

dealings or otherwise.

The holder of the aforesaid note or any note hereby secured, by agreement with the maker of such note or as provided in said note, or any instalment thereof, or accept new notes of said maker in the same or different form in renewal of or in substitution for any and all of the notes evidencing the indebtedness hereby secured then held by such holder without impairing or affecting the lien hereby granted or any rights of such holder.

All indebtedness, including the indebtedness evidenced by the promissory note hereinabove described and all advances, liabilities and obligations hereinabove described, except such as are outlined in Paragraph Number Five hereof, are hereinafter referred to as indebtedness.

This mortgage shall likewise secure the payment of any indebtedness according to the terms and provisions of any notes which may be given by Mortgagor to Mortgagee for any additional loans or advances which may be made from time to time prior to the release hereof, to the extent only, however, that the aggregate amount of the original and subsequent advances, unpaid and outstanding at any one time does not exceed the sum of Ten Thousand (\$10,000.00) Dollars.

Such additional loans or advances may be made without notice to or the consent of any other persons bound by this mortgage, but nothing herein contained shall be deemed to impose any obligation upon Mortgagee to make any such additional advances.

It is agreed that, as to any oil and gas leases hereinabove described, this mortgage shall cover all of the Mortgagor's right, title and interest in and to all oil and gas leases which are now owned by the Mortgagor as far as the same cover the lands above described, even though said leases be incorrectly described or a description thereof is omitted, and in and to all oil and gas leases and unleased mineral rights which Mortgagor may hereafter acquire, covering the lands hereinabove described, during the life of this mortgage.

The Mortgagor COVENANTS and AGREES for the Mortgagor and the Mortgagor's Successors in Interest as follows:

(1) That Mortgagor has good title to all of the property herein mortgaged and has full right and authority to mortgage the same; that any oil and gas leases herein mortgaged are valid and subsisting; and that Mortgagor will warrant and defend the same against the claims and demands of all other persons whomsoever. Should an adverse claim be made against or a cloud develop upon the title to any of the property mortgaged, Mortgagor agrees immediately to defend against said adverse claim or to remove said cloud at Mortgagor's cost and expense, and Mortgagor further agrees that Mortgagee may take such action as it deems advisable to protect or preserve its interest in the mortgaged property, and in such event Mortgagor further agrees to indemnify Mortgagee against any and all costs, attorney's fees and other expense which Mortgagee may incur in defending against any such claim or cloud.

Form 89

- 1 -

(2) That Mortgagor will not sell, mortgage, assign or otherwise dispose of said mortgaged property or any part thereof (except as may be permitted for the sale of the current production of oil, gas and casinghead gas under the terms of Paragraph Six hereof); that Mortgagor will not remove or permit any part of said mortgaged property to be removed from the county in which said property is now located; that Mortgagor will pay all gross production taxes and all other taxes or assessments, whether general or special, lawfully levied against said mortgaged property or the proceeds therefrom, or which might become a lien thereon, before the same become delinquent; that Mortgagor will, during the life of this mortgage, keep said property and each and every part thereof free, clear and discharged from all liens, charges, encumbrances and assessments; that Mortgagor will keep adequate and accurate books and records on the property mortgaged and will permit Mortgagee to have access thereto at all reasonable times for the purpose of examining the same and making copies thereof.

(3) As to any oil and gas leases mortgaged, that Mortgagor will comply with all the terms, conditions and covenants thereof, both express and implied; that Mortgagor will pay all rentals at least fifteen (15) days before the same are due, and will immediately furnish Mortgagee with satisfactory evidence of payment thereof; that Mortgagor will operate and develop said leases prudently and economically and in accordance with the best approved practices in the field or vicinity in which said leasehold estates are located, and will pay all expense of development and operation of the same, including all bills for materials and labor as the same become due and payable; that Mortgagor will comply with all laws of the United States and of the states in which said leasehold estates are located, and with all rules and regulations issued or promulgated by any authority having jurisdiction of the subject matter with respect to the operation and development of said leases; that Mortgagor will keep all property covered by this mortgage in good repair and insured against fire or other hazard in amounts as are customarily carried by prudent operators, in insurance companies satisfactory to Mortgagee, and will cause to be attached to said policies loss payable clauses in form satisfactory to Mortgagee, making the loss, if any, payable to Mortgagee; and that Mortgagor will continuously carry in insurance companies satisfactory to Mortgagee adequate workman's compensation and public liability insurance in amounts customarily carried by prudent operators, but in no instance less than the amount required by the laws of any state in which the leasehold estates are located; but nothing herein contained shall be construed as a waiver of the lien of this mortgage as a first and prior lien against the property mortgaged, now or hereafter; nor shall anything herein contained be construed to empower Mortgagor to bind Mortgagee to any contract or obligation, or render Mortgagee in any way liable or responsible for any bill or obligation incurred by Mortgagor.

