State of Idaho

Department of State.

CERTIFICATE OF REGISTRATION
OF

CONQUEST ASSOCIATES - I LIMITED

I, PETE T. CENARRUSA, Secretary of State of the State of Idaho, hereby certify that duplicate originals of an Application of CONQUEST ASSOCIATES - I LIMITED for Registration in this State, duly signed and verified pursuant to the provisions of the Idaho Limited Partnership Act, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I issue this Certificate of Registration to CONQUEST ASSOCIATES - I LIMITED to transact business in this State under the name CONQUEST ASSOCIATES - I LIMITED A Limited Partnership and attach hereto a duplicate original of the Application for Registration.

Dated June 28, 1983

GREAT SEAL OF THE STATE OF IDAHO
ESTO PERPETUA

Pete T. Cenarrusa

SECRETARY OF STATE

by: _____

Plus certified copy of Limited Partnership & fee of $10.00

APPLICATION FOR REGISTRATION OF FOREIGN LIMITED PARTNERSHIP

'83 JUN 28 PM 2 10

SECRETARY OF STATE

To the Secretary of State of the State of Idaho:

Pursuant to the provisions of Chapter 2, Title 53, Idaho Code, the undersigned Limited Partnership hereby applies for registration to transact business in your State, and for that purpose submits the following statement:

1. **The name of the limited partnership is** Conquest Associates - I Limited.

2. **The name which it shall use in Idaho is** Conquest Associates - I Limited, A LIMITED PARTNERSHIP.

3. **It is organized under the laws of** Texas.

4. **The date of its formation is** December 9, 1982.

5. **The address of its registered or principal office in the state or country under the laws of which it is organized is** 4201 FM 1960 West, Suite #500, Houston, Texas 77068.

6. **The name and street address of its proposed registered agent in Idaho are** CT Corporation, 300 N. 6th, Boise, Idaho 83701.

7. **The general character of the business it proposes to transact in Idaho is:**

To explore for, develop drill produce and market oil, gas and other hydrocarbons.

8. **The names and business addresses of its partners are (must be completed only if not included in the certificate of limited partnership):**

Name	General or Limited	Address
Conquest Exploration Co.	General	4201 FM 1960 West, Suite #500 Houston, Texas 77068
CCCG 1982 Oil & Gas	Limited	233 South Wacker Drive #9300
Limited Partnership		Chicago, Illinois 60606

(continued on reverse)

8. (Continued)

Name	General or Limited	Address

9. This Application is accompanied by a copy of the certificate of limited partnership and amendments thereto, duly authenticated by the proper officer of the state or country under the laws of which it is organized.

Dated May 31, 1983.

Conquest Exploration Company

By Richard A. Lydecker Jr.

Vice President

A General Partner

STATE OF Texas)
) ss:
COUNTY OF Harris)

I, KAREN L. FLYNN, a notary public, do hereby certify that on this 31st day of May, 1983, personally appeared before me Richard A. Lydecker, Jr., who being by me first duly sworn, declared that he is an officer of the a general partner of Conquest Associates - I Limited,

that he signed the foregoing document as a general partner of the limited partnership and that the statements therein contained are true.

Karen L. Flynn

Notary Public
KAREN L. FLYNN
Notary Public, State of Texas
My Commission Expires December 23, 1986
Bonded by Lovett Agency, Lawyers Surety Corp.

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SECRETARY OF STATE

The State of Texas

SECRETARY OF STATE

The undersigned, as Secretary of State of the State of Texas, HEREBY CERTIFIES that the attached is a true and correct copy of the following described instruments on file in this office:

CONQUEST ASSOCIATES - I LIMITED

Certificate of Limited Partnership — December 9, 1982

IN TESTIMONY WHEREOF, I have hereunto signed my name officially and caused to be impressed hereon the Seal of State at my office in the City of Austin, this

23rd *day of* June, *A. D. 19* 83.

dh

Secretary of State

CONQUEST ASSOCIATES - I LIMITED

December 8, 1982

CERTIFICATE AND ARTICLES OF LIMITED PARTNERSHIP
OF
CONQUEST ASSOCIATES - I LIMITED

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CERTIFICATE AND ARTICLES OF LIMITED PARTNERSHIP OF CONQUEST ASSOCIATES - I LIMITED

This Certificate and Articles of Limited Partnership (which, as may be restated, amended or supplemented as provided herein, shall be referred to as the "Agreement"), dated as of the 8th day of December, 1982, is made by and among CONQUEST EXPLORATION COMPANY ("Conquest" or "General Partner"), a Delaware corporation, and CCCG 1982 Oil & Gas Limited Partnership, a limited partnership organized under the laws of the State of Illinois for the purpose of becoming a Limited Partner. The terms "Limited Partner" and "Limited Partners" shall mean and refer to CCCG 1982 Oil & Gas Limited Partnership, and such other Persons who may be admitted as additional or Substitute Limited Partners pursuant to the terms hereof. The General Partner and the Limited Partners are hereinafter collectively referred to as the "Partners".

W I T N E S S E T H:

The Partners do hereby form a limited partnership (the "Partnership") upon the terms set forth in the following Articles:

ARTICLE I

FORMATION

1.01 Duration. The Partnership hereby created shall commence upon the effective date of this Agreement and shall continue until it is dissolved and its affairs are wound up pursuant to Article XI hereof. The General Partner agrees that as soon as practicable

following the execution and delivery of the counterparts of this Agreement it will cause this Agreement or another appropriate certificate of limited partnership to be duly filed for record with the Secretary of State of Texas pursuant to Article 6132a-3, Texas Revised Civil Statutes. The General Partner also agrees to take such action as from time to time may be necessary or appropriate to preserve the Partnership's existence in accordance with this Agreement and all applicable laws.

1.02 Place of Business. The Partnership's principal office shall be located at the offices of the General Partner, 4201 FM 1960 West, Suite 500, Houston, Texas 77068, or such other place as the General Partner may from time to time designate. The General Partner shall give notice to the Limited Partners of any change in the location of the principal office of the Partnership.

1.03 Name. The name of the Partnership shall be CONQUEST ASSOCIATES - I LIMITED or such other name as the General Partner may from time to time designate by prior notice to the Limited Partners. In the event the business of the Partnership ever shall be carried on under any name other than the name of the Partnership, or in any instance when required by applicable law, the General Partner shall cause to be filed assumed name certificates in compliance with the laws of the State of Texas or other applicable laws.

1.04 Purpose. Reference is hereby made to that certain Joint Exploration and Development Agreement (which, as restated, amended

or supplemented from time to time, shall be referred to herein as the "Joint Exploration and Development Agreement") to be dated as of December 9, 1982, evidencing agreements of Conquest as the "Managing Participant", the Partnership, and the other Persons now or thereafter listed on Schedule A attached to such Joint Exploration and Development Agreement and signing counterparts thereof (the "Participants"). The Joint Exploration and Development Agreement provides, in general and without limitation, that the Participants will act as tenants in common, though not as joint tenants or as partners, for the purpose of conducting transactions in the oil and gas business generally as set forth in Section 1.05 thereof, which general purpose includes (without limitation) the acquisition of Oil and Gas Properties, and exploring for, producing, treating, transporting, disposing of and marketing oil, gas or both or products derived therefrom, onshore in the continental United States and in state waters. In accomplishing such purposes, the Participants, through the Managing Participant, may take or cause to be taken all actions and perform or cause to be performed all functions to promote and to effect the consummation of such activities and objectives and the realization and implementation of such purposes, all of such actions to be taken by the Participants through the Managing Participant upon the terms and conditions set forth in the Joint Exploration and Development Agreement.

The sole purpose and business of this Partnership shall be to act as a Non-Managing Participant as provided in the Joint Exploration and Development Agreement; to acquire, own, enjoy, operate, deal with, and, if permitted, mortgage, encumber or dispose of any of its Interest and act as a tenant in common with respect to the Oil and Gas Properties in which it has an "Ownership Percentage" (as that term is defined and used in the Joint Exploration and Development Agreement); to exercise and enjoy all of the rights, privileges and benefits, and to pay, perform and observe all of the obligations, agreements and liabilities, allocable and attributable to it in its capacity as a Non-Managing Participant, regardless of whether they arise under the terms of the Joint Exploration and Development Agreement, at law or in equity; and to take or cause to be taken all actions and to perform or cause to be performed all functions necessary or appropriate to promote and conduct the business of the Partnership and to realize and carry out the purposes of the Partnership, all on terms and conditions herein set forth.

The Partnership has assumed, and does hereby assume and agree to pay, perform and discharge each and every obligation attributable to and binding upon it as a Non-Managing Participant and as an owner of an "Ownership Percentage" (as that term is defined and used in the Joint Exploration and Development Agreement) in the Oil and Gas Properties as a tenant in common with the other Participants under the terms of the Joint Exploration and Development Agreement, at law or in equity.

1.05 Qualification to Transact Business. In the event the Partnership shall transact business in a state, territory or possession of the United States other than the State of Texas, then prior to transacting business in such foreign jurisdiction the General Partner shall, to the extent that procedures for qualification are made available, qualify the Partnership to transact business under the laws of the foreign jurisdiction, so that the Partnership and its Partners, if possible, shall enjoy the same rights and privileges and shall be subject to the same duties, restrictions and liabilities as a limited partnership formed under the laws of the foreign jurisdiction. At the General Partner's request, each Limited Partner shall qualify itself to transact business in any jurisdiction in which the General Partner determines that such qualification may be necessary.

ARTICLE II

CLASSIFICATIONS OF PARTNERS

2.01 General Partner. Conquest shall be the General Partner of the Partnership. Except as provided herein, no other Person, shall be appointed or admitted as a general partner or become a successor general partner without the consent of the General Partner and a Majority-in-Interest of the Limited Partners.

2.02 Limited Partners. The Limited Partners shall be the Person or Persons, whether one or more, named and identified as such in the preamble to this Agreement, to-wit: CCCG 1982 Oil & Gas Limited Partnership. Further, other Persons may be admitted

to the Partnership as substituted or additional Limited Partners under and pursuant to the provisions of Article IX hereof; and the terms "Limited Partner" and "Limited Partners" shall herein mean and refer to the Limited Partner who is the Limited Partner upon the date of formation of the Partnership, and all other Persons, if any, which are admitted as substituted or additional Limited Partners as permitted herein. At such time as any such substituted or additional Limited Partner(s) is/are admitted to the Partnership, and/or any additional capital contribution or contributions are agreed to be made by any Limited Partner(s) as provided herein, an amendment to this Agreement together with the required filing fees (if any), shall be filed with the Secretary of State of the State of Texas and other public authorities as may be requried by applicable law.

2.03 Ownership Percentages. The respective percentages of ownership interest (the "Ownership Percentages") in the Partnership of each Partner shall bear the same proportion to the Ownership Percentages of the other Partners as the aggregate of the Partner's Maximum Exploration Contribution and any Maximum Preferred Subsequent Operations Contribution, as they may be increased from time to time, bears to the total Maximum Exploration Contribution and any Maximum Preferred Subsequent Operations Contributions, as they may be increased from time to time, of all Partners. The initial Ownership Percentages of the General Partner and Limited Partner are set forth opposite their names in Schedule A hereto. A Partner's Ownership Percentage shall be increased, as appropriate, by the acquisition of

another's Partnership Interest as permitted herein, and decreased, as appropriate, by a Transfer of its Partnership Interest or the admission of new Partners, whether general or limited, as permitted herein. No Transferee shall own or be deemed to own an Ownership Percentage; however, should the Transferee later be admitted as a Substitute Limited Partner, he shall be deemed to have acquired, as of the date of such substitution, the Ownership Percentage attributable to the Partnership Interest Transferred to him.

ARTICLE III

CAPITAL CONTRIBUTIONS

3.01 Initial Contribution. Upon execution and delivery of this Agreement, each Partner has contributed the sum set forth opposite its name in Cplumn 1 of Schedule A, representing his share of the Partnership Preformation Expenses, the Allocable Share of Preformation Expenses arising under the Joint Exploration and Development Agreement, and the amounts to be paid pursuant to the Special Contribution Agreement, which is Schedule F to the Joint Exploration and Development Agreement, for which it shall receive a credit to its Maximum Exploration Contribution in a like amount.

3.02 Exploration and Development Contributions.

(a) Mandatory Additional Contributions for Exploration. If, at any time, or from time to time, Conquest as Managing Participant, properly calls upon the Partnership as a Participant for payment of its Allocable Share of Exploratory Expenses,

whether incurred or estimated, of its Allocable Share of the principal amount of any JEDA Optional Loans together with accrued interest thereon, and/or of the principal amount of any JEDA Incremental Loans extended to the Partnership together with accrued interest thereon ("Exploration Payment") pursuant to the provisions of the Joint Exploration and Development Agreement, then the General Partner shall give each Limited Partner not less than fifteen (15) days prior written notice ("Exploration Call") of the due date (a "Payment Date") of the Partnership's Exploration Payment. Each Exploration Call shall specify the total amount of the Exploration Payment, the principal amount of any Optional Loan, plus accrued interest, made pursuant to Article IV and the total amount to be contributed by the Partner pursuant to such Exploration Call for such Exploration Payment and Optional Loan. The Partners shall be obligated to contribute in cash to the Partnership the total amount of the Exploration Payment and such Optional Loan (both principal and interest), pro rata according to their respective Ownership Percentages as of the date of such Exploration Call, and not later than the Payment Date specified in such notice. In addition, the first Exploration Call of an Exploration Program Year shall include the amount necessary to pay, in full, principal and accrued interest, an Incremental Loan, if any, made to the Partner by the General Partner. However, no Limited Partner shall have any obligation to contribute any amount to the capital of the Partnership for Exploratory Expenses accruing during the Exploration Period, JEDA

Direct Administrative Costs and Partnership Direct Administrative Costs in excess of the capital contribution which such Partner has agreed to contribute as reflected in Column 2 of Schedule A as it may be amended from time to time pursuant to Section 3.03(a) (the "Maximum Exploration Contribution").

If "Exploration Calls" (as that term is defined and used in the Joint Exploration and Development Agreement) made in any year would result in the Partnership paying in excess of 125% of its Annual Exploration Program Obligation pursuant to the Joint Exploration and Development Agreement, and such increase does not result in an increase in the Partnership's aggregate Exploration Obligation, the incremental portion resulting in such excess (the "Incremental Amount") may be contributed by the Partners pro rata according to their Ownership Percentages. Such contributions shall be credited against their Maximum Exploration Contribution. If a Partner elects not to contribute his pro rata share of the Incremental Amount (a "Non-Advancing Partner"), the General Partner may advance such share of the Incremental Amount (each such advance being an "Incremental Loan") on behalf of the Non-Advancing Partner, which advance will be evidenced by a promissory note in the form of Schedule B, appropriately completed and executed (the "Incremental Note") bearing interest (which shall be compounded quarterly) at a rate which is the lesser of (1) the greater of (A) the prime rate announced from time to time by First City National Bank of Houston, Houston, Texas plus one

percent (1%) per annum or (B) the General Partner's actual cost of borrowing plus one percent (1%) per annum or (2) the maximum lawful rate permissible by applicable law. An Incremental Loan shall be paid in full, principal and accrued interest, from a portion of the payment received in response to the first Exploration Call of the next Exploration Program Year. The principal amount of such Incremental Loan (but not any interest accruing thereon) when paid shall be deemed to be a contribution by the Non-Advancing Partner to the capital of the Partnership for Exploratory Expenses and shall be applied by an equal amount against his Maximum Exploration Contribution.

(b) Voluntary Additional Development Contributions by All Partners. The Joint Exploration and Development Agreement contemplates that the Managing Participant will propose a program of Development Operations and a budget therefor ("Development Program and Budget") to each of the Participants, including the Partnership, from time to time. As provided in Section 4.02 thereof, the Managing Participant will promptly commence Development Operations thereunder (which may be changed by the Managing Participant pursuant to the Joint Exploration and Development Agreement), which will be conducted in a prudent and timely manner. Immediately upon its receipt of a Development Program and Budget, the General Partner shall distribute a copy to each Limited Partner, and each copy shall indicate the date on which it was distributed to the General Partner (the "Distribution

Date"). Except as provided in Section 3.06, within thirty (30) days after the Distribution Date, each Limited Partner shall notify the General Partner whether it elects to make a Development Contribution to the Partnership for Development Expenses associated with the proposed Development Operations contemplated by the Development Program and Budget. Unless waived by the General Partner in its sole discretion, a Limited Partner's failure to notify the General Partner within the thirty (30) day period shall, except as provided in Section 3.06, be deemed to be notice that it has elected not to make a Development Contribution. If all of the Limited Partners do not elect to make Development Contributions for Development Operations contemplated by the Development Program and Budget, no Partner shall be obligated to do so.

If, however, all Limited Partners elect to make such Development Contributions, each Partner shall be obligated to contribute additional capital to the Partnership for Development Expenses associated with the proposed Development Operations contemplated by the Development Program and Budget in an amount ("Maximum Development Contribution") equal to, but not in excess of, the Partnership's Allocable Share of the total Development Expenses for the Development Operations proposed by the Development Program and Budget and limited to the amount so proposed for such Development Expenses (the "Development Obligation") multiplied by such Partner's Ownership Percentage.

If, at any time, or from time to time, Conquest as Managing Participant calls upon the Partnership as a Non-Managing Participant for the payment of its Allocable Share of Development Expenses, whether incurred or estimated, and of its Allocable Share of the principal amount of any JEDA Optional Loans together with accrued interest thereon related to the Development Operations (the "Development Payment") pursuant to the Joint Exploration and Development Agreement, then the General Partner shall give each Limited Partner not less than fifteen (15) days prior written notice ("Development Call") of the Payment Date of the Partnership's Development Payment. Each Development Call shall specify the total amount of the Development Payment, the principal amount of any Optional Loan, plus accrued interest made pursuant to Article IV and the total amount to be contributed by the Partners pursuant to such Development Call for such Development Payment and Optional Loan. The Partners shall be obligated to contribute in cash to the Partnership the total amount of the Development Payment and such Optional Loans (both principal and accrued but unpaid interest), pro rata according to the ratio of their respective Ownership Percentages as of the date of such Development Call, not later than the Payment Date specified in such notice.

(c) Voluntary Preferred Development Contributions by Less than All of the Partners. If all of the Limited Partners do not agree to make additional contributions for Development

Operations set forth in a Development Program and Budget, the General Partner shall immediately notify those Limited Partners who elected to participate that less than all of the Limited Partners elected to participate and inform them of any changes to the Development Program and Budget previously submitted. Within four (4) days after the General Partner has given such notice, a Limited Partner who previously had elected to participate may rescind its election by delivering a written notice to the General Partner informing the General Partner that it is no longer willing to make additional contributions for Development Operations pursuant to the proposed Development Program and Budget. Failure to give such notice within the 4-day period shall be deemed to be an affirmation of its election.

