United States Department of the Interior

MINERALS MANAGEMENT SERVICE
Gulf of Mexico OCS Region
1201 Elmwood Park Boulevard
New Orleans, Louisiana 70123-2394

In Reply Refer To: MS 5421
OCS-G 4935

Instrument:

Filed: September 1, 1994
Executed: August 31, 1994
Approved: March 23, 1995
Effective: April 1, 1994

BP Exploration & Oil Inc.
Assignor

Taylor Energy Company
Assignee

ACTION: ASSIGNMENT APPROVED

Oil and Gas

The approval of this assignment is restricted to record title interest only, and by virtue of this approval, the Assignee is subject to, and shall fully comply with, all applicable regulations now or to be issued under the Outer Continental Shelf Lands Act, as amended. Notwithstanding any agreement between the Assignor and Assignee, the parties remain subject to the liability provisions of the Minerals Management Service regulations codified at 30 CFR 256.62(d) and (e).

Assignor assigned unto Assignee all of Assignor’s right, title and interest.

Record title interest is now held as follows:

OCS-G 4935 All of Block 20, Mississippi Canyon

Taylor Energy Company 100%

Chris J. Oynes
Regional Director

cc: Assignor
Assignee
Case File

To better serve you we now have a toll-free number to our Public Information Office...

1-800-266-GULF
ASSIGNMENT OF RECORD TITLE INTEREST

BP Exploration & Oil Inc., an Ohio Corporation ("Assignor"), whose address is P.O. Box 4587, Houston, Texas 77210, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, does hereby assign, transfer, convey and deliver to Taylor Energy Company, a Louisiana corporation ("Assignee"), whose address is The 2-3-4 Loyola Building, Suite 500, New Orleans, Louisiana 70112, all of Assignor's right, title and interest in and to the following described properties and interests located in the Outer Continental Shelf of the Gulf of Mexico:

Federal Oil and Gas Lease bearing serial number OCS-G 4935 between the United States of America and Sohio Petroleum Company, effective December 1, 1981, covering all of Block 20, Mississippi Canyon Area, as shown on OCS Official Protraction Diagram, NH 16-10, containing approximately 2508.86 acres.

Upon the Department of the Interior, Minerals Management Service's, approval of this assignment, the percentage of record title ownership in the Lease described above will be held as follows:

Taylor Energy Company 100%

The interest conveyed herein is subject to and bound by the terms and conditions of the Oil and Gas Lease described above and the following Agreement(s) or permits insofar and only insofar as each such agreement or permit may affect the Lease or operations conducted on the Lease:

That certain Asset Purchase Agreement executed between BP Exploration & Oil Inc. and Taylor Energy Company, effective April 1, 1994, as well as any exhibits and conveyances delivered subject thereto.

Assignor hereby assigns certain rights, title and interests in and to those agreements or permits designated as items above insofar as Assignor has the right to assign such agreements or permits and only insofar as such agreements affect operations on or production from the Lease or Assignee's ownership of the Lease.

This Assignment is made and accepted subject to all royalties, encumbrances and surface rights and without warranty of title, express, statutory or implied, except that Assignor specially warrants and agrees to defend title to the Oil & Gas Interests in the Net Revenue Interest and Working Interest fractions

APPROVED

[Signature]

Acting Regional Director

Effective Date APR 1 1994
or percentages set forth in the above stated Asset Purchase Agreement against the lawful claims and demands of all persons claiming title to the Oil & Gas Interests by, through and under Assignor, but not otherwise, SAVE AND EXCEPT as against obligations assumed by Assignee. This Assignment shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Parties hereto.

TO HAVE AND HOLD, the Lease unto the said Assignee, its successors and assigns, in accordance with all the terms and provisions of the Lease and subject to all terms and conditions of the Asset Purchase Agreement referenced above. All of the representation, warranties, indemnities and agreements of or by the Assignor and Assignee contained in the Asset Purchase Agreement shall survive the Closing of this transaction and shall not merge into the conveyancing documents. The Asset Purchase Agreement and its respective covenants shall be referenced in any assignment affecting the Lease and shall constitute covenants running with the land for the benefit of the Assignor and Assignee.

IN WITNESS WHEREOF, this Assignment is executed by Assignor and Assignee on the dates set forth in their respective acknowledgments hereto, but shall be effective as of 12:01 a.m., April 1, 1994.

WITNESSES:

ASSIGNOR:
BP Exploration & Oil Inc.

