



Department of State.

**CERTIFICATE OF REGISTRATION
OF
R-G WESTERN DRILLING, LTD.**

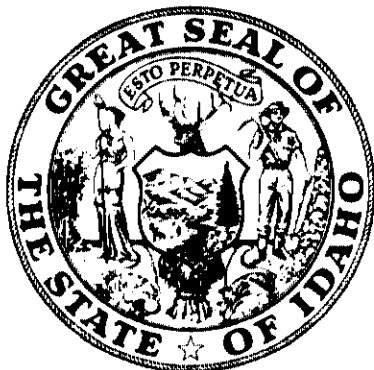
I, PETE T. CENARRUSA, Secretary of State of the State of Idaho, hereby certify that
duplicate originals of an Application of R-G WESTERN DRILLING, LTD.

_____ 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 R-G WESTERN DRILLING, LTD.

to transact business in this State under the name R-G WESTERN DRILLING, LTD.
LIMITED PARTNERSHIP _____ and attach hereto a duplicate original of the Application
for Registration.

Dated **October 31, 1983.**



Pete T. Cenarrusa

SECRETARY OF STATE

by: _____

**APPLICATION FOR REGISTRATION OF
FOREIGN LIMITED PARTNERSHIP**

To the Secretary of State of the State of Idaho:

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

1. The name of the limited partnership is R-G Western Drilling, Ltd.
2. The name which it shall use in Idaho is R-G Western Drilling, Ltd. *Limited Partnership*
3. It is organized under the laws of Texas
4. The date of its formation is October 2, 1980
5. The address of its registered or principal office in the state or country under the laws of which it is organized is 2300 Tower Life Building, San Antonio, TX 78205
6. The name and street address of its proposed registered agent in Idaho are C-T Corporation System, 300 North 6th Street, Boise, ID 83702
7. The general character of the business it proposes to transact in Idaho is:
Owning, operating, leasing, selling, or otherwise using and dealing with drilling rigs and related equipment used in the oil and gas business
8. The names and business addresses of its partners are (must be completed only if not included in the certificate of limited partnership):

Name	General or Limited	Address

(continued on reverse)

8. (Continued)

Name	General or Limited	Address
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

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

Dated October 28, 19 83.

RIO GRANDE WESTERN DRILLING COMPANY

By

Robert A. Buschman
Robert A. Buschman

A General Partner

STATE OF TEXAS)

) ss:

COUNTY OF BEXAR)

I, Evelyn L. Green, a notary public, do hereby certify that on this
28th day of October, 19 83, personally appeared
before me Robert A. Buschman, who being by me first duly sworn,
declared that he is a general partner of R-G Western Drilling, Ltd.

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

Evelyn L. Green
Notary Public

EVELYN L. GREEN

Notary Public, State of Texas

My commission expires Aug 05, 1984



'83 OCT 31 AM 10 07

SECRETARY OF
STATE

The State of Texas

SECRETARY OF STATE

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

R-G WESTERN DRILLING, LTD.

AGREEMENT OF LIMITED PARTNERSHIP

OCTOBER 2, 1980



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

...27th day ofOctober....., A. D. 19 83..


Secretary of State rw

THE SECURITIES REPRESENTED BY THIS INSTRUMENT OR DOCUMENT HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE. WITHOUT SUCH REGISTRATION, SUCH SECURITIES MAY NOT BE SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED, EXCEPT UPON DELIVERY TO THE PARTNERSHIP OF AN OPINION OF COUNSEL SATISFACTORY TO THE GENERAL PARTNER OF THE PARTNERSHIP THAT REGISTRATION IS NOT REQUIRED FOR SUCH TRANSFER OR THE SUBMISSION TO THE GENERAL PARTNER OF THE PARTNERSHIP OF SUCH OTHER EVIDENCE AS MAY BE SATISFACTORY TO THE GENERAL PARTNER TO THE EFFECT THAT ANY SUCH TRANSFER SHALL NOT BE IN VIOLATION OF THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS OR ANY RULE OR REGULATION PROMULGATED THEREUNDER.

R-G WESTERN DRILLING, LTD.

AGREEMENT OF LIMITED PARTNERSHIP

FILED
In the Office of the
Secretary of State of Texas

OCT 02 1980

THIS AGREEMENT, entered into by and between RIO GRANDE WESTERN DRILLING COMPANY, a Texas corporation, and each of the other persons who are a party hereto.

CLERK III
Corporation Division

W I T N E S S E T H:

WHEREAS, the parties hereto, other than Rio Grande Drilling Company, a Texas corporation (which parties, except Rio Grande Drilling Company, are sometimes hereinafter referred to as the Partners), desire to form a limited partnership to own and operate two drilling rigs;

NOW, THEREFORE, in consideration of the premises, the Partners hereby form a limited partnership pursuant to the Texas Uniform Limited Partnership Act, as amended, and Rio Grande Drilling Company, a Texas corporation joins herein for the limited purpose of making certain representations and warranties as an inducement to the Partners to form such limited partnership.

ARTICLE I

DEFINITIONS, NAME, PURPOSE
LOCATION, FORMATION

1.1 Definitions. The terms below shall have the following meanings:

(a) "Admission Date" means the day selected by the General Partner on which subscriptions for Units offered pursuant to the Offering Circular are accepted and the Partnership is formed.

(b) "Capital Account" has the meaning assigned thereto in Section 4.1(b).

(c) "Closing Date of the General Partner's Option" means the date determined in Section 2.1(h)(3)(A), or if no such date is determined because of the expiration of the General Partner's option, then it means December 31, 1990.

(d) "Code" means the Internal Revenue Code of 1954, as amended.

(e) "Delivery Date" is the day upon which the Partnership first accepts delivery of a Rig from the supplier.

(f) "Disposition" means any sale, assignment, conveyance, transfer, or disposition, whether voluntary, involuntary, by operation of law, or otherwise, of any Limited Partnership Interest or any right, title or interest therein or thereto.

(g) "Fractional Interest" of a Partner means the number of Units held by the Partner divided by the number of Units held by all Partners.

(h) "1504(a) Affiliate" means any person who is an affiliate of the person in question within the meaning of Section 1504(a) of the Code.

(i) "General Partner" means Rio Grande Western Drilling Company, a Texas corporation.

(j) "General Partner Affiliate" means any person controlling, controlled by or under direct or indirect common control with the General Partner or in which the General Partner holds ten percent (10%) or more of the outstanding voting or equity interests.

(k) "Limited Partner" means all Partners who are not a general partner in the Partnership.

(l) "Limited Partnership Interest" means a Partnership Interest held by a Limited Partner or any other person other than a general partner whether or not such person is admitted as a substituted limited partner.

(m) "Majority in Interest of the Limited Partners" means Limited Partners other than General Partner Affiliates who own, at the time of the determination, more than fifty percent (50%) of the distributive share of profits and losses of the Partnership owned by all Limited Partners who are not General Partner Affiliates.

(n) "Offering Circular" means that confidential private placement memorandum pursuant to which Units in the Partnership are offered.

(o) "Partner" means the General Partner and any person who acquires a Unit as provided in the Offering Circular or a person who has acquired an ownership interest (as distinguished from a security interest) in the profits, losses and capital of the Partnership and which person is a substituted limited partner within the meaning of the Texas Uniform Limited Partnership Act and does not include any person who has acquired any such interest and who has not become a substituted limited partner.

(p) "Partnership" means the limited partnership between the Partners created by this Agreement of which Rio Grande Drilling Company, a Texas corporation, is not a partner, any partnership or limited partnership created following the dissolution of the Partnership by the decision, as permitted by Section 7.1, of the Limited Partners to continue the business of the Partnership.

(q) "Partnership Interest" as to any Partner means all of the interest of that Partner in the Partnership, including, without limitation his (i) right to a distributive share of the profits and losses of the Partnership, (ii) right to a distributive share of the assets of the Partnership, and (iii) if the general partner, right to participate in the management of the affairs of the Partnership and to be paid compensation as provided in Section 2.1(c).

