

## CONVEYANCE AND ASSIGNMENT

KAMEHAMEHA INVESTMENT CORPORATION, a Hawaii corporation whose address is 567 South King Street, Suite 200, Honolulu, Hawaii 96813 (herein, the "Assignor"), being the owner of those certain oil, gas and other hydrocarbon leasehold interests, overriding royalties, non-participating royalties, other types of royalties, net profits interests, carried interests, oil payments, production payments, mineral fees, operating rights, back-in interests, reversionary interests, before-payout and after-payout interests and other rights, titles and interests (herein, collectively, the "Subject Interests") described on the attached Exhibit "A," for and in consideration of the sum of One Hundred and No/100 Dollars (\$100.00) and of other good and valuable consideration in hand paid by KUKUI, INC., a Texas corporation whose address is 2801 Post Oak Boulevard, Suite 250, Houston, Texas 77056 (referred to herein as the "Assignee"), has GRANTED, CONVEYED, ASSIGNED, TRANSFERRED and SET OVER, and by these presents does GRANT, CONVEY, ASSIGN, TRANSFER and SET OVER the Subject Interests unto Assignee, its successors and assigns, together with any and all present and future rights, titles and interests of every kind now owned or hereafter acquired by Assignor in and to the Subject Interests or in and to the lands and interests (herein, collectively, the "Subject Lands") covered by, related to, or unitized, communitized, or pooled with the Subject Interests or any leases, wells or unit areas associated therewith; and

By these presents, and without limiting the generality of the foregoing, Assignor has further GRANTED, CONVEYED, ASSIGNED, TRANSFERRED and SET OVER, and does further GRANT, CONVEY, ASSIGN, TRANSFER and SET OVER unto Assignee, its successors and assigns, all of Assignor's right, title and interest in and to any and all of the following described rights and interests respecting the Subject Interests or the Subject Lands, whether now owned or hereafter acquired by Assignor:

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(A) All of the agreements, contracts, contract rights, instruments and conveyances now or hereafter respecting, relating to, appertaining to, or attributable to the Subject Interests or the Subject Lands, or any part of or interest in the Subject Interests or Subject Lands, whether or not recorded (herein, collectively, the "Subject Agreements"), including without limitation each Subject Agreement described or referred to on the attached Exhibit "A"; and

(B) All unitization, communitization or pooling agreements and all units and pooled or communitized areas created by, attributable to, or associated with the Subject Interests, the Subject Agreements, or the Subject Lands, or any part thereof or interest therein (including all units formed under orders, regulations, rules or other official acts of any federal, state or other governmental agency having jurisdiction); and

(C) All oil, gas, distillate, condensate, casinghead gas or other liquid or vaporous hydrocarbons, or other minerals, produced or producible from, attributable to, or associated with the Subject Interests, the Subject Agreements, or the Subject Lands, or any part thereof or interest therein; and

(D) All improvements, easements, surface leases, permits, licenses, servitudes, rights-of-way and other interests appertaining to, attributable to, associated with, related in any way to, or used or usable in connection with the exploration, development or operation of the Subject Interests or the Subject Lands or any part thereof or interest therein; and

(E) All personal and mixed property, fixtures and facilities, located on, appertaining to, attributable to, associated with, or used/or usable in connection with all or any part of the Subject Interests, the Subject Agreements, or the Subject Lands, including without limitation wellhead equipment, improvements and equipment relative to the production, treatment, storage, gathering, transportation, dehydration, treating or disposal of oil, gas,



water and saltwater, distillate, condensate, casinghead gas or other liquid or vaporous hydrocarbons or other minerals, and all tanks, boilers, buildings, plants, fixtures, machinery and other equipment, pipelines, power lines, telephone and telegraph lines, roads and other appurtenances, and all core and other geologic samples, instruments, supplies, equipment and tools; and

(F) All rights attributable to, or arising from, any contracts, agreements, leases and/or other arrangements appertaining to, attributable to, associated with or relating in any way to the Subject Interests, the Subject Agreements, or the Subject Lands, including without limitation oil, casinghead gas or gas sales, purchase, exchange, processing, treating and transportation contracts or agreements, agreements relating to water and saltwater disposal or storage, joint accounts, joint operating agreements and any other types of operation or management contracts, farmout agreements, area of mutual interest agreements, development agreements, participation agreements and other similar agreements and rights including any rights under bottom hole or dry hole letters and including any other contractual or equitable rights to receive, or with respect to, seismic, stratigraphic or structural information, and well logs and other geological and geophysical information and data; and

(G) All records, files, maps, diagrams, studies, reports and any other written materials and materials stored in hard copy or on a computer or on a computer disc or tape appertaining to, attributable to, associated with or relating to the Subject Interests, the Subject Agreements, or the Subject Lands or any part thereof or interest therein, (together with all rights of access thereto), including without limitation lease files, property records, contract files, operation files, maintenance files, contractor files, tax records and files, Federal Energy Regulatory Commission and other regulatory filings and records, environmental filings and records, royalty records, division and transfer order files, ratification files, accounting files and records, landowner files, governmental files, reports to regulatory agencies,

individual well files, maps and formation cross-sections of every type, core and hydrocarbon analyses, well logs of every nature, well histories with completion and recompletion data, casing and tubing data, surface equipment data including flow line and equipment plats, production histories and records, and reservoir pressure records and histories.

