

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1994

OR

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-4300

APACHE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

41-0747868
(I.R.S. Employer Identification Number)

Suite 100, One Post Oak Central
2000 Post Oak Boulevard, Houston, TX
(Address of Principal Executive Offices)

77056-4400
(Zip Code)

Registrant's Telephone Number, Including Area Code (713) 296-6000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X . NO .

Number of shares of Apache Corporation common stock, \$1.25 par value, outstanding as of June 30, 1994.61,353,087

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

APACHE CORPORATION AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED INCOME
(UNAUDITED)

(In thousands, except
per share data)

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	----- 1994 -----	----- 1993 -----	----- 1994 -----	----- 1993 -----
REVENUES:				
Oil and gas production revenues	\$122,706	\$105,113	\$236,913	\$206,863
Gathering, processing and marketing revenues	10,530	5,965	17,294	12,035
Equity in income of affiliates	196	192	291	462
Other revenues	1,515	-	2,040	502
	-----	-----	-----	-----
	134,947	111,270	256,538	219,862
	-----	-----	-----	-----
OPERATING EXPENSES:				
Depreciation, depletion and amortization	58,104	40,060	109,401	78,839
International impairments	2,800	3,600	6,300	7,200
Operating costs	33,027	30,230	66,176	59,502
Gathering, processing and marketing costs	9,185	5,405	14,768	9,776
Administrative, selling and other	9,328	8,121	17,883	16,879
Financing costs:				
Interest expense	7,564	6,528	14,095	14,455
Amortization of deferred loan costs	949	953	1,712	1,994
Capitalized interest	(1,149)	(1,367)	(2,170)	(2,732)
Interest income	(201)	(46)	(244)	(186)
	-----	-----	-----	-----
	119,607	93,484	227,921	185,727
	-----	-----	-----	-----
INCOME BEFORE INCOME TAXES	15,340	17,786	28,617	34,135
Provision for income taxes	5,144	6,291	9,014	11,048
	-----	-----	-----	-----
NET INCOME	\$ 10,196	\$ 11,495	\$ 19,603	\$ 23,087
	=====	=====	=====	=====
NET INCOME PER COMMON SHARE	\$.17	\$.22	\$.32	\$.46
	=====	=====	=====	=====
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	61,243	52,766	61,204	50,160
	=====	=====	=====	=====

The accompanying notes to consolidated financial statements
are an integral part of this statement.

APACHE CORPORATION AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED CASH FLOWS
(Unaudited)

(In thousands)

For the Six Months
Ended June 30,

	1994	1993
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 19,603	\$ 23,087
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	109,401	78,839
International impairments	6,300	7,200
Amortization of deferred loan costs	1,712	1,994
Provision for deferred income taxes	12,014	11,048
	-----	-----
	149,030	122,168
Cash distributions less than earnings of affiliates	(291)	(466)
Gain on sale of stock held for investment	(1,464)	-
Changes in operating assets and liabilities:		
Increase in receivables	(10,220)	(5,152)
Increase in advances to oil and gas ventures and other	(3,847)	(2,745)
(Increase) decrease in other assets	(2,741)	118
Decrease in accounts payable	(1,109)	(20,828)
Decrease in accrued expenses	(6,451)	(12,366)
Decrease in deferred credits and other noncurrent liabilities	(3,904)	(778)
	-----	-----
Net cash provided by operating activities	119,003	79,951
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Exploration and development expenditures	(137,301)	(102,979)
Acquisition of oil and gas properties	(26,965)	(44,122)
Non-cash portion of oil and gas property additions	3,047	6,128
Proceeds from sale of oil and gas properties	125	2,420
Proceeds from sale of gas gathering system	-	32,201
Purchase of HERC stock and other	(14,885)	(3,808)
Proceeds from sale of stock held for investment	2,262	-
Change in inventory, net	(613)	890
Other capital expenditures, net	(4,156)	(26,394)
	-----	-----
Net cash used by investing activities	(178,486)	(135,664)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term borrowings	92,462	65,665
Payments on long-term debt	(27,012)	(147,434)
Proceeds from issuance of common stock, net	3,043	132,554
Dividends paid	(8,536)	(6,978)
Costs of debt transactions	(875)	(270)
	-----	-----
Net cash provided by financing activities	59,082	43,537
	-----	-----
NET DECREASE IN CASH AND CASH EQUIVALENTS	(401)	(12,176)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	17,064	26,127
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 16,663	\$ 13,951
	=====	=====

The accompanying notes to consolidated financial statements
are an integral part of this statement.

APACHE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

(In thousands)	June 30, 1994	December 31, 1993
	----- (Unaudited)	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 16,663	\$ 17,064
Receivables	102,060	91,840
Inventories	7,765	7,152
Advances to oil and gas ventures and other	10,731	6,884
	-----	-----
	137,219	122,940
	-----	-----
PROPERTY AND EQUIPMENT:		
Oil and gas on the basis of full cost accounting:		
Proved properties	2,675,305	2,516,801
Unproved properties and properties under development, not being amortized	111,234	105,597
Gas gathering, transmission and processing facilities	25,809	25,809
Other, at cost	40,631	36,938
	-----	-----
	2,852,979	2,685,145
Less: Accumulated depreciation, depletion and amortization	(1,363,463)	(1,248,685)
	-----	-----
	1,489,516	1,436,460
	-----	-----
OTHER ASSETS:		
Investments in affiliates	5,968	5,677
Deferred charges and other	28,976	27,330
	-----	-----
	34,944	33,007
	-----	-----
	\$ 1,661,679	\$ 1,592,407
	=====	=====

The accompanying notes to consolidated financial statements
are an integral part of this statement.