(r) "Payout" means the first day which is the end of a taxable year of the Partnership on which \$25,000 equals or is less than (i) all credits against the federal income tax (including the investment tax credit) taken into account by the holder of a Unit increased (ii) by 50% of the deductions and losses taken into account for federal income tax purposes by the holder of a Unit and (iii) by the distributions to the holder of a Unit within 90 days following the end of such

taxable year reduced (iv) by 50% of the income and gain allocated to the holder of a Unit for federal income tax purposes. For purposes of the preceding sentence, all federal income tax attributes taken into account by the holder of a Unit with respect to each taxable year which ends with or prior to that day shall be included, and "income and gain" for purposes of clause (iv) includes any income recognized by a holder of a Unit by reason of Section 465(e) of the Code by reasons of distributions made on or prior to such day.

(s) "Person" means any individual, corporation, partnership, trust, or other entity.

(t) "Plurality in Interest of the Limited Partners" means, with respect to any vote or determination, the Limited Partners who are not General Partner Affiliates voting in the same way whose interests in profits and losses exceed the interest in profits and losses of Limited Partners who are not General Partner Affiliates voting in any other way, even though less than a Majority in Interest of Limited Partners; provided that if two or more such groups of Limited Partners with equal interests in profits and losses as a group vote differently or make a different determination, then the vote or determination, as the case may be, of one of the groups shall be chosen by a random process designated by the General Partner.

(u) "Pre-Payout Ratio" of a Partner means (a) if the Partner is a Limited Partner, then 90% multiplied by the Fractional Interest of the Partner, and (b) if the Partner is the General Partner, 10%.

(v) "Post-Payout Ratio" of a Partner means (a) if the Partner is a Limited Partner, then 60% multiplied by the Fractional Interest of the Partner, and (b) if the Partner is the General Partner, 40%.

(w) "Recapture Period" means the period which commences with the Admission Date and terminates on the day which is the end of a taxable year of the Partnership and which is seven years after the last day upon which a Rig is placed in service.

(x) "Rigs" means the two drilling rigs which are to be acquired by the Partnership which are more fully described in the Offering Circular or any replacements thereof.

(y) "Rig Camps" means the mobile rig camps with support units which are to be acquired by the Partnership which are more fully described in the Offering Circular or any replacements thereof.

(z) "Section 754 Election" means an election under Section 754 of the Code (or corresponding provisions of future law) relating to the adjustment for tax purposes of the basis of the assets of the Partnership.

(aa) "Sharing Ratio" for a taxable year of a Partner means (a) if the taxable year ends with or prior to Payout, then the Pre-Payout Ratio of the Partner, and (b) if the taxable year ends after Payout, then the Post-Payout Ratio of the Partner.

(bb) "Winding Up" means the period following a dissolution of the Partnership after which its business is not continued as permitted by Section 7.1.

1.2 Name. The business of the Partnership shall be conducted under the name of R-G Western Drilling, Ltd.

1.3 Purpose. The purpose of the Partnership shall be to acquire, invest in, own, maintain, operate, repair, improve, lease, charter, sell, and otherwise use and deal with the Rigs and Rig Camps, equipment and other personal property related or incident thereto and with the Rigs to drill, complete, work-over, and otherwise work upon domestic oil and gas wells as a drilling contractor, and to do any other drilling for which the Rigs and other equipment owned by the Partnership may be suited on a day-work, footage, lease, joint venture or other basis and to engage in any and all activities related or incident thereto, including, without limitation, the acquisition, ownership, improvement, operation, sale, lease or other use of or dealing with real, personal or mixed property (including oil, gas and other mineral or royalty interests).

1.4 Location. The principal office of the Partnership shall be in San Antonio, Texas, but additional offices or places of business may be established at such other locations as from time to time may be determined by the General Partner.

1.5 Term. The Partnership shall commence upon the date that a certificate of limited partnership of the Partnership is duly filed with the Office of the Secretary of State of the State of Texas.

The Partnership shall be dissolved and terminated in accordance with the provisions of Section 7.1.

ARTICLE II

THE PARTNERS

2.1 The General Partner. Rio Grande Western Drilling Company, a Texas corporation, shall be the only general partner of the Partnership.

(a) Powers. The General Partner shall have exclusive control over the management and affairs of the Partnership, and shall have the right, power and authority to do on behalf of the Partnership all things necessary, proper or desirable, in its sole judgment, to accomplish the purposes of the Partnership including, without limitation, the right, power and authority to:

(1) purchase and install or store all owner furnished and other equipment, materials and supplies for the Rigs and Rig Camps and develop and maintain a spare parts inventory;

(2) arrange the interim and long-term financing for the Rigs and for all equipment, materials and supplies required for the Rigs, and otherwise borrow money on behalf of the Partnership and use as security therefor the Rigs, Rig Camps or other Partnership property;

(3) supervise the construction of the Rigs;

(4) sell or otherwise dispose of any interest in the Rigs, Rig Camps, or other assets of the Partnership on such terms and conditions as may be in the best interest of the Partnership, except as provided in Section 2.1(b);

(5) maintain, operate and contract the Rigs to others and agree upon the terms and conditions of such contract;

(6) hire, train, transfer, supervise, and discharge employees of the Partnership and establish the compensation and benefits of the employees;

(7) employ and dismiss agents, independent contractors, brokers, attorneys and accountants;

(8) enter into any collective bargaining agreements, settle labor disputes, compromise claims, and institute or defend law suits;

(9) collect debts and pay obligations of the Partnership;

(10) establish and maintain books of account and records and financial and accounting controls, prepare and submit financial and business reports required by this Agreement or otherwise, and prepare and submit reports to governmental agencies;

(11) open bank accounts for the funds of the Partnership;

(12) timely file all tax and information returns required of the Partnership and timely to furnish to the Limited Partners the tax information required by them for foreign, federal or state, and local tax purposes. All returns shall be prepared by a nationally recognized firm of certified independent public accountants selected by the General Partner.

The General Partner shall have the right, power and authority to lease, sell, exchange, refinance or grant an option for the sale of, all or any portion of the property of the Partnership at such rental, price or amount, for cash, securities or other property and upon such other terms as the General Partner, in its sole discretion, deems proper; provided, however, that the General Partner shall not sell or grant an option for the sale of a Rig without the approval of a Majority in Interest of the Limited Partners except as provided in Section 2.1(h). The proceeds resulting from any disposition or refinancing of a Rig or other property of the Partnership may not be reinvested in new acquisitions of drilling rigs.

Persons dealing with the Partnership shall be entitled to rely conclusively on the authority and power of the General Partner as set forth in this Agreement.

In no event shall any person dealing with the General Partner or the General Partner's representative with respect to any business or property of the Partnership be obligated to ascertain that the provisions of this Agreement have been complied with or be obligated to inquire into the necessity or expedience of any act or action of the General Partner or the General Partner's representative; and every contract, agreement, deed, mortgage, security agreement, promissory note, or other instrument or document executed by the General Partner or the General Partner's representative with respect to any business or property of the Partnership shall be conclusive evidence in favor of any and every person relying on or claiming under that instrument or document that (i) at the time of the execution and/or delivery thereof the Partnership Agreement was in full force and effect, and (ii) such instrument or document was duly executed in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

(b) Limitations Upon Powers. The General Partner agrees that it shall not:

(1) permit any person who makes a nonrecourse loan to the Partnership to acquire, at any time as a result of making the loan, any direct or indirect interest in the profits, capital, or property of the Partnership, other than as a secured creditor;

(2) do business in any jurisdiction or political subdivision in which the General Partner and the Partnership have not previously taken such steps as may be necessary to assure for the Limited Partners the same limited liability as is provided for limited partners in limited partnerships formed under the Texas Uniform Limited Partnership Act;

(3) permit use of a Rig so as to constitute a disposition thereof, within the meaning of Section 47 of the Code, or so as to cause a Rig to cease to be Section 38 property, as defined in Section 48(a) of the Code, in the hands of the Partnership;

(4) permit the Partnership to enter into a drilling contract or any lease of a Rig which would cause a Rig to be property with respect to

which investment credit is not allowable to a noncorporate lessor as provided in Section 46(e)(3)(B) of the Code;

(5) commingle the Partnership's funds or assets with those of any other person, or employ or permit any person to employ such funds or assets in any manner except for the exclusive benefit of the Partnership.

