

**CONVEYANCE AND ASSIGNMENT**  
(Cahaba Extension Area, Well Group V)

SMITH-GORDY METHANE COMPANY, a Texas joint venture partnership composed solely of Russell D. Gordy, an individual, and Lester H. Smith, an individual, which has its principal office in Houston, Harris County, Texas (herein, the "Assignor"), being the owner of that certain 1.04% interest (herein, the "Subject Interest") in the oil, gas and other hydrocarbon leasehold interests, operating rights and other rights, titles and 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 BARGAINED, SOLD, CONVEYED, ASSIGNED and TRANSFERRED, and by these presents does BARGAIN, SELL, CONVEY, ASSIGN and TRANSFER the Subject Interest 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 Interest; and

By these presents, and without limiting the generality of the foregoing, Assignor has further BARGAINED, SOLD, CONVEYED, ASSIGNED and TRANSFERRED, and does further BARGAIN, SELL, CONVEY, ASSIGN and TRANSFER unto Assignee, its successors and assigns, an undivided 1.04% interest in and to any and all of the following described rights and interests to the extent but only to the extent that they relate to the Subject Interest, whether now owned or hereafter acquired by Assignor:

(A) All of the agreements, contracts, contract rights, instruments and conveyances now or hereafter respecting, relating to, appertaining to, or attributable to the Subject Interest or the lands and interests (herein, collectively, the "Subject Lands") covered by, related to, or unitized, communitized or pooled with the leases, wells and unit areas described on the attached Exhibit

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"A," or any part thereof or interest in the Subject Interest or Subject Lands, whether or not recorded (herein, collectively, the "Subject Agreements"), including without limitation those certain Subject Agreements described on the attached Exhibit "B"; 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 Interest, 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 Interest, 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 Interest 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 Interest, 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 Interest, 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.

By these presents, and without limiting the generality of the foregoing, Assignor has further BARGAINED, SOLD, CONVEYED, ASSIGNED and TRANSFERRED, and does further BARGAIN, SELL, CONVEY, ASSIGN and TRANSFER unto Assignee, its successors and assigns, the right to inspect and copy, at Assignee's expense and during normal business hours, 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 Interest, the Subject Agreements, or the Subject Lands or any part thereof or interest therein, together with such rights of access thereto as shall appertain 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 BARGAINED, SOLD, CONVEYED, ASSIGNED and TRANSFERRED, and does further BARGAIN, SELL, CONVEY, ASSIGN and TRANSFER unto Assignee, its successors and assigns, all warranties, claims and causes of action of whatsoever type or character, in contract or in tort, owned by Assignor, to the extent but only to the extent that such warranties, claims and causes of action appertain to, are attributable to, are associated with, or arise out of, the Subject Interest.

THIS CONVEYANCE SHALL BE SUBJECT IN ALL RESPECTS TO that certain unrecorded Exchange Agreement (referred to herein as the "Exchange Agreement"), dated as of March 23, 1992, by and among Assignor et al. and Assignee et al. (relating inter alia to the Subject Interest and the Subject Agreements), to the warranties, representations, terms and conditions expressed in the Exchange Agreement, and to each of the Subject Agreements identified on the attached Exhibit "B."

ASSIGNOR HEREBY WARRANTS AND SHALL FOREVER DEFEND the title to these premises, to the Subject Interest and the Subject Agreements unto Assignee, its successors and assigns forever, against every person whomsoever lawfully claiming or to claim the same or any part thereof, by, through, or under Assignor, but not otherwise.

ASSIGNOR FURTHER WARRANTS unto Assignee, its successors and assigns forever, that (A) Assignor owns the 1.04% leasehold interest (the "Working Interest") designated on Part 1 of the attached Exhibit "A"; (B) following this Conveyance, Assignee, its



successors and assigns will only be obligated to bear a percentage of costs and expenses relating to the maintenance, development and operation of the Subject Interests not greater than the Working Interest, except for increases in such costs and expenses that also result in a proportionate increase in Assignee's net revenue interest in the wells and unit areas described on Part 3 of the attached Exhibit "A"; and (C) that the descriptions on the attached Exhibit "A" are true and correct in all material respects and are legally sufficient to transfer title to these premises and to the Subject Interest to Assignee, its successors and assigns.

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 Interest 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 that 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 Interest, 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 BARGAINED, SOLD, CONVEYED, ASSIGNED and TRANSFERRED 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.