APACHE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

(In thousands)	June 30, 1994 ----- (Unaudited)	December 31, 1993 -----
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 620	\$ 9,017
Accounts payable	103,421	118,447
Accrued operating expense	14,129	17,371
Accrued exploration and development	18,130	15,083
Accrued income taxes	2,611	6,048
Accrued interest	2,291	2,010
Accrued compensation and benefits	5,737	9,170
Other accrued expenses	8,187	8,244
	-----	-----
	155,126	185,390
	-----	-----
LONG-TERM DEBT	526,856	453,009
	-----	-----
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:		
Income taxes	140,438	128,554
Advances on gas contracts	3,914	3,914
Future operating costs for royalty interest sold	9,149	10,389
Other	26,200	25,297
	-----	-----
	179,701	168,154
	-----	-----
SHAREHOLDERS' EQUITY:		
Common stock, \$1.25 par, 215,000,000 authorized, 62,482,043 and 62,334,241 shares issued, respectively	78,103	77,918
Paid-in capital	542,247	540,155
Retained earnings	193,218	182,195
Treasury stock, at cost, 1,128,956 and 1,248,827 shares, respectively	(13,572)	(14,414)
	-----	-----
	799,996	785,854
	-----	-----
	\$ 1,661,679	\$ 1,592,407
	=====	=====

The accompanying notes to consolidated financial statements are an integral part of this statement.

APACHE CORPORATION AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED RETAINED EARNINGS
(Unaudited)

(In thousands)

	For the Quarter Ended June 30,	
	1994	1993
RETAINED EARNINGS, Beginning of period	\$ 187,316	\$ 168,661
Net income	10,196	11,495
Dividends declared:		
Common stock, \$.07 per share	(4,294)	(3,694)
RETAINED EARNINGS, End of period	\$ 193,218	\$ 176,462

	For the Six Months Ended June 30,	
	1994	1993
RETAINED EARNINGS, Beginning of year	\$ 182,195	\$ 160,763
Net income	19,603	23,087
Dividends declared:		
Common stock, \$.14 per share	(8,580)	(7,388)
RETAINED EARNINGS, End of period	\$ 193,218	\$ 176,462

The accompanying notes to consolidated financial statements
are an integral part of this statement.

APACHE CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)

The financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, and reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods, on a basis consistent with the annual audited statements. All such adjustments are of a normal recurring nature. Certain information, accounting policies, and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the financial statements and the summary of significant accounting policies and notes thereto included in the Company's latest annual report on Form 10-K.

INCOME TAXES

Under the liability method specified by Statement of Financial Accounting Standards No. 109, deferred taxes are determined based on the estimated future tax effect of differences between the financial statement and tax bases of assets and liabilities given the provisions of enacted laws.

INCOME PER SHARE

Primary income per common share was calculated by dividing net income by the weighted average common shares outstanding. The effect of common stock equivalents, including shares issuable upon the exercise of stock options (calculated using the treasury stock method) and upon the assumed conversion of the Company's 3.93 percent convertible notes, was not significant or was anti-dilutive for all periods presented.

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. These investments are carried at cost which approximates market.

The following table provides additional disclosure of cash payments (in thousands):

	For the Six Months Ended June 30,	
	1994	1993
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 11,830	\$ 15,648
Income taxes (net of refunds)	\$ (54)	\$ 1,371

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Results

Apache reported net income of \$10.2 million, or \$.17 per share, for the second quarter of 1994 compared to \$11.5 million, or \$.22 per share, for the same period last year. Net income for the second quarter of 1994 included a \$.02 per share gain on the sale of stock in another company. The primary factors that contributed to lower earnings were a \$2.56 per barrel decline in oil prices and a \$.12 per Mcf decline in natural gas prices from a year ago.

Earnings for the first six months of 1994 totaled \$19.6 million, or \$.32 per share, compared to \$23.1 million, or \$.46 per share, during the first half of 1993. Lower oil prices from a year ago more than offset the impact of increased oil and gas production.

The Company's 1994 financial performance was impacted by the following items.

Oil Prices -

While posted oil prices showed improvement during the second quarter of 1994, the Company's average realized prices for the quarter and first half were down 14 percent and 22 percent, respectively, from the comparable periods in 1993. The price declines, after considering amortization expense and income taxes, negatively impacted Apache's second quarter and first half earnings by \$.10 per share and \$.21 per share, respectively.

Acquisitions -

During the second half of 1993, Apache purchased substantially all of Hall-Houston Oil Company's (Hall-Houston) producing properties in the Gulf of Mexico for \$84.4 million and acquired Hadson Energy Resources Corporation (HERC) for approximately \$98 million. In June 1993, Apache purchased Hall-Houston's interest in Mustang Island 787 and 805 for \$29.3 million. The Hall-Houston and HERC acquisitions combined to increase Apache's first half oil and gas production by approximately 4.3 thousand barrels per day (MBopd) and 65 million cubic feet per day (MMcfd), respectively. Apache spent approximately \$27 million to acquire oil and gas properties during the first half of 1994.

Drilling and Recompletions -

Apache's active drilling and recompletion program contributed significantly to the Company's increase in production from a year ago. Drilling in the Gulf of Mexico boosted first half gas production by 50 MMcfd, while drilling and recompletions in the Permian Basin added more than 17 MMcfd. The increased production from acquisitions and drilling mitigated the impact of lower oil prices realized in 1994.