If one or more of such Limited Partners affirm their election to participate (the "Electing Limited Partners"), then the General Partner and each Electing Limited Partner shall be obligated to make preferred capital contributions to the Partnership for the Development Expenses in an amount (the "Maximum Preferred Contribution") equal to, but not in excess of, the Development Obligation multiplied by such Partner's respective Ownership Percentage. In addition, the General Partner and the Electing Limited Partners shall have the option to increase their Maximum Preferred Contribution by subscribing for all or any part of the Development Obligation to which the other Limited Partners (the "Non-Electing Limited Partners") did not elect to subscribe

(the "Uncontributed Amount"), in proportion, inter se, to the respective Ownership Percentages (as determined by reference to Section 2.03) of the General Partner and each Electing Limited Partner, upon the following terms and conditions:

(i) Said option shall continue for a period of one (1) day following the expiration of the twenty-five (25)-day period within which the Non-Electing Limited Partners' election to make Development Contributions for the proposed Development Operations expired or would have expired.

(ii) The option of an Electing Limited Partner shall be considered as exercised when he has delivered to the General Partner within the above-prescribed period of one (1) day written notice of the exercise of such option, an acknowledgment of the additional Maximum Preferred Contribution thereby subscribed for and his agreement promptly to pay all Preferred Development Calls received by reason of such subscription. The General Partner's exercise of its option shall be made by notifying all Electing Limited Partners of such exercise.

(iii) The respective options of the General Partner and the Electing Limited Partners hereunder is granted severally and not jointly. If one or more of the Electing Limited Partners fail to exercise, in its entirety, their respective options, in the manner hereinabove specified, said option shall pass, to the extent not so exercised, to the General Partner and those Electing Limited Partners, if any, who shall have exercised entirely their respective options, and so on, in the manner specified, for successive one day option periods until the entire Uncontributed Amount has been offered or the expiration of thirty days from the Distribution Date, whichever event occurs earlier.

If no Limited Partner affirms its election to participate, the General Partner may, in its sole discretion increase its Maximum Preferred Contribution to an amount equal to, but not less than, the Development Obligation.

The Maximum Preferred Contribution of a Partner shall be increased to reflect any Uncontributed Amount subscribed by such Partner. If the General Partner and Electing Limited Partnership fail to subscribe for the entire Uncontributed Amount within thirty days of the Distribution Date, the Partnership shall notify the Managing Participant that it does not elect to participate in the Development Operations proposed by the Development Program and Budget, and all Partners shall have no obligation to make preferred contributions for such Development Operations.

The General Partner shall call (the "Preferred Development Call") on the Electing Limited Partners and itself for their preferred contributions in the same manner as contributions are called for in Section 3.02(b). The Partners so making a preferred contribution for Development Expenses shall be entitled to receive, and shall be allocated and distributed, revenues, gains, deductions, losses, distributions and other items arising in connection with the Development Operations conducted pursuant to the Development Program or Budget as provided in Articles VI and VII. Their shares of such allocations and distributions shall

be in the same proportions as among themselves as their preferred contributions for the Development Expenses with which such items are associated.

(d) Amendment Upon Contributions. An amendment to this Agreement, together with any and all required fees, shall be filed with the office of the Secretary of State of the State of Texas at any time that any Limited Partner agrees to make any additional or preferred contributions to the capital of the Partnership.

(e) Preferred Contributions or Loans by the General Partner. In the event that a call (other than a proposal to increase the Exploration Obligation or any proposal for Subsequent Operations, both of which matters shall be governed by Section 3.03 below) is made on the Partnership pursuant to the Joint Exploration and Development Agreement for payments of any Exploratory or Development Expenses which would otherwise result in the Limited Partners contributing to the capital of the Partnership an amount in excess of their Maximum Exploration Contribution, Maximum Development Contribution, Maximum Preferred Contribution, Maximum Subsequent Operations Contribution, or Maximum Preferred Subsequent Operations Contribution, as the case may be (the "Excess Call"), the General Partner shall give each Limited Partner not less than fifteen (15) days prior written notice of the Payment Date for the Excess Call by the Partnership. At any time prior to the Payment Date each Limited Partner may pay its pro rata share of such Excess Call if each of the other Limited

Partners do so. If the Limited Partners have not paid to the General Partner their aggregate pro rata share of the Excess Call prior to the Payment Date, the General Partner (but not any Limited Partner), not later than the Payment Date specified in such notice, shall in its discretion either (i) make a preferred contribution in an amount necessary for the Partnership to pay the Excess Call or (ii) make a loan or advance to the Partnership as provided below, except that the loan or advance shall not exceed the lesser of five percent (5%) of the Limited Partners' respective aggregate Maximum Exploration Contribution, Maximum Development Contribution, Maximum Preferred Contribution, Maximum Subsequent Operations Contribution, or Maximum Preferred Subsequent Operations Contribution that would have been exceeded or $250,000. To the extent that such loan or advance would exceed such amount, the General Partner shall make a preferred contribution equal to the remaining amount necessary to satisfy the Excess Call. Preferred contributions made by the General Partner to satisfy Excess Calls shall entitle it to a preference as to allocations and distributions as provided in Article VI and VII.

Any loans or advances made to satisfy an Excess Call (the "Advance Loans") shall be evidenced by a promissory note in the form of Schedule C, appropriately completed and executed (the "Advance Note") made by the Partnership, payable to the General Partner, bearing interest (which shall be compounded

quarterly) at a rate which is the lesser of (1) the greater of (A) the prime rate announced from time to time by First City National Bank of Houston, Houston, Texas plus one per cent (1%) per annum or (B) the General Partner's actual cost of borrowing plus one percent (1%) per annum, or (2) the maximum rate permissible under applicable law, and shall be payable on such terms as the General Partner shall determine. Upon the making of any preferred contribution or Advance Loan, the General Partner shall notify all Limited Partners of the amount thereof, and, in the case of an Advance Loan, the terms of repayment.

3.03 Increase in Maximum Exploration Contribution or Conduct of Subsequent Operations.

(a) Increase in Maximum Exploration Contribution. If at any time or from time to time Conquest, as Managing Participant, proposes to increase the aggregate Exploration Obligation of the Participants (including the Partnership) pursuant to Section 3.04 of the Joint Exploration and Development Agreement, then the General Partner shall notify the Limited Partners of such proposal, which shall be deemed to be a proposal to increase the Maximum Exploration Contribution of the Partners pro rata according to their Ownership Percentages, by an amount equal, in the aggregate, to the amount by which the Partnership's Exploration Obligation is proposed to be increased. Such notice shall state the total amount of the Partnership's Allocable Share of the proposed increase in its Exploration Obligation, the amount

of the proposed increase in the Maximum Exploration Contribution of each Partner, the estimated Exploration Program Years during which Exploration Calls will be made therefor, the estimated Exploratory Expenses to be incurred by the Partnership for each such year and the general location of the proposed operations. Within thirty (30) days of such notice, each Partner shall notify the General Partner as to whether it consents to the proposed increase in its Maximum Exploration Contribution. Unless waived by the General Partner, a Limited Partner's failure to notify the General Partner within the thirty (30) day period shall be deemed to be notice that it does not consent to the proposed increase in its Maximum Exploration Contribution. Schedule A shall be amended to reflect agreed increases to the Maximum Exploration Contribution, and each Partner who agreed to increase its Maximum Exploration Contribution shall be severally obligated to pay its Maximum Exploration Contribution, as increased, pursuant to Exploration Calls thereafter made by the General Partner pursuant to the provisions of Section 3.02(a). Ownership Percentages shall be recalculated to reflect any increases in Maximum Exploration Contributions.

(b) Conduct of Subsequent Operations. The Joint Exploration and Development Agreement contemplates that after the aggregate Exploration Obligation of the Participants has been expended or the expiration of the Exploration Period (as defined therein) whichever sooner occurs, Conquest as Managing Participant

at any time or from time to time may announce a program of Subsequent Operations (the "Subsequent Operations Program") on any portion of any "Undrilled Acreage" (as that term is defined therein) by distributing a program of Subsequent Operations and a budget therefor (the "Subsequent Operations Program and Budget") to each of the Participants, including the Partnership. Immediately upon its receipt of a Subsequent Operations Program and Budget, the General Partner shall distribute a copy to each Limited Partner, which copy shall indicate the date on which it was distributed to the General Partner (the "Subsequent Operations Distribution Date"). The distribution of such Subsequent Operations Program and Budget shall be accompanied by a notice stating the amount of the Partnership's Allocable Share of the estimated Subsequent Operations Expenses for the Subsequent Operations proposed by the Subsequent Operations Program and Budget (the "Subsequent Operations Obligation"). Except as provided in Section 3.06, each Limited Partner shall have thirty (30) days after the Subsequent Operations Distribution Date to notify the General Partner of its election to participate in the program; failure to do so will, unless waived by the General Partner, be deemed an election not to participate in the program.

If all Limited Partners consent to a proposed Subsequent Operations Program, each Partner shall be severally obligated to contribute additional capital to the Partnership for Subsequent Operations Expenses incurred under such Subsequent

Operations Program an amount (a "Maximum Subsequent Operations Contribution") equal to, but not in excess of the Subsequent Operations Obligation proposed by the Subsequent Operations Program and Budget (and limited to such amount so proposed for Subsequent Operations Expenses associated therewith) multiplied by its Ownership Percentage. If, at any time or from time, Conquest as Managing Participant calls upon the Partnership as a Non-Managing Participant for the payment of the Allocable Share of Subsequent Operation Expenses, whether incurred or estimated, and its Allocable Share of the principal amount of any JEDA Optional Loans relating to the Subsequent Operations together with accrued interest (the "Subsequent Operations Payment") pursuant to the Joint Exploration and Development Agreement, then the General Partner shall give each Limited Partner not less than fifteen (15) days notice ("Subsequent Operations Call") of the Payment Date of the Partnership's Subsequent Operations Payment. Each Subsequent Operations Calls shall specify the total amount of the Subsequent Operations Payment, the principal amount of any Optional Loan, plus accrued interest, made pursuant to Article IV, and the total amount to be contributed by the Limited Partner pursuant to such Subsequent Operations Call. The Partners shall be obligated to contribute in cash to the Partnership the total amount of the Subsequent Operations Payment and such Optional Loan (both principal and interest), pro rata according to the ratio of their

respective Ownership Percentage as of the date of such Subsequent Operations Call, not later than the Payment Date specified in such notice.

However, if all of the Limited Partners do not consent to a proposed Subsequent Operations Program, the General Partner shall immediately notify the Limited Partners who elected to participate that less than all of the Limited Partners have elected to participate and inform them of any changes to the Subsequent Operations Program and Budget previously submitted. Within four (4) days after the General Partner has given such notice, a Limited Partner who previously had elected to participate may rescind its election to participate by delivering a written notice to the General Partner informing the General Partner it is no longer willing to participate in the proposed Subsequent Operations. Failure to give such notice within the 4-day period shall be deemed to be an affirmation of its election.

If one or more Limited Partners affirm their election to participate (the "Electing Limited Partners"), then the General Partner and each Electing Limited Partner shall be obligated to make preferred contributions to the Partnership for the Subsequent Operations Expenses in an amount (the "Maximum Preferred Subsequent Operations Contribution") equal to, but not in excess of, the Subsequent Operations Obligation multiplied by its Ownership Percentage. In addition, the General Partner and the Electing Limited Partners shall have the option to increase

their Maximum Preferred Subsequent Operations Contribution by subscribing for all or any part of the Subsequent Operations Obligation the other Limited Partners (the "Non-Electing Limited Partners") did not subscribe for (the "Uncontributed Subsequent Operations Amount"), in proportion, inter se, to the respective Ownership Percentages (as determined by reference to Section 2.03) of the General Partner and each Electing Limited Partner, upon the following terms and conditions:

(i) Said option shall continue for a period of one (1) day following the expiration of the twenty-five (25)-day period within which the Non-Electing Limited Partners' election to make Subsequent Operations Contributions for the proposed Subsequent Operations expired or would have expired;

(ii) The option of an Electing Limited Partner shall be considered as exercised when he has delivered to the General Partner within the above-prescribed period of one (1) day written notice of the exercise of such option, an acknowledgment of the additional Maximum Subsequent Operations Contribution thereby subscribed for and his agreement promptly to pay all Preferred Subsequent Operations Calls received by reason of such subscription. The General Partner's exercise of its option shall be made by notifying all Electing Limited Partners of such exercise; and

(iii) The respective option of Electing Limited Partners and of the General Partner hereunder is granted severally and not jointly. If one or more of the Electing Limited Partners fail to exercise, in its entirety, his respective option, in the manner hereinabove specified, said option shall pass to the extent not so exercised to the General Partner and those Electing Limiting Partners, if any, who shall have exercised entirely their respective

options, and so on, in the manner specified, for successive one day option periods until the entire Uncontributed Subsequent Operations Amount has been offered or the expiration of thirty (30) days from the Subsequent Operations Distribution Date, whichever event earlier occurs.

If no Limited Partner affirms its election to participate, the General Partner may, in its sole discretion, increase its Maximum Preferred Subsequent Contributions to an amount equal to, but not less than, the Subsequent Operations Obligation.

The Maximum Preferred Subsequent Operations Contribution of a Partner shall be increased to reflect any Uncontributed Subsequent Operations Amount subscribed by such Partner. If the General Partner and Electing Limited Partners fail to subscribe for the entire Uncontributed Subsequent Operations Amount within thirty (30) days of the Subsequent Operations Distribution Date, the Partnership shall notify the Managing Participant that it does not elect to participate in the Subsequent Operations proposed by the Subsequent Operations Program and Budget and all Partners shall have no obligation to make preferred capital contributions for such Subsequent Operations.

The General Partner shall call (the "Preferred Subsequent Operations Call") on the Electing Limited Partners and itself for their preferred capital contributions for Subsequent Operations hereunder in the same manner as provided above for

Subsequent Operations Calls. The Partners so making a preferred contribution for Subsequent Operations shall be entitled to receive, and shall be allocated and distributed, revenues, gains, deductions, losses, distributions and other items arising in connection with such Subsequent Operations as provided in Articles VI and VII. Their shares of such allocations and distributions shall be in the same proportions as among themselves as their preferred contributions for the Subsequent Operations Expenses with which such items are associated.

In addition to proposing Subsequent Operations, Conquest as Managing Participant may submit from time to time a proposed program for Development Operations and budget therefor ("Subsequent Operations Development Program and Budget") on Undrilled Acreage which has been the subject of Exploratory Operations conducted pursuant to a prior Subsequent Operations Program. Except as provided below, Sections 3.02(b) and (c) shall govern obligations to make contributions for Development Expenses associated with such Development Operations. Accordingly, the defined terms used therein shall, unless otherwise defined below, apply as appropriate.

If there are Limited Partners which did not elect to participate in the Exploratory Operations conducted pursuant to the prior Subsequent Operations Program, such Limited Partners shall have the option of participating in the Development Operations contemplated by such proposed Subsequent Operations

Development Program and Budget and each Limited Partner exercising such option shall have the right to make contributions for the Development Expenses associated therewith in an amount equal to, but not in excess of, 25% of the contribution it would have been entitled to contribute if all Limited Partners had participated in the prior Subsequent Operations Program. Limited Partners which did elect to participate in the Exploratory Operations conducted by the prior Subsequent Operations Program shall have the right to contribute a percentage equal to the product of (i) the difference between 100% and the sum of the percentages determined in the preceeding sentence and (ii) a fraction the numerator of which is their respective Maximum Preferred Subsequent Operations Contribution and the denominator of which is the combined Maximum Preferred Subsequent Operations Contribution of all Partners, including the General Partner, which did elect to participate in the Subsequent Operations Program. If less than all Limited Partners participate in Development Operations contemplated by such Subsequent Operations Development Program and Budget in accordance with this Section, the Limited Partners who do choose to participate and the General Partner shall have the option to subscribe to the unsubcribed Development Obligation relating to such Subsequent Operations Development Program and Budget in accordance with the procedure set forth in Section 3.03(b). A Partner's "Maximum Development Contribution" for Development Expenses associated with such Development Operations shall be an

amount equal to, but not in excess of, the Partnership's Development Obligation for such Development Operations proposed by such Subsequent Operations Development Program and Budget (and limited to the amounts so proposed for such Development Expenses) multiplied by the percentage amount to which such Partner had the right to subscribe as provided above, plus any increases because of subscriptions to the unsubscribed Development Obligation.

3.04 Failure to Pay Calls for Contributions or Incremental Loans or to Offer Interests in Additional Acreage in an Area of Mutual Interest.