Karl F. Rugaard
BY: Karl F. Rugaard
TITLE: Agent and Attorney-in-Fact

ASSIGNEE
Taylor Energy Company

J. Douglas Thornton
BY: J. Douglas Thornton
TITLE: Vice President Land and Acquisitions
STATE OF TEXAS

COUNTY OF HARRIS

BEFORE ME, the undersigned Notary Public, on this day personally appeared Karl F. Rugaard, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he, being fully authorized to do so, executed and delivered the same as Agent and Attorney-in-Fact for BP Exploration & Oil Inc., an Ohio corporation, on the day and year therein mentioned and as the act and deed of said corporation, for the purpose and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 31st day of August, 1994.

[Signature]
Notary Public

My Commission Expires:

STATE OF TEXAS

COUNTY OF HARRIS

BEFORE ME, the undersigned Notary Public, on this day personally appeared J. Douglas Thornton, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he, being fully authorized to do so, executed and delivered the same as Vice President Land and Acquisitions for TAYLOR ENERGY COMPANY, a Louisiana corporation, on the day and year therein mentioned and as the act and deed of said corporation, for the purpose and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 31st day of August, 1994.

[Signature]
Notary Public

My Commission Expires:
Form 3300-1 (September 1978)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OIL AND GAS LEASE OF SUBMERGED LANDS
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT

This lease is effective as of DEC 1, 198[1] (hereinafter called the “Effective Date”) by and between the United States of America (hereinafter called the “Lessor”), by the Manager, New Orleans OCS Office, Bureau of Land Management, its authorized officer, and

<table>
<thead>
<tr>
<th>Sohio Petroleum Company</th>
<th>100%</th>
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(continued on reverse)
containing approximately 2508.86 acres of these rights include:

(a) the nonexclusive right to conduct within the leased area all geological explorations in accordance with applicable regulations;
(b) the nonexclusive right to drill water wells within the leased area to the water level if any and to use the water produced therefrom for operations pursuant to the Act free of cost for production of oil and gas for sale in accordance with procedures approved by the Director of the United States Geological Survey or the Director's delegate (hereinafter called the Director) and otherwise as approved by the Secretary of the Interior.
(c) the right to construct, erect and to maintain within the leased area artificial islands, installations, and other devices, and to temporarily or permanently close or open the seafloor and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws.

Sec. 3. Term. This lease shall continue for an initial period of five years from the Effective Date of the lease and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessee, are conducted thereon.

Sec. 4. Rentals. The Lessee shall pay the Lessee, or on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental of $3.00 per acre (or a fraction thereof) or fraction thereof.

Sec. 5. Minimum Royalty. The Lessee shall pay the Lessee at the end of each lease year all sums that amount to the greater of (a) the royalty paid, or (b) royalty payable, after a discovery of oil and gas in paying quantities, a minimum royalty of $3.00 per acre (or a fraction thereof) or fraction thereof. If less than the actual production, the difference between the actual royalty paid to be paid with respect to such lease year and the prescribed minimum royalty, if the actual royalty paid is less than the minimum royalty.

Sec. 6. Royalty on Production. (a) The Lessee shall pay a fixed royalty of 6 2/5 percent in amount or value of production of oil and gas sold, or sold for the use of oil or gas on the leased area.

(b) The value of production for purposes of computing royalty on production from the leased area shall be based on the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessee, less all costs, other than the fair market value of the production. The value of the production shall be given the highest price paid for a part or a major portion of the production of like quality in the same field or area, to the price received by the Lessee for posted prices, to regulated prices, and to other relevant matters. Except when the Lessee, in its discretion, determines not to consider special pricing practices from otherwise comparable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the highest posted price or offered price for production of the same or comparable market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated, with such value of production to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessee designates a later time. When paid in amounts or denominations shall be delivered to the Lessee's bank or other financial institution.

Sec. 7. Payments. The Lessee shall make all payments to the Lessee by check, bank draft, or money order unless otherwise provided by regulations or by direction of the Lessee. Receipts issued by the Lessee as provided by this lease shall be made payable to the United States Geological Survey. All cash, checks, balances, and excesses of the amount required when royalties are paid in value, when royalties are paid in amount, the Lessee shall not be held liable for the Lessee's failure to pay the interest or for any other additional interest products in storage from charges over which the Lessee has no control.

Sec. 8. Bonds. The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessee if operations have begun. The Lessee deposits such additional security as may be necessary.

