



Department of State.

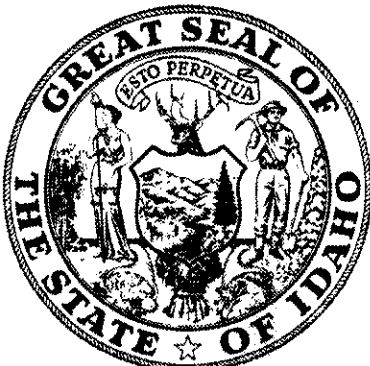
**CERTIFICATE OF REGISTRATION
OF**

MTS LIMITED PARTNERSHIP

I, PETE T. CENARRUSA, Secretary of State of the State of Idaho, hereby certify that duplicate originals of an Application of ***MTS LIMITED PARTNERSHIP*** 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 ***MTS LIMITED PARTNERSHIP*** to transact business in this State under the name ***MTS LIMITED PARTNERSHIP*** and attach hereto a duplicate original of the Application for Registration.

Dated ***January 6, 1982***



Pete T. Cenarrusa

SECRETARY OF STATE

by: _____

FILED

MTS LIMITED PARTNERSHIP
APPLICATION FOR REGISTRATION

JAN 6 8 28 AM '82
SECRETARY OF STATE

AS A FOREIGN LIMITED PARTNERSHIP

1. The name of the foreign limited partnership is MTS LIMITED PARTNERSHIP.

2. MTS LIMITED PARTNERSHIP is a Texas limited partnership formed on October 1, 1980.

3. The general character of the business MTS LIMITED PARTNERSHIP proposes to transact in Idaho shall be to hold properties, develop exploration, exploratory drilling, development and property and property acquisition programs with respect to the properties and to conduct exploration and exploratory drilling on the properties and if oil, gas and/or other minerals are found in paying quantities on a particular property, to produce, save and sell the oil, gas and/or other minerals produced therefrom.

4. Sherman F. Furey, Jr., an Attorney at Law, residing in the New Thrasher Building in Salmon, Lemhi County, Idaho is the agent for service of process on MTS LIMITED PARTNERSHIP.

5. The principal office of MTS LIMITED PARTNERSHIP is located and maintained in Texas, the state in which MTS LIMITED PARTNERSHIP was organized. The address of the MTS LIMITED PARTNERSHIP's principal office is P. O. Box 2009, Amarillo, Potter County, Texas 79189.

MTS LIMITED PARTNERSHIP

By John + Barrow
Vice President
Mesa Petroleum Co., General Partner

SIGNED AND SWORN TO BEFORE ME this 16 day of December, 1981.

Jeri Britain
Notary Public in and for
Potter County, Texas

My Commission Expires:

7/23/84



JAN 6 6 23 AM '82
RECEIVED
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:

MTS LIMITED PARTNERSHIP

Certificate of Limited Partnership

October 1, 1980

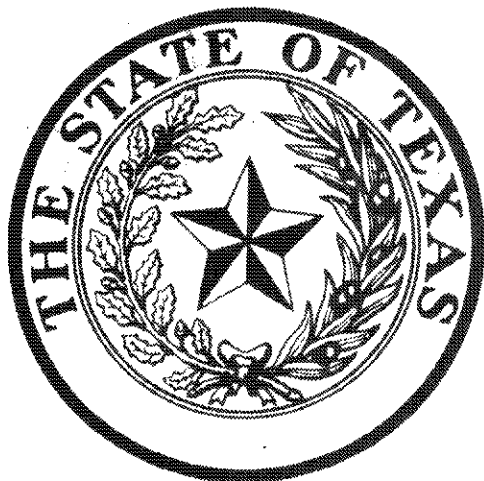
IN TESTIMONY WHEREOF, I have hereunto signed my name officially and caused to be impressed hereon the Seal of State at my office in the City of Austin, this

31st day of December, A. D. 19 81

David A. Mean

Secretary of State

dem



OCT 01 1980

CLERK H. C.
Corporation Division

CERTIFICATE OF LIMITED PARTNERSHIP
OF
MTS LIMITED PARTNERSHIP

The parties hereto mutually covenant and agree to form a limited partnership pursuant to the provisions of the Texas Uniform Limited Partnership Act and do hereby make, subscribe and swear to this certificate in writing in accordance with the provisions of the laws of the State of Texas. All undefined capitalized terms used herein shall have meanings assigned to them in the Agreement and Certificate of Limited Partnership of MTS Limited Partnership (the "Partnership Agreement"), a copy of which is attached hereto as Annex I and incorporated herein for all purposes.

FIRST. The name of the limited partnership formed hereby shall be MTS Limited Partnership.

SECOND. The character of the business of the Partnership shall be as set forth in Section 2.7 of the Partnership Agreement.

THIRD. The location of the principal place of business shall be as set forth in Section 2.3 of the Partnership Agreement.

FOURTH. The name and principal place of business of the General Partner and the names and residences of the Limited Partners are as follows:

General Partner

Mesa Petroleum Co.
One Mesa Square
Amarillo, Texas 79189

Limited Partners

Texaco Inc.
1111 Rusk Avenue
Houston, Texas 77002

Sequoia Petroleum Inc.
50 Beale Street
San Francisco, California 94105

FIFTH. The Partnership shall exist until the close of Partnership business July 1, 1999 or until earlier termination of the Partnership in accordance with the provisions of Part Twelve of the Partnership Agreement.

SIXTH. The Limited Partners have contributed to the Partnership a total of \$249,025,000 in cash. The amount contributed by each Limited Partner is set forth in Section 3.2 (a) and (b) of the Partnership Agreement.

SEVENTH. Additional contributions will be made by the Limited Partners to the Partnership pursuant to the provisions of Sections 3.2(c), 3.2(d), 5.2(e), 5.2(f), 5.3(b), 5.4(g) and 11.1(b) of the Partnership Agreement.

EIGHTH. The Limited Partners are not entitled to the return of their contributions to the Partnership except as set forth in Section 12.3 of the Partnership Agreement.

NINTH. The share of the profits which the Limited Partners shall receive by reason of their contributions to the Partnership is as follows:

Texaco Inc.	25%
-------------	-----

Sequoia Petroleum Inc.	10%
------------------------	-----

TENTH. A Limited Partner shall have the right to substitute an assignee as contributor in its place with the consent of the other partners as set forth in Section 8.1(b) of the Partnership Agreement.

ELEVENTH. No partner shall have the right to admit additional limited partners without the agreement of all the partners.

TWELFTH. No Limited Partner shall have priority over any other Limited Partner as to contributions or as to compensation by way of income.

THIRTEENTH. Except as set forth in Section 8.1(a) of the Partnership Agreement, no provision or agreement is made as to the right of any partner to continue the business on the withdrawal, dissolution, removal or expulsion of the General Partner.

FOURTEENTH. The Limited Partners shall not have the right to demand and receive property in return for their contribution.

Mesa Petroleum Co. does hereby swear that each of the Limited Partners of the Partnership has executed and delivered a power of attorney appointing Mesa Petroleum Co. as attorney-in-fact for the purposes of executing this certificate on their behalf and the filing hereof in the State of Texas. Such power of attorney is set forth in Section 2.8 of the Partnership Agreement.

IN WITNESS WHEREOF, the parties hereto, constituting all of the Partners of MTS Limited Partnership have executed this Certificate effective as of October 1, 1980.

MESA PETROLEUM CO.
General Partner

By

Daines L. Godfrey
Vice President

MESA PETROLEUM CO.
Attorney-in-Fact for Texaco
Inc. and Sequoia Petroleum Inc.

By

Daines L. Godfrey
Vice President

THE STATE OF TEXAS §
COUNTY OF HARRIS §

SUBSCRIBED TO AND SWORN TO BEFORE ME, the undersigned authority, by Daines L. Godfrey, as Vice President of Mesa Petroleum Co., a Delaware corporation, and by Mesa Petroleum Co., acting by and through its Vice President, Daines L. Godfrey, as attorney-in-fact for Texaco Inc. and Sequoia Petroleum Inc. this 1st day of October, 1980.

Judy C. Williams
Notary Public in and for
Harris County, Texas

JUDY C. WILLIAMS
Notary Public in Harris County, Texas
My Commission Expires May 25, 1981

AGREEMENT AND CERTIFICATE

OF

LIMITED PARTNERSHIP

OF

MTS LIMITED PARTNERSHIP

This agreement and certificate of limited partnership (the "Agreement") is made and entered into this 1st day of October, 1980, among Mesa Petroleum Co., a Delaware corporation, hereinafter referred to as the "General Partner," Texaco Inc., a Delaware corporation, and Sequoia Petroleum Inc., a Delaware corporation. Texaco Inc. and Sequoia Petroleum Inc. are hereinafter sometimes referred to individually as a "Limited Partner" and collectively as the "Limited Partners," and the General Partner and the Limited Partners are hereinafter sometimes referred to individually as a "Partner" and collectively as the "Partners."

WITNESSETH THAT:

In consideration of the mutual covenants herein contained, each Partner agrees with each other Partner as follows:

PART ONE:

SUBJECT MATTER OF THIS AGREEMENT;
DEFINITION AND RULES OF CONSTRUCTION

1.1 Subject Matter. The subject matter of this Agreement is the formation of a limited partnership (the "Partnership") by

the General Partner and the Limited Partners for the purpose of exploring for, drilling for, developing and producing oil and gas in the United States including the territorial waters of the United States on certain of the non-productive oil and gas leases presently held by the General Partner, and being approximately 1.9 million net acres, and on additional oil and gas leases and other properties acquired by the Partnership and to otherwise carry out the activities provided for in Section 2.7 hereof.