(a) Failure By Limited Partner. In the event a Limited Partner (the "Defaulting Limited Partner") fails (1) to pay in full, within five (5) days after a Payment Date therefor, any Exploration, Development, Preferred Development, Subsequent Operations, or Preferred Subsequent Operations Call that such Defaulting Limited Partner was obligated to make pursuant to Section 3.02 (a), (b) or (c) or Section 3.03 and the cure period specified below expires, (2) to pay in full, within five (5) days after the maturity thereof, any Incremental Loan such Defaulting Limited Partner was obligated to pay or (3) to offer to the Participants interests in Additional Acreage within an Area of Mutual Interest pursuant to Section 15.07 hereof, the Defaulting Limited Partner shall be in default under this Agreement and the Partnership (without prejudice to any other right it may have), in

the sole discretion of the General Partner, may withhold any distributions otherwise distributable to or any payments of any loans made by the Defaulting Limited Partner, as a set-off, and, in addition the Partnership and/or the General Partner may proceed in any of the following ways, as appropriate:

(i) Bring suit against the Defaulting Limited Partner for the unpaid amount of any such defaulted capital contribution or Incremental Loan or to seek relief for the Defaulting Limited Partner's failure to offer interests in the Additional Acreage, together with costs of collection or enforcement, attorney's fees and interest accruing after default at the maximum rate as provided below, and the Defaulting Limited Partner shall continue to be liable therefor until such defaulted contribution or Incremental Loan is paid in full, or until the interests in the Additional Acreage are offered to the Participants as provided in Section 15.07, and until such costs, fees and interest have been paid in full together with accrued interest thereon; or

(ii) Require the Defaulting Limited Partner to sell his Partnership Interest to the General Partner or its designees for an amount equal to 75% of the Valuation Amount attributable to the Defaulting Limited Partner; provided such purchaser shall pay (if applicable) the defaulted contribution or unpaid Incremental Loan together with accrued interest thereon, and agree to assume the remaining obligations of the Defaulting Limited Partner hereunder, whereupon each such purchaser (if it is not already a Partner) shall be admitted to the Partnership in accordance with Section 9.02, as a Substitute Limited Partner, succeeding to the rights and obligations of the Defaulting Limited Partner; or

(iii) Foreclose the security interest in his Partnership Interest, which each Limited Partner hereby grants to the Partnership and the General Partner to secure such Limited Partner's obligation to make contributions, to repay Incremental Loans and to offer interests in Additional Acreage in an Area of Mutual Interest as provided herein. The General Partner, acting on behalf of the Partnership, shall have all rights available to a secured party under the Texas Business and Commerce Code and the corresponding law of the state where the chief executive office of the Defaulting Limited Partner is located. All Partners stipulate and agree that where any provision hereof or of any applicable law shall require notice in the connection with such foreclosure, then the period of such notice shall be fifteen (15) days from the date such notice shall be delivered or deemed to have been delivered under the terms of Section 15.02 hereof, and such period is hereby stipulated and agreed to be reasonable for all such purposes. In addition, the General Partner or its designee(s) may purchase the Defaulting Limited Partner's Partnership Interest at any foreclosure sale, provided that any such purchaser shall pay (if applicable) the defaulted contribution or unpaid Incremental Loan, together with accrued interest thereon, installment and agree to assume the remaining liability of the Defaulting Limited Partner hereunder, whereupon each such purchaser (if it is not already a Partner) shall be admitted to the Partnership in accordance with Section 9.02, as a Substituted Limited Partner, succeeding to the rights and obligations of the Defaulting Limited Partner.

Each Limited Partner hereby irrevocably appoints the General Partner as his attorney-in-fact to execute all documents necessary to accomplish the foregoing, such appointment being coupled with an interest. However, notwithstanding the

foregoing, if a Defaulting Limited Partner fails to make contributions pursuant to an Exploration, Development, Preferred Development, Subsequent Operations, or Preferred Subsequent Operations Call, he shall not be in default hereunder if, within sixty (60) days after the expiration of the five (5)-day period set forth in 3.02(a)(1), he makes the called for contribution and pays the General Partner interest (which shall be compounded quarterly) thereon through the date of payment at a rate which is the lesser of (1) the greater of (A) the prime rate announced by First City National Bank of Houston, Houston, Texas plus one percent (1%) per annum or (B) the General Partner's actual cost of borrowing plus one percent (1%) per annum or (2) the maximum rate permissible by applicable laws.

In the event a Defaulting Limited Partner is required to Transfer its Partnership Interest pursuant to this Section 3.04(a), such Transfer expressly shall exclude and there shall be reserved unto such Defaulting Limited Partner the continuing and nonterminable right to repayment of any loans theretofore made by such Defaulting Limited Partner to the Partnership, and the repayment of such loans by the Partnership to such Defaulting Limited Partner shall continue to be made in accordance with the terms of, and in the order of priorities specified in this Agreement as of the date of such Transfer, with the sole exception that repayment to such Defaulting Limited Partner of any such loans shall be subordinate to the repayment by

the Partnership (1) of any contributions to the capital of the Partnership by any Partner and (2) of any other loan incurred at any time by the Partnership in the ordinary course of its business. Except as provided in the preceding sentence, the instruments effecting the Transfer of such Defaulting Limited Partner's Partnership Interest shall expressly provide that no amendment of this Agreement subsequent to the Transfer shall be effective as to the Defaulting Limited Partner if it changes the provisions of this Agreement relating to the terms and order of priority of repayment of the loans the Partnership owes to such Defaulting Limited Partner on the date of such Transfer.

Interest shall be calculated and payable on a defaulted contribution and on unpaid amounts under an Incremental Loan (including accrued but unpaid interest thereon) at a rate which is the lesser of (1) the greater of (A) the prime rate announced by First City National Bank of Houston, Houston, Texas plus one percent (1%) per annum or (B) the General Partner's actual cost of borrowing plus one percent (1%) per annum; or (2) the maximum rate permissible by applicable law, which shall accrue and compound quarterly, from the applicable Payment Date on which the defaulted contribution or Incremental Loan was due until such obligation (including accrued interest) is paid by such Person as may pay the defaulted contribution or the Incremental Loan pursuant to subsection (ii) or (iii) of this Section, or by the Defaulting Limited Partner if he is permitted to cure his default

by the General Partner or is permitted by settlement or judgment to pay such defaulted contribution or Incremental Loan after he is sued pursuant to subsection (i) of this Section and if (and to the extent) his defaulted obligation is paid by set-off against his distributions as provided above.

In the event the default of a Defaulting Limited Partner results from his failure to pay an Exploration, Development, Preferred Development, Subsequent Operations, or Preferred Subsequent Operations Call as herein provided and the General Partner elects to require the Defaulting Limited Partner to sell his Partnership Interest as provided in subsection (ii) above, or to foreclose the security interest granted in subsection (iii) above and the General Partner purchases such Partnership Interest at such foreclosure, the General Partner and each of the Limited Partners, exclusive of any Defaulting Limited Partner (the "Entitled Partners"), shall each have the option (but not the obligation), to acquire, in proportion, inter se, to their respective Ownership Percentages, such Partnership Interest exercisable in the same manner as provided in Section 3.02(c). Each Entitled Partner and additional or substituted Limited Partner who contributes to the purchase of a portion of the Defaulting Limited Partner's Partnership Interest shall acquire and be assigned the Defaulting Limited Partner's Partnership Interest in proportion to the amount they contribute toward the purchase.

No Transfer of the Partnership Interest of any Defaulting Limited Partner contemplated or permitted by this Section 3.04(a) may be made without compliance with the provisions of Sections 9.01 and 9.02 of this Agreement.

(b) Default by the General Partner. In the event the General Partner fails to (1) pay in full, within thirty (30) days thereof, any additional capital contribution called for pursuant to Sections 3.02 or 3.03, (2) to advance in full within fifteen (15) days after a Payment Date to the Partnership as a loan or as a preferred capital contribution any amount necessary to pay an Excess Call, or (3) to offer interests in Additional Acreage within an Area of Mutual Interest pursuant to Section 15.07, a Majority in Interest of the Limited Partners may, at their option, in addition to any other remedy at law or in equity, including but not limited to, a suit for damages, require the General Partner to Transfer its Partnership Interest to a designee of the Majority-in-Interest of the Limited Partners for an amount equal to 75% of the Valuation Amount attributable to the General Partner and except as hereinafter provided, the General Partner shall cease to have any power to act as General Partner and own any Partnership Interest and all the Limited Partners may elect one or more new general partners. In the event the General Partner is required to Transfer its Partnership Interest pursuant to this Section 3.04(b), such Transfer expressly shall exclude and there shall be

reserved unto the General Partner the continuing and nonterminable right to repayment of any loans made by the General Partner to the Partnership and distribution in return of any preferred contributions made to satisfy any Excess Calls, and the repayment of such loans or distributions relating to such contributions by the Partnership to the General Partner shall continue to be made in accordance with the terms of, and in the order of priorities specified in this Agreement as of the date of such Transfer, with the sole exception that repayment to the General Partner of any such loans or distributions relating to such contributions shall be subordinate to the repayment by the Partnership (i) to any substitute general partner(s) of any loans made by such substitute general partner(s) to the Partnership; (ii) of any contributions to the capital of the Partnership by any Partner and (iii) of any other loan incurred by the Partnership to third parties at any time in the ordinary course of its business. Except as provided in the preceding sentence, the instruments effecting the Transfer of the General Partner's Partnership Interest shall expressly provide that no amendment of this Agreement subsequent to such Transfer shall be effective as to the General Partner if such amendment would result in a change in the provisions of this Agreement relating to the terms and order of priority of repayment of the loans owing from the Partnership to the General Partner on the date of such Transfer.

(c) Allocations to a Defaulting Partner. Notwithstanding the provisions of Section 9.05 below, no Partner whose Partnership Interest shall be divested pursuant to any provision of this Section 3.04 shall have any right to have allocated to him, and there shall not be allocated to him, any gain or loss as determined for Federal income tax purposes, from any transaction which occurs after the divestiture of his Partnership Interest occurs, and any such gain or loss shall be allocated to the Transferee(s) of such Partnership Interest. In all other instances the provisions of Section 9.05 shall control.

3.05 Capital Accounts.

(a) Increases and Decreases in Capital Accounts. Each Partner shall have a capital account ("Capital Account"). This Capital Account shall, as appropriate, be increased by:

(i) The amount of his cash contributions (whether initial, additional or preferred) to the capital of the Partnership pursuant to this Article III,

(ii) The amount of net income from operations allocated to him pursuant to Article VI, and

(iii) The amount of net gains allocated to him pursuant to Article VI;

and shall, as appropriate, be decreased by

(iv) The amount of losses from operations and other net losses allocated to him pursuant to Article VI, and

(v) All amounts paid or distributed to him pursuant to Article VII.

(b) Determination of Capital Account. Except as otherwise provided in this Agreement, the Capital Account of the Partner shall be determined after giving effect to all allocations for transactions effected prior to the time as of which such determination is made. Any Partner, including any Substitute Partner, who shall acquire a Partnership Interest or whose Partnership Interest shall be increased by means of a Transfer to him of all or part of the Partnership Interest of another Partner, shall have a Capital Account which reflects such Transfer.

(c) Withdrawals of and Additions to Capital Accounts. A Partner shall not be entitled to withdraw any part of his Capital Account or to receive any distributions from the Partnership, except as specifically provided in this Agreement, and no Partner shall be entitled to make any additional or preferred contributions to the Partnership other than as provided herein.

(d) Loans. Loans by any Partner to the Partnership shall not be considered contributions to the capital of the Partnership and shall not increase the Capital Account of the Lending Partner, and repayment of such loans shall not be deemed withdrawals from the capital of the Partnership.

(e) Liability for Debts or Contributions. No Limited Partner shall be liable for any of the debts of the Partnership or be required or obligated to make any contribution to the Partnership of any sort whatsoever, except those contributions

described in this Article III (including, without limitation, any capital contribution recited in Section 3.01 above as having been made, which is not made on the date of this Agreement); provided, however, that to the extent required by applicable law, any Partner receiving a distribution in part or full return of his capital contribution(s) shall be liable to the Partnership for any sum, not in excess of such amount returned (with interest), necessary to discharge liabilities of the Partnership to all creditors who extended credit or whose claims arose before such distribution, excluding creditors whose claims are represented by debt for which neither the Partnership nor any Partner has any personal liability. No Partner with a negative balance in his Capital Account shall have any obligation to the Partnership or the other Partners to restore said negative balance, nor shall such negative capital account balance constitute an asset of the Partnership, other than any portion of the negative capital account balance of a Partner which results from a withdrawal of cash by or distribution of cash to such Partner other than as provided for in this Agreement.

(f) No Third Party Beneficiaries of Agreements to Contribute Capital. In no event shall the agreements of the Partners hereunder to contribute capital to the Partnership or liability to the Partnership arising under Section 3.05(e) be construed as being for the benefit of any third party, including, without limitation, creditors of the Partnership unless such Partner and

the General Partner shall otherwise agree in writing. In this connection and unless otherwise agreed to in writing by such Partner and the General Partner, no such third party shall be entitled to seek or take any money judgment against any Partner for any portion of his capital contribution not yet contributed to the Partnership or payment of any liability arising under Section 3.05(e).

(g) Interest on Capital Accounts. No interest shall be paid on any capital contributed to the Partnership.

3.06 Reduction of Option Periods. Notwithstanding the provisions of Sections 3.02(b) and 3.03(b) relating to the periods for elections to participate and subscribing for obligations attributable to Non-Electing Limited Partners, such periods shall be reduced when there is more than one Limited Partner so that the thirty (30)-day periods are twenty-five (25)-day periods.

ARTICLE IV

OPTIONAL LOANS TO THE PARTNERSHIP

At any time and from time to time, any Partner may make optional loans or advance money to the Partnership, but only to the extent required by the Partnership's business, and only upon the request of the General Partner. Such loans or advances (the "Optional Loans") shall be evidenced by a promissory note, in the form of Schedule D, appropriately completed and executed ("Optional Note") made by the Partnership, payable to the lending Partner (the "Lending Partner"), bearing interest (which shall be

compounded quarterly) at a rate which is the lesser of (1) the greater of (A) the prime rate announced from time to time by First City National Bank of Houston, Houston, Texas, plus one percent (1%) per annum or (B) the General Partner's actual cost of borrowing plus one percent (1%) per annum; or (2) the maximum rate permissible under applicable law. Upon the making of any such Optional Loan, the General Partner shall notify all Limited Partners of the amount thereof and who the payee is of such Optional Loan. The amount of any such Optional Loan and interest thereon shall be deemed a debt of the Partnership to the Lending Partner. An Optional Loan shall be paid in full, principal and accrued interest, by the Partnership from payments received in response to the next Exploration, Development, Preferred Development, Subsequent Operations, or Preferred Subsequent Operations Call, as appropriate. The portion of such payments relating to the interest on such Optional Loans shall not be credited against any Partner's obligation to contribute.

ARTICLE V

EXPENSES OF THE PARTNERSHIP

5.01 Payment of Expenses. The Partnership shall be responsible for paying all direct costs and expenses of conducting its business and realizing and carrying out its purposes (including, but without limitation, all Partnership Preformation Expenses, Partnership Direct Administrative Costs, Production

Expenses, and the Partnership's Allocable Share of costs and expenses incurred pursuant to the Joint Exploration and Development Agreement.

In the event any costs and expenses of the Partnership are or have been paid by a Partner, other than the General Partner, on behalf of the Partnership with the prior written approval of the General Partner, then such Partner shall be entitled to be reimbursed for such payment if it is reasonably necessary for Partnership business and is reasonable in amount, as determined by the General Partner. In any event, however, the General Partner shall be reimbursed for all payments of costs and expenses of the Partnership that it makes. For the purposes hereof, "Partnership Preformation Expenses" shall mean and refer to all expenses incurred by the General Partner in connection with the preparation and execution of this Agreement and the formation of the Partnership.

5.02 Production Expenses. Any Production Expenses incurred pursuant to the Joint Exploration and Development Agreement in connection with an Exploratory Well or Development Well shall be borne by the Partnership. Production Expenses are not included in the Exploratory Expenses, Development Expenses, or Subsequent Operations Expenses that are paid from Maximum Exploration, Maximum Development, Maximum Preferred, Maximum Subsequent Operations, or Maximum Preferred Subsequent Operations Contributions.

5.03 Sources of Funds for Expenses. The Partnership Preformation Expenses and Exploratory Expenses, as well as the Partnership's Allocable Share of Preformation Expenses and Exploratory Operating Expenses incurred pursuant to the Joint Exploration and Development Agreement, will be paid from contributions credited against the Maximum Exploration Contribution.

Administrative Expenses shall be paid from Exploration, Development, Preferred Development, Subsequent Operations and Preferred Subsequent Operations Calls. Exploratory Expenses, Development Expenses and Subsequent Operations Expenses shall be paid from contributions made pursuant to Article III.

All other expenses and costs incurred by the Partnership, including (without limitation) Partnership Direct Administrative Costs, JEDA Direct Administrative Costs, and Production Expenses shall be expenses and costs of its operations and paid from revenues attributable to it. Should revenues not be sufficient to pay such costs and expenses (except for Production Expenses), the General Partner may, if it so chooses in its sole discretion, call upon each Partner for additional contributions to defray them. Should all revenues of the Partnership not be sufficient to pay Production Expenses, the General Partner may, if it so chooses in its sole discretion, only with respect to any particular Exploratory Well or Development Well which has commenced Commercial Production (as defined in the Joint

Exploration and Production Agreement), call upon each Partner for additional contributions to defray Production Expenses with respect to such Exploratory Well or Development Well, to a maximum of 50% of the capital costs incurred with respect to such Exploratory or Development Well prior to the commencement of Commercial Production therefrom. Any such call shall be made as provided in Section 3.02(a), and each Partner may make a contribution equal to the amount called for, pro rata according to his Ownership Percentage. The Partners making such contribution shall be deemed to have had their Maximum Exploration Contribution increased by an amount equal to the amount contributed and the payment of such contribution shall be credited against their Maximum Exploration Contributions.

ARTICLE VI

ALLOCATION OF NET INCOME AND LOSSES FROM OPERATION; DEPRECIATION; DEPLETION; NET GAINS AND LOSSES FROM DISPOSITIONS

6.01 General Allocation. Except as provided in Sections 6.02, 6.03 and 6.04, the following items shall be allocated among the Partners, to the extent permitted by applicable law, ninety-nine percent (99%) to the Limited Partners, in proportion to their respective Ownership Percentages, and one percent (1%) to the General Partner:

(a) All gains, income, profits, losses, deductions, and credits, as determined for Federal income tax purposes, arising from the Partnership's activities; and

(b) The Allocable Share of gains, income, profits, losses, deductions, and credits of the Partnership, as determined for Federal income tax purposes, arising in connection with the activities conducted pursuant to the Joint Exploration and Development Agreement, including (without limitation) depreciation, depletion and investment tax credits.

6.02 Allocations to Partners Making Preferred Contributions for Purposes Other Than Subsequent Operations and Subsequent Development Operations. Notwithstanding the foregoing, if any of the items allocated above arise out of or relate to activities conducted with contributions by the Partnership attributable to preferred contributions (including preferred contributions made to satisfy Excess Calls but excluding preferred contributions made for Subsequent Operations and preferred contributions for Subsequent Development Operations), such items shall be allocated as follows:

(a) All items of gain, income, and profit enumerated above in Section 6.01 relating to such activities shall be allocated to the Partners making such contributions, first to the General Partner an amount equal to any preferred contribution it made to satisfy an Excess Call relating to such activities; second to the Partners making preferred contributions with respect to such activities, in the proportion that their preferred contributions giving rise to such items bear to the aggregate of such preferred contributions, an aggregate amount equal to three

hundred percent (300%) of their contributions; and thereafter to all of the Partners as provided in Section 6.01; and

(b) All items of loss, deduction, and credit enumerated in Section 6.01 relating to such activities shall be allocated to the Partners making such contributions, first to the General Partner an amount equal to any preferred contribution it made to satisfy an Excess Call relating to such activities; second to the Partners making preferred contributions with respect to such activities, in the proportions that their preferred contributions giving rise to such items bear to the aggregate of such preferred contributions, an aggregate amount equal to their contributions; and thereafter to all of the Partners as provided in Section 6.01.