(c) Compensation. The Partnership shall pay to the General Partner the following amounts for its services prior to dissolution:

(1) \$30,000 payable upon the Admission Date for organizing the Partnership;

(2) \$270,000 payable upon the Admission Date as an overhead and management fee;

(3) on the first day of each month which follows the Delivery Date and which precedes Payout \$8,000, multiplied by the Inflation Factor for that month; and

(4) on the first day of each month which follows the Delivery Date and which is prior to the dissolution of the Partnership, \$27,000, multiplied by the Inflation Factor for that month.

The Inflation Factor shall be 1.0 on the first day of the first month which follows the Delivery Date and shall be adjusted each two months thereafter by the percentage by which the U.S. Bureau of Labor Consumer Price Index, Urban Areas (Houston, Texas), changed during the immediately preceding two months.

During Winding Up the General Partner shall receive on the first day of each month one-half of the amount of compensation which it would receive, as provided above, if Winding Up had not commenced, multiplied by the number of Rigs which operated during the immediately preceding month.

(d) Reimbursement of Expenses. The Partnership shall be responsible for and shall pay all costs and expenses incurred by the General Partner on behalf of the Partnership, including those relating to the formation of the Partnership and the acquisition of the Rigs, except as otherwise provided herein.

It is expressly agreed that the salaries, employee benefits, and expenses of employees of the Partnership shall be expenses of the Partnership for which the General Partner is entitled to reimbursement, if it shall have paid those out of its own funds. A person shall be deemed to be an employee of the Partnership if all of the activities for which he is compensated are directly related to the operation of the Rigs or to the discharge of the contractual obligations of the Partnership pursuant to contracts for operation of the Rigs. A portion of all of the costs incurred by Rio Grande Drilling Company, or its affiliate, in operating a district office shall be borne by the Partnership. All such costs, except salaries of executive or management personnel, shall be multiplied by a fraction with a numerator equal to the number of Rigs serviced out of said facility and a denominator equal to the number of drillings rigs serviced out of said facility, and said sum shall be a Partnership expense.

It is also expressly agreed that the expenses of negotiating contracts for operation of the Rigs (including the salaries and expenses of any employees of the General Partner engaged in such negotiations), any fees paid in connection with such negotiations, and all office and general overhead expense of the General Partner, including salaries, benefits, travel and subsistence expenses for all of the employees of the General Partner, office rental and use, use of furniture and fixtures, telephone and telex charges, and other overhead items shall be for the account of the General Partner for which it shall not be entitled to reimbursement from the Partnership.

(e) Liability to Limited Partners. The General Partner, its shareholders, directors, officers, employees, and agents shall not be liable to the Partnership or to the Limited Partners for losses sustained or liabilities incurred as a result of any act or omission believed to be within the scope of authority conferred by the Partnership Agreement unless such act or omission was performed or omitted in bad faith or constituted gross negligence.

(f) Indemnification. The Partnership shall indemnify and hold harmless the General Partner, its shareholders, directors, officers, employees, or agents (each of whom shall be referred to hereinafter, as an "Indemnified Person") from any personal loss sustained or liability incurred as the result of any act done or

omitted to be done by an Indemnified Person (even if such act done or omitted to be done constitutes a simple negligence of such Indemnified Person) if such act or omission is believed to be within the scope of authority conferred by the Partnership Agreement unless such act or omission was performed or omitted in bad faith or constituted gross negligence.

(g) Representations and Warranties. The General Partner represents and warrants to the Limited Partners as follows:

(1) On the Admission Date and at all times thereafter, the Limited Partners will not own, directly or indirectly (under the attribution rules of Section 318 of the Code), individually or in the aggregate, more than 20% of the stock in the General Partner.

(2) On the Admission Date, persons shall not be admitted to the Partnership as Limited Partners if any such person has stated to the General Partner that he owns stock directly or indirectly (under the attribution rules of Section 318 of the Code) of the General Partner or of any 1504(a) Affiliate of the General Partner and if the stock which such persons have stated they so own equals or exceeds, in the aggregate, more than 20% of the stock of such General Partner or of any such affiliate of the General Partner.

(3) After the Admission Date, no person shall be admitted to the Partnership as a substituted limited partner if such person owns stock of the General Partner or of any 1504(a) Affiliate of the General Partner if the then Partners and such person then own, individually or in the aggregate, more than 20% of the stock of the General Partner or of any such affiliate of the General Partner, nor will the General Partner consent to the acquisition, whether directly or indirectly, by a Limited Partner of stock of the General Partner or of any 1504(a) Affiliate of the General Partner if such acquisition would cause the then Partners to own individually or in the aggregate, more than 20% of the stock of the General Partner or of any such affiliate of the General Partner. For purposes of the preceding sentence, the statements, if any, made to the General Partner by the then Partners, as required by Section 2.2(b)(4), and by

any prospective Partner as to direct and indirect ownership shall be taken as conclusively determining the ownership of such stock by such persons.

(4) On the Admission Date and at all times thereafter, the General Partner will not be a general partner in any other limited partnership.

(5) On the Admission Date and at all times thereafter, the net worth of the General Partner (exclusive of any interest in any limited partnership and notes and accounts receivable from and payable to any limited partnership in which the General Partner has any interest) determined with respect to the fair market value of the assets of the General Partner at the time thereof shall not be less than \$454,500.

(6) After the Admission Date, neither the General Partner nor any 1504(a) Affiliate of the General Partner will redeem or otherwise acquire any stock of a shareholder if such redemption or acquisition could result in the Limited Partners owning, directly or indirectly (under the attribution rules of Section 318 of the Code), individually or in the aggregate, more than 20% of the stock in the General Partner or any 1504(a) Affiliate of the General Partner.

(h) Options. The General Partner shall have the option to purchase, in certain events and at certain times as provided herein, (1) each of the Rigs, and for the purposes of this Section 2.1(h) a Rig shall mean the drilling rig and applicable Rig Camp, together with all supporting equipment, spare parts, machinery and other assets customarily used by the Partnership in the operation of the Rig, or (2) all of the Partnership Interests then held by Limited Partners (which Partnership Interests are abbreviated in this Section 2.1(h) as "Units").

(1) Determination of Values. The General Partner may give notice (hereinafter, the "Appraisal Notice") of its intention to institute the procedure for the determination of the value of any Rig and of a Unit as provided herein on or after six months prior to the end of the Recapture Period, but not later than July 1, 1990.

The Appraisal Notice shall identify the Rigs as to which a value (the "Rig Value") is to be determined and shall state whether the value of a Unit (the "Unit Value") is to be determined. It is specifically agreed that the General Partner may designate, without prejudice to any of its rights hereunder, that the value of each Rig and of a Unit are to be determined.

If the General Partner and a Majority in Interest of the Limited Partners agree, on or prior to forty-five (45) days after the Appraisal Notice upon the Rig Value or upon the Unit Value, then such agreed values shall be used for all purposes hereof.

If one or more Rig Values or the Unit Value (the "Unagreed Values") is not determined by agreement on or prior to forty-five (45) days after the Appraisal Notice, then the General Partner and a Majority in Interest of the Limited Partners may agree on or prior to fifty-five (55) days after the Appraisal Notice, upon an appraiser to determine the Unagreed Values. If an appraiser has not been selected, as provided above, then any Partner may petition the then Chief Judge for the United States District Court for the Western District of Texas to appoint as the appraiser an independent person who has broad experience in business activities similar to those conducted by the Partnership.

If the General Partner and a Majority in Interest of the Limited Partners are able to agree prior to the determination of an Unagreed Value by the appraiser upon any of the Unagreed Values, then such agreed value shall be used for all purposes hereof.

The appraiser, whether appointed or selected as aforesaid, shall determine the fair market value of each Rig as of a date six (6) months after the Appraisal Notice, but not sooner than the end of the Recapture Period, as to which an agreed value has not been previously determined, and if the agreed value of a Unit has not been previously determined then the appraiser shall determine the value of a Unit as the amount of money which a Limited Partner would receive if all of the assets of the Partnership were sold on a

date six (6) months after the Appraisal Notice, but not sooner than the end of the Recapture Period, and the amount realized by the Partnership as a result of any such sale were distributed as provided by this Agreement. The Partnership shall pay all fees and expenses of the appraiser.