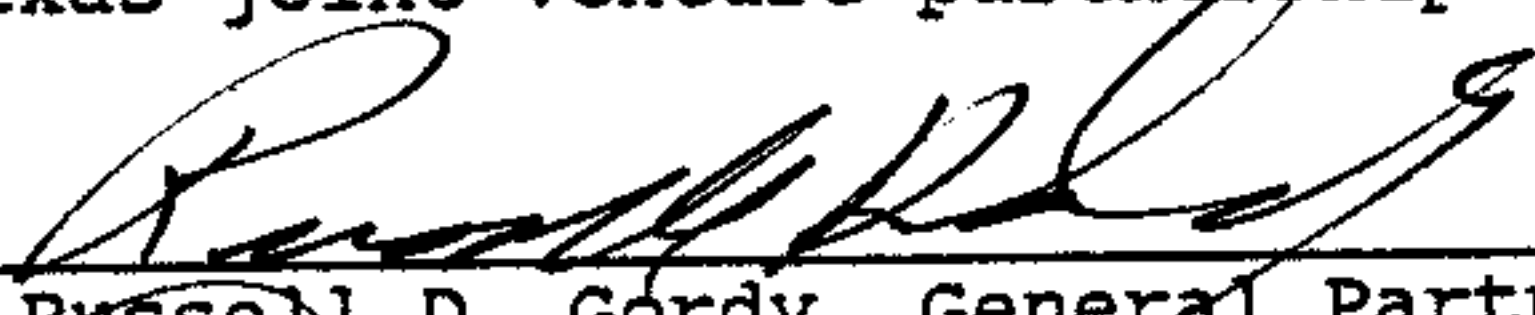
THIS CONVEYANCE shall be binding upon Assignor, its successors and assigns, and shall inure to the benefit of Assignee, its successors and assigns.

IN WITNESS WHEREOF, this Conveyance is executed this 18th day of June, 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 Interest, and all oil, gas and other production runs after said effective time shall conform hereto.

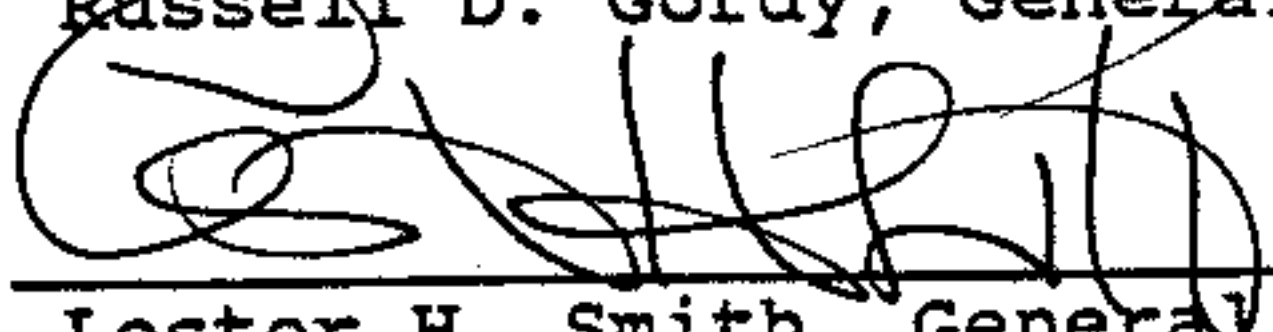
"ASSIGNOR"

SMITH-GORDY METHANE COMPANY  
a Texas joint venture partnership


By:


  
Russell D. Gordy, General Partner

By:

  
Lester H. Smith, General Partner

RATIFIED BY:

  
Russell D. Gordy, Individually

  
Lester H. Smith, Individually

ACCEPTED BY:

KUKUI, INC.  
a Texas corporation

By:   
Louis A. Kau, President

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

For recording purposes only, this conveyance covers 6 net mineral acres.