Results of Operations

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	1994	1993	1994	1993
Selected Oil and Gas Operating Statistics -----				
Gas Volume - Mcf per day:				
Domestic	402,765	271,158	392,820	271,081
Foreign	3,850	-	3,994	-
Total	406,615	271,158	396,814	271,081
Average Gas Price - Per Mcf	\$ 1.89	\$ 2.01	\$ 1.99	\$ 2.00
Oil Volume - Barrels per day:				
Domestic	32,461	31,093	32,233	30,969
Foreign	2,741	864	2,693	621
Total	35,202	31,957	34,926	31,590
Average Oil Price - Per barrel	\$ 15.95	\$ 18.51	\$ 14.42	\$ 18.47
Natural Gas Liquids (NGL)				
Barrels per day	1,356	1,489	1,340	1,379
NGL Price - Per barrel	\$ 12.60	\$ 13.18	\$ 11.83	\$ 12.97
Domestic Full Cost				
Amortization Rate	45.8%	37.0%	44.7%	37.0%

Oil and gas production revenues for the second quarter and first half of 1994 increased over the prior year by 17 percent and 15 percent, respectively, mainly due to record gas production and higher oil production.

Record production, as a result of successful acquisition and drilling efforts, boosted second quarter gas sales to \$70.1 million. Gas sales for the second quarter of 1994 rose \$20.6 million, or 42 percent, from the same period last year. Acquisitions added more than 68 MMcfd to Apache's second quarter gas production for a record 406.6 MMcfd. Developmental drilling and recompletions in the Gulf of Mexico and the Permian Basin increased total gas production by 71 MMcfd. Apache's natural gas price declined six percent from second quarter 1993 to \$1.89 per Mcf, negatively impacting 1994 sales by \$4.1 million.

Gas sales rose 46 percent to \$142.9 million for the six month period of 1994, compared to \$98 million in 1993. Apache produced 396.8 MMcfd during the first half of the year, up from 271.1 MMcfd for the same period of 1993. The Company's realized gas price of \$1.99 per Mcf during the first half of 1994 was \$.01 per Mcf lower than last year's price of \$2.00 per Mcf during the same period.

Oil sales of \$51.1 million for the 1994 second quarter were \$2.7 million, or five percent, lower than the previous year as a result of lower oil prices. Apache's average oil price declined from \$18.51 in the second quarter of 1993 to \$15.95 in the current period. The \$2.56 decline in oil price negatively impacted 1994 sales by \$8.2 million, as compared to 1993. Oil production increased 3,245 barrels per day (Bopd), rising to 35,202 Bopd for the second quarter of 1994. The higher production, driven by the HERC and Hall-Houston acquisitions, offset \$5.5 million of the sales decline attributable to lower oil prices.

For the first six months of 1994, oil sales decreased 14 percent to \$91.1 million compared to \$105.6 million for the same period a year ago. In the first half of 1994, oil production rose 10 percent to 34,926 Bopd compared to 31,590 Bopd last year. Apache's realized oil price of \$14.42 per barrel for the first six months of 1994 was \$4.05 per barrel below the 1993 price of \$18.47 per barrel, negatively impacting sales by \$25.6 million.

Revenues from the sale of natural gas liquids and sulphur totaled \$1.6 million for the second quarter and \$2.9 million for first half of 1994. Lower natural gas liquids prices contributed to the \$.2 million and \$.4 million declines, respectively, as lower crude oil prices depressed gas liquids prices.

During the second quarter, Apache sold 1.6 million shares of stock held for investment for \$2.3 million, resulting in a pre-tax gain of \$1.5 million.

Gathering, processing and marketing revenues of \$10.5 million for the second quarter and \$17.3 million for the first half of 1994 were 76 percent and 44 percent, respectively, higher than last year's revenues. Operating margins increased \$.8 million from the second quarter of 1993 and \$.3 million from the first six months, respectively, primarily due to increased crude oil marketing activity.

Depreciation, depletion and amortization (DD&A) expense of \$58.1 million for the second quarter of 1994 and \$109.4 million for the first half of the year, increased 45 percent and 39 percent, respectively, over the comparable 1993 periods. DD&A expense for domestic oil and gas properties rose as a result of the increase in oil and gas sales and an increase in Apache's domestic amortization rate, expressed as a percentage of sales. The increase in the DD&A rate is a function of lower oil prices and reserve replacement costs, on an energy equivalency basis, in excess of the historical average. Part of the cost increase is attributable to reserve additions for offshore properties. Incurring higher costs for offshore reserves reflects Apache's expectations of more rapid payouts associated with generally shorter reserve lives found in Gulf of Mexico properties.

Operating costs rose \$2.8 million, or nine percent to \$33 million for the quarter and \$6.7 million, or 11 percent, to \$66.2 million year-to-date from the comparable periods last year due primarily to the impact of the acquisitions. Operating costs include lifting costs, workover expense, production taxes and severance taxes. Based on an equivalent unit of production, operating costs declined 18 percent in the second quarter of 1994 and 15 percent in the first half period to \$3.52 per barrel of oil equivalent (Boe) and \$3.62 per Boe, respectively. The unit cost decline reflects continued cost savings efforts and the addition of offshore properties which are not subject to production taxes and traditionally have lower unit lifting costs.

Administrative, selling and other costs rose \$1.2 million, or 15 percent, in the second quarter of 1994 from a year ago, while dropping 14 percent on a Boe basis. Costs increased \$1 million, or six percent, in the first half of the year compared to last year, while dropping 19 percent on an Boe basis. Apache acquired HERC and the Hall-Houston properties with minimal increases in Apache's administrative staff.

Net financing costs increased 18 percent for the quarter to \$7.2 million, yet dropped slightly in the comparable six month period. The increase in quarterly financing costs reflects an increase in total debt of \$128 million from March 31, 1993 to June 30, 1994. While rates have increased slightly in 1994, Apache's average interest rate for the first half of 1994 decreased more than 100 basis points to 5.4 percent from Apache's average 1993 rate due to the conversion of the 7 1/2-percent debentures in September 1993.