6.03 Allocations to Partners Making Preferred Contributions for Subsequent Operations. Notwithstanding the foregoing, if any of the items allocated above arise out of or relate to activities conducted with contributions by the Partnership attributable to preferred contributions for Subsequent Operations, such items shall be allocated as follows:

(a) All items of gain, income, and profit enumerated above in Section 6.01 relating to such activities shall be allocated to the Partners making such contributions, in the proportions that their preferred contributions giving rise to such items bear to the aggregate of such preferred contributions, an aggregate amount equal to their contributions; and thereafter 75% to the Partners making such contributions and 25% to the other Partners; and

(b) All items of loss, deduction, and credit enumerated in Section 6.01 relating to such activities shall be allocated to the Partners making such contributions, in the proportions that their preferred contributions giving rise to such items bear to the aggregate of such preferred contributions, an aggregate amount equal to their contributions; and thereafter 75% to the Partners making such contributions and 25% to the other Partners.

6.04 Allocations to Partners Making Contributions for Subsequent Development Operations. Notwithstanding the foregoing, if any of the items allocated above arise out of or related to activities conducted with contributions by the Partnership attributable to capital contributions for Subsequent Development Operations, such items shall be allocated as follows:

(a) If all Limited Partners participate in a Development Program:

(i) All items of gain, income, and profit enumerated above in Section 6.01 relating to such activities shall be allocated to the Partners in the proportions that their contributions bear to the aggregate of such contributions; and

(ii) All items of loss, deduction, and credit enumerated in Section 6.01 relating to such activities shall be allocated to the Partners in the proportions that their contributions bear to the aggregate of such contributions.

(b) If less than all Limited Partners participate in such a Development Program:

(i) All items of gain, income, and profit enumerated above in Section 6.01 relating to such activities shall be allocated to the

Partners making contributions in the proportions that their contributions giving rise to such items bear to the aggregate of such contributions, an aggregate amount equal to three hundred percent (300%) of their contributions; and thereafter to all of the Partners as provided in Section 6.01; and

(ii) All items of loss, deduction, and credit enumerated in Section 6.01 relating to such activities shall be allocated to the Partners making contributions in the proportions that their contributions giving rise to such items bear to the aggregate of such contributions an aggregate amount equal to three hundred percent (300%) of their contributions; and thereafter to all of the Partners as provided in Section 6.01.

ARTICLE VII

DISTRIBUTIONS

7.01 Determination of Cash Distributions.

(a) Distributions from Capital Transactions and Operations. Distributions of cash to the Partners resulting from capital transactions or from the operations of the Partnership (including without limitation, those relating to its activities as a Participant), except for Development Operations or Subsequent Operations as to which less than all of the Partners made contributions and Development Operations on Undrilled Acreage which has been the subject of Exploratory Operations conducted pursuant to a prior Subsequent Operations Program ("Preferred Development Operations", "Preferred Subsequent Operations") ~~and~~ ("Subsequent Development Operations") ~~respectively~~ shall be made only after making provision for the liabilities and obligations of

the Partnership, and at times and in the amounts determined by the General Partner in the following order of priority:

(i) First, to the General Partner in payment of any Advance Notes (in their direct order of execution) not extended to satisfy an Excess Call relating to Preferred Development Operations, Preferred Subsequent Operations and Subsequent Development Operations and, as to each such Advance Note, first to accrued interest thereon and then to the principal thereof;

(ii) Then, to the General Partner an amount equal to any preferred contribution it made pursuant to Section 3.02(e) to satisfy any Excess Call not related to Preferred Development Operations, Preferred Subsequent Operations or Subsequent Development Operations;

(iii) Then, to a Lending Partner in payment of any Optional Notes (in their direct order of execution) not related to Preferred Development Operations, Preferred Subsequent Operations or Subsequent Development Operations, and, as to each such Optional Note, first to accrued interest thereon and then to the principal thereof;

(iv) Then, to each of the Partners, in proportion to the credit balances in their respective Capital Accounts, a sum up to the credit balance in their Capital Account; and

(v) Then, to all of the Partners pro rata in proportion to their respective Ownership Percentages.

(b) Distributions Relating to Preferred Development Operations. Distributions resulting from Preferred Development Operations shall be made only after making provisions for the indebtedness and obligations of the Partnership relating to such Preferred Development Operations and at times and in the amounts

determined from time to time by the General Partner in the following order of priority:

(i) First, to the General Partner in payment of any Advance Notes extended to satisfy any Excess Call relating to such Preferred Development Operations, in the direct order of execution of such Advance Notes, and, as to each Advance Note, first to accrued interest thereon and then to the principal thereof;

(ii) Second, to the General Partner an amount equal to any preferred contribution it made pursuant to Section 3.02(e) to satisfy any Excess Call relating to such Preferred Development Operations;

(iii) Then, to a Lending Partner in payment of any Optional Notes (in their direct order of execution) that relate to such Preferred Development Operations, and, as to each such Optional Note, first to accrued interest thereon and then to principal thereof;

(iv) Then, to the Partners making the preferred contributions with respect to the Preferred Development Operations involved, in the proportions that their contributions bear to the aggregate of such contributions, an amount that will equal 300% of their preferred contributions; and

(v) Then, according to the method of distribution set forth in Section 7.01(a)(i)-(v).

(c) Distributions Relating to Preferred Subsequent Operations. Distributions resulting from Preferred Subsequent Operations shall be made only after making provision for the indebtedness and obligations of the Partnership relating to such Preferred Subsequent Operations and at times and in the amounts determined from time to time by the General Partner in the following order of priority:

(i) First, to the General Partner in payment of any Advance Notes extended to satisfy any Excess Call relating to such Preferred Subsequent Operations, in the direct order of execution of such Advance Notes, and, as to each Advance Note, first to accrued interest thereon and then to the principal thereof;

(ii) Second, to the General Partner an amount equal to any preferred contribution it made pursuant to Section 3.02(e) to satisfy any Excess Call relating to such Preferred Subsequent Operations;

(iii) Then, to a Lending Partner in payment of any Optional Notes (in their direct order of execution) that relate to such Preferred Subsequent Operations, and, as to each such Optional Note, first to accrued interest thereon and then to principal thereof;

(iv) Then, to the Partners who made the preferred contributions with respect to the Preferred Subsequent Operations involved in proportion that their preferred contributions bear to the aggregate preferred contributions an amount equal to their preferred contributions; and

(v) Then, 75% to the Partners making such preferred contribution and 25% to the other Partners.

(d) Distribution Relating to Subsequent Development Operations. Distributions resulting from Subsequent Development Operations shall be made only after making provisions for the indebtedness and obligations of the Partnership relating to such Subsequent Development Operations and at times and in the amount determined from time to time by the General Partner in the following order of priority:

(i) First, to the General Partner in payment of any Advance Notes extended to satisfy any Excess Call relating to such Subsequent

Development Operations, in the direct order of execution of each Advance Note, first to accrued interest thereon and then to the principal thereof;

(ii) Second to the General Partner an amount equal to any capital contribution it made pursuant to Section 3.02(e) to satisfy any Excess Call relating to such Subsequent Development Operations;

(iii) Then, to a Lending Partner in payment of any Optional Notes (in their direct order of execution) that relate to such Subsequent Development Operations, and, as to each such Optional Note, first to accrued interest thereon and then to principal thereof;

(iv) Then, (A) If all Limited Partners participated in the Development Program, to the Partners in the proportions that their contributions bear to the aggregate of such contributions; (B) If less than all Limited Partners participated in the Development Program, to the Partners making contributions with respect to the Development Program involved in the proportions that their contributions bear to the aggregate of such contributions, an aggregate amount equal to three hundred (300%) of their contributions; and thereafter according to its method of distribution set forth in Section 7.01(a)(i)-(v).

(e) Distribution Resulting from Dissolution and Termination. Distributions upon dissolution and termination of the Partnership shall be made by the General Partner after making provision for the indebtedness and obligations of the Partnership and in the following order and priority:

(i) Any distributions of gains, revenue, or proceeds relating to Preferred Development Operations, Preferred Subsequent Operations, or Subsequent Development Operations or assets attributable thereto shall be distributed to the Partners who made

capital contributions for such Preferred Development Operations, Preferred Subsequent Operations, or Subsequent Development Operations according to the method set forth in Section 7.01(b), 7.01(c) or 7.01(d); and

(ii) All other distributions shall be made according to the method set forth in Section 7.01(a).

7.02 Adjustment of Capital Accounts. All distributions to the Partners shall be charged against their respective Capital Accounts. The repayment of any loans, however, are not distributions of capital and, therefore, shall not be charged against the Partners' respective Capital Accounts.

7.03 Distributions in Kind. If any assets of the Partnership shall be distributed in kind, such assets shall be distributed to the Partners entitled thereto as tenants in common, in the same proportions as the Partners would have been entitled to cash distributions. If any such distributions include assets attributable to Preferred Development Operations or Subsequent Development Operations in which less than all of the Partners participated and if the Partners who made preferred contributions to those operations have not received distributions in cash of 300% of their contributions as provided in Section 7.01(b) or (d), then such assets shall be distributed to those Partners in the same proportions as they would have been entitled to cash distributions under Sections 7.01(b) or 7.01(d). If any such distributions include assets attributable to Preferred Subsequent Operations or Subsequent Development Operations in which all

Partners participated and if the Partners who made contributions therefor have not received distributions in cash equal to their aggregate contributions as provided in Section 7.01(c) or (d) then such assets shall be distributed to those Partners in the same proportion as they would have been entitled to cash distributions under Section 7.01(c) and (d). No Partner shall be entitled to demand and receive property other than cash.

ARTICLE VIII

BOOKS AND RECORDS

8.01 Location of Books and Records. The books and records of the Partnership shall be maintained at the principal office of the Partnership, and each Limited Partner shall have access thereto at all reasonable times upon three business days' notice. However, the General Partner may keep geological and geophysical reports and evaluations, engineering reports and studies, logs, well reports and other drilling data confidential for a reasonable period of time. The books and records shall be kept in accordance with generally accepted accounting principles applied in a consistent manner by the Partnership and shall reflect all Partnership transactions and be appropriate and adequate for the Partnership's business. Partnership books and records for tax and financial reporting purposes will be kept on an accrual basis and its accounting period will end on December 31 of each year. The General Partner will be required to maintain such records and material referred to herein during the term of the Partnership and for a period of four years thereafter.

8.02 Reports. The General Partner will furnish annual and periodic reports and information as follows:

(a) Periodic Reports. The General Partner will prepare and transmit to each Limited Partner an annual report within 90 days after the end of each calendar year and a quarterly report within 45 days after the last day of the first three calendar quarters of each year. Such reports will contain at least the following information: (i) financial statements of the Partnership, including a balance sheet and a statement of income, Partner's equity and changes in financial position prepared in accordance with generally accepted accounting principles; each annual report will be accompanied by an auditor's report containing an opinion of an independent certified public accountant; and (ii) a summary itemization, by type and/or classification, of any transaction with the General Partner and its affiliates, and the total fees and compensation, including reimbursement for general and administrative overhead expenses paid by the Partnership, or on behalf of Partners to the General Partner and its affiliates. In addition, within a reasonable time after the end of each fiscal year of the Partnership, the General Partner shall cause to be transmitted to each Partner a copy of Schedule K-1 of Form 1065 of the Partnership for each fiscal year.

(b) Documents Delivered Pursuant to the Joint Exploration and Development Agreement. Each Partner shall be furnished with a copy of the documents described in Sections 4.01, 4.02 and

10.02 of the Joint Exploration and Development Agreement within a reasonable time after they become available to the Participants.

8.03 Other Information. The General Partner will keep Limited Partners advised as to activities of the Partnership by periodic reports furnished not less than quarterly. The General Partner may release such information concerning the operations of the Partnership to such sources as is customary in the industry or required by law or by rule, regulations or order of any regulatory body. Except as otherwise provided herein, the General Partner shall furnish to a Limited Partner at his request any information which he may reasonably request relative to any phase of the operations of the Partnership.

8.04 Confidentiality. The Limited Partners acknowledge that they will acquire confidential information concerning the General Partner, its business and properties, the properties which will be subject to the Joint Exploration and Development Agreement and the business and properties of the Partnership and Participants. Consequently, they severally agree to keep confidential all non-public information they receive or acquire concerning these matters and not to use such information other than in their participation as Limited Partners. For the purposes of this Agreement, the term "confidential information" shall include any information contained in written documents distributed to Limited Partners or disseminated to Limited Partners orally, unless the General Partner expressly states that such information is not confidential.

8.05 Actions in Event of Audit.

(a) Representation of Partners in Internal Revenue Service Proceedings. Each Partner hereby appoints the General Partner as its agent to participate in all Internal Revenue Service proceedings involving the Partnership, including, without limitation, reviewing the books and records of the Partnership, review of proposed adjustments to previously filed income tax returns, preparation of protests to Internal Revenue Service determinations, and requesting judicial review of proposed adjustments. The Partners designate the General Partner as the "tax matters partner" (as such term is defined in Section 6231(a)(7) of the Code) and authorize the General Partner to file all statements and forms on behalf of the Partnership which may be required by regulations to be issued by the Internal Revenue Service to indicate such designation. Each Partner also agrees to execute a statement providing for the waiver of rights to participate in administrative proceedings as provided in Section 6224(b) of the Code. If the General Partner is notified by the Internal Revenue Service of its intent to audit a Federal income tax return of the Partnership, the General Partner shall promptly notify the Partners and shall keep the Partners informed of the progress of the examination. In the event of an audit of the Partnership's income tax returns by the Internal Revenue Service, the General Partner may, at the expense of the Partnership, retain accountants and other professionals to participate in the audit.

The General Partner shall promptly communicate the results of any final partnership administrative adjustment to the Partners and shall promptly advise each Partner of proposed settlement options when presented by the Internal Revenue Service.

(b) Consistency of Treatment by Partners of Partnership Items. Each Partner agrees to notify the General Partner of any proposed inconsistent treatment of any item of Partnership income, gain, loss, deduction or credit between the treatment of such item reflected on the "Partner's Share of Income, Credits, Deductions, etc.," Schedule K-1 (Form 1065), and the treatment proposed to be made by the Partner on the Partner's Federal income tax return. The treatment of any item which cannot be resolved by agreement between the General Partner and the Partner proposing an alternative treatment shall be resolved by a Majority in Interest of the Partners in the Partnership.

Each Partner agrees to report his share of any item of Partnership income, gain, loss or deduction in a manner consistent with the treatment of that item on the Partnership income tax return after any modifications required due to proposed inconsistent treatment under the procedure outlined above.

(c) Request for Administrative Adjustment. Except as provided below, each Partner agrees not to file an "administrative adjustment request" (as such term is utilized in Section 6227 of the Code) with respect to a "partnership item" (as such term is defined in Section 6231(a)(3) of the Code of the Partnership. If

a Partner proposes that the General Partner should file on behalf of the Partnership an administrative adjustment request, such Partner shall first notify the General Partner of such proposal. The General Partner shall review such proposal and notify the remaining Partners of such proposal and obtain the unanimous approval of all other Partners prior to filing such request. If the General Partner proposes to file an administrative adjustment request or file an amended Federal income tax return with regard to prior years of the Partnership, then each Partner will be entitled to 60 days notice to review the proposed administrative adjustment request or amended Federal income tax return, as the case may be. The General Partner shall not file an administrative adjustment request or amended Federal income tax return with regard to a prior year of the Partnership without the unanimous approval of Partners.

ARTICLE IX

TRANSFERS OF PARTNERSHIP INTERESTS

9.01 Transfers by Limited Partners. Subject to the provisions of this Section 9.01 and of Section 9.02 below, the Partnership Interests of the Limited Partners shall be transferable; provided, however,

(a) that the effectiveness of any such Transfer (as defined in Article XVI) may be conditioned upon a reasonable determination by the General Partner that such transaction will not violate applicable securities laws;

(b) that no Transfer shall be permitted which would result in the "termination" of the tax partnership created pursuant to the Joint Exploration and Development Agreement or the Partnership under Section 708 of the Code;

(c) that the costs incurred by the General Partner and the Partnership in connection with making such determinations (including, without limitation, fees of counsel) shall be borne by the transferor;

(d) that in no event shall the General Partner be liable to the transferor, Transferee, the Partnership or any other Partner as a result of such determinations so long as such determinations have been in the good faith judgment of the General Partner;

(e) that the transferror and Transferee deliver to the General Partner and the Partnership such documents evidencing the agreements set forth in Section 9.02(a) as the General Partner may request; and

(f) that except for the following Transfers (which, however, shall be subject to Section 9.02)

(i) any Transfer of all or any part of his Partnership Interest to (A) any member of his "family" (i.e., his spouse, parents, children, children's direct descendants, brothers, sisters, nieces, nephews, aunts, uncles, first cousins and the spouses of any of them), (B) a trust for the benefit of any of the foregoing, (C) a charitable, religious or educational organization, but only if such Transfer occurs after the expiration of the "Exploration Period", as that term is defined in the Joint

Exploration and Development Agreement, (D) a corporation more than 50% of each class voting stock of which is owned by him, (E) the beneficiaries of a trust which was a Limited Partner, (F) the shareholders of a corporation which was a Limited Partner upon dissolution of the corporation, (G) the partners of a partnership which was a Limited Partner upon dissolution of the partnership, or (H) a partnership or trust controlled by him; or

(ii) any Transfer of the Partnership Interest of a deceased or incapacitated Limited Partner to his legal representative or by such legal representative to accomplish any Transfer under clause (i) above; or

(iii) any Transfer by bona fide mortgage, pledge, hypothecation, or other encumbrance if the creditor agrees that its mortgage, pledge, hypothecation or other encumbrance is subject to the terms of this Agreement; or

(iv) any Transfer to the General Partner or any Limited Partners (including, without limitation, Transfers made pursuant to Section 3.07 and Article X) or any Transfer to a Participant; or

(v) any Transfer by the General Partner to a Selling Limited Partner of a right to receive the proceeds of distributions pursuant to Article X;

no Limited Partner shall Transfer all or any part of its Partnership Interest prior to one (1) year from the date of this Agreement, unless such Partner (the "Transferring Partner") first offers to the General Partner and the other Limited Partners that part of his Partnership Interest which is the subject of the proposed Transfer, in proportion, inter se, to the respective Ownership Percentages of the General Partner and each of the other Limited Partners on the same terms that the Transferring Partner

made in a bona fide offer of all or any part of such Partnership Interest to the proposed Transferee. Each such offer to the General Partner and the other Limited Partners shall be in writing, shall state the terms and conditions of the Transfer the Transferring Partner desires to make of such Partnership Interest, shall state the Person(s) who is to be the Tranferee and shall give the General Partner and the other Limited Partners a period of thirty (30) days from the date of giving of such notice within which to elect to acquire the Partnership Interest upon such terms and conditions, and within the closing schedule agreed upon by the Transferring Partner with the proposed Transferee (but not sooner than forty-five (45) days after the General Partner shall have received such offer). In the event that the General Partner or one or more of the other Limited Partners does not exercise, in its entirety, his respective option as above provided, then the Transferring Partner may consummate the proposed Transfer with such proposed Transferee identified in his offer to the General Partner and the other Limited Partners (but no other persons) upon the terms and conditions specified in the offer to the General Partner and the other Limited Partners to the extent such options were not exercised. Upon such consummation, the Transferring Partner and the designated Transferee shall provide the General Partner with copies of all documents and written contracts evidencing such Transfer. If the Transferring Partner does not consummate the originally proposed Transfer to the Transferee

described in its offer to the General Partner and the other Limited Partners, and within one hundred eighty (180) business days after the termination of the aforesaid offering period, then all the restrictions hereof shall apply as though no written notice and offer had been given.