By these presents, and without limiting the generality of the foregoing, Assignor has further GRANTED, CONVEYED, ASSIGNED, TRANSFERRED and SET OVER, and does further GRANT, CONVEY, ASSIGN, TRANSFER and SET OVER unto Assignee, its successors and assigns, all warranties, claims and causes of action of whatsoever type or character, in contract or in tort, that Assignor now has or may hereafter acquire, appertaining to, attributable to, associated with, arising out of, pursuant to, or with respect to the Subject Interests, the Subject Agreements, or the Subject Lands.

THIS CONVEYANCE SHALL BE SUBJECT IN ALL RESPECTS TO that certain unrecorded General Indenture of Conveyance, Assignment and Transfer, dated as of March 23, 1992, by and between Assignor and Assignee (relating inter alia to the Subject Interests, the Subject Lands and the Subject Agreements), and to the Subject Agreements.

ASSIGNEE ACKNOWLEDGES THAT ASSIGNOR HAS NOT MADE, AND ASSIGNOR HEREBY EXPRESSLY DISCLAIMS AND NEGATES, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, RELATING TO THE TITLE TO THESE PREMISES, TO THE SUBJECT INTERESTS, OR TO THE SUBJECT AGREEMENTS, OR RELATING TO THE CONDITION OF ANY IMMOVABLE PROPERTY, MOVABLE PROPERTY, EQUIPMENT, INVENTORY, MACHINERY, FIXTURES AND PERSONAL PROPERTY (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS, ANY RIGHTS OF ASSIGNEE UNDER APPROPRIATE STATUTES TO CLAIM DIMINUTION OF CONSIDERATION, ANY IMPLIED OR EXPRESS WARRANTY OF FREEDOM FROM PATENT OR TRADEMARK INFRINGEMENT, ANY AND ALL IMPLIED WARRANTIES EXISTING UNDER APPLICABLE LAW NOW OR HEREAFTER IN EFFECT, ANY IMPLIED OR EXPRESS WARRANTY REGARDING ENVIRONMENTAL



CONDITION), IT BEING THE EXPRESS INTENTION OF ASSIGNEE AND ASSIGNOR THAT THE IMMOVABLE PROPERTY, MOVABLE PROPERTY, EQUIPMENT, INVENTORY, MACHINERY, FIXTURES AND PERSONAL PROPERTY CONVEYED TO ASSIGNEE HEREUNDER ARE BEING CONVEYED "AS IS" AND IN THEIR PRESENT CONDITION AND STATE OF REPAIR.

AFTER THE DELIVERY AND RECORDATION OF THIS CONVEYANCE, Assignor shall execute and deliver to Assignee, its successors and assigns all such instruments, notices, division orders, transfer orders, correction assignments or conveyances, and other documents, and do all such other acts not inconsistent with the Exchange Agreement or this Conveyance as may reasonably be necessary or advisable to carry out its obligations hereunder or thereunder or more fully to assure Assignee, its successors and assigns, the respective rights, titles, interests and estates herein and therein provided to be transferred, assigned or conveyed by Assignor to Assignee, its successors and assigns.

FURTHER, to the extent that all or any part of the Subject Interests or any of these premises shall be subject to any consent or approval requirements that are required to be satisfied prior to making this Conveyance, but have not been satisfied or waived prior to the date hereof, this Conveyance shall not convey (until the earlier of (i) the time that such consent or approval requirement has been satisfied or waived; or (ii) the time that 1825 days have elapsed following the time this Conveyance becomes effective, as hereinafter provided) any right, title or interest in and to the Subject Interests, these premises, or part thereof or interest therein to which such requirement relates (referred to herein as a "Covered Interest"); however, (A) the full benefits of ownership relating to the Covered Interest are hereby GRANTED, CONVEYED, ASSIGNED, TRANSFERRED and SET OVER unto Assignee, its successors and assigns hereunder, (B) Assignor shall hold legal title to the Covered Interest as trustee for the benefit of Assignee until such consent or approval requirement has been satisfied or waived, and (C) Assignor shall continue to use its best efforts to procure all

required consents and approvals affecting the Covered Interest as soon as reasonably possible after the date hereof.