The year-to-date provision for income taxes in 1993 includes a \$1 million benefit resulting from the Company's adoption of Statement of Financial Accounting Standards No. 109 which reduced Apache's deferred tax liability.

Liquidity and Capital Resources

Apache's primary needs for cash are for exploration, development and acquisition of oil and gas properties, repayment of principal and interest on outstanding debt and payment of dividends. The Company generally funds its exploration and development activities through internally generated cash flows. Apache budgets its capital expenditures based upon projected cash flows and routinely adjusts its capital expenditures in response to changes in oil and gas prices and corresponding changes in cash flow.

Expenditures for exploration and development increased to \$137.3 million for the first half of 1994 from \$103 million during the comparable period last year. In the first

six months of 1994, Apache completed 114 of 136 gross domestic wells as producers, while the Company completed 84 of 115 gross domestic wells as producers in the first half of 1993. Apache has been actively drilling in the Midcontinent region, the Permian Basin, the Gulf of Mexico and the Rocky Mountain region of the United States. Internationally, the Company continued with developmental drilling on the Harriet prospect in Australia and a discovery in the Bohai Bay, People's Republic of China. Further evaluation is necessary to determine commercial potential of the discovery offshore China. International exploration and development expenditures totaled \$11.2 million in the first half of 1994 compared to \$7.2 million in 1993. Apache's annual expenditures for exploration and development are expected to total approximately \$250 million.

Acquisitions during the first half of 1994 totaled \$27 million as compared to \$44.1 million for the same period of 1993. This year's acquisitions included \$16 million for interests in offshore properties.

Other capital expenditures for the first half of 1994 totaled \$4.2 million. The 1993 expenditures include the purchase of NGC's interest in the western Oklahoma gas system which was subsequently sold in a transaction discussed below.

The purchase of HERC stock largely reflects cash payments for HERC common stock which had not been tendered to Apache as of December 31, 1993. The purchase of the remaining shares was accrued as a cost of the HERC acquisition in 1993.

Capital Resources

Apache's primary capital resources are net cash provided by operating activities, unused borrowing capacity under the Company's revolving bank credit facility and proceeds from the sale of non-strategic assets. Net cash provided by operating activities totaled \$119 million for the first half of 1994 compared to \$80 million for the same period in 1993. The 49 percent increase in cash flows largely reflects increased oil and gas production.

During the second quarter of 1994, Apache amended its bank credit facility, increasing the amount committed under the revolving portion of the facility from \$400 million to \$700 million, subject to borrowing base availability. Apache's current borrowing base increased from \$400 million to \$450 million as a result of the amendment and subsequent borrowing base redetermination. As of June 30, 1994, Apache had \$328 million outstanding on its bank credit facility. The \$122 million in unused availability and increased commitment is for general corporate purposes and potential acquisitions.

Also during the second quarter, Apache terminated a bank facility held in the name of HERC and amended and restated the debt agreement of HERC's wholly-owned subsidiary, Hadson Energy Limited (HEL). The HEL amendment provided for a rate reduction from 1 1/8 percent above the discount rate of U.S. dollar bankers' acceptances to 5/8 percent above the bankers' acceptance rate. The initial borrowing base was established at \$25 million, of which \$20 million was outstanding at June 30, 1994. As with the previous agreement, the HEL credit facility is not guaranteed by Apache.

Total outstanding long-term debt increased to \$527.5 million at June 30, 1994, up \$65.5 million from the end of 1993. Apache drew on its bank facility to fund the acquisitions closed during the first six months of 1994, purchase the HERC shares tendered to Apache in 1994 and fund working capital requirements.

In March 1993, Apache and NGC completed the sale of their respective interests in a gas gathering system in western Oklahoma. Apache received gross cash proceeds of \$32.2 million in the transaction, approximately \$16.4 million of which was attributable to NGC's interest in the system. The sale price approximated the net book value of the interests sold.

Also in March 1993, Apache completed the public offering of approximately 5.8 million shares of common stock for net proceeds of \$131.8 million. In April 1993, Apache applied the proceeds of the equity offering to repay all outstanding bank debt under the revolving bank credit. The debt was redrawn in subsequent periods to fund acquisitions completed during 1993.

Liquidity

The Company had \$16.7 million in cash equivalents on hand at June 30, 1994, down slightly from the \$17.1 million at the end of 1993. The Company's ratio of current assets to current liabilities at quarter-end 1994 of .9:1 was improved from year-end 1993 when the ratio was .7:1.

Management believes that cash on hand, net cash provided by operating activities and unused available borrowing capacity under the revolving credit facility of \$122 million at June 30, 1994 will be adequate to meet future liquidity needs for the next two fiscal years, including satisfying the Company's financial obligations and funding exploration and development operations and routine acquisitions.

Future Trends

Apache intends to continue increasing production and reserves through drilling and property acquisitions. Spot market natural gas prices remain volatile and continue to behave independent of historical seasonal patterns. Spot market oil prices, which are especially vulnerable to complex and unpredictable political and economic forces, have improved since the end of the first quarter 1994, but are expected to remain volatile.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth in Note 8 to the Consolidated Financial Statements contained in the registrant's Form 10-K for the year ended December 31, 1993 (filed with the SEC on March 28, 1994) is incorporated herein by reference.

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

- a) The Company's annual meeting of shareholders was held in Houston, Texas at 10:00 a.m. local time, on Thursday, May 5, 1994.
- b) Proxies for the meeting were solicited pursuant to Regulation 14 under the Securities Exchange Act of 1934, as amended. There was no solicitation in opposition to the nominees for election as directors as listed in the proxy statement and all nominees were elected.
- c) Out of a total of 61,223,553 shares of the Company's common stock outstanding and entitled to vote, 53,407,177 shares were present at the meeting in person or by proxy, representing approximately 87 percent.