If the appraiser then serving should resign and the General Partner and a Majority in Interest of the Limited Partners are unable to agree within 15 days upon a substitute appraiser, then any Partner may apply to the Chief Judge for the United States District Court for the Western District of Texas to appoint a substitute appraiser with the qualifications and for the purposes set forth above.

(2) Exercise of Option. Prior to the later to occur of (i) 90 days prior to the end of the Recapture Period, and (ii) 30 days following the determination of all values identified in the Appraisal Notice, the General Partner may give notice that it will either purchase (x) all, but not less than all, of the Partnership Interests held by Limited Partners, or (y) those Rigs, if any, as it shall identify in its notice, (which notice shall be referred to hereinafter as the "Exercise Notice").

(3) Closing.

(A) Date of Closing. The closing date (hereinafter, "Closing Date") shall be the later of (x) five days after the end of the Recapture Period, and (y) such date as the General Partner shall select upon 15 days notice which is not later than 90 days following the giving of the Exercise Notice.

(B) Purchase of Units. If the General Partner elects to purchase the Units of the Limited Partners then on the Closing Date the General Partner shall pay to each Limited Partner an amount of cash equal to the Unit Value for each Unit held by such Partner, and each Limited Partner shall convey free of all claims, liens, security interests and encumbrances each Unit which he owns to the General Partner by such instruments of conveyance (which may include warranties as to title) as the General Partner may reasonably request.

(C) Purchase of One or More Rigs. If the General Partner elects to purchase one or more Rigs, then at the Closing Date the Partnership shall deliver such instruments of conveyances as the General Partner shall reasonably require and the Partnership shall convey each such Rig free of all claims, liens, security interests and encumbrances, and the General Partner shall pay the Partnership an amount of cash for each such Rig equal to the Rig Value.

(4) Notices. The General Partner shall give notice as provided elsewhere herein to the Limited Partners and to the Partnership of the Appraisal Notice, each selection and resignation of an appraiser, the determination of a Rig Value, the determination of the Unit Value, the Exercise Notice, and of the determination of the Closing Date. Any such notice which is given in substantial compliance with the terms of this Agreement and in good faith shall be effective for all purposes hereof.

(5) Termination of Option. The Option of the General Partner as provided herein shall terminate upon the occurrence of any of the following events:

(A) Any event which causes the General Partner to no longer be a general partner in the Partnership.

(B) The failure by the General Partner to give the Appraisal Notice on or prior to July 1, 1990.

(C) The failure of the General Partner to give the Exercise Notice timely as provided in Section 2.1(h)(2).

The General Partner's option hereunder to acquire any or all of the Rigs shall be subordinate and inferior to any mortgage, lien, security interest or other encumbrance granted or placed by the Partnership against or in any or all of the Rigs or any drilling contracts (or the revenues therefrom).

Nothing contained in this Section 2.1(h) shall prevent the Partnership from selling, exchanging or otherwise disposing of one or more of the Rigs at any time prior to the

Closing Date, and the General Partner shall have no right or option to purchase such Rig prior to, contemporaneously with or subsequent to any disposition or to prevent, enjoin, or otherwise hinder such a disposition.

2.2 Limited Partners. All Partners other than the General Partner shall be limited partners.

(a) Limited Partners Shall Not Act. The Limited Partners shall not do or perform any act on behalf of the Partnership, incur any expense, obligation or indebtedness of any nature on behalf of the Partnership, or in any manner participate in the management of the Partnership, or receive or be credited with any amounts except as specifically contemplated hereunder, and shall not be liable for any amounts other than the amounts subscribed by each, respectively, to the capital of the Partnership pursuant to Article III, except as required by the Texas Uniform Limited Partnership Act.

(b) Representations and Warranties. Each Limited Partner represents and warrants to the Partnership, the Partners and to each of them that:

(1) his entire Partnership Interest is being acquired by him solely for his own account for investment and not with a view to, or for sale in connection with, the distribution of such Partnership Interest or any part thereof;

(2) he will not sell or offer to sell all or part of his Partnership Interest without registration under the Securities Act of 1933, as amended, and any applicable state securities law unless an exemption therefrom is available;

(3) on the Admission Date or such day as he may be admitted to the Partnership as a substituted limited partner, he does not own, directly or indirectly (under the attribution rules of Section 318 of the Code) stock of the General Partner or of any 1504(a) Affiliate of the General Partner except such stock as he has identified to the General Partner in writing;

(4) he will not at any time acquire ownership directly or indirectly (under the attribution rules of Section 318 of the Code) of the stock of the General Partner or of any 1504(a) Affiliate of the General Partner unless he has previously notified the General Partner and received its written consent; and

(5) he will notify the General Partner immediately if any representation or warranty is or becomes untrue.

(c) Power of Attorney. Each of the Limited Partners does hereby irrevocably constitute and appoint the General Partner his true and lawful attorney-in-fact and agent, to execute, acknowledge, verify, swear to, deliver, record and file, in that Partner's place and stead, all instruments, documents, and certificates which may, from time to time, be required by the laws of the United States of America, the State of Texas, any other state in which the Partnership conducts or plans to conduct business, or any political subdivision or agency thereof, to effectuate, implement and continue the valid existence of the Partnership, including, without limitation, the power and authority to execute, verify, swear to, acknowledge, deliver, record and file:

(1) all certificates and other instruments (including counterparts of this Agreement and amendments thereto) which the General Partner deems appropriate to form, qualify or continue the Partnership as a limited partnership (or a partnership in which the Limited Partners have limited liability) in the State of Texas and all other jurisdictions in which the Partnership conducts or plans to conduct business;

(2) all instruments which the General Partner deems appropriate to reflect any amendment to this Agreement or modification of the Partnership made in accordance with the terms of this Agreement;

(3) all conveyances and other instruments which the General Partner deems appropriate to reflect the dissolution and termination of the Partnership pursuant to the terms of this Agreement, including the writing required by the Texas Uniform Limited Partnership Act to cancel the Partnership's certificate filed with the Secretary of State of the State of Texas;

(4) all instruments relating to the admission of any additional or substituted limited partner; and

(5) a certificate of assumed name and such other certificates and instruments as may be necessary under the fictitious or assumed name statutes from time to time in effect in the State of Texas and all other jurisdictions in which the Partnership conducts or plans to conduct business.

The power of attorney shall be deemed to be coupled with an interest, shall be irrevocable, shall survive the death, dissolution, bankruptcy, incompetency or legal disability of a Limited Partner and shall extend to the Limited Partner's heirs, successors, and assigns, and may be exercised for all Limited Partners (or any of them) by listing all (or any) of the Limited Partners required to execute any instrument.

(d) Execution of Tax Returns. Each Limited Partner hereby agrees to execute (with acknowledgment or affidavit, if requested by the General Partner) promptly all such agreements, certificates, tax statements, tax returns and other documents as may be required of the Partnership or its partners by the laws of the United States of America, the State of Texas or any other state in which the Partnership conducts or plans to conduct business, or any political subdivision or agency thereof.

2.3 No Restrictions. Nothing contained in this Agreement shall be construed to prohibit any Partner or any person controlled by or controlling such Partner from directly or indirectly owning, operating, or investing in any other drilling rig wherever located.

Each Partner agrees with every other Partner that any person affiliated therewith may engage in or possess any interest in another business venture or ventures including, without limitation, direct or indirect ownership, operation or investment in any other drilling rig, and neither the Partnership nor the Partners shall have any rights by virtue of this Agreement in said independent venture or to the income or profits derived therefrom.

If any Rig and another drilling rig owned or operated by any General Partner Affiliate are both afforded an opportunity to be used in connection with a drilling contract the terms and conditions of which are acceptable to the General Partner, the General Partner may grant the General Partner Affiliate a priority and cause such unaffiliated party to contract for the other drilling rig, rather than a Rig.

ARTICLE III

CAPITAL CONTRIBUTIONS

3.1 General Partner. The General Partner shall contribute \$45,000 in cash to the Partnership on the Admission Date.

3.2 Limited Partners. Each Limited Partner shall contribute to the Partnership \$25,000 in cash or a multiple thereof and shall be deemed to be the holder of one Unit for each multiple of \$25,000 which he so contributes.