1.2 Definitions. For purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, the terms defined in this Section 1.2 have the meanings herein assigned to them and the capitalized terms defined in the opening paragraph of this Agreement, Section 1.1 and subsequent Parts by inclusion in quotation marks and parentheses have the meanings so ascribed to them. Unless defined in this Agreement, technical terms and terms in general use in the oil and gas business have the meaning attributed to them by standard industry practice.

"Affiliate", as to any Partner, means any person, corporation, partnership, trust, or other entity (hereinafter for convenience "Person") which directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with such Partner. For purposes of this definition (i) "control" shall mean power to direct the business or affairs

of a Person, (ii) a Person shall be deemed to control another Person if the former Person owns, directly or indirectly through one or more intermediaries, a greater than 51% beneficial ownership interest or a greater than 51% voting interest in such latter Person, and (iii) no Person shall be deemed to be in control of any other Person solely by reason of the fact that the former Person is an officer or director of the latter Person.

"Capital Account" means, as to each Partner, an account or accounts that reflect the net effect of (i) the agreed value of all Capital Contributions made by such Partner to the Partnership, (ii) all items of Partnership income, gain, expense, loss and deduction allocated to such Partner in accordance with Section 3.4, and (iii) the book value of all distributions made to such Partner except distributions made pursuant to Part 12 which shall be at fair market value. Expenses and losses allocated to a Partner shall permanently reduce such Partner's Capital Account for all purposes hereof regardless of whether (i) such Partner's deduction, if any, of such expense or loss is disallowed for Federal income tax purposes or (ii) such Partner otherwise realizes the tax benefit, if any, anticipated from such allocation.

"Capital Contributions" means the capital contributions to the Partnership actually made by one or more of the Partners whether in the form of cash or properties.

"Development" means all operations to initiate, develop, maintain, or enhance and treat, save, care for and market production of oil, gas or related hydrocarbons from a Property after it has been determined, as a result of tests, analysis and evaluation of the results of Exploratory Drilling, that the Property contains one or more oil or gas reservoirs which may reasonably be expected to be capable of producing oil or gas in paying quantities.

"Exploration" means the process of searching for oil and gas, including surface and subsurface geological and geochemical studies, surveys, techniques, analyses and interpretations, geophysical surveys and techniques, processing, reprocessing and interpretation of geophysical data, land, engineering and other directly related pre-Development activities, including payment of delay rentals, necessary to formulate comprehensive programs to evaluate and determine the oil and gas production potential of the Properties.

"Exploratory Drilling" means the drilling and completing of one or more wells on a Property to determine if the Property contains one or more oil or gas reservoirs capable of producing oil or gas.

"General Overhead and Administrative Expenses" means those expenses which are attendant to the executive and administrative functions incurred by the General Partner at the home

and divisional office level in connection with the conduct of Partnership activities and functions. In general, General Overhead and Administrative Expenses will consist of two parts:

(i) reasonable charges for personnel and services which are incurred by the General Partner directly for the use and benefit of the Partnership (including personnel directly assigned by the General Partner for the accounting, record keeping and data processing requirements of the Partnership; printing, stationery and similar costs related to the Partnership; and any legal, engineering, audit, insurance or similar costs incurred specifically for the benefit of the Partnership); and (ii) a charge for that portion of the General Partner's corporate overhead which is reasonably attributable to Partnership activities. The General Partner's corporate overhead shall include salaries, wages, benefits, insurance and other typical general and administrative expenses (excluding the general and administrative expenses which the Partners may specifically agree to exclude) plus depreciation and ad valorem taxes on buildings, facilities, transportation equipment, furniture and fixtures and similar assets, and other expenses as the Partners may agree. Total corporate overhead of the General Partner shall be reduced by amounts charged to joint operations, amounts incurred by and charged to the General Partner's divisions which do not benefit the Partnership, and other amounts as the Partners may agree. The method of computing and allocating General Overhead and Administrative Expenses may be amended from time to time only by agreement among the Partners.

"IDC" means those costs, commonly referred to for Federal income tax purposes as intangible drilling and development costs, incurred by an operator in the drilling of wells and the preparation of wells for the production of oil or gas, all as more fully defined in Treasury Regulation Section 1.612-4(a) promulgated under the Internal Revenue Code of 1954, as amended (the "Code").

"Operating Agreement" means an agreement among the Partners in their individual capacities in substantially the form attached hereto as Schedule III-A (for onshore) or Schedule III-B (for offshore) which establishes the rights and liabilities with respect to a Property that has been assigned to the Partners in their individual capacities as undivided interest holders. An operator will be designated in each such Operating Agreement at the time it becomes effective, and unless the Partners agree otherwise, the Operator to be designated for each such Operating Agreement will be the Partner with the greatest interest in the Property or Properties covered thereby.

"Ownership Interest" means as to the General Partner sixty-five percent (65%), as to Texaco Inc. twenty-five percent (25%), and as to Sequoia Petroleum Inc. ten percent (10%).

"Partnership Income" means the Partnership's income from all sources, including interest income, sales or other

dispositions of production, sales, or other dispositions of Properties, equipment, facilities or other Partnership assets, but not including dry hole donations or bottom-hole or other contributions.

"Partnership Acquisitions" means all non-productive oil and gas leases and leasehold interests, including lease renewals, additional interests in leases, non-productive mineral interests, farm-ins, receipt of dry hole donations, bottom hole and other acreage contributions and other non-productive oil and gas interests and properties acquired directly by the Partnership from the lessor or grantor (other than the General Partner) anywhere in the United States including offshore waters under state jurisdiction and those in the Non-Included Areas.

"Properties" means (i) all of the non-productive oil and gas leases owned or held by the General Partner on July 1, 1980, except those in the areas designated on Schedule I attached hereto and referred to as the "Non-Included Areas," and those in the areas designated on Schedule II attached hereto and referred to as the "Excluded Areas," all of said Properties intended to be more fully described in that certain schedule entitled "Exhibit of Properties" which has been initialed by the Partners and is incorporated herein by reference, (ii) Property Acquisitions when acquired by the Partnership, and (iii) Partnership Acquisitions.

"Property Acquisitions" means all non-productive oil and gas leases, and leasehold interests including lease renewals, additional interests in leases, non-productive mineral interests (excluding interests acquired solely for purposes other than oil and gas exploration), farm-ins, receipt of dry hole donations, bottom hole and other acreage contributions and other non-productive oil and gas interests and properties acquired by the General Partner in its individual capacity after July 1, 1980 anywhere in the United States, (i) including (a) offshore waters under state jurisdiction (b) additional interests in leases in the Federal Outer Continental Shelf in which the Partnership holds an interest and (c) leases in the Non-Included Areas but (ii) excluding leases in the Excluded Areas except as provided for in Section 5.3(g), and (iii) excluding leases in the Federal Outer Continental Shelf (other than additional interests in those leases in which the Partnership holds an interest).

"Property Acquisition Costs" means (i) when used with respect to a Property Acquisition the sum of (a) the price paid to the lessor or grantor in acquiring such Property Acquisition, including lease bonuses, (b) title insurance or examination costs, broker's commissions, filing fees, recording costs, and transfer taxes, if any, and (c) rentals, ad valorem taxes and other costs paid by the General Partner with respect to a Property Acquisition to the date of its transfer to the Partnership (or Electing Partner pursuant to Section 5.3(c)) or (ii) when used

with respect to a Partnership Acquisition the sum of (a) the price paid to the lessor or grantor in acquiring such Partnership Acquisitions including lease bonuses, advance rentals and other acquisition costs, and (b) title insurance or examination costs, broker's commissions, filing fees, recording costs and transfer taxes, if any.

"Prospect" or "Project" means an area which is geographically defined or capable of being geographically defined in which geophysical, geological or geochemical exploration has been conducted or is under consideration and which, on the basis of such data, may be reasonably anticipated to contain an oil or gas reservoir.

1.3 Rules of Construction. For purposes of this Agreement, unless the context otherwise requires, (i) all terms defined herein include the plural as well as the singular and (ii) reference to any person includes successors of such person permitted hereunder. References to Parts and Sections are, unless otherwise specified, to Parts and Sections of this Agreement. References to any other agreement or other instrument shall, unless the context otherwise requires, or the definition thereof otherwise specifies, be deemed references to the same as it may from time to time be changed, amended or extended in accordance with its terms, and such other agreement or instrument when referred to shall be deemed to be incorporated herein by reference. Neither

the captions to Parts, Sections or subdivisions thereof, nor the Index shall be deemed to be a part of this Agreement, but are included herein for convenience.

PART TWO:

FORMATION, PURPOSE AND TERM

2.1 Formation of Partnership. (a) The Partners do hereby form a limited partnership pursuant to the Uniform Limited Partnership Act of the State of Texas (the "Act") for the purposes set forth herein.

(b) Until January 1, 1981, to the extent that the laws of the State of Louisiana may be applicable to the Partnership, the Partnership is intended to be a partnership in commendam and the Limited Partners are intended to be partners in commendam under such laws. To comply with the laws of the State of Louisiana, the business of the Partnership shall be conducted in such State only under the name of the General Partner until January 1, 1981, or as otherwise permitted under the laws of the State of Louisiana.

(c) Except as expressly provided herein to the contrary, the rights and obligations of the Partners shall be governed by the Act. Except as provided in Section 2.1(b) or 6.1(h), the Properties and all other real and personal property owned by the Partnership shall be held in the Partnership's name and not in

the names of the individual Partners, and no Partner shall have any individual ownership in such property except for its property rights as a Partner.