Sec. 9. Plans. The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans, and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

Sec. 10. Performance. The Lessee shall comply with all regulations and other rules relating to exploration, development, and production. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessee may require, but the leased area shall be used to produce oil and gas that must be properly and timely developed and produced in accordance with sound operating principles.

Sec. 11. Directional Drilling. A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be drilled to comply with the same for all purposes of the lease as a well drilled from a surface location within the leased area. In the event that the well is directional, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purposes of this lease. Lessee shall not be responsible for any production of oil or gas from the leased area through any directional well surface on nearby land or drilling or reworking operations of such directional well, as will be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting the Lessee any interest, license, easement, or other right in any nearby land.

Sec. 12. Safety Requirements. The Lessee shall (a) maintain all leases of employment within the leased area in compliance with occupational safety and health standards and, in addition, shall certify to the appropriate regional or local officials of the Lessee or of any contractor or subcontractor operating on the leased area; (b) allow prompt access, at the site of any operation subject to this lease, for such inspections, to any authorized Federal or local inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

Sec. 13. Suspension and Cancellation. (a) The Lessee may request the Secretary to suspend, if necessary, any operation or part thereof pursuant to Section 5 of the Act and compensation shall be paid when provided by the Act.

(b) The Lessee may request the Secretary to cancel any operation for proper cause, if necessary, in Section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

Sec. 14. Indemnification. The Lessee shall indemnify the Lessee for, and hold it harmless from, any and all losses to, claims against, claims by, loss or damage to, property or injury to persons caused by or resulting from any operation on the leased area conducted by the Lessee or any part thereof. The Lessee shall not be held responsible for any loss, damage, or injury caused by or resulting from the Lessee's negligence of the Lessee other than the commission or omission of a discretionary function or duty on the part of a Federal agency whether or not the discretion involved is abused; or the Lessee's compliance with an order or directive of the Lessee against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

Sec. 15. Disposition of Production. (a) As provided in Section 27(e)(2) of the Act, the Lessee shall have the right to purchase the entire 6 2/5 percent of the oil or gas produced from the leased area and all oil or gas produced pursuant to the lease at the regulated price, or if no regulated price applies, the fair market value of the oil or gas saved, removed, or sold, except that any oil or gas obtained by the Lessee as royalty or net profits interest shall be credited against the amount that may be purchased under this subsection.

(b) As provided in Section 27(a) of the Act, the Lessee shall take no Federal oil or gas in the leased area, and all bids are received, as determined by the Lessee, and which is not transferred to a Federal agency pursuant to Section 27(a) of the Act, the Lessee shall pay to the Secretary of the Treasury an amount equal to the regulated price, or if no regulated price applies, the fair market value of the oil and gas so obtained.

(c) As provided in Section 27(a) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market price, and paid to the Secretary, as provided by this Act, to a qualified producer of applicable Federal royalty oil, to small independent refiners as defined by the Energy Policy and Conservation Act of 1975. (b) In time of war, when the President of the United States shall so prescribe, the Lessee shall have the right of first refusal to purchase at the market price of the oil and gas produced from the leased area, as provided in Section 12 of the Act.
Sec. 16. Unitization, Pooling, and Drilling Agreements. Within such time as the Lessee may prescribe, the Lessee shall subscribe to and operate under any agreement embracing all or part of the lands subject to this lease as the Lessee may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessee, is inconsistent with a provision of this lease, the provision of the lease shall govern.

Sec. 17. Equal Opportunity Clause. During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of Section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations, which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of Section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

Sec. 18. Certification of Nonsegregated Facilities. By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any eating rooms, work areas, rest rooms and wash rooms, restaurants and other eating areas, areas, time clocks, locker rooms and other storage or dressing areas, parking lots, dining facilities, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are fact shown to be segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

Sec. 19. Reservations to Lessor. All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or the lease, shall be reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights include:

(a) The right to authorize geological and geophysical exploration in the leased area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) The right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) The right, as provided in Section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being with an area needed for national defense, and to designate such designation remains in effect so long as designee continues to be designated by the Secretary of Defense, if operations on production under this lease within, any designated area are ceased pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, and the term of this lease shall be extended by adding thereto any such suspension period, and the Lessee shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

Sec. 20. Transfer of Lease. The Lessee shall file for approval with the appropriate field office of the Bureau of Land Management any instrument of assignment or transfer of this lease, or any interest therein, in accordance with applicable regulations.