3.3 Further Contributions. No Limited Partner shall be obligated to make any additional contribution to the Partnership except as required by the Texas Uniform Limited Partnership Act. The General Partner shall be required to contribute additional capital to the extent of any deficit in its capital account at (a) that time during Winding Up when all adjustments to the capital accounts of the Partners have been made and (b) 90 days following the end of the taxable year, if any, during which the General Partner withdraws as a general partner of the Partnership if Winding Up has not commenced at that time.

3.4 Loans. In the event that the General Partner makes one or more advances to the Partnership such amounts shall be treated as a loan to the Partnership, shall bear interest at a rate equal to the lesser of (a) two percent (2%) above the prime commercial rate charged by First National Bank in Dallas (N.A.), Dallas, Texas, subject to change from time to time, such rate to change on the day following each change in such prime rate and such interest is to be payable annually, and (b) the maximum rate of interest then permitted under the usury laws of the State of Texas. Any such amounts shall be repaid to the General Partner before any distributions are made to the Partners pursuant to Section 5.1.

ARTICLE IV

INCOME AND LOSS OF THE PARTNERSHIP

4.1 Accounting.

(a) Books and Records. The Partnership shall keep its books in accordance with the following:

(1) The classification, realization, and recognition of income, deductions, gains and losses, and other items shall be (A) on the cash

method of accounting for federal income tax purposes, and (B) on the accrual method of accounting, in accordance with generally accepted accounting principles, for financial reporting purposes.

(2) In each taxable year in which a Rig is placed in service, the Partnership shall make the election for which provision is made in Treas. Reg. §1.167(a)-11 regarding the asset depreciation range and class life system. In any event, the General Partner shall choose the shortest useful life which is not less than seven years then permitted for a Rig. Except as provided above, the Partnership shall elect the method and the depreciable period permitted for federal income tax purposes which result in the greatest deduction for depreciation, but no election under Section 179 of the Code shall be made.

(3) The General Partner shall have the right to make all other elections required or permitted to be made for federal income tax purposes and may, at its option, make a Section 754 Election.

(4) The fiscal year for the Partnership shall be the taxable year of the Partnership which shall be the calendar year except as otherwise required by Section 706(b)(1) of the Code.

(b) Capital Accounts. The Partnership shall maintain a Capital Account for each Partner, the initial balance of each of which shall be zero. Each Partner's capital account shall be increased (i) by any income and gains allocated to that Partner for federal income tax purposes pursuant to Section 4.2 hereof as of the end of each taxable year, and (ii) by the amount of cash contributed to the Partnership by that Partner as of the time of the contribution. Each Partner's capital account shall be decreased (i) by any deductions and losses allocated to that Partner for federal income tax purposes pursuant to Section 4.2 hereof as of the end of each taxable year, and (ii) by the amount of cash distributed by the Partnership to that Partner as of the time of the distribution.

(c) Financial Statements. The Partnership shall distribute to the Partners after the expiration of each taxable year of the Partnership a full and detailed statement showing the operations of the Partnership during such year, including, without limitation, a

statement of the accounts of each Partner on the Partnership books and records. The Partnership also shall distribute to the Partners an unaudited statement showing the operations of the Partnership for each quarterly period.

(d) Annual Audit. An annual audit of the Partnership's books of account shall be made by a nationally recognized firm of independent certified public accountants selected by the General Partner. In the determination of the profits and losses of the Partnership to be reflected by its books and records, such accountants shall be governed by the provisions of this Agreement. If required by any governmental agency or by principles of accounting, the accountants may cause adjustments to be made to the statements of the Partnership for reporting purposes.

The annual certified financial statements of the Partnership shall include a balance sheet, a reconciliation of the Partners' capital, an income statement, and a statement of changes in financial position. Copies of the certified financial report of the accountants for each year shall be transmitted to all Partners within 120 days after the end of that year.

(e) Inspection. The books and records of the Partnership shall be maintained at the Partnership Office, and shall be open to inspection, audit and copying by any Partner (or his designated representative), at all reasonable times during any business day, at the expense of said Partner.

4.2 Allocation. The items of income, gain, loss and deduction recognized by the Partnership in a taxable year (including items of income exempt from tax under Title 26 of the United States Code and expenditures not deductible in computing taxable income of the Partnership and not properly chargeable to capital account, within the meaning of Section 705(a)(2)(B) of the Code) shall be determined for each taxable year and (except as provided in Section 4.2(a) hereof) if the aggregate thereof, is positive, then such aggregate ("Income") shall be allocated as provided in Section 4.2(b) hereof and if such aggregate is negative, such aggregate ("Loss") shall be allocated as provided in Section 4.2(c) hereof.

(a) Taxable Year During Which a Rig is Placed in Service. Income for a taxable year during which a Rig is placed in service by the Partnership shall be allocated to the Partners in proportion to their Pre-Payout Ratios.

(b) Gain. Income for a taxable year other than the taxable year described in Section 4.2(a) hereof shall be allocated as follows:

(1) First, to the Partners in the ratios set out below in a total amount sufficient to restore any negative balances in the Capital Accounts of the Limited Partners to zero. The aforementioned ratios are as follows:

(A) if the taxable year is within the Recapture Period, then 6-2/3% to the General Partner and 93-1/3% to the Partners in proportion to the number of Units held thereby, and

(B) if the taxable year is not within the Recapture Period, then 1% to the General Partner and 99% to the Partners in proportion to the number of Units held thereby.

(2) Second, to the General Partner in an amount which when added to the amount allocated thereto pursuant to Section 4.2(b)(1) hereof will cause such total to equal the Sharing Ratio of the General Partner for the taxable year of the amounts allocated pursuant to Sections 4.2(b)(1) and 4.2(b)(2) hereof.

(3) Third, if the taxable year begins after the Recapture Period, then to the General Partner in an amount sufficient to reduce the Deferred Income Amount to zero.

(4) Fourth, to the Partners in proportion to their Sharing Ratios for the taxable year.

(c) Loss. Loss for a taxable year shall be allocated to the Partners in proportion to their Sharing Ratios for the taxable year, but any amount of Loss so allocable to a Limited Partner in excess of said Limited Partner's positive capital account balance shall be allocated to the General Partner.

(d) Deferred Income Amount. The initial value of the Deferred Income Amount is zero. The Deferred Income Amount shall be increased as of the end of a taxable year (i) by the amount, if any, of loss or deduction allocated for such taxable year to the General Partner and away from the Limited Partners pursuant to

Section 4.2(c) hereof and (ii) by the maximum amount allocable to the General Partner pursuant to Section 4.2(b)(2) hereof reduced by the amount actually allocated to the General Partner pursuant thereto. The Deferred Income Amount shall be decreased after an allocation of Income pursuant to Section 4.2(b)(3) hereof by the Sharing Ratios of all the Limited Partners for the taxable year, multiplied by the amount allocated pursuant to Section 4.2(b)(3).

ARTICLE V

DISTRIBUTIONS

5.1 Allocation of Distributions. Money which is distributable pursuant to Section 5.2 or Section 7.3 shall be divided into an amount (the "First Distribution") not in excess of the sum of the then positive balances of the Capital Accounts of the Partners and any excess (the "Second Distribution"). An amount equal to the First Distribution shall be distributed to the Partners the balance of whose Capital Accounts are positive in proportion to their Capital Accounts on the record date.

An amount equal to the Second Distribution, if any, shall be distributed to the Partners in proportion to the Sharing Ratios for the taxable year in which the record date occurs. Any such distribution shall be made only if it is otherwise in compliance with the provisions of the Texas Uniform Limited Partnership Act.

5.2 Annual Distributions. Prior to Winding Up, all excess cash of the Partnership (which term shall mean cash held by the Partnership that in the sole judgment of the General Partner is not required or reasonably expected to be required for the obligations or business needs of the Partnership) shall be distributed to the Partners from time to time in such amounts and at such times as the General Partner may deem appropriate in its sole discretion.