2.2 Name of Partnership. The name of the Partnership is and the business of the Partnership shall be conducted under the name of "MTS Limited Partnership" and under such variations of this name as the General Partner deems appropriate to comply with the laws of each of the jurisdictions in which the Partnership conducts business.

2.3 Place of Business. The principal office of the Partnership will be located at the office of the General Partner in Amarillo, Texas, or at such other location as may from time to time be designated by the General Partner.

2.4 Effective Date and Term. The Partnership will be effective from and after the date on which the certificate evidencing formation of the Partnership is filed for record with the Secretary of State of Texas (the "Effective Date") and shall continue, subject to earlier dissolution as provided in Section 12.1 or 12.2, to July 1, 1999. The business and operations of the Partnership will not be commenced in Texas prior to the Effective Date but will commence as soon as possible thereafter. The business and operations of the Partnership will not be commenced in other states prior to the filing therein of the certificates or documents required by Section 2.5.

2.5 Execution of Certificates. The Partners will execute such certificates and other documents as may be necessary or appropriate to comply with the requirements for the formation and operation of a limited partnership under the Act. The Partners will also execute such certificates and documents, and the General Partner will file and record such certificates and documents (including, if the General Partner so elects, this Agreement), as the General Partner, upon the advice of counsel of any Partner, deems necessary or appropriate to comply with requirements of applicable laws governing the formation, qualification and operations of a limited partnership (or a partnership in which special partners have limited liability) in all jurisdictions where the Partnership desires to conduct business including, if required, designation of agents for service of process. In the event that a Limited Partner makes an additional Capital Contribution to the Partnership, the Partnership will, if required by law, file with the Secretary of State of Texas (and in any other jurisdiction where required) an amendment to the Partnership's certificate to reflect such additional Capital Contribution.

2.6 Fictitious Name Act. The General Partner will execute and file in the proper offices such certificates and documents as may be required by the fictitious name act or assumed name act or similar law in effect in the counties, parishes and other governmental jurisdictions where the Partnership desires to conduct business.

2.7 Business of the Partnership. The business of the Partnership shall be to hold the Properties, to develop Exploration, Exploratory Drilling, Development, Property Acquisition and Partnership Acquisition Programs (as those terms are herein defined) with respect to the Properties, to acquire additional Properties through the Property Acquisition and Partnership Acquisition Programs or pursuant to Section 5.3(h), to conduct Exploration and Exploratory Drilling on the Properties, and if oil or gas is found in paying quantities on a Property to produce, save, and sell oil, gas and other minerals produced therefrom. The Partnership is authorized to engage in such undertakings anywhere in the United States, including the territorial waters of the United States.

2.8 Power of Attorney. (a) Each Partner does irrevocably make, constitute and appoint the General Partner and any successor thereto permitted as provided herein, with full power of substitution, as its true and lawful attorney and agent with respect to affairs of the Partnership, with full power and authority in its name, place and stead to execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (i) this Agreement and counterparts of this Agreement; (ii) all certificates and other instruments (including counterparts thereof) which the General Partner deems appropriate to reflect any amendment, change or modification of the Partnership in accordance with the terms of this Agreement; (iii) all certificates and other instruments and all amendments thereto which the General Partner deems

appropriate or necessary to form, qualify or continue the Partnership in or otherwise comply with the laws of the jurisdictions where the Partnership may do business in order to maintain the limited liability of the Limited Partners and to comply with all applicable laws of such jurisdictions; and (iv) all conveyances and other instruments or documents which the General Partner deems appropriate or necessary to reflect the dissolution, liquidation and termination of the Partnership, and the distribution of assets of the Partnership in connection therewith, pursuant to the terms of this Agreement.

(b) The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive the bankruptcy of a Limited Partner and shall extend to such Limited Partner's successors and assigns. The Limited Partners hereby agree to be bound by any representations made by the General Partner and any successor thereof acting in good faith pursuant to such power of attorney, and the Limited Partners hereby waive any and all defenses which may be available to contest, negate or disaffirm the action of the General Partner and any successor thereto under such power of attorney except in cases of gross negligence or willful or wanton misconduct.

PART THREE:

CAPITAL CONTRIBUTIONS AND ALLOCATIONS

3.1 Contribution of General Partner. The General Partner hereby contributes to the Partnership the Properties owned or held by it on July 1, 1980, and warrants that the Properties owned or held by the General Partner as of July 1, 1980, have been assigned or conveyed to the Partnership by special warranty deed or conveyance as of the Effective Date and further warrants that all such Properties shall be deemed to be contributed to the Partnership, whether described in the deed or conveyance or not; provided that with respect to Properties located in the State of Louisiana, only beneficial title to the Properties has been conveyed to the Partnership as of the Effective Date and legal title to the Properties will be conveyed as promptly as practicable after the Partners have agreed with respect to compliance with applicable Louisiana law. The Partnership acknowledges the Capital Contribution of the General Partner and the Partners agree that the value of such Capital Contribution is four hundred sixty-two million four hundred seventy-five thousand dollars (\$462,475,000).

3.2 Contribution of the Limited Partners. (a) Sequoia Petroleum Inc. hereby contributes to the Partnership the sum of seventy-one million one hundred fifty thousand dollars (\$71,150,000) in cash, receipt of which is acknowledged by the Partnership.

(b) Texaco Inc. hereby contributes to the Partnership the sum of one hundred seventy-seven million eight hundred seventy-five thousand dollars (\$177,875,000) in cash, receipt of which is acknowledged by the Partnership.

(c) Sequoia Petroleum Inc. agrees to make further Capital Contributions in the aggregate sum of eight million seven hundred forty-two thousand eight hundred fifty-seven dollars (\$8,742,857) in cash, to be used to pay the first 10/35th of IDC incurred by the Partnership, as and when incurred.

(d) Texaco Inc. agrees to make further Capital Contributions in the aggregate sum of twenty-one million eight hundred fifty-seven thousand one hundred forty-three dollars (\$21,857,143) in cash, to be used to pay the first 25/35th of IDC incurred by the Partnership, as and when incurred.

3.3 Additional Capital Contributions. Each Partner shall make additional Capital Contributions pursuant to the provisions of Section 5.2(e), 5.2(f), 5.3(b), 5.4(g), or 11.1(b) at such times and in such manner as provided for in this Agreement. However, if the General Partner is unable to contribute (either directly to the Partnership or indirectly by making a payment on the Partnership's behalf) in full the amount required of it by the provisions of any of such Sections, each Limited Partner will be required to contribute to the Partnership under such provisions

only the amount bearing the same ratio to the amount which the General Partner does in fact contribute as such Limited Partner's Ownership Interest bears to the General Partner's Ownership Interest.

3.4 Allocations. For Federal income tax and all other purposes all items of income, gain, loss, deduction or credit of the Partnership shall be allocated among the Partners in the ratio of their Ownership Interests except that the first \$30,600,000 of IDC as and when incurred by the Partnership shall be allocated 10/35th to Sequoia Petroleum Inc. and 25/35th to Texaco Inc.

3.5 Interest. No interest shall be paid to Partners on their Capital Contributions or Capital Accounts.

PART FOUR:

DEPOSIT AND USE OF CAPITAL CONTRIBUTIONS AND OTHER PARTNERSHIP FUNDS

4.1 Interim Investment of Partnership Funds. All Partnership funds being held to pay for anticipated future Partnership expenditures ("Reserve Funds") may, at the discretion of the General Partner, and during the periods prior to the incurrence of such expenditures, be loaned to Partners, be deposited, with or without interest, in one or more bank accounts of the Partnership in a bank or banks selected by the General Partner or be

invested in highly liquid short-term prime rated securities, certificates of deposit or commercial paper. However, if funds are loaned to any Partner, (i) the amount shall not exceed the amount of Reserve Funds multiplied by such Partner's Ownership Interest, (ii) the Partner shall execute a promissory note payable on demand to evidence such loan, (iii) the note will provide for interest at the rate of 10% per annum, (iv) each other Partner will first be notified of such proposed loan and be afforded the opportunity to borrow on the same terms and conditions and (v) in the event of a loan to more than one Partner the notes shall require demand for repayment to be made pro rata. All Partnership funds may be commingled but not with the separate funds of the General Partner or any other entity.

4.2 Distributions. All cash representing Partnership Income shall be distributed regularly, but not less often than quarterly, or monthly with respect to proceeds from the sale of production, to the Partners in proportion to their Ownership Interests.

PART FIVE:

PARTNERSHIP OPERATIONS

5.1 Programs and Budget Meetings. (a) Programs covering Exploration, Exploratory Drilling, Development, Property Acquisitions and Partnership Acquisitions (the "Programs") will be

formulated by the General Partner on a calendar year basis, principally through the adoption of budgets at annual budget meetings and revisions of the budgets at quarterly budget meetings (said meetings collectively "Budget Meetings" and the budgets adopted at the Budget Meetings the "Budgets") attended by representatives of the Partners. The General Partner may schedule and call Budget Meetings at any time and particularly at such times and in such locations which coincide with regularly scheduled meetings held by the General Partner in the conduct of operations in its individual capacity with its divisions. Subject to the provisions of Section 5.1(b), at all Budget Meetings the General Partner shall disclose and display whatever data, information and interpretations it considers reasonably necessary to support the Exploration, Exploratory Drilling, Development, Property Acquisition and Partnership Acquisition Programs formulated by it. The General Partner shall use its best efforts to formulate Exploration, Exploratory Drilling, Development, Property Acquisition and Partnership Acquisition Programs on a calendar year basis in accordance with the terms of this Agreement.