Each Limited Partner warrants and covenants that during the period commencing one year from the date of this Agreement and ending four years from the date hereof that no Limited Partner shall Transfer at any one time less than an aggregate twenty-five percent (25%) of its Partnership Interest and any such Transfer shall be subject to the prior written consent of the General Partner, which shall not be unreasonably withheld.

9.02 Effect of Transfers and Limitations on Power to Become a Substituted Limited Partner.

(a) Effect of Transfers. Any Person who is a Transferee shall have no greater rights as to the Partnership, its property, or business or as to any of the Partners than is provided in Article 6132a-20(c) of the Texas Revised Civil Statutes unless such Transferee is also a Partner. Specifically, but without limiting the foregoing, a Non-Partner Transferee shall, to the extent provided in the documents evidencing the Transfer, be entitled only to the share of profits or other compensation by way of income or to the return of a capital contribution to which the Transferring Partner would have been entitled pursuant to the terms hereof.

Moreover, neither the Partnership nor the General Partner shall be obligated to make any of the distributions contemplated above to the Non-Partner Transferee unless they receive written documents (the "Distribution Documents") specifying, in such detail as they may require, the extent and the nature of the Non-Partner Transferee's rights to share in such distributions as between the Transferring Partner and the Non-Partner Transferee. Once they have acknowledged the receipt of such Distribution Documents, the Partnership and the General Partner may continue to make distributions to the Non-Partner Transferee unless and until they have been provided with written instructions to the contrary executed by the Transferring Partner and the Non-Partner Transferee, regardless of whether the General Partner knows that an event described in the Distribution Documents has occurred that would terminate the Non-Partner Transferee's rights to receive such distributions. By effecting a Transfer, the Transferring Partner and the Non-Partner Transferee shall be deemed to indemnify the Partnership and the General Partner, jointly and severally, from and to hold them jointly and severally harmless against any and all claims, demands, liabilities, costs, damages and causes of action of any nature whatsoever arising out of or incidental to their distributions to a Non-Partner Transferee or their reliance in good faith upon the statements contained in the documents delivered to them, regardless of whether any event the same has been occasioned by

their own negligence. The foregoing indemnification includes (without limitation) payment of the fees, costs or charges by attorneys, accountants, engineers and consultants.

Notwithstanding any of the foregoing, a transferor shall remain obligated to perform all of its agreements herein until and unless it is released from performing the same by the Partnership and the General Partner.

(b) Transfers by Non-Partner Transferees. Any Transfer of the rights and benefits of a Non-Partner Transferee under Section 9.02(a) or the Distribution Documents shall be subject to Section 9.01(a), just as if the selling Non-Partner Transferee were a "Transferring Partner" as set forth in Section 9.01. Also, such selling Non-Partner Transferee and his Non-Partner Transferee shall be subject to the provisions of Sections 9.02(a) and 9.04, just as if they were a "Transferring Partner" and "Non-Partner Transferee".

(c) Effect of Transfer to another Partner. A Transfer of all or any part of a Partnership Interest to another Partner, if permitted hereby, shall be deemed to Transfer all of the transferor's rights as a Partner attributable to the portion of the Partnership Interest so Transferred. Appropriate adjustments in the Ownership Percentages shall be made to reflect any such Transfer. Transfers to Partners shall not be required to comply with the provisions of Section 9.02(d), although they must comply with all of the other provisions contained herein.

(d) Substitute Limited Partners. No Non-Partner Transferee of all or part of the Partnership Interest of any Limited Partner shall have the right to become a Substitute Limited Partner, unless:

(i) His transferor has stated such intention in the instrument of assignment;

(ii) The Non-Partner Transferee has executed an instrument reasonably satisfactory to the General Partner accepting and adopting the terms and provisions of this Agreement and assuming the remaining liability hereunder of the transferor; and

(iii) Except as to any Transfer under the provisions of Section 3.04(a), the General Partner in its sole discretion consents to such Non-Partner Transferee's becoming a Substitute Limited Partner.

The substitution of a Limited Partner shall not affect the obligations or liabilities of the transferor to the Partnership or any Partner that arise in whole or in part before the effective date of the substitution.

9.03 Continuation of Partnership. Upon the death, bankruptcy (determined by reference to Section 11.02) or legal incompetency of a Limited Partner (or, in the case of a Limited Partner that is a corporation, association, partnership, joint venture or trust, the dissolution or bankruptcy, determined by reference to Section 11.02, of such a Limited Partner) the Partnership shall not be dissolved and the personal representative, guardian or other successor or in interest of such Limited Partner shall have all the rights of a Limited Partner for the sole purpose of settling

the estate or business of such Limited Partner; provided, however, that the General Partner, in its sole discretion, may consent to such personal representative, guardian or other successor in interest, or the estate of such Limited Partner, becoming a Substitute Limited Partner in the Partnership.

9.04 Payment of Costs. All costs and expenses incurred by the Partnership and the General Partner as general partner in connection with any Transfer pursuant to this Article and in connection with another person becoming a Partner in the Partnership in respect of such interest or such part thereof, including any filing, recording, and publishing costs and the fees and disbursement of counsel, shall be paid by the Transferring Partner, and if not so paid by the Transferring Partner, by the Transferee.

9.05 Allocations Between Transferor and Transferee. Except as otherwise provided in this Agreement, or agreed between the transferor and Transferee and permitted by applicable law, upon the Transfer of all or any part of the Partnership Interest of a Partner as herein provided, the net income and losses, depreciation, depletion, and net gains and losses attributable to the Partnership Interest so transferred shall be allocated between the transferor and Transferee based upon the number of days during the applicable fiscal year of the Partnership that the Partnership Interest so transferred was held by each of them, without regard to the results of Partnership activities during the period in

which each was the holder. Distributions shall be made to the holder of record of the Partnership Interest on the date of distribution.

9.06 Basis Adjustment. In the event of a Transfer of all or part of the Partnership Interest of a Limited Partner, by sale or exchange or on the death of a Limited Partner, and at the request of the Transferee or the executor, administrator or other legal representative of a deceased Limited Partner, the General Partner shall cause the Partnership to elect, pursuant to Section 754 of the Code, or the corresponding provision of subsequent law, to adjust the basis of the Partnership property as provided by Sections 734 and 743 of the Code, or the corresponding provisions of subsequent law.

However, if the election referred to in Section 754 is made, the Partnership shall not be required to make (and shall not be obligated to bear the expenses of making) any accounting adjustment resulting from such election in the information supplied to the Partners, or if it provides such adjustments, the Partnership shall have the right to charge the Partner or Partners benefiting from such election for the Partnership's reasonable expenses in making such adjustments. Each of the Partners will upon request supply the information necessary to give proper effect to such election.

9.07 Transfers by General Partner. On the conditions that (a) the aggregate distributive share of the General Partner after

such Transfer in the gain, income, profit, losses, deductions, credits and proceeds of capital transactions allocable or distributable under Articles VI and VII, is not less than 1% and (b) the proposed Transfer would not result in the "termination" of the tax partnership created pursuant to the Joint Exploration and Development Agreement or the Partnership under Section 708 of the Code, the General Partner shall be entitled to Transfer freely the remainder of its Partnership Interest. In the event of any Transfer by a General Partner permitted under the terms hereof, any Non-Partner Transferee thereof may be admitted to the Partnership as a Limited Partner (but shall have no right to become a general partner of the Partnership) upon such terms as the General Partner may designate.

9.08 Withdrawal of Partners. A Partner may not withdraw from the Partnership except as otherwise expressly provided in this Agreement or unless the General Partner, in its sole discretion, otherwise consents in writing.

ARTICLE X

ANNUAL OPTION TO SELL

10.01 Option. During the first three years from the date of this Agreement, up to and including the third anniversary date, any Limited Partner and his personal representative, guardian or successor in interest ("Selling Limited Partner") shall have the right ("Option") to require the General Partner to purchase from him all, but not part, of his Partnership Interest at a price

determined pursuant to Section 10.01(a) and upon the terms and conditions provided herein.

The Option shall be exercisable only by written notice ninety (90) days prior to each anniversary date of this Agreement, up to and including the third anniversary date. Such notice shall designate a date for the closing of the sale, which date shall be a business day not more than 180 days and no less than 90 days after the giving of such notice. Once given, the notice may not be rescinded without the General Partner's consent. Any such sale shall be subject to the following terms, conditions and limitations:

(a) Purchase Price. The price which the General Partner shall pay for a Limited Partner's Partnership Interest (the "Purchase Price") shall be, at the General Partner's option, either:

(i) An amount, payable in cash, equal to the difference between (A) the Valuation Amount attributable to the Selling Limited Partner and (B) the sum of (1) all cash distributions made to him up to and including the Valuation Date, plus (2) an amount equal to the product of the corporate statutory tax rate as of the Valuation Date (excluding any surtax rate) and the cumulative losses and deductions allocated to him pursuant to Article VI since the Valuation Date, plus (3) an amount equal to the cumulative credits allocated to him pursuant to Article VI since the Valuation Date; or

(ii) An amount (payable from distributions attributable to the Partnership Interest of the Selling Limited Partner that the General Partner acquires pursuant to this

Article X) equal to 120% of an amount determined in accordance with Section 10.01(a)(i).

(b) Limitations on Option. Upon the expiration of the Partnership or the expiration of three (3) years from the date of this Agreement, whichever sooner occurs, the Option granted pursuant to Section 10.01 shall terminate. Notwithstanding any provision to the contrary, the General Partner will not be obligated to purchase the Partnership Interest of a Limited Partner if and to the extent that the General Partner determines that such purchase would cause a termination of the Partnership or the tax partnership created pursuant to the Joint Exploration and Development Agreement within the meaning of the Internal Revenue Code.

10.02 The Closing. The closing of a sale of a Partnership Interest by the Selling Limited Partner to the General Partner pursuant to Section 10.01 shall take place at the principal office of the Partnership at 11:00 A.M. (local time) on the date designated in the notice given pursuant to Section 10.01. At the closing the Selling Limited Partner shall deliver to the General Partner such instruments evidencing the Transfer of its Partnership Interest to the General Partner as the General Partner shall reasonably request and the General Partner shall pay the Purchase Price provided for in Section 10.01(a). If the General Partner elects to pay the Purchase Price calculated as provided in Section 10.01(a)(i), it shall pay the Purchase Price entirely in

cash or by certified check; if it elects to pay the Purchase Price as calculated pursuant to Section 10.01(a)(ii) it shall deliver such instruments as it deems appropriate to evidence the Selling Limited Partner's contract right to receive the proceeds from distributions.

ARTICLE XI

DISSOLUTION AND WINDING UP THE AFFAIRS OF THE PARTNERSHIP

11.01 Dissolution. The Partnership shall be dissolved upon the occurrence of any one of the following events:

(a) If the General Partner so elects, upon the sale, assignment or other disposition, or the sale at foreclosure, of all or substantially all of the Partnership's assets;

(b) The acquisition by the General Partner of the Partnership Interests of all Limited Partners;

(c) Subject to continuation as provided in Section 11.03 below, the removal, dissolution, liquidation, insolvency, or bankruptcy of the General Partner (or any corporate or partnership successor);

(d) The expiration of fifty (50) years from the date hereof first set forth above; or

(e) The election of the General Partner with the approval of a Majority-in-Interest of the Limited Partners.

However, the Partnership shall not terminate until its affairs have been wound up and its assets distributed.

11.02 Bankruptcy or Insolvency of a Person. For purposes of this Agreement, a "bankruptcy" of a Person shall be deemed to occur (a) when such Person files a petition in bankruptcy, or voluntarily takes advantage of any bankruptcy or insolvency law, or is adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, or shall file any answer admitting (or shall fail to contest) the material allegations of a petition filed against such Person in any such proceeding or shall seek or consent to or acquiesce in the judicial appointment of any trustee, fiscal agent, receiver or liquidator of such Person or of all or any substantial part of its properties or shall take any action looking to its dissolution or liquidation; or (b) if, within 60 days after the commencement of an action against a Person seeking any bankruptcy, reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such action shall not have been dismissed or all orders or proceedings thereunder affecting the operations or the business of such Person stayed, or if the stay of any such order or proceeding thereafter shall be set aside, or if, within 60 days after the judicial appointment, without the consent or acquiescence of such Person, of any trustee, fiscal agent, receiver or liquidator of such Person or of

all or any substantial part of its properties, such appointment shall not have been vacated. For purposes of this Agreement, the "insolvency" of a Person shall be deemed to occur only when such Person shall make an assignment for the benefit of creditors or shall admit in writing that its assets are insufficient to pay its liabilities as they come due.

11.03 Agreement of Limited Partners to Continue the Partnership. If upon the occurrence of the events set forth in Section 11.01(c) there is then no general partner of the Partnership, the business of the Partnership shall be continued on the terms and conditions of this Agreement if, within ninety (90) days after such event, all the Limited Partners shall elect in writing that the business of the Partnership should be continued and shall designate one or more Persons to be substituted as general partner(s). In the event that the Limited Partners elect so to continue the Partnership with a new general partner(s), such new general partner(s) shall succeed to all of the powers, privileges and obligations of the General Partner hereunder, and the Partnership Interest of the General Partner shall become a Limited Partner's interest hereunder. In the event it shall be necessary to allocate and Transfer to a substitute general partner(s) a Partnership Interest in connection with its substitution, such Partnership Interest (which in no event shall exceed 1% of all of the Partnership Interests of all Partners) shall be Transferred,

and any consideration received therefor shall be shared, by all of the Partners in proportion to their respective Ownership Percentages.

11.04 Provision for Special Liquidator. In the event of a dissolution of the Partnership requiring the winding up of its business, the General Partner (or in the event there is no general partner in the Partnership or the General Partner is insolvent, a special liquidator appointed by a Majority in Interest of the Limited Partners) shall immediately commence to wind up the Partnership's affairs and shall liquidate the assets of the Partnership as promptly as possible, but in an orderly and businesslike manner so as not to involve undue sacrifice. In connection with any such winding up and liquidation, the independent certified public accountants then retained by the Partnership shall audit a statement setting forth the assets and liabilities of the Partnership as of the date of dissolution, and such audited statement shall be furnished to all Partners. The proceeds of such liquidation shall be applied and distributed as set forth in Article VII. Nothwithstanding any provision of the Texas Uniform Limited Partnership Act, all distributions from the Partnership either during its existence or upon its dissolution shall be governed and controlled solely by the provisions of Article VII.

11.05 Deficiency. In the event that the assets of the Partnership are insufficient to discharge all of the Partnership's

liabilities, including all liabilities to Partners, the General Partner shall be liable only to contribute as such additional capital, if any, as is necessary to pay obligations to Persons other than Partners.

ARTICLE XII

CONTROL AND MANAGEMENT OF THE PARTNERSHIP BY THE GENERAL PARTNER

12.01 Control and Management. The conduct and the control of the business and affairs of the Partnership shall be vested exclusively in the General Partner, who shall have all powers necessary or incident to such conduct and control for the purposes set out in Section 1.04. Specifically, and without limitation, the General Partner shall have the following powers to act on behalf of the Partnership:

(a) The making of expenditures and the incurring of obligations to implement the purposes of the Partnership as it sees fit;

(b) The employment of personnel and outside contractors or consultants, the determination of their compensation and other terms of employment;

(c) The acquisition, management, development, operation, sale, disposition, exchange, encumbrance, hypothecation, on such terms as it deems fit, of any and all assets of the Partnership, including specifically, but without limitation, the Properties (as that term is defined and used in the Joint Exploration

and Development Agreement) and all production relating thereto (except that the General Partner shall not encumber or hypothecate assets of the Partnership for any purpose other than to secure the performance or payment of the Partnership's obligations under the Joint Exploration and Development Agreement or which arise pursuant to the conduct of operations thereunder);

(d) The use of revenues, proceeds, and borrowing of the Partnership and the borrowing and advance of money to the Partnership, for the financing of the conduct of the activities of the Partnership, the repayment of such borrowings and advances and the conduct of additional activities by the Partnership;

(e) The negotiation, execution and performance of all agreements, conveyances, or other instruments deemed necessary to implement the powers granted to it under this Agreement or the purposes of the Partnership, including without limitation, the execution and performance of the Joint Exploration and Development Agreement, Advance Notes and Optional Notes, agreements forming other limited or general partnerships, joint venture or other similar relationships, any agreements customarily used in the oil and gas industry in connection with the activities to be conducted by the Partnership or the Participants;

(f) The exercise, on behalf of the Partnership, of all rights and elections granted the Partnership by the Joint Exploration and Development Agreement and the performance of all agreements contained therein and the negotiation, execution and

performance of all agreements, conveyances or other instruments deemed necessary to implement the powers, rights and duties of the Partnership under the Joint Exploration and Development Agreement (including, without limitation, Incremental Notes issued by the Partnership pursuant to Section 3.03 thereof); and

(g) The control of all matters affecting the rights and obligations of the Partnership and its management, including the employment of accountants, engineers, consultants and attorneys, the incurring of other legal expenses and the conduct of settlement of claims and litigation.

12.02 No Control by Limited Partners. The Limited Partners shall take no part in the conduct or control of the Partnership business and shall have no right or authority to act for or bind the Partnership. Any exercise of the rights and powers of the Limited Partners pursuant to the terms of this Agreement shall not be deemed taking part in the day-to-day affairs of the Partnership or the exercise of control over Partnership affairs.