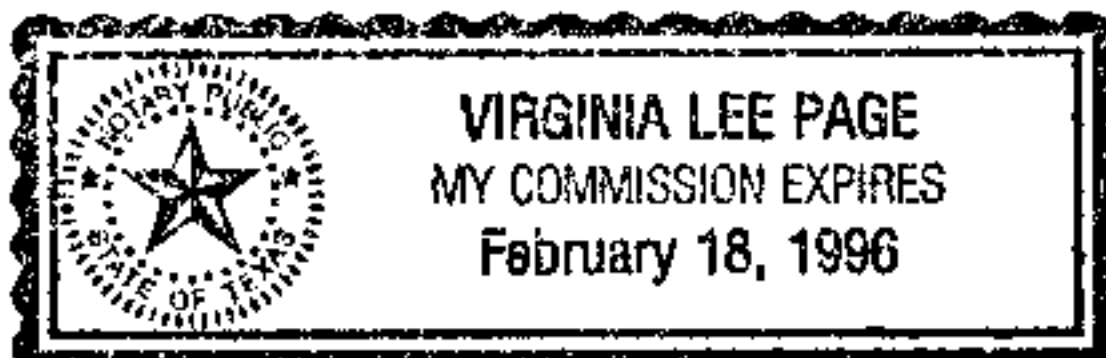


[Alabama Acknowledgement]

THE STATE OF TEXAS §  
COUNTY OF HARRIS §

I, the undersigned authority, a notary public in and for said county in said state, hereby certify that Russell D. Gordy, whose name, as General Partner of SMITH-GORDY METHANE COMPANY, a Texas joint venture, 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 General Partner, 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 18th day of June, 1992.



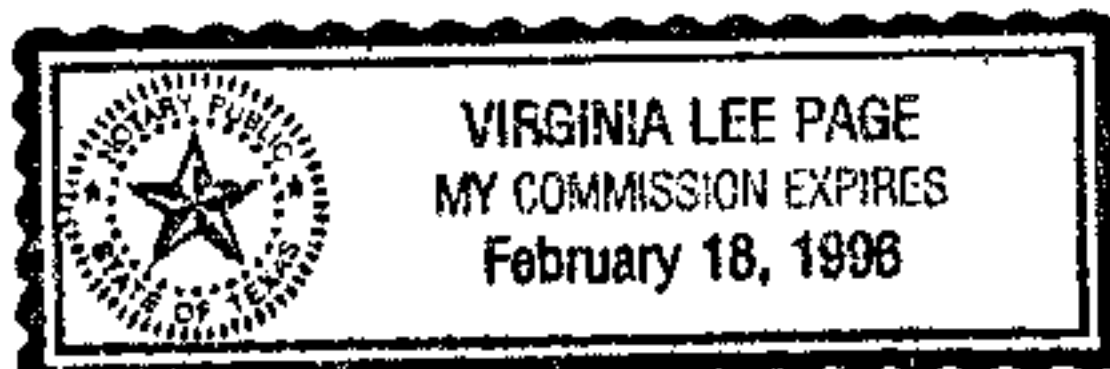
Virginia Lee Page  
Notary Public in and for the State of Texas

My Commission Expires:  
February 18, 1996

THE STATE OF TEXAS §  
COUNTY OF HARRIS §

I, the undersigned authority, a notary public in and for said county in said state, hereby certify that Lester H. Smith, whose name, as General Partner of SMITH-GORDY METHANE COMPANY, a Texas joint venture, 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 General Partner, 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 18th day of June, 1992.



Virginia Lee Page  
Notary Public in and for the State of Texas

My Commission Expires:  
February 18, 1996



**EXHIBIT A**

Attached to and made a part of that certain CONVEYANCE AND ASSIGNMENT from SMITH-GORDY METHANE COMPANY to KUKUI, INC., dated June 18, 1992 but effective as of March 23, 1992, relative to the so-called "Cahaba Extension Area, Well Group V," and containing a legend to said effect.

This Exhibit A describes the oil, gas and other hydrocarbon leasehold interests and operating rights referred to in the foregoing Conveyance and Assignment (the "Conveyance"). 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.

Part 1 of this Exhibit A describes the undivided percentage interest (the "Working Interest") owned by the Assignor in the leases (the "Leases") conveyed and assigned to Assignee under the Conveyance. Part 2 of this Exhibit A describes the assignments and partial assignments by which the Assignor was assigned the Working Interest. Part 3 of this Exhibit A sets forth the specific tracts, parcels of land and wells covered and affected by the Conveyance. Each tract and parcel of land referenced in Part 3 of this Exhibit A consists of 40 acres, more or less, unless otherwise indicated.

Reference is made herein to the land descriptions contained in each of the Leases and other 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 Lease or document 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.