5.3 Record Date. In advance of each distribution, the General Partner shall fix a record date and payment date which record date shall not be earlier than 90 days nor later than twenty (20) days prior to the payment date. The distribution shall then be made on the payment date to the Partners of record on the record date. The General Partner shall give written notice to the Partners of the record date, the payment date and the total amount of the distribution at least ten (10) days prior to the record date.

ARTICLE VI

ASSIGNMENT OF INTERESTS IN THE PARTNERSHIP

6.1 General Partner. The General Partner agrees that it will not transfer the Partnership Interest held thereby, in whole or in part, without the approval of a Majority in Interest of the Limited Partners. The assignee of all or a part of the Partnership Interest held by the General Partner may not be admitted as a substituted limited partner without the consent of a Majority in Interest of the Limited Partners.

6.2 Limited Partners.

(a) Assignments by Operation of Law. The Partnership shall not be dissolved by the death or insanity of a Limited Partner, but an heir, legatee or devisee of a deceased Limited Partner (other than another Limited Partner) and a representative of the estate of a deceased or legally incompetent Limited Partner, may be admitted to the Partnership as a substituted limited partner only with the permission of the General Partner, which permission may be granted or withheld in the sole discretion of the General Partner.

(b) Inter Vivos Assignments. Each Limited Partner agrees that no Partnership Interest of a Limited Partner shall be assignable unless the assignment is of six (6) or more whole Units or of all of the Units so held, is otherwise permitted by the further provisions of this Article VI, and is made with the permission of the General Partner, which permission may be granted or withheld in the sole discretion of the General Partner.

(c) Admission of Substituted Limited Partners. Any assignee, who is not the General Partner, of a Partnership Interest who holds such Partnership Interest pursuant to an assignment as permitted hereby shall be admitted to the Partnership as a substituted limited partner when the assignee has complied with the provisions of Section 6.3. If the assignee is the General Partner, then it shall hold such interest in its capacity as a general partner and not as a limited partner.

(d) Prohibited Dispositions. An attempted Disposition of a Partnership Interest by a Limited Partner shall be void and of no effect whatsoever if such attempted Disposition would, if effected:

(1) result in a Limited Partnership Interest or any interest therein being owned by a person who, together with the then holders of Limited Partnership Interests collectively own, directly or indirectly (under the attribution rules of Section 318 of the Code) more than twenty percent (20%) of the stock of the General Partner or any 1504(a) Affiliate of the General Partner;

(2) cause a termination of the Partnership within the meaning of Section 708(b) of the Code.

If an attempt is made to make a Disposition of a Partnership Interest by a Limited Partner which is void as aforesaid, then such attempted Disposition shall constitute and be a sale and transfer to and purchase by the General Partner of such Partnership Interest for an amount equal to the balance of the Capital Account of the Partnership Interest and such amount shall be payable, without interest, in installments due at the time of any distribution to the Partners pursuant to Article V and each such installment shall be in an amount up to the amount which would have been distributed in respect of that Partnership Interest had the attempted Disposition not occurred.

6.3 Conditions of Effective Assignment. A purported assignment of a Partnership Interest, otherwise permitted by the terms hereof, shall be deemed to occur of record and shall be valid as to the Partnership and the General Partner on the last day of the month in which the General Partner is satisfied that the following conditions have been met:

(a) The assignor and assignee have agreed to provide the Partnership with the information in their possession required to permit the Partnership to make the basis adjustments required by the Section 754 Election, if any.

(b) The assignee has delivered an instrument reasonably satisfactory to the General Partner which accepts and adopts the terms and provisions of this Agreement.

(c) The assignor has agreed to pay a reasonable fee to reimburse the Partnership for the cost incurred in connection with the admission of the assignee as a substituted limited partner, including any costs incurred (or to be incurred) by the Partnership in connection with the basis adjustments and additional accounting operations required as a result of the Section 754 Election, if any.

(d) The assignor has delivered to the General Partner an opinion of counsel, who is reasonably satisfactory to the General Partner, in form and substance satisfactory to counsel designated by the General Partner to the effect that neither the assignment nor any offering in connection therewith violates any provision of any Federal or state securities or comparable law.

(e) The General Partner has determined that the transfer would not cause a termination of the Partnership within the meaning of Section 708(b) of the Code.

(f) The assignee has agreed to pay a reasonable fee to reimburse the Partnership for any costs incurred in connection with the assignment (not paid by the assignor).

(g) The assignment is evidenced by an instrument in writing signed by the assignor and assignee stating among other things that the assignor has the right to transfer, and the assignee has the right to acquire, the assignor's Partnership Interest, and acknowledged that the assignee is bound by the terms of this Agreement.

(h) The assignee has delivered a statement in form and substance reasonably satisfactory to counsel designated by the General Partner making appropriate representations and warranties with respect to the satisfaction of applicable federal and state securities laws.

ARTICLE VII

DISSOLUTION AND LIQUIDATION

7.1 Dissolution. The Partnership shall be dissolved upon the first occurrence of any of the following:

(a) The bankruptcy, insolvency, retirement, withdrawal or involuntary dissolution of the General Partner or the occurrence of any other event which would permit a trustee or receiver to acquire control of the General Partner's affairs.

(b) The last to occur of (x) December 31, 1990, (y) the day specified in Section 2.1(h)(5), if any, upon which the option of the General Partner terminates, and (z) the Closing Date of the General Partner's Option.

(c) The sale or other disposition of both Rigs.

On dissolution of the Partnership pursuant to Section 7.1(a), the Limited Partners may elect to continue the business enterprise of the Partnership by a vote of a Majority in Interest of the Limited Partners taken within 60 days of any event of dissolution, with any election to continue being binding on all the Partners. Such election also shall include the designation of the new general partner or general partners of the Partnership and shall provide for the Partnership Interest of the new general partner or general partners and for the amount of compensation, if any, to be paid to the new general partner or general partners.

7.2 Former General Partner. In the event of (i) the dissolution of the Partnership and (ii) nevertheless the Partnership continues, the Partnership Interest of the General Partner shall (effective only for future purposes and without affecting the claim of Partnership creditors and of Partners as of the date of such event), thereupon and thereafter be deemed to be a Partnership Interest of a limited partner represented by a number of whole Units and a fraction thereof which stands in the same ratio to the total number of Units then outstanding as the then Capital Account of the General Partner stands to the total of the Capital Accounts of the holders of the Units, and the former general partner's Partnership Interest shall be subject to the provisions of Section 6.3. An amendment to this Agreement shall then be made to deal equitably with the existence of any fractional Unit.

7.3 Winding Up Affairs and Distribution of Assets. Upon dissolution of the Partnership as provided in Section 7.1(c) the General Partner shall wind up the Partnership's affairs and distribute its assets. For the purposes hereof, the General Partner shall be referred to as the Liquidating Trustee. If dissolution is caused as provided in Section 7.1(a) and if the Partnership does not continue, a Plurality in Interest of the Limited Partners (or their legal representatives, heirs, successors or assigns) shall select a person who, without the consent of such person, shall not be one of their own number and who shall be referred to as the Liquidating Trustee. The Liquidating Trustee may be an individual, a corporation or a general or limited partnership.

The Liquidating Trustee shall wind up the affairs of the Partnership and distribute its assets. If the Liquidating Trustee fails for any reason to carry out such purpose, then another person shall be selected (in the same manner and for the same purpose) to succeed the Liquidating Trustee who has so failed to carry out its purpose.

In connection with any winding up of the Partnership's affairs, the Liquidating Trustee shall use its best efforts to convert the assets of the Partnership into cash as promptly as possible having due regard for the effect, if any, of Section 2.1(h) but in an orderly and businesslike manner so as not to involve undue sacrifice. No Partner shall have any right to demand or receive property other than cash upon distribution of the assets of the Partnership.

The Liquidating Trustee shall receive as compensation for winding up the affairs of the Partnership (which amount shall be in addition to any amounts payable as provided in Section 2.1(c)) an amount equal to 2% of the difference between (x) the proceeds of the sale of the Partnership assets other than proceeds from the sale of (i) Rigs and related assets to the General Partner, Rio Grande Drilling Company or any General Partner Affiliate and (ii) a Rig and related assets sold at a time when the Rig is operating and (y) the expenses of the Partnership in connection with any such sales (which expenses shall not include any amount for salaries or overhead of the General Partner).

