

ASSIGNMENT, BILL OF SALE AND CONVEYANCE
(KUKUI)

THE STATE OF ALABAMA §
 § KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF SHELBY §

This Assignment, Bill of Sale and Conveyance (this "Assignment") is executed by MCKENZIE METHANE CORPORATION, a Texas corporation, Debtor under Chapter 11 of the United States Bankruptcy Code, Case No. 94-42758-H2-11 (the "Bankruptcy Proceeding"), in the United States Bankruptcy Court in the Southern District of Texas, Houston Division, whose address is 711 Louisiana, Suite 1300, Houston, Texas 77002, acting by and through ROBERT E. OGLE, Trustee in Bankruptcy of the Estate of McKenzie Methane Corporation (herein called "Assignor", whether one or more), to KUKUI, INC., a Texas corporation, whose address is 2801 Post Oak Blvd., Suite 250, Houston, Texas 77056 (herein called "Assignee"), dated effective as of 7:00 a.m., local time, on August 29, 1995, said time to be determined for each locality in which the Lands (hereinafter defined) are located in accordance with the time generally observed in said locality (said hour and day hereinafter called the "Effective Date").

This conveyance is being made pursuant to Section 7.2(a) of the Liquidating Plan of Reorganization of KUKUI, INC. for McKenzie Methane Corporation (the "Plan").

For and in consideration of the sum of ONE HUNDRED DOLLARS (\$100.00), and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Assignor hereby TRANSFERS, BARGAINS, GRANTS, CONVEYS and ASSIGNS to Assignee all of Assignor's right, title and interest in and to all of the following:

1. The leases, licenses, permits, mineral, warranty or royalty deeds and other agreements (and all amendments, revisions, ratifications or corrections thereof) described in Exhibit "A" attached hereto and made a part hereof (herein called the "Subject Leases"), insofar as the Subject Leases cover and relate to the lands described in said Exhibit "A" (herein called the "Lands"), together with all the property and rights incident thereto;

2. All rights in, to, and under all valid and subsisting agreements, joint operating agreements, pooling and unitization agreements, product purchase and sale contracts, leases, permits, rights-of-way, easements, licenses, farmouts, development and drilling agreements, settlement agreements, drilling or service contracts, options, orders and any other agreements, contracts, commitments or other arrangements, whether in writing or oral, express or implied (i) in any way relating to the Subject Leases insofar as they cover the Lands or

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(ii) in any way relating to the production, storage, treatment, transportation, processing, sale or disposal of hydrocarbons, water or other minerals or substances produced therefrom, or (iii) in any way relating to the Assignor's ownership and/or acquisition of its interests in the Subject Leases insofar as they cover the Lands (all of which agreements are herein called the "Agreements", and provided that the "Agreements" do not include, and there are excepted therefrom, any agreements or executory contracts that have not been expressly assumed by Assignor pursuant to the Plan. Assignee does hereby agree to assume and be subject to its proportionate share of all obligations under such Agreements attributable to the Subject Interests which are identified on Exhibit "B" attached hereto and incorporated herein, to the extent such accrue or arise after the Effective Date, and provided that Assignee does not assume or agree to assume any obligations or liabilities of Assignor to Assignee under or pursuant to or in connection with any of the Agreements;

3. All of the personal property, fixtures and improvements now or as of the Effective Date on the Lands which are used or designed for use in connection with the Subject Leases, or with the production, storage, treatment, transportation, processing, sale or disposal of hydrocarbons, water or other minerals or substances produced from or attributable to the Subject Leases (other than any interest of Assignor in the Plantation Pipeline, which is being assigned and transferred to Mission Energy Methane Company on even date herewith pursuant to that certain Assignment, Bill of Sale and Conveyance (Mission--Plantation Pipeline));

4. All other interests, if any, owned by Assignor in and to the Lands, or the Subject Leases insofar as they relate to the Lands, including without limitation, all leasehold working interests, mineral or royalty interests, overriding royalty interests, net profits interests, production payments and any other economic interests owned by Assignor in the production of hydrocarbons or other substances from the Lands, whether presently effective or hereafter becoming effective;

5. All lease files, land files, well files, gas and oil sales contract files, gas processing files, division order files, abstracts, title opinions, and all other books, files, records, information and data including engineering and geological data and geophysical data and interpretations thereof insofar only as such files and other materials and data pertain to the Subject Leases insofar as they cover the Lands or the other properties or interests included in the Subject Interests;

