4.2 Acceleration of Secured Indebtedness. Upon the occurrence of a default described in subsection (e) or (f) of Section 4.1 above, all of the secured indebtedness shall thereupon be immediately due and payable, without presentment, demand, protest, notice of protest, declaration or notice of acceleration or intention to accelerate, putting the Grantor in default, dishonor, notice of dishonor or any other notice or declaration of any kind, all of which are hereby expressly waived by Grantor, and the liens evidenced hereby shall be subject to foreclosure in any manner provided for herein or provided for by law as Beneficiary may elect. During the continuance of any other default, Beneficiary at any time and from time to time may without notice to Grantor 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 Grantor in default, dishonor, notice of dishonor, notice of acceleration or of intention to accelerate, or any other notice or declaration of any kind, all of which are hereby expressly waived by Grantor, and the liens evidenced hereby shall be subject to foreclosure in any manner provided for herein or provided for by law.

Section 4.3 Pre-Foreclosure Remedies. Upon the occurrence of a default, Beneficiary 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 Grantor any and all rights which Grantor has with respect to the management, possession, operation, protection or preservation of the Property. If necessary to obtain the possession provided for above, Beneficiary may invoke any and all remedies to dispossess Grantor. All reasonable costs, expenses and liabilities of every character incurred by Beneficiary in managing, operating, maintaining, protecting or preserving the Property shall constitute a demand obligation (which obligation Grantor hereby expressly promises to pay) owing by Grantor to Beneficiary 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 Beneficiary pursuant to this Section 4.3, **BENEFICIARY SHALL NOT BE LIABLE FOR ANY LOSS SUSTAINED BY GRANTOR RESULTING FROM ANY ACT OR OMISSION OF BENEFICIARY (INCLUDING BENEFICIARY'S OWN NEGLIGENCE) IN MANAGING THE PROPERTY UNLESS SUCH LOSS IS CAUSED BY THE GROSS NEGLIGENCE, WILLFUL MISCONDUCT OR BAD FAITH OF BENEFICIARY,** nor

shall Beneficiary be obligated to perform or discharge any obligation, duty or liability of Grantor arising under any agreement forming a part of the Property or arising under any Permitted Encumbrance or otherwise arising. Grantor hereby assents to, ratifies and confirms any and all proper and legal actions of Beneficiary with respect to the Property taken under this Section 4.3.

Section 4.4 Foreclosure.

(a) Upon the occurrence of a default, Trustee, or his successor or substitute, is authorized and empowered and it shall be his special duty at the request of Beneficiary to sell the Texas Mortgaged Properties, or any part thereof, as an entirety or in parcels as Beneficiary 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 or his successor or substitute 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 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 Texas 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 Texas Mortgaged Properties shall be conducted at the courthouse of any county (whether or not the counties in which such Texas Mortgaged Properties are located are contiguous) in the State of Texas in which any part of such Texas Mortgaged Properties is situated or which lies shoreward of any Texas Mortgaged Property (*i.e.*, to the extent a particular Texas Mortgaged Property lies offshore within the reasonable projected seaward extension of the relevant county boundary), at public venue 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 GRANTOR UNDER THIS MORTGAGE.

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

(i) Beneficiary may enter upon Grantor's premises to take possession of, assemble and collect the Collateral or to render it unusable; and

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

(iii) written notice mailed to Grantor as provided herein at least ten (10) 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 Beneficiary, 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 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 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, Beneficiary 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.

(c) To the extent permitted by applicable law, the sale 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 Grantor 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 Beneficiary, such sale shall not exhaust the powers of sale hereunder or the right to judicial foreclosure, and Beneficiary 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 Beneficiary 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), and such appointment need not be in writing or recorded. 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 all of the secured indebtedness having been declared 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. Notwithstanding any reference herein to the Notes or any other Loan Document, all persons dealing with the Mortgaged Properties shall be entitled to rely on any document, or certificate, of the Beneficiary as to the occurrence of an event, such an event of default, and shall not be charged with or forced to review any provision of any other document to determine the accuracy thereof. 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, Beneficiary, any public officer acting under execution or order of the court or any other party to have physically present or constructively in his possession, either at the time of or prior to such sale, the Property or any part thereof.

(d) As to Property now or hereafter located in, or otherwise subject to the laws of, the State of Louisiana, Grantor acknowledges the secured indebtedness, whether now existing or to arise hereafter, and for Grantor, hereby confesses judgment for the full amount of the secured indebtedness in favor of the Beneficiary. Grantor further agrees that the Beneficiary may cause all or any part of the Property to be seized and sold after due process of law by executory or ordinary process, the Grantor 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 or parcels, as the Beneficiary may determine, to the highest bidder for cash or on such terms as the plaintiff in such proceedings may direct. Grantor 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. Grantor expressly authorizes and agrees that Beneficiary 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 Beneficiary or employee thereof, or any other person, firm, or

corporation. Compensation for the services of the keeper shall be reasonable in light 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 Texas 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 Texas Mortgaged Properties, or any portion thereof, in any manner permitted by applicable law, and any foreclosure suit may be brought by Trustee or by Beneficiary. To the extent, if any, required to cause this instrument to be so effective as a mortgage, as well as a deed of trust, Grantor hereby mortgages the Texas Mortgaged Properties to Beneficiary. In the event a foreclosure hereunder as to the Texas Mortgaged Properties, or any part thereof, shall be commenced by Trustee, or his substitute or successor, Beneficiary 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 Beneficiary should institute a suit for the foreclosure of this Mortgage, Beneficiary may at any time before the entry of a final judgment in said suit dismiss the same, and require Trustee, his substitute or successor, to sell the Texas 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, Grantor agrees that, upon the occurrence of a default, Beneficiary 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 Grantor 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 Beneficiary, and agrees that such appointment shall in no manner impair, prejudice or otherwise affect the rights of Beneficiary under Article III hereof. Nothing herein is to be construed to deprive Beneficiary 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 Beneficiary in connection with any such receivership shall be a demand obligation (which obligation Grantor hereby expressly promises to pay) owing by Grantor to Beneficiary and shall bear interest, from the date of making such advancement by Beneficiary until paid, at the rate described in Section 2.3 hereof.

Section 4.7 Proceeds of Foreclosure. Unless applicable law requires otherwise, 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 reasonable attorneys' fees due and unpaid on the Notes and the amounts due and unpaid and owed under this Mortgage) in such manner and order as Beneficiary may elect; and

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

Section 4.8 Beneficiary as Purchaser. Beneficiary shall have the right to become the purchaser at any sale held in foreclosure of the liens and/or security interests evidenced hereby, and Beneficiary 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 Beneficiary.

Section 4.9 Foreclosure as to Matured Debt. Upon the occurrence of a default, Beneficiary 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 3.3 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, in addition to the remedies herein provided, 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 may be utilized, 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 Discretion as to Security. Unless applicable law requires otherwise, Beneficiary 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 Beneficiary 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 Grantor's Waiver of Certain Rights. Unless the conduct of the Beneficiary is not in good faith, warranted, and/or contrary to the terms and conditions of the various transaction documents and to the full extent Grantor may legally do so, Grantor agrees that Grantor 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 Grantor, for Grantor, for Grantor'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 Grantor, 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. Grantor 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 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 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 Grantor or Grantor'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 Grantor as Tenant Post-Foreclosure. Unless applicable law or the Permitted Encumbrances provide otherwise, in the event there is a foreclosure sale hereunder and at the time of such sale Grantor or Grantor's heirs, devisees, representatives, successors or assigns or any other persons claiming any interest in the Property by, through or under Grantor 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.