THIS CONVEYANCE shall be binding upon Assignor, its successors and assigns, and shall inure to the benefit of Assignee, its successors and assigns.

IN WITNESS WHEREOF, this Conveyance is executed this JUN 30 1992 day of \_\_\_\_\_, 1992, but shall be effective as of the 23rd day of March, 1992, at 7:00 a.m., in the locality of the lands comprising the Subject Interests, and all oil, gas and other production runs after said effective time shall conform hereto.

**"ASSIGNOR"**

KAMEHAMEHA INVESTMENT CORPORATION  
a Hawaii corporation

APPROVED AS TO FORM  
CONTENTS & AUTHORIZATION

slc  
LEGAL DEPARTMENT

Wallace K. Tirrell  
WALLACE K. TIRRELL

PRESIDENT

**ACCEPTED BY:**

KUKUI, INC.  
a Texas corporation

By: Louis A. Kau  
Louis A. Kau, President

Prepared by: Randel R. Young  
Young & Handel  
808 Travis, 24th Floor  
Houston, Texas 77002

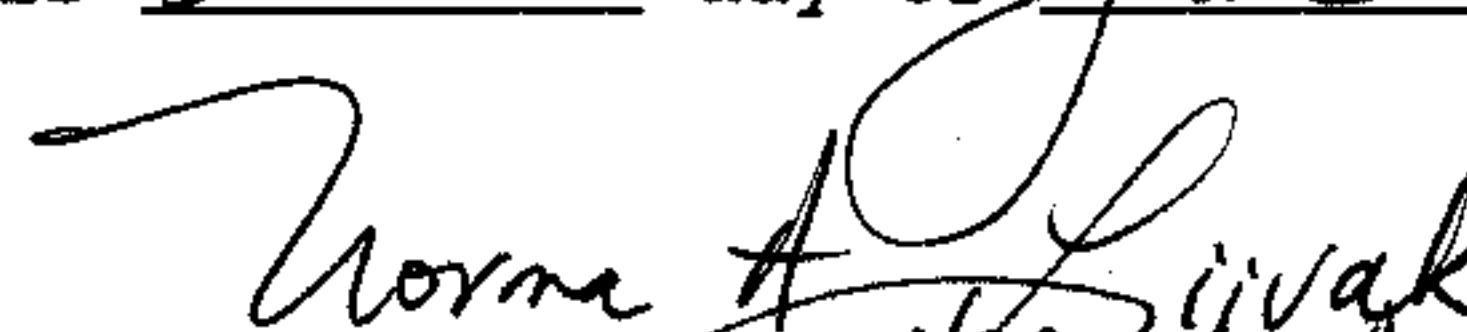
[Alabama Acknowledgement]

THE STATE OF HAWAII §  
COUNTY OF Honolulu §

I, the undersigned authority, a notary public in and for said county in said state, hereby certify that WALLACE K. TIRRELL, whose name, as PRESIDENT of Kamehameha Investment Corporation, Hawaii corporation, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he, in his capacity as PRESIDENT, executed the same voluntarily on the day the same bears date.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my notarial seal this 30th day of June, 1992.

ls

  
(Print Name) NORMA A. LIIVAK  
Notary Public in and for the State of Hawaii  
My Commission Expires: 5-13-92



## EXHIBIT A

Attached to and made a part of that certain CONVEYANCE AND ASSIGNMENT from KAMEHAMEHA INVESTMENT CORPORATION to KUKUI, INC., dated JUN 30 1992, 1992 but effective as of March 23, 1992

### PREAMBLE

This Exhibit A describes the oil, gas and other hydrocarbon leasehold interests, operating rights and other rights, titles and interests referred to in the foregoing Conveyance and Assignment (the "Conveyance" as the "Subject Interests." This Exhibit A includes this Preamble, and each capitalized term used in this Preamble shall have the same meaning given to such term in the Conveyance, unless it is defined elsewhere herein.

Reference is made herein to the land descriptions contained in each of the development agreements, memoranda of development agreements, financing statements, participation agreements, assignments and other agreements, instruments and documents of title recorded as described in this Exhibit A. If the land descriptions in this Exhibit A are incomplete, incorrect, or not legally sufficient, the land descriptions contained in each such agreements, instruments and of title are incorporated herein by reference to the extent necessary to clarify or correct the land descriptions in this Exhibit A.

To the extent instruments on file in the public records are referred to in this Exhibit A, the applicable terms of such instruments are incorporated herein by reference for all purposes. Unless otherwise provided, all recording references in this Exhibit A are to the official real property records of the county or counties in which the Subject Interests are located and in which records of the documents are, or in the past have been, customarily recorded, whether Deed Records, Oil and Gas Records, Oil and Gas Lease Records, Probate Records or other records.