(b) The Limited Partners agree to use their best efforts (i) to keep confidential all data, information and interpretations revealed by the General Partner to the Limited Partners at the Budget Meetings or at any other time, and (ii) to use such data, information or interpretations only for the purpose of evaluating their participation or non-participation in the Exploration,

Exploratory Drilling, Development, Property Acquisition and Partnership Acquisition Programs formulated by the General Partner. The General Partner may withhold the presentation of data, information and interpretations at the Budget Meetings if, in the opinion of the General Partner, the revealing of such data, information or interpretations would create a risk of impairing the Partnership's ability to effectively compete with others through future Exploration, Exploratory Drilling, Development, Property Acquisition and Partnership Acquisition Programs; provided, however, that the General Partner shall, if requested, reveal such data, information or interpretations to any Limited Partner which agrees in writing, in form and substance acceptable to the General Partner (i) to maintain the confidentiality of such data, information and interpretations, and (ii) not to use such data, information or interpretations in competition with the Partnership.

5.2 Exploration and Exploratory Drilling Programs and Budgets.

(a) The General Partner, in developing and presenting the Exploration and Exploratory Drilling Programs, shall prepare Exploration and Exploratory Drilling Budgets detailing all expenditures (including the General Overhead and Administrative Expenses) for the calendar year allocating such expenditures, other than the General Overhead and Administrative Expenses, specifically to identified Prospects, Projects or Properties. The expenditures proposed for each Prospect, Project or Property shall be explained and aggregated. Results and revisions of the Exploration Program

and Exploratory Drilling Program shall be reviewed and Budget revisions including estimated costs incurred to date shall be made at each quarterly Budget Meeting.

(b) The Exploration and Exploratory Drilling Budgets shall include (i) an itemization of expenditures directly associated with Exploration and Exploratory Drilling and (ii) the allocable General Overhead and Administrative Expenses, anticipated to be incurred for the calendar year.

(c) The Limited Partners shall not participate in the preparation, management or control of the Exploration or Exploratory Drilling Programs. The Limited Partners may make suggestions as to Exploration or Exploratory Drilling in specific Prospects, Projects or Properties, and shall, subject to the provisions of Section 5.1(b), have the right to consult with and advise the General Partner with respect to Exploration and Exploratory Drilling.

(d) The General Partner shall use its best efforts to prepare and present annual Exploration and Exploratory Drilling Budgets on a calendar year basis, aggregating approximately one hundred million dollars (\$100,000,000) each year.

(e) Except as otherwise provided in Section 5.2(f), each Partner shall participate in the Exploration and Exploratory

Drilling Programs reflected in the Exploration and Exploratory Drilling Budgets and, after the Capital Contributions made pursuant to Section 3.2 have been expended, shall make additional Capital Contributions in the manner provided for in Section 5.2(i) in an amount equal to such Partner's Ownership Interest of the costs incurred by the Partnership in implementing such Programs. After expenditure of the Capital Contributions made pursuant to Section 3.2, the General Partner may make advance cash calls for additional Capital Contributions in accordance with the accounting procedures referred to in Section 9.6.

(f) In the event the Budgets adopted at the annual Budget Meeting or any revised Budgets adopted at any quarterly Budget Meeting for Exploration and Exploratory Drilling Programs proposed by the General Partner exceed one hundred fifty million dollars (\$150,000,000) in the aggregate, each Limited Partner shall have the right to decline to participate in all or part of either or both of the Exploration or Exploratory Drilling Programs reflected in such Budgets to the extent of expenditures in excess of \$150,000,000. In any such case, a Limited Partner who declines to participate in any or all of the expenditures in excess of \$150,000,000 shall within thirty days after presentation of the Budgets at a Budget Meeting select the Prospects, Projects or Properties in which it does not wish to participate and shall notify the other Partners of its selections; provided, however, a Limited Partner shall not be entitled to select (i) any Prospect,

Project or Property upon which Exploratory Drilling has been commenced by or on behalf of the Partnership, or (ii) any Property which is the last Property owned by the Partnership. The Prospects, Projects and Properties so selected by a Limited Partner shall be distributed, assigned and conveyed by the Partnership to the Partners in their individual capacities in undivided interests equal to their Ownership Interests immediately before operations begin thereon, whereupon such Prospects, Projects and Properties shall no longer be assets of the Partnership. The Exploration and Exploratory Drilling Budgets shall be reduced in the amount budgeted for the Prospect, Project and Properties distributed, assigned and conveyed to the Partners including any General Overhead and Administrative Expenses applicable thereto. Immediately after the distribution, assignment and conveyance, (i) with respect to any Prospect, Project or Property selected by both Limited Partners, each Limited Partner shall assign and convey its interest in each such Prospect, Project and Property to the General Partner in its individual capacity and (ii) with respect to any Prospect, Project or Property selected by only one Limited Partner, that Limited Partner will assign and convey its interest in each such Prospect, Project and Property to the General Partner and the other Limited Partner in their individual capacities in undivided interests in the proportions to which the Ownership Interest of the Partner to whom the interest is being assigned bears to the aggregate sum of the Ownership Interests of the Partners to whom the interests are being assigned. Thereafter,

the Partner or Partners to whom the Prospect, Project or Property has been assigned and conveyed may conduct operations in their individual capacities and for their own account; provided if two Partners hold an undivided interest, the two Partners shall execute in their individual capacities an Operating Agreement in applicable form subjecting the Prospect, Project or Property to the terms and conditions of the Operating Agreement unless the Prospect, Project or Property shall already be subject to an existing operating agreement. If operations are not begun on any such Prospect, Project or Property within the calendar year in which the amount to be expended thereon was budgeted, the Partner or Partners receiving such assignment, in their individual capacities, shall reassign and reconvey an undivided interest in such Prospect, Project or Property to the other Limited Partner or Partners in their individual capacities, equal to the undivided interest originally assigned and conveyed by such Partner or Partners, whereupon the Partners shall reassign all of their interest in such Prospect, Project or Property to the Partnership as a Capital Contribution.

(g) The General Partner shall pay all rentals and royalties for the Partnership.

(h) At any time a Partner may elect not to participate
(i) in the payment of lease rentals by the Partnership or (ii) in the ownership of a Property, whereupon, upon notice from such

Partner to the other Partners, the Partnership shall distribute, assign and convey the applicable Property to the Partners in their individual capacities in undivided interests equal to their Ownership Interests, and such Property shall no longer be an asset of the Partnership. Within thirty days thereafter, the Partner or Partners which did not wish to participate in the payment of the rentals or the ownership of a Property shall assign and convey their interests in each such Property to the Partner or Partners who wish to participate in the payment of the rentals or the ownership of the Property in their individual capacities in undivided interests in the proportions to which the Ownership Interest of the Partner to whom the interest is being assigned bears to the aggregate sum of the Ownership Interests of the Partners to whom the Property is being assigned. Thereafter the Partner or Partners to whom the Property has been assigned and conveyed may conduct operations in their individual capacities and for their own account; provided, if two Partners hold undivided interests therein, the two Partners shall execute in their individual capacities an Operating Agreement in applicable form subjecting the Property to the terms and conditions of the Operating Agreement unless the Property shall be subject to an existing operating agreement.

(i) The General Partner shall bill each Partner for the Capital Contribution required of such Partner on account of Exploration and Exploratory Drilling expenditures, identifying

the Prospect, Project or Property to which each expenditure applies, and specifying items, activities, costs and allocable General Overhead and Administrative Expenses in reasonable detail. Billings will be made monthly. Billings, payments and accounting for Exploration and Exploratory Drilling will otherwise conform to the accounting procedure referred to in Section 9.6.

(j) In the event that, pursuant to the provisions of Section 5.2(f) or (h), the Partnership distributes and assigns a Prospect, Project or Property to the Partners, the Partners shall be deemed to have judged such Prospect, Project or Property to be worthless.

5.3 Property Acquisition and Partnership Acquisition Programs.

(a) The General Partner, in developing and presenting the annual Property Acquisition and Partnership Acquisition Programs, shall prepare a Budget in which expenditures for Property Acquisitions and Partnership Acquisitions for the next ensuing calendar year shall be projected. It is understood, however, that Property Acquisitions and Partnership Acquisitions shall not be limited to those so budgeted.

(b) Unless a Limited Partner has elected not to participate in a Property Acquisition pursuant to the provisions of Section 5.3(c) and subject to the limitations set forth in Section 5.3(g) and (h), the General Partner shall sell, assign and

convey to the Partnership at a purchase price equal to the Property Acquisition Costs, and the Partnership shall purchase from the General Partner, all Property Acquisitions. The General Partner shall notify the Limited Partners of each such Property Acquisition purchased by the Partnership as hereinabove provided and of each Partnership Acquisition and each Partner shall make additional Capital Contributions in the manner provided for in Section 5.3(e) in an amount equal to its Ownership Interest of the Property Acquisition Costs of each such Property Acquisition and each such Partnership Acquisition.

(c) A Limited Partner may elect not to participate in any Property Acquisition and the Partnership shall not acquire any Partnership Acquisition in any of the following circumstances: (i) the price to be paid the lessor or grantor exceeds \$250 per acre, (ii) the total burden (royalties, including overriding royalties, production payments, or like payments) on the working interest exceeds 25%, (iii) there exists a drilling obligation or other major extraneous expense which exceeds \$2 million, or (iv) the acquisition is on Federal onshore lands; and where any of these circumstances apply, the General Partner shall disclose any such Property Acquisitions to the Limited Partners on a case-by-case basis, and each Limited Partner shall give the other Partners notice within 15 days from such disclosure whether or not it elects to participate. A failure to give notice within the prescribed time shall be deemed to be an election to participate.