At the meeting four directors were elected to serve on the Company's board of directors until the 1997 annual meeting of shareholders. The vote tabulation with respect to each nominee was as follows:

Nominee -----	For -----	Authority Withheld -----
Frederick M. Bohen	52,982,273	424,904
Virgil B. Day	52,970,951	436,226
Stanley K. Hathaway	52,981,394	425,783
Joseph A. Rice	52,981,414	425,763

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 10.1 Second Amended and Restated Credit Agreement, dated as of April 30, 1994, among Apache Corporation, the Lenders named therein, and the First National Bank of Chicago and Chemical Bank, as Agents.
- 10.2 Amended and Restated Acceptance Agreement, dated as of May 26, 1994, by and between Hadson Energy Limited and Bank of Montreal, as Agent, and the Other Banks which may become Parties thereto.
- 11.1 Computation of earnings per share.

(b) Reports filed on Form 8-K.

March 1, 1994 - Item 5. Other Events - Information relating to the indemnification of directors and officers and certain undertakings provided for incorporation by reference into Apache's active registration statements.

April 28, 1994 - Item 5. Other Events - Resignation of William J. Johnson as president and chief operating officer and management's recommendation of G. Steven Farris as his successor.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

APACHE CORPORATION

Dated: August 12, 1994

/s/ MARK A. JACKSON
Mark A. Jackson
Vice President, Finance

Dated: August 12, 1994

/s/ R. KENT SAMUEL
R. Kent Samuel
Controller and Chief Accounting Officer

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- 10.2 Amended and Restated Acceptance Agreement, dated as of May 26, 1994, by and between Hadson Energy Limited and Bank of Montreal, as Agent, and the Other Banks which may become Parties thereto.
- 11.1 Computation of earnings per share.

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

dated as of April 30, 1994

among

APACHE CORPORATION,

and

The Lenders named herein,

and

THE FIRST NATIONAL BANK OF CHICAGO,
as Administrative Agent and Collateral Agent

and

CHEMICAL BANK,
as Co-Agent

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SECOND AMENDED AND RESTATED CREDIT AGREEMENT

This Second Amended and Restated Credit Agreement, dated as of April 30, 1994, is among Apache Corporation, a Delaware corporation (the "Company"), the various commercial lending institutions as are or may become parties hereto (the "Lenders"), The First National Bank of Chicago, as Administrative Agent and Collateral Agent and Chemical Bank, as Co-Agent.

RECITALS:

1. The Company, the Lenders, the Administrative Agent, the Collateral Agent and the Co-Agent (each as hereinafter defined) have heretofore entered into that certain Reducing Revolving Credit and Term Loan Agreement, dated as of July 1, 1991, that certain Amendment No. 1, dated as of November 1, 1991 and that certain Amendment No. 2, dated as of December 1, 1991 (as so amended, the "July 1991 Agreement"), pursuant to which the Lenders agreed to make Term Loans and Revolving Loans (each as defined in the July 1991 Agreement and herein called, respectively, the "1991 Term Loans" and the "1991 Revolving Loans").

2. In order to restructure the indebtedness incurred by the Company to the Lenders pursuant to the July 1991 Agreement, the Company, the Lenders, the Administrative Agent, the Collateral Agent and the Co-Agent have entered into that certain Amended and Restated Credit Agreement, dated as of April 15, 1992 (the "Original April 1992 Agreement"), pursuant to which the Lenders agreed to make Revolving Loans (as defined in the Original April 1992 Agreement and herein called "1992 Revolving Loans"), each in an aggregate amount not to exceed the amount set forth beside the name of each Lender on Schedule A.

3. The Original April 1992 Agreement has been amended by the first amendment thereto, dated July 21, 1992, the second amendment thereto, dated December 31, 1992, the Third Amendment to Amended and Restated Credit Agreement, dated as of April 30, 1993, and the Fourth Amendment to Amended and Restated Credit Agreement, dated as of July 13, 1993 (the Original April 1992 Agreement, as so amended, herein called the "April 1992 Agreement").

4. On the terms and subject to the conditions of this Agreement, except as described in Section 9.16, all 1992 Revolving Loans of the Lenders to the Company outstanding on the Effective Date (as hereinafter defined) shall, on the Effective Date, be renewed, restated, extended and converted into (but shall not be deemed to be repaid) Revolving Loans under this Agreement.

5. The Company, the Lenders, the Administrative Agent, the Co-Agent and the Collateral Agent hereby amend the April 1992 Agreement and restate the April 1992 Agreement in its entirety as follows:

ARTICLE I

DEFINITIONS AND TERMS OF CONSTRUCTION

1.1. Definitions. The following terms (whether or not underscored) when used in this Agreement, including its preamble and recitals, shall, except where the context otherwise requires, have the following meanings (such meanings to be equally applicable to the singular and the plural forms thereof):

"Accepting Lender" is defined in Section 2.2.

"Acknowledgment of Guaranty" means an acknowledgment to guaranty, substantially in the form of Exhibit I hereto, dated the Effective Date, duly executed and delivered to the Administrative Agent by MW Petroleum.

"Acquisition" means any transaction, or any series of related transactions, consummated after the date of this Agreement, by which the Company or any of the Subsidiaries (i) acquires any going business or all or substantially all of the

assets of any Person or division thereof, whether through purchase of assets, merger or otherwise or (ii) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the securities of a corporation which have ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency).

"Administrative Agent" means The First National Bank of Chicago in its capacity as administrative agent for the Lenders pursuant to Article XV, and not in its individual capacity as a Lender or in its capacity as Collateral Agent, and any successor Administrative Agent appointed pursuant to Article XV.