The cash proceeds of the Partnership shall be applied or distributed as follows:

(a) In payment of all liabilities of the Partnership to creditors other than Partners. If any liability is contingent or uncertain in amount, a reserve equal to the maximum amount to which the Partnership could be reasonably held liable shall be established.

(b) In payment of any loans to the Partnership by the Partners.

(c) To the Partners as provided in Section 5.1.

ARTICLE VIII

REPRESENTATIONS AND WARRANTIES OF RIO GRANDE DRILLING COMPANY

Rio Grande Drilling Company, a Texas corporation, makes the same representations and warranties to the Limited Partners as the General Partner made thereto in Section 2.1(g)(1)(2)(3)(4) and (6) hereof. Rio Grande Drilling Company further represents and warrants to the Limited Partners that on the Admission Date, the General Partner will have a net worth (exclusive of any interest in any limited partnership and notes and accounts receivable from

and payable to any limited partnership in which the General Partner has any interest) determined with respect to the fair market value of the assets of the General Partner which will not be less than \$454,500, and after the Admission Date, the General Partner will not pay a dividend or make any other distribution with respect to its stock which causes the net worth of the General Partner determined as provided in the clause above to be less than \$454,500.

ARTICLE IX

MISCELLANEOUS

9.1 Scope of Agreement; Amendments. This Agreement constitutes the entire agreement among the parties hereto.

The Agreement may, by agreement of the General Partner and a Majority in Interest of the Limited Partners, be supplemented or amended from time to time in compliance with applicable statutory requirements.

It is further provided that the consent of all Partners shall be required in respect of any supplement or amendment to the Agreement which provides for (a) a change in the purposes of the Partnership; (b) any priority in one or more Partners regarding distributions; (c) an amendment to Article IV resulting in a reallocation of Partnership income and losses; (d) a change in the compensation payable to the General Partner of any change in the right of the General Partner to reimbursement for expenses; (e) additional contributions to the Partnership by any Partner; or (f) an amendment of Section 6.1.

Except as provided in this Section 9.1, no variations, modifications, amendments or changes in this Agreement shall be binding upon any Partner, or any person claiming under any Partner, unless reduced to writing and executed by him.

9.2 Meetings. Meetings of the Partners may be called by the General Partner or by Limited Partners owning at least 15% of the Units then outstanding for any matters on which the Partners may vote.

The General Partner shall maintain a list of the names and addresses of all Partners as part of the books and records of the Partnership, which list shall be made available on request to any Partner or his representative at his cost. Upon receipt of a written request either in person or by mail stating the purpose(s) of the meeting, the General Partner shall provide to all Partners, within 10 days after

receipt of said request, written notice (either in person or by certified mail) of a meeting and the purpose of such meeting to be held on a date not less than 15 nor more than 60 days after receipt of said request, at a time and place convenient to the Partners.

9.3 Applicable Law. This Agreement is entered into and shall be construed and enforced in accordance with the applicable laws of the State of Texas and shall be subject to all valid applicable laws and official orders, rules and regulations.

In the event this Agreement or any portion thereof is, or the operations contemplated hereby are, found to be inconsistent with or contrary to any such laws or official orders, rules or regulations, the latter shall be deemed to control, and this Agreement shall be regarded as modified accordingly, and, as so modified, shall continue in full force and effect; provided, however, (a) that the invalidity under such laws of any provision hereof shall not act to invalidate any other provision hereof, and (b) that nothing herein contained shall be construed as a waiver of any right to question or contest any such law, order, rule or regulation in any forum having jurisdiction in the premises.

9.4 Notices. All notices or other communications required or permitted to be given pursuant to this Agreement shall be in writing and shall be considered as properly given or made if mailed from within the United States by first class United States mail, postage prepaid, or by prepaid telegram or telex, and addressed to the Partners at their respective addresses set out on the signature pages. Any Partner may change its address by giving a notice in writing stating its new address to the other Partners.

9.5 Assigns. This Agreement shall be binding upon and inure to the benefit of the Partners and any respective heir, personal representative, successor or assign thereof, and the Partners covenant and agree that they and their heirs, personal representatives, successors and assigns will execute any and all instruments, releases, assignments, and consents that may be required of them in accordance with the provisions of this Agreement.

9.6 Gender and Number. Whenever the context requires, the gender of all words used herein shall include the masculine, feminine, and neuter and the number of all words shall include the singular and plural.

9.7 Execution. Rio Grande Drilling Company, a Texas corporation, has executed this Agreement for the sole purpose of making the representations and warranties in Article VIII and for no other purpose.

This Agreement may be executed in several counterparts and by the several parties hereto on separate counterparts, and each counterpart, when so executed and delivered, shall constitute an original instrument, and all such separate counterparts shall constitute but one and the same agreement.

WITNESSES:

RIO GRANDE WESTERN DRILLING COMPANY,
a Texas corporation

[Signature]
[Signature]

By: Guy R. Buschman
GUY R. BUSCHMAN, President

RIO GRANDE DRILLING COMPANY,
a Texas corporation

By: Guy R. Buschman
GUY R. BUSCHMAN, President

THE STATE OF TEXAS §
§
COUNTY OF BEXAR §

BEFORE ME, a Notary Public in and for said County and State, on this 1st day of October, 1980, before me personally appeared GUY R. BUSCHMAN, to me known, who being by my duly sworn, did say that he is the President of RIO GRANDE WESTERN DRILLING COMPANY, a Texas corporation, and that the foregoing instrument was signed on behalf of the said corporation by authority of its Board of Directors, and he acknowledged the instrument to be the free act and deed of the said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 1st day of October, 1980.

[Signature]
Notary Public in and for Bexar
County, Texas

NOTARY PUBLIC
Notary Public, State of Texas
My commission expires 8-05-84

RIO GRANDE WESTERN DRILLING COMPANY,
a Texas corporation

WITNESSES:

Ray Fisher

Arac Solshery

By Guy R. Buschman
Guy R. Buschman, President
Attorney-in-Fact for Seldon D.
Steed; Joe Stasney, Jr.; Mrs. Sue
Sansom; R. B. Trull; Billy Gene
Braselton; P. G. Grenadu & Sons;
Graeme Sorley; Allen B. Cluck;
Bruce M. & Mary N. McIntyre; Aldo &
Granuccia Jacuzzi; James A. Parker;
Frank J. Millet; Richard A. Greenman;
Walter R. Hathaway, M.D.; Morris P.
Donaldson; Michael Yates; Susan
O'Connor; Tolbert F. Yater, III;
Wirt Davis, II; Jack H. Henry,
M.D.; John H. White; Andrew Jitkoff;
Harold N. Herndon; Lynn H. Spears;
Charles K. Winston; Monterey Special
Ltd.; Richard S. Webb; Clem E. &
Betty S. George; John R. Frassanito;
H R Lumber Co.; R & R Investments,
a partnership; Elizabeth Jones;
Bruce Clark; Phillip Frost; Sara
Fentress Humphreys; Downward Bound
Co., a partnership; James L. Crawford;
Wayne Rudmose; Jack Edward Gorman;
Villa Fontana Apts., a partnership;
Chris J.D. Rote; Ke Ventures, a
partnership; and Charles Gregory

THE STATE OF TEXAS §
§
COUNTY OF BEXAR §

BEFORE ME, a Notary Public in and for said County and
State, on this 1st day of October, 1980, before me personally
appeared GUY R. BUSCHMAN, to me known, who being by me duly
sworn, did say that he is the President of RIO GRANDE WESTERN
DRILLING COMPANY, a Texas corporation, and Attorney-in-Fact
for Seldon D. Steed; Joe Stasney, Jr.; Mrs. Sue Sansom; R.B.
Trull; Billy Gene Braselton; P. G. Grenadu & Sons; Graeme
Sorley; Allen B. Cluck; Bruce M. & Mary N. McIntyre; Aldo &
Granuccia Jacuzzi; James A. Parker; Frank J. Millet; Richard
A. Greenman; Walter R. Hathaway, M.D.; Morris P. Donaldson;

Michael Yates; Susan O'Connor; Tolbert F. Yater, III; Wirt Davis, II; Jack H. Henry, M.D.; John H. White; Andrew Jitkoff; Harold N. Herndon; Lynn H. Spears; Charles K. Winston; Monterey Special Ltd.; Richard S. Webb; Clem E. & Betty S. George; John R. Frassanito; H R Lumber Co.; R & R Investments, a partnership; Elizabeth Jones; Bruce Clark; Phillip Frost; Sara Fentress Humphreys; Downward Bound Co., a partnership; James L. Crawford; Wayne Rudmose; Jack Edward Gorman; Villa Fontana Apts., a partnership; Chris J.D. Rote; Ke Ventures, a partnership; and Charles Gregory; and that the foregoing instrument was signed on behalf of the said corporation by authority of its Board of Directors, and as Attorney-in-Fact for the said parties, and he acknowledged under oath the instrument to be the free act and deed of the said corporation and the said parties.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 1st day of October, 1980.