A Limited Partner also may elect not to participate in any Property Acquisition and there shall be no Partnership Acquisition (unless the Partners have elected to participate in such Partnership Acquisition) after the aggregate of the Property Acquisition Costs in any one calendar year exceeds twenty-five million dollars (\$25,000,000). When the General Partner can reasonably estimate that the total Property Acquisition Costs in a calendar year will exceed \$25,000,000, the General Partner shall submit a statement to the Limited Partners indicating how much additional amounts will be expended during such year for Property Acquisitions and Partnership Acquisitions, and within 30 days thereafter, each Limited Partner shall give notice to the other Partners as to what part, if any, of the additional expenditures will be participated in by the Limited Partner. With respect to any Property Acquisition in which one of the Limited Partners elects not to participate, the other Limited Partner ("Electing Partner") shall have the right to acquire from the General Partner an undivided interest in its individual capacity from the General Partner, such undivided interest to be equal to the Ownership Interest of the Electing Partner. An Electing Partner shall upon request from the General Partner immediately reimburse the General Partner in cash in an amount equal to the Electing Partner's Ownership Interest of the Property Acquisition Costs of the Property Acquisition. The General Partner shall thereupon assign and convey an undivided interest in the Property Acquisition equal to the Electing Partner's Ownership Interest to the Electing Partner.

Thereafter, the General Partner and the Electing Partner may conduct operations on the Property Acquisition in their individual capacities and for their own account; and such Partners shall execute, in their individual capacities, an Operating Agreement in applicable form subjecting the Property Acquisition to the terms and conditions of the Operating Agreement unless the Property Acquisition is subject to an existing operating agreement.

(d) The Partners recognize that some Property Acquisitions and Partnership Acquisitions will result from and be directly associated with Exploration or Exploratory Drilling conducted on the Prospects, Projects and Properties of the Partnership, and that the Exploration or Exploratory Drilling expenditures and General Overhead and Administrative Expenses provided for in Section 5.2(b) will be applicable to such acquisitions in which a Limited Partner participates, but no additional exploration, exploratory drilling or overhead charges shall be applied. It is agreed that Property Acquisitions in which a Limited Partner participates and Partnership Acquisitions which do not result from and which are not directly associated with Exploration or Exploratory Drilling will bear (i) that share of the General Partner's reasonable, necessary and actual geological and geophysical expenses and (ii) that share of the General Partner's General Overhead and Administrative Expenses which are directly associated with such Property Acquisitions or Partnership Acquisitions.

(e) The General Partner shall bill each Partner for the Capital Contribution required of such Partner on account of the payment of Property Acquisition Costs. In the case of an acquisition resulting from and directly associated with Partnership Exploration or Exploratory Drilling, the bill shall identify the Prospects, Projects and Properties in which it is located. In the case of acquisitions not resulting from nor directly associated with Partnership Exploration or Exploratory Drilling the bill will so specify. The General Partner may require each Partner to make such Capital Contribution immediately upon receipt of the billing.

(f) Property Acquisitions and Partnership Acquisitions shall be subject to Partnership Exploration and Exploratory Drilling for all purposes, and shall be identified in the Partnership's Prospects, Projects and Properties.

(g) Notwithstanding any provision to the contrary, with respect to that portion of the Pecos Slope Prospect in New Mexico which is in the Excluded Areas, the Partnership shall have no right to acquire an interest in any additional interest acquired by the General Partner in leaseholds in which the General Partner held an interest on July 1, 1980; however, the Partnership shall have the right to acquire (as a Property Acquisition) any additional leases acquired by the General Partner covering any portion of the Excluded Areas in the Pecos Slope Prospect in New Mexico

not now subject to a lease in which the General Partner held an interest on July 1, 1980 and any such acquisition shall be treated as a Property Acquisition for the purposes of Section 5.3 except that with regard to any Property Acquisition involving leases, portions of which the Partnership does not have the right to acquire and portions of which the Partnership does have the right to acquire, the Partners shall establish the allocation of Property Acquisition Costs therefor through good faith negotiation.

(h) The provisions of Section 5.3 shall not apply in the event of the General Partner's acquisition (in its individual capacity) of the assets of or the merger with another oil and gas exploration and producing entity or company, although the General Partner does hereby agree to advise the Limited Partners of any such acquisition of assets or merger, and will consider participation therein by the Limited Partners. Section 5.3 shall apply, however, to the General Partner's acquisition (in its individual capacity) of the assets of or merger with any such entity or company which is primarily a land, mineral or royalty holding company which is not engaged in significant development of its mineral holdings.

(i) The provisions of Section 5.3 shall not apply to Federal oil and gas leases acquired by the General Partner as a result of simultaneous filings unless the Limited Partners have agreed with the General Partner in advance of such filings not to compete with the Partnership in making such filings.

5.4 Development Programs and Budgets. (a) The General Partner, in developing and presenting the Development Program, shall prepare a Development Budget detailing all expenditures (including the General Overhead and Administrative Expenses allocable thereto) for the calendar year and allocating such expenditures, other than the General Overhead and Administrative Expenses, specifically to identified Prospects, Projects or Properties. Results and revisions of the Development Program shall be reviewed and Budget revisions, including estimated costs incurred to date, shall be made at each quarterly Budget Meeting.

(b) The Development Budget shall include (i) an itemization of expenditures directly associated with Development and (ii) the allocable General Overhead and Administrative Expenses anticipated to be incurred for the calendar year.

(c) The Limited Partners shall not participate in the preparation, management or control of the Development Programs. The Limited Partners may make suggestions as to Development on specific Prospects, Projects or Properties, and shall, subject to the provisions of Section 5.1(b), have the right to consult with and advise the General Partner with respect to Development.

(d) The General Partner shall not undertake or participate in any single Development project which is reasonably estimated to require an expenditure in excess of one hundred

thousand dollars (\$100,000.00) by the Partnership, nor shall the General Partner undertake or participate in the drilling, reworking (where such reworking is reasonably estimated to require an expenditure in excess of \$100,000.00), deepening or plugging back of a well covered by a Development Budget, without submitting an authority for expenditure ("AFE") to the Limited Partners for approval with respect to each such project or well. The Limited Partners shall give notice of their approval or disapproval of an AFE within thirty (30) days after receipt of the AFE, unless a shorter period of time is specified by the General Partner. Any approval of an AFE for the drilling, reworking, deepening or plugging back of a well shall include approval of all expenditures incurred in connection with the drilling, testing, completing, and equipping of such well including, but not limited to, the costs and expenses of providing a drilling rig or drilling platform, necessary lines, separators and lease tanks. Notwithstanding the foregoing, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, the General Partner may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but the General Partner, as promptly as possible, shall report the emergency to the Limited Partners.

(e) If either or both of the Limited Partners disapproves an AFE submitted by the General Partner for the drilling, reworking, deepening or plugging back of a well and if the General Partner

desires to and is able to proceed with the proposed expenditures, then the Partnership shall immediately distribute, assign and convey the Property or Properties upon which such well is or is to be located to the Partners in their individual capacities in undivided interests equal to their Ownership Interest, whereupon such Property or Properties shall no longer be an asset of the Partnership. Thereafter the Property or Properties shall be subject to any existing operating agreement with a third party or parties which may be in force and effect covering such Property or Properties, or if there is no existing operating agreement, the General Partner and the Limited Partners, in their individual capacities, shall execute an Operating Agreement in applicable form covering the Property or Properties. Thereafter the Partner or Partners which approved the AFE shall commence or participate in the drilling, reworking, deepening or plugging back of the well covered by the AFE and the Partner or Partners who disapproved the AFE, with respect to the project or well covered by such AFE, shall be deemed to be non-consenting party or parties under the non-consent provisions of the applicable operating agreement and such party or parties shall be subject to all penalties relating thereto.

(f) The General Partner shall notify the Limited Partners within a reasonable time prior to logging, testing or coring of any well and the Limited Partners shall, at their own risk and subject to the provisions of Section 5.1(b), have access

to the Properties at all reasonable times to inspect and observe operations thereon and shall have access at reasonable times to information and data obtained from operations hereunder and to the General Partner's books, records and accounts relating thereto. Subject to the provisions of Section 5.1(b), the General Partner shall furnish the Limited Partners with all information reasonably requested concerning operations hereunder which is available to the General Partner and is necessary in connection with Development, and the General Partner shall promptly furnish the Limited Partners with copies of drilling reports, well logs, cores, samples, tests, geological data, engineering data, monthly production reports, and reports and applications filed with state or federal regulatory agencies and upon written request such other information and data relating to Properties of the Partnership if the same is obtained as a result of operations hereunder. The applicable costs and expense of gathering and furnishing such information and data shall be a Partnership cost.

(g) The Partners shall participate in each expenditure made by the Partnership and authorized pursuant to Section 5.4(d) by making additional Capital Contributions in the manner provided for in Section 5.4(h) in an amount equal to the Partner's Ownership Interest of such expenditure. The General Partner may make advance cash calls for additional Capital Contributions for Development in accordance with the accounting procedures referred to in Section 9.6.

(h) The General Partner shall bill each Partner for the Capital Contribution required of such Partner on account of Development expenditures, identifying the Prospect, Project or Property to which each expenditure applies and specifying items, activities, costs and allocable General Overhead and Administrative Expenses in reasonable detail. Billing, payments and accounting for Development will otherwise conform to the accounting procedure referred to in Section 9.6.