6. All rights of Assignor and/or Robert E. Ogle, the Chapter 11 Trustee (acting as a representative of Assignor's estate appointed under Section 1123(b)(3)(B) of the Bankruptcy Code) to avoid, and obtain the full benefits of avoidance of, any claims, liens, interest, charges and other encumbrances of any kind or nature against the working interest or other assets previously owned or acquired hereunder by the Assignee (except for Recording Working Interests, Allowed Unrecorded Working Interests electing treatment under Section 6.10(a), (b) or (c) of the Plan, and working interests included among the interests listed on Exhibit "E" to the Plan) and to preserve and defend title to such interests. Capitalized terms used in this paragraph shall have the same meanings as ascribed to such terms in the Plan; and

7. To the extent transferable, the benefit of and the right to enforce the covenants and warranties, if any, which Assignor is entitled to enforce with respect to any of the properties hereby conveyed against Assignor's predecessors in title to any of such properties, and against any party or parties to the Agreements (all of the properties and interests hereby assigned are sometimes herein collectively referred to as the "Subject Interests").

It is expressly stipulated and provided, however, that the Subject Interests do not include and that there are excepted from this Assignment the undivided interests in and to certain of the Subject Leases and Lands and other properties described above which have been assigned by Assignor to (i) Mission Energy Methane Company by an "ASSIGNMENT, BILL OF SALE AND CONVEYANCE ("Mission"), dated of even date with this Assignment and made effective as of the Effective Date of this Assignment, or to (ii) the "Working Interest Owners", the "Unsecured Creditors Trust" and KUKUI, INC. by an "ASSIGNMENT, BILL OF SALE AND CONVEYANCE (5/8ths-3/8ths)" dated of even date with this Assignment and made effective as of the Effective Date of this Assignment.

The conveyance made hereunder shall be subject to the terms and conditions of each of the Subject Leases and to all of the terms and conditions of all valid and binding existing Agreements between Assignor and third parties to the extent, and only to the extent, that such Agreements are valid, subsisting and effective with respect to the Subject Interests. The delivery of this Assignment shall not affect, enlarge, diminish or otherwise impair any of the rights and obligations of the terms and conditions of said Agreements, and all such rights and obligations (to the extent such obligations are assumed hereby) shall survive the delivery of this Assignment.

This conveyance is subject to the amended Operating Agreement covering the Subject Interests provided for in Section 7.14 of the Plan, in the form which is being executed by Assignee as a Non-Operator incident to the execution and delivery of this conveyance.

Unless provided otherwise, all recording references in Exhibit "A" are to the official real property records of the county and state in which the Lands are located.

TO HAVE AND TO HOLD the Subject Interests unto Assignee, its successors and assigns forever; and Assignor does hereby bind and obligate itself and its successors and assigns to Warrant and Forever defend all and singular title to the Subject Interests unto the Assignee, its successors and assigns, against every person or entity whomsoever claiming or to claim the same or any portion thereof by, through or under Assignor, but not otherwise, subject to any valid, subsisting royalties, overriding royalties and other burdens upon the Subject Interests lawfully shown of record in the county and state in which the Lands are located, and to the Agreements to which this Assignment is expressly made subject, but with full subrogation and substitution in and to all covenants and warranties by others heretofore given or made with respect to the Subject Leases, or any part thereof.

Assignor covenants and agrees to execute and deliver to Assignee all such other and additional instruments and documents, and do all such other acts and things as may be necessary to more fully assure to Assignee or its respective successors or assigns, all of its rights, titles and interests in and to the respective properties, rights and interests constituting the Subject Interests herein granted.


This Assignment and all the provisions hereof shall inure to the benefit of and be binding upon the respective heirs, successors, legal representatives and assigns of Assignor and Assignee. All references herein to either Assignor or Assignee shall include their respective heirs, successors, legal representatives and assigns.

The conveyances made hereunder are being made pursuant to the terms of that certain Order in Aid of Implementation of Confirmed Liquidating Plan of Reorganization of KUKUI, INC. for McKenzie Methane Corporation (the "Implementing Order"), dated August 24, 1995, a true and correct copy of which is being filed in the same records as this Assignment on even date or near even date herewith, to which reference is made for all purposes.

Executed effective as of the Effective Date, although signed and delivered on the date or dates of the respective acknowledgements set forth below.