ARTICLE 5.
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 covers goods which are or are to become fixtures on the real property described herein, and this Mortgage shall be effective as a financing statement filed as a fixture filing with respect to all fixtures included within the Texas Mortgaged Property. With respect to all fixtures included within the Louisiana Mortgaged Property, the Grantor authorizes the Beneficiary to file a fixture financing statement in the office of the Clerk of Court of any Louisiana parish (in the case of Orleans Parish, with the Recorder of Mortgages), or other appropriate filing or recording office. This Mortgage shall also be effective as a financing statement, filed as a fixture filing, 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 of the wells or mines located on the Texas Mortgaged Properties. With respect to all 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 of the wells located on the Louisiana Mortgaged Property, the Grantor authorizes the Beneficiary to file a fixture financing statement in the office of the Clerk of Court of any Louisiana parish (in the case of Orleans Parish, with the Recorder of Mortgages), or other appropriate filing or recording office. This Mortgage is to be filed or filed for record in the real estate/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 county or parish boundaries), and may also be filed in the offices of the Bureau of Land Management, the Minerals Management Service or state agencies (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 Grantor is the address of Grantor set forth at the end of this Mortgage and the address of Beneficiary from which information concerning the security interests hereunder may be obtained is the address of Beneficiary 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, Beneficiary may notify the account debtors or obligors of any accounts, chattel paper, negotiable instruments or other evidences of indebtedness included in the Collateral to pay Beneficiary directly.

Section 5.5 Waivers. Beneficiary may at any time and from time to time in writing waive compliance by Grantor with any covenant herein made by Grantor to the extent and in the manner specified in such writing, or consent to Grantor's doing any act which hereunder Grantor is prohibited from doing, or to Grantor's failing to do any act which hereunder Grantor 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. Any party liable, either directly or indirectly, for the secured indebtedness or for any covenant herein or in any other Loan Document may be

released from all or any part of such obligations without impairing or releasing the liability of any other party. No such act shall in any way impair any rights or powers hereunder except to the extent specifically agreed to in such writing.

Section 5.6 No Impairment of Security. The lien, security interest and other security rights hereunder shall not be impaired by any indulgence, moratorium or release which may be granted, including, but not limited to, any renewal, extension or modification which may be granted with respect to any secured indebtedness, or any surrender, compromise, release, renewal, extension, exchange or substitution which may be granted 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. Any default may be waived without waiving any other prior or subsequent default. Unless remedied under the allowable cure period for such default, any default may be remedied without waiving the default remedied. Neither failure to exercise, nor delay 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 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 Grantor therefrom shall in any event be effective unless the same shall be in writing and signed by Beneficiary 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 Grantor in any case shall of itself entitle Grantor to any other or further notice or demand in similar or other circumstances. Acceptance 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 Grantor's Successors. In the event the ownership of the Property or any part thereof becomes vested in a person other than Grantor, then, without notice to Grantor, such successor or successors in interest may be dealt with, with reference to this Mortgage and to the indebtedness secured hereby, in the same manner as with Grantor, without in any way vitiating or discharging Grantor's liability hereunder or for the payment of the indebtedness or performance of the obligations secured hereby. No transfer of the Property, no forbearance, and no extension of the time for the payment of the indebtedness secured hereby shall operate to release, discharge, modify, change or affect, in whole or in part, the liability of Grantor 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 Grantor, shall be payable at the place that Beneficiary may designate in writing.

Section 5.10 Subrogation to Existing Liens. To the extent that proceeds of the Notes are used to pay indebtedness secured by any outstanding lien, security interest, charge or prior encumbrance against the Property, such proceeds have been advanced at Grantor's request, and the party or parties advancing the same 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, Grantor 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 Compliance with Usury Laws. It is the intent of Grantor, Beneficiary 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 5.12 Substitute Trustee. The Trustee may resign by an instrument in writing addressed to Beneficiary, or Trustee may be removed at any time with or without cause by an instrument in writing executed by Beneficiary. In case of the death, resignation, removal, or disqualification of Trustee, or if for any reason Beneficiary shall deem it desirable to appoint a substitute or successor trustee to act instead of the herein named trustee or any substitute or successor trustee, then Beneficiary shall have the right and is hereby authorized and empowered to appoint a successor trustee, or a substitute trustee, without other formality than appointment and designation in writing executed by Beneficiary 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 the secured indebtedness shall also 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 Trustee as provided in the first sentence of this section. Such appointment and designation by Beneficiary, 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 Beneficiary 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. Beneficiary may act through an agent or attorney-in-fact in substituting trustees. Upon the making of any such appointment and designation, all of the estate and title of Trustee in the Texas Mortgaged Properties shall vest in the named successor or substitute Trustee and he 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 Beneficiary 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 Texas 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. Notwithstanding the foregoing, should the law of any state in which the Texas Mortgaged Properties are located require actions to be taken in the appointment of a successor or substitute trustee which are in addition to those set forth above, such actions shall be taken in connection with the appointment of any successor or substitute trustee with respect to Texas Mortgaged Properties located in such state. All reference herein to Trustee shall be deemed to refer to Trustee (including any successor or substitute appointed and designated as herein provided) from time to time acting hereunder.

Section 5.13 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 THE 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 him/her hereunder, believed by him/her 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 her hereunder. Grantor hereby ratifies and confirms any and all acts which the herein named Trustee or his/her successor or successors, substitute or substitutes, shall do lawfully by virtue hereof. Grantor will reimburse Trustee for, and indemnify and save him/her harmless against, any and all liability and expenses (including attorneys fees) which may be incurred by him/her in the performance of his/her duties except to the extent such liability arises out of his/her gross negligence or willful misconduct. 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 Grantor to Trustee shall be a demand obligation owing by Grantor to Trustee and shall be subject to and covered by the provisions of Section 2.3 hereof.

Section 5.14 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 if the Grantor is not bound to the other or to any third person to permit any obligation or secured indebtedness to be incurred then or thereafter, then, upon thirty (30) days prior written notice (or such lesser number of days as may be mandated by applicable law), the Grantor may request the Beneficiary to terminate this Mortgage. Upon such termination the Grantor may further request the Beneficiary to provide a written act of release of this Mortgage and any and all liens or other filings made in connection with this Mortgage (except to the extent expressly provided herein with respect to indemnification and other rights which are to continue following the release hereof). Beneficiary agrees to deliver such an act of release (subject to the foregoing limitation), all at the cost and expense of the Grantor, within thirty (30) days (or such lesser number of days as may be

mandated by applicable law) of receiving such request unless Beneficiary in good faith, has cause to believe that Grantor 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 5.15 Notices. All notices, requests, 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, or by delivery service with proof of delivery, by telecopy or telex, 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 provided herein, (b) in the case of telecopy or telex, 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 5.16 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 5.17 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 5.18 Recording. Grantor 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 Beneficiary shall reasonably request and will pay all such recording, filing, re-recording and refile taxes, fees and other charges.

Section 5.19 Reporting Compliance. Grantor agrees to comply with any and all reporting requirements applicable to the transaction evidenced by the Notes 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 Beneficiary to furnish Beneficiary with evidence of such compliance.

Section 5.20 Certain Obligations of Grantor. Without limiting Grantor's obligations hereunder, Grantor's liability hereunder shall extend to and include all post petition interest, expenses, and other duties and liabilities with respect to Grantor's obligations hereunder which would be owned but for the fact that the same may be unenforceable due to the existence of a bankruptcy, reorganization or similar proceeding.

Section 5.21 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 those portions of Exhibit A which contain descriptions of the properties located in (or otherwise subject to the recording or filing 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.

Section 5.22 Successors and Assigns. The terms, provisions, covenants, representations, indemnifications and conditions hereof shall be binding upon Grantor, and the successors and assigns of Grantor, and shall inure to the benefit of Trustee, the Beneficiary and their respective successors and assigns, and shall constitute covenants running with the Mortgaged Properties.