5.5 Project Financing. The Partners recognize the need for maximizing their flexibility in financing the development of a field or pool discovered on the Properties which contains significant proven reserves. In order to insure that fields or pools which are discovered on the Properties which contain significant proven reserves are properly developed through adequate financing, the Partners agree as follows:

(a) At any time a field or pool is discovered (i) on any of the onshore Properties which is determined through industry accepted reservoir engineering standards to contain proven reserves in excess of 2,000,000 equivalent barrels of oil (where 6 mcf of gas equals 1 barrel of oil), or (ii) on any of the offshore Properties which is determined through industry accepted reservoir engineering standards to contain proven reserves in excess of 5,000,000 equivalent barrels of oil, then the General Partner shall promptly notify the Limited Partners of this fact and the

General Partner and the Limited Partners shall attempt to develop an acceptable plan of financing the development of the field or pool through Partnership financing.

(b) If the General Partner and the Limited Partners agree upon a plan of Partnership financing, then the General Partner shall take all necessary and appropriate steps to implement the agreed plan of financing the development of the field or pool. If the General Partner and the Limited Partners are not able to agree upon a plan of Partnership financing, then at the option and request of any Partner, the Partnership shall distribute, assign and convey to the Partners, in their individual capacities in undivided interests equal to their Ownership Interests, all the Properties which overlie the common reservoirs within the limits of the field or pool which has been determined to contain the requisite proven reserves. Thereafter the Partners shall pursue financing for development of the field or pool in their individual capacities and shall enter into the applicable Operating Agreement, in their individual capacities, subjecting the Properties so distributed, assigned and conveyed to the terms and conditions of the Operating Agreement unless the Properties are subject to an existing operating agreement.

5.6 No Fee. Except as provided in this Part Five, the General Partner shall receive no fee or other compensation for managing the business of the Partnership.

PART SIX:

RIGHTS, DUTIES AND OBLIGATIONS OF THE GENERAL PARTNER

6.1 Rights of General Partner. Subject to the limitations of this Agreement, the General Partner shall have full, exclusive and complete discretion in the management and control of the business of the Partnership and shall make all decisions affecting the Partnership's business and affairs and the Exploration of, Exploratory Drilling, Development on the Properties, Property Acquisitions and Partnership Acquisitions. The General Partner shall have full power and authority within the scope of this Agreement to take any action deemed by the General Partner to be necessary or appropriate for the conduct of the business of the Partnership, and the scope of such power and authority shall encompass all matters in any way connected with such business or incident thereto, including, but not limited to, the power and authority to:

(a) Acquire and dispose of Properties; provided however that such dispositions (i) are limited to those necessary and incident to the General Partner's implementation of the Exploration, Exploratory Drilling, Development, Property Acquisition and Partnership Acquisition Programs provided for in this Agreement, (ii) cannot be made if or when any such disposition could impair the continuing viability of such Programs, and (iii) except pursuant to Section 12.3(a)(iii) will not be used primarily for the purpose of generating cash for the Partnership;

(b) Conduct geological and geophysical investigations, including, without limitation, seismic exploration, core drilling and other means and methods of exploration;

(c) Drill, equip, complete, rework, re-equip, recomplete, plug back, deepen, plug and abandon wells;

(d) Make or give dry hole donations or bottom-hole or other contributions of cash or oil and gas properties to encourage drilling by others in the vicinity of or on Properties or to accept dry hole donations, bottom-hole or other contributions of cash or oil and gas properties as consideration for the drilling of a well;

(e) Farmout the Properties and enter into farm-in arrangements as a means of obtaining Property Acquisitions or Partnership Acquisitions;

(f) Pay all ad valorem taxes levied or assessed against the Properties, and all severance and other taxes due in connection with Partnership operations;

(g) Purchase and establish inventories of equipment and material required or expected to be required in connection with its operations, or dispose of such material;

(h) Hold Properties in the name of the Partnership, or temporarily in the name of the General Partner as nominee for the Partnership if such arrangement facilitates Property Acquisitions or Partnership Acquisitions or the business purposes of the Partnership. If record title to Properties is to be held permanently in a name other than that of the Partnership, the General Partner will form a nominee entity for the sole purpose of holding such record title and the nominee entity will engage in no other business and will incur no other liability. Such nominee arrangement will be evidenced and documented by a nominee agreement delivered concurrently with the transfer of the Property, identifying the Property so held and disclaiming any beneficial interest by the nominee entity in such Property;

(i) Produce, treat, market and transport oil and gas produced on a Property through the execution of division orders, sales contracts or other agreements for the marketing or sale of oil, gas or other hydrocarbons;

(j) Execute all documents or instruments of any kind which the General Partner deems appropriate for carrying out the purposes of this Agreement;

(k) Perform any and all other acts or activities customary or incident to exploration for or the development, production and marketing of oil and gas;

(l) Pay or cause to be paid all royalties, delay rentals, shut-in or advance royalties and/or other payments which are due, or that may become due, with respect to Development or operation of the Properties;

(m) Conduct or have conducted such examinations of title to the Properties as the General Partner deems necessary or advisable;

(n) Prosecute or defend in the name of the Partnership any and all suits at law or equity and pursue all legal remedies or such other actions as the General Partner deems necessary to preserve and/or protect the Partnership and the interest of the Partnership in and to any and all Properties;

(o) Settle claims and lawsuits arising out of operations hereunder or in connection with the Properties as the General Partner deems necessary or advisable so long as the amount paid in settlement of any one claim does not exceed fifty thousand dollars (\$50,000.00) and, if settled, the sums paid in settlement shall be a Partnership expense; and

(p) Represent the Partnership before all governmental bodies and/or administrative agencies in all matters which may in any way affect or pertain to the Properties.

6.2 Duty to Inquire. No person, firm, bank, financial institution, or corporation dealing with the Partnership shall be required to inquire into the authority of the General Partner to take any action or make any decision purporting to bind the Partnership.

6.3 Duties of the General Partner. The General Partner shall provide exploratory and technical expertise sufficient to implement comprehensive and expeditious Property Acquisition and Partnership Acquisition Programs, and Exploration of, Exploratory Drilling on, and Development of the Properties and the officers and management personnel of the General Partner shall devote the same degree of care and attention to the business of the Partnership that they devote to the General Partner's business activities and shall act and operate in a diligent and prudent manner in accordance with industry accepted standards.

PART SEVEN:

RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

7.1 No Right to Manage. A Limited Partner cannot transact any business for the Partnership or take part in the management of the Partnership's affairs, and it shall have no power to execute on behalf of or otherwise bind and commit the Partnership. It may give consents and approvals as herein provided and exercise the rights and powers granted to it in this Agreement, it being

understood that the existence and exercise of such rights and powers shall be deemed to be matters affecting the basic structure of the Partnership and not the exercise of control over its business.

7.2 Personal Liability. Except as set forth in the Act, a Limited Partner shall not be personally liable for any debts or losses of the Partnership beyond its obligations to make additional Capital Contributions as set forth in Section 3.3.

PART EIGHT:

LIMITATION ON TRANSFER OF PARTNERS' INTEREST

8.1 Assignment. (a) The General Partner shall not assign, sell, transfer or otherwise dispose of any of its Partnership interest except with the prior written consent of the other Partners, (i) unless such assignment, sale, transfer or other disposition is a part of a transaction involving the merger, consolidation or sale of all or substantially all of the assets of the General Partner, including its interest in the Partnership (with the transferee or transferees, if permitted by the Act, becoming the general partner or general partners of the Partnership), but without releasing the General Partner from its duties and obligations under this Agreement unless either (x) the Limited Partners agree thereto in writing or (y) the net worth of the transferee, or aggregate net worth of the transferees, immediately following the transfer or transfers is at least equal to

the lesser of the General Partner's net worth at October 1, 1980 or at the date of the first such transfer or transfers (as such net worth is reflected in the most recent audited financial statements), or (ii) unless such assignment, sale, transfer or other disposition is for the purpose of securing a creditor of the General Partner.

(b) A Limited Partner or the transferee of a Limited Partner may transfer to an Affiliate of such Limited Partner all of its Partnership interest, or any portion thereof but without releasing such Limited Partner or other transferor from its duties and obligations under this Agreement unless (v) the other Partners agree thereto in writing or (w) the net worth of the transferee or aggregate net worth of the transferees, immediately following the transfer, is at least equal to the lesser of such Limited Partner's or other transferor's net worth at October 1, 1980 or at the date of the first such transfer or transfers (as such net worth is reflected in the most recent audited financial statements and provided that, in the case of a transfer by Sequoia Petroleum Inc., its net worth shall be the consolidated net worth of Sequoia Petroleum Inc. and that of Sequoia Ventures Inc., a Delaware corporation and Sequoia Petroleum Inc.'s sole shareholder, for purposes of testing the transferee's net worth), provided (i) that the transferee executes an instrument reasonably satisfactory to the General Partner accepting and adopting the provisions, representations and agreements of a Limited Partner set forth in this