Evelyn L. Green
Notary Public in and for Bexar
County, Texas

EVELYN L. GREEN
Notary Public, State of Texas
My commission expires 8-05-84

AMENDMENT TO AGREEMENT OF LIMITED PARTNERSHIP
FOR
R-G WESTERN DRILLING, LTD.

OCT 14 1980

CLERK II
Corporation Division

We, the undersigned, amend the Certificate and Agreement of Limited Partnership of R-G WESTERN DRILLING, LTD. to show the initial capital contribution of limited partners.

THEREFORE, the Agreement of Limited Partnership is amended by the addition of Exhibit A which reads as follows:

Exhibit A

The initial Capital Accounts of the Limited Partnership shall be as follows:

<u>Limited Partner</u>	<u>Initial Capital Contribution</u>
Seldon D. Steed	\$ 75,000
Joe Stasney, Jr.	\$ 75,000
Ms. Sue Sansom	\$150,000
R. B. Trull	\$ 75,000
Billy Gene Braselton	\$ 75,000
P. G. Grenader & Sons	\$ 75,000
Graeme Sorley	\$ 75,000
Allen B. Cluck	\$ 75,000
Bruce M. & Mary N. McIntyre	\$ 75,000
Aldo & Granuccia Jacuzzi	\$ 75,000
James A. Parker	\$ 75,000
Frank J. Millet	\$150,000
Richard A. Greenman	\$ 75,000
Walter R. Hathaway, M.D.	\$ 75,000
Morris P. Donaldson	\$ 75,000
R. Mike Yates	\$ 75,000
Susan Engelhard O'Connor	\$150,000
Tolbert F. Yater, III	\$ 75,000
Wirt Davis, II	\$150,000
Jack H. Henry, M.D.	\$150,000
John H. White	\$150,000
Andrew Jitkoff	\$ 75,000
Harold D. Herndon	\$ 75,000
Lynn H. Spears	\$ 75,000
Charles K. Winston, Jr.	\$ 75,000
Monterey Special, Ltd.	\$225,000

Richard C. Webb	\$ 75,000
Clem E. & Betty S. George	\$150,000
John R. Frassanito	\$ 75,000
H R Lumber Company	\$150,000
R & R Investments, a partnership	\$250,000
Elizabeth G. Jones	\$ 75,000
Bruce M. H. Clark	\$150,000
Phillip Frost	\$ 75,000
Sara Fentress Humphreys	\$ 75,000
Downward Bound Co., a partnership	\$ 75,000
James L. Crawford	\$ 75,000
Wayne Rudmose	\$150,000
Jack Edward Gorman	\$ 75,000
Villa Fontana Apts., a partnership	\$150,000
Chris J.D. Rote	\$ 50,000
Ke-Ventures, a partnership	\$ 75,000
Charles E. Gregory	\$ 75,000
James D. Folbre	\$ 75,000
Lake Investment & Production Co.	\$ 75,000

IN WITNESS WHEREOF, we hereunto have set our hands,
this 10th day of October, 1980.

RIO GRANDE WESTERN DRILLING COMPANY,
a Texas Corporation

By Robert A. Buschman
ROBERT A. BUSCHMAN
Chairman of the Board

THE STATE OF TEXAS §
 §
COUNTY OF BEXAR §

BEFORE ME, a Notary Public in and for said County and State, on this 10th day of October, 1980, before me personally appeared ROBERT A. BUSCHMAN, to me known, who being by me duly sworn, did say that he is the Chairman of the Board of Rio Grande Western Drilling Company, a Texas corporation, and that the foregoing instrument was signed on behalf of the said corporation by authority of its Board of Directors, and he acknowledged the instrument to be the free act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 10th day
of October, 1980.

Ernest L. Green
Notary Public in and for Bexar
County, Texas

ERNEST L. GREEN
Notary Public, State of Texas
My commission expires 8.05.84

RIO GRANDE WESTERN DRILLING COMPANY
A Texas Corporation

By Robert A. Buschman
Robert A. Buschman, Chairman
of the Board
Attorney-in-Fact for
Seldon D. Steed; Joe
Stasney, Jr.; Sue Sansom;
R. B. Trull; Billy Gene
Braselton; P. G. Grenader
& Sons; Graeme Sorley;
Allen B. Cluck; Bruce M.
& Mary N. McIntyre; Aldo
& Granuccia Jacuzzi;
James A. Parker; Frank J.
Millet; Richard A.
Greenman; Walter R.
Hathaway, M.D.; Morris P.
Donaldson; R. Mike Yates;
Susan Engelhard O'Connor;
Tolbert F. Yater, III;
Wirt Davis, II; Jack H.
Henry, M.D.; John H.
White; Andrew Jitkoff;
Harold D. Herndon; Lynn
H. Spears; Charles K.
Winston, Jr. Monterey
Special, Ltd., Richard C.
Webb; Clem E. & Betty S.
George; John R. Frassanito;
H R Lumber Company; R & R
Investments, a partnership;
Elizabeth G. Jones; Bruce
M.H. Clark; Phillip
Frost; Sara Fentress
Humphreys; Downward Bound
Co., a partnership; James
L. Crawford; Wayne Rudmose;
Jack Edward Gorman; Villa
Fontana Apts., a partnership;
Chris J.D. Rote; Ke -
Ventures, a partnership;
Charles E. Gregory; James
D. Folbre; and Lake
Investment & Production
Co.

SWORN TO this, the 10th day of October, 1980 by ROBERT A. BUSCHMAN as Chairman of the Board of RIO GRANDE WESTERN DRILLING COMPANY, and as Attorney-in-Fact for Seldon D. Steed; Joe Stasney, Jr.; Sue Sansom; R.B. Trull; Billy Gene Braselton; P. G. Grenader & Sons; Graeme Sorley; Allen B. Cluck; Bruce M. & Mary N. McIntyre; Aldo & Granuccia Jacuzzi; James A. Parker, Frank J. Millet; Richard A. Greenman; Walter R. Hathaway, M.D.; Morris P. Donaldson; R. Mike Yates; Susan Engelhard O'Connor; Tolbert F. Yater, III; Wirt Davis, II; Jack H. Henry, M.D.; John H. White; Andrew Jitkoff; Harold D. Herndon; Lynn H. Spears. Charles K. Winston, Jr.; Monterey Special, Ltd.; Richard C. Webb; Clem E. & Betty S. George; John R. Frassanito; H R Lumber Company; R & R Investments, a partnership; Elizabeth G. Jones; Bruce M.H. Clark; Phillip Frost; Sara Fentress Humphreys; Downward Bound Co., a partnership; James L. Crawford; Wayne Rudmose; Jack Edward Gorman; Villa Fontana Apts., a partnership; Chris J.D. Rote; Ke - Ventures, a partnership; Charles E. Gregory; James D. Folbre; and Lake Investment & Production Co.

Ernest L. Green
Notary Public in and for Bexar
County, Texas

AFFIDAVIT

Each Limited Partner listed in the Agreement of Limited Partnership of R-G WESTERN DRILLING, LTD. has executed and delivered a power of attorney which authorizes me to sign on his behalf, instruments filed with the Secretary of State.

Robert A. Buschman
ROBERT A. BUSCHMAN

SWORN TO this 10th day of October, 1980.

Ernest L. Green
Notary Public in and for Bexar
County, Texas

My commission expires:

Aug 5, 1984