ASSIGNOR:

MCKENZIE METHANE CORPORATION

By: 
Robert E. Ogle, Trustee in Bankruptcy for
MCKENZIE METHANE
CORPORATION, a Texas Corporation,
Debtor under Chapter 11 of the United
States Bankruptcy Code, Case
No. 94-42758-H2-11, in the United States
Bankruptcy Court for the Southern District
of Texas, Houston Division

ASSIGNEE:

KUKUI, INC

By: 
Louis A. Kau
President

Prepared by:

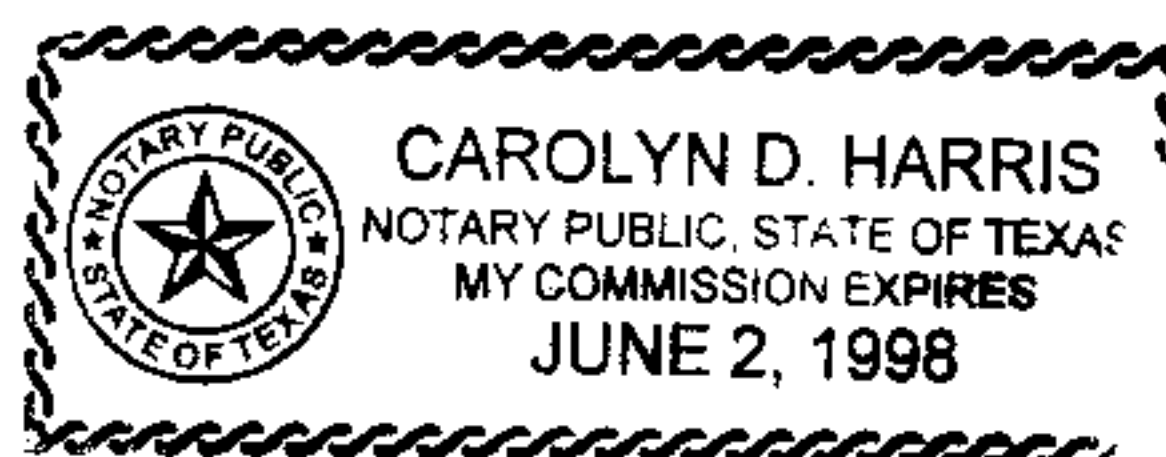
Mark F. Kirschke
Weil, Gotshal & Manges
700 Louisiana, Suite 1600
Houston, TX 77002-2784

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me this 25th day of August, 1995, by Robert E. Ogle, Trustee in bankruptcy for MCKENZIE METHANE CORPORATION, a Texas corporation, Debtor under Chapter 11 of the United States Bankruptcy Code, Case No. 94-42758-H2-11, in the United States Bankruptcy Court for the Southern District of Texas, Houston Division, on behalf of such corporation.

Carolyn D. Harris
Notary Public in and for the State of Texas

SEAL:



THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me this 25 day of August, 1995, by Louis A. Kau, President of KUKUI, INC., a Texas corporation, on behalf of such corporation.

Valerie Garza
Notary Public in and for the State of Texas

SEAL:

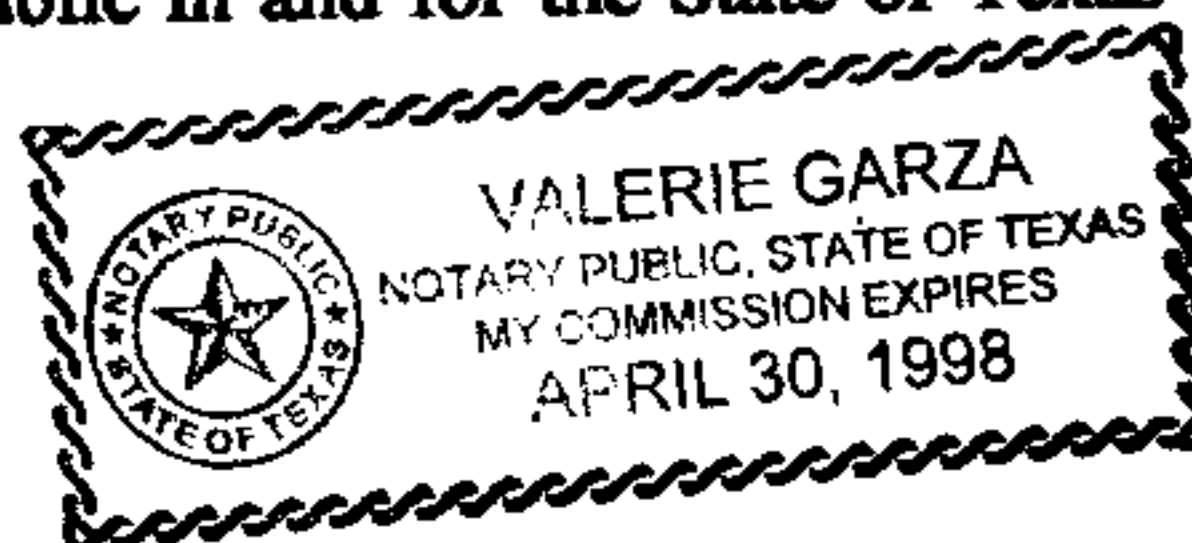


Exhibit "A"
ASSIGNMENT, BILL OF SALE AND CONVEYANCE
(KUKUI)