Section 5.23 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 5.24 CHOICE OF LAW. WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW, THIS MORTGAGE SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF LOUISIANA 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 OR, IN THE SOLE DISCRETION OF BENEFICIARY, APPROPRIATELY GOVERNS WITH RESPECT TO PROCEDURE AND SUBSTANTIVE MATTERS RELATING TO THE CREATION, PERFECTION AND ENFORCEMENT OF THE LIENS, SECURITY INTERESTS AND OTHER RIGHTS AND REMEDIES 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 5.25 Appearance. For purposes of Louisiana law, including but not limited to the availability of executory process, Grantor and Beneficiary have appeared on this date before the undersigned Notaries Public and witnesses in order to execute this Mortgage.

Section 5.26 Paraph. Grantor acknowledges that no promissory note or other instrument has been presented to the undersigned Notary Public(s) to be paraphed for identification herewith

THUS DONE AND PASSED this 11th day of September, 2007, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Grantor and me, Notary, after reading of the whole.

WITNESSES:

VIRGIN OIL COMPANY, INC.

Lori Montecino
Name: Lori Montecino

By: [Signature]
Robert F. Smith, Jr., President

Bridget Branch
Name: Bridget Branch

[Signature]
NOTARY PUBLIC

THE STATE OF LOUISIANA

§
§
§
§

ORLEANS PARISH

This instrument was acknowledged before me on September 11, 2007 by R. Fulton Smith, Jr., the President of VIRGIN OIL COMPANY, INC., a Louisiana corporation, on behalf of such corporation.

[Signature]
Notary Public in and for the
State of Louisiana
My commission expires at death

[SEAL]

DENISE M. DORNER
Notary Public
Louisiana Notarial No. 38884
Louisiana State Bar No. 21565
Parish of Orleans, State of Louisiana
My commission is for life.

[Signature Page to Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement]

Houston 3343585

THUS DONE AND PASSED this 11th day of September, 2007, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Beneficiary and me, Notary, after reading of the whole.

WITNESSES:

CIT CAPITAL USA INC., as Administrative Agent

[Signature]
Name: David M. Bergeron

By: [Signature]

[Signature]
Name: Justin Crawford

Name: George McKean
Title: Vice President

[Signature]
NOTARY PUBLIC

THE STATE OF TEXAS

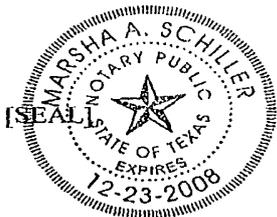
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COUNTY OF HARRIS

This instrument was acknowledged before me on September 11, 2007 by George McKean of CIT Capital USA Inc., on behalf of such corporation.

[Signature]
Notary Public in and for the State of Texas

My commission expires at death / 12-23-2008



[Signature Page to Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement]
Houston 3343585

The address and Taxpayer
ID No. of Grantor is:

Virgin Oil Company, Inc.
909 Poydras Street
Suite 2200
New Orleans, Louisiana 70112
Taxpayer ID No.: 72-131-9002
Attn: Joseph V. Gibbs, Robert F. Smith

The address and Taxpayer
ID No. of Beneficiary is:

CIT Capital USA Inc.
505 Fifth Avenue, 10th Floor
New York, New York 10017
Taxpayer ID No.: 36-3871861
Attn: Margaret Dolan

The address of Trustee is:

David M. Bornstein
CIT Capital USA Inc.
505 Fifth Avenue, 10th Floor
New York, New York 10017

This instrument prepared by:

Vinson & Elkins L.L.P.
2500 First City Tower
1001 Fannin Street
Houston, Texas 77002-6760

EXHIBIT A

Ship Shoal Block 150

Oil and Gas Lease bearing Serial No. OCS 0419, dated effective November 1, 1954, granted by United States of America, as Lessor and Gulf Refining Company, as Lessee, covering all of Block 150, Ship Shoal Area, as shown on official leasing map, La. Map No.5, Outer Continental Shelf Leasing Map (Louisiana offshore operations) INsofar AND ONLY INsofar as the Lease covers and applies to the E/2 SE/4 SE/4 and SE/4 NE/4 SE/4 of Block 150, Ship Shoal Area, as to depths from the surface of the earth to the stratigraphic equivalent of 5,865' in the Sinclair-OCS-0440 #5 Well, being 100' below the base of the sand seen between the depths of 5,650' and 5,765' in the electric log for the Sinclair OCS-0440 #5 Well, said sand being the same sand as seen in the Virgin OCS-G 18011 #2 Well between the depths of 4,710' and 4,810' on the electric log for such well.

Mortgagor's Operating Rights Interest

31.4608%

Mortgagor's Net Revenue Interest

23.59560%

Subject to the following instruments:

- (a) Assignment of Operating Rights Interest, effective December 1, 2003, by Century Exploration New Orleans, Inc., as Assignor, and Virgin Offshore U.S.A., Inc. and Virgin Oil Company, Inc., as Assignees;
- (b) Joint Development Agreement effective December 1, 2003, by Virgin Offshore U.S.A., Inc. and Century Exploration Company, as amended by First Amendment to Joint Development Agreement effective May 1, 2005, by Century Exploration New Orleans, Inc., Virgin Offshore U.S.A., Inc., and Virgin Oil Company, Inc.; and
- (c) Offshore Operating Agreement effective December 1, 2003, by Century Exploration New Orleans, Inc., Virgin Offshore U.S.A., Inc., and Virgin Oil Company, Inc.

High Island Block 199

Oil and Gas Lease bearing Serial No. OCS-G 30664, dated effective December 1, 2006, granted by United States of America, as Lessor and Virgin Offshore U.S.A., Inc., as Lessee, covering all of Block 199, High Island Area, OCS Leasing Map, Texas No.7.

Mortgagor's Record Title Interest

50.0000%

Mortgagor's Net Revenue Interest

40.66667%

Subject to the following instruments:

- (a) Assignment of Overriding Royalty Interests, effective December 1, 2006,

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recorded January 23, 2007, under File No. 2007003100, of the official records of Jefferson County, Texas, by Virgin Offshore U.S.A., Inc., as Assignor, and Charles C. Roberts and Robert Fulton Smith, Jr., as Assignees; and

- (b) Assignment of Record Title Interest, to be executed, between Virgin Offshore U.S.A., Inc., as Assignor, and Virgin Oil Company, Inc., as Assignee.

Vermilion Block 179

Oil and Gas Lease bearing Serial No. OCS-G 25980, dated effective May 1, 2004, granted by United States of America, as Lessor and Virgin Offshore U.S.A., Inc., as Lessee, covering NE/4 NE/4; NE/4 NE/4 SE/4; E/2 SE/4 NE/4 of Block 179, Vermilion Area, leasing map, La. No.3, Outer Continental Shelf Leasing Map (Louisiana offshore operations)

<u>Mortgagor's Record Title Interest</u>	<u>Mortgagor's Net Revenue Interest</u>
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79.40000%

61.1380%

Subject to the following instruments:

- (a) Assignment of Record Title Interest, to be executed, between Virgin Offshore U.S.A., Inc., as Assignor, and Virgin Oil Company, Inc., as Assignee;
- (b) Assignment of Overriding Royalty Interest, effective May 1, 2004, by Virgin Offshore U.S.A., Inc., as Assignor, and J&M Offshore, LLC, as Assignee;
- (c) Assignment of Overriding Royalty Interest, effective May 1, 2004, by Virgin Offshore U.S.A., Inc., as Assignor, and Rubie C. Bell Family Limited Partnership, as Assignee;
- (d) Assignment of Overriding Royalty Interest, effective May 1, 2004, by Virgin Offshore U.S.A., Inc., as Assignor, and Paul N. Temple Revocable Trust U/A 21180, as Assignee; and
- (e) Assignment of Overriding Royalty Interest, effective May 1, 2004, by Virgin Offshore U.S.A., Inc., as Assignor, and Bryan Bell Family Limited Partnership #1, as Assignee.

Louisiana State Waters Tract 36389

Oil, Gas and Other Liquid or Gaseous Minerals Lease bearing State Lease No. 18165, dated June 14, 2004, granted by State Mineral Board, State of Louisiana, as Lessor and Virgin Offshore U.S.A., Inc., as Lessee, covering Entire State Tract 36389, Plaquemines Parish, Louisiana, LESS AND EXCEPT that portion, if any, of State Lease 16710 that may fall within said Tract 36389, containing 660 acres, more or less.

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Mortgagor's Leasehold Interest

Mortgagor's Net Revenue Interest

85.00000%

63.75000%

Subject to the following instruments:

- (a) Assignment effective June 14, 2004, between Virgin Offshore U.S.A., Inc., as Assignor, and Virgin Oil Company, Inc., as Assignee; and
- (b) Assignment of Overriding Royalty Interest, effective June 14, 2007, by Virgin Offshore U.S.A., Inc., as Assignor, and Charles C. Roberts and Robert Fulton Smith, Jr., as Assignees.

East Cameron Block 219

Oil and Gas Lease bearing Serial No. OCS-G 19750, dated effective August 1, 1998, granted by the United States of America, as Lessor, in favor of British-Borneo Exploration, Inc., as Lessee, covering all of Block 219, East Cameron Area, OCS Leasing Map, Louisiana Map No. 2.

Mortgagor's Record Title Interest

Mortgagor's Net Revenue Interest

65.9518%

46.82578%

Subject to the following instruments:

- (a) Farmout Agreement dated October 31, 2000, as amended, by and between British-Borneo USA, Inc. and Virgin Oil Company, Inc.;
- (b) Letter Agreement dated July 19, 2002, by and between Agip Oil US L.L.C. and Virgin Offshore U.S.A., Inc.;
- (c) Assignment of Record Title Interest, effective August 1, 2002, recorded June 3, 2003, in COB 966, Page 111, under File No. 280979, of the official records of Cameron Parish, Louisiana, by and between Agip Oil US L.L.C., as Assignor, and Virgin Offshore U.S.A., Inc., as Assignee;
- (d) Assignment of Overriding Royalty Interest, effective August 1, 2002, recorded June 9, 2004, under File No. 287267, of the official records of Cameron Parish, Louisiana, by and between Virgin Offshore U.S.A., Inc., as Assignor, and Robert Fulton Smith, Jr. and Charles C. Roberts, as Assignees;
- (e) Assignment of Record Title Interest, effective January 1, 2003, recorded July 21, 2004, under File No. 287843, of the official records of Cameron Parish, Louisiana, by and between Virgin Offshore U.S.A., Inc., as Assignor, and Virgin Oil Company, Inc., as Assignee;
- (f) Asset Purchase Agreement, dated May 23, 2003, by and between Virgin Offshore U.S.A., Inc., as Seller, and Explore Enterprise of Louisiana LLC, as Buyer;

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- (g) Assignment of Record Title Interest, effective May 1, 2003, recorded May 28, 2003, in COB 966, Page 6, under File No. 280913, of the official records of Cameron Parish, Louisiana, by and between Virgin Offshore U.S.A., Inc., as Assignor, and Explore Enterprises of Louisiana LLC, as Assignee;
- (h) Offshore Operating Agreement, effective May 1, 2003, by and between Explore Enterprises of Louisiana LLC, as Operator, and Virgin Offshore U.S.A., Inc., as Non-Operator;
- (i) Assignment of Record Title Interest, effective August 1, 2004, recorded November 10, 2004, in COB 995, Page 69, under File No. 289274, of the official records of Cameron Parish, Louisiana, by and between Explore Enterprises of Louisiana, L.L.C., as Assignor, and Virgin Offshore U.S.A., Inc. and Virgin Oil Company, Inc., as Assignees;
- (j) Assignment of Overriding Royalty Interest, by and between Charles C. Roberts, as Assignor, and Kathryn F. Roberts, as Assignee;
- (k) Assignment of Overriding Royalty Interest, effective as of September 1, 2004, by and between Robert Fulton Smith, Jr. and Mequet O. Smith, as Assignors, and Top No. 01.01.2004, L.P., as Assignee; and
- (l) Assignment of Overriding Royalty Interest, effective as of September 1, 2004, by and between Charles C. Roberts, as Assignor, and Top No. 01.01.2004, L.P., as Assignee

West Cameron Block 78

Oil and Gas Lease bearing Serial No. OCS-G 19702, dated effective August 1, 1998, granted by the United States of America, as Lessor, to British-Borneo Exploration, Inc. and CXY Energy Offshore Inc.; as Lessees, covering all of Block 78, West Cameron Area, OCS Leasing Map, Louisiana Map No. 1, INsofar AND ONLY INsofar as the Lease covers and applies to depths from the surface of the earth down to 100 feet below the stratigraphic equivalent of 13,950 feet MD/11,643 feet TVD as seen in the Newfield OCS-G 19702, Well No. 1.

<u>Mortgagor's Operating Rights Interest</u>	<u>Mortgagor's Net Revenue Interest</u>
92.2751%	64.26533% *

* This interest decreases to 63.26533% after cumulative production from OCS-G 19702 equals 7.03 BCFG.

Subject to the following instruments:

- (a) Offshore Operating Agreement, effective August 1, 1998, by and between British-Borneo Exploration, Inc. and CXY Energy Offshore Inc.;
- (b) Assignment of Overriding Royalty Interest dated September 30, 1998, recorded October 14, 1998, in COB 886, Page 356, under Entry No. 257331, and June 10,

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1999, in COB 896, Page 564, under Entry No. 260479, in the official records of Cameron Parish, Louisiana, by and between British-Borneo Exploration, Inc. and CXY Energy Offshore Inc., as Assignors, and Fairfield Industries Inc., as Assignee;

- (c) Farmout Agreement dated February 20, 2003, by and between Agip Oil US L.L.C., as Farmor, and Virgin Offshore U.S.A., Inc., as Farmee, as amended;
- (d) Assignment of Operating Rights Interest, effective July 24, 2003, recorded April 6, 2004, in COB 984, Page 644, under Entry No. 285940, in the official records of Cameron Parish, Louisiana, by and between Eni Oil US LLC, as Assignor, and Virgin Offshore U.S.A., Inc. and Newfield Exploration Company, as Assignees;
- (e) Assignment of Overriding Royalty Interest, effective July 24, 2003, by and between Virgin Offshore U.S.A., Inc., as Assignor, and Robert Fulton Smith, Jr. and Charles C. Roberts, as Assignees;
- (f) Assignment of Operating Rights, effective January 1, 2004, by and between Virgin Offshore U.S.A., Inc., as Assignor, and Virgin Oil Company, Inc., as Assignee;
- (g) Assignment of Operating Rights Interest, dated effective January 1, 2004, to be executed by Virgin Oil Company, Inc., as Assignor, in favor of Virgin Offshore U.S.A., Inc., as Assignee, conveying an undivided 0.0599% operating rights interest in and to the above described lease as to the depths indicated;
- (h) Assignment and Bill of Sale effective as of April 1, 2006, by and between Newfield Exploration Company, as Assignor, and Virgin Oil Company, Inc., as Assignee;
- (i) Purchase and Sale Agreement dated May 17, 2006, by and between Newfield Exploration Company and Virgin Oil Company, Inc.;
- (j) Farmout Agreement dated January 7, 2003, by and between Agip Oil US L.L.C. and Nexen Petroleum U.S.A., Inc., as Farmors, and Newfield Exploration Company, as Farmee;
- (k) Supplement Agreement No. 2 to Master License Agreement dated as of July 2, 1998, by and between Fairfield Industries Incorporated and Newfield Exploration Company; and
- (l) Letter Agreement, dated September 22, 2006, by and between Virgin Oil Company, Inc. and Fairfield Industries, Incorporated.

Ship Shoal Block 153

Oil and Gas Lease bearing Serial No. OCS-G 18011, dated effective July 1, 1997, granted by the United States of America, as Lessor, in favor of Apache Corporation and British-Borneo Exploration, Inc., as Lessees, covering all of Block 153, Ship Shoal Area, OCS Leasing Map,

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Louisiana Map No. 5, INSOFAR AND ONLY INSOFAR as the Lease covers the E/2NE/4NE/4 of Ship Shoal Block 153, AND INSOFAR AND ONLY INSOFAR as the Lease covers and applies to all depths from the surface of the earth down to the stratigraphic equivalent of 5,865' in the Sinclair OCS 0440 #5 Well (being 100' below the base of the sand seen between the depths of 5,650' and 5,765' in the electric log for the Sinclair OCS 0440 #5 Well, said sand being the same sand as seen in the Virgin OCS-G 18011 #2 well between the depths of 4,710' and 4,810' on the electric log for such well).

Mortgagor's Operating Rights Interest
31.4608%

Mortgagor's Net Revenue Interest
23.84739%

Oil and Gas Lease bearing Serial No. OCS-G 18011, dated effective July 1, 1997, granted by the United States of America, as Lessor, in favor of Apache Corporation and British-Borneo Exploration, Inc., as Lessees, covering all of Block 153, Ship Shoal Area, OCS Leasing Map, Louisiana Map No. 5, INSOFAR AND ONLY INSOFAR as the Lease covers the E/2NE/4NE/4 of Ship Shoal Block 153, AND INSOFAR AND ONLY INSOFAR as the Lease covers and applies to all depths below the stratigraphic equivalent of 5,865' in the Sinclair OCS 0440 #5 Well (being 100' below the base of the sand seen between the depths of 5,650' and 5,765' in the electric log for the Sinclair OCS 0440 #5 Well, said sand being the same sand as seen in the Virgin OCS-G 18011 #2 Well between the depths of 4,710' and 4,810' on the electric log for such well) down to the true vertical depth of 6,421' (being 100' below the stratigraphic equivalent of the depth of 6,321' as seen on the electric log of the Sinclair OCS 0440 #5 well located on Ship Shoal Block 153).

Mortgagor's Operating Rights Interest
31.4608%

Mortgagor's Net Revenue Interest
24.015186%

Oil and Gas Lease bearing Serial No. OCS-G 18011, dated effective July 1, 1997, granted by the United States of America, as Lessor, in favor of Apache Corporation and British-Borneo Exploration, Inc., as Lessees, covering all of Block 153, Ship Shoal Area, OCS Leasing Map, Louisiana Map No. 5, INSOFAR AND ONLY INSOFAR as the Lease covers the W/2; SE/4; W/2NE/4; SE/4NE/4; and W/2NE/4NE/4 of Ship Shoal Block 153, AND INSOFAR AND ONLY INSOFAR as the Lease covers and applies to all depths from the surface of the earth down to the true vertical depth of 6,421' (being 100' below the stratigraphic equivalent of the depth of 6,321' as seen on the electric log of the Sinclair OCS 0440 #5 well located on Ship Shoal Block 153)

Mortgagor's Operating Rights Interest
31.4608%

Mortgagor's Net Revenue Interest
23.595704% *

* This interest applies to production as to those depths from the surface of the earth down to the true vertical depth of 5,866', being 100' below the total depth drilled in the Virgin OCS-G 18011, Well No. 2. As to those depths below the true vertical depth of 5,866', being 100' below

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the total depth drilled in the Virgin OCS-G 18011, Well No. 2, down to the base of the above described tract, this interest is entitled to an undivided 24.015186% interest in production.

Subject to the following instruments:

- (a) Offshore Operating Agreement, effective July 1, 1997, by and between British-Borneo Exploration, Inc. and Apache Corporation;
- (b) Farmout Agreement dated October 3, 2002, by and between Agip Oil US L.L.C. and Apache Corporation, as Farmors, and Virgin Offshore U.S.A., Inc., as Farmee;
- (c) Assignment of Operating Rights Interest, effective December 1, 2002, recorded May 6, 2003, under Entry No. 1146819, in the official records of Terrebonne Parish, Louisiana, by and between Apache Corporation, as Assignor, and Virgin Offshore U.S.A., Inc., as Assignee;
- (d) Assignment of Operating Rights Interest, effective December 1, 2002, by and between Agip Oil US L.L.C., as Assignor, and Virgin Offshore U.S.A., Inc., as Assignee;
- (e) Assignment of Overriding Royalty Interest, effective December 1, 2002, recorded June 17, 2004, under Entry No. 1182648, in the official records of Terrebonne Parish, Louisiana, by and between Virgin Offshore U.S.A., Inc., as Assignor, and Charles C. Roberts, as Assignee;
- (f) Assignment of Overriding Royalty Interest, effective December 1, 2002, recorded June 17, 2004, under Entry No. 1182649, in the official records of Terrebonne Parish, Louisiana, by and between Virgin Offshore U.S.A., Inc., as Assignor, and The Charles C. Roberts Children's Trust, as Assignee;
- (g) Assignment of Overriding Royalty Interest, effective December 1, 2002, recorded March 11, 2004, under Entry No. 1174090, in the official records of Terrebonne Parish, Louisiana, by and between Charles C. Roberts, as Assignor, and Dobekos Energy Corporation, as Assignee;
- (h) Assignment of Overriding Royalty Interest, effective December 1, 2002, recorded June 14, 2004, under Entry No. 1182131, in the official records of Terrebonne Parish, Louisiana, by and between The Charles C. Roberts Children's Trust, as Assignor, and Virgin Offshore U.S.A., Inc., as Assignee;
- (i) Assignment of Operating Rights, effective January 1, 2003, by and between Virgin Offshore U.S.A., Inc., as Assignor, and Virgin Oil Company, Inc., as

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Assignee;

- (j) Assignment of Overriding Royalty Interest, effective August 1, 2003, recorded September 9, 2003, under Entry No. 1158481, in the official records of Terrebonne Parish, Louisiana, by and between Virgin Offshore U.S.A., Inc., as Assignor, and Dobekos Energy Corporation, as Assignee;
- (k) Joint Development Agreement, effective December 1, 2003, as amended, by and between Virgin Offshore U.S.A., Inc. and Century Exploration Company;
- (l) Letter Agreement dated March 3, 2004, by and between Virgin Offshore U.S.A., Inc., Dobekos Energy Corporation, and Charles C. Roberts;
- (m) Offshore Operating Agreement, dated effective as of December 1, 2003, executed by and between Century Exploration Company and Virgin Offshore U.S.A., Inc.;
- (n) Assignment of Overriding Royalty Interest, effective as of June 30, 2004, by and between Apache Corporation, as Assignor, and Fairfield Royalty Corp., as Assignee;
- (o) Assignment of Overriding Royalty Interest, effective as of January 1, 2004, by and between Eni Oil US LLC, as Assignor, and Eni Deepwater LLC, as Assignee; and
- (p) Assignment of Operating Rights Interest, effective as of December 1, 2003, by and between Virgin Offshore, as Assignor, and Century Exploration New Orleans, Inc., as Assignee.

Ship Shoal Block 154

Oil and Gas Lease bearing Serial No. OCS 0420, dated effective November 1, 1954, granted by the United States of America, as Lessor, in favor of Gulf Refining Company, as Lessee, covering all of Block 154, Ship Shoal Area, as shown on official leasing map, La. Map No. 5, Outer Continental Shelf Leasing Map (Louisiana offshore operations), INSOFAR AND ONLY INSOFAR as the lease covers and applies to operating rights as to the NW ¼ of NW ¼ of Block 154, Ship Shoal, and INSOFAR AND ONLY INSOFAR as the lease covers and applies to depths from the surface of the earth to the stratigraphic equivalent of 5,865' in the Sinclair-OCS 0440 #5 well, being 100' below the base of the sand seen between the depths of 5,650' and 5,765' in the electric log for the Sinclair-OCS 0440 #5 well, said sand being the same sand as seen in the Virgin-OCS-G 18011 #2 well between the depths of 4,710' and 4,810' on the electric log for such well.

Mortgagor's Operating Rights Interest
31.4608%

Mortgagor's Net Revenue Interest
22.966644%

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Oil and Gas Lease bearing Serial No. OCS 0420, dated effective November 1, 1954, granted by the United States of America, as Lessor, in favor of Gulf Refining Company, as Lessee, covering all of Block 154, Ship Shoal Area, as shown on official leasing map, La. Map No. 5, Outer Continental Shelf Leasing Map (Louisiana offshore operations), INsofar AND ONLY INsofar as the Lease covers and applies to operating rights as to the SW/4NW/4NW/4 of Block 154, Ship Shoal Area, as to depths from the surface of the earth to the stratigraphic equivalent of 5,865' in the Sinclair-OCS 0440 #5 well, being 100' below the base of the sand seen between the depths of 5,650' and 5,765' in the electric log for the Sinclair-OCS 0440 #5 well, said sand being the same sand as seen in the Virgin-OCS-G 18011 #2 Well between the depths of 4,710' and 4,810' on the electric log for such well

Mortgagor's Operating Rights Interest

31.4608%

Mortgagor's Net Revenue Interest

22.966644%

Subject to the following instruments:

- (a) Joint Development Agreement, dated effective as of December 1, 2003, executed by and between Virgin Offshore U.S.A., Inc. and Century Exploration Company, as amended by First Amendment to Joint Development Agreement, dated effective May 1, 2005, by and between Century Exploration New Orleans, Inc., Virgin Oil Company, Inc. and Virgin Offshore U.S.A., Inc.;
- (b) Offshore Operating Agreement, dated effective as of December 1, 2003, executed by and between Century Exploration New Orleans, Inc., Virgin Oil Company, Inc., and Virgin Offshore U.S.A., Inc.;
- (c) Assignment of Operating Rights Interest, effective December 1, 2003, by and between Century Exploration New Orleans, Inc., as Assignor, and Virgin Oil Company, Inc. and Virgin Offshore U.S.A., Inc., as Assignees;
- (d) First Amendment and Supplement and Notice of Reinscription to First Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement, filed in the non-required files of the Minerals Management Service on February 7, 2005, recorded December 10, 2004, in Book 1722, at Folio 265, under Entry No. 1196933, Terrebonne Parish, Louisiana, executed December 8, 2004, by and between Union Bank of California, N.A., as Agent, and Century Exploration New Orleans, Inc., as Mortgagor;
- (e) Second Amendment and Notice of Reinscription to First Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement, filed in the non-required files of the Minerals Management Service on June 1, 2005, recorded June 1, 2005, in Book 1775, at Folio 450, under Entry No. 1211029, Terrebonne Parish, Louisiana, executed May 24, 2005, by and between Union Bank of California, N.A., as Agent, and Century Exploration New Orleans, Inc., as Mortgagor; and

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- (f) Third Amendment and Notice of Reinscription to First Amended and Restated Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement, filed in the non-required files of the Minerals Management Service on January 12, 2006, recorded January 12, 2006, in Book 1836, at Folio 431, under Entry No. 1227816, Terrebonne Parish, Louisiana, executed January 6, 2006, by and between Union Bank of California, N.A., as Agent, and Century Exploration New Orleans, Inc., as Mortgagor.

High Island Block 198

Oil and Gas Lease bearing Serial No. OCS-G 17151, dated effective January 1, 1997, granted by the United States of America, as Lessor, in favor of CMS NOMEKO Oil & Gas Co. and Coastal Oil & Gas USA, L.P., as Lessees, covering all of Block 198, High Island Area, OCS Leasing Map, Texas Map No. 7, INSOFAR AND ONLY INSOFAR as the Lease covers depths from the surface of the earth down to the stratigraphic equivalent of 13,993 feet subsea true vertical depth, being 100 feet below the deepest depth drilled and logged in the Virgin Offshore USA, Inc., High Island 198, OCS-G 17151, Well No. 2.

Mortgagor's Operating Rights Interest
59.40620%

Mortgagor's Net Revenue Interest
25.33263% * **

- * The Mortgagor's Net Revenue Interest listed above is limited to production attributable the OCS-G 17151 Well No. A-1. As to above described lands covered by the Lease, less and except the OCS-G 17151 Well No. A-1, the Mortgagor's Net Revenue Interest is equal to 42.17820%.
- ** Note that Mortgagor's Net Revenue Interest is burdened with and will bear a production payment in favor of Dobekos Energy Corporation to be paid out of an undivided 18.75% of 8/8 of production from the OCS-G 17151 Well No. #A-1.

Subject to the following instruments:

- (a) Farmout Agreement dated September 4, 2002, by and between El Paso Production Oil & Gas USA, L.P., as Farmor, and Virgin Offshore U.S.A., Inc., as Farmee;
- (b) Joint Operating Agreement dated October 29, 2002, by and between Virgin Offshore U.S.A., Inc., as Operator, and Virgin Oil Company, Inc., as Non-Operator;
- (c) Assignment of Operating Rights, effective January 5, 2003, recorded May 14, 2004, under File No. 2004018583, in the official records of Jefferson County, Texas, by and between El Paso Production Oil & Gas USA, L.P., as Assignor, and Virgin Offshore U.S.A., Inc., as Assignee;

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- (d) Assignment of Overriding Royalty Interest, effective January 5, 2003, recorded March 15, 2004, under File No. 2004010016, in the official records of Jefferson County, Texas, by and between Virgin Offshore U.S.A., Inc., as Assignor, and Charles C. Roberts and Robert Fulton Smith, Jr., as Assignees;
- (e) Assignment of Operating Rights, effective January 5, 2003, by and between Virgin Offshore U.S.A., Inc., as Assignor, and Virgin Oil Company, Inc., as Assignee;
- (f) Conveyance of Production Payment, effective December 9, 2003, by and between Virgin Oil Company, Inc., as Grantor, and Dobekos Energy Corporation, as Grantee, recorded December 19, 2003, under File No. 2003052012, in the official records of Jefferson County, Texas, as amended by that certain Amendment to Conveyance and Production Payment, effective May 21, 2004, by and between Virgin Oil Company, Inc., as Grantor, and Dobekos Energy Corporation, as Grantee, recorded June 9, 2004, under File No. 2004022041, in the official records of Jefferson County, Texas;
- (g) Deed of Trust, Mortgage, Assignment, Security Agreement and Financing Statement, effective as of December 9, 2003, by and between Virgin Oil Company, Inc., as Grantor, and Kurt M. Daniel, as Trustee for Dobekos Energy Corporation, as Grantee, recorded December 19, 2003, under File No. 2003502013, in the official records of Jefferson County, Texas;
- (h) Amendment to and Partial Release of Deed of Trust, Mortgage, Assignment, Security Agreement and Financing Statement, effective May 21, 2004, by and between Virgin Oil Company, Inc., as Grantor, and Dobekos Energy Corporation, as Grantee, recorded June 9, 2004, under File No. 2004022040, in the official records of Jefferson County, Texas;
- (i) Assignment of Overriding Royalty Interests, effective as of September 1, 2004, by and between Charles C. Roberts, as Assignor, and Top No. 01.01.2004, L.P., as Assignee; and
- (j) Assignment of Operating Rights Interest in Federal OCS Oil and Gas Lease, to be executed, by and between Virgin Oil Company, Inc. and Virgin Offshore U.S.A., Inc., as Assignors, and Callon Petroleum Operating Company, as Assignee.

West Cameron Block 41

Oil and Gas Lease bearing Serial No. OCS-G 17753, dated effective July 1, 1997, granted by the United States of America, as Lessor, in favor of Apache Corporation and British-Borneo Exploration, Inc., as Lessees, covering all of Block 41, West Cameron Area, OCS Leasing Map, Louisiana Map No. 1.

Mortgagor's Record Title Interest

Mortgagor's Net Revenue Interest

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68.27291%

52.81855%

Mortgagor's Operating Rights Interest
69.61040%*

Mortgagor's Net Revenue Interest
53.66685%*

Mortgagor's Operating Rights Interest
66.95263%**

Mortgagor's Net Revenue Interest
52.02758%**

* This interest is limited to operating rights underlying the above described lease as to all depths below the subsurface depth of 11,500 feet down to 20,000 feet TVD.

** This interest is limited to operating rights underlying the above described lease as to the West Half (W/2) of Block 41, West Cameron Area, as to all depths from the surface of the earth down to the subsurface depth of 11,500 feet TVD.

Subject to the following instruments:

- (a) Program Agreement effective as of January 1, 1994, by and between Louisiana Offshore Ventures II and IP Petroleum Company, Inc., et al., as amended and restated effective October 1, 1999;
- (b) Operating Agreement effective as of November 1, 1997, by and between Apache Corporation, as Operator, and British-Borneo Exploration, Inc., and The Louisiana Land and Exploration Company, as Non-Operators, as amended;
- (c) Farmout Agreement dated October 31, 2000, by and between British-Borneo USA, Inc. and Virgin Offshore U.S.A., Inc., as amended;
- (d) Assignment of Record Title of Oil and Gas Lease, effective October 1, 2001, by and between British-Borneo USA, Inc., as Assignor, and Virgin Offshore U.S.A., Inc., as Assignee;
- (e) Assignment of Overriding Royalty Interest, effective January 1, 2002, recorded February 21, 2002, in COB 944, Page 700, under Entry No. 274402, in the official records of Cameron Parish, Louisiana, by and between Virgin Offshore U.S.A., Inc., as Assignor, and Dobekos Energy Corporation, as Assignee;
- (f) Assignment of Record Title and Bill of Sale, effective November 26, 2003, recorded April 14, 2004, in COB 984, Page 893, under Entry No. 286064, in the official records of Cameron Parish, Louisiana, by and between Eni Oil US LLC, as Assignor, and Virgin Offshore U.S.A., Inc., as Assignee;
- (g) Assignment of Record Title and Bill of Sale, effective November 26, 2003, by and between Pure Resources, L.P. and Virgin Offshore U.S.A., Inc.;
- (h) Assignment of Overriding Royalty Interest, effective January 1, 2003, recorded June 23, 2004, under Entry No. 287464, in the official records of Cameron Parish, Louisiana, by and between Virgin Offshore U.S.A., Inc., as Assignor, and Charles C. Roberts and Robert Fulton Smith, Jr., as Assignees;

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- (i) Assignment of Overriding Royalty Interest, effective January 1, 2003, recorded August 9, 2004, under Entry No. 288057, in the official records of Cameron Parish, Louisiana, by and between Virgin Offshore U.S.A., Inc., as Assignor, and Charles C. Roberts and Robert Fulton Smith, Jr., as Assignees;
- (j) Assignment of Record Title, effective January 1, 2003, recorded August 31, 2004, in COB 991, Page 581, under Entry No. 288110, in the official records of Cameron Parish, Louisiana, by and between Virgin Offshore U.S.A., Inc., as Assignor, and Virgin Oil Company, Inc., as Assignee;
- (k) Assignment of Record Title Interest and Bill of Sale, dated effective March 1, 2004, by and between Marlin Energy Offshore, L.L.C., as Assignor, and Virgin Offshore U.S.A., Inc. and Virgin Oil Company, Inc., as Assignees;
- (l) Assignment of Operating Rights, dated effective November 26, 2003, by and between HE&D Offshore, L.P. and Houston Energy, L.P., as Assignors, and Virgin Offshore U.S.A., Inc. and Virgin Oil Company, Inc., as Assignees;
- (m) Assignment of Operating Rights, dated effective November 26, 2003, executed by HE&D Offshore, L.P. and Houston Energy, L.P., as Assignors, and Virgin Offshore U.S.A., Inc. and Virgin Oil Company, Inc., as Assignees;
- (n) Farmout Agreement, dated August 21, 2003, by and between Union Oil Company of California and Houston Energy, L.P., as amended by that certain Letter Agreement dated November 26, 2003, by and between Union Oil Company of California and Houston Energy, L.P., et al.;
- (o) Assignment of Record Title Interest, dated effective May 1, 2004, by and between Houston Energy, L.P., as Assignor, and Virgin Offshore U.S.A., Inc. and Virgin Oil Company, Inc., as Assignees;
- (p) Assignment of Record Title Interest, dated effective May 1, 2004, by and between HE&D Offshore, L.P., as Assignor, and Virgin Offshore U.S.A., Inc. and Virgin Oil Company, Inc., as Assignees;
- (q) Assignment of Record Title Interest, dated effective May 1, 2004, to be executed by and between Virgin Oil Company, Inc., as Assignor, and Virgin Offshore U.S.A., Inc., as Assignee, conveying an undivided 1.51328% record title interest;
- (r) Assignment of Overriding Royalty Interest, to be executed by and between Charles C. Roberts, as Assignor, and Kathryn F. Roberts, as Assignee;
- (s) Assignment of Overriding Royalty Interest, dated effective September 1, 2004, by and between Charles C. Roberts, as Assignor, and Top No. 01.01.2004, L.P., as Assignee;
- (t) Assignment of Operating Rights, dated effective March 15, 2005, executed by Virgin Offshore U.S.A., Inc., Virgin Oil Company, Inc., and Helis Oil & Gas Company, L.L.C., as Assignors, and Chevron U.S.A., Inc. and Kerr-McGee Oil & Gas Corporation, as Assignees;
- (u) Assignment of Overriding Royalty Interest, effective November 26, 2003,

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executed January 22, 2007, by and between Virgin Offshore U.S.A., Inc. and Virgin Oil Company, Inc., as Assignors, and Charles C. Roberts and Robert Fulton Smith, Jr., as Assignees;

- (v) Assignment of Record Title Interest in Federal OCS Oil and Gas Lease, effective April 1, 2007, by and between Helis Oil & Gas Company, L.L.C., as Assignor, and Virgin Oil Company, Inc., as Assignee;
- (w) Assignment of Operating Rights Interest in Federal OCS Oil and Gas Lease, effective April 1, 2007, by and between Helis Oil & Gas Company, L.L.C., as Assignor, and Virgin Oil Company, Inc., as Assignee;
- (x) Assignment of Operating Rights Interest in Federal OCS Oil and Gas Lease, effective April 1, 2007, by and between Helis Oil & Gas Company, L.L.C., as Assignor, and Virgin Oil Company, Inc., as Assignee;
- (y) Assignment of Operating Rights Interest in Federal OCS Oil and Gas Lease, effective January 14, 2007, by and between Chevron U.S.A. Inc., as Assignor, and Virgin Oil Company, Inc. and Virgin Offshore U.S.A., Inc., as Assignees;
- (z) Assignment of Operating Rights Interest in Federal OCS Oil and Gas Lease, effective January 14, 2007, by and between Offshore Shelf LLC, as Assignor, and Virgin Oil Company, Inc. and Virgin Offshore U.S.A., Inc., as Assignees; and
- (aa) Assignment of Operating Rights, effective January 14, 2007, by and between Chevron U.S.A. Inc. and Offshore Shelf LLC, as Assignors, and Virgin Oil Company, Inc. and Virgin Offshore U.S.A., Inc., as Assignees.

ARTICLE 6. East Cameron Block 133

Oil and Gas Lease bearing Serial No. OCS-G 25948, dated effective May 1, 2004, granted by the United States of America, as Lessor, in favor of Virgin Offshore U.S.A., Inc., as Lessee, covering all of Block 133, East Cameron Area, OCS Leasing Map, Louisiana Map No. 2, containing approximately 5,000.00 acres.

Mortgagor's Working Interest
92.2530%

Mortgagor's Net Revenue Interest
69.18975%

Subject to the following instrument:

- (a) Assignment of Overriding Royalty Interests, effective May 1, 2004, recorded August 9, 2005, in COB 1006, page 718, under File No. 293883, of the official records of Cameron Parish, Louisiana, by and between Virgin Offshore U.S.A., Inc., as Assignor, and Robert F. Smith, Jr., Charles C. Roberts, and PetroVal, Inc., as Assignees;
- (b) Assignment of Overriding Royalty Interests, effective April 1, 2006, recorded May 9, 2006, under File No. 297727, of the official records of Cameron Parish, Louisiana, by and between Charles C. Roberts, Robert F. Smith, and Mequet O. Smith, as Assignors, and Thomas Larry Smith, as Assignee;

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- (c) Assignment of Overriding Royalty Interests, effective May 1, 2004, recorded November 27, 2006, under File No. 301482, of the official records of Cameron Parish, Louisiana, by Virgin Offshore U.S.A., Inc., as Assignor, and J&M Offshore, LLC, et al., as Assignees; and
- (d) Assignment of Record Title Interest in Federal OCS Oil and Gas Lease, effective May 1, 2004, recorded April 3, 2007, under File No. 303243, of the official records of Cameron Parish, Louisiana, by Virgin Offshore U.S.A., Inc., as Assignor, in favor of Virgin Oil Company, Inc., as Assignee.

East Cameron Block 134

Oil and Gas Lease bearing Serial No. OCS-G 25949, dated effective June 1, 2004, granted by the United States of America, as Lessor, in favor of Virgin Offshore U.S.A., Inc., as Lessee, covering all of Block 134, East Cameron Area, OCS Leasing Map, Louisiana Map No. 2, containing approximately 5,000.00 acres.

Mortgagor's Working Interest
92.2530%

Mortgagor's Net Revenue Interest
69.18975%

Subject to the following instrument:

- (a) Assignment of Overriding Royalty Interests, effective June 1, 2004, recorded August 9, 2005, in COB 1006, page 718, under File No. 293883, of the official records of Cameron Parish, Louisiana, by and between Virgin Offshore U.S.A., Inc., as Assignor, and Robert F. Smith, Jr., Charles C. Roberts, and PetroVal, Inc., as Assignees;
- (b) Assignment of Overriding Royalty Interests, effective April 1, 2006, recorded May 9, 2006, under File No. 297727, of the official records of Cameron Parish, Louisiana, by and between Charles C. Roberts, Robert F. Smith, and Mequet O. Smith, as Assignors, and Thomas Larry Smith, as Assignee;
- (c) Assignment of Overriding Royalty Interests, effective May 1, 2004, recorded November 27, 2006, under File No. 301482, of the official records of Cameron Parish, Louisiana, by Virgin Offshore U.S.A., Inc., as Assignor, and J&M Offshore, LLC, et al., as Assignees; and
- (d) Assignment of Record Title Interest, in Federal OCS Oil and Gas Lease, effective June 1, 2004, recorded April 3, 2007, under File No. 303244, of the official records of Cameron Parish, Louisiana, by Virgin Offshore U.S.A., Inc., as Assignor, in favor of Virgin Oil Company, Inc., as Assignee

East Cameron Block 122

Oil and Gas Lease bearing Serial No. OCS-G 27042, dated effective April 1, 2005, granted by the United States of America, as Lessor, in favor of Virgin Offshore U.S.A., Inc., as Lessee, covering all of Block 122, East Cameron Area, OCS Leasing Map, Louisiana Map No. 2, containing approximately 5,000.00 acres.

Mortgagor's Working Interest

Mortgagor's Net Revenue Interest

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92.2530%

72.60653%

Subject to the following instrument:

- (a) Assignment of Overriding Royalty Interests, effective April 1, 2005, recorded August 9, 2005, in COB 1006, page 714, under File No. 293882, of the official records of Cameron Parish, Louisiana, by and between Virgin Offshore U.S.A., Inc., as Assignor, and Robert F. Smith, Jr., Charles C. Roberts, and PetroVal, Inc., as Assignees;
- (b) Assignment of Overriding Royalty Interests, effective April 1, 2006, recorded May 9, 2006, under File No. 297727, of the official records of Cameron Parish, Louisiana, by and between Charles C. Roberts, Robert F. Smith, and Mequet O. Smith, as Assignors, and Thomas Larry Smith, as Assignee;
- (c) Assignment of Overriding Royalty Interests, to be executed by Virgin Offshore U.S.A., Inc., as Assignor, and Robert F. Smith, Jr., et al., as Assignees; and
- (d) Assignment of Record Title Interest, effective April 1, 2005, by Virgin Offshore U.S.A., Inc., Assignor, in favor of Virgin Oil Company, Inc., as Assignee.

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EXHIBIT B**Recording Data**

Lender: Whitney National Bank
 Borrower: Virgin Oil Company, Inc.

1. Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing, and Financing Statement dated June 24, 2004.

Location	Recordation Number	Recordation Date	Properties Covered
Jefferson County, TX	#2004024765	June 28, 2004	EC 219, WC 78, SS 153, HI 198, WC 41
Terrebonne Parish, LA	MOB 1679, #1183611	June 28, 2004	EC 219, WC 78, SS 153, HI 198, WC 41
Cameron Parish, LA	MOB 294, #2870529	June 30, 2004	EC 219, WC 78, SS 153, HI 198, WC 41

2. First Amendment to Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing, and Financing Statement dated November 23, 2004.

Location	Recordation Number	Recordation Date	Properties Covered
Jefferson County, TX	#2004047166	December 6, 2004	EC 219, WC 78, SS 153, SS 154, HI 198, WC 41, BB 417
Brazos County, TX	#00876589	December 6, 2004	EC 219, WC 78, SS 153, SS 154, HI 198, WC 41, BB 417
Terrebonne Parish, LA	MOB 1720, #1196300	December 3, 2004	EC 219, WC 78, SS 153, SS 154, HI 198, WC 41, BB 417
Cameron Parish, LA	MOB 298, #289749	December 3, 2004	EC 219, WC 78, SS 153, SS 154, HI 198, WC 41, BB 417
MMS		December 1, 2004	EC 219, WC 78, SS 153, SS 154, HI 198, WC 41, BB 417

3. Second Amendment to Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing, and Financing Statement dated January 27, 2006.

Location	Recordation Number	Recordation Date	Properties Covered
Jefferson County, TX	#2006034129	August 31, 2006	EC 219, WC 78, SS 153, SS 154, HI 198, WC 41, BB 417, EC 133, EC 134, EC 122
Brazos County, TX	#00939766	September 5, 2006	EC 219, WC 78, SS 153, SS 154, WC 41, WC 151, BB 417, EC 133, EC 134, EC 122
Terrebonne Parish, LA	MOB 1720, folio 76 Entry #1246430	August 31, 2006	EC 219, WC 78, SS 153, SS 154, WC 41, WC 151, BB 417, EC 133, EC 134, EC 122
Cameron Parish, LA	#300080	August 31, 2006	EC 219, WC 78, SS 153, SS 154, WC 41, WC 151, BB 417, EC 133, EC 134, EC 122
MMS		August 31, 2006	EC 219, WC 78, SS 153, SS 154, WC 41, WC 151, BB 417, EC 133, EC 134, EC 122

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			154, WC 41, WC 151, BB 417, EC 133, EC 134, EC 122
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