### DESCRIPTION OF THE SUBJECT INTERESTS

I. All of Assignor's right, title and interest arising out of those certain development agreements by and between McKenzie Methane Corporation ("McKenzie") and Smith-Gordy Methane Company ("Smith-Gordy") which include the following:

A. Development Agreement dated May 4, 1989, but effective March 17, 1989, as recorded by Memorandum of Development Agreement and Financing Statement dated May 4, 1989, but effective March 17, 1989, recorded at Entry No. 578249 of the Records of La Plata County, Colorado, Book 1016, page 0190 of the Deed Records of Tuscaloosa County, Alabama, Book 239, page 699 of the Records of Shelby County, Alabama, and Real 748, page 332 of the Records of Jefferson County, Alabama, by and between McKenzie and Smith-Gordy, as amended by First



Amendment to Development Agreement dated September 5, 1989, but effective March 17, 1989, by and between McKenzie and Smith-Gordy, Second Amendment to Development Agreement dated November 3, 1989, but effective March 17, 1989, by and between McKenzie and Smith-Gordy, Third Amendment to Development Agreement dated August 7, 1990, but effective March 17, 1989, by and between McKenzie and Smith-Gordy, Letter Agreement dated August 14, 1990, by and between SG Methane Company, Smith-Gordy and McKenzie, Fourth Amendment to Development Agreement dated November 7, 1990, but effective as of the commencement of the Third Subsequent Program, by and between McKenzie and Smith-Gordy, and Fifth Amendment to Development Agreement dated January 17, 1991, but effective March 17, 1989, by and between McKenzie and Smith-Gordy;

B. Narrows Development Agreement dated November 5, 1990, but effective May 1, 1990, by and between McKenzie and Smith-Gordy, as amended by First Amendment to Narrows Development Agreement dated January 17, 1991, but effective May 1, 1990, by and between McKenzie and Smith-Gordy; and

C. San Juan Development Agreement dated November 5, 1990, but effective March 15, 1990, as recorded by Memorandum of San Juan Development Agreement and Financing Statement dated November 19, 1991, but effective March 15, 1990, recorded in Book 1141, page 573 of the Records of San Juan County, New Mexico, by and between McKenzie and Smith-Gordy, as amended by First Amendment to San Juan Development Agreement dated January 17, 1991, but effective March 15, 1990, by and between McKenzie and Smith-Gordy.

(The development agreements described in Subparts A through C of this Part I above are collectively referred to herein as the "Development Agreements.")

INCLUDING, BUT NOT LIMITED TO all of Assignor's right, title and interest in and under the following:

D. Participation Agreement dated November 19, 1990, as recorded by Memorandum of Participation Agreement and Financing Statement dated November 12, 1991, but effective as of the commencement of the Third Subsequent Program, recorded in Book 374, page 818 of the Records of Shelby County, Alabama, Book 133, page 172 of the Deed Records of Bibb County, Alabama, and Book 1111, page 0654 of the Records of Tuscaloosa County, Alabama, by and between Smith-Gordy, SG Methane Company and Assignor;

E. Narrows Participation Agreement dated November 19, 1990, but effective May 1, 1990, as recorded by Memorandum of Narrows Participation Agreement and Financing Statement dated November 12, 1991, but effective May 1, 1990, recorded in Real No. 861, page 038 of the Records of Jefferson County, Alabama, by and between Smith-Gordy and Assignor, as amended by First Amendment to Narrows Participation Agreement dated August 29,

1991, but effective May 1, 1990, by and between Smith-Gordy and Assignor; and

F. San Juan Participation Agreement dated November 19, 1990, but effective March 15, 1990, as recorded by Memorandum of San Juan Participation Agreement and Financing Statement dated November 12, 1991, but effective March 15, 1990, recorded in Book 1139, page 368 of the Records of San Juan County, New Mexico, by and between Smith-Gordy and Assignor, as amended by First Amendment to San Juan Participation Agreement dated August 29, 1991, but effective March 15, 1990, by and between Smith-Gordy and Assignor.

(The participation agreements described above in Subparts D through F of this Part II above are collectively referred to herein as the "Participation Agreements.")

- II. All of Assignor's legal or equitable right, title, interest, warranties, claims, demands, rights, causes of action, suits, debts, sums of money, contracts, covenants, controversies, agreements, promises and damages now or hereafter relating to and arising out of the Development Agreements and the Participation Agreements.
- III. Any and all other rights, titles and interests of Assignor now or hereafter arising out of the Development Agreements and the Participation Agreements.

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