"Advance" means a borrowing hereunder consisting of the aggregate amount of the several Loans made by the Lenders or any of them to the Company on the same Borrowing Date, at the same Rate Option (or on the same interest basis in the case of a Competitive Bid Loan) and, in the case of Eurodollar Loans, for the same Interest Period.

"Affiliate" of any Person means any Person directly or indirectly controlling, controlled by or under direct or indirect common control of such Person, but shall not, in the case of the Company or any Subsidiary, include (except for the purposes of Sections 11.9 and 15.9) HEL or Subsidiaries of HERC. A Person shall be deemed to control another Person if the controlling Person owns directly or indirectly 20% or more of any class of voting securities of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise.

"Agents" means each of the Co-Agent, the Administrative Agent and the Collateral Agent.

"Aggregate Available Commitment" means, as of the time a determination thereof is to be made, the lesser of (x) the Aggregate Commitment, and (y) the Borrowing Base.

"Aggregate Commitment" means, as of the time a determination thereof is to be made, the sum of the Commitments of all the Lenders hereunder, being \$700,000,000 as of the date hereof, and as reduced from time to time after the date hereof pursuant to Sections 4.6 and 13.1.

"Aggregate Unavailable Commitment" means, as of the time a determination thereof is to be made, the difference between (x) the Aggregate Commitment and (y) the Borrowing Base.

"Agreement" means this Second Amended and Restated Credit Agreement, as it may be amended, supplemented, restated or otherwise modified and in effect from time to time.

"Agreement Accounting Principles" means, on any date, those generally accepted accounting principles applied in preparing the financial statements referred to in Section 8.4.

"Alternate Base Rate" means, on any date and with respect to all Floating Rate Advances, a fluctuating rate of interest per annum equal to the higher of (i) the Corporate Base Rate, and (ii) the Federal Funds Effective Rate most recently determined by the Administrative Agent plus 1/2%. Changes in the rate of interest on that portion of any Advance maintained as a Floating Rate Advance will take effect simultaneously with each change in the Alternate Base Rate. The Administrative Agent will give notice promptly to the Company and the Lenders of changes in the Alternate Base Rate.

"Alternate Base Rate Spread" means the applicable rate per annum set forth below:

Debt/Capitalization Ratio	Rating of the Company's Long-Term Debt by 2 or more Rating Agencies	Alternate Base Rate Spread
Greater than or equal to .60 to 1.0	Lower than BBB-/Baa3	.50%
Greater than or equal to .60 to 1.0	BBB-/Baa3	.375%
Greater than or equal to .60 to 1.0	BBB/Baa2 or higher	.125%
Greater than or equal to .55 to 1.0 but less than .60 to 1.0	Lower than BBB-/Baa3	.375%
Greater than or equal to .55 to 1.0 but less than .60 to 1	BBB-/Baa3 or higher	.125%
Greater than or equal to .50 to 1 but less than .55 to 1	Lower than BBB-/Baa3	0
Greater than or equal to .50 to 1.0 but less than .55 to 1.0	BBB-/Baa3 or higher	-.125%
Less than .50 to 1.0	Not applicable	-.25%

"Anniversary Date" means any April 30, with the first such date being April 30, 1995.

"Annual Certificate of Extension" means a certificate of the Company, executed by an Authorized Officer and delivered to the Administrative Agent, which requests an extension of the then scheduled Termination Date pursuant to Section 2.2.

"Approved Engineers" means Ryder Scott Company Petroleum Engineers or Netherland, Sewell & Associates, Inc. or other independent petroleum engineers of recognized standing and experience in the evaluation of hydrocarbon reserves who the Administrative Agent, the Co-Agent and the Required Lenders determine to be acceptable.

"Approved Engineers' Report" means a report prepared (except to the extent set forth below) and certified by the Approved Engineers and furnished by the Company to the Lenders pursuant to Section 9.1(d) or (e) which shall set forth (i) the estimated volume and rate of production of Hydrocarbons which may reasonably be expected to be produced from Proved Reserves for each Property, (ii) a computation of the projected gross revenues from Proved Reserves attributable to each Property, (iii) a computation of the future net revenues for each Property, showing separately net revenues from Proved Developed Producing Reserves, Proved Developed Non-Producing Reserves and Proved Undeveloped Reserves, and (iv) projections as to the amount of Proved Reserves for each Property, showing separately Proved Developed Producing Reserves, Proved Developed Non-Producing Reserves and Proved Undeveloped Reserves; provided, that such Properties shall not include Properties the subject of Limited Recourse Indebtedness permitted by Section 11.1 or Properties in which a Lien has been granted pursuant to the facility described in item 1 of Schedule 11.1. The Approved Engineers' Report shall be prepared using economic parameters (including pricing, inflation and discount rate) provided by the Administrative Agent and the Co-Agent and in accordance with established criteria generally accepted in the oil and gas industry for use by independent petroleum engineers in making determinations and appraisals of hydrocarbon reserves, including assumptions, estimates and projections as to production expenses, availability of reserves and rates of production; provided, however, that in preparing such report, the Approved Engineers need only make an independent evaluation of Properties

comprising not less than (x) 70% in value of the Properties included in the most recent Approved Engineers' Report and (y) 80% in value of any Properties not included in the most recent Approved Engineers' Report, and may review the evaluation by the Company's petroleum engineers in accordance with the foregoing criteria of the remainder of the Properties. The Administrative Agent and the Co-Agent may, in their sole discretion after consulting with the Company, require modification of any assumption, projection or estimate which they (acting reasonably) find unacceptable.

"April 1992 Agreement" is defined in Recital 3.

"Assignment Agreement" means an agreement executed by an assignor Lender and an assignee Lender pursuant to Section 17.3 substantially in the form of Exhibit D hereto.