Shelby County, Alabama

(38)

I: An undivided 23.6628% interest in and to the following Subject Lease, located in Township 21S, R4W, Shelby County, Alabama:

Coal Seam Gas Agreement and Option dated September 30, 1988, between USX Corporation, as Lessee, recorded by a Memorandum of Lease dated November 30, 1988, in Book 222, Page 386, Shelby County, Alabama, and 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, as recorded in Book 391, Page 547, Shelby County, Alabama.

INSOFAR AND ONLY INSOFAR as the acreage covered by the above lease is included in the tracts and units described as follows:

TRACT 1 -	Section 15: NE/SW, comprising lands of the <u>USX 15-11-001 Unit</u>
TRACT 2 -	Section 15: SW/NE, comprising lands of the <u>USX 15-07-002 Unit</u>
TRACT 3 -	Section 15: SE/NE, comprising lands of the <u>USX 15-08-004 Unit</u>
TRACT 4 -	Section 15: NW/SE, comprising lands of the <u>USX 15-10-006 Unit</u>
TRACT 5 -	Section 15: SE/SE, comprising lands of the <u>USX 15-16-008 Unit</u>

Exhibit "A"
ASSIGNMENT, BILL OF SALE AND CONVEYANCE
(KUKU)

Shelby County, Alabama

(38)

- I. An undivided 21.181812% interest in and to the following described Subject Lease, located in **Shelby County, Alabama**.

Coal Seam Gas Agreement and Option dated September 30, 1988, between USX Corporation, as Lessor, and McKenzie Methane Corporation, as Lessee recorded by an Amendment to Memorandum of Lease dated November 14, 1989, in Book 128, Page 953, Bibb County, Alabama.

INSOFAR AND ONLY INSOFAR as the acreage described in the above lease is included in the tracts described below.

Township 21-South, Range 4-West:

Section 10: SE/SW, comprising lands of the **USX 10-14-035 Unit**.

Section 15: NW/NW, comprising lands of the **USX 15-4-12 Unit**

EXHIBIT "B"

to Assignment, Bill of Sale and Conveyance
in Shelby County, Alabama

I. Assumed Agreements

I. CAHABA PROSPECT - SHELBY AND BIBB COUNTIES, ALABAMA

(MMC Register No.)	Description of Contract	Assignee
0102 013	Road, Powerline and Pipeline Easements - Champion International Corporation and McKenzie Methane Corporation dated 4-23-90; 965, 1665	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan
0102 013	Declaration of Easement Agreement - Champion International Corporation and McKenzie Methane Corporation dated 10-19-90; 1665	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan
0102 013	Stipulation of Interest dated 3-19-92 between USX and SEGCO (73.24 acres)	Assignment not necessary
0102 700	Gas Measurement Facilities Agreement - Southern Natural Gas and McKenzie Methane Corporation dated 6-9-89	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan
0102 801	License Agreement between Southern Railway Company and McKenzie Methane Corporation for construction and maintenance of gas pipeline dated 3-20-89	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan
0102 803	License Agreement - Southern Railway Company and McKenzie Methane Corporation for construction and maintenance of aerial wire line dated 4-11-89	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan
0102 805	Surface Use Agreement - Kimberly-Clark Corporation and McKenzie Methane Corporation dated 6-1-89	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan

0102	806	Power Line Use License Agreement - USX Corporation and McKenzie Methane Corporation dated 3-8-89	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan
0102	807	Right-of-way Agreement - Plantation Pipeline Company and McKenzie Methane Corporation dated 6-26-89	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan
0102	808	Right-of-way Agreement - Betty M. Henderson, et al. and McKenzie Methane Corporation dated 7-11-89	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan
0102	810	Right-of-way Agreement - John F. Shepherd, et ux and McKenzie Methane Corporation dated 8-29-89	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan
0102	813	Right-of-way Agreement for Abandoned Railroad between CSX Realty and McKenzie Methane Corporation dated 9-6-89	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan
0102	814	Right-of-way Agreement - Fred Bunn Estate, et al. and McKenzie Methane Corporation dated 9-24-89	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan
0102	816	Right-of-way Agreement - Crow Land Company, Inc., Et al. and McKenzie Methane Corporation dated 9-28-89	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan
0102	817	Right-of-way Agreement - Gordon Edwin Fancher and McKenzie Methane Corporation dated 11-18-89	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan
0102	818	Right-of-way Agreement - Hattie M. Crenshaw, et al. and McKenzie Methane Corporation dated 11-12-89	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan
0102	820	Right-of-way Agreement - O.G. Eddings and McKenzie Methane Corporation dated 3-2-90	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan

0102	822	Right-of-way Agreement - Roy R. Holsomback, et ux and McKenzie Methane Corporation dated 4-6-90	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan
0102	825	Right-of-way Agreement - Colonial Pipeline Company and McKenzie Methane Corporation dated 5-31-89	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan
0102	827	License Agreement - Southern Railway Company and McKenzie Methane Corporation dated 10-24-89	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan
0102	828	Right-of-way Agreement - Southern Railway Company and McKenzie Methane Corporation dated 3-2-90	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan
0102	829	Surface Use Agreement - University of Alabama and McKenzie Methane Corporation dated 5-21-90	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan
0102	833	Right-of-way Agreement - USX Corporation and McKenzie Methane Corporation dated 10-5-90	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan
0102	834	Right-of-way Agreement - Shelby County Commission and McKenzie Methane Corporation dated 9-10-90	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan
0102	835	Surface Lease - USX Corporation to McKenzie Methane Corporation dated 8-5-91, effective 9-1-91	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan
0102	836	Right-of-way Agreement - Alabama Power Company and McKenzie Methane Corporation dated 1-24-91	KUKUI, Northwestern, JGI, HAK I-V, LLC's, and Mission on "Pro Rata" basis pursuant to § 6.8(d) of Plan

2. Assumed Unexpired Leases

I. CAHABA PROSPECT - SHELBY AND BIBB COUNTIES, ALABAMA

(MMC Register No.)	Description of Contract	Assignee
0102 001	USX Corporation (Assumption subject to terms of Stipulation and Order With Respect to Disposition of Leases of USX Corporation Under Liquidating Plan of Reorganization of KUKUI, INC. for McKenzie Methane Corporation)	If assumed, KUKUI, Northwestern, JGI, HAK I-V, and LLC's, on "Pro Rata" basis pursuant to § 6.8(d) of Plan (but to KUKUI only as to portions acquired by KUKUI pursuant to § 7.2 of Plan); and other owners of working interests acquired pursuant to Plan in proportion to their working interests
0102 013	SESCO/Kimberly-Clark Corporation (Assumption subject to terms of Stipulation and Order With Respect to Disposition of Leases of Kimberly-Clark Corporation and Southern Electric Generating Company Under Liquidating Plan of Reorganization of KUKUI, INC. for McKenzie Methane Corporation)	If assumed, KUKUI, Northwestern, JGI, HAK I-V, and LLC's "Pro Rata" basis pursuant to § 6.8(d) of Plan (but to KUKUI only as to portions acquired by KUKUI pursuant to § 7.2 of Plan); and other owners of working interests acquired pursuant to Plan in proportion to their working interests
0102 014	SESCO (Assumption subject to terms of Stipulation and Order With Respect to Disposition of Leases of Kimberly-Clark Corporation and Southern Electric Generating Company Under Liquidating Plan of Reorganization of KUKUI, INC. for McKenzie Methane Corporation)	If assumed, KUKUI, Northwestern, JGI, HAK I-V, and LLC's on "Pro Rata" basis pursuant to § 6.8(d) of Plan (but to KUKUI only as to portions acquired by KUKUI pursuant to § 7.2 of Plan); and other owners of working interests acquired pursuant to Plan in proportion to their working interests
0102 016	Kimberly-Clark Corporation (Assumption subject to terms of Stipulation and Order With Respect to Disposition of Leases of Kimberly-Clark Corporation and Southern Electric Generating Company Under Liquidating Plan of Reorganization of KUKUI, INC. for McKenzie Methane Corporation)	If assumed, KUKUI, Northwestern, JGI, HAK I-V, and LLC's on "Pro Rata" basis pursuant to § 6.8(d) of Plan (but to KUKUI only as to portions acquired by KUKUI pursuant to § 7.2 of Plan); and other owners of working interests acquired pursuant to Plan in proportion to their working interests

If, as, and to the extent that any of the foregoing affect, burden or benefit the owner of a working interest in a Well.

KUKUI	-	KUKUI, INC.
Northwestern	-	The Northwestern Mutual Life Insurance Company
JGI	-	JGI Resources, Inc.
HAK I-V, LLC'S	-	HAK I, L.C., HAK III, L.C., and HAK V, L.C.
Mission	-	Mission Energy Methane Company

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