Notwithstanding any contrary implication of the Conveyance, the following rights and interests are excluded from the Conveyance, and no such right or interest shall be bargained, sold, conveyed, assigned or transferred unto Assignee, its successors or assigns thereunder:

Global Special Risks Comprehensive General Liability Policy Number 41602,  
Global Special Risks First Excess Liability "Umbrella" Policy Number 41603,  
Global Special Risks Second Excess Liability Policy Number 41732, Hired and  
Non-owned Auto Liability Policy Number GPP 536509

Trade Names or assumed names used in connection with the Subject Interests.

**EXHIBIT A**

**PART 1**

**An undivided 1.04% interest in the following-described leases as assigned pursuant to the assignments described in Part 2, and INSO FAR AND ONLY INSO FAR as said leases, assignments and partial assignments cover the lands described in the following Part 3:**

Coal Seam Gas Agreement and Option dated September 30, 1988, between USX Corporation, as Lessor, and McKenzie Methane Corporation, as Lessee, recorded by a Memorandum of Lease dated November 30, 1988 in Book 222, Page 386, Shelby County, Alabama, Amendment to Memorandum of Lease dated February 19, 1989 in Book 280, Page 47, Shelby County, Alabama, and Second Amendment to Memorandum of Lease dated October 21, 1991 in Book 391, Page 547, Shelby County, Alabama; and Amendment to Memorandum of Lease dated November 14, 1989, in Book 128, Page 953, Bibb County, Alabama, and Second Amendment to Memorandum of Lease dated October 21, 1991 in Deed Book 133, Page 839, Bibb County, Alabama

Coalbed Methane Gas Lease dated June 1, 1989, between Southern Electric Generating Company, as Lessor, and McKenzie Methane Corporation, as Lessee, recorded by a Memorandum of Lease dated June 1, 1989, in Book 254, Page 559 in the Office of the Judge of Probate of Shelby County, Alabama; and recorded by a Memorandum of Lease dated June 1, 1989, in Book 128, Page 116 in the Office of the Judge of Probate of Bibb County, Alabama

Coalbed Methane Gas Lease dated June 1, 1989, between Southern Electric Generating Company and Kimberly-Clark Corporation, as Lessor, and McKenzie Methane Corporation, as Lessee, recorded by a Memorandum of Lease dated June 1, 1989, in Book 254, Page 568 in the Office of the Judge of Probate of Shelby County, Alabama; and recorded by a Memorandum of Lease dated June 1, 1989, in Book 128, Page 106 in the Office of the Judge of Probate of Bibb County, Alabama

Coalbed Methane Gas Lease dated June 1, 1989, between Kimberly-Clark Corporation, as Lessor, and McKenzie Methane Corporation, as Lessee, recorded by a Memorandum of Lease dated June 1, 1989, in Book 254, Page 554, in the Office of the Judge of Probate of Shelby County, Alabama; and recorded by a Memorandum of Lease dated June 1, 1989 in Book 128, Page 125 in the Office of the Judge of Probate of Bibb County, Alabama

**EXHIBIT A**

**PART 2**

1. Partial Assignment from MCKENZIE METHANE CORPORATION to SG METHANE COMPANY and SMITH-GORDY METHANE COMPANY dated August 1, 1991, recorded in Book 374, Page 877, Probate Records of Shelby County, Alabama.
2. Partial Assignment from MCKENZIE METHANE CORPORATION to SG METHANE COMPANY and SMITH-GORDY METHANE COMPANY dated August 1, 1991, recorded in Book 374, Page 881, Probate Records of Shelby County, Alabama.
3. Partial Assignment from MCKENZIE METHANE CORPORATION to SG METHANE COMPANY and SMITH-GORDY METHANE COMPANY dated August 1, 1991, recorded in Deed Book 133, Page 214, Probate Records of Bibb County, Alabama.
4. Partial Assignment from MCKENZIE METHANE CORPORATION to SG METHANE COMPANY and SMITH-GORDY METHANE COMPANY dated August 1, 1991, recorded in Deed Book 133, Page 250, Probate Records of Bibb County, Alabama.