"Authorized Officer" means any officer of the Company, acting singly, specified as such to the Administrative Agent in writing by the Vice President/Treasurer.

"Borrowing Base" means the Borrowing Base then in effect calculated and established in accordance with the terms and provisions of Section 2.3.

"Borrowing Date" means any Business Day on which an Advance is made hereunder.

"Borrowing Notice" is defined in Section 3.3.

"Business Day" means (i) with respect to any borrowing, payment or rate selection of Eurodollar Advances, a day other than Saturday or Sunday on which banks are open for business in Chicago and New York and on which dealings in United States dollars are carried on in the London interbank market and (ii) for all other purposes, a day other than Saturday or Sunday on which banks are open for business in Chicago and New York.

"Capitalized Lease" means, with any respect to a Person, any lease of property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Capitalized Lease Obligations" means, with respect to a Person, the amount of the obligations of such Person under Capitalized Leases which would be shown as a liability on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Cash Equivalent Investment" means, at any time:

(a) any evidence of Indebtedness, maturing not more than one year after such time, issued or guaranteed by the United States Government;

(b) commercial paper, maturing not more than nine months from the date of issue, which is issued by any Agent or any Agent's holding company, or by

(i) a corporation (other than the Company or an Affiliate of the Company) organized under the laws of any state of the United States or of the District of Columbia and rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Investors Service, Inc., or

(ii) any Lender (or its holding company) which has (or which at the time is a subsidiary of a holding company which has) a Qualified Long Term Rating;

(c) any certificate or deposit or banker's acceptance, maturing not more than one year after such time, which is issued by any Agent or any Agent's holding company, or by either

(i) a commercial banking institution that is a member of the Federal Reserve System and has a combined capital and surplus and undivided profits of not less than \$500,000,000, which has (or which at the time is a subsidiary of a holding company which has) a Qualified Long Term Rating, or

(ii) any Lender which has (or which is a subsidiary of a holding company which has) a Qualified Long Term Rating; or

(d) any repurchase agreement entered into with any Agent or any Lender (or other commercial banking institution of the stature referred to in clause (c)(i)) which

(i) is secured by a fully perfected security interest in any obligation of the type described in any of clauses (a) through (c); and

(ii) has a market value at the time such repurchase agreement is entered into of not less than 100% of the repurchase obligation of such Lender or Agent (or other commercial banking institution) thereunder.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

"CERCLIS" means the Comprehensive Environmental Response, Compensation and Liability Information System List.

"Change in Control" means:

(a) the failure by the Company to own, free and clear of all Liens or encumbrances, 100% of the outstanding capital stock of MW Petroleum on a fully diluted basis or the failure of MW Petroleum to own, free and clear of all Liens or encumbrances, 100% of the outstanding capital stock of MWJR on a fully diluted basis, except as a result of the merger of MW Petroleum and MWJR into the Company pursuant to Section 9.15; or

(b) any Unrelated Person or any Unrelated Persons acting together which would constitute a Group, together with any Affiliates or Related Persons thereof (in each case also constituting Unrelated Persons), shall at any time either (i) Beneficially Own more than 20% of the aggregate voting power of all classes of Voting Stock of the Company or (ii) succeed in having sufficient of its or their nominees elected to the Board of Directors of the Company such that such nominees, when added to any existing director remaining on the Board of Directors of the Company after such election who is an Affiliate or Related Person of such Person or Group, shall constitute a majority of the Board of Directors of the Company. As used herein (A) "Beneficially Own" means "beneficially own" as defined in Rule 13d-3 of the Securities Exchange Act of 1934, as amended, or any successor provision thereto; (B) "Group" means a "group" for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended; (C) "Unrelated Person" means at any time any Person other than the Company or any Subsidiary and other than any trust for any employee benefit plan of the Company or any Subsidiary of the Company; (D) "Related Person" of any Person shall mean any other Person owning (1) 5% or more of the outstanding common stock of such Person or (2) 5% or more of the Voting Stock of such Person; and (E) "Voting Stock" of any Person shall mean capital stock of such Person which ordinarily has voting power for the election of directors (or persons performing similar functions) of such Person, whether at all times or only so long as no senior class of securities has such voting power by reason of any contingency.

"Chemical" means Chemical Bank in its individual capacity and its successors.

"Co-Agent" means Chemical Bank in its capacity as co-agent for the Lenders pursuant to Article XV, and not in its individual capacity as a Lender and any successor Co-Agent appointed pursuant to Article XV.

"Code" means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified and in effect from time to time.

"Collateral Agent" means The First National Bank of Chicago in its capacity as collateral agent for the Lenders pursuant to Article XV, and not in its individual capacity as a Lender or in its capacity as Administrative Agent, and any successor Collateral Agent appointed pursuant to Article XV.

"Collateral Documents" means, collectively, (a) the Partnership Pledge and Security Agreement, (b) the Stock Pledge and Security Agreement, (c) the Security Agreement and Financing Statement, (d) the MW Petroleum Stock Pledge, and (e) any Guaranty, together with any exhibits, schedules or other attachments to such documents and any financing statements relating thereto, as such documents, exhibits, schedules, attachments or financing statements may be amended, supplemented, restated or otherwise modified and in effect from time to time.

"Commitment" means, with respect to each Lender, the obligation of such Lender to make Loans not exceeding the amount set forth as its Commitment opposite its signature below or in the relevant Assignment Agreement, as such amount may be modified from time to time pursuant to the provisions of this Agreement, including any Assignment Agreement executed by such Lender and its Assignee Lender and delivered pursuant to Section 17.3 and any reduction pursuant to Sections 4.6, or 13.1; it being understood, however, that a change in the Borrowing Base does not constitute a modification of any Commitment.