Sec. 21. Surrender of Lease. The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Bureau of Land Management a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

Sec. 22. Removal of Property on Termination of Lease. Within a period of one year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

Sec. 23. Remedies in Case of Default. (a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lessor may exercise any other remedies which the Lessee may have, including the penalties provisions of Section 24 of the Act. Further, pursuant to Section 8(c) of the Act, the Lessee may cancel the lease if it is obtained by fraud or misrepresentation.

(b) Nonenforcement by the Lessee of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraphs (a) of this section for said violation or for the same violation occurring at any other time.

Sec. 24. Unlawful Interest. No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified, and during this term of office or during any other official capacity, as employee, officer, or otherwise, of the Department of the Interior, except as provided in 43 CFR Part 7, shall be admitted to any share or part in this lease, nor shall he have any benefit that may result from the lease. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, from a part of this lease insofar as they may be applicable.

(SOHI0 PETROLEUM COMPANY)

W. E. BISCHOFF

(Name of Authorized Officer)

AGENT AND ATTORNEY IN FACT

NOVEMBER 3, 1981

(Address of Lessee)

3803 Southwest Freeway, Suite 600
Houston, Texas 77074

The United States of America, Lessee

John L. Rankin

(Name of Signatory)

Manager
New Orleans Outer Continental Shelf Office
Bureau of Land Management

(Title)

(Continued on reverse)

Date

NOV 3 1981
I hereby certify that this is a true and correct copy of an instrument of record in the Minerals Management Service, 1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123-2394 in the case number OCS-G-4933 consisting of 4 pages.

[Signature]

Supervisory Mineral Leasing Specialist

AUG 30 1994

Date
STIPULATION NO. 1

If the Deputy Conservation Manager (DCM), having reason to believe that a site, structure, or object of historical or archaeological significance (hereinafter referred to as "cultural resource") may exist in the lease area, gives the lessee written notice that the lessor is invoking the provisions of this stipulation, the lessee shall upon receipt of such notice comply with the following requirements:

Prior to any drilling activity or the construction or placement of any structure for exploration or development on the lease, including, but not limited to, well drilling and pipeline and platform placement, (hereinafter referred to as "operation"), the lessee shall conduct remote sensing surveys to determine the potential existence of any cultural resource that may be affected by such operations. All data produced by such remote sensing surveys, as well as other pertinent natural and cultural environmental data, shall be examined by a qualified marine survey archaeologist to determine if indicators are present suggesting the existence of a cultural resource that may be adversely affected by any lease operation. A report of this survey and assessment prepared by the marine survey archaeologist shall be submitted by the lessee to the DCM and to the Manager for review.

If such cultural resource indicators are present, the lessee shall: (1) locate the site of such operation so as not to adversely affect the identified location; or (2) establish, to the satisfaction of the DCM, on the basis of further archaeological investigation conducted by a qualified marine survey archaeologist or underwater archaeologist using such survey equipment and techniques as deemed necessary by the DCM, either that such operation will not adversely affect the location identified or that the potential cultural resource suggested by the occurrence of the indicators does not exist.

A report of this investigation prepared by the marine survey archaeologist or underwater archaeologist shall be submitted to the DCM and the Manager for review. Should the DCM determine that the existence of a cultural resource which may be adversely affected by such operation is sufficiently established to warrant protection, the lessee shall take no action that may result in an adverse effect on such cultural resource until the DCM has given directions as to its preservation.

The lessee agrees that if any site, structure, or object of historical or archaeological significance should be discovered during the conduct of any operations on the leased area, the lessee shall report immediately such findings to the DCM and make every reasonable effort to preserve and protect the cultural resource from damage until the DCM has given directions as to its preservation.

STIPULATION NO. 4

Portions of this lease may be subject to mass movement of sediments. Exploratory drilling operations, emplacement of structures (platforms) or seafloor wellheads for production or storage of oil or gas, and the emplacement of pipelines will not be allowed within the potentially unstable portions of this lease block unless or until the lessee has demonstrated to the DCM's satisfaction that mass movement of sediments is unlikely or that exploratory drilling operations, structures (platforms), casing, wellheads, and pipelines can be safely designed to protect the environment in case such mass movement occurs at the proposed location. This may necessitate that all exploration for and development of oil or gas be performed from locations outside of the area of unstable sediments, either within or outside of this lease block.

If exploratory drilling operations are allowed, site-specific surveys shall be conducted to determine the potential for unstable bottom conditions. If emplacement of structures (platforms) or seafloor wellheads for production or storage of oil or gas is allowed, all such unstable areas must be mapped. The DCM may also require soil testing before exploration and production operations are allowed.