(4) If Mortgagor is a corporation, that it will maintain, unimpaired, its corporate existence and its right and authority to do business in the states in which any of the mortgaged property is located, and will promptly pay when due all license and franchise taxes and charges and all other cost and expense incident thereto.

(5) On failure of Mortgagor to perform any of the agreements and covenants herein contained, that Mortgagee may perform the same and in doing so may expend such sums as it deems advisable in the performance thereof, including the payment of any insurance premiums, the payment of any taxes, liens and encumbrances, expenditures made in defending against any adverse claim, and all other expenditures which it may be compelled to make by operation of law, or which it may make by agreement or otherwise for the protection of its security. All such sums and amounts so expended shall be repayable by Mortgagor to Mortgagee immediately without notice or demand, shall bear interest from date said amounts are expended at the rate of six per cent (6%) per annum, and shall be secured by the terms of this instrument, but any and all such sums and expenditures as contemplated by this paragraph shall not be included in the total limit of the indebtedness as hereinabove set forth. No such performance of any covenant or agreement by the Mortgagee on behalf of the Mortgagor, and no such advancement or expenditure therefor shall relieve Mortgagor of any default under the terms of this mortgage.

(6) That it is the intent and purpose of the parties hereto to convey, transfer and mortgage to the Mortgagee all oil, gas and casinghead gas produced from the mortgaged properties above described as constituting a part of the corpus of said mortgaged properties, and the Mortgagor has, or will, on demand of the Mortgagee and from time to time and as often as requested by Mortgagee, execute and deliver to the Mortgagee any and all necessary transfer orders, division orders, assignments or other written instruments that Mortgagee may request or the pipeline companies or purchaser of oil, gas and/or casinghead gas may require, evidencing vesting in the Mortgagee the full title to the oil, gas and casinghead gas produced from the mortgaged property and the proceeds from the sale thereof, and the Mortgagee may from time to time sell oil, gas and/or casinghead gas produced from the mortgaged properties at the then market price, and in such quantities as the Mortgagee may from time to time elect, and all moneys received, less reasonable expenses which may be incurred in connection with such sales, shall be received and applied periodically on any indebtedness or obligation due or owing from the Mortgagor to Mortgagee, said application to be made at such times as may be agreed upon, or (in the absence of such agreement between the parties hereto) upon a date of each month fixed at the election of the Mortgagee; Mortgagee, at its option, may release to or pay over to Mortgagor all or any part of any amounts so received, and no such action on its part shall operate as a waiver or release of this mortgage or the lien thereof, or prevent it from applying to the payment of the indebtedness hereby secured all or such portion of any further proceeds received by it that it may elect. Mortgagee shall be under no obligation to collect any such sums and under no responsibility to see that purchasers are properly accounting for oil and gas so run from said mortgaged premises and shall only be liable for what it actually receives.

(7) Such proceeds, when received by Mortgagee shall be deposited in a collateral account and applied monthly, on the first maturity date during such month of any instalment of principal or interest of any of the notes hereby secured, or if there be none maturing during such month after receipt of such proceeds, then upon receipt thereof by Mortgagee, in such order as Mortgagee may elect, (i) first, to the payments of all sums due or becoming due by acceleration or otherwise, during the calendar month in which such proceeds are received, upon the note or notes hereby secured and upon any other indebtedness secured by this