RRY\BISHOP\CONVEY\CAHXKICV.REV



EXHIBIT A - PART 3  
CAHABA EXTENSION AREA  
WELL GROUP V

WELL NO.	WELL NAME	STATE ID NO.	LEGAL DESCRIPTION	COUNTY	STATE
AL006-0011	USX 15-2-#11	9436-C	NW/4 OF NE/4 OF SECTION 15 TOWNSHIP 21 SOUTH, RANGE 4 WEST	SHELBY	AL
AL006-0163	USX 20-8-#163	9302-C	SE/4 OF NE/4 OF SECTION 20 TOWNSHIP 21 SOUTH, RANGE 4 WEST	SHELBY	AL
AL006-0467	KC 12-6-#467	8092-C	SE/4 OF NW/4 OF SECTION 12 TOWNSHIP 22 SOUTH, RANGE 5 WEST	BIBB	AL
AL006-0485	SEGCO 1-16-#485	8290-C	SE/4 OF SE/4 OF SECTION 1 TOWNSHIP 22 SOUTH, RANGE 5 WEST	BIBB	AL
AL006-0608	USX 19-16-#608	9796-C	SE/4 OF SE/4 OF SECTION 19 TOWNSHIP 21 SOUTH, RANGE 4 WEST	SHELBY	AL
AL006-0612	USX 2-9-#612	9619-C	NE/4 OF SE/4 OF SECTION 2 TOWNSHIP 21 SOUTH, RANGE 4 WEST	SHELBY	AL
AL006-0624	USX 29-14-#624	9734-C	SE/4 OF SW/4 OF SECTION 29 TOWNSHIP 21 SOUTH, RANGE 4 WEST	SHELBY	AL
AL006-0628	USX 30-6-#628	9791-C	SE/4 OF NW/4 OF SECTION 30 TOWNSHIP 21 SOUTH, RANGE 4 WEST	SHELBY	AL
AL006-0629	KC/SEGCO 30-8-#629	9622-C	SE/4 OF NE/4 OF SECTION 30 TOWNSHIP 21 SOUTH, RANGE 4 WEST	SHELBY	AL
AL006-0631	KC/SEGCO 31-2-#631	9628-C	NW/4 OF NE/4 OF SECTION 31 TOWNSHIP 21 SOUTH, RANGE 3 WEST	SHELBY	AL
AL006-0636	KC/SEGCO 31-6-#636	9629-C	SE/4 OF NW/4 OF SECTION 31 TOWNSHIP 21 SOUTH, RANGE 4 WEST	SHELBY	AL
AL006-0655	USX 29-4-#655	9739-C	NW/4 OF NW/4 OF SECTION 29 TOWNSHIP 21 SOUTH, RANGE 4 WEST	SHELBY	AL
AL006-0661	USX 30-2-#661	9800-C	NW/4 OF NE/4 OF SECTION 30 TOWNSHIP 21 SOUTH, RANGE 4 WEST	SHELBY	AL

SMITH-GORDY AGREEMENTS

Development Agreement by and between McKenzie Methane Corporation and Smith-Gordy Methane Company (Kamehameha Investment Corporation), Effective as of March 17, 1989, Dated May 4, 1989

Memorandum of Development Agreement and Financing Statement by and between McKenzie Methane Corporation and Smith-Gordy Methane Company (Kamehameha Investment Corporation), Effective as of March 17, 1989, Dated May 4, 1989

Recording Information

1. La Plata County, Colorado  
Reception #578249  
May 17, 1989
2. Shelby County, Alabama  
Book 239, Page 699  
May 23, 1989
3. Jefferson County, Alabama  
Real 748, Page 332  
June 14, 1989
4. Tuscaloosa, Alabama  
Deed Book 1016, Page 0190  
July 17, 1989

First Amendment to Development Agreement, Effective as of March 17, 1989, Dated September 5, 1989

Second Amendment to Development Agreement, Effective as of March 17, 1989, Dated November 3, 1989

Third Amendment to Development Agreement, Effective as of March 17, 1989, Dated August 7, 1990

Amended by Letter Agreement dated August 14, 1990 from Participant and others addressed to and accepted by McKenzie

Fourth Amendment to Development Agreement, Effective for all purposes as of the commencement of the third Subsequent Program, Dated November 7, 1990

Fifth Amendment to Development Agreement, Effective as of March 17, 1989, Dated January 17, 1991

Participation Agreement by and between Smith-Gordy Methane Company and Kamehameha Investment Corporation, Effective as of the

commencement of the third Subsequent Program, Dated November 19, 1990

Memorandum of Participation Agreement and Financing Statement by and between Smith-Gordy Methane Company and Kamehameha Investment Corporation, Effective as of the commencement of the third Subsequent Program, Dated November 12, 1991

Recording Information

1. Bibb County, Alabama  
Deed Book 133, Page 172  
November 26, 1991
2. Shelby County, Alabama  
Book 374, Page 818  
November 26, 1991
3. Tuscaloosa County, Alabama  
Deed Book 1111, Page 0654  
February 11, 1992

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