Agreement; and (ii) that the General Partner shall be satisfied that, after consultation with counsel, such transfer would not result in the close of the Partnership's taxable year with respect to all Partners, in the termination of the Partnership within the meaning of Section 708(b) of the Code, in the termination of its status as a partnership under the Code or such transfer would not cause the Partnership or the General Partner to be in violation of any applicable state or federal securities law. Such transferee shall not have the right to become a substitute Limited Partner unless (x) the other Partners consent to such substitution, which consent may be given or withheld in the other Partners' sole discretion; and (y) such transferee executes an instrument reasonably satisfactory to the General Partner accepting the terms and provisions of this Agreement and pays any reasonable expenses in connection with his admission as a Limited Partner (including legal and accounting expenses). Notwithstanding anything herein to the contrary, no assignment of less than all of a Limited Partner's Partnership interest to any person, whether by such Limited Partner (the "Assignor Limited Partner") or by an Affiliate of such Assignor Limited Partner shall be effective for any purpose until the assignor, the assignee, the Assignor Limited Partner (if it is then a Partner), and any successors to any part of the Assignor Limited Partner's Partnership interest have executed and delivered to the General Partner a written statement authorizing a single individual or entity (the "Partner Representative"), who shall sign such statement as evidence of his or its

acceptance of such authority, to act for and on behalf of all such parties in connection with any Partnership matter, including without limitation the giving of consents and receipt of distributions, information and notices, and prescribing a procedure reasonably acceptable to the General Partner for the selection of a successor to such Partner Representative (or such Representative's successor or successors) in the event of such Representative's (or a successor's) failure, refusal or inability to act in such capacity, or in the event the Partner Representative's appointment as such is revoked. In the event the Assignor Limited Partner and/or its successors or assignees fail or refuse timely to implement such procedures for selecting a successor to such Partner Representative, the General Partner shall appoint a temporary successor, of whose identity the Assignor Limited Partner and/or its successors and assigns shall promptly be notified, to act as the Partner Representative until the Assignor Limited Partner and/or its successors and assigns select a successor Partner Representative. The General Partner shall be entitled to deal with the Partner Representative in all respects as if such Representative owned for its own account the Partnership interests of the Assignor Limited Partner, its successors and assigns. The term "transfer", when used in this Agreement with respect to a Partnership interest, includes a sale, assignment, gift or any other disposition. No Limited Partner or transferee of a Limited Partner may transfer any part of its Partnership interest to any person other than an Affiliate of such Limited Partner without the other Partners' prior written consent.

(c) If a Partner ("Debtor Partner") wishes to use its interest in a Property to secure a debt, the General Partner will, upon written request of the Debtor Partner, execute such documents as the Debtor Partner might reasonably request to create a lien on such Partner's Ownership Interest in such Property; provided such debt is non-recourse to the Partnership and the other Partners and such documents acknowledge that, prior to foreclosure, the creditor will give notice of anticipated foreclosure to the Partnership and will permit a distribution of undivided interests in the Property which is subject to the lien to the Partners. The Partnership will, upon receipt of such notice of anticipated foreclosure, distribute such Property in undivided interests equal to each Partner's Ownership Interest with the undivided interest subject to the lien being distributed to the Debtor Partner. Any distributions to such creditor shall be treated as distributions to the Debtor Partner. The Partners may conduct operations on a Property distributed pursuant to this Section 8.1(c) in their individual capacities and for their own account; and such Partners shall execute, in their individual capacities, an Operating Agreement in applicable form subjecting the Property to the terms and conditions of the Operating Agreement unless the Property is subject to an existing operating agreement.

(d) Any purported assignment, sale, transfer or other disposition of an interest other than in the manner hereinabove

provided shall be void and need not be recognized by the Partnership.

8.2 Judicial Seizure. In the event of any judicial seizure or sale of a Partner's interest in the Partnership by a creditor of such Partner, such seizure or sale shall not relieve such Partner of any obligations hereunder, and the party acquiring such interest shall not thereby become a Partner and shall not have any rights herein conferred upon a Partner, except that such party shall be treated as an assignee of such interest and shall be entitled to receive any distributions made by the Partnership with respect to such interest.

PART NINE:

ACCOUNTING PROCEDURES AND REPORTS

9.1 Fiscal Year. The fiscal year of the Partnership shall be the calendar year.

9.2 Records. The General Partner shall maintain complete and accurate records and accounts of all Partnership income and expenditures and of the acquisition, ownership and disposition of all Properties and other assets. Such records shall be available for inspection by each Limited Partner or its duly authorized representatives, at the expense of such Limited Partner, during normal business hours at the principal office of the Partnership.

The General Partner shall establish and update (with a copy to be provided to the Limited Partners) a records retention program, provided that all records will be required to be retained for a period of six years from the date of the making or receipt thereof, unless a Limited Partner requests that such records be maintained for a longer period, or such records are required to be kept for a longer period under applicable laws (including taxing statutes), regulations or judicial orders.

9.3 Audit. A Limited Partner shall have the right at its own expense at all times during normal business hours and upon reasonable notice to conduct its own audit and examination of the books and records of the Partnership as provided in and subject to the limitations of paragraph 5 of Section 1 of the appropriate accounting procedure referred to in Section 9.6.

9.4 Reports. Subject to the provisions of Section 5.1(b), the General Partner shall report in writing and in reasonable detail to the Limited Partners on the affairs of the Partnership, as often as is reasonably required to keep the Limited Partners informed as to the affairs of the Partnership, or whenever a Limited Partner reasonably requests the General Partner so to do. In addition, the General Partner shall furnish such financial data on a timely basis and in such detail as a Limited Partner shall reasonably request.

9.5 Method of Accounting. The Partnership shall keep its books of account and records on an accrual basis.

9.6 Accounting Procedure. The accounting procedures for the Partnership will conform to the appropriate accounting procedures set forth in Exhibit C to the Operating Agreements; provided that if the terms of the accounting procedure are inconsistent with the terms of this Agreement, the terms of this Agreement will control. General Overhead and Administrative Expense as defined in Section 1.2 shall be charged to the Partners to the extent that the General Overhead and Administrative Expense exceeds the charges to the Partners made pursuant to Article III of Exhibit C to the Operating Agreement.

PART TEN:

TAX RETURNS AND ELECTIONS

10.1 Tax Returns. The General Partner shall cause the Partnership to elect the calendar year as its taxable year and will timely file all Partnership income tax returns to be filed in the jurisdictions in which such filing is required. The General Partner shall use its best efforts in preparing and filing said returns and making appropriate elections on a timely basis and shall incur no liability to the Limited Partners with respect to such returns and elections except for penalties incurred as a result of late filing or non-filing of returns which would

have been avoided by the exercise of due care. The General Partner shall submit copies of all tax returns together with copies of the appropriate Partnership financial statements to the Limited Partners in sufficient time to permit consultation and advice prior to filing.

10.2 Elections. The General Partner shall cause the Partnership:

(a) To elect to adopt the accrual method of accounting for income tax purposes;

(b) To elect, in accordance with Section 263(c) of the Code, to expense all IDC;

(c) To elect to compute the allowance for depreciation under the most accelerated tax depreciation method and using the shortest life authorized by law with respect to all depreciable assets (consistent with claiming the maximum amount of investment tax credit); and

(d) To make such other elections as may be agreed to by the Partners.

PART ELEVEN:

CONTRIBUTION AND INDEMNITY

11.1 Indemnification by Partnership. (a) The Partnership does hereby indemnify and save and hold harmless each of the Partners from and against all claims, causes of action, liabilities, payments, obligations, expenses, including without limitation reasonable fees and disbursements of counsel, or losses (hereinafter referred to as a "Liability") arising out of a Partnership activity or undertaking. Without limiting the generality of the foregoing, a Liability shall be deemed to arise out of a Partnership activity or undertaking if it arises out of or is based upon the conduct of the business of the Partnership. The foregoing shall not inure to the benefit of any Partner in respect of any Liability which (i) arises out of or is based upon the gross negligence or willful misconduct of any such Partner or (ii) results from any action by such Partner in violation of any provision of Section 13.1, or (iii) is a tax, levy or similar imposition or government charge not imposed upon the Partnership or upon Partnership property. The foregoing indemnity shall apply only to a Liability to the extent that it is uninsured by the Partnership or by a party entitled to indemnification.

(b) At such time as the Partnership is required to indemnify a Partner, upon request of the General Partner, each Partner shall make an additional Capital Contribution to the

Partnership in an amount equal to the Partner's Ownership Interest of the amount required to satisfy the obligations of the Partnership as set out in Section 11.1(a).

PART TWELVE:

DISSOLUTION, LIQUIDATION AND TERMINATION OF PARTNERSHIP

12.1 Dissolution. The Partnership shall dissolve upon the occurrence of any of the following events:

(a) The expiration of the term of the Partnership as set forth in Section 2.4;

(b) Any Partner is adjudicated a bankrupt or insolvent and, if such adjudication is involuntary, it is not vacated within ninety (90) days;

(c) Any proceeding is commenced by or against any Partner seeking relief under any bankruptcy or insolvency law, including, without limitation, a reorganization, arrangement, readjustment of debt, receivership, trusteeship or liquidation, and, if such proceeding is involuntary, it remains undismissed for ninety (90) days; or any Partner, by action or answer, approves of, consents to, or acquiesces in such proceeding or admits the material allegations of or defaults in answering a petition filed in such proceeding;

(d) A trustee, receiver or liquidator is appointed with or without a Partner's consent for all or any substantial part of the property of such Partner (whether or not including such Partner's interest in the Partnership), and if without such Partner's consent, such appointment is not discharged within ninety (90) days;

(e) Any Partner admits in writing its inability to pay its debts as they mature;

(f) Any Partner makes a general assignment for the benefit of creditors;

(g) Any part of the interest of any Partner in the Partnership is seized by a creditor of such Partner, and the same is not released from seizure or bonded out within ninety (90) days from the date of notice or seizure; or

(h) All properties have been distributed, assigned and conveyed to one or more of the Partners, surrendered or otherwise disposed of by the Partnership.