"Company" is defined in the Preamble.

"Company's Engineers' Report" means a report prepared and certified by the Company's petroleum engineers and furnished by the Company to the Lenders pursuant to Section 9.1(f) which shall set forth (i) the estimated volume and rate of production of Hydrocarbons which may reasonably be expected to be produced from Proved Reserves for each Property, (ii) a computation of the projected gross revenues from Proved Reserves attributable to each Property, (iii) a computation of the future net revenues for each Property, showing separately net revenues from Proved Developed Producing Reserves, Proved Developed Non-Producing Reserves and Proved Undeveloped Reserves and (iv) projections as to the amount of Proved Reserves for each Property, showing separately Proved Developed Producing Reserves, Proved Developed Non-Producing Reserves and Proved Undeveloped Reserves; provided, that such Properties shall not include Properties the subject of Limited Recourse Indebtedness permitted by Section 11.1 and Properties on which a Lien has been granted pursuant to the facility described in item 1 of Schedule 11.1. The Company's Engineers' Report shall be prepared using economic parameters (including pricing, inflation and discount rate) provided by the Administrative Agent and the Co-Agent and in accordance with established criteria generally accepted in the oil and gas industry for use by independent petroleum engineers in making determinations and appraisals of hydrocarbon reserves, including assumptions, estimates and projections as to production expenses, availability of reserves and rates of production. The Administrative Agent and the Co-Agent may, in their sole discretion after consulting with the Company, require modification of any assumption, projection or estimate which they (acting reasonably) find unacceptable.

"Competitive Bid Advance" means a borrowing hereunder consisting of the aggregate amount of the several Competitive Bid Loans made by some or all of the Lenders to the Company at the same time, having the same Stated Maturity Date and for the same Interest Period.

"Competitive Bid Borrowing Notice" is defined in Section 3.4(e).

"Competitive Bid Loan" means, with respect to a Lender, a competitive bid loan made by such Lender pursuant to Section 2.1 and Section 3.4 as the result of a Competitive Bid Borrowing Notice from the Company requesting a Competitive Bid Advance.

"Competitive Bid Margin" means the margin above or below the applicable Eurodollar Base Rate or Alternate Base Rate offered for a Bid Loan, expressed as a percentage (rounded to the nearest 1/16 of 1%) to be added or subtracted from the Eurodollar Base Rate or the Alternate Base Rate, as applicable.

"Competitive Bid Note" means a promissory note in substantially the form of Exhibit "A-2" hereto, with applicable insertions, duly executed and delivered to the Administrative Agent by the Company for the account of a Lender and payable to the order of such Lender, including any amendment, modification, renewal or replacement of such promissory note.

"Competitive Bid Quote" means a Competitive Bid Quote substantially in the form of Exhibit K hereto completed and delivered by a Lender to the Administrative Agent in accordance with Section 3.4(c).

"Competitive Bid Quote Request" means a Competitive Bid Quote Request substantially in the form of Exhibit E hereto completed and delivered by the Company to the Administrative Agent in accordance with Section 3.4(a).

"Consolidated Interest Expense" means, for any period for which a determination thereof is to be made, total interest expense, whether paid or accrued (but excluding that attributable to Capitalized Leases), of the Company and the Consolidated Subsidiaries on a consolidated basis including, without limitation, all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing.

"Consolidated Net Income" means, for any period for which a determination thereof is to be made, the net income (or loss) after taxes of the Company and the Consolidated Subsidiaries on a consolidated basis for such period taken as a single accounting period; provided that there shall be excluded the income (or loss) of any Affiliate of the Company or other Person (other than a Consolidated Subsidiary of the Company) in which any Person (other than the Company or any of the Consolidated Subsidiaries) has a joint interest, except to the extent of the amount of dividends or other distributions actually paid to the Company or any of the Consolidated Subsidiaries by such Affiliate or other Person during such period.

"Consolidated Subsidiary" means, as of the time a determination thereof is to be made, any Subsidiary or other entity the accounts of which would be consolidated with those of the Company in its consolidated financial statements if such statements were prepared as of such date.

"Consolidated Tangible Net Worth" means, as of the time a determination thereof is to be made, the consolidated stockholders' equity of the Company and the Consolidated Subsidiaries, less their consolidated intangible assets, all determined as of such date in accordance with Agreement Accounting Principles.

"Contingent Obligation" means, with respect to any Person as of the time a determination thereof is to be made, any agreement, undertaking or arrangement by which such Person guarantees, endorses or otherwise becomes or is contingently liable (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to, or otherwise invest in, a debtor, or otherwise to assure a creditor against loss) in respect of any Indebtedness, obligation or other liability of itself or any other Person (other than by endorsements of instruments in the course of collection), or guarantees the payment of dividends or other distributions upon the shares or partnership interests of any other Person, or is liable in respect of the obligations of a partnership of which such Person is a partner.

"Continuation/Conversion Notice" means a notice by means of telecopy or telephone (confirmed in writing promptly thereafter if by telephone) of

continuation or conversion, which notice shall specify the principal amount to be continued or converted, the date of such continuation or conversion, the type of Revolving Loan and, if such Revolving Loan is to be a Revolving Eurodollar Loan, the Interest Period, which notice, when delivered by telecopy or confirmed in writing, shall be substantially in the form of Exhibit "F" and executed on behalf of the Company by an Authorized Officer.

"Controlled Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Company or any Subsidiary, are treated as a single employer under Section 414(b) or 414(c) of the Code.

"Corporate Base Rate" means a rate per annum equal to the corporate base rate of interest announced by First Chicago from time to time, changing when and as said corporate base rate changes.

"Debt" means all Indebtedness of the type referred to in