12.03 Devotion of Time. The General Partner shall devote such time to the business of the Partnership as the General Partner, in its sole discretion, shall determine necessary to conduct such business properly.

12.04 No Liability for Return of Capital Contributions. The General Partner shall not be personally liable for the return of any portion of the capital contributions of the Limited Partners.

12.05 Discretion of the General Partner, Limitations of Its

Liability to Other Partners and Indemnification. Unless otherwise specifically and expressly limited in the context, any reference herein to a decision, determination, act, action, exercise of any right, power or privilege, or other procedure by the General Partner shall mean and refer to such decision, determination, act, action, exercise or other procedure by the General Partner in its sole and absolute discretion.

The General Partner is hereby and shall be indemnified and held harmless by the Partnership (but not by any Partner) from and against any and all claims, demands, liabilities, costs, damages and causes of action of any nature whatsoever arising out of or incidental to the General Partner's management of the Partnership affairs, its status of General Partner or any action or omission it may take in connection with such management or status, except where, upon final adjudication, it is determined that the General Partner has committed:

(a) fraud, gross negligence or willful misconduct; or

(b) a material breach of any material provision of this Agreement.

The indemnification authorized by this Section 12.05 shall include (without limitation) payment of:

(a) the fees, costs or charges made by attorneys, accountants, engineers and consultants; and

(b) the removal of any liens affecting any property of the indemnitee.

The indemnification rights contained in this Section 12.05 shall be cumulative of, and in addition to, any and all rights, remedies, and recourses to which the General Partner shall be entitled, whether pursuant to the provisions of this Agreement, at law, or in equity. Indemnifications hereunder shall be made from assets of the Partnership and no Limited Partner shall be personally liable to any indemnitee. Specifically, but without limitation, this indemnity shall be applicable to any and all actions prior to determining liability based on (a) or (b) above.

12.06 Other Ventures. Subject to the provisions in Section 15.07, any Partner may engage in or possess an interest in other business ventures of any nature or description independently or with others, including, but not limited to, any exploration, drilling or development of oil and gas properties in all of its phases, and neither the Partnership nor any Partner shall have any rights in or to such independent ventures or the income or profits derived therefrom. It is specifically recognized that the General Partner is currently engaged in the exploration for and the production of oil, gas and other minerals, and, except as otherwise specifically provided in this Agreement, the General Partner shall have the right to continue or to initiate further such activities, individually, jointly with others, or as a part of any other limited or general partnership, joint venture, or other entity to which it is or may become a party, in any locale (including fields or areas of operation in which the Partnership

may be likewise be active); and except as otherwise specifically provided in this Agreement, nothing herein shall be construed as requiring the General Partner to permit the Partnership or a Limited Partner to participate in any such operations in which the General Partner may be interested.

Notwithstanding the foregoing, but subject to the provisions of Sections 1.01(b) and 1.06 of the Joint Exploration and Development Agreement, Conquest agrees that during the Acquisition Period, it will conduct all of its lease acquisition, prospect identification, evaluation and exploration as Managing Participant pursuant to the terms of the Joint Exploration and Development Agreement.

ARTICLE XIII

APPOINTMENT OF GENERAL PARTNER AS ATTORNEY-IN-FACT AND AMENDMENTS

13.01 Power of Attorney. Each Limited Partner does hereby irrevocably constitute and appoint the General Partner as his true and lawful attorney-in-fact with full power and authority in his name, place and stead to execute, acknowledge, deliver, swear to, file and/or record at the appropriate public offices such documents as may be necessary or appropriate to carry out the provisions of this Agreement, including:

(i) All certificates and other instruments (including counterparts of this Agreement), and any amendment thereof, which the General Partner deems appropriate to qualify or continue the Partnership as a "limited partnership" within the meaning of

the Texas Uniform Limited Partnership Act, Article 6132a-1 et. seq., Texas Revised Civil Statutes (or a Partnership in which the Limited Partners will have limited liability comparable to that provided by The Texas Uniform Limited Partnership Act) in the jurisdictions in which the Partnership may conduct its business;

(ii) All instruments which the General Partner deems appropriate to reflect a change or modification of the Partnership in accordance with the terms of this Agreement;

(iii) All conveyances and other instruments which the General Partner deems appropriate to effect the dissolution and termination of the Partnership;

(iv) All agreements, documents and instruments that the General Partner deems necessary or appropriate to execute in connection with the activities of the Participants;

(v) All agreements, documents and instruments that the General Partner deems necessary or appropriate to execute in connection with the activities of this Partnership, including (without limitation) Incremental Notes on behalf of a Limited Partner pursuant to Section 3.02(a);

(vi) All such other instruments as may be deemed necessary or desirable by the General Partner to carry out fully the provisions of this Agreement and the Joint Exploration and Development Agreement in accordance with its terms; and

(vii) All amendments, restatements and supplements to any of the foregoing.

13.02 Amendments by General Partner. Except as otherwise specifically provided herein, the unanimous affirmative vote of all of the Partners shall be required for any amendment to this Agreement which would (a) affect the rights or restrictions

regarding Transfers of Partnership Interests, (b) amend this Section 13.02, (c) amend Articles VI or VII, or (d) enlarge the Maximum Exploration Contribution of any Limited Partner or any Maximum Development Contribution, Maximum Preferred Contribution, Maximum Subsequent Operations Contribution or Maximum Preferred Subsequent Operations Contribution it has agreed to make. Any other amendment for which no provision of this Agreement or applicable law requires a different agreement may be effected by the written agreement of a Majority in Interest of the Limited Partners. For any amendment of this Agreement which requires other than the unanimous agreement of the Partners and which is approved by a Majority-in-Interest of the Limited Partners, each Limited Partner does hereby constitute and appoint the General Partner as his true and lawful attorney-in-fact, with full power and authority in his name and place and stead to so amend this Agreement. The General Partner shall promptly notify the Limited Partners of any amendments to this Agreement.

13.03 Power Coupled With an Interest. The appointment by all Limited Partners of the General Partner as attorney-in-fact in this Agreement shall be deemed to be a power coupled with an interest, in recognition of the fact that each of the Partners under this Agreement will be relying upon the power of the General Partner to act as contemplated by this Agreement in any filing and other action by it on behalf of the Partnership, and shall survive the bankruptcy, death, dissolution or incompetence of any Partner

hereby giving such power and the Transfer of all or any part of the Partnership Interest of such Partner; provided, however, that in the event of the Transfer by a Limited Partner of all or any part of his Partnership Interest, the foregoing power of attorney of a transferor Limited Partner shall survive such Transfer only until such time as the Transferee shall have been admitted to the Partnership as a Substitute Limited Partner and all required documents and instruments shall have been duly executed, filed and recorded to effect such substitution.

ARTICLE XIV

REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE PARTNERS

14.01 Limited Partners. Each Limited Partner represents and warrants, covenants and agrees with the Partnership and each of the Partners that:

(a) He will not Transfer his Partnership Interest without compliance with the conditions and provisions of this Agreement and applicable laws;

(b) His interests, direct and indirect, in Federal oil and gas leases, applications and offers therefore and options do not exceed 246,080 acres in the same state of which no more than 200,000 acres are under option, nor do they exceed 300,000 acres in each of the northern and southern leasing districts of Alaska, of which no more than 200,000 acres are held under option in each of said leasing districts;

(c) If such Limited Partner is an individual, he is a citizen of the United States; if such Limited Partner is an association, all of its members are such citizens, and if such Limited Partner is a corporation, it is authorized and otherwise duly qualified to hold Federal oil and gas leases and interests therein; and

(d) That the Limited Partner's Partnership Interest has been purchased for his or its own account, or that the person whose account such interest has been purchased meets the requirements set forth in (c) and (d) above.

Each Limited Partner further covenants that the representations contained in this Section 14.01 shall remain true and accurate so long as he or it has any interest in the Partnership and that he or it will neither take any action or permit any action to be taken which would cause such representations to be no longer true; and that in the event any representation contained in this Section 14.01 shall be untrue at any time, the Limited Partner shall immediately deliver to the General Partner a written statement to that effect and such other information, statements and grants of powers of attorney as may be requested by the General Partner. Moreover, these representations shall be cumulative of any other representations he has made in connection with his acquisition of his Partnership Interest.

14.02 General Partner. The General Partner represents and warrants to the Partnership and each of the Partners that as of

the date hereof, the General Partner is authorized and otherwise duly qualified to hold Federal oil and gas leases and interests therein, shall not at any time during the existence of the Partnership voluntarily cease to be so authorized and qualified, and shall use its best efforts to avoid any involuntary cessation of that status.

ARTICLE XV

MISCELLANEOUS

15.01 Banking. All funds of the Partnership shall be deposited in a separate bank account or accounts or in an account or accounts of a savings and loan association as shall be determined by the General Partner, but such funds shall be deposited only in an institution the accounts on deposit of which are insured by an agency of the United States Government. The General Partner may, however, invest any funds that it determines are not required to discharge any current obligations in money market certificates or other short-term commercial instruments. Any such investments shall be on such terms and at such rates of interest as the General Partner deems appropriate.

15.02 Notices. Except as otherwise provided below, any notice, demand, request, consent, approval or other communication to be given or delivered under or by reason of this Agreement shall be in writing and shall be deemed to have been given when personally delivered (including delivery by telex) or mailed by registered or certified mail, return receipt requested, to the

respective party at the following address (or at such other address as the party may have previously specified by notice to the other parties as the address to which notice shall be given to it):

(a) If to the Partnership, to it in care of the General Partner at FM 1960 West, Suite 500, Houston, Texas 77068, Attention: Edward T. Story, Jr.; Telex: c/o 79-2173 or

(b) If to a Limited Partner, to it at the address or telex number, as the case may be, appearing on Schedule A.

Each Exploration Call, Development Call, Preferred Development Call, Subsequent Operations Call or Preferred Subsequent Operations Call and any call for additional contributions pursuant to Section 5.03 shall be personally delivered (including delivery by telex) and shall be effective on the day on which delivered (including delivery by telex). Not later than 11:00 A.M. (Houston time) on the date payment of any such call is due, each Partner shall pay such call by making available to the Partnership Federal or other funds immediately available in Houston.

Distributions made pursuant to Article VII which individually exceed $10,000 shall be made by the General Partner by Federal or other funds immediately available to the account designated by the respective Partner.

15.03 Additional Documents. At any time or times, upon request of the General Partner, the Limited Partners shall execute

and acknowledge any certificates and other instruments (and any amendments or translations thereof) required by the law of the Texas or any other jurisdiction in which the Partnership does or proposes to do business, including, without limitation, amendments of the Certificate of Limited Partnership and other instruments required upon:

(a) The Transfer by a Limited Partner of its Partnership Interest;

(b) Any amendment to this Agreement permitted by the provisions of Article XIII or required by the provisions of Article III; or

(c) The dissolution of the Partnership.

15.04 Law Governing. This Agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of Texas.

15.05 Severability. If any provision of this Agreement shall be or be determined to be unenforceable, void or otherwise contrary to law, such conditions shall be in no manner operate to render any other provision of this Agreement unenforceable, void, or contrary to law, and this Agreement shall continue to be operative and enforceable in accordance with the remaining terms and provisions hereof.

15.06 Successors and Assigns. This Agreement and all terms, provisions, and conditions hereof shall be binding upon the parties hereto and their respective personal and legal representa-

tives, heirs, successors, and assigns, and shall inure to the benefit of the parties hereto and, except as otherwise provided herein, to their respective personal and legal representatives, heirs, successors, and assigns.

15.07 Entire Agreement. Except as provided in the second paragraph of this Section, this Agreement (including the exhibits and schedules hereto) constitutes the entire agreement between the Partners with respect to the subject matter hereof and supercedes all prior understandings and agreements with respect to the subject matter hereof (including, without limitation, those contained in the Confidential Offering Memorandum dated April, 1982). Amendments, variations, modifications or changes herein may be effective and binding upon the Partners by, and only by, setting same forth in a document duly adopted and executed in accordance with the terms of this Agreement and any alleged amendment, variation, modification or change herein which is not so documented shall be be so effective as to any Partner.

Notwithstanding the foregoing, the provisions set forth in Article XIV of the Joint Exploration and Development Agreement shall bind each Partner hereto just as if such Partner was a "Participant". Specifically, but without limiting the generality of the preceding sentence, if a Partner acquires any oil and gas mineral, royalty, overriding royalty, operating, working or leasehold interest ("Additional Acreage") within an Area of Mutual Interest, it shall notify Conquest as Managing Participant within

a reasonable time after such acquisition and shall offer to the Participants under the Joint Exploration and Development Agreement the Additional Acreage so acquired, pro rata according to Ownership Percentage of the Participants as set forth therein. For the purposes of determining the interest the Partner may retain in the Additional Acreage, it shall be deemed to have a "Ownership Percentage" in the Prospect located in the Area of Mutual Interest equal to its Ownership Percentage in the Partnership multiplied by the Partnership's Ownership Percentage under the Joint Exploration and Development Agreement in the Prospect located in the Area of Mutual Interest.

15.08 Amendments to Reflect Transfers. In any instance where under the terms of this Agreement there shall be a permitted Transfer of any Partnership Interest by a Partner to another Person (whether or not then a Partner in the Partnership) or a Transfer made pursuant to Section 3.03 or Article X, this Agreement shall be amended to reflect the Transfer of all rights and benefits made the subject of such Transfer, and the assumption by such Transferee or Partner of all liabilities and obligations of such Transferor under the terms of this Agreement. Any such amendment may be made by the General Partner pursuant to the power of attorney granted in Article XII.

15.09 Waiver of Action for Partition. No Partner shall have the right to require partition of any property of the Partnership or to compel any sale or appraisal of the Partnership assets or

any sale of a deceased Partner's interest in the Partnership assets, notwithstanding any provision of law to the contrary, and, each Partner hereby waives during the term hereof any right he may have to cover such partition, sale or appraisal.

15.10 Captions. Captions and headings of articles, sections, subsections, paragraphs or subparagraphs of this Agreement are solely for the convenience of the parties and are not part of this Agreement, and shall not be used for the interpretation or determination of the conditions of this Agreement or any provision hereof.

15.11 Number and Gender. Unless the context clearly indicates otherwise, where appropriate in this Agreement the singular shall include the plural and the masculine shall include the feminine and the neuter, and vice versa, to the extent necessary to give the terms defined and used in this Agreement their proper meanings. In this Agreement, each Partner has generally be referred to as though singular in number and masculine in gender regardless of the actual number or gender of such Partner.

15.12 Counterparts. This Agreement is being signed in several counterparts, each of which shall be deemed an original, all of which shall together constitute one and the same Agreement.

15.13 Incorporation of Schedules. Schedules A, B, C and D attached hereto are hereby incorporated herein and made a part hereof for all purposes, and such reference herein to such schedule shall be deemed to include this reference and incorporation.

ARTICLE XVI

TAX ELECTIONS

The General Partner shall, on the first Federal Income Tax information return filed on behalf of the partnership, make a proper election to deduct all intangible drilling and development costs in accordance with the option granted by Section 263(c) of the Code. No election shall be made by the Partnership or any Partner to be excluded from the application of the provisions of Subchapter K of the code or from any similar provision of state or local income tax laws.

ARTICLE XVII

CERTAIN DEFINITIONS

As used in this Agreement, the following terms have the meanings set forth below. Any capitalized, but undefined, term used herein shall have the same meaning as ascribed to such term in the Joint Exploration and Development Agreement.

"Acquisition Period": This term shall have the same meaning as ascribed to such term in the Joint Exploration and Development Agreement.

"Additional Acreage": This term shall have the meaning assigned to it in Section 15.07.

"Administrative Expenses": The Partnership's Allocable Share of "Administrative Expenses" charged pursuant to Section 8.03 of the Joint Exploration and Development Agreement.

"Advance Loan": This term shall have the meaning assigned to it in Section 3.02(e).

"Advance Note": This term shall have the meaning assigned to it in Section 3.02(e).

"Agreement": This Certificate and Articles of Limited Partnership, as it may be restated or amended or supplemented as provided herein.

"Allocable Portion" or "Allocable Share": The Partnership's "Allocable Portion" (as that term is defined and used in the Joint Exploration and Development Agreement) or share of any item of income, gain, expenses (including, without limitation, Exploratory Expenses, Development Expenses, and Subsequent Operations Expenses), obligation (including, without limitation, JEDA Optional Loans), loss, depreciation, depletion or investment tax credit under the terms of the Joint Exploration and Development Agreement or the Tax Partnership Agreement executed in connection therewith.

"Annual Exploration Obligation": This term shall have the same meaning as ascribed to such term in the Joint Exploration and Development Agreement.

"Area of Mutual Interest": This term shall have the same meaning as ascribed to such term in the Joint Exploration and Development Agreement.

"Capital Account": This term shall have the meaning assigned to it in Section 3.05.

"Code": The Internal Revenue Code of 1954, as amended, and any successor statute.

"Commercial Production": This term shall have the same meaning as ascribed to such term in the Joint Exploration and Development Agreement.

"Defaulting Limited Partner": This term shall have the meaning assigned to it in Section 3.04(a).

"Development Call": This term shall have the meaning assigned to it in Section 3.02(b) and shall apply to Section 3.03(b), as appropriate.

"Development Contribution": Additional capital contribution to the Partnership for Development Expenses associated with proposed Development Operations contemplated by a Development Program and Budget or a Subsequent Operations Development Program and Budget, as the context may require and as may be appropriate.

"Development Drilling": All drilling activities relating to a Development Well.

"Development Expenses": All costs and expenses incurred in conducting Development Operations.

"Development Obligation": This term shall have the meaning assigned to it in Section 3.02(b) and shall apply to Section 3.03(b), as may be appropriate.

"Development Operations": All operations (i) that are not Exploratory Operations or Subsequent Operations, and (ii) that are conducted pursuant to the Joint Exploration and Development Agreement involved in the drilling, completing, and equipping Developent Wells, including such operations on Undrilled Acreage which has been the subject of Exploratory Operations conducted pursuant to a prior Subsequent Operations Program.

"Development Payment": This term shall have the meaning assigned to it in Section 3.02(b) and shall apply to Sections 3.03(c) and 3.03(b), as appropriate.

"Development Program and Budget:" This term shall have the meaning assigned to it in Section 3.02(b).

"Development Well": All wells drilled on lands subject to the Joint Exploration and Development Agreement which are not Exploratory Wells.

"Distribution Date": The term shall have the meaning assigned to it in Section 3.02(b) and shall apply to Section 3.03(b), as appropriate.

"Distribution Documents": This term shall have the meaning assigned to it in Section 9.02.

"Electing Limited Partner": This term shall have the meaning assigned to it in Section 3.02(c) (which shall apply to Section 3.03(b), as appropriate, in connection with Development Operations) and Section 3.03(b).

"Entitled Partners": This term shall have the meaning assigned to it in Section 3.04(a).

"Excess Call": This term shall have the meaning assigned to it in Section 3.02(e).

"Exploration Call": This term shall have the meaning assigned to it in Section 3.02(a).

"Exploratory Expenses": All expenses or costs incurred in conducting Exploratory Operations.

"Exploration Obligation": The amount the Partnership has agreed or will agree to pay pursuant to Section 3.01(a) of the Joint Exploration and Development Agreement, as may be increased from time to time. If the context so requires, it also shall mean the aggregate Exploration Obligations of all Participants.

"Exploration Payment": This term shall have the meaning assigned to it in Section 3.02(a).

"Exploration Period": This term shall have the same meaning as ascribed to such term in the Joint Exploration and Development Agreement.

"Exploration Program Year": This term shall have the same meaning as ascribed to such term in the Joint Exploration and Development Agreement.

"Exploratory Operations": All activities conducted pursuant to the Joint Exploration and Development Agreement that are associated with leasehold acquisition, geological and

geophysical evaluation, test drilling, site preparation, and drilling, completing, and equipping Exploratory Wells, including Exploratory Wells on Undrilled Acreage.

"Exploratory Well": All wells drilled pursuant to the Joint Exploration and Development Agreement prior to and including the first well capable of "Commercial Production" (as that term is defined and used in the Joint Exploration and Development Agreement) on a Prospect after the recovery of all the costs of completing and equipping such wells.

"General Partner": Conquest Exploration Company.

"Incremental Amount": This term shall have the meaning assigned to it in Section 3.02(a).

"Incremental Loan": This term shall have the meaning assigned to it in Section 3.02(a).

"Incremental Note": This term shall have the meaning assigned to it in Section 3.02(a).

"Interest": The property rights, powers, privileges and all other items included within the term "Interest" as that term is defined and used in the Joint Exploration and Development Agreement.

"JEDA Advance Loans": Loans extended in accordance with Section 3.07 of the Joint Exploration and Development Agreement.

"JEDA Direct Administrative Costs": The Partnership's Allocable Share of "Direct Administrative Costs" charged pursuant to Section 8.04 of the Joint Exploration and Development Agreement.

"JEDA Incremental Loans": Loans extended to the Partnership as a Non-Managing Participant in accordance with Section 3.03 of the Joint Exploration and Development Agreement.

"JEDA Optional Loans": Loans from a Participant extended in accordance with Article VII of the Joint Exploration and Development Agreement.

"Joint Exploration and Development Agreement": This term shall have the meaning assigned to it in Section 1.04.

"Lending Partner": This term shall have the meaning assigned to it in Article IV.

"Limited Partner": CCCG 1982 Oil & Gas Limited Partnership and such other Persons who may be admitted to the Partnership as additional or Substitute Limited Partners pursuant to the terms hereof.

"Majority-in-Interest": Partners to which the applicable Majority-in-Interest requirement relates owning in the aggregate more than 50% of the aggregate Ownership Percentages.

"Managing Participant": Conquest Exploration Company in its capacity of "Managing Participant" as that term is defined and used in the Joint Exploration and Development Agreement.

"Maximum Development Contribution": This term shall have the meaning assigned to it by Section 3.02(b) and Section 3.03(b), as the context may require and as may be appropriate.

"Maximum Exploration Contribution": This term shall have the meaning assigned to it by Section 3.02(a).

"Maximum Preferred Contribution": This term shall have the meaning assigned to it by Section 3.02(c) and shall apply to Section 3.03(b) as appropriate.

"Maximum Preferred Subsequent Operations Contribution": This term shall have the meaning assigned to it in Section 3.03(b).

"Maximum Subsequent Operations Contribution": This term shall have the meaning assigned to it in Section 3.03(b).

"Non-Advancing Partner": This term shall have the meaning assigned to it in Section 3.02(a).

"Non-Electing Limited Partner": This term shall have the meaning assigned to it in Section 3.02(c) (which shall apply to Section 3.03(b), as appropriate, in connection with Development Operations) and Section 3.03(b).

"Oil and Gas Properties": This term shall have the same meaning as ascribed to such term in the Joint Exploration and Development Agreement. Without limiting the foregoing, it shall include oil and gas interests in real property, options or rights to lease or acquire such interests, geophysical exploration permits and any tangible or intangible properties or other rights directly related thereto, whether real, personal, or mixed~~, that are acquired pursuant to the Joint Exploration and Development Agreement.~~

"Option": This term shall have the meaning assigned to it in Section 10.02.

"Optional Loan": This term shall have the meaning assigned to it in Article IV.

"Optional Note": This term shall have the meaning assigned to in in Article IV.

"Ownership Percentage": This term shall have the meaning assigned to it in Section 2.03.

"Participants": This term shall have the meaning assigned to it in Section 1.04.

"Partners": The General Partner and Limited Partners collectively.

"Partnership": The limited partnership established by this Agreement.

"Partnership Direct Administrative Costs": All annual certification fees of independent accountants with respect to matters described in Section 8.02(a), expenses of preparing tax returns and reports for the Partnership pursuant to this Agreement, the costs of reserve evaluations prepared by independent petroleum engineers that are required in the conduct of its operations pursuant to this Agreement, filing fees, legal fees and all other costs directly incurred by the General Partner for the Partnership and shall also include all Partnership Preformation Expenses and the Partnership's Allocable Share of Preformation Expenses incurred pursuant to

the Joint Exploration and Development Agreement to the extent that they are not satisfied by the initial contribution described in Section 3.01.

"Partnership Interest": A Partner's interest in the Partnership within the meaning of the Texas Uniform Limited Partnership Act, Article 6132a-1 et. seq., Texas Revised Civil Statutes and the Texas Uniform Partnership Act, Article 6132b-1, et. seq., Texas Revised Civil Statutes, to the extent that it may apply.

"Partnership Preformation Expenses": This term shall have the meaning assigned to it in Section 5.01.

"Payment Date": As appropriate, the date on which the following are due: the Partnership's respective Exploration Payment, Development Payment (including Development Payments relating to Development Operations conducted pursuant to Section 3.02(c) and 3.03(b)), and Subsequent Operations Payment (including Subsequent Operations Payments relating to Subsequent Operations conducted pursuant to Section 3.03(b) as to which less than all of the Partners particpate), and of Excess Calls.

"Person": An invididual, corporation, partnership, association, joint venture, estate, trust or any legal entity not enumerated above, or any group.

"Preferred Development Call": This term shall have the meaning assigned to it in Section 3.02(c) and shall apply to Section 3.03(b) as appropriate.

"Preferred Development Operations": This term shall have the meaning assigned to it in Section 7.01(a).

"Preferred Subsequent Operations": This term shall have the meaning assigned to it in Section 7.01(a).

"Preferred Subsequent Operations Call": This term shall have the meaning assigned to it in Section 3.03(b).

"Preformation Expense": This term shall have the same meaning as ascribed to such term in the Joint Exploration and Development Agreement. Without limiting the foregoing, it shall include the sum of (i) all lease acquisition costs incurred, delay rentals paid and costs and expenses of services rendered by third parties in connection with lease acquisition and evaluation and exploratory drilling prior to the date of the Joint Exploration and Development Agreement, (ii) all "Exploratory Operating Expenses" (as that term is defined and used in the Joint Exploration and Development Agreement) of the Managing Participant relating to Properties since June 30, 1982, (iii) five percent (5%) of the sum of items (i) and (ii), and (iv) all expenses incurred by the Managing Participant in connection with the preparation and execution of the Joint Exploration and Development Agreement.

"Production Expenses": All costs and expenses incurred pursuant to the Joint Exploration and Development Agreement to operate and maintain Exploratory Wells and Development Wells and related equipment.

"Properties": This term shall have the same meaning as ascribed to such term in the Joint Exploration and Development Agreement.

"Prospect": This term shall have the same meaning as ascribed to such term in the Joint Exploration and Development Agreement. Without limiting the foregoing it shall include an area in the judgment of Conquest acting as the Managing Participant pursuant to the Joint Exploration and Development Agreement, consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a Prospect which are separated vertically by intervening impervious strata, or laterally by local geologic barriers, or by both, and such reservoirs may be treated as a single Prospect or separate Prospects, as determined by Conquest acting as the Managing Participant pursuant to the Joint Exploration and Development Agreement. Reservoirs that are associated by being in overlapping or adjacent Prospects may be treated as a single Prospect or separate Prospects, as determined by Conquest acting a the Managing Participant pursuant to the Joint Exploration and Development Agreement. The geological terms "structual feature" and "stratigraphic condition" are intended to identify localized geological features as opposed to the broader terms of basins, trends, provinces, play and areas-of-interest.

"Purchase Price": This term shall have the meaning assigned to it in Section 10.01(a).

"Selling Limited Partner": Ths term shall have the meaning assigned to it in Section 10.01.

"Subsequent Development Operations": This term shall have the meaning assigned to it in Section 7.01(a).

"Subsequent Operations": Exploratory Operations on all or any part of the Undrilled Acreage in accordance with Section 3.03.

"Subsequent Operations Call": This term shall have the meaning assigned to it in Section 3.03(b).

"Subsequent Operations Development Program and Budget": This term shall have the meaning assigned to it in Section 3.03(b).

"Subequent Operations Distribution Date": This term shall have the meaning assigned to it in Section 3.03(b).

"Subsequent Operations Expense": All costs and expenses incurred in conducting Subsequent Operations in accordance with the Joint Exploration and Development Agreement.

"Subsequent Operations Obligation": This term shall have the meaning assigned to it in Section 3.03(b).

"Subsequent Operations Payment": This term shall have the meaning assigned to it in Section 3.03(b).

"Subsequent Operations Program": This term shall have the meaning assigned to it in Section 3.03(b).

"Subsequent Operations Program and Budget": This term shall have the meaning assigned to it in Section 3.03(b).

"Substitute Limited Partner": A Non-Partner Transferee who is admitted to the Partnership pursuant to the terms of this Agreement.

"Transfers", "Transferred", "transfers, or "transferred": Any contribution, sale, assignment, transfer, conveyance, bequest, devise, donation, alienation or other disposition, or mortgage, pledge, hypothecation or other encumbrance of any part of or all of a Partnership Interest or any interest or right relating thereto, or the rights and benefits of a Transferee, or any agreement or attempt to do so, including without limitation), a divesture resulting from the exercise of any remedies upon default pursuant to mortgage, pledge, hypothecation, or other encumbrance. Any such divesture upon default pursuant to a mortgage, pledge, hypothecation or other encumbrance shall be a Transfer separate from the Transfer occurring upon the mortgage, pledge, hypothecation or encumbrance.

"Transferee": Any Person to whom a Transfer permitted by this Agreement is made, including those who acquire an interest upon the exercise of remedies after a default pursuant to a pledge, hypothecation or other encumbrance, to those acquiring an interest by operation of law.

"Transferring Partner": Limited Partner which Transfers all or any part of its Partnership Interest.

"Uncontributed Amount": This term shall have the meaning assigned to it in Section 3.02(c) and shall apply to Section 3.03(b), as appropriate.

"Uncontributed Subsequent Operations Amount": This term shall have the meaning assigned to it in Section 3.03(b).

"Undrilled Acreage": All or any portion of any Additional Acreage and/or any portion of any Prospects (including Properties) which were not fully evaluated prior to the expiration of the Exploration Period.

"Valuation Amount": An amount equal to

(i) the net present value of estimated future cash flow to be distributable to the Partner pursuant to Article VII from the Partnership's future net revenues from estimated production of proved oil and gas reserves as of the Valuation Date, which estimated future net revenues shall be determined in accordance with Regulation S-X 4.10(k)(6)(ii) (or any successor regulation) promulgated by the Securities and Exchange Commission and which shall be based on the appropriate annual engineering report furnished to the Participants in accordance with Section 10.02(b) of the Joint Exploration and Development Agreement;

plus

(ii) the product of (A) the Partner's Ownership Percentage, multiplied by (B) the Partnership's Allocable Share of any cash that the Managing Participant is holding on the behalf of the Participants that has not been distributed in accordance with the Joint Exploration and Development Agreement plus any cash held by the Partnership that has not been distributed by the General Partner to the respective Partner;

less

(iii) the product of (A) the Partner's Ownership Percentage multiplied by (B) an amount equal to the aggregate of (1) the Partnership's Allocable Share of any liabilities or obligations arising in accordance or

connection with the Joint Exploration and Development Agreement (including, without limitation, JEDA Optional Loans and JEDA Advance Loans and any accrued interest thereon), (2) the Partnership's liabilities or obligations arising in accordance or in connection with the Joint Exploration and Development Agreement (including, without limitation, JEDA Incremental Loans and any accrued interest thereon) and this Agreement (including, without limitation Optional Loans and Advance Loans and any accrued interest thereon) and (3) an amount equal to all preferred contributions by the General Partner pursuant to Excess Calls for which distributions have not been made;

less

(iv) an amount equal to any unpaid obligation or liability of the Partner ~~arising~~ in accordance or in connection with the Agreement, including (without limitation) Incremental Loans to the Partner and accrued interest thereon;

"Valuation Date": December 31 of the calendar year immediately preceding the event of default or the anniversary date ~~as to~~ which ~~the~~ Selling Limited Partner exercised his Option.

; provided that such amount shall not include any liability or obligation with respect to expenses not incurred.

year in which occurs either the respective

IN WITNESS WHEREOF, the Partners have executed this Certificate and Articles effective as of the date first above written.

CONQUEST EXPLORATION COMPANY

By: _____
Edward T. Story, Jr.,
Vice Chairman and Chief
Financial Officer

"GENERAL PARTNER"

THE STATE OF ILLINOIS §
§
COUNTY OF COOK §

SWORN TO AND SUBSCRIBED BEFORE ME, the undersigned authority, by EDWARD T. STORY, JR., to me well known to be the individual described in and who executed the foregoing instrument as Vice Chairman and Chief Financial Officer of CONQUEST EXPLORATION COMPANY, a Delaware corporation, serving as the general partner (the "General Partner") of CONQUEST ASSOCIATES-I LIMITED, a limited partnership, and who, after being duly sworn, acknowledged to and before me that he executed said instrument on behalf of and in the name of said corporation, as Vice President thereof, for the purposes and consideration therein expressed; that he was duly authorized by said corporation to execute said instrument; and that said instrument is the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal this 8 day of December, 1982, in the State and County aforesaid.

_____
NOTARY PUBLIC in and for
Cook County, Illinois

LIMITED PARTNER:

CCCG 1982 OIL & GAS LIMITED PARTNERSHIP

BY: _____

Residence Address: 233 South Wacker Drive #9300
Chicago, Illinois

THE STATE OF ILLINOIS §
§
COUNTY OF COOK §

SWORN TO AND SUBSCRIBED BEFORE ME, the undersigned authority, by John F. Manley, known to me to be the individual described in and who executed the foregoing instrument and who, after being duly sworn, acknowledged to and before me that he executed said instrument as the general partner of CCCG 1982 Oil & Gas Limited Partnership, an Illinois limited partnership, on behalf of and in the name of such limited partnership, as general partner thereof, for the purposes and consideration therein expressed; that he was duly authorized by said limited partnership to execute said instrument in the free act and deed of said limited partnership.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal this 8 day of December, 1982, in the State and County aforesaid.

_____
NOTARY PUBLIC in and for
Cook County, Illinois

CONQUEST ASSOCIATES LIMITED

SCHEDULE A

Ownership Percentages and Capital Contributions

General Partner	Address	Ownership Percentage	Column 1 Initial Capital Contribution	Column 2 Maximum Exploration Contribution
Conquest Exploration Company	4201 FM 1960 West, Suite 500, Houston, Texas 77068	1.00%	$ 27,897	$ 101,010

Limited Partner	Residence Address	Ownership Percentage	Initial Capital Contribution	Maximum Exploration Contribution
CCCG 1982 Oil & Gas Limited Partnership	233 South Wacker Drive, #9300, Chicago, Illinois 60606 Telex: 62-12-8350 CHGOGRP	99.00%	$ 2,761,841	$ 10,000,000

JCD35/6

SCHEDULE B

[NOT FOR EXECUTION]

PROMISSORY NOTE

(Conquest Associates - I Limited
Incremental Note No. _____)

$_____ Houston, Texas _____, 19__

For value received, the undersigned, _____
_____ (hereinafter referred to as "Maker"), promises to pay to CONQUEST EXPLORATION COMPANY, a Delaware corporation (hereinafter together referred to as "Payee"), in lawful money of the United States of America, at 4201 FM 1960 West, Suite 500, Houston, Texas 77068, or at such other place or places as the holder hereof may from time to time designate in writing, the principal sum of _____ DOLLARS ($_____), together with interest on the unpaid balance from the date hereof until maturity hereof, whether by acceleration or otherwise, calculated at a rate which is the lesser of (i) a base rate (the "Base Rate") equal to the greater of (A) the rate announced from time to time by First City National Bank of Houston, Houston, Texas from time to time as being its prime rate (the "Prime Rate") plus one percent (1%) per annum or (B) the Payee's actual cost of borrowing from time to time (the "Cost Rate") plus one percent (1%) per annum; or (ii) the maximum lawful rate (the "Maximum Rate") permitted to be contracted for by, charged to, or received from the Maker by the applicable laws of the United States and of the States (the "Applicable Laws"), whichever of such laws legally permits the higher rate. The Base Rate shall change from time to time when and as the Prime Rate or the Cost Rate changes, effective on the date of any such change without notice to the Maker or any other person, so that at any given time the Base Rate shall be the greater of the Prime Rate plus 1% per annum or the Cost Rate plus 1% per annum. Notwithstanding the foregoing, however, if at any time the Base Rate exceeds the Maximum Rate, the rate of interest to accrue on this Note shall be limited to the Maximum Rate, but any subsequent reductions in the Base Rate shall not reduce the rate of interest to accrue on this Note to a rate less than the Maximum Rate until the total amount of interest accrued on this Note equals the amount of interest which would

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have accrued thereon if the Base Rate had at all times been in effect. Interest payable hereunder shall be compounded quarterly.

This Note represents an indebtedness of Maker to Payee arising by virtue of an advance of funds by Payee on Maker's behalf in accordance with Section 3.02(a) of that certain Certificate and Articles of Limited Partnership of CONQUEST ASSOCIATES - I LIMITED, a Texas Limited Partnership (such Certificate and Articles having been filed in the Office of the Secretary of State of Texas and, as amended from time to time being hereinafter referred to as the "Agreement") and is an "Incremental Note" as that term is used in the Agreement. The Agreement contemplates the possible issuance by Maker of more than one Incremental Note and, if Maker has issued or issues more than one Note to Payee, this Note shall be one of a series of notes composed of all of the Incremental Notes issued by Maker to Payee under the terms of the Agreement. The Incremental Notes in such series shall be payable in the direct chronological order of their issuance in accordance with the Agreement and all payments hereunder, whether designated as payments of principal or interest shall be applied first to unpaid and accrued interest and then to unpaid principal.

As provided in the Agreement, the indebtedness evidenced hereby shall be payable in full on the Payment Date of the first "Exploration Call" of the first "Exploration Program Year" commencing after the date hereof. If the Maker hereof does not pay the Incremental Loan in full within 5 days after such Payment Date, Payee shall be entitled to accelerate the indebtedness evidenced hereby, and to exercise any other rights or remedies it may have at law, in equity, or by agreement. All matured but unpaid amounts due hereunder, whether principal or interest, shall bear interest at the Maximum Rate until such amounts together with such interest is paid in full. However, it is expressly agreed and understood, and Payee herein, by his acceptance of the delivery hereof, hereby agrees on behalf of himself, his heirs, legal representatives and assigns, that no principal portion of the indebtedness evidenced by this Note shall ever be due and payable (and that Maker shall never have any personal liability for the payment thereof), except to the extent of Maker's Maximum Exploration Contribution.

If default be made on this Note and if the same be placed in the hands of an attorney for collection, or if collected by suit or through the probate or bankruptcy court, reasonable attorneys' and collection fees.

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Initialed for Identification

Maker hereby expressly waives grace, and all notices, demand, presentments for payment, notice of non-payment, notice of intention to accelerate maturity, protest and notice of protest and diligence in collecting and bringing suit as to each, every, and all obligations hereunder.

It is the intention of the parties hereto to comply with the Applicable Laws; accordingly, it is agreed that notwithstanding any provision to the contrary in this Note, or in any of the documents relating hereto, no such provision shall require the payment or permit the collection of interest in excess of the Maximum Rate. If any excess of interest in such respect is provided for, or shall be adjudicated to be so provided for, in this Note or in any of the documents relating hereto, then in such event (a) the provisions of this paragraph shall govern and control, (b) neither the Maker hereof nor its successors or assigns, or any other party liable for the payment hereof, shall be obligated to pay the amount of such interest to the extent that it is in excess of the Maximum Rate permitted, (c) any such excess which may have been collected shall be, at the option of the Payee or other holder hereof, either applied as a credit against the then unpaid principal amount hereof or refunded to Maker, and (d) the effective rate of interest shall be automatically subject to reduction to the Maximum Rate allowed under the Applicable Laws as now or hereafter construed by the courts having jurisdiction thereof.

This Note shall be governed by,and for all purposes construed in accordance with, the laws of the State of Texas and applicable federal law. To the extent, for any purpose hereunder or under the Agreement, the maximum amount of interest permitted by applicable law is at any time determined by Texas law, such rate shall be the "indicated rate ceiling" described in Section (a)(1) of Article 1.04 of Chapter 1, Subtitle 1, Title 79, of the Revised Civil Statutes of Texas, 1925, as amended; provided, however, to the extent permitted by such Article, Payee from time to time by notice to the Maker, may revise such election of the indicated rate ceiling permitted by such Article as such ceiling affects the then current or future balances under this Note. Without limitation of the foregoing, nothing in this Note shall be deemed to constitute a waiver of any rights that Payee may have under applicable federal law relating to the rate of interest that Payee may contract for, take, receive or charge in respect of amounts due under this Note, including any right to take, receive, reserve or charge interest at a rate in excess of the rates allowed by the law of the State of Texas.

This Note is issued pursuant to and Payee (or other holder hereof) is entitled to the benefits of the provisions of the Agreement which relate hereto and to enforce any such provisions against the Maker hereof, and this Note is subject to the

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provisions of such Agreement. This Note is secured by a security interest described in and granted by Section 3.04(a) of the Agreement. Reference to the Agreement is here made for all purposes and all terms used herein for which a meaning or definition is specified in the Agreement, shall have the same meaning or definition as is specified in the Agreement.

_____

By: Conquest Exploration Company,
Agent and Attorney-in-Fact

By: _____

Title: _____

JCD35/4

SCHEDULE C

[NOT FOR EXECUTION]

PROMISSORY NOTE

(Conquest Associates - I Limited
Advance Note No. _____)

$_____ Houston, Texas _____, 19__

For value received, the undersigned, CONQUEST ASSOCIATES - I LIMITED (hereinafter referred to as "Maker"), a limited partnership organized under the laws of the State of Texas, acting herein by and through its General Partner, promises to pay to CONQUEST EXPLORATION COMPANY, a Delaware corporation (hereinafter together referred to as "Payee"), in lawful money of the United States of America, at 4201 FM 1960 West, Suite 500, Houston, Texas 77068, or at such other place or places as the holder hereof may from time to time designate in writing, the principal sum of _____ DOLLARS ($_____), together with interest on the unpaid balance from the date hereof until maturity hereof, whether by acceleration or otherwise, calculated at a rate which is the lesser of (i) a base rate (the "Base Rate") equal to the greater of (A) the rate announced from time to time by First City National Bank of Houston, Houston, Texas from time to time as being its prime rate (the "Prime Rate") plus one percent (1%) per annum or (B) the Payee's actual cost of borrowing from time to time (the "Cost Rate") plus one percent (1%) per annum; or (ii) the maximum lawful rate (the "Maximum Rate") permitted to be contracted for by, charged to, or received from the Maker by the applicable laws of the United States and of the States (the "Applicable Laws"), whichever of such laws legally permits the higher rate. The Base Rate shall change from time to time when and as the Prime Rate or the Cost Rate changes, effective on the date of any such change without notice to the Maker or any other person, so that at any given time the Base Rate shall be the greater of the Prime Rate plus 1% per annum or the Cost Rate plus 1% per annum. Notwithstanding the foregoing, however, if at any time the Base Rate exceeds the Maximum Rate, the rate of interest to accrue on this Note shall be limited to the Maximum Rate, but any subsequent reductions in the Base Rate shall not reduce the rate of interest to accrue on this Note to a rate less than the Maximum Rate until the total amount of interest accrued on this Note equals the amount of interest which would have accrued thereon if the Base Rate had at all times been in effect. Interest payable hereunder shall be compounded quarterly.

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This Note represents an indebtedness of Maker to Payee arising by virtue of an advance of funds by Payee to Maker in accordance with Section 3.02(e) of that certain Certificate and Articles of Limited Partnership of CONQUEST ASSOCIATES - I LIMITED, a Texas Limited Partnership (such Certificate and Articles having been filed in the Office of the Secretary of State of Texas and, as amended from time to time being hereinafter referred to as the "Agreement") and is an "Advance Note" as that term is used in the Agreement. The Agreement contemplates the possible issuance by Maker of more than one Advance Note and, if Maker has issued or issues more than one Note to Payee, this Note shall be one of a series of notes composed of all of the Advance Notes issued by Maker to Payee under the terms of the Agreement. The Advance Notes in such series shall be payable in the direct chronological order of their issuance in accordance with the Agreement and all payments hereunder, whether designated as payments of principal or interest shall be applied first to unpaid and accrued interest and then to unpaid principal.

As provided in the Agreement, the indebtedness evidenced hereby shall be payable from cash generated by Maker's operations, from the proceeds available for distribution upon the dissolution and termination of Maker and from contributions made by Limited Partners of Maker pursuant to "Exploration Calls" (as that term is defined in the Agreement) immediately as any of such funds (the "Payment Funds") become available, to the extent that they are not applied to Advance Notes issued prior to this Note. Payment shall be due hereunder as Payment Funds become available to apply to all or any part of the indebtedness hereunder. To the extent that any Payment Funds are so available and have not been applied to this Note within 30 days after such availability, Payee shall be entitled to accelerate the indebtedness evidenced hereby, and to exercise any other rights or remedies it may have at law, in equity, or by agreement. All matured but unpaid amounts due hereunder, whether principal or interest, shall bear interest at the Maximum Rate until such amounts together with such interest is paid in full. However, it is expressly agreed and understood, and Payee herein, by his acceptance of the delivery hereof, hereby agrees on behalf of himself, his heirs, legal representatives and assigns, that no portion of the indebtedness evidenced by this Note shall ever be due and payable (and that Maker shall never have any personal liability for the payment thereof), except to the extent that Payment Funds are available for distribution under the terms of the Agreement.

If default be made on this Note and if the same be placed in the hands of an attorney for collection, or if collected by suit or through the probate or bankruptcy court, reasonable attorneys' and collection fees.

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Maker hereby expressly waives grace, and all notices, demand, presentments for payment, notice of non-payment, notice of intention to accelerate maturity, protest and notice of protest and diligence in collecting and bringing suit as to each, every, and all obligations hereunder.

It is the intention of the parties hereto to comply with the Applicable Laws; accordingly, it is agreed that notwithstanding any provision to the contrary in this Note, or in any of the documents relating hereto, no such provision shall require the payment or permit the collection of interest in excess of the Maximum Rate. If any excess of interest in such respect is provided for, or shall be adjudicated to be so provided for, in this Note or in any of the documents relating hereto, then in such event (a) the provisions of this paragraph shall govern and control, (b) neither the Maker hereof nor its successors or assigns, or any other party liable for the payment hereof, shall be obligated to pay the amount of such interest to the extent that it is in excess of the Maximum Rate, (c) any such excess which may have been collected shall be, at the option of the Payee or other holder hereof, either applied as a credit against the then unpaid principal amount hereof or refunded to Maker, and (d) the effective rate of interest shall be automatically subject to reduction to the Maximum Rate allowed under the Applicable Laws as now or hereafter construed by the courts having jurisdiction thereof.

This Note shall be governed by, and for all purposes construed in accordance with, the laws of the State of Texas and applicable federal law. To the extent, for any purpose hereunder or under the Agreement, the maximum amount of interest permitted by applicable law is at any time determined by Texas law, such rate shall be the "indicated rate ceiling" described in Section (a)(1) of Article 1.04 of Chapter 1, Subtitle 1, Title 79, of the Revised Civil Statutes of Texas, 1925, as amended; provided, however, to the extent permitted by such Article, Payee from time to time by notice to the Maker, may revise such election of the indicated rate ceiling permitted by such Article as such ceiling affects the then current or future balances under this Note. Without limitation of the foregoing, nothing in this Note shall be deemed to constitute a waiver of any rights that Payee may have under applicable federal law relating to the rate of interest that Payee may contract for, take, receive or charge in respect of amounts due under this Note, including any right to take, receive, reserve or charge interest at a rate in excess of the rates allowed by the law of the State of Texas.

This Note is issued pursuant to and Payee (or other holder hereof) is entitled to the benefits of the provisions of the Agreement which relate hereto and to enforce any such provisions against the Maker hereof, and this Note is subject to the

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provisions of such Agreement. Reference to the Agreement is here made for all purposes and all terms used herein for which a meaning or definition is specified in the Agreement, shall have the same meaning or definition as is specified in the Agreement.

CONQUEST ASSOCIATES - I LIMITED,
a Texas limited partnership

By: CONQUEST EXPLORATION COMPANY,
its General Partner

By: _____

Title: _____

JCD35/7

SCHEDULE D

[NOT FOR EXECUTION]

PROMISSORY NOTE

(Conquest Associates - I Limited
Optional Note No. _____)

$_____ Houston, Texas _____, 19__

For value received, the undersigned, CONQUEST ASSOCIATES - I LIMITED (hereinafter referred to as "Maker"), a limited partnership organized under the laws of the State of Texas, acting herein by and through its General Partner, promises to pay to _____, a _____ (hereinafter together referred to as "Payee"), in lawful money of the United States of America, at _____, or at such other place or places as the holder hereof may from time to time designate in writing, the principal sum of _____ DOLLARS ($_____), together with interest on the unpaid balance from the date hereof until maturity hereof, whether by acceleration or otherwise, calculated at a rate which is the lesser of (i) a base rate (the "Base Rate") equal to the greater of (A) the rate announced from time to time by First City National Bank of Houston, Houston, Texas from time to time as being its prime rate (the "Prime Rate") plus one percent (1%) per annum or (B) Conquest Exploration Company's actual cost of borrowing from time to time (the "Cost Rate") plus one percent (1%) per annum; or (ii) the maximum lawful rate (the "Maximum Rate") permitted to be contracted for by, charged to, or received from the Maker by the applicable laws of the United States and of the States (the "Applicable Rate"), whichever of such laws legally permits the higher rate. The Base Rate shall change from time to time when and as the Prime Rate or the Cost Rate changes, effective on the date of any such change without notice to the Maker or any other person, so that at any given time the Base Rate shall be the greater of the Prime Rate plus 1% per annum or the Cost Rate plus 1% per annum. Notwithstanding the foregoing, however, if at any time the Base Rate exceeds the Maximum Rate, the rate of interest to accrue on this Note shall be limited to the Maximum Rate, but any subsequent reductions in the Base Rate shall not reduce the rate of interest to accrue on this Note to a rate less than the Maximum Rate until the total amount of interest accrued on this Note equals the amount of interest which would have accrued thereon if the Base Rate had at all times been in effect. Interest payable hereunder shall be compounded quarterly.

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This Note represents an indebtedness of Maker to Payee arising by virtue of an advance of funds by Payee to Maker in accordance with Article IV of that certain Certificate and Articles of Limited Partnership of CONQUEST ASSOCIATES - I LIMITED, a Texas Limited Partnership (such Certificate and Articles having been filed in the Office of the Secretary of State of Texas and, as amended from time to time being hereinafter referred to as the "Agreement") and is an "Optional Note" as that term is used in the Agreement. The Agreement contemplates the possible issuance by Maker of more than one Optional Note and, if Maker has issued or issues more than one Optional Note to Payee, this Note shall be one of a series of notes composed of all of the Optional Notes issued by Maker to Payee under the terms of the Agreement. The Optional Notes in such series shall be payable in the direct chronological order of their issuance in accordance with the Agreement and all payments hereunder, whether designated as payments of principal or interest shall be applied first to unpaid and accrued interest and then to unpaid principal.

As provided in the Agreement, the indebtedness evidenced hereby shall be payable from cash generated by Maker's operations, from the proceeds available for distribtion upon the dissolution and termination of Maker and from contributions made by Limited Partners of Maker pursuant to "Exploration Calls" (as that term is defined in the Agreement) immediately as any of such funds (the "Payment Funds") become available, to the extent that they are not applied to Advance Notes issued prior to this Note. Payment shall be due hereunder as Payment Funds become available to apply to all or any part of the indebtedness hereunder. To the extent that any Payment Funds are so available and have not been applied to this Note within 30 days after such availability, Payee shall be entitled to accelerate the indebtedness evidenced hereby, and to exercise any other rights or remedies it may have at law, in equity, or by agreement. All matured but unpaid amounts due hereunder, whether principal or interest, shall bear interest at the Maximum Rate until such amounts together with such interest is paid in full. However, it is expressly agreed and understood, and Payee herein, by his acceptance of the delivery hereof, hereby agrees on behalf of himself, his heirs, legal representatives and assigns, that no portion of the indebtedness evidenced by this Note shall ever be due and payable (and that Maker shall never have any personal liability for the payment thereof), except to the extent that Payment Funds are available for distribution under the terms of the Agreement.

If default be made on this Note and if the same be placed in the hands of an attorney for collection, or if collected by suit or through the probate or bankruptcy court, reasonable attorneys' and collection fees.

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Initialed for Identification

Maker hereby expressly waives grace, and all notices, demand, presentments for payment, notice of non-payment, notice of intention to accelerate maturity, protest and notice of protest and diligence in collecting and bringing suit as to each, every, and all obligations hereunder.

It is the intention of the parties hereto to comply with the Applicable Laws; accordingly, it is agreed that notwithstanding any provision to the contrary in this Note, or in any of the documents relating hereto, no such provision shall require the payment or permit the collection of interest in excess of the Maximum Rate. If any excess of interest in such respect is provided for, or shall be adjudicated to be so provided for, in this Note or in any of the documents relating hereto, then in such event (a) the provisions of this paragraph shall govern and control, (b) neither the Maker hereof nor its successors or assigns, or any other party liable for the payment hereof, shall be obligated to pay the amount of such interest to the extent that it is in excess of the Maximum Rate, (c) any such excess which may have been collected shall be, at the option of the Payee or other holder hereof, either applied as a credit against the then unpaid principal amount hereof or refunded to Maker, and (d) the effective rate of interest shall be automatically subject to reduction to the Maximum Rate allowed under the Applicable Laws as now or hereafter construed by the courts having jurisdiction thereof.

This Note shall be governed by, and for all purposes construed in accordance with, the laws of the State of Texas and applicable federal law. To the extent, for any purpose hereunder or under the Agreement, the maximum amount of interest permitted by applicable law is at any time determined by Texas law, such rate shall be the "indicated rate ceiling" described in Section (a)(1) of Article 1.04 of Chapter 1, Subtitle 1, Title 79, of the Revised Civil Statutes of Texas, 1925, as amended; provided, however, to the extent permitted by such Article, Payee from time to time by notice to the Maker, may revise such election of the indicated rate ceiling permitted by such Article as such ceiling affects the then current or future balances under this Note. Without limitation of the foregoing, nothing in this Note shall be deemed to constitute a waiver of any rights that Payee may have under applicable federal law relating to the rate of interest that Payee may contract for, take, receive or charge in respect of amounts due under this Note, including any right to take, receive, reserve or charge interest at a rate in excess of the rates allowed by the law of the State of Texas.

This Note is issued pursuant to and Payee (or other holder hereof) is entitled to the benefits of the provisions of the Agreement which relate hereto and to enforce any such provisions

Initialed for Identification

against the Maker hereof, and this Note is subject to the provisions of such Agreement. Reference to the Agreement is here made for all purposes and all terms used herein for which a meaning or definition is specified in the Agreement, shall have the same meaning or definition as is specified in the Agreement.

CONQUEST ASSOCIATES - I LIMITED,
a Texas limited partnership

By: CONQUEST EXPLORATION COMPANY,
General Partner

By: _____

Title: _____

"General Partner"