12.2 Optional Dissolution. (a) The Partnership may be dissolved at the option of a Limited Partner upon notice to the other Partners within 90 days after the occurrence of any of the following events:

(i) The merger or consolidation of the General Partner with or into another corporation or business entity or the sale of all or substantially all of the assets of the General Partner to another corporation or business entity unless (1) the General Partner is the surviving entity or (2) if the General Partner is not the surviving entity, T. B. Pickens, Jr. becomes the Chief Executive Officer or Chief Operating Officer of the surviving or purchasing entity;

(ii) The sale or other disposition of the General Partner's interest in the Partnership to more than one corporation or business entity; or

(iii) If at any time or for any reason T. B. Pickens, Jr. is no longer Chief Executive Officer of the General Partner or Chief Executive Officer or Chief Operating Officer of a surviving or purchasing entity referred to in Section 12.2(a)(i).

(b) At the option of any non-breaching Partner, upon notice to the other Partners within 90 days after receipt of actual notice by such non-breaching Partner of such attempted transfer, the Partnership may be dissolved if any Partner attempts to transfer any of its interest in the Partnership except as permitted by this Agreement.

(c) At the option of any Partner, upon notice to the other Partners, the Partnership may be dissolved at any time on or after July 1, 1986.

(d) At the option of any non-defaulting Partner, upon notice given to the other Partners within 90 days after receipt of actual notice of the occurrence of such an event, if the breach continues or the failure has not been cured, the Partnership may be dissolved as a result of the material breach by a Partner of any provision of Section 13.1 or the failure to make any Capital Contribution required of a Partner pursuant to Section 3.3.

12.3 Action on Dissolution. (a) Upon the dissolution of the Partnership, the assets of the Partnership shall be applied or distributed as follows:

(i) all of the Partnership's debts and liabilities to persons other than the Partners shall be paid and discharged;

(ii) all of the Partnership's debts and liabilities to the Partners shall be paid and discharged;

(iii) in connection with the satisfaction of the Partnership's debts and liabilities or otherwise, the General Partner may, but shall not be required to, sell all or any portion of the Property or other Partnership assets; and

(iv) the assets of the Partnership remaining after satisfaction of all debts and liabilities of the Partnership as provided in paragraphs (i) and (ii) hereof shall be distributed to the Partners first in amounts necessary to place their Capital Accounts in proportion to their Ownership Interest (using for this purpose cash to the extent available), then to the extent and in proportion to each Partner's Capital Account and finally in proportion to their Ownership Interest; provided, however, that if at such time the Capital Account balances of the Partners are not in proportion to their Ownership Interests, each Partner may contribute cash to the Partnership in an amount and to the extent necessary to bring the respective Capital Account balances into proportion to the Ownership Interests.

(b) Properties distributed in kind to the Partners hereunder shall be distributed, assigned and conveyed by the Partnership to the Partners in their individual capacities, whereupon such Properties shall no longer be assets of the Partnership. At the time such Properties are distributed, assigned and conveyed, the Partners in their individual capacities shall execute an Operating Agreement in applicable form unless the Properties are subject to an existing operating agreement.

12.4 Areas of Mutual Interest. Immediately after the Properties have been distributed pursuant to Section 12.3, the Partners will meet and establish areas of mutual interest in the

vicinity of such Properties. The term, size and configuration of each such area of mutual interest, and the extent to which each Partner can acquire interests in the oil and gas leasehold acquisitions of the other, will be negotiated in good faith.

PART THIRTEEN:
GENERAL PROVISIONS

13.1 Nondelegation. (a) Except as expressly provided for in this Agreement, no Partner may, without the prior written authorization of the other Partners:

(i) Borrow money in the Partnership's name or utilize Property as security for any loans, obligate the Partnership as guarantor, endorser, surety or accommodation party, or otherwise pledge the credit of the Partnership in any way;

(ii) Mortgage or agree to mortgage any Property;

(iii) Assign, transfer, pledge, compromise or release any of the claims of or debts due the Partnership except on payment in full;

(iv) Arbitrate or consent to the arbitration or confess a judgment against the Partnership or settle

litigation of any of the disputes or controversies of the Partnership;

(v) Cause the Partnership to engage in any transaction not authorized herein, or make any commitment on behalf of the Partnership not authorized herein, or do any act which would make it impossible to carry on the ordinary business of the Partnership; or

(vi) Admit another person as a Partner.

(b) Any attempted action in contravention of this Section 13.1 shall be null and void and shall not bind the Partnership unless ratified or authorized by all Partners.

13.2 No Restrictions. The Partners acknowledge that each Partner is engaging or may in the future engage in the business of exploring for, drilling for, developing and producing, marketing and transporting oil and gas in the United States, which activities may be in direct competition with the Partnership. Subject only to the Limited Partners' obligations provided for in Section 5.1(b) or any confidentiality or non-compete agreement executed as provided therein and the obligation of the General Partner to sell Property Acquisitions to the Partnership pursuant to Section 5.3(b) nothing contained in this Agreement shall be construed so as to prohibit any Partner from owning, operating or investing

in any business of any nature and description independently or with others, regardless of whether such business is in competition with the Partnership.

13.3 Public Disclosures. The General Partner, prior to making any public disclosure of the Partnership's activities, shall advise the Limited Partners of the content of such disclosures. If any Partner deems it necessary or desirable to have the Partnership release or disclose any information concerning the business of the Partnership it shall request the General Partner to publicly disclose such information and if the General Partner fails to do so the Limited Partner may do so.

13.4 Additional Documents and Acts; Insurance. (a) In connection with this Agreement, as well as all transactions contemplated by this Agreement, each Partner agrees to execute and deliver all such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate and perform all of the terms, provisions and conditions of this Agreement and all such transactions.

(b) The Partnership through the General Partner shall develop a program of insurance which, in the opinion of the General Partner, will be adequate to protect the interests of the Partners and at the same time be economical and nonduplicative.

13.5 Notices. All notices, agreements, consents, and requests must be in writing, may be given by certified mail, by prepaid telegram or telex, or by delivery in person to the Partner to whom addressed, and shall be deemed to have been given only when received by the party to whom directed. All notices mailed or telegraphed shall be addressed in each case to the address set forth below, or to such other address as any of the Partners shall theretofore have designated in writing to the others in the manner provided herein for giving notice:

If to the General Partner:

Mesa Petroleum Co.
P. O. Box 2009
Amarillo, Texas 79189

Attention: J. K. Larsen, Executive Vice President

If to the Limited Partners:

Sequoia Petroleum Inc.
50 Beale Street
San Francisco, California 94105

Attention: S. V. White, President

Texaco Inc.
P. O. Box 52332
Houston, Texas 77052

Attention: R. R. McCall, Vice President

13.6 Waiver. No consent or waiver, express or implied, by any Partner to or of any breach or default by any other Partner in the performance by that other Partner of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such

Partner of the same or any other obligations of such Partner hereunder.

13.7 Severability. If any provision of this Agreement or the application thereof to any party or circumstances shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provision to other parties or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

13.8 Applicable Laws. The validity, interpretation and performance of this Agreement shall be governed by the laws of the State of Texas.

13.9 Binding Agreement. This Agreement shall inure to the benefit of and be binding upon the Partners and, subject to the provisions hereof, their respective successors and assigns.

13.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which when fully executed shall be deemed an original but all of which shall constitute but one Agreement.

13.11 Entireties. This Agreement contains the entire agreement between the Partners pertaining to the formation and operation of the Partnership, and supersedes all prior and contemporaneous written and oral agreements between them in connection

with the Partnership. No amendment of, addition to, or modification of all or any part of this Agreement shall be of any force or effect unless in writing and signed by all Partners.

IN WITNESS WHEREOF, this Agreement has been executed as of the day and year first above written.

MESA PETROLEUM CO.

By _____

WITNESS

WITNESS

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

SUBSCRIBED AND SWORN TO BEFORE ME, the undersigned authority, by _____, as _____ of Mesa Petroleum Co., a Delaware corporation, this _____ day of October, 1980.

Notary Public in and for
Harris County, Texas
My commission expires: _____

TEXACO INC.

By _____

WITNESS

WITNESS

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

SUBSCRIBED AND SWORN TO BEFORE ME, the undersigned
authority, by _____, as _____
of Texaco Inc., a Delaware corporation, this _____ day of
October, 1980.

Notary Public in and for
Harris County, Texas
My commission expires: _____

SEQUOIA PETROLEUM INC.

By _____

WITNESS

WITNESS

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

SUBSCRIBED TO AND SWORN TO BEFORE ME, the undersigned
authority, by _____, as _____
of Sequoia Petroleum Inc., a Delaware corporation, this _____
day of October, 1980.

Notary Public in and for
Harris County, Texas
My commission expires: _____

Enabling Agreement

The undersigned Sequoia Ventures Inc., in consideration of Mesa Petroleum Co. and Texaco Inc. entering into the within Partnership Agreement with its wholly owned subsidiary, Sequoia Petroleum Inc., does hereby agree for the benefit of Mesa Petroleum Co. and Texaco Inc. to take any action that may be appropriate, including specifically the loan or the providing of funds to Sequoia Petroleum Inc. to enable Sequoia Petroleum Inc. to make all Capital Contributions required of Sequoia Petroleum Inc. and to cause and enable Sequoia Petroleum Inc. to perform each and every obligation required of Sequoia Petroleum Inc. to be performed and otherwise to meet its liabilities under the Partnership Agreement.

DATED: _____

SEQUOIA VENTURES INC.

By _____

MTS:01:A