

ASSIGNMENT, BILL OF SALE AND CONVEYANCE

(Ad Hoc 5/8ths--3/8ths)

THE STATE OF ALABAMA

COUNTY OF SHELBY

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§
§

KNOW ALL MEN BY THESE PRESENTS:

This Assignment, Bill of Sale and Conveyance (this "Assignment") contains two (2) sets of conveyances, the first from Dewey H. Lane, M.D., L&L Investments, Ltd., and Sue B. Lane Family Trust (collectively, the "Working Interest Owners", whether one or more) to 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 (the "Bankruptcy Court"), 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 ("McKenzie"), and the second from McKenzie to the Working Interest Owners, and the Unsecured Creditors Trust, the trust created by and existing pursuant to the Liquidating Trust Agreement of McKenzie Methane Corporation, dated August 29, 1995, by and among Robert E. Ogle, as Trustee of McKenzie Methane Corporation, Jon P. Trevelise, Trustee, for the benefit of the respective beneficiaries entitled to the Trust Assets (the "Unsecured Creditors Trust"), which is being established pursuant to Section 7.10 of the Plan (as hereinafter defined). The first conveyance is dated effective as of 6:59 a.m. and the second conveyance is dated effective as of 7:00 a.m., both 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").

WHEREAS, the Working Interest Owners were allegedly granted a "working", leasehold or other interest in the Subject Interests (as hereinafter defined) which was not properly recorded in the appropriate public records prior to April 20, 1994, the date of the filing of McKenzie's chapter 11 bankruptcy case;

WHEREAS, pursuant to Section 6.10 of the Liquidating Plan of Reorganization of KUKUI, INC. for McKenzie Methane Corporation (the "Plan"), each Working Interest Owner was required to make an election on the ballot accompanying the Plan, in full satisfaction and discharge of its claims and in complete compromise of all issues relating to the validity and enforceability of its alleged working interests, either to (i) surrender an undivided

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3/8ths (37.5%) of such alleged working interest to the Unsecured Creditors Trust and retain an undivided 5/8ths (62.5%) of such alleged working interest ("Alternative A"); (ii) surrender an undivided 3/8ths (37.5%) of such alleged working interest to the Unsecured Creditors Trust, and retain 5/8ths (62.5%) of such alleged working interest, but to sell such an undivided 5/8ths retained working interest to KUKUI, INC., a Texas corporation, for the cash payments more particularly described on Exhibit "K" to the Plan ("Alternative B"); (iii) surrender 8/8ths (100%) of such alleged working interest to the Unsecured Creditors Trust and be treated as an Allowed Unsecured Creditor under Section 6.9 of the Plan ("Alternative C"); or (iv) seek a judicial determination of all issues relating to the validity and enforceability of such alleged working interest and (a) be treated as the holder of a Recorded Working Interest if such working interest is determined by Final Order of the Bankruptcy Court to be valid and enforceable or (b) to forfeit 8/8ths of such holder's working interest and be treated as the holder of a General Unsecured Claim if such alleged working interest is determined by Final Order of the Bankruptcy Court to be invalid and unenforceable ("Alternative D");

WHEREAS, the Working Interest Owners elected pursuant to Alternative A to surrender 3/8ths (37.5%) of their alleged working interest to the Unsecured Creditors Trust and retain 5/8ths (62.5%) of their alleged working interest pursuant to the ballots they cast under the Plan or, pursuant to Section 6.10 of the Plan, if such owner of an alleged working interest failed to cast a ballot, or cast a ballot but declined to mark the ballot to make a treatment election, such holder is deemed to have elected Alternative A;

WHEREAS, on August 24, 1995, the Bankruptcy Court entered that certain Order in Aid of Implementation of Confirmed Liquidating Plan of Reorganization of KUKUI, INC. for McKenzie Methane Corporation, a true and correct copy of which has previously been recorded in the same records as this Assignment, to which reference is made for all purposes (the "Implementing Order"); and

WHEREAS, it is the intention of this Assignment for each of the Working Interest Owners, as assignors, to convey to McKenzie all of its right, title and interest in and to the Subject Interests, and after giving effect to such conveyance it is the intention of McKenzie then with respect to the Working Interest Owners who elected Alternative A (the "Alternative A Working Interest Owners"), to convey to said respective Alternative A Working Interest Owners an undivided 5/8ths of the undivided "Assigned Interest" of each particular Alternative A Working Interest Owner set out in Exhibits "A-1" through "A-3" attached hereto and incorporated herein (hereinafter collectively referred to as "Exhibit A") in and to those particular well(s) and Leases (as below defined) described in Exhibit "A" insofar as such Leases cover the particular Lands described in Exhibit "A" as to which such Alternative A Working Interest Owner is shown to have an "Assigned Interest" in said Exhibit "A" (all of

the undivided Assigned Interests of all of the Alternative A Working Interest Owners in and to the wells and Leases described in Exhibit "A" insofar as said Leases cover the Lands described in Exhibit "A" being herein collectively called the "Alternative A Subject Interests"), and to convey to the Unsecured Creditors Trust an undivided 3/8ths of the Alternative A Subject Interests; and

WHEREAS, as used herein the following terms shall have the following meanings:

- (a) As to each Alternative A Working Interest Owner, the term "Applicable Interest" shall mean an undivided percentage interest equal to 5/8ths (62.5%) of the "Assigned Interest" of said Alternative A Working Interest Owner shown in Exhibit "A" in and to the respective "Applicable Properties" of such Alternative A Working Interest Owner as below defined.
- (b) As to each Alternative A Working Interest Owner, the term "Applicable Properties" shall mean those well(s) and Leases (as below defined) described in Exhibit "A", insofar as said Leases cover the particular Lands described in Exhibit "A", as to which such Alternative A Working Interest Owner is shown to have an "Assigned Interest" in Exhibit "A"; together with the Applicable Interest of such Alternative A Working Interest Owner in and to all equipment and facilities in and on such respective well(s) used in connection with the operation of such wells and the production of coal seam methane gas therefrom.
- (c) The term "Alternative A Properties" shall mean the Alternative A Subject Interests; together with undivided interests corresponding to the Assigned Interests of all the Alternative A Working Interest Owners shown in Exhibit "A" in and to all equipment and facilities in and on the respective wells described in Exhibit "A" used in connection with the operation of such wells and the production of coal seam methane gas therefrom.
- (d) The term "Subject Interests" shall mean the Alternative A Properties.
- (e) The term "Leases" shall mean, as appropriate in the context, any one or more or all of the oil and gas leases, coal seam methane gas leases or

other agreements (and all amendments, revisions, ratifications or corrections thereof) described in any of Exhibit "A" attached hereto.

- (f) The term "Lands" shall mean, as appropriate in the context, any part or parts or all of the lands described in any of Exhibit "A" attached hereto.
- (g) The term "Agreements" shall mean 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 Leases, or (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 its ownership and/or acquisition of or claim to its interests in the Leases (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 McKenzie pursuant to the Plan.

A. Assignments from Working Interest Owners to McKenzie

NOW, THEREFORE, 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, each of the Working Interest Owners does hereby TRANSFER, BARGAIN, GRANT, CONVEY and ASSIGN to McKenzie the following.

1. All of the right, title and interest of the respective Working Interest Owners in and to the Subject Interests and Agreements; and
2. To the extent transferable, the benefit of and the right to enforce the covenants and warranties, if any, which the respective Working Interest Owners are entitled to enforce with respect to the Subject Interests in any of the properties hereby conveyed against their predecessors in title to any of such properties, and against any party or parties to the Agreements.

The conveyances made hereunder shall be subject to the terms and conditions of each of the Leases and the Agreements. 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 the Agreements, and all such rights and obligations shall survive the delivery of this Assignment.

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 all of the Working Interest Owners' right, title and interest in and to the Subject Interests unto McKenzie, its successors and assigns forever, 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, without any warranties of title, but with full subrogation and substitution to all covenants and warranties by others heretofore given or made with respect to the Leases, or any part thereof, or Subject Interests therein.

B. Assignments from McKenzie to the Working Interest Owners and the Unsecured Creditors Trust

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, McKenzie hereby TRANSFERS, BARGAINS, GRANTS, CONVEYS and ASSIGNS:

1. to each Alternative A Working Interest Owner the Applicable Interest of such Alternative A Working Interest Owner in and to the Applicable Properties of such Alternative A Working Interest Owner, together with an interest corresponding to such Applicable Interest in and to those Agreements which are applicable to said Applicable Properties; and
2. to the Unsecured Creditors Trust an undivided 3/8ths (37.5%) interest in and to the Alternative A Properties, together with a corresponding undivided interest in and to the Agreements which are applicable to said Alternative A Properties.

The conveyances made hereunder shall be subject to the terms and conditions of each of the Leases and the Agreements. The delivery of this Assignment shall not affect,

enlarge, diminish or otherwise impair any of the rights and obligations of McKenzie under the foregoing terms and conditions of the Agreements, and all such rights and obligations shall survive the delivery of this Assignment. Each of the Alternative A Working Interest Owners and the Unsecured Creditors Trust, respectively, hereby agrees to assume and be subject to its applicable proportionate share, if any, of all obligations and liabilities arising or incurred after the Effective Date under the Agreements described in Exhibit "B" attached hereto and incorporated herein which are applicable as to the interests in the respective properties described above which are hereby conveyed to them.

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 KUKUI, INC., et al., as Non-Operators, and each of the Alternative A Working Interest Owners and the Unsecured Creditors Trust, respectively, hereby agrees to assume and be subject to its applicable proportionate share, if any, of all obligations and liabilities arising or incurred after the Effective Date under the Operating Agreements which are applicable as to the interests in the respective properties described above which are hereby conveyed to them.

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.

The Alternative A Working Interest Owners and the Unsecured Creditors Trust are hereinafter sometimes collectively and severally called "Assignees."

TO HAVE AND TO HOLD the interests in the respective Subject Interests hereinabove assigned to the respective Assignees unto the respective Assignees, their respective heirs, legal representatives, successors and assigns forever; and McKenzie does hereby bind and obligate itself and its successors and assigns to Warrant and Forever defend all and singular title to the interests in the respective Subject Interests hereinabove assigned to the respective Assignees unto the respective Assignees, their respective successors and assigns, against every person or entity whomsoever claiming or to claim the same or any portion thereof by, through or under McKenzie, but not otherwise, subject to any valid, subsisting royalties, overriding royalties and other burdens upon the interests in the respective Subject Interests hereinabove assigned to the respective Assignees 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 to all covenants and warranties by others heretofore given or made with respect to the interests in the respective Subject Interests hereinabove assigned to the respective Assignees or any part thereof.

McKenzie covenants and agrees to execute and deliver to the Working Interest Owners and the Unsecured Creditors Trust all such other additional instruments and documents, and do all such other acts and things as may be necessary to more fully assure to the Working Interest Owners and the Unsecured Creditors Trust and their respective heirs, legal representatives, successors or assigns, all of their rights 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 McKenzie, the Working Interest Owners and the Unsecured Creditors Trust.

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

**ASSIGNORS AS TO THE FIRST
CONVEYANCE HEREUNDER**

Dewey H. Lane, M.D.
Dewey H. Lane, M.D.

L&L Investments, Ltd.

By: Dewey H. Lane
Name: Dewey H. Lane
Title: Managing Gen. Partner

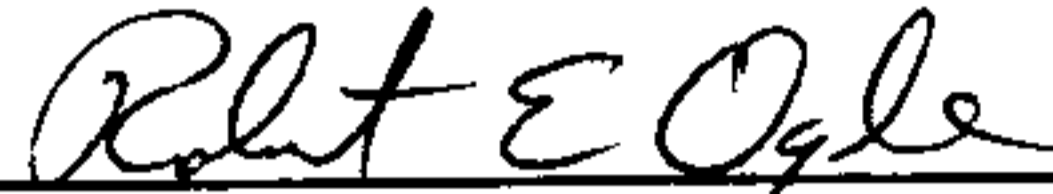
Sue B. Lane Family Trust

By: Sue B. Lane
Name: Sue B. Lane
Title: Trustee

ASSIGNOR AS TO THE SECOND
CONVEYANCE HEREUNDER

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

THE STATE OF Mississippi

COUNTY OF Jackson

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BEFORE ME, the undersigned authority, on this day personally appeared Dewey H. Lane, M.D., known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that the same was executed for the purposes and consideration therein expressed.

Given under my hand and seal of office on the 21 day of December, 1995.

SEAL:

Sally G. Farris
Notary Public in and for
the State of Mississippi

Printed Name of Notary:

SALLY G. FARRIS

My Commission Expires: 10-29-99

THE STATE OF Mississippi §
COUNTY OF Jackson §

BEFORE ME, the undersigned authority, on this day personally appeared Deurey H. Lane, mang. partner of L&L Investments, Ltd., known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that the same was executed for the purposes and consideration therein expressed, and in the capacity therein expressed.

Given under my hand and seal of office on the 21 day of December, 1995.

SEAL:

Sally G. Farris
Notary Public in and for
the State of Mississippi

Printed Name of Notary:

SALLY G. FARRIS

My Commission Expires: 10-29-99

THE STATE OF LOUISIANA

COUNTY OF Jefferson

§
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§

BEFORE ME, the undersigned authority, on this day personally appeared S. Wesley Lane, Trustee of The Sue B. Lane Family Trust, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that the same was executed for the purposes and consideration therein expressed, and in the capacity therein expressed.

Given under my hand and seal of office on the 27 day of December, 1995.

SEAL:



Notary Public in and for
the State of LOUISIANA

Printed Name of Notary:



DONALD P. DIMAGGIO
Notary Public
My Commission is For Life

My Commission Expires: _____

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me this 7th day of December, 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.

Jenna R. Player
Notary Public in and for the State of Texas

SEAL:

Exhibit "A-1"
ASSIGNMENT, BILL OF SALE AND CONVEYANCE
(Ad Hoc 5/8ths--3/8ths)

Dewey H. Lane, M.D.
Shelby County, Alabama

I: Subject Leases, all located in Bibb and Shelby Counties, Alabama.

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

Oil, Gas and Mineral Lease (Including Coalbed Methane) between Ruth L. Gordon, as Lessor, and McKenzie Methane Corporation, as Lessee, recorded by a Memorandum of Lease dated April 12, 1989, in Book 246, Page 67 in the Office of the Judge of Probate of Shelby County, Alabama

Oil, Gas and Mineral Lease dated March 20, 1990 between John E. Shepherd and wife, Anne T. Shepherd, as Lessor, and McKenzie Methane Corporation, as Lessee, recorded in Book 305, Page 551 in the Office of the Judge of Probate of Shelby County, Alabama.

INSOFAR AND ONLY INSOFAR as the above leases cover the unit and lands described in the following:

USX 23-4-#36A Well
Section 23: W/2 of NW/4
T21S-R4W

USX 13-12-#03 Well
Section 13: SW Diagonal Half of SW/4
T21S-R4W

Dewey H. Lane, M.D.
P. O. Box 1245
Pascagoula, MS 39568

Assigned
Interest

.1000%

exhibit 231

Exhibit "A-2"
ASSIGNMENT, BILL OF SALE AND CONVEYANCE
(Ad Hoc 5/8ths--3/8ths)

L&L Investments, Ltd.

Shelby County, Alabama

I: Subject Leases, all located in Bibb and Shelby Counties, Alabama.

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.

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INSOFAR AND ONLY INSOFAR as the above leases cover the unit and lands described in the following:

USX 23-4-#36A Well
Section 23: W/2 of NW/4
T21S-R4W

USX 13-12-#03 Well
Section 13: SW Diagonal Half of SW/4
T21S-R4W

L & L Investments, Ltd.
P. O. Box 1245
Pascagoula, MS 39568

Assigned
Interest

.1667%

exhausts.23m

Exhibit "A-3"
ASSIGNMENT, BILL OF SALE AND CONVEYANCE
(Ad Hoc 5/8ths-3/8ths)

Sue B. Lane Family Trust

Shelby County, Alabama

I: Subject Leases, all located in Bibb and Shelby Counties, Alabama.

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Section 23: W/2 of NW/4
T21S-R4W

USX 13-12-#03 Well
Section 13: SW Diagonal Half of SW/4
T21S-R4W

Sue B. Lane Family Trust
140 Laitram Lane
Harahan, LA 70123

Assigned
Interest

.1333%

exhasces.23k

Inst # 1996-08786

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SHELBY COUNTY JUDGE OF PROBATE
018 SNA 54.00