

WHEN RECORDED AND/OR
FILED RETURN TO:

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Denver, Colorado 80203

**DEED OF TRUST, SECURITY AGREEMENT,
ASSIGNMENT OF PRODUCTION AND PROCEEDS,
FINANCING STATEMENT AND FIXTURE FILING**

from

FORELAND CORPORATION (Taxpayer I.D. No. 87-0422812) and
EAGLE SPRINGS PRODUCTION LIMITED-LIABILITY COMPANY
(Taxpayer I.D. No. 87-0522668), AS DEBTORS

to

FIRST AMERICAN TITLE COMPANY OF NEVADA, AS TRUSTEE

and to and for the benefit of

ENERGY INCOME FUND, L.P., AS SECURED PARTY

(Taxpayer I.D. No. 04-3309082)

Dated as of January 6, 1998

THIS INSTRUMENT SHALL BE GOVERNED BY THE PROVISIONS OF SECTIONS
106.300 THROUGH 106.400 OF THE NEVADA REVISED STATUTES.

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS.

THIS INSTRUMENT SECURES PAYMENT OF FUTURE ADVANCES.

EXHIBIT "A" CONTAINS A LEGAL DESCRIPTION OF THE REAL ESTATE

CONCERNED. DEBTORS HAVE AN INTEREST OF RECORD IN THE REAL ESTATE.
SOME OF THE PERSONAL PROPERTY CONSTITUTING A PORTION OF THE

COLLATERAL IS OR IS TO BECOME FIXTURES RELATED TO THE REAL ESTATE.

THIS INSTRUMENT COVERS FIXTURES AND MINERALS OR THE LIKE OR OTHER

SUBSTANCES OF VALUE WHICH MAY BE EXTRACTED FROM THE EARTH

(INCLUDING OIL AND GAS) AND THE ACCOUNTS RELATING THERETO, INCLUDING

ACCOUNTS RESULTING FROM THE SALE THEREOF AT THE WELLHEAD.

THIS INSTRUMENT IS TO BE RECORDED IN THE REAL ESTATE RECORDS OF THE

COUNTY RECORDER IN EACH COUNTY WHERE THE REAL ESTATE IS LOCATED.

A POWER OF SALE HAS BEEN GRANTED IN THIS INSTRUMENT. A POWER OF SALE
MAY ALLOW SECURED PARTY OR THE TRUSTEE TO TAKE THE COLLATERAL AND
SELL IT WITHOUT GOING TO COURT IN A FORECLOSURE ACTION.

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DEED OF TRUST,

SECURITY AGREEMENT,

ASSIGNMENT OF PRODUCTION AND PROCEEDS,

FINANCING STATEMENT

AND FIXTURE FILING

This Deed of Trust, Security Agreement, Assignment of Production and Proceeds, Financing Statement and Fixture Filing (this "Instrument"), dated as of January 6, 1998, is from FORELAND CORPORATION, a Nevada corporation and EAGLE SPRINGS PRODUCTION LIMITED-LIABILITY COMPANY (also known as Eagle Springs Production Limited Liability Company), a Nevada limited liability company (collectively "Debtors"), both with an address of 12596 West Bayaud, Suite 300, Lakewood, Colorado 80228, to FIRST AMERICAN TRUST COMPANY OF NEVADA, a Nevada corporation ("Trustee"), and to and for the benefit of ENERGY INCOME FUND, L.P., a Delaware limited partnership ("Secured Party"), with an address of 136 Dwight Road, Longmeadow, Massachusetts 01106.

COLLATERAL

All of the property described in paragraphs 1 through 10 below is herein collectively called the "Collateral":

1. The entire estates or the undivided interests therein as described in Exhibit "A" in and to all of the mineral estates, surface estates, leasehold estates and other estates described in Exhibit "A" and in and to the mineral interests, royalty interests, working interests, operating rights interests, record title interests, overriding royalty interests, production payment interests, net profit interests and other interests described in Exhibit "A" and in and to the leases, licenses, subleases, easements, rights-of-way, farmouts, farmins, minerals agreements, unit agreements, cooperative development agreements, communitization agreements, unit operating agreements, pooling agreements, joint operating agreements and other documents and instruments described in Exhibit "A" and any other estates, property interests and rights covering or relating to all or any part of the land described either in Exhibit "A" or in the leases, licenses, subleases, sublicenses, easements, rights-of-way, agreements and other documents and instruments described in

Exhibit "A" (collectively, the "Land"; the term "Land" as used herein includes, without limitation, the land specifically described in Exhibit "A" and all land described in or covered by the leases, licenses, subleases, easements, rights-of-way, agreements and other documents described in Exhibit "A" whether or not such land is specifically described in Exhibit "A"), together with any and all other right, title and interest of Debtors of whatever kind or character (whether now owned or hereafter acquired by operation of law or otherwise) (which right, title and interest of Debtors shall, for all purposes of this Instrument, be deemed to include, without limitation, any and all right, title and interest now owned or hereafter acquired by Debtors in any amendment, modification, supplement, restatement, extension, renewal or replacement of any of the leases, licenses, subleases, easements, rights-of-way, agreements and other documents and instruments described in Exhibit "A") in, to and under or that covers, affects or otherwise relates to the Land and the leases, subleases, licenses, easements and instruments described in Exhibit "A" or to any of the estates, property, interests or rights described or referred to above or herein; including, without limitation, the following:

(a) All of Debtors' right, title and interest of whatever kind or character (whether now owned or hereafter acquired by operation of law or otherwise) in, to and under or that covers, affects or otherwise relates to the Land or the leases, licenses, subleases, easements, rights-of-way, agreements and other documents and instruments described in Exhibit "A" or to any of the estates, property, interests or rights described or referred to above or herein, even though Debtors' interest therein may be incorrectly described in, omitted from or not described in Exhibit "A";

(b) All of Debtors' right, title and interest (whether now owned or hereafter acquired by operation of law or otherwise) in, to and under all presently existing and hereafter created oil, gas or mineral unitization, cooperative development, pooling, spacing or communitization agreements, declarations or orders, and in and to the lands and properties covered and the units created thereby (including, without limitation, units formed under orders, rules, regulations or other official acts of any federal, state, tribal, local or other authority having jurisdiction and so called "working interest units" created under operating and similar agreements or otherwise), that cover, affect or otherwise relate to the Land or the leases, licenses, subleases, easements, rights-of-way, agreements and other documents and instruments described in Exhibit "A" or to any of the estates, property, interests or rights described or referred to above or herein;

(c) All of Debtors' right, title and interest (whether now owned or hereafter acquired by operation of law or otherwise) in, to and under all presently existing and hereafter created operating agreements, equipment leases, production sales, purchase, exchange or processing agreements, transportation or gathering

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agreements, farmout or farm-in agreements, disposal agreements, area of mutual interest agreements and other contracts or agreements that cover, affect or otherwise relate to the Land or the leases, licenses, subleases, easements, rights-of-way, agreements and other documents described in Exhibit "A" or to any of the estates, property, interests or rights described or referred to above or herein or the operations thereon, or the production, storage, gathering, transportation, handling, processing, sale or marketing of Hydrocarbons (as hereinafter defined) produced therefrom or allocated or attributed thereto, including, without limitation, those contracts and agreements listed in Exhibit "A" as the same may be amended or supplemented from time to time; and

(d) All of Debtors' right, title and interest of whatever kind or character (whether now owned or hereafter acquired by operation of law or otherwise) in, to and under all presently existing or hereafter created easements, servitudes, rights-of-way, surface leases, licenses, permits and other surface rights used, or held for use, in connection with the Land or any of the estates, property, interests or rights described or referred to above or herein, or the operations thereon, or the production, treatment, storage, gathering, transportation, handling, processing, manufacturing, sale or marketing of Hydrocarbons produced therefrom or allocated or attributed thereto, including, without limitation, the easements and rights-of-way described in Exhibit "A" as same may be amended or supplemented from time to time;

2. All of the oil, gas, drip gasoline, natural gas liquids,

condensate, distillate, casinghead gas and other solid, liquid or gaseous hydrocarbons and other associated or related substances of whatever kind or character and in whatever form or phase (including without limitation, gases produced from coal-bearing formations and strata such as so-called "coal-bed gas" and "coal-bed methane"), and all products, by-products and all other substances derived therefrom or the processing thereof

(collectively, "Hydrocarbons") in, on, under or allocated or attributed to any of the estates, property, interests or rights described or referred to above or herein or any other interest of Debtors (whether now owned or hereafter acquired by operation of law or otherwise) in, to and under or that covers, affects or otherwise relates to the Land or to any of the estates, property, interests or rights described or referred to above or herein;

3. All wells (including, without limitation, the wells described in Exhibit "A"), platforms, derricks, casing, tubing, tanks, tank batteries, compressors, condensers, treaters, separators, rods, pumps, pumping units, flow lines, water lines, transportation lines, gathering lines, gas lines, machinery, pipelines, power lines and other goods and equipment, and all of the personal property and fixtures, as defined under applicable state law, now or hereafter located in, on, under, affixed, allocated or attributed to or obtained or used in connection with any of the estates, property, interests or rights described or referred to above or herein or any other interest of Debtors (whether now owned or hereafter

acquired by operation of law or otherwise) in, to and under or that covers, affects or otherwise relates to the Land or to any of the estates, property, interests or rights described or referred to above or herein, or that are used, acquired, purchased or otherwise held for the production, treatment, storage, gathering, transportation, handling, processing, manufacturing, sale or marketing of Hydrocarbons produced from or arising in connection with the production, treatment, storage, gathering, transportation, handling, processing, manufacturing, sale or marketing of Hydrocarbons produced from or allocated or attributed to any of the estates, property, interests or rights described or referred to above or herein or any other interest of Debtors (whether now owned or hereafter acquired by operation of law or otherwise) in, to or under or that covers, affects or otherwise relates to the Land or to any of the estates, property, interests or rights described or referred to above or herein and all other accounts, contract rights and general intangibles now or hereafter arising in connection with the estates, property, interests or rights described or referred to above or herein;

4. All of the accounts, contract rights and general intangibles now or hereafter arising in connection with the production, treatment, storage, gathering, transportation, handling, processing, manufacturing, sale or marketing of Hydrocarbons produced from or allocated or attributed to any of the estates, property, interests or rights described or referred to above or herein or any other interest of Debtors (whether now owned or hereafter acquired by operation of law or otherwise) in, to or under or that covers, affects or otherwise relates to the Land or to any of the estates, property, interests or rights described or referred to above or herein and all other accounts, contract rights and general intangibles now or hereafter arising in connection with the estates, property, interests or rights described or referred to above or herein;

5. All of the severed and extracted Hydrocarbons produced from or allocated or attributed to any of the estates, property, interests or rights described or referred to above or herein or any other interest of Debtors (whether now owned or hereafter acquired by operation of law or otherwise) in, to and under or that covers, affects or otherwise relates to the Land or to any of the estates, property, interests or rights described or referred to above or herein;

6. All geological, geophysical, engineering, accounting, legal and other information and all rights therein and thereto in the possession of Debtors or to which Debtors have access or has any rights therein concerning the estates, property, interests or rights described or referred to above or herein, including, without limitation, lease files, abstracts of title, title opinions, geological and geophysical information (unless such geological or geophysical information is restricted as to transfer or use by an existing license or agreement concerning proprietary rights identified in Exhibit "A"), reserve or reservoir studies and well logs, engineering data and reports, production records and all magnetic media and computer data relating to the estates, property, interests or rights described or referred to above or herein;

7. All rights of Debtors to liens and security interests securing payment of proceeds from the sale of production from the estates, property, interests or rights described or referred to above or herein, together with Debtors' interest in any and all renewals and extensions of any of the estates, property, interests or rights described or referred to above or herein, Debtors' interest in all contracts and agreements supplemental to or amendatory of or in substitution for the contracts and agreements described or referred to herein, and

any and all additional interests of any kind hereafter acquired by Debtors in and to the estates, property, interests or rights described or referred to above or herein;

8. All of Debtors' right, title and interest, whether now owned or hereafter acquired, in and to (a) that certain Escrow Agreement, among Debtors, as Borrower, Secured Party, as Lender, and Peoples Bank, Holyoke, Massachusetts, as Escrow Agent, (b) all funds deposited and held by the Escrow Agent in the escrow account established pursuant to such Escrow Agreement, and (c) all distributions and proceeds therefrom and thereof;

9. All renewals, extensions and restatements of, modifications, changes, amendments and supplements to, and substitutions for the estates, property, interests and rights described or referred to in paragraphs 1 through 8 above, and all additions and accessions thereto;

10. All of the rights, privileges, benefits, hereditaments and appurtenances in any way belonging, incidental or appertaining to the estates, property, interests and rights described or referred to in paragraphs 1 through 9 above; and

11. All of the proceeds and products of the estates, property, interests and rights described or referred to in paragraphs 1 through 10 above, including without limitation, condemnation awards and the proceeds of any and all insurance policies (including title insurance policies as well as other types of insurance policies) covering all or any part of said estates, property, interests or rights and, to the extent they may constitute proceeds, instruments, accounts, securities, general intangibles, contract rights and inventory.

GRANTING CLAUSES

In consideration of ten dollars and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Debtors, and the matters hereinafter set forth, Debtors hereby irrevocably:

A. **Real Property.** Grant, bargain, sell, mortgage, assign, transfer and convey to Trustee, with **POWER OF SALE**, for the benefit of Secured Party, that part of the Collateral that is real property (including any fixtures that are real property under applicable state law), subject to the assignment of severed and extracted Hydrocarbons and the proceeds thereof made under paragraph C below; **TO HAVE AND TO HOLD** all of the Collateral that is real property (including any fixtures that are real property under applicable state law), together with all of the rights, privileges, benefits, hereditaments and appurtenances in any way belonging, incidental or pertaining thereto, to Trustee and its successors and assigns, forever, **IN TRUST, NEVERTHELESS**, for the security and

benefit of Secured Party and its successors and assigns, subject to all of the terms, conditions, covenants, agreements and trusts herein set forth;

B. Personal Property. Grant to Secured Party a security interest in that part of the Collateral that is personal property (including any fixtures that are personal property under applicable state law); and

C. Assignment of Production. Absolutely assign, grant and transfer to Secured Party all of the severed and extracted Hydrocarbons produced from or allocated or attributed to any of the Collateral or any other interest of Debtors (whether now owned or hereafter acquired by operation of law or otherwise) in, to and under or that covers, affects or otherwise relates to the Land or to any of the estates, property rights or other interests described or referred to above or herein, together with all of the proceeds, rents, income, issues and profits thereof and therefrom and payments in lieu thereof.

ARTICLE I

Obligations

Section 1.1 Obligations Secured. This Instrument is executed, acknowledged and delivered by Debtors to secure and enforce the following indebtedness, liabilities and obligations (the "Obligations"):

A. Notes. All indebtedness (including principal, interest, fees and penalties), liabilities and obligations under or pursuant to the following described notes, and any renewals, extensions or restatements thereof, modifications, changes, amendments or supplements thereto and substitutions therefor (collectively, the "Notes"):

1. Refinancing Note, dated as of January 6, 1998, in the maximum principal amount of \$680,000 made by Debtors and payable to the order of Secured Party on or before January 1, 2002, together with interest until maturity or default at the rate of 12% per annum (the "Standard Interest Rate"), and after maturity or default at the rate of 15% per annum (the "Default Rate");

2. Acquisition Note, dated as of January 6, 1998, in the maximum principal amount of \$2,327,000 made by Debtors and payable to the order of Secured Party on or before January 1, 2002, together with interest until maturity at the Standard Interest Rate, and after maturity or default at the Default Rate; and

3. Development Note, dated as of January 6, 1998, in the maximum principal amount of \$13,893,000 made by Debtors and payable to the

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A. Fraud, breach of trust, or any material misrepresentation by Debtors in this instrument, securing or relating to the Obligations; evidencing, securing or relating to the Obligations;

Debtors shall remain fully liable for:

Loan Agreements, including without limitation, Debtors' obligation to indemnify Secured Party as set forth herein and in the Loan Agreement. Notwithstanding the foregoing limitation of recourse, obligations to perform any of Debtors' other obligations evidencing, securing or relating to the Loan Agreement or security of Secured Party with documents or instruments evidencing, securing or relating to the Obligations, nor limit Debtors' respect to the Collateral under this instrument, the Notes, the Loan Agreement, or any other documents or instruments evidencing, securing or relating to the Obligations, nor limit Debtors' in the event that any sale of the Collateral shall be insufficient to satisfy the Notes. Nothing Party shall look solely to the Collateral for the payment of principal and interest and shall not seek a deficiency or other personal liability for payment of principal and interest. Secured Debtors have any personal liability for payment of principal and interest on the Notes. Nothing

Section 1.3 Recourse. Except as otherwise provided herein, in no event shall Debtors have any personal liability for payment of principal and interest on the Notes. Secured Party shall look solely to the Collateral for the payment of principal and interest and shall not seek a deficiency or other personal liability for payment of principal and interest on the Notes. Secured Debtors shall look solely to the Collateral for the payment of principal and interest and shall not seek a deficiency or other personal liability for payment of principal and interest on the Notes. Secured Party shall look solely to the Collateral for the payment of principal and interest and shall not seek a deficiency or other personal liability for payment of principal and interest on the Notes. Secured Debtors have any personal liability for payment of principal and interest on the Notes. Nothing

Section 1.2 Maximum Indebtedness Secured. This instrument shall be governed by the provisions of Sections 106.300 through 106.400 of the Nevada Revised Statutes, as may be amended from time to time. Debtors, Secured Party and Trustee agree and acknowledge that Secured Party may elect to make additional advances under the terms of the Notes, the Loan Agreement or otherwise, at any time or from time to time, this instrument shall remain in its priority position of all the Obligations. The aggregate unpaid principal amount of the complete payment of record until the termination of the Loan Agreement and until full, final and repayments made prior to such time) which is secured by the Collateral shall not aggregate in excess of One-Hundred Million Dollars (\$100,000,000). Such amount does not in any way unless imply that Secured Party is obligated to make any future advances to Debtors at any time unless specifically so provided in the Loan Agreement or any other loan document.

B. **Loan Agreement.** All indebtedness, liabilities and obligations of order of Secured Party on or before January 1, 2002, together with interest until the maturity or default at the Standard Interest Rate, and after maturity or default at the Default Rate; whatever kind or character, now existing or hereafter created or arising under or pursuant to that certain Financing Agreement (the "Loan Agreement"), dated as of January 6, 1998, as amended and as may be amended from time to time, among Debtors and Secured Party;

B. Waste of a material nature to any part of the Collateral caused by Debtors' gross negligence or willful and wanton neglect or abuse of the Collateral or failure to exert reasonable control appropriate for an owner that is not also the operator;

C. Failure to pay taxes, insurance, assessments, charges for labor or materials, or other charges, fees or assessments that can create or result in liens on any portion of the Collateral;

D. Any breaches of warranty or defects of title to the Collateral;

E. Any breach of a warranty or representation contained in this Instrument or any other instrument securing the Obligations, failure to perform any covenant or other agreement contained in this Instrument or any other instrument evidencing, securing or otherwise relating to the Obligations;

F. Any attempt to communicate in any manner with the purchasers of production from the Collateral after the delivery to such purchasers of a Transfer Order (as defined in Section 3.1) in an attempt to hinder or interfere with the rights of Secured Party;

G. The return of, or reimbursement for, all monies received by Debtors from the purchasers of production for monies attributable to production after receipt by any such purchaser of a Transfer Order;

H. Any attempt to hinder or interfere with the foreclosure of or other realization on, the Collateral (whether by judicial action, power of sale, trustee's sale or otherwise), including without limitation the filing of a lis pendens, the initiation of any lawsuit or the requesting of injunctive relief from any court or tribunal, having the effect of hindering or delaying the exercise by Secured Party or Trustee of any right or remedy under this Instrument or any other instrument evidencing, securing or otherwise relating to the Obligations; and

I. After an Event of Default (as hereinafter defined), Debtors shall fail or refuse to execute and deliver to Secured Party any instrument reasonably requested by Secured Party and prepared at its expense, which is necessary to fully vest title to the Collateral in Secured Party or the purchaser(s) of all or part of the Collateral pursuant to any sale as provided for in this Instrument or any other instrument securing the Obligations.

Debtors shall be fully and personally liable for all attorneys' fees and costs and expenses incurred by Secured Party arising out of any of the foregoing paragraphs A through I.

ARTICLE II

**Warranties, Representations, Covenants
and Indemnities**

Section 2.1 Representations and Warranties: Debtors warrant and represent as

follows:

A. **Power and Authority.** Debtors have the full power and authority to grant, bargain, sell, mortgage, assign and convey the Collateral as provided herein.

B. **Title.** Unless otherwise indicated in Exhibit "A", the oil and gas leases and licenses described in Exhibit "A" cover all of the oil, gas and other Hydrocarbons in and under the Land. Debtors are the lawful owners of good and marketable title to the Collateral; and Debtors have good and marketable title to the undivided interests in the leases, licenses, subleases, easements, rights-of-way, agreements and other documents as described in Exhibit "A" free and clear of all royalties and other burdens, charges, liens, security interests, encumbrances, agreements, contracts, assignments and other matters, except landowner's royalties and the overriding royalties and the agreements and contacts specifically described in Exhibit "A". The leases, licenses, subleases, easements, rights-of-way, agreements and other documents and instruments described in Exhibit "A" hereto are valid and subsisting and are in full force and effect. All rents and royalties due and payable under the leases, licenses, subleases, easements, rights-of-way, agreements and other documents and instruments described in Exhibit "A" hereto have been paid. All wells located on the Land have been drilled, operated and produced in conformity with all applicable laws, rules, regulations and orders of all regulatory authorities having jurisdiction, and are subject to no penalties on account of past production. None of such wells are deviated from the vertical more than the maximum permitted by applicable laws, rules, regulations and orders. Such wells are in fact bottomed under and are producing from, and the well bores are wholly within, the lands described in Exhibit "A". Debtors warrant and will forever defend the title to the Collateral against the claims of all persons claiming or to claim the same or any part thereof.

C. **Working and Net Revenue Interests.** (1) With respect to each of the oil and gas leases and licenses described in Exhibit "A", Debtors' share of development and operating costs with respect to the portion of the Land covered thereby as described in Exhibit "A", without regard to pooling and unitization, is not greater than the "Working Interest" or "Operating Rights Interest" specified in Exhibit "A"; and, without giving effect to the Override Assignments (as defined in Section 7.12 below), Debtors' share of the gross production of Hydrocarbons produced, saved and marketed from said Land, without regard to pooling and unitization, is no less than the "Net Revenue Interest" specified in Exhibit "A".

Working and Net Revenue Interests. (1) With respect to each of the oil and gas leases and licenses described in Exhibit "A", Debtors' share of development and operating costs with respect to the portion of the Land covered thereby as described in Exhibit "A", without regard to pooling and unitization, is not greater than the "Working Interest" or "Operating Rights Interest" specified in Exhibit "A"; and, without giving effect to the Override Assignments (as defined in Section 7.12 below), Debtors' share of the gross production of Hydrocarbons produced, saved and marketed from said Land, without regard to pooling and unitization, is no less than the "Net Revenue Interest" specified in Exhibit "A".

(2) With respect to each of the wells described in Exhibit "A", Debtors' share of development and operating costs with respect thereto and the portion of the Land attributed thereto, is not greater than the "Working Interest" or "Operating Rights Interest" specified in Exhibit "A"; and, without giving effect to the Override Assignments, Debtors' share of the gross production of Hydrocarbons produced, saved and marketed from said wells and said Land is no less than the "Net Revenue Interest" specified in Exhibit "A".

(3) With respect to each of the overriding royalty interests described in Exhibit "A", without giving effect to the Override Assignments, Debtors' share of the gross production of Hydrocarbons produced, saved and marketed from the portion of the Land subject thereto as described in Exhibit "A", is no less than the "Net Revenue Interest" specified in Exhibit "A".

(4) With respect to each of the mineral interests described in Exhibit "A", without giving effect to the Override Assignments, Debtors' share of the gross production of Hydrocarbons in and under and that may be produced, saved and marketed from the portion of the Land subject thereto as described in Exhibit "A" is no less than the stated percentage specified in Exhibit "A".

(5) With respect to each of the royalty interests described in Exhibit "A", without giving effect to the Override Assignments, Debtors' share of the gross production of Hydrocarbons produced, saved and marketed from the portion of the Land subject thereto as described in Exhibit "A" is no less than the percentage specified in Exhibit "A".

(6) With respect to each of the units and pools described in Exhibit "A", Debtors' share of development and operating costs with respect to the portion of the Land covered thereby as described in Exhibit "A" or in the agreements creating such units and pools recorded as described in Exhibit "A" and the wells on said Land, is no greater than the "Unit Working Interest" specified in Exhibit "A"; and, without giving effect to the Override Assignments, Debtors' share of the gross production of oil, gas and other Hydrocarbons produced, saved and marketed from said Land and said wells is no less than the "Unit Net Revenue Interest" specified in Exhibit "A".

All such shares of development and operating costs and of gross production are not and will not be subject to change (other than changes that arise pursuant to nonconsent provisions of operating agreements described in Exhibit "A" hereto in connection with operations hereafter proposed and consented to by Secured Party) except, and only to the extent that, such changes are reflected in Exhibit "A".

D. Operations of Oil and Gas Properties. The Collateral (and all properties spaced, communitized, unitized or otherwise aggregated therewith) has been

maintained, operated and developed in a good and workmanlike manner and in conformity with all material respects with all applicable laws, rules, regulations and orders of all federal, state, tribal and local governmental bodies, authorities and agencies and in conformity with all material respects with the provisions of all leases, subleases or other contracts and agreements comprising a part of the Collateral. None of the Collateral is subject to having allowable production reduced below the full and regular allowable (including the maximum permissible tolerance) because of an overproduction (whether or not the same was permissible at the time) prior to the date hereof. None of the Collateral is subject to having production reduced below the full amount producible therefrom as result or consequence of applicable laws, rules, regulations and orders or otherwise.

E. Sale of Production. (1) All proceeds from the sale of Debtors' interests in Hydrocarbons from the Collateral are currently being paid in full to Debtors by the purchaser or remitter thereof on a timely basis and at prices and terms comparable to market prices in terms generally available at the time such prices and terms were negotiated for oil and gas production from producing areas situated near the Collateral, and none of such proceeds are currently being held in suspense by such purchaser or any other party.

(2) Neither Debtors, nor their predecessors in title, have entered into or are subject to any agreement or arrangement (including without limitation, "take or pay" or similar arrangements), nor is the Collateral subject to any such agreement or arrangement, to deliver Hydrocarbons produced or to be produced from the Collateral at some future time without then or thereafter receiving full payment therefor.

(3) Except as previously disclosed to Secured Party in writing, none of the Collateral is or, without the prior written consent of Secured Party, will become subject to any contractual or other arrangement whereby payment for production from such Collateral is to be deferred for a substantial period after the month in which such production is delivered (that is, in the case of oil, not in excess of 60 days, and in the case of gas, not in excess of 90 days).

(4) None of the Collateral is or will become subject to any contractual or other arrangement for the sale of crude oil that cannot be canceled on 180 days' or less notice; and none of the Collateral is or will become subject to a gas sales contract that contains terms that are not customary in the industry.

(5) None of the Collateral is subject at the present time to any regulatory refund obligation and, to the best of Debtors' knowledge, no facts exist that might cause the same to be imposed.

(6) None of the Collateral is subject to a gas balancing arrangement under which an imbalance exists with respect to which imbalance Debtors or the Collateral is in an overproduced status and is required to (a) permit one or more third parties to take a portion of the production attributable to such Collateral without payment

(or without full payment) therefor, or (b) make payment in cash, in order to correct such imbalance.

F. Condition of Personal Property. The inventory, equipment, fixtures and other tangible personal property and fixtures forming a part of the Collateral are in good repair and condition and are adequate for the normal operation of the Collateral in accordance with prudent industry standards, and the Collateral includes all equipment necessary or advisable for the proper and efficient operation of the wells and leases, licenses, subleases, sublicenses and rights-of-way included in the Collateral. All of such Collateral is located on the Land.

G. Consents and Preferential Rights to Purchase. There are no preferential rights to purchase all or any portion of the Collateral, and there are no rights of third parties to consent to the transfer of all or any portion of the Collateral.

H. Contracts and Agreements. Exhibit "A" sets forth all operating agreements, unit agreements, equipment leases, production sales, purchase, exchange or processing agreements, transportation or gathering agreements, farmout or farm-in agreements, disposal agreements, area of mutual interest agreements and other contracts and agreements that cover, affect or otherwise relate to the Land or the leases, licenses, subleases, sublicenses, easements, rights-of-way, agreements and other documents and instruments described in Exhibit "A" that relate to operations thereon, or the production, treatment, storage, gathering, transportation, handling, processing, manufacturing, sale or marketing of Hydrocarbons produced therefrom or allocated or attributed thereto.

I. Taxes. All ad valorem, property, production, severance, excise and similar taxes and assessments based on or measured by the ownership of property or the production of Hydrocarbons or the receipt of proceeds therefrom relating to the Collateral that have become due and payable have been properly and timely paid.

J. Duly Qualified Debtors are duly qualified to own, hold and operate all of the leases, easements, rights-of-way, mineral agreements and other agreements included within the Collateral, and to conduct their business as contemplated.

K. Environmental. (1) The Collateral is, and, except as previously disclosed to Secured Party in writing, to the best of Debtors' knowledge, at all times has been, operated in compliance with all applicable Environmental Laws (as hereinafter defined); and to the best of Debtors' knowledge, no condition exists with respect to the Collateral or other property owned or operated by Debtors or any affiliate of or party related to Debtors that would or could reasonably be expected to subject Debtors, any affiliate of or party related to Debtors, or Secured Party to any damages (including without limitation, actual, consequential, exemplary and punitive damages), material liability (absolute or contingent, determined or determinable), penalties, injunctive relief or cleanup

costs under any applicable Environmental Laws, or that require or could reasonably be expected to require cleanup, removal, remedial action or other response by Debtors, any affiliate of or party related to Debtors, or Secured Party pursuant to any applicable Environmental Laws.

(2) Debtors have not received and, to the best of Debtors' knowledge, none of their affiliates have received, and none of Debtors' or their affiliates' or related parties' predecessors in title to the Collateral have received, any notice from a governmental agency asserting or alleging a violation of any Environmental Laws as they relate to the Collateral.

(3) There are no pending or threatened suits, actions, claims or proceedings against Debtors or its affiliates or related parties or, to the best of Debtors' knowledge, Debtors' or their affiliates' predecessors in title, arising from or related to, directly or indirectly, any Environmental Laws as they relate to the Collateral.

(4) Neither Debtors, any affiliate of or party related to Debtors, any part of the Collateral, nor, to the best of Debtors' knowledge, Debtors' or any affiliates' or related parties' predecessors are subject to any judgment, decree, order or citation related to or arising out of any Environmental Laws, and neither Debtors nor any affiliate or party related to Debtors have been named or listed as a potentially responsible party by any governmental or other entity in a matter arising under or relating, directly or indirectly, to any Environmental Laws.

(5) Debtors have obtained or caused to be obtained all permits, licenses, and approvals required under all Environmental Laws to operate the Collateral.

(6) There are not now, nor to the best of Debtors' knowledge have there ever been, Hazardous Materials (as hereinafter defined) discharged, leaked, spilled or released in, on, to, from or at the Collateral or other properties owned or operated by Debtors or any of their affiliates or stored, treated, or recycled at or in tanks or other facilities thereon or related thereto which give rise or could reasonably be expected to give rise to material liability under any Environmental Laws.

(7) The use which Debtors make and intend to make of the Collateral will not result in: (a) the use or storage of any Hazardous Materials on, in or in connection with the Collateral, or disposal of any Hazardous Materials from the Collateral except in compliance with all applicable Environmental Laws, or (b) the treatment, processing, discharge or release of any Hazardous Materials on, in, to or from the Collateral except in compliance with all applicable Environmental Laws.

(8) There are no underground storage tanks, surface impoundments, or wastewater injection wells located on or in the Collateral.

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As used herein, the term "Environmental Laws" shall mean any one or more of the following: (i) the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendment and Reauthorization Act of 1986, 42 U.S.C. § 9601 et seq. ("CERCLA"); (ii) the Resource Conservation and Recovery Act, as amended by the Hazardous and Solid Waste Amendment of 1984, 42 U.S.C. § 6901 et seq. ("RCRA"); (iii) the Clean Air Act, 42 U.S.C. § 7401 et seq.; (iv) the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq.; (v) the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq.; (vi) the Federal Safe Drinking Water Act, 42 U.S.C. §§ 300f to 300j-11; (vii) the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. § 1101 et seq.; (viii) the Hazardous Materials Transportation Act, 49 U.S.C. § 1801 et seq.; and (ix) all other foreign, federal, state, tribal and local laws (whether common or statutory), rules, regulations, consent agreements, compliance schedules, and orders directly and/or indirectly relating to public health and safety, air pollution, water pollution, noise control, wetlands, oceans, waterways, and/or the presence, use, generation, manufacture, transportation, processing, treatment, handling, discharge, release, disposal, or recovery of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or materials and/or underground storage tanks, including, without limitation, all rules, regulations and orders of all state and local governmental bodies, authorities and agencies pertaining or relating to the exploration, development, regulation and conservation of oil and gas resources, as each of the foregoing laws, rules, regulations, consent agreements, compliance schedules and orders may be enacted, amended, supplemented, or reauthorized from time to time.

As used herein, the term "Hazardous Materials" shall mean any one or more of the following substances, wastes and materials: (i) any substance, waste or material defined as a "hazardous substance," "hazardous material," "hazardous waste," "pollutant," "contaminant," "toxic material," or "toxic substance," in any of the applicable Environmental Laws, or in the standards, criteria, rules and/or regulations promulgated pursuant to any of said Environmental Laws (including without limitation Hydrocarbons); and (ii) any substance, waste or material, the presence of which requires investigation or remediation under any Environmental Laws.

L. Non-Foreign Person Status. Debtors are not "foreign persons"

within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"), Sections 1445 and 7701; that is, Debtors are not nonresident aliens, foreign corporations, foreign partnerships, foreign trusts or foreign estates as those terms are defined in the Code and any regulations promulgated thereunder.

Section 2.2 Covenants. Debtors covenant and agree as follows:

A. Obligations. Debtors shall pay when due and perform the Obligations in accordance with the terms thereof and hereof.

B. Recording and Filing. Debtors shall (1) promptly and at Debtors' own expense, file or cause to be filed in such offices, at such times and as often as may be necessary, this instrument and every other instrument or supplemental hereto, including applicable financing statements, as may be necessary to create, perfect, maintain and preserve the first priority of the liens and security interests intended to be created hereby and the rights and remedies of Secured Party and Trustee hereunder; (2) promptly furnish to Secured Party evidence satisfactory to Secured Party of all such filings; and (3) otherwise do all things necessary or expedient to be done effectively to create, perfect, maintain and preserve the priority of the liens and security interests intended to be created hereby as a first lien on real property and fixtures and a first priority security interest in personal property and fixtures.

C. Modifications and Dispositions. Without the prior written consent of Secured Party, Debtors shall not (1) amend, modify or otherwise revise any lease, license or other agreement described in Exhibit "A"; (2) release, surrender, abandon or forfeit the Collateral or any part thereof; (3) sell, convey, assign, lease, sublease, alienate, mortgage or grant security interests in or otherwise dispose of or encumber the Collateral or any part thereof, except to the extent explicitly permitted by the Loan Agreement and except sales of severed Hydrocarbons in the ordinary course of Debtors' business and for fair consideration, and except for the liens and security interests created by this Instrument and liens for taxes, assessments and governmental charges not delinquent; or (4) consent to, permit or authorize any such act by another party with respect to the Land, the Collateral or any part thereof.

D. Maintenance of Collateral. Debtors shall, at Debtors' own expense, (1) keep in full force and effect all of the leases, licenses and other agreements described in Exhibit "A" and all rights-of-way, easements and privileges necessary or appropriate for the proper operation of such leases, licenses and agreements, by the proper payment of all rentals, royalties and other sums due thereunder and the proper performance of all obligations and other acts required thereunder; (2) cause the Collateral to be properly maintained, developed and continuously operated for the production of Hydrocarbons and protected against drainage and damage in a good and workmanlike manner as a prudent operator would in accordance with good oil field practice and all applicable federal, state, tribal and local laws, rules, regulations and orders; (3) pay or cause to be paid when due all expenses incurred in connection with such maintenance, development, operation and protection of the Collateral; (4) keep all goods, including equipment, inventory and fixtures included in the Collateral in good and effective repair, working order and operating condition and make all repairs, renewals, replacements, substitutions, additions and improvements thereto and thereof as are necessary and proper; (5) comply with all applicable laws, rules, regulations and orders of all federal, state, tribal and local governmental bodies, authorities and agencies in all material respects; (6) permit Secured Party, and its respective agents, employees, contractors, designees and consultants, at reasonable times and upon prior notice to enter upon the Collateral for the purpose of

investigating and inspecting the condition and operation of the Collateral, and do all things necessary or proper to enable Secured Party to exercise this right whenever Secured Party so desires; and (7) do all other things necessary to keep unimpaired Secured Party's and Trustee's interests in the Collateral.

B. Notification of Breach. Debtors shall promptly notify Secured Party (1) if any representation or warranty of Debtors contained in this Agreement is discovered to be or becomes untrue, or (2) if Debtors fail to perform or comply with any covenant or agreement contained in this Agreement or it is reasonably anticipated that Debtors will be unable to perform or comply with any covenant or agreement contained in this Agreement. Debtors shall cause all the representations and warranties of Debtors contained in this Agreement to be true and correct in all material respects from time to time and all times.

F. Defense of Title. If the title or interest of Debtors, Trustee or Secured Party to the Collateral or any part thereof, or the lien or encumbrance created by this Instrument, or the rights or powers of Secured Party or Trustee hereunder, shall be attacked, either directly or indirectly, or if any legal proceedings are commenced against Debtors, Secured Party or Trustee of the Collateral, Debtors shall promptly give written notice thereof to Secured Party and at Debtors' own expense shall take all reasonable steps diligently to defend against any such attack or proceedings, employing attorneys reasonably acceptable to Secured Party. Secured Party and Trustee may take such independent action in connection therewith as they may in their reasonable discretion deem advisable, and all costs and expenses, including without limitation, attorneys' fees and legal expenses, incurred by or on behalf of Secured Party and by Trustee in connection therewith shall be demand obligation owing by Debtors to Secured Party and shall bear interest at the Default Rate until paid, and shall constitute a part of the Obligations and be indebtedness secured and evidenced by this Instrument.

G. Environmental. (1) Debtors shall comply with all applicable Environmental Laws as they relate to the Collateral and shall maintain and obtain, or cause to be maintained and obtained, all permits, licenses, and approvals now or hereafter required under all applicable Environmental Laws as they relate to the Collateral.

(2) Debtors shall not do or permit anything to be done that will subject the Collateral, Debtors or Secured Party to any material liability under any applicable Environmental Laws as they relate to the Collateral, assuming disclosure to governmental authorities of all relevant facts, conditions and circumstances, if any, pertaining to the Collateral.

(3) Debtors shall promptly notify Secured Party in writing of any citation, complaint, demand, order or notice relating to the Collateral which is known to Debtors, or any other existing, pending or threatened investigation or inquiry by any

governmental authority relating to the Collateral known to Debtors and in connection with any applicable Environmental Laws.

(4) Debtors shall take, or cause to be taken, all steps necessary to determine that no Hazardous Materials have been: (a) used or stored on, in or in connection with any Collateral that Debtors acquire with funds that Debtors receive from Secured Party in accordance with the Loan Agreement, or disposed from such Collateral, or (b) treated, processed, discharged or released on, to, in or from such Collateral, except, in each case, in full compliance with all applicable Environmental Laws.

(5) Debtors shall not cause or permit: (a) the use or storage of Hazardous Materials on, in or in any manner in connection with the Collateral, or (b) the treatment, processing, discharge or release of any Hazardous Materials on, to, in or from the Collateral, except in each case, in full compliance with all Environmental Laws.

(6) Except in full compliance with all applicable Environmental Laws, Debtors shall not keep, or cause or allow to be kept, Hazardous Materials in, on or under the Collateral, and shall remove the same (or if removal is prohibited by applicable law, shall take whatever action is required by applicable law) promptly upon discovery of such Hazardous Materials, all at Debtors' sole cost and expense.

(7) Debtors shall provide, upon Secured Party's reasonable request, at any time, and from time to time (but not more often than once a year), inspections, tests and audits of the Collateral from an engineering or consulting firm approved by Secured Party indicating the presence or absence of Hazardous Materials on the Collateral and compliance with all applicable Environmental Laws. The cost of all inspections, tests and audits of the Collateral pursuant to this Section shall be shared equally by Debtors and Secured Party. Nothing contained herein shall relieve Debtors from conducting its own inspections, tests and audits or taking any other steps necessary to comply with all Environmental Laws, nor shall anything contained herein be construed to imply or impose any duty on Secured Party concerning Debtors' compliance or noncompliance therewith.

H. Further Assurances. Debtors shall execute, acknowledge and deliver, or cause to be executed, acknowledged or delivered, to Secured Party such other and further instruments and do such other acts as in the reasonable opinion of Secured Party may be necessary or desirable to effect the intent of this Instrument, promptly upon request of Secured Party and at Debtors' expense.

Section 2.3 Costs, Expenses and Indemnities. Debtors agree to reimburse, pay, indemnify, defend and hold harmless Secured Party and Trustee as follows:

A. Costs and Expenses. Debtors shall reimburse and pay Secured Party for all fees, costs and expenses (including without limitation, reasonable attorneys' fees, court costs and legal expenses and consultants' fees and experts' fees, incurred or expended by Secured Party or Trustee in connection with (1) the breach by Debtors of any representation or warranty contained in this Instrument, the Loan Agreement, the Notes or any other documents and instruments evidencing, securing or otherwise relating to the Obligations, (2) the failure by Debtors to perform any agreement, covenant, condition, indemnity or obligation contained in this Instrument, the Loan Agreement, the Notes or any other documents and instruments evidencing, securing or otherwise relating to the Obligations, (3) Secured Party's or Trustee's exercise of any of its rights and remedies under this Instrument, the Loan Agreement, the Notes and the other documents and instruments evidencing, securing or otherwise relating to the Obligations, or (4) the protection of the Collateral and the liens thereon and security interests therein. All such fees, costs and expenses shall be a demand obligation owing by Debtors to Secured Party and shall bear interest at the Default Rate until paid, and shall constitute a part of the Obligations and be indebtedness secured and evidenced by this Instrument. The foregoing agreements shall be perpetual and shall survive the payment or satisfaction of the Obligations and the release, reconveyance, foreclosure or other termination of this Instrument.

B. Environmental Indemnity. Debtors agree to indemnify, defend, and hold harmless Secured Party, its affiliates and related parties, and their respective directors, officers, shareholders, partners, members, employees, consultants and agents (individually, an "Indemnified Party," and collectively, "Indemnified Parties") from and against, and shall reimburse and pay Indemnified Parties with respect to, any and all claims, demands, liabilities, losses, damages (including without limitation actual, consequential, exemplary and punitive damages), causes of action, judgments, penalties, fees, costs and expenses (including without limitation attorneys' fees, court costs and legal expenses and consultants' fees and experts' fees and expenses) of any and every kind or character, known or unknown, fixed or contingent, that may be imposed upon, asserted against, or incurred or paid by or on behalf of any Indemnified Party on account of, in connection with, or arising out of (1) the breach of any representation or warranty of Debtors relating to Environmental Laws or Hazardous Materials, or (2) the failure of Debtors to perform any agreement, covenant or obligation required to be performed by Debtors relating to Environmental Laws or Hazardous Materials, (3) any violation of or failure to comply with any Environmental Law now existing or hereafter occurring, (4) the removal of Hazardous Materials from the Collateral (or if removal is prohibited by law, the taking of whatever action is required by law), (5) any act, omission, event or circumstance existing or occurring or resulting from or in connection with the ownership, construction, occupancy, operation, use or maintenance of the Collateral, regardless of whether the act, omission, event or circumstance constituted a violation of or failure to comply with any Environmental Law at the time of its existence or occurrence, and (6) any and all claims or proceedings (whether brought by private party or governmental agency) 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 Material located upon or migrating into, on, from or through the Collateral (whether or not any or all of the foregoing was caused by Debtors, a prior owner of the Collateral, an operator or prior operator of the Collateral, their respective tenants or subtenants, or any third party and whether or not the alleged liability is attributable to the handling, storage, use, treatment, processing, distribution, manufacture, generation, discharge, transportation or disposal of such Hazardous Material or the mere presence of such Hazardous Material on the Collateral). Without limiting the generality of the foregoing, it is the intention of Debtors and Debtors agree that the foregoing indemnities shall apply to each Indemnified Party with respect to claims, demands, liabilities, losses, damages (including without limitation actual, consequential, exemplary and punitive damages), causes of action, judgments, penalties, fees, costs, court costs and legal expenses and consultant's and expert's fees and expenses, of any kind or character, known or unknown, fixed or contingent, that in whole or in part are caused by or arise out of the negligence of such Indemnified Party; however, such indemnities shall not apply to any Indemnified Party to the extent the subject of the indemnification is caused by or arises out of the gross negligence or willful misconduct of such Indemnified Party. Any amount to be paid hereunder by Debtors to Secured Party or for which Debtors have indemnified an Indemnified Party shall be a demand obligation owing by Debtors to Secured Party and shall bear interest at the Default Rate until paid, and shall constitute a part of the Obligations and shall be indebtedness secured and evidenced by this Instrument. The foregoing agreements shall be perpetual and shall survive the payment or satisfaction of the Obligations and the release, reconveyance, foreclosure or other termination of this Instrument.

C. General Indemnity. Debtors agree to indemnify, defend and hold harmless Secured Party upon demand, from and against any and all liabilities, obligations, penalties, actions, judgments, suits, settlements, costs, expenses or disbursements (including reasonable fees of attorneys, accountants, experts and advisors) of any kind or nature whatsoever (in this Subsection, collectively called "liabilities and costs") which to any extent (in whole or in part) may be imposed on, incurred by, or asserted against Secured Party growing out of, resulting from or in any other way associated with any of the Collateral, this Instrument, the Notes, the Loan Agreement or any other documents or instruments evidencing, securing or relating to the Obligations, or the transactions and events (including the enforcement or defense thereof) at any time associated therewith or provided for therein. THE FOREGOING INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH LIABILITIES AND COSTS ARE IN ANY WAY OR TO ANY EXTENT CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY SECURED PARTY, provided only the Secured Party shall not be entitled under this Subsection to receive indemnification for that portion, if any, of any liabilities and costs which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment. If any person or entity (including Debtors or any of their affiliates or related parties) ever alleges such gross

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negligence or willful misconduct by Secured Party, the indemnification provided for in this Subsection shall nonetheless be paid upon demand, subject to later adjustment or reimbursement, until such time as a court of competent jurisdiction enters a final judgment as to the extent and effect of the alleged gross negligence or willful misconduct. Any amount to be paid hereunder by Debtors to Secured Party or for which Debtors have indemnified any person or entity hereunder shall be a demand obligation owing by Debtors to Security Party and shall bear interest at the Default Rate until paid, and shall constitute a part of the Obligations and the indebtedness secured and evidenced by this Instrument. As used in this Subsection the term "Secured Party" shall refer not only to the entity defined as such in the Preamble to this Instrument but also to each director, officer, partner, member, agent, attorney, employee, representative and affiliate of, and person or entity related to, such entity. The foregoing agreements shall be perpetual and shall survive the payment or satisfaction of the Obligations and the release, reconveyance, foreclosure or other termination of this Instrument.

Section 2.4 Performance by Secured Party. Debtors agree that, if Debtors fail to perform any act which Debtors are required to perform hereunder, Secured Party and Trustee may, but shall not be obligated to, perform or cause to be performed such act, and any expense incurred by Secured Party or by Trustee in connection therewith shall be a demand obligation owing by Debtors to Secured Party and shall bear interest at the Default Rate until paid, and shall constitute a part of the Obligations and be indebtedness secured and evidenced by this Instrument, and Secured Party shall be subrogated to all of the rights of the party receiving such payment. Debtors hereby irrevocably appoint Secured Party as Debtors' attorney-in-fact and proxy, with full authority in the place and stead of Debtors and in the name of Debtors or otherwise, from time to time to take any action and to execute any instrument which Secured Party may deem necessary or advisable to accomplish the foregoing and the other purposes of this Instrument. Such appointment is coupled with an interest and shall be irrevocable from the date hereof and so long as any part of the Obligations is outstanding.

ARTICLE III

Collection of Proceeds of Production

Section 3.1 Assignment of Proceeds. Pursuant to Paragraph C of the Granting Clauses of this Instrument, Secured Party is absolutely assigned, granted and transferred and entitled to receive all of the severed and extracted Hydrocarbons produced from or allocated or attributed to all of the Collateral, together with all of the proceeds, rents, income, issues and profits thereof and therefrom and payments in lieu thereof, such as "take or pay" or similar payments. Debtors acknowledge and agree that said assignment is intended to be an absolute and unconditional assignment and not merely a pledge of or creation of a security interest in said Hydrocarbons and proceeds or an assignment as additional security. Debtors shall execute, acknowledge and deliver or cause to be executed, acknowledged and delivered, transfer orders or

Hydrocarbons to make payments directly to Secured Party. All parties producing, purchasing, receiving or having in their possession any such Hydrocarbons or proceeds are hereby authorized and directed by Debtors to treat and regard Secured Party as the party entitled in Debtors' place and stand to receive such Hydrocarbons and proceeds; and said parties shall be fully protected in so treating and regarding Secured Party and shall be under no obligation to see to the application with respect to any or all such Hydrocarbons or proceeds, permit Debtors to receive such Hydrocarbons or proceeds until such time as Secured Party shall have made written demand therefor. Such election by Secured Party shall not in any way waive the right of Secured Party to demand and receive such Hydrocarbons and proceeds thereafter allocated or attributed to the Collateral and shall not in any way diminish the absolute and unconditional right of Secured Party to receive all of such Hydrocarbons and proceeds and cash proceeds not theretofore expended or distributed by Debtors. Any such Hydrocarbons or proceeds received by Debtors shall, when received, constitute trust funds in Debtors' hands and shall be held by Debtors upon an express trust for the benefit of Secured Party. Debtors hereby agree that upon the first to occur of either (i) written demand of Secured Party, or (ii) the occurrence of any event which constitutes an Event of Default (as hereinafter defined) or which upon the giving (or receiving) of notice or lapse of time, or both, would constitute such an Event of Default, all cash, proceeds, instruments and other property, of whatever kind or character, received by Debtors on account of the Collateral, whether received by Debtors in the exercise of its collection rights hereunder or otherwise, shall, in accordance with instructions then given by Secured Party, be remitted to Secured Party or deposited to an account designated by Secured Party, in the form received (properly assigned or endorsed to the order of Secured Party or for collection and in accordance with Secured Party's instructions) not later than the first banking business day following the day of receipt, to be applied as provided in Section 3.2 hereof and, until so applied, may be held by Secured Party in a separate account on which Debtors may not draw. Debtors agree not to commingle any such property with any of its other funds or property and agrees to hold the same upon an express trust for Secured Party until remitted to Secured Party.

Section 3.2 Application of Proceeds. Secured Party shall apply all of the proceeds received pursuant to Section 3.1 hereof in satisfaction of the Obligations as provided below, unless otherwise agreed to by Secured Party and Debtors. All such proceeds received and to be applied by Secured Party on or before the fifth business day of the next succeeding calendar month as follows (with any balance remaining after such application to be paid to Debtors):

A. First, to the payment to Secured Party and Trustee of all outstanding or unreimbursed fees, costs and expenses incurred by Secured Party or Trustee pursuant hereto, and any part of the Obligations not evidenced by written instrument, including without limitation, all charges and penalties, including interest thereon, due Secured Party;

Hydrocarbons to make payments directly to Secured Party. All parties producing, purchasing, receiving or having in their possession any such Hydrocarbons or proceeds are hereby authorized and directed by Debtors to treat and regard Secured Party as the party entitled in Debtors' place and stand to receive such Hydrocarbons and proceeds; and said parties shall be fully protected in so treating and regarding Secured Party and shall be under no obligation to see to the application with respect to any or all such Hydrocarbons or proceeds, permit Debtors to receive such Hydrocarbons or proceeds until such time as Secured Party shall have made written demand therefor. Such election by Secured Party shall not in any way waive the right of Secured Party to demand and receive such Hydrocarbons and proceeds thereafter allocated or attributed to the Collateral and shall not in any way diminish the absolute and unconditional right of Secured Party to receive all of such Hydrocarbons and proceeds and cash proceeds not theretofore expended or distributed by Debtors. Any such Hydrocarbons or proceeds received by Debtors shall, when received, constitute trust funds in Debtors' hands and shall be held by Debtors upon an express trust for the benefit of Secured Party. Debtors hereby agree that upon the first to occur of either (i) written demand of Secured Party, or (ii) the occurrence of any event which constitutes an Event of Default (as hereinafter defined) or which upon the giving (or receiving) of notice or lapse of time, or both, would constitute such an Event of Default, all cash, proceeds, instruments and other property, of whatever kind or character, received by Debtors on account of the Collateral, whether received by Debtors in the exercise of its collection rights hereunder or otherwise, shall, in accordance with instructions then given by Secured Party, be remitted to Secured Party or deposited to an account designated by Secured Party, in the form received (properly assigned or endorsed to the order of Secured Party or for collection and in accordance with Secured Party's instructions) not later than the first banking business day following the day of receipt, to be applied as provided in Section 3.2 hereof and, until so applied, may be held by Secured Party in a separate account on which Debtors may not draw. Debtors agree not to commingle any such property with any of its other funds or property and agrees to hold the same upon an express trust for Secured Party until remitted to Secured Party.

Hydrocarbons to make payments directly to Secured Party. All parties producing, purchasing, receiving or having in their possession any such Hydrocarbons or proceeds are hereby authorized and directed by Debtors to treat and regard Secured Party as the party entitled in Debtors' place and stand to receive such Hydrocarbons and proceeds; and said parties shall be fully protected in so treating and regarding Secured Party and shall be under no obligation to see to the application with respect to any or all such Hydrocarbons or proceeds, permit Debtors to receive such Hydrocarbons or proceeds until such time as Secured Party shall have made written demand therefor. Such election by Secured Party shall not in any way waive the right of Secured Party to demand and receive such Hydrocarbons and proceeds thereafter allocated or attributed to the Collateral and shall not in any way diminish the absolute and unconditional right of Secured Party to receive all of such Hydrocarbons and proceeds and cash proceeds not theretofore expended or distributed by Debtors. Any such Hydrocarbons or proceeds received by Debtors shall, when received, constitute trust funds in Debtors' hands and shall be held by Debtors upon an express trust for the benefit of Secured Party. Debtors hereby agree that upon the first to occur of either (i) written demand of Secured Party, or (ii) the occurrence of any event which constitutes an Event of Default (as hereinafter defined) or which upon the giving (or receiving) of notice or lapse of time, or both, would constitute such an Event of Default, all cash, proceeds, instruments and other property, of whatever kind or character, received by Debtors on account of the Collateral, whether received by Debtors in the exercise of its collection rights hereunder or otherwise, shall, in accordance with instructions then given by Secured Party, be remitted to Secured Party or deposited to an account designated by Secured Party, in the form received (properly assigned or endorsed to the order of Secured Party or for collection and in accordance with Secured Party's instructions) not later than the first banking business day following the day of receipt, to be applied as provided in Section 3.2 hereof and, until so applied, may be held by Secured Party in a separate account on which Debtors may not draw. Debtors agree not to commingle any such property with any of its other funds or property and agrees to hold the same upon an express trust for Secured Party until remitted to Secured Party.

- B. Second, to the payment or prepayment of all interest accrued on the Obligations; and
- C. Third, to the payment or prepayment of the principal of the Obligations in any order the Secured Party may elect from time to time.

If any date of application specified above shall be a Saturday, Sunday or legal holiday, the proceeds to be applied by Secured Party pursuant to this Section 3.2 shall be applied on the business day next succeeding such date which is not a Saturday, Sunday or legal holiday, and the amount to be applied as described above shall be the amount accrued up to such date. If the proceeds received by Secured Party pursuant to Section 3.1 during any month are not sufficient to make the minimum payments of principal of and interest on the Obligations required by the terms of the Loan Agreement or the Notes, then Debtors on or before the due date shall make payment to Secured Party of an amount sufficient when added to such proceeds received to make the minimum required payments of principal and interest of the Obligations.

Section 3.3 Inclusion in Sale. Upon any sale of any of the Collateral pursuant to Article V hereof and expiration of any mandatory redemption periods, the Hydrocarbons thereafter produced from or attributed to the part of the Collateral so sold, and the proceeds thereof, shall be included in such sale and shall pass to the purchaser free and clear of the provisions of this Article III.

Section 3.4 No Liability in Secured Party. Secured Party is hereby absolved from all liability for failure to enforce collection of any such proceeds and from all other responsibility in connection therewith, except the responsibility to account to Debtors for proceeds actually received.

Section 3.5 Indemnity. Debtors shall indemnify Secured Party against all claims, actions, liabilities, judgments, costs, reasonable attorneys' fees or other charges of every kind or nature (herein called "Claims") made against or incurred by Secured Party as a consequence of the assertion, either before or after the payment in full of the Obligations, that Secured Party received Hydrocarbons or proceeds pursuant to this Article III which were claimed by third persons. Secured Party shall have the right to employ attorneys and to defend against any Claims, and unless furnished with reasonable indemnity, Secured Party shall have the right to pay or compromise and adjust all Claims. Debtors shall indemnify and pay to Secured Party all such amounts as may be paid with respect thereto or as may be successfully adjudicated against Secured Party, and such amounts shall be a demand obligation owing by Debtors to Secured Party and shall bear interest at the Default Rate until paid, and shall constitute a part of the Obligations and be indebtedness secured and evidenced by this Instrument. The foregoing shall survive the payment or satisfaction of the Obligations and the release, reconveyance, foreclosure or other termination of this Instrument.

Section 3.6 Rights of Secured Party. Secured Party shall have the immediate and continuing right to demand, collect, receive and receipt for all production, proceeds and

payments assigned hereunder, and Secured Party is hereby appointed agent and attorney-in-fact of Debtors (which appointment is coupled with an interest and is irrevocable) for the purpose of executing any release, receipt, division order, transfer order, relinquishment or other instrument that Secured Party deems necessary in order for Secured Party to collect and receive such production, proceeds and payments. In addition, Debtors agree that, upon the request of Secured Party, they will promptly execute and deliver to Secured Party such transfer orders, payment orders, division orders and other instruments as Secured Party may deem necessary, convenient or appropriate in connection with the payment and delivery directly to Secured Party of all proceeds, production, and payments assigned hereunder. Debtors hereby authorize and direct that, upon the request of Secured Party, all pipeline companies, purchasers, transporters and other parties now or hereafter purchasing Hydrocarbons produced from or allocated or attributed to the Collateral or any other interest of Debtors (whether now owned or hereafter acquired by operation of law or otherwise) shall, upon the request of Secured Party, pay and deliver such proceeds, production or amounts directly to Secured Party at Secured Party's address set forth in the introduction to this Instrument, or in such other manner as Secured Party may direct such parties in writing, and this authorization shall continue until the assignment of production and proceeds contained herein is released and reassigned. Debtors agree that all division orders, transfer orders, receipts and other instruments that Secured Party may from time to time execute and deliver for the purpose of collecting and receipting for such proceeds, production or payments may be relied upon in all respects, and that the same shall be binding upon Debtors and their successors and assigns. No payor making payments to Secured Party at its request under the assignment of production and proceeds contained herein shall have any responsibility to see to the application of any of such funds, and any party paying or delivering proceeds, production or amounts to Secured Party under such assignments shall be released thereby from any and all liability to Debtors to the full extent and amount of all payments, production or proceeds so delivered. Debtors agree to indemnify and hold harmless any and all parties making payments to Secured Party, at the request of the Secured Party under the assignment of production and proceeds contained herein, against any and all liabilities, actions, claims, judgments, costs, charges and attorneys' fees and legal expenses resulting from the delivery of such payments to Secured Party. The indemnity agreement contained in the previous sentence is made for the direct benefit of and shall be enforceable by all such persons and shall survive the termination of this Instrument. Should Secured Party bring suit against any third party for collection of any amounts or sums included within the assignment of production and proceeds contained herein (and Secured Party shall have the right to bring any such suit), it may sue either in its own name or in the name of Debtors, or both.

Section 3.7 Change of Connection. Should any purchaser taking the production from the Collateral or any other interest of Debtors (whether now owned or hereafter acquired by operation of law or otherwise), in, to or relating to the Land or to any of the estates, property, rights or other interests included in the Collateral, or any part thereof, fail to make any payment promptly to Secured Party, in accordance with the assignment of production and proceeds herein made, then Secured Party, to the fullest extent permissible under applicable law, shall have the right to demand a change of connection and to designate another purchaser with whom a new connection may be made, without any liability on the part of Secured Party in making such selection; and failure of Debtors to consent to and promptly effect such change of connection shall constitute an Event of Default under Article V below.

Section 3.8 No Delegation or Assumption. Nothing in this Instrument shall be deemed or construed to create a delegation to or assumption by Secured Party, of the duties and obligations of Debtors under any agreement or contract relating to the Collateral or any portion thereof, and all of the parties to any such contract shall continue to look to Debtors for performance of all covenants and other obligations and the satisfaction of all representations, warranties, covenants, indemnities and other agreements of Debtors thereunder, notwithstanding the assignment of production and proceeds contained herein or the exercise by Secured Party, prior to foreclosure, of any of its rights hereunder or under applicable law.

Section 3.9 Cumulative. The assignment of production and proceeds contained herein shall not be construed to limit in any way the other rights and remedies of Secured Party hereunder, including without limitation, its right to accelerate the indebtedness evidenced by the obligations upon an Event of Default and the other rights and remedies herein conferred, conferred in the other documents and instruments evidencing, securing or relating to the obligations, or conferred by operation of law. Monies received under the assignment of production and proceeds contained herein shall not be deemed to have been applied in payment of the obligations unless and until such monies actually are applied thereto by Secured Party.

ARTICLE IV

Termination and Release

Section 4.1 Release Upon Termination. If all of the Obligations shall be paid in full and otherwise satisfied pursuant to the terms and conditions of this Instrument and the other documents and instruments evidencing, securing or relating to the Obligations, and if Debtors shall have well and truly performed all of the covenants and agreements herein contained, and if Secured Party has no further obligation to advance any amounts to Debtors, then all of the Collateral shall revert to Debtors, the liens and security interests created by this Instrument shall terminate and Secured Party or Trustee, or both, as required by applicable law, shall, promptly after the request of Debtors or as otherwise required by applicable law, execute, acknowledge and deliver to Debtors a release or reconveyance of this Instrument and such other instruments as

may be necessary to evidence the termination of the liens and security interests created by this Instrument.

Section 4.2 Partial Release. No partial release or reconveyance from the liens and security interests created by this Instrument or of the Collateral by Trustee or Secured Party shall in any way alter, vary or diminish the force or effect of this Instrument or impair, release or subordinate the liens and security interests created by this Instrument on the remainder of the Collateral. Except as specifically provided in any such partial release or reconveyance (i) this Instrument and liens and security interests created hereby shall remain in full force and effect, (ii) such partial release or reconveyance will not modify or affect the terms, conditions or provisions of this Instrument, and (iii) nothing contained in any such partial release or reconveyance shall be deemed to be, or construed as, a waiver of any such terms, conditions or provisions or as a waiver of any other term, condition or provision.

Section 4.3 Execution. Except as may be required by applicable law, Secured Party shall have full power and authority to execute, acknowledge and deliver any release or reconveyance of this Instrument without the joinder therein or execution thereof by Trustee, and any such release or reconveyance shall be binding upon Secured Party and Trustee. All releases and reconveyances executed in connection with this Instrument shall be without warranty of any kind, express, implied or statutory.

Section 4.4 Costs, Expenses and Effect. Debtors shall pay all legal fees and other fees, costs and expenses incurred by Secured Party and Trustee for preparing and reviewing instruments of termination and release or reconveyance and the execution and delivery thereof and Secured Party may require payment of the same prior to delivery of such instruments. The release and reconveyance of this Instrument and the termination of the liens and security interests created by this Instrument, in whole or in part, shall not terminate or otherwise affect Secured Party's right or ability to exercise any right, power or remedy relating to any claim for breach of warranty or representation, for failure to perform any covenant or other agreement, under any indemnity or for fraud, deceit or other misrepresentation or omission.

ARTICLE V

Default

Section 5.1 Events of Default. The occurrence of any of the following events shall constitute an event of default ("Event of Default") and upon the occurrence thereof the liens and security interests created hereby shall be subject to foreclosure in any manner provided for herein or provided for by applicable law:

A. Failure of Debtors to pay any fee or other amount due Secured Party or Trustee under this Instrument within 10 days after the date that any such payment is due;

B. Failure of Debtors to perform or observe any covenant, agreement, indemnity, condition or provision in this Instrument and such failure shall continue for 30 days after written notice of such failure has been given to Debtor;

C. Any of Debtors' representations or warranties made in this Instrument or any statement or certificate at any time given in writing pursuant hereto or in connection herewith shall be false or misleading in any material respect as of the date made or deemed made; or

D. An "Event of Default" as defined in the Loan Agreement shall occur.

Section 5.2 Treatment of Fixtures. Upon the occurrence of any Event of Default, or at any time thereafter, if deemed appropriate by Secured Party or if required by applicable law, Secured Party may elect to treat the fixtures included in the Collateral either as real property or as personal property, or both, and proceed to exercise such rights as apply to the type of property selected.

Section 5.3 Foreclosure. Upon the occurrence of any Event of Default, or at any time thereafter, in addition to any other rights, powers and remedies herein conferred or conferred by operation of law, Secured Party and Trustee shall have all of the rights, powers and remedies of a secured party, a beneficiary under a deed of trust, and a trustee under a deed of trust granted under applicable law. Secured Party may, without notice, demand or declaration of default, which are hereby waived by Debtors to the extent such waiver is not prohibited by applicable law, declare all indebtedness secured hereby due and payable, and whether or not Secured Party exercises such option, it may, at its option and in its sole discretion, without any prior notice to or demand upon Debtors, proceed by one or more actions in equity or at law for the seizure and sale of the Collateral or any portion thereof, for the foreclosure or sale of the Collateral or any portion thereof by judicial foreclosure by appropriate proceedings in any court of competent jurisdiction, by the power of sale granted herein, by a trustee's sale, or in any other manner then permitted by law, for the specific performance of any covenant or agreement of Debtors herein contained or in aid of the execution of any right, power or remedy herein granted, or for the enforcement of any other appropriate equitable or legal remedy and to recover judgment against Debtors. In furtherance, and not in limitation, thereof:

A. Deed of Trust. This Instrument shall constitute a trust deed under applicable law, as amended and as may be amended from time to time, or any future law containing provisions under which the sale of property securing debts is authorized or permitted; and upon an Event of Default, or any time thereafter, Trustee shall, whenever requested by Secured Party, cause the Collateral to be sold in accordance with the provisions thereof and hereof. In addition, upon the occurrence of an Event of Default, or at any time thereafter, this Instrument may be foreclosed as to any of the Collateral by judicial action or in any manner then permitted by applicable law.

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B. Election. In the event a sale of the Collateral under the power of sale shall be commenced by Trustee, Secured Party may at any time before the sale of the Collateral, elect to abandon the sale, and Secured Party may then institute a suit for the collection of the Obligations and for the foreclosure of this Instrument by judicial action. It is agreed that if Secured Party should institute a suit for the foreclosure of this Instrument by judicial action, Secured Party may at any time before the entry of a final judgment, dismiss such suit, and then sell, cause to be sold or direct Trustee to sell, the Collateral under the power of sale herein granted in accordance with the provisions of this Instrument.

C. Additional Actions. This Instrument shall also constitute and may be enforced from time to time as an assignment, chattel mortgage, contract, deed of trust, financing statement and security agreement, and from time to time as any one or more thereof as appropriate under applicable law. Secured Party shall be entitled to all of the rights, remedies and benefits of a secured party and a beneficiary granted under applicable law; and, to the fullest extent of such law, shall be entitled to enforce such rights, remedies and benefits. Debtors intend and hereby grant to Secured Party all rights, powers and remedies accorded a secured party and a beneficiary under applicable law whether or not such rights, powers and remedies are expressly granted or reserved herein.

D. Notice, Place and Manner of Sale. Any sale of the Collateral under this Article V shall take place at such place or places and otherwise in such manner and upon such notice as may be required by law; or, in the absence of any such requirement, as Secured Party may deem appropriate. Debtors expressly agree that, except as may be required by applicable law, Secured Party or Trustee may offer the Collateral as a whole or in such parcels or lots as Secured Party or Trustee elects, regardless of the manner in which the Collateral may be described.

E. Postponement of Sale. Any sale of the Collateral conducted under this Article V may be postponed from time to time as provided by applicable law; or, in the absence of any such provisions, Secured Party may postpone the sale of the Collateral or any part thereof by public announcement at the time and place of such sale, and from time to time thereafter may further postpone such sale by public announcement made at the time of sale fixed by the preceding postponement. Sale of a part of the Collateral will not exhaust the power of sale, and sales may be made from time to time until all Collateral is sold or the Obligations are paid in full.

F. Secured Party's Right to Purchase. Secured Party shall have the right to bid or to become the purchaser at any sale made pursuant to the provisions of this Article V, and shall have the right to credit upon the amount of the bid made therefor the amount payable to it out of the net proceeds of such sale.

G. Conveyance to Purchaser. Any deed, bill of sale or other conveyance executed by or on behalf of Trustee, Secured Party, the sheriff or other official

or party responsible for conducting the sale shall be prima facie evidence of the compliance with all statutory requirements for the sale and execution of such deed, bill of sale or other conveyance and will conclusively establish the truth and accuracy of the recitals and other matters stated therein, including, without limitation, nonpayment or nonperformance of the Obligations, violation of the terms and covenants contained herein, and the advertisement and conduct of such sale in the manner provided herein or as provided by applicable law. Debtors do hereby ratify and confirm all legal acts that Trustee and Secured Party may do in carrying out the provisions of this Instrument. Any sale of the Collateral or any portion thereof pursuant to the provisions of this Article V, the receipt by Secured Party, Trustee, the sheriff or other official for conducting the sale, shall be sufficient discharge to the purchaser or purchasers at any sale for the purchase money, and such purchaser or purchasers and the heirs, devisees, personal representatives, successors and assigns thereof shall not, after paying such purchase money and receiving such receipt of Secured Party, Trustee, the sheriff or such other official or party, be obliged to see to the application thereof or be in anywise answerable for any loss, misapplication or nonapplication thereof. Any purchaser at a sale will, subject to mandatory redemption periods, if any, receive immediate possession of the Collateral purchased, and Debtors agree that if Debtors retain possession of the Collateral or any part thereof subsequent to such sale, Debtors will be considered a tenant at sufferance of the purchaser, and will, if Debtors remains in possession after demand to remove, be guilty of forcible detainer, and will be subject to eviction and removal, forcible or otherwise, with or without process of law and all damages to Debtors by reason thereof are hereby expressly waived by Debtors.

H. Federal Transfers. Upon a sale conducted pursuant to this Article V of all or any portion of the Collateral consisting of interests (the "Federal Interests") in leases, easements, rights-of-way, agreements or other documents and instruments covering, affecting or otherwise relating to federal lands (including, without limitation, leases, easements and rights-of-way issued by the Bureau of Land Management); Debtors agree to take all action and execute all instruments necessary or advisable to transfer the Federal Interests to the purchaser at such sale, including without limitation, to execute, acknowledge and deliver assignments of the Federal Interests on officially approved forms in sufficient counterparts to satisfy applicable statutory and regulatory requirements, to seek and request approval thereof and to take all other action necessary or advisable in connection therewith. Debtors hereby irrevocably appoint Secured Party as Debtors' attorney-in-fact and proxy, with full power and authority in the place and stead of Debtors, in the name of Debtors or otherwise, to take any such action and to execute any such instruments on behalf of Debtors that Secured Party may deem necessary or advisable to so

transfer the Federal Interests, including without limitation, the power and authority to execute, acknowledge and deliver such assignments, to seek and request approval thereof and to take all other action deemed necessary or advisable by Secured Party in connection therewith; and Debtors hereby adopt, ratify and confirm all such actions and instruments. By separate instruments Debtor has also irrevocably appointed Secured Party as Debtor's attorney-in-fact and proxy, with full power and authority in the place and stead of Debtor, in the name of Debtor or otherwise, to take any such action and to execute any such instruments on behalf of Debtor that Secured Party may deem necessary or advisable to so transfer the Federal Interests, including without limitation, the power and authority to execute, acknowledge and deliver such assignments, to seek and request approval thereof and to take all other action deemed necessary to advisable by Secured Party in connection therewith; and by such separate instruments Debtor has adopted, ratified and confirmed all such actions and instruments. Such powers of attorney and proxies are coupled with an interest, shall survive the dissolution, termination, reorganization or other incapacity of Debtors and shall be irrevocable. No action taken by Secured Party shall constitute acknowledgment of, or assumption of liabilities relating to, the Federal Interests, and neither Debtors nor any other party may claim that Secured Party is bound, directly or indirectly, by any such action.

Section 5.4 Personal Property. Upon the occurrence of any Event of Default, or at any time thereafter, in addition to all other rights, powers and remedies herein conferred or conferred by operation of law, Secured Party shall have all of the rights and remedies of an assignee and secured party granted by applicable law, including without limitation, the applicable Uniform Commercial Code as then in effect, and shall, to the extent permitted by applicable law, have the right and power, but not the obligation, to take possession of the personal property included in the Collateral and any proceeds thereof wherever located, and for that purpose Secured Party may enter upon any premises on which any or all of such personal property is located and take possession of and operate such personal property or remove the same therefrom. Secured Party may require Debtors to assemble such personal property and make it available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties. The following presumptions shall exist and shall be deemed conclusive with regard to the exercise by Secured Party of any of its remedies with respect to personal property:

A. If notice is required by applicable law, Debtors agree that five days prior written notice of the time and place of any public sale or of the time after which any private sale or any other intended disposition thereof is to be made shall be deemed reasonable notice to Debtors. No such notice is necessary if such property is perishable, threatens to decline speedily in value or is of a type customarily sold on a recognized market.

B. If Secured Party in good faith believes that the Securities Act of 1933 or any other state or federal law prohibits or restricts the customary manner of sale or distribution of any of such property, Secured Party may sell such property privately or in

any other manner deemed advisable by Secured Party at such price or prices as Secured Party determines in its sole discretion. Debtors recognize that such prohibition or restriction may cause such property to have less value than it otherwise would have and that, consequently, such sale or disposition by Secured Party may result in a lower sales price than if the sale were otherwise held.

Section 5.5 Possession. Upon the occurrence of any Event of Default, or at any time thereafter, in addition to all other rights, powers and remedies herein conferred or conferred by operation of law, Secured Party shall, to the extent not prohibited by applicable law, have the right and power, but not the obligation, to enter upon and take immediate possession of the Collateral or any portion thereof, to exclude Debtors therefrom, to hold, use, operate, manage, enjoy and control such Collateral, to make all such repairs, replacements, alterations, additions and improvements to the same as Secured Party may deem proper or expedient, to sell all of the severed and extracted Hydrocarbons included in the same subject to the provisions of Article III hereof, to demand, collect and retain all other earnings, rents, issues, profits, proceeds and other sums due or to become due with respect to such Collateral accounting for and applying to the payment of the Obligations only the net earnings arising therefrom after charging against the receipts therefrom all fees, costs, expenses, charges, damages and losses incurred by reason thereof plus interest thereon at the Default Rate without any liability to Debtors in connection therewith. Such possession shall at once be delivered to Secured Party upon request, and on refusal or failure to so deliver possession, the delivery of such possession may be enforced by Secured Party by any appropriate civil suit, proceeding or other action.

Section 5.6 Appointment of Receiver. Upon the occurrence of any Event of Default, or at any time thereafter, in addition to all other rights, powers and remedies herein conferred or conferred by operation of law, Secured Party shall be entitled to the appointment of a receiver of the Collateral without the necessity of the posting of a bond or notice; and shall, to the extent not prohibited by applicable law, be entitled to such receiver as a matter of right, without regard to the solvency or insolvency of Debtors, the value or adequacy of the Collateral or the Collateral being in danger of being materially injured or reduced in value as security by removal, destruction, deterioration, accumulation of prior liens or otherwise; and such receiver may be appointed by any court of competent jurisdiction upon *ex parte* application, and without notice, notice being expressly waived by Debtors to the extent such waiver is not prohibited by applicable law. Debtors do hereby consent to the appointment of such receiver or receivers, waive any and all defenses to such appointment, and agree not to oppose any application therefor by Secured Party, and agrees that such appointment shall in no manner impair, prejudice or otherwise affect the rights of Secured Party under this Article V. Nothing herein is to be construed to deprive Secured Party of any other right, remedy or privilege it may now or hereafter have under law to have a receiver appointed. Any money advanced by Secured Party in connection with any such receivership shall be a demand obligation owing by Debtors to Secured Party and shall bear interest, from the date of making such advancement until paid, at the Default Rate. Any such receiver shall have all powers conferred by the court appointing such receiver, which powers shall, to the extent not prohibited by applicable law include, without limitation, the

right to enter upon and take immediate possession of the Collateral or any part thereof, to exclude Debtors therefrom, to hold, use, operate, manage and control such Collateral, to make all such repairs, replacements, alterations, additions and improvements to the same as such receiver or Secured Party may deem proper or expedient, to sell all of the severed and extracted Hydrocarbons included in the same subject to the provisions of Article III hereof, to demand and collect all of the other earnings, rents, issues, profits, proceeds and other sums due or to become due with respect to such Collateral, accounting for only the net earnings arising therefrom after charging against the receipts therefrom all fees, costs, expenses, charges, damages and losses incurred by reason thereof plus interest thereon at the Default Rate without any liability to Debtors in connection therewith which net earnings shall be turned over by such receiver to Secured Party to be applied by Secured Party to the payment of the Obligations in the order set forth in Section 5.10.

Section 5.7 Waiver by Debtors. To the extent not prohibited by applicable law, Debtors agree that Debtors shall not at any time have, invoke, utilize or assert any right under any laws pertaining to the marshaling of assets or liens, the sale of property in the inverse order of alienation, the exemption of homesteads, the administration of estates of decedents, appraisement, moratorium, valuation, stay, extension or redemption now or hereafter in force, and Debtors hereby waives the benefit of all such laws to the fullest extent not prohibited by applicable law.

Section 5.8 Remedies Cumulative. All rights, powers and remedies herein conferred are cumulative, and not exclusive, of (a) any and all other rights and remedies herein conferred, (b) any and all rights, powers and remedies provided for in any other documents or instruments and all other rights, powers and remedies provided for in any other documents or instruments evidencing, securing or relating to the Obligations, and Secured Party shall, in addition to the rights, powers and remedies herein conferred, be entitled to avail itself of all such other rights, powers and remedies as may now or hereafter exist at law or in equity for the collection of and enforcement of the Obligations and the enforcement of the warranties, representations, covenants, indemnities and other agreements contained in this Instrument and the other documents and instruments evidencing, securing or relating to the Obligations and the foreclosure of the liens and security interests created by this Instrument. Each and every such right, power and remedy may be exercised from time to time and as often and in such order as may be deemed expedient by Secured Party and the exercise of any such right, power or remedy shall not be deemed a waiver of the right to exercise, at the same time or thereafter, any other right, power or remedy. No delay or omission by Secured Party or by Trustee, the sheriff or other official or person in the exercise of any right, power or remedy will impair any such right, power or remedy or operate as a waiver thereof or of any other right, power or remedy then or thereafter existing.

Section 5.9 Costs and Expenses. All fees, costs and expenses (including, without limitation, reasonable attorneys' fees and legal expenses, court costs, filing fees, and mortgage, transfer, stamp and other excise taxes, inspection fees, appraisers' fees, outlays for documentary

and expert evidence, stenographers' charges, publication, notice and advertising costs, postage, photocopies, telephone charges and costs of procuring all abstracts of title, title searches and examinations, title opinions, title insurance policies and similar title data and assurances as bidders at the sales that may be had pursuant to such proceeding the condition of the title to or the value of the Collateral, trustee's fees and expenses, sheriff's fees and expenses, receiver's fees and expenses, and fees and expenses of agents of Secured Party and Trustee, costs and expenses of defending, protecting and maintaining the Collateral and Secured Party's and Trustee's interest therein including repair and maintenance costs and expenses and costs and expenses of protecting and securing the Collateral including insurance costs and all other fees, costs and expenses provided for or authorized by applicable law), incurred by or on behalf of Secured Party or Trustee in protecting and enforcing their rights hereunder or incident to the enforcement of this Instrument and the liens and security interests created hereby, shall be a demand obligation owing by Debtors to Secured Party and shall bear interest at the Default Rate until paid, and shall constitute a part of the Obligations and be indebtedness secured and evidenced by this Instrument.

Section 5.10 Application of Proceeds. The proceeds of any sale of the Collateral or any part thereof pursuant to this Article V shall be applied as may be required by applicable law, or, in the absence of any such requirements, as follows:

A. First, to the payment of all fees, costs and expenses incident to the enforcement of this Instrument and the liens and security interests created hereby, including without limitation, the fees, costs and expenses described in Section 5.9 hereof;

B. Second, to the payment or prepayment of accrued interest remaining unpaid on the Notes;

C. Third, to the payment or prepayment of principal remaining unpaid on the Notes in such order as Secured Party may elect;

D. Fourth, to the payment or prepayment of the Obligations other than the Obligations evidenced by the Notes in such order as Secured Party may elect; and

E. Fifth, the remainder, if any, shall be paid to Debtors or such other person or persons as may be legally entitled thereto.

Section 5.11 Waiver of Statute of Limitations. Debtors hereby waive the right to assert any statute of limitations as a defense to the Obligations (including, without limitation, the indebtedness, liabilities and obligations under and pursuant to this Instrument, the Notes, the Loan Agreement and any other instrument evidencing, securing or otherwise relating to the Obligations), to the fullest extent permitted by applicable law.

Section 5.12 Limitation on Rights and Waivers. All rights, powers and remedies herein conferred shall be exercisable by Trustee and Secured Party only to the extent not prohibited by applicable law; and all waivers and relinquishments of rights and similar matters shall only be effective to the extent such waivers or relinquishments are not prohibited by applicable law.

ARTICLE VI

Trustee

Section 6.1 Resignation and Removal of Trustee. Trustee may resign in writing addressed to Secured Party, or be removed at any time with or without cause by an instrument in writing duly executed by Secured Party, and such resignation or removal shall be effective upon the appointment of a successor Trustee. In case of the death, resignation or removal of Trustee, a successor Trustee may be appointed by Secured Party as may be required by applicable law or, in the absence of any such requirement, by Secured Party without formality other than an appointment and designation in writing. Such appointment and designation will be full evidence of the right and authority to make the same and of all facts therein recited, and upon the making of any such appointment and designation, this Instrument will vest in the named successor trustee all the right, title and interest of Trustee in and to all of the Collateral, and said successor will thereupon succeed to all the rights, powers, privileges, immunities and duties hereby conferred upon Trustee. All references herein to Trustee shall be deemed to refer to the Trustee from time to time acting hereunder.

Section 6.2 Substitute Trustees and Agents. To the extent not prohibited by applicable law, Trustee may appoint or delegate any one or more persons as agents to perform any act or acts of Trustee under this Instrument in the name and on behalf of Trustee, including any act or acts necessary or incident to any sale conducted by Trustee. If Trustee shall have given notice of sale hereunder, any successor trustee may complete the sale and the conveyance of the Collateral pursuant thereto as if such notice had been given by the successor trustee conducting the sale. To facilitate the administration of the Trustee's duties under this Instrument, Secured Party may appoint multiple trustees to serve in such capacity or in such jurisdictions as Secured Party may designate.

Section 6.3 Liability of Trustee. 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, except for Trustee's gross negligence, willful misconduct or bad faith. 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 Trustee hereunder, believed by Trustee in good faith to be genuine. All monies 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 monies except to the extent required by law, and

Trustee shall be under no liability for interest on any monies received by Trustee hereunder except as may be provided by applicable law. Debtors hereby ratify and confirm any and all acts Trustee shall do lawfully by virtue hereof.

Section 6.4 Indemnification of Trustee. Debtors shall reimburse Trustee for, and save Trustee harmless against, any and all liability and expenses which may be incurred by Trustee in the performance of Trustee's duties, except to the extent attributable to Trustee's gross negligence, willful misconduct or bad faith. In addition, Debtors shall indemnify Trustee against any and all claims, actions, liabilities, judgments, costs, expenses, attorneys' fees or other charges of whatsoever kind or nature made against or incurred by Trustee, and arising out of, or in any way relating to, Trustee performing the duties of Trustee hereunder, except to the extent attributable to Trustee's gross negligence, willful misconduct or bad faith.

ARTICLE VII

Miscellaneous Provisions

Section 7.1 Waiver. Any and all covenants of Debtors in this Instrument may from time to time, be waived by Secured Party by an instrument in writing signed by Secured Party to such extent and in such manner as Secured Party may desire, but no such waiver will ever affect or impair Secured Party's rights hereunder, except to the extent specifically stated in such written instrument. All changes to, amendments and modifications of this Instrument must be in writing and signed by Secured Party.

Section 7.2 Severability. If any provision of this Instrument or of any of the instruments and documents evidencing, securing or relating to the Obligations is invalid or unenforceable in any jurisdiction, such provision shall be fully severable from this Instrument and the other provisions hereof and of said instruments and documents shall remain in full force and effect in such jurisdiction and the remaining provisions hereof shall be liberally construed in favor of Secured Party and Trustee in order to carry out the provisions and intent hereof. The invalidity of any provision of this Instrument in any jurisdiction shall not affect the validity or enforceability of any such provision in any other jurisdiction.

Section 7.3 Subrogation. This Instrument is made with full substitution and subrogation of Secured Party and Trustee in and to all covenants and warranties by others heretofore given or made with respect to the Collateral or any part thereof.

Section 7.4 Financing Statement. This Instrument shall be deemed to be and may be enforced from time to time as an assignment, contract, deed of trust, financing statement or security agreement, and from time to time as any one or more thereof is appropriate under applicable state law. A carbon, photographic or other reproduction of this Instrument or of any

financing statement in connection herewith shall be sufficient as a financing statement for any and all purposes.

Section 7.5 Rate of Interest. All interest required hereunder and under the Obligations shall be calculated on the basis of a year of 360 days.

Section 7.6 Recording. All recording references in Exhibit "A" are to the official real property records of the county in which the affected Land is located and in which records such documents are or in the past have been customarily recorded, whether real estate records, deed records, oil and gas records, oil and gas lease records or other records. The references in this instrument and in Exhibit "A" to liens, encumbrances and other burdens are for the purposes of defining the nature and extent of Debtors' warranties and shall not be deemed to ratify, recognize or create any rights in third parties.

Section 7.7 Execution in Counties. This instrument may be executed in one or more original counterparts. To facilitate filing and recording, there may be omitted from any counterpart the parts of Exhibit "A" containing specific descriptions of the Collateral that relate to land located in counties other than the county in which the particular counterpart is to be filed or recorded. Each counterpart shall be deemed to be an original for all purposes, and all counterparts shall together constitute but one and the same instrument.

Section 7.8 Notices. All notices and other communications made or required to be given pursuant to this instrument shall be in writing and shall be deemed given if delivered personally or by facsimile transmission (if receipt is confirmed by the facsimile operator or the recipient), or delivered by overnight courier service or mailed by registered or certified mail (return receipt requested), postage prepaid, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice; provided that notices of a change of address shall be effective only upon receipt thereof):

To Debtors:

Foreland Corporation
Eagle Springs Production Limited Liability Corporation
12596 West Bayaud, Suite 300
Lakewood, CO 80228
Attn: N. Thomas Steele
Facsimile No. (303) 988-3234

To Secured Party:

Energy Income Fund, L.P.
136 Dwight Road
Longmeadow, Massachusetts 01106
Attn: Robert D. Gershen
Facsimile No.: (713) 567-7926

Any notice hereunder delivered in person or by facsimile (if receipt is confirmed by the facsimile operator of the recipient) shall be deemed given on the date thereof, any notice by registered or certified mail shall be deemed given three days after the date of mailing; and any notice by overnight courier shall be deemed given two days after shipment or the date of receipt, whichever is earlier.

Section 7.9 Binding Effect. This Instrument shall bind and inure to the benefit of the respective successors and assigns of Debtors, Secured Party and Trustee. Notwithstanding any other provision of this Instrument, if any right, interest or estate in property granted by this Instrument or pursuant hereto does not vest upon the date hereof, such right, interest or estate shall vest, if at all, within 21 years less 1 day after the death of the last surviving descendant of Joseph P. Kennedy, father of John F. Kennedy, former President of the United States of America, who is living on the date of the execution of this Instrument by Debtors or the effective date hereof, whichever is earlier.

Section 7.10 References. All references in this Instrument to Exhibits, Articles, Sections, Subsections, paragraphs, subparagraphs and other subdivisions refer to the Exhibits, Articles, Sections, Subsections, paragraphs, subparagraphs and other subdivisions of this

Instrument unless expressly provided otherwise. Titles and headings appearing at the beginning of any subdivision are for convenience only and do not constitute any part of any such subdivision and shall be disregarded in construing the language contained in this Instrument. The words "this Instrument," "herein," "hereof," "hereby," "hereunder" and words of similar import refer to this Instrument as a whole and not to any particular subdivision unless expressly so limited. The phrases "this Section," "this Subsection," "this paragraph," "this subparagraph" and similar phrases refer only to the Sections, Subsections, paragraphs or subparagraphs hereof in which the phrase occurs. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Loan Agreement. The word "or" is not exclusive. All references to days are to calendar days unless otherwise specifically stated. Pronouns in the singular form shall be construed to include the plural and words in the plural form shall be construed to include the singular, unless the context otherwise requires.

Section 7.11 Filing. Some of the above described goods are or are to become fixtures on the Land described in Exhibit "A". This Instrument is to be filed for record in, among other places, the real estate records of each county identified in Exhibit "A". This Instrument

covers fixtures and minerals or the like or other substances of value which may be extricated from the earth (including oil and gas) and the accounts relating thereto, including accounts resulting from the sale thereof at the wellhead. Debtors are the owner of an interest of record in the real estate concerned.

Section 7.12 Override Assignments. By instruments entitled Assignment of Overriding Royalty Interests (the "Override Assignments"), dated effective as of January 1, 1998, at 7:00 A.M. local time and executed as of the date of this Instrument, Debtors assigned to Secured Party certain overriding royalty interests covering and related to the Land as more specifically described therein. The Override Assignments were executed and delivered immediately prior to the execution and delivery of this Instrument, and are intended to be and shall be an absolute, unconditional, indefeasible and perpetual assignments and transfers from Debtors to Secured Party.

Section 7.13 WAIVER OF JURY TRIAL, PUNITIVE DAMAGES, ETC.

DEBTORS HEREBY: (A) KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WAIVE, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION BASED HEREON, OR DIRECTLY OR INDIRECTLY AT ANY TIME ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS INSTRUMENT, THE NOTES, THE LOAN AGREEMENT OR ANY OTHER DOCUMENTS AND INSTRUMENTS EVIDENCING, SECURING OR RELATING TO THE OBLIGATIONS OR ANY TRANSACTION PROVIDED FOR THEREIN OR ASSOCIATED THEREWITH, BEFORE OR AFTER MATURITY; (B) IRREVOCABLY WAIVE, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT THEY MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES, OR DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES; (C) CERTIFIES THAT NO PARTY HERETO NOR ANY REPRESENTATIVE OR AGENT OR COUNSEL FOR ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS, AND (D) ACKNOWLEDGES THAT THEY HAVE BEEN INDUCED TO ENTER INTO THIS INSTRUMENT, THE NOTES, THE LOAN AGREEMENT AND ANY OTHER DOCUMENTS AND INSTRUMENTS EVIDENCING, SECURING OR RELATING TO THE OBLIGATIONS AND THE TRANSACTIONS PROVIDED FOR HEREIN AND THEREIN, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION.

Section 7.14 USURY SAVINGS. IT IS THE INTENTION OF THE PARTIES HERETO TO COMPLY WITH ALL APPLICABLE USURY LAWS; ACCORDINGLY, IT IS AGREED THAT NOTWITHSTANDING ANY PROVISIONS TO THE CONTRARY IN THIS INSTRUMENT, THE NOTES, THE LOAN AGREEMENT OR ANY OTHER DOCUMENTS OR INSTRUMENTS EVIDENCING, SECURING OR OTHERWISE RELATING TO THE

OBLIGATIONS, IN NO EVENT SHALL SUCH DOCUMENTS OR INSTRUMENTS REQUIRE THE PAYMENT OR PERMIT THE COLLECTION OF INTEREST (WHICH TERM, FOR PURPOSES HEREOF, SHALL INCLUDE ANY AMOUNT WHICH, UNDER APPLICABLE LAW, IS DEEMED TO BE INTEREST, WHETHER OR NOT SUCH AMOUNT IS CHARACTERIZED BY THE PARTIES AS INTEREST) IN EXCESS OF THE MAXIMUM AMOUNT PERMITTED BY SUCH LAWS, IF ANY EXCESS INTEREST IS UNINTENTIONALLY CONTRACTED FOR, CHARGED OR RECEIVED UNDER THE NOTES OR UNDER THE TERMS OF THIS INSTRUMENT, THE LOAN AGREEMENT, THE LOAN AGREEMENT OR ANY OTHER DOCUMENTS OR INSTRUMENTS EVIDENCING, SECURING OR RELATING TO THE MATURITY OF THE INDEBTEDNESS EVIDENCED BY THE NOTES IS ACCELERATED IN WHOLE OR IN PART, OR IN THE EVENT THAT ALL OR PART OF THE PRINCIPAL OR INTEREST OF THE NOTES SHALL BE PREPAID, SO THAT THE AMOUNT OF INTEREST CONTRACTED FOR, CHARGED OR RECEIVED UNDER THE AMOUNT OF INTEREST CONTRACTED FOR, CHARGED OR RECEIVED UNDER THE NOTES OR UNDER THIS INSTRUMENT, THE LOAN AGREEMENT OR ANY OTHER DOCUMENTS OR INSTRUMENTS EVIDENCING, SECURING OR RELATING TO THE OBLIGATIONS, ON THE AMOUNT OF PRINCIPAL ACTUALLY OUTSTANDING FROM TIME TO TIME UNDER THE NOTES SHALL EXCEED THE MAXIMUM AMOUNT OF INTEREST PERMITTED BY THE APPLICABLE USURY LAWS, THEN IN ANY SUCH EVENT (A) THE PROVISIONS OF THIS SECTION SHALL GOVERN AND CONTROL, (B) NEITHER DEBTORS NOR ANY OTHER PERSON OR ENTITY NOW OR HEREAFTER LIABLE FOR THE PAYMENT THEREOF, SHALL BE OBLIGATED TO PAY THE AMOUNT OF SUCH INTEREST TO THE EXTENT THAT IT IS IN EXCESS OF THE MAXIMUM AMOUNT OF INTEREST PERMITTED BY SUCH APPLICABLE USURY LAWS, (C) ANY SUCH EXCESS WHICH MAY HAVE BEEN COLLECTED SHALL BE EITHER APPLIED AS A CREDIT AGAINST THE THEN UNPAID PRINCIPAL AMOUNT THEREOF OR REFUNDED TO DEBTORS AT SECURED PARTY'S OPTION, AND (D) THE EFFECTIVE RATE OF INTEREST SHALL BE AUTOMATICALLY REDUCED TO THE MAXIMUM LAWFUL RATE OF INTEREST ALLOWED UNDER THE APPLICABLE USURY LAWS AS NOW OR HEREAFTER CONSTRUED BY THE COURTS HAVING JURISDICTION THEREOF. IT IS FURTHER AGREED THAT WITHOUT LIMITATION OF THE FOREGOING, ALL CALCULATIONS OF THE RATE OF INTEREST CONTRACTED FOR, CHARGED OR RECEIVED UNDER THE NOTES OR UNDER THIS INSTRUMENT, THE LOAN AGREEMENT OR ANY OTHER DOCUMENTS OR INSTRUMENTS EVIDENCING, SECURING OR RELATING TO THE OBLIGATIONS WHICH ARE MADE FOR THE PURPOSE OF DETERMINING WHETHER SUCH RATE EXCEEDS THE MAXIMUM LAWFUL RATE OF INTEREST, SHALL BE MADE, TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAWS, BY AMORTIZING, PRORATING, ALLOCATING AND SPREADING IN EQUAL PARTS DURING THE PERIOD OF THE FULL STATED TERM OF THE OBLIGATIONS EVIDENCED THEREBY, ALL INTEREST AT ANY TIME CONTRACTED FOR, CHARGED OR RECEIVED FROM DEBTORS OR OTHERWISE BY SECURED PARTY IN CONNECTION WITH THE OBLIGATIONS.

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Section 7.15 GOVERNING LAW. THIS INSTRUMENT AND ALL MATTERS ARISING UNDER OR GROWING OUT HEREOF SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS, WITHOUT REGARD TO ITS PRINCIPLES OF CONFLICTS OF LAWS, AND THE LAWS OF THE UNITED STATES OF AMERICA, EXCEPT THAT THE LAW OF THE STATE OF NEVADA SHALL GOVERN WITH RESPECT TO PROCEDURAL AND SUBSTANTIVE MATTERS RELATING ONLY TO THE VALIDITY, CREATION, PERFECTION AND ENFORCEMENT OF THE LIENS, SECURITY INTERESTS AND OTHER RIGHTS AND REMEDIES OF THIS INSTRUMENT GRANTED HEREIN AS TO THAT PORTION OF THE COLLATERAL LOCATED IN THE STATE OF NEVADA. EXCEPT AS TO THE VALIDITY, CREATION, PERFECTION AND ENFORCEMENT OF THE LIENS AND SECURITY INTERESTS CREATED HEREBY, DEBTORS AND SECURED PARTY AGREE THAT THE TRANSACTIONS PROVIDED FOR HEREIN BEAR A REASONABLE RELATIONSHIP TO THE COMMONWEALTH OF MASSACHUSETTS AND THAT THE LAW OF THE COMMONWEALTH OF MASSACHUSETTS GOVERNS (A) ISSUES RELATING TO THE TRANSACTIONS PROVIDED FOR HEREIN, INCLUDING THE VALIDITY AND ENFORCEABILITY OF AN AGREEMENT RELATING TO SUCH TRANSACTIONS OR A PROVISION OF AN AGREEMENT, AND (B) THE INTERPRETATION OR CONSTRUCTION OF AN AGREEMENT RELATING TO SUCH TRANSACTIONS OR A PROVISION OF AN AGREEMENT.

Executed as of the date first above written.

DEBTORS:

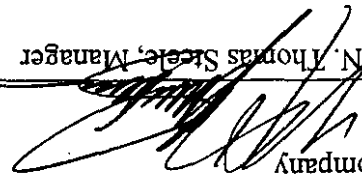
FORELAND CORPORATION,
a Nevada corporation

By: 
N. Thomas Steele, President

Tax I.D. No. 87-0422812

COPY

EAGLE SPRINGS PRODUCTION
 LIMITED-LIABILITY COMPANY (also
 known as Eagle Springs Production Limited
 Liability Company), a Nevada limited liability
 company

By: 

N. Thomas Steele, Manager

Tax I.D. No. 87-0522668

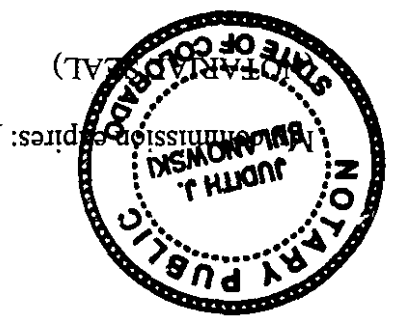
ACKNOWLEDGMENT CERTIFICATES

This instrument was acknowledged before me on January 8, 1998, by N. THOMAS STEELE, Manager of EAGLE SPRINGS PRODUCTION LIMITED-LIABILITY COMPANY (also known as Eagle Springs Production Limited Liability Company), a Nevada limited liability company.

STATE OF COLORADO
CITY AND COUNTY OF DENVER
)
) ss.
)

Judith J. Bulanski
Notary Public

My Commission Expires Oct. 14, 2001



This instrument was acknowledged before me on January 8, 1998, by N. THOMAS STEELE, as President of FORELAND CORPORATION, a Nevada corporation.

STATE OF COLORADO
CITY AND COUNTY OF DENVER
)
) ss.
)

Judith J. Bulanski
Notary Public

My Commission Expires Oct. 14, 2001



**PREAMBLE TO
EXHIBIT "A"**

Attached to and made a part of that certain

Deed of Trust,

Security Agreement, Assignment,

Financing Statement and Fixture Filing,

dated as of January 6, 1998 (the "Deed of Trust"),

from Foreland Corporation and Eagle Springs Production
Limited-Liability Company, as Debtors,

to First American Title Company of Nevada, as Trustee,

and to and for the benefit of

Energy Income Fund, L.P.,

as Secured Party

1. Capitalized terms used herein without definition shall have the meaning ascribed thereto in the Deed of Trust.

2. The terms "Working Interest" and "Operating Rights Interest" as used herein with respect to a lease, shall mean the interest in and to the full and entire leasehold estate created under and by virtue of the lease described as to the described lands and formations and arising therefrom, insofar as said interest in said leasehold estate is burdened with the obligation to bear and pay costs of operations, without regard of any valid lessor's royalties, overriding royalties or similar burdens, and without regard to the percent of the mineral estate underlying the lands covered by the lease owned by the lessor(s) of the referenced lease.

3. The term "Net Revenue Interest" as used herein with respect to a lease shall mean the interest in and to applicable production of Hydrocarbons produced, saved and sold from, under or by virtue of the lease described as to the described lands and formations, after giving effect to all valid lessor's royalties, overriding royalties, production payments, carried interests and other burdens or charges against production therefrom.

4. The terms "Working Interest" and "Operating Rights Interest" as used herein with respect to a well, unit, pool or communitized area, shall mean the interest in and to the well or the full and entire unitized, pooled or communitized area created under and by virtue of each of the described unitization, pooling, communitization or similar agreements, and all rights of every kind and character appurtenant thereto, arising therefrom insofar as the said interest in said well or unitized, pooled, communitized or other interest is burdened with

the obligation to bear and pay costs of operations, without regard to any valid lessor's royalties, overriding royalties or similar burdens.

5. The term "Net Revenue Interest" as used herein with respect to a well unit, pool or communitized area, shall mean the interest in and to all applicable production of Hydrocarbons produced, saved and sold from, under or by virtue of such well or such unitized, pooled or communitized area.
6. The Deed of Trust covers all right, title and interest of Debtors (whether now owned or hereafter acquired by operation of law or otherwise) in and to the land specifically described in this Exhibit "A" and the land described in or covered by the leases, licenses, subleases, sublicenses, easements, rights-of-way, agreements and other documents and instruments described in this Exhibit "A" whether or not such land is specifically described in this Exhibit "A"; and any references to specific lands, depth limitations, horizons, formations, zones, unit designations, unit tract descriptions and descriptions of undivided leasehold interests, "record title interest," "operating rights interest," "working interest" and "net revenue interest" contained in this Exhibit "A" are for the purposes of defining the nature and extent of Debtors' warranties and shall not be deemed to limit or restrict the interests covered by the Deed of Trust or the liens and security interests created thereby.
7. This Exhibit "A" consists of this Preamble and 34 pages numbered A-1 through A-34.

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EXHIBIT A

PART I

(Nye County, Nevada)

RAILROAD VALLEY:

1. NVN-012321:

a. Lease: An undivided 100% interest in the record title in and to the leasehold estate created by that certain Offer to Lease and Lease for Oil and Gas No. NVN-012321, dated November 1, 1953, and recorded in Book _____ at page _____ of the real property records of Nye County, Nevada, from the United States of America, as Lessor, to W. Argyle Nelson, as Lessee, which Lease covers the lands described below; together with the operating rights in said leasehold estate set forth under each Tract of land described below.

b. Lands: Tract A:

T.9 N., R.57 E., M.D.M.
 Section 35: W/2NE/4,
 E/2NW/4,
 N/2N/2SW/4.

Operating Rights Interest:

100.0000000%

Tract B:

T.9 N., R.57 E., M.D.M.
 Section 35: S/2N/2SW/4.

Operating Rights Interest: (surface to 6,000')

60.0000000%

(below 6,000')

c. Burdens:

The foregoing are subject only to the following:

- i. The landowner's royalty of 1/8th as reserved in the Lease.
- ii. A proportionate part (based on operating rights) of overriding royalty interests totaling 5.50%; together with the entire burden of overriding royalty interests totaling 2.00% of 8/8ths.

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BOOK 317 PAGE 201

d. Wells:

The wells that are currently located on the Lands described above are as follows:

Producing wells:

Tract A:

Eagle Springs	64-35
Eagle Springs	1-35
Eagle Springs	15-35
Eagle Springs	35-35
Eagle Springs	54-35
Eagle Springs	62-35
Eagle Springs	73-35

Proved undeveloped wells:

Tract A:

Eagle Springs	13-35
Eagle Springs	14-35
Eagle Springs	44-35
Eagle Springs	52-35

e. Interests:

The foregoing entitles Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Tract A:

Operating Rights Interest:	100.0000000%
Net Revenue Interest:	80.0000000%

Tract B:

Operating Rights Interest: (surface to 6,000')	60.0000000%
Net Revenue Interest: (surface to 6,000')	80.0000000%
Operating Rights Interest: (surface to 6,000')	47.2000000%
Net Revenue Interest: (below 6,000')	63.6000000%

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#349721, v6

a. Lease: An undivided 100% record title interest in and to the leasehold estate created by that certain Offer to Lease and Lease for Oil and Gas No. NVN-42341, dated November 1, 1953, and recorded in Book B-1 at page 424 of the real property records of Nye County, Nevada, from the United States of America, as Lessor, to Draycutt Corporation, as Lessee, insofar as said Lease covers the lands described below; together with the operating rights in said leasehold estate set forth under each Tract of land described below, and the overriding royalty interests of 8/8ths of all oil, gas and related hydrocarbons produced from each Tract described below pursuant to said Lease.

b. Lands: Tract A: T. 8 N., R. 57 E., M.D.M. Section 2: Lots 1, 2, 3 and 4, S/2N/2.

Operating Rights Interest: 21.8250000%

Overriding Royalty Interest: 3.441875%

Tract B: T. 8 N., R. 57 E., M.D.M.

Section 1: Lots 1, 3 and 4, S/2N/2, SE/4.

Operating Rights Interest: 44.3125000%

Overriding Royalty Interest: 3.0000000%

Tract C: T. 9 N., R. 57 E., M.D.M.

Section 22: S/2;
Section 28: NE/4NE/4, S/2NE/4, SE/4;
Section 33: NE/4.

Operating Rights Interest: 100.0000000%

Overriding Royalty Interest: 3.0000000%

Tract D: T. 9 N., R. 57 E., M.D.M.

Section 34: NW/4, W/2NE/4, NE/4NE/4.

Operating Rights Interest: 100.0000000%

Overriding Royalty Interest: 3.0000000%

Tract E: T. 9 N., R. 57 E., M.D.M.

Section 34: SE/4NE/4;
Section 35: E/2NE/4, N/2N/2SE/4;
Section 36: NW/4, N/2N/2SW/4.

Operating Rights Interest: 100.0000000%

Overriding Royalty Interest: 3.0000000%

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Tract F: T. 9 N., R. 57 E., M.D.M. Section 35: S/2SW/4.

Operating Rights Interest (surface to 6,000'): 60.0000000%
(below 6,000'): 80.0000000%
Overriding Royalty Interest (all depths): 3.0000000%

Tract G: T. 9 N., R. 57 E., M.D.M. Section 35: S/2SE/4, S/2N/2SE/4; Section 36: SW/4SW/4, S/2NW/4SW/4.

Operating Rights Interest (surface to 5,500'): 60.0000000%
(below 5,500'): 80.0000000%
Overriding Royalty Interest (all depths): 3.0000000%

Tract H: T. 9 N., R. 57 E., M.D.M. Section 36: SE/4SW/4, S/2NE/4SW/4.

Operating Rights Interest (surface to 5,000'): 60.0000000%
(below 5,000'): 80.0000000%
Overriding Royalty Interest (all depths): 3.0000000%

Tract I: T. 9 N., R. 57 E., M.D.M. Section 36: S/2SE/4, S/2N/2SE/4.

Operating Rights Interest (surface to 5,000'): 60.0000000%
(below 5,000'): 80.0000000%
Overriding Royalty Interest (all depths): 3.0000000%

Tract J: T. 9 N., R. 57 E., M.D.M. Section 36: W/2NE/4, NE/4NE/4, N/2N/2SE/4.

Operating Rights Interest: 60.0000000%
Overriding Royalty Interest: 3.0000000%

c. Burdens:

The foregoing are subject only to the following:

i. A proportionate part (based on operating rights) of the landowner's royalty interest of 1/8th as reserved in the Lease with respect to all lands and the wells located thereon other than the Kate Springs No. 12-2 well which has a landowner's royalty of 3.9%.

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#349721.06

ii. A proportionate part (based on operating rights) of overriding royalty interests in Tract A totaling 5.365118%.

iii. A proportionate part (based on operating rights) of overriding royalty interests in Tracts B and D totaling 7.500000%.

iv. A proportionate part (based on operating rights) of overriding royalty interests in Tracts C, E, F, G and H totaling 5.500000%.

v. A proportionate part (based on operating rights) of overriding royalty interests in Tracts I and J totaling 5.000000%.

vi. The entire burden of overriding royalty interests in Tracts A, B, C, D, E, F, G, H, I and J totaling 2.00% of 8/8ths.

vii. Joint Operating Agreement, dated August 1, 1994, between Eagle Springs Production L.L.C., a wholly owned subsidiary of Foreland Corporation, as Operator, and Plains Petroleum Operating Company, as Non-Operator, covering Tracts F, G, H, I and J.

viii. Joint Operating Agreement, dated February 17, 1998, among Apache Corporation, as Operator, and Exxon Corporation, Roemer Oil Company, E.L. Hudson, Jr., Draycut Corporation, Samuel G. Thompson and John F. Sheridan, as Non-Operators covering Tract A.

d. Wells:

The wells that are currently located on the Lands described above are as follows:

Producing wells:

Tract A:

Kate Springs

12-2

Tract E:

Eagle Springs
Eagle Springs
Eagle Springs
Eagle Springs
Eagle Springs
Eagle Springs
Eagle Springs
Eagle Springs
Eagle Springs
1-34
55-35
74-35
82-35
83-35
84-35
13-36

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The foregoing entities Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

e.

Interests:

Eagle Springs
Eagle Springs
62-36

Tract J:

Eagle Springs
Eagle Springs
Eagle Springs
Eagle Springs
Eagle Springs
Eagle Springs
Eagle Springs
12-36
14-36
22-36
33-36
34-36
42-36

Tract E:

Proved undeveloped wells:

Eagle Springs
Eagle Springs
Eagle Springs
Eagle Springs
1-36
2-36
4-36
5-36

Tract J:

Ghost Ranch
Ghost Ranch
Ghost Ranch
38-35
47-35
48-35

Tract F (Above 6.000):

Eagle Springs
Eagle Springs
Eagle Springs
23-36
24-36
43-36
45-36

Tract A:
 Operating Rights Interest: 21.825000%
 Net Revenue Interest: 17.802888% (as to Kate Springs No. 12-2 well only)
 15.925938% (as to all wells and lands other than Kate Springs No. 12-2 well)
 3.441875%
 Overriding Royalty Interest:

Tract B:

Operating Rights Interest: 44.312500%
 Net Revenue Interest: 33.450000%
 Overriding Royalty Interest: 3.000000%

Tract C:

Operating Rights Interest: 100.000000%
 Net Revenue Interest: 80.000000%
 Overriding Royalty Interest: 3.000000%

Tract D:

Operating Rights Interest: 100.000000%
 Net Revenue Interest: 78.000000%
 Overriding Royalty Interest: 3.000000%

Tract E:

Operating Rights Interest: 100.000000%
 Net Revenue Interest: 80.000000%
 Overriding Royalty Interest: 3.000000%

Tract F:

Operating Rights Interest: 60.000000% (surface to 6,000')
 80.000000% (below 6,000')
 Net Revenue Interest: 47.200000% (surface to 6,000')
 63.600000% (below 6,000')
 Overriding Royalty Interest: 3.000000% (all depths)

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Tract G:

Operating Rights Interest: 60.000000% (surface to 5,500')
 Net Revenue Interest: 47.200000% (surface to 5,500')
 Overriding Royalty Interest: 3.000000% (all depths)

Tract H:

Operating Rights Interest: 60.000000% (surface to 5,000')
 Net Revenue Interest: 47.200000% (surface to 5,000')
 Overriding Royalty Interest: 3.000000% (all depths)

Tract I:

Operating Rights Interest: 60.000000% (surface to 5,000')
 Net Revenue Interest: 47.500000% (surface to 5,000')
 Overriding Royalty Interest: 3.000000% (all depths)

Tract J:

Operating Rights Interest: 100.000000%
 Net Revenue Interest: 80.500000%
 Overriding Royalty Interest: 3.000000%

3. N-61533:

a. Lease: An undivided 100% interest in the record title and operating rights in and to the leasehold estate created by that certain Offer to Lease and Lease for Oil and Gas No. N-61533, dated April 1, 1997, and recorded in Book _____ at page _____ of the real property records of Nye County, Nevada, from the United States of America, as Lessor, to Foreland Corporation, as Lessee, which Lease covers the lands described below.

b. Lands:

Section 7: SE/4NW/4,

W/2SE/4,

SW/4NE/4,

S/2NW/4;

SE/4NE/4,

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SW/4NW/4.

c. Burdens:

The foregoing are subject only to the following:

i. The landowner's royalty of 1/8th as reserved in the Lease.

ii. An overriding royalty interest of 1.00%.

d. Wells:

The wells that are currently located on the Lands described above are as follows:

None.

e. Interests:

The foregoing entities Debtor to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Record Title Interest:	100.0000000%
Operating Rights Interest:	100.0000000%
Net Revenue Interest:	86.5000000%

4. N-61535:

a. Lease: An undivided 100% interest in the record title and operating rights in and to the leasehold estate created by that certain Offer to Lease and Lease for Oil and Gas No. N-61535, dated April 1, 1997, and recorded in Book _____ at page _____ of the real property records of Nye County, Nevada, from the United States of America, as Lessor, to Foreland Corporation, as Lessee, which Lease covers the lands described below.

b. Lands: T 9 N., R. 57 E., M.D.M.

- Section 16: SW/4, W/2SE/4;
- Section 17: NW/4SE/4, SW/4SW/4;
- Section 20: N/2, SW/4SW/4;
- Section 21: SW/4, NW/4SE/4;

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Section 28: NW/4NE/4, W/2, NE/4,
 Section 29: NE/4, NE/4NW/4,
 Section 30: NE/4NE/4, S/2NE/4

c. Burdens:

The foregoing are subject only to the following:

- i. The landowner's royalty of 1/8th as reserved in the Lease.
- ii. An overriding royalty interest of 1.00%.

d. Wells:

The wells that are currently located on the Lands described above are as follows:

None.

e. Interests:

The foregoing entities Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Record Title Interest:	100.0000000%
Operating Rights Interest:	100.0000000%
Net Revenue Interest:	86.5000000%

5. N-61536:

- a. Lease: An undivided 100% interest in the record title and operating rights in and to the leasehold estate created by that certain Offer to Lease and Lease for Oil and Gas No. N-61536, dated April 1, 1997, and recorded in Book _____ at page _____ of the real property records of Nye County, Nevada, from the United States of America, as Lessor, to Foreland Corporation, as Lessee, which Lease covers the lands described below.
- b. Lands: T.9 N., R. 57 E., M.D.M.

Section 22: N/2;
 Section 25: SW/4SW/4;
 Section 26: NW/4SW/4, S/2S/2;
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Section 27: All;
 Section 34: SE/4;
 Section 35: W/2NW/4;
 Section 36: SE/4NE/4.

c. Burdens:

The foregoing are subject only to the following:

i. The landowner's royalty of 1/8th as reserved in the Lease.

ii. Overriding royalty interests totaling 2.00%.

d. Wells:

The wells that are currently located on the Lands described above are as follows:

None.

e. Interests:

The foregoing entitles Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Record Title Interest:	100.0000000%
Operating Rights Interest:	100.0000000%
Net Revenue Interest:	85.5000000%

6. Other Railroad Valley Interests

For the purposes of this instrument, the Railroad Valley area includes all lands within T. 8 N., R. 57 E., M.D.M. and T. 9 N., R. 57 E., M.D.M. in Nye County, Nevada, and this instrument covers all property, interests and rights of whatever kind or character (whether now owned or hereafter acquired by operation of law or otherwise) in, to and under or that covers or affects or otherwise relates to such lands and leases covering such lands.

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PART II

(Eureka and Elko Counties, Nevada)

PINE VALLEY:

1. F 002-25:

a. Lease: An undivided 56.25% interest in and to the leasehold estate created by that certain Oil and Gas Lease, dated August 1, 1996, and recorded in Book 303 at page 242 of the real property records of Eureka County, Nevada, from Parker & Parsley Producing L.P., as Lessor, to Foreland Corporation, as Lessee, insofar as said Lease covers the Lands described below.

b. Lands: T. 29 N., R. 51 E., M.D.M.

Section 25: E/2;

T. 29 N., R. 52 E., M.D.M.

Section 29: All;
Section 31: Lots 1, 2, 3 and 4, E/2W/2, E/2;

T. 28 N., R. 52 E., M.D.M.

Section 5: Lots 1, 2, 3 and 4, S/2N/2, S/2;
Section 7: Lots 1, 2, 3 and 4, E/2W/2, E/2.

c. Burdens:

The foregoing are subject only to the following:

i. A proportionate part of the landowner's royalty interest of 1/7th as reserved in the Lease.

ii. A proportionate part of an overriding royalty interest of 1.80% together with the entire burden of overriding royalty interests totaling 1.50% of 8/8ths.

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Wells currently located on the Lands described above:

d. Wells:

None.

e. Interests:

The foregoing entities Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Working Interest:	56.250000%
Net Revenue Interest:	45.701780%

2. N-42863:

a. Lease: An undivided 100% interest in the record title and an undivided 56.25% interest in the operating rights in and to the leasehold estate created by that certain Offer to Lease and Lease for Oil and Gas No. NVN-42863, dated March 1, 1986, and recorded in Book _____ at page _____ of the real property records of Eureka County, Nevada, from the United States of America, as Lessor, to Leonard Luning, as Lessee, insofar as said Lease covers the lands described below.

b. Lands:

T. 29 N., R. 51 E., M.D.M.

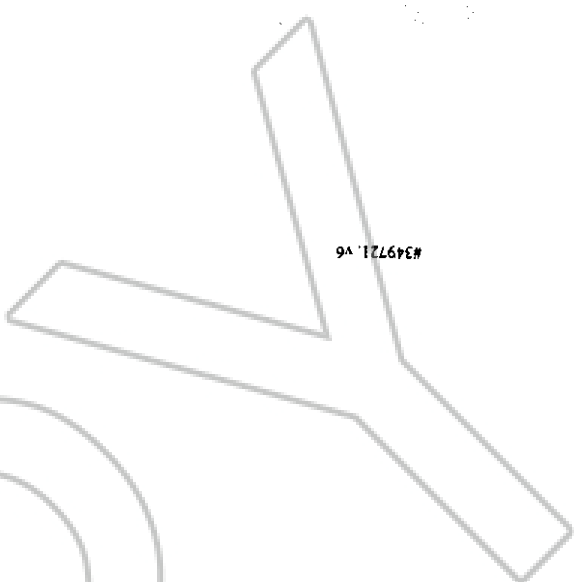
Section 36: E/2.

c. Burdens:

The foregoing are subject only to the following:

i. A proportionate part of the landowner's royalty interest of 1/8th as reserved in the Lease.

ii. A proportionate part of overriding royalty interests totaling 4.00%; together with the entire burden of overriding royalty interests totaling 1.50% of 8/8ths.



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The wells that are currently located on the Lands described above are as follows:

d. Wells:

None.

e. Interests:

The foregoing entities Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Record Title Interest	100.0000000%
Operating Rights Interest:	56.2500000%
Net Revenue Interest:	45.468750%

3. 002-023A:

a. Lease: An undivided 100% interest in and to the leasehold estate created by that certain Oil and Gas Lease, dated August 28, 1996, and recorded in Book 301 at page 323 of the real property records of Eureka County, Nevada, from Jerry Merrick, also known as Jerry Allen Merrick, and Anita O. Merrick, husband and wife, as Lessor, to Foreland Corporation, as Lessee, which Lease covers the lands described below.

b. Lands:

T. 28 N., R. 52 E., M.D.M.

- Section 9: S/2SW/4, S/2SE/4;
- Section 10: SE/4NW/4, SE/4NE/4, NE/4SW/4, SW/4SW/4, NW/4SE/4;
- Section 14: S/2NW/4;
- Section 15: N/2NW/4, SE4NW/4, S/2NE4.

c. Burdens:

The foregoing are subject only to the following:

- i. The landowner's royalty interest of 1/8th as reserved in the Lease.
- ii. Overriding royalty interests totaling 1.50%.

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None.

The wells that are currently located on the Lands described above are as follows:

- d. Wells:
- i. The landowner's royalty interest of 1/8th as reserved in the Lease.
- ii. Overriding royalty interests totaling 1.50%.

The foregoing are subject only to the following:

Burdens:

- Section 9: S/2SW/4, S2/SE/4;
- Section 10: SE/4NW/4, SE/4NE/4, NE/4SW/4, SW/4SW/4, NW/4SE/14;
- Section 14: S/2NW/4;
- Section 15: N/2NW/4, SE/4NW/4, S/2NE/4.

Lands:

T. 28 N., R. 52 E., M.D.M.

a. Lease: An undivided 100% interest in and to the leasehold estate created by that certain Oil and Gas Lease, dated August 28, 1996, and recorded in Book 301 at page 325, of the real property records of Eureka County, Nevada, from Elsie Merrick, a widow and devisee under the last will and testament of Raymond Ballard Merrick, as Lessor, to Foreland Corporation, as Lessee, which Lease covers the lands described below.

4. 002-023B:

The foregoing entities Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Working Interest:	100.000000%
Net Revenue Interest:	86.0000000%

Interests:

None.

The wells that are currently located on the Lands described above are as follows:

d. Wells:

e. Interests:

The foregoing entities Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Working Interest:	100.000000%
Net Revenue Interest:	86.000000%

5. ~~002-046:~~

a. Lease: An undivided 100% interest in and to the leasehold estate created by that certain Oil and Gas Lease, dated August 1, 1997, and recorded in Book 314 at page 026 of the real property records of Eureka County, Nevada, from Parker & Parsley Producing L.P., as Lessor, to Foreland Corporation, as Lessee, insofar as said Lease covers the Lands described below.

b. Lands:

T. 28 N., R. 51 E., M.D.M.

Section 1: Lots 3 and 4, S/2NW/4, SW/4;

Section 3: All;

Section 11: All;

Section 13: Lots 1 and 2, W/2NE/4, NW/4.

T. 29 N., R. 51 E., M.D.M.

Section 23: All;

Section 25: W/2;

Section 35: All.

T. 29 N., R. 52 E., M.D.M.

Section 19: All.

c. Burdens:

The foregoing are subject only to the following:

i. The landowner's royalty interest of 1/7th as reserved in the Lease.

ii. Overriding royalty interests totaling 3.30%.

d. Wells:

The wells that are currently located on the Lands described above are as follows:

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None.

e. Interests:

The foregoing entities Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Working Interest:	100.0000000%
Net Revenue Interest:	82.414286%

6. N-42869:

a. Lease: An undivided 100% interest in the record title and an undivided 56.25% interest in the operating rights in and to the leasehold estate created by that certain Offer to Lease and Lease for Oil and Gas No. NVN-42869, dated March 1, 1986, and recorded in Book _____ at page _____ of the real property records of Eureka County, Nevada, from the United States of America, as Lessor, to Paul F. Sawyer, as Lessee, insofar as said Lease covers the lands described below.

b. Lands:

T. 29 N., R. 52 E., M.D.M.

Section 30: E/2W/2, E/2, Lots 1, 2, 3 and 4;
Section 32: E/2, SW/4, NE/4NW/4.

c. Burdens:

The foregoing are subject only to the following:

i. A proportionate part (based on operating rights) of the landowner's royalty interest of 1/8th as reserved in the Lease.

ii. A proportionate part (based on operating rights) of overriding royalty interests totaling 5.00%; together with the entire burden of overriding royalty interests totaling 1.50% of 8/8ths.

d.

Wells:

The wells that are currently located on the Lands described above are as follows:

None.

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e. Interests:
 The foregoing entities Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Record Title Interest	100.0000000%
Operating Rights Interest	56.2500000%
Net Revenue Interest:	44.906250%

7. N-61504:

a. Lease: An undivided 100% interest in the record title and operating rights in and to the leasehold estate created by that certain Offer to Lease and Lease for Oil and Gas No. NVN-61504, dated March 11, 1997, recorded in Book _____ at page _____ of the real property records of Eureka County, Nevada, from the United States of America, as Lessor, to Foreland Corporation, as Lessee, which Lease covers the lands described below.

b. Lands: T. 29 N., R. 52 E., M.D.M.

Section 16: E/2;
 Section 28: All;
 Section 34: W/2.

c. Burdens:

The foregoing are subject only to the following:

- i. The landowner's royalty interest of 1/8th as reserved in the Lease.
- ii. Overriding royalty interests totaling 1.50%.

d. Wells:

The wells that are currently located on the Lands described above are as follows:

None.

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e. Interests:

The foregoing entities Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Record Title Interest:	100.0000000%
Operating Rights Interest:	100.0000000%
Net Revenue Interest:	86.0000000%

8. N-61971:

a. Lease: An undivided 100% interest in the record title and an undivided 56.25% interest in the operating rights in and to the leasehold estate created by that certain Offer to Lease and Lease for Oil and Gas No. NVN-61971, dated October 1, 1997, and recorded in Book _____ at page _____ of the real property records of Eureka County, Nevada, from the United States of America, as Lessor, to Foreland Corp., as Lessee.

b. Lands: T.28 N., R. 52 E., M.D.M.

Section 18: Lots 5, 6, 7 and 8, E/2, E/2W/2.

c. Burdens:

The foregoing are subject only to the following:

i. A proportionate part of the landowner's royalty interest of 1/8th as reserved in the Lease.

ii. The entire burden of overriding royalty interests totaling 1.50%.

d. Wells:

The wells that are currently located on the Lands described above are as follows:

None.

e. Interests:

The foregoing entities Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Record Title Interest:	100.0000000%
Operating Rights Interest:	56.2500000%
Net Revenue Interest:	47.7187500%

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a. Lease: An undivided 100% record title interest in and to the leasehold estate created by that certain Oil and Gas Lease, dated August 1, 1997, recorded in Book 314 at page 017 of the real property records of Eureka County, Nevada, from Parker & Parsley Producing L.P., as Lessor, to Foreland Corporation, as Lessee, which Lease covers the lands described below.

b. Lands: T. 29 N., R. 51 E., M.D.M.

Section 1: All;
 Section 11: All;
 Section 13: All;

T. 29 N., R. 52 E., M.D.M.

Section 5: Lots 2, 3, 4, S/2NW/4, SW/4;
 Section 7: All;
 Section 17: NW/4, S/2.

T. 30 N., R. 52 E., M.D.M.

Section 31: All;
 Section 33: All, except 60 ac. in SW/4.

c. Burdens:

The foregoing are subject only to the following:

- i. The landowner's royalty interest of 1/7th as reserved in the Lease.
- ii. Overriding royalty interests totaling 3.30%.

d. Wells:

The wells that are currently located on the Lands described above are as follows:

None

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e. Interests:

The foregoing entities Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Record Title Interest:	100.0000000%
Net Revenue Interest:	82.414286%

10. 002-045:

a. Lease: An undivided 100% record title interest in and to the leasehold estate created by that certain Oil and Gas Lease, dated August 1, 1997, recorded in Book 314 at page 008 of the real property records of Eureka County, Nevada, and in Book 1012 at page 879 of the real property records of Elko County, Nevada, which Lease covers the lands from Parker & Pausley Producing L.P., as Lessor, to Foreland Corporation, as Lessee, described below.

b. Lands:

T. 28 N., R. 52 E., M.D.M.

Section 3: All;

Section 11: Lots 1, 2, 3, 4 and 5, SW/4NE/4, S/2NW/4.

T. 29 N., R. 52 E., M.D.M.

Section 11: W/2;

Section 15: Lots 1, 2, 3 and 4, W/2E/2;

Section 23: W/2;

Section 27: Lots 3 and 4, N/2;

Section 35: All.

c. Burdens:

The foregoing are subject only to the following:

i. The landowner's royalty interest of 1/8th as reserved in the Lease.

ii. Overriding royalty interests totaling 3.30%

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The wells that are currently located on the Lands described above are as follows:

d. Wells:

None

e. Interests:

The foregoing entities Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Record Title Interest:	100.0000000%
Net Revenue Interest:	82.414286%

11. N-42868:

a. Lease: An undivided 100% interest in the record title and an undivided 56.25% interest in the operating rights in and to the leasehold estate created by that certain Offer to Lease and Lease for Oil and Gas No. NVN-42868, dated March 1, 1986, recorded in Book 156 at page 452 of the real property records of Eureka County, Nevada, from the United States of America, as Lessor, to Hobe, Inc., as Lessee, which Lease covers the lands described below.

b. Lands:

T. 28 N., R. 52 E., M.D.M.

Section 6: All;
Section 8: NE/4; N/2SE/4;
Section 17: W/2SW/4, SE/4SW/4.

c. Burdens:

The foregoing are subject only to the following:

- i. A proportionate part (based on operating rights) of the landowner's royalty interest of 1/8th as reserved in the Lease.
- ii. 100% of overriding royalty interests totaling 1.50% of 8/8ths.

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The wells that are currently located on the Lands described above are as follows:

d. Wells:

None

e. Interests:

The foregoing entities Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Record Title Interest:	100.0000000%
Operating Rights Interest:	56.2500000%
Net Revenue Interest:	47.718750%

12. N-61290:

a. Lease: An undivided 100% interest in the record title and operating rights in and to the leasehold estate created by that certain Oil and Gas Lease No. NVN-61290, created by Decision of the Nevada State Office of the Bureau of Land Management dated November 7, 1996, wherein said leasehold estate was segregated from that certain Offer to Lease and Lease for Oil and Gas No. NVN-42863, dated March 1, 1986, recorded in Book _____ at page _____ of the real property records of Eureka County, Nevada, from the United States of America, as Lessor, to Leonard Luning, as Lessee, which Lease covers the lands described below.

b. Lands:

T. 29 N., R. 51 E., M.D.M.

Section 36: W/2

c. Burdens:

The foregoing are subject only to the following:

- i. The landowner's royalty interest of 1/8th as reserved in the Lease.
- ii. Overriding royalty interests totaling 4.5%

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The wells that are currently located on the Lands described above are as follows:

d. Wells:

None

e. Interests:

The foregoing entities Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Record Title Interest:	100.0000000%
Operating Rights Interest:	100.0000000%
Net Revenue Interest:	83.0000000%

13. N-61291:

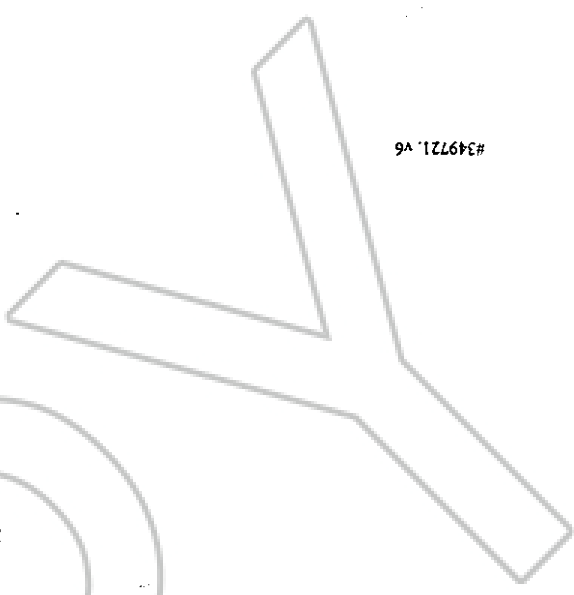
a.

Lease: An undivided 100% interest in the record title and operating rights in and to the leasehold estate created by that certain Oil and Gas Lease No. NVN-61291 created by Decision of the Nevada State Office of the Bureau of Land Management dated November 7, 1996, wherein said leasehold estate was segregated from that certain Offer to Lease and Lease for Oil and Gas No. NVN-42868, dated March 1, 1986, recorded in Book 156 at page 452 of the real property records of Eureka County, Nevada, from the United States of America, as Lessor, to Foreland Corporation, as Lessee, which Lease covers the lands described below.

b.

Lands: T. 28 N., R. 52 E., M.D.M.

- Section 4: Lots 1, 2, 3 and 4, S/2N/2, S/2;
- Section 9: N/2S/2;
- Section 10: N/2NW/4, NW/4SW/4, SW/4NW/4;
- Section 15: N/2NE/4, SW/4NW/4, S/2;
- Section 20: W/2, SE/4, W/2NE/4, SE/4NE/4;
- Section 27: All;
- Section 28: All;
- Section 29: All;
- Section 32: All;
- Section 33: All;
- Section 34: W/2.



Burdens:

The foregoing are subject only to the following:

- i. The landowner's royalty interest of 1/8th as reserved in the Lease.
- ii. Overriding royalty interests totaling 4.5%.

Wells:

The wells that are currently located on the Lands described above are as follows:

None

Interests:

The foregoing entities Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Record Title Interest:	100.0000000%
Operating Rights Interest:	100.0000000%
Net Revenue Interest:	83.0000000%

14. N-61292:

a. Lease: An undivided 100% interest in the record title and operating rights in and to the leasehold estate created by that certain Oil and Gas Lease No. NVN-61292 created by Decision of the Nevada State Office of the Bureau of Land Management dated November 7, 1996, wherein said leasehold estate was segregated from that certain Offer to Lease and Lease for Oil and Gas No. NVN-42869, dated March 1, 1986, recorded in Book _____ at page _____ of the real property records of Eureka County, Nevada, from the United States of America, as Lessor, to Paul F. Sawyer, as Lessee, which Lease covers the lands described below.

b. Lands: T. 29 N., R. 52 E., M.D.M.

- Section 4: Lots 1, 2, S/2NE/4, SE/4;
- Section 6: Lots 1, 2, 3, 4, 5, 6 and 7, S/2NE/4, SE/4NW/4, E/2SW/4, SE/4;
- Section 8: W/2;
- Section 18: Lots 1, 2, 3 and 4, E/2W/2, E/2;
- Section 20: NE/4NE/4, W/2NE/4, W/2, NE/4SE/4.

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The foregoing are subject only to the following:

- i. The landowner's royalty interest of 1/8th as reserved in the Lease.
- ii. Overriding royalty interests totaling 2.00%.

d. Wells:

The wells that are currently located on the Lands described above are as follows:

None

e. Interests:

The foregoing entities Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Record Title Interest:	100.0000000%
Operating Rights Interest:	100.0000000%
Net Revenue Interest:	85.5000000%

15. N-61501:

- a. Lease: An undivided 100% interest in the record title and operating rights in and to the leasehold estate created by that certain Offer to Lease and Lease for Oil and Gas No. NVN-61501, dated March 28, 1997, recorded in Book _____ at page _____ of the real property records of Eureka County, Nevada, from the United States of America, as Lessor, to Foreland Corporation, as Lessee, which Lease covers the lands described below.
- b. Lands: T. 29 N., R. 51 E., M.D.M.

Section 12: All;
 Section 14: All;
 Section 22: E/2;
 Section 24: Lot 1, W/2, NE/4, N/2SE/4, SW/4SE/4.

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The foregoing are subject only to the following:

- i. The landowner's royalty interest of 1/8th as reserved in the Lease.
- ii. Overriding royalty interests totaling 1.50%.

d. Wells:

The wells that are currently located on the Lands described above are as follows:

None

e. Interests:

The foregoing entities Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Record Title Interest:	100.0000000%
Operating Rights Interest:	100.0000000%
Net Revenue Interest:	86.0000000%

16. 002-031:

- a. Lease: An undivided 100% record title interest in and to the leasehold estate created by that certain Oil and Gas Lease, dated September 27, 1996, recorded in Book 301 at page 321 of the real property records of Eureka County, Nevada, from Wallace Hale Bailey and Donna Ray Bailey, husband and wife, as Lessor, to Foreland Corporation, as Lessee, which Lease covers the lands described below.

b. Lands:

T. 30 N., R. 52 E., M.D.M.

Section 32: SE/4, NE/4NW/4, NW/4NE/4, S/2NE/4.

T. 29 N., R. 52 E., M.D.M.

Section 4: W/2NW/4;
Section 5: E/2NE/4.

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c. Burdens:

The foregoing are subject only to the following:

- i. The landowner's royalty interest of 1/8th as reserved in the Lease.
- ii. Overriding royalty interests totaling 1.50%.

d. Wells:

The wells that are currently located on the Lands described above are as follows:

None

e. Interests:

The foregoing entities Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Record Title Interest:	100.000000%
Net Revenue Interest:	86.000000%

17. N-61503:

- a. Lease: An undivided 100% interest in the record title and operating rights in and to the leasehold estate created by that certain Offer to Lease and Lease for Oil and Gas No. NVN-61503, dated March 28, 1997, recorded in Book _____ at page _____ of the real property records of Eureka County, Nevada, and in Book _____ at page _____ of the real property records of Elko County, Nevada, from the United States of America, as Lessor, to Foreland Corporation, as Lessee, which Lease covers the lands described below.
- b. Lands: T. 29 N., R. 52 E., M.D.M.

Section 2: Lots 1, 2, 3 and 4, S/2N/2, S/2;
 Section 10: Lots 1, 2, 3 and 4, W/2, W/2E/2;
 Section 14: All;
 Section 22: Lots 1, 2, 3 and 4, W/2, W/2E/2.

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c. Burdens:

The foregoing are subject only to the following:

i. The landowner's royalty interest of 1/8th as reserved in the Lease.

ii. Overriding royalty interests totaling 1.50%.

d. Wells:

The wells that are currently located on the Lands described above are as follows:

None

e. Interests:

The foregoing entities Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Record Title Interest: 100.0000000%

Operating Rights Interest: 100.0000000%

Net Revenue Interest: 86.0000000%

18. N-61506:

- a. Lease: An undivided 100% interest in the record title and operating rights in and to the leasehold estate created by that certain Offer to Lease and Lease for Oil and Gas No. NVN-61506, dated March 28, 1997, recorded in Book _____ at page _____ of the real property records of Bureau County, Nevada, and in Book _____ at page _____ of the real property records of Elko County, Nevada, from the United States of America, as Lessor, to Foreland Corporation, as Lessee, which Lease covers the lands described below.
- b. Lands: T. 29 N., R. 52 E., M.D.M.

Section 26: All;
Section 34: Lots 1, 2, 3, 4, 5, 6, 7 and 8.

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c. Burdens:

The foregoing are subject only to the following:

i. The landowner's royalty interest of 1/8th as reserved in the Lease.

ii. Overriding royalty interests totaling 1.50%.

d. Wells:

The wells that are currently located on the Lands described above are as follows:

None

e. Interests:

The foregoing entities Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Record Title Interest: 100.0000000%

Operating Rights Interest: 100.0000000%

Net Revenue Interest: 86.0000000%

19. N-61505:

a. Lease: An undivided 100% record title interest in and to the leasehold estate created by that certain Offer to Lease and Lease for Oil and Gas, dated April 1, 1997, recorded in Book _____ at page _____ of the real property records of Eureka County, Nevada, from the United States of America, as Lessor, to Foreland Corporation, as Lessee, which Lease covers the lands described below; together with the operating rights in said leasehold estate set forth under each Tract of land described below.

b. Lands: Tract A: T. 29 N., R. 52 E., M.D.M.

Section 32: S/2NW/4.

Operating Rights Interest: 56.2500000%

Tract B: T. 29 N., R. 52 E., M.D.M.

Section 20: NW/4SE/4

Operating Rights Interest: 100.0000000%

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c. Burdens:

The foregoing are subject only to the following:

- i. A proportionate part (based on operating rights) of the landowner's royalty interest of 1/8th as reserved in the Lease.
- ii. The entire burden of overriding royalty interests in Tracts A and B totaling 1.50% of 8/8ths.

d. Wells:

The wells that are currently located on the Lands described above are as follows:

None

e. Interests:

The foregoing entities Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Tract A: Operating Rights Interest: 56.2500000%
 Net Revenue Interest: 47.718750%

Tract B: Operating Rights Interest: 100.0000000%
 Net Revenue Interest: 86.0000000%

20. 002-033B:

- a. Lease: The undivided record title interests set forth under each Tract of land described below in and to the leasehold estate created by that certain Oil and Gas Lease, dated January 31, 1997, recorded in Book 306 at page 242 of the real property records of Eureka County, Nevada, from Dominick J. Pieretti, as Lessor, to Foreland Corporation, as Lessee, which Lease covers the lands described below.
- b. Lands: Tract A: T. 29 N., R. 52 E., M.D.M.

Section 32: NW/4NW/4.

Record Title Interest: 56.2500000%

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Tract B: T. 29 N., R. 52 E., M.D.M.

- Section 4: SW/4, E/2NW/4;
- Section 5: SE/4, SW/4NE/4; Lot 2;
- Section 8: E/2;
- Section 9: W/2;
- Section 16: NW/4, W/2SW/4;
- Section 17: NE/4;
- Section 21: NW/4.

Record Title Interest: 100.000000%

c. Burdens:

The foregoing are subject only to the following:

i. A proportionate part of the landowner's royalty interest of 15% as reserved in the Lease.

ii. The entire burden of overriding royalty interests in Tracts A and B totaling 1.50% of 8/8ths.

d. Wells:

The wells that are currently located on the Lands described above are as follows:

None

e. Interests:

The foregoing entitles Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Tract A: Record Title Interest: 56.250000%
Net Revenue Interest: 48.312500%

Tract B: Record Title Interest: 100.000000%
Net Revenue Interest: 83.500000%

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#349721.v6

a. Lease: The undivided record title interests set forth under each Tract of land described below in and to the leasehold estate created by that certain Oil and Gas Lease, dated January 31, 1997, recorded in Book 306 at page 236 of the real property records of Bureka County, Nevada, from Tosca P. Sullivan, as Lessor, to Foreland Corporation, as Lessee, which Lease covers the lands described below.

b. Lands: Tract A: T. 29 N., R. 52 E., M.D.M.

Section 32: NW/4NW/4.

Record Title Interest: 56.250000%

Tract B: T. 29 N., R. 52 E., M.D.M.

Section 4: SW/4, E/2NW/4;
 Section 5: SE/4, SW/4NE/4, Lot 2;
 Section 8: E/2;
 Section 9: W/2;
 Section 16: NW/4, W/2SW/4;
 Section 17: NE/4;
 Section 21: NW/4.

Record Title Interest: 100.000000%

c. Burdens:

The foregoing are subject only to the following:

i. A proportionate part of the landowner's royalty interest of 15% as reserved in the Lease.

ii. The entire burden of overriding royalty interests in Tracts A and B totaling 1.50% of 8/8ths.

d. Wells:

The wells that are currently located on the Lands described above are as follows:

None

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#349721.v6

Interests: e.

The foregoing entities Debtors to the following interests in the Lease and the Lands described above and all wells now or hereafter located thereon:

Tract A:
 Record Title Interest: 56.2500000%
 Net Revenue Interest: 48.312550%

Tract B:
 Record Title Interest: 100.0000000%
 Net Revenue Interest: 83.5000000%

22. Other Pine Valley Interests

For the purposes of this instrument, the Pine Valley area includes all lands within T. 28 N., R. 51 E., M.D.M., T. 29 N., R. 51 E., M.D.M., T. 28 N., R. 52 E., M.D.M. and T. 29 N., R. 52 E., M.D.M., in Eureka and Elko Counties, Nevada, and this instrument covers all property, interests and rights of whatever kind or character (whether now owned or hereafter acquired by operation of law or otherwise) in, to and under or that covers or affects or otherwise relates to such lands and leases covering such lands.

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 OFFICIAL RECORDS
 RECORDED AT THE REQUEST OF
Therese H. Roberts-Cavan
 98 JAN 13 PM 1:25
 EUREKA COUNTY NEVADA
 COUNTY CLERK
 FILE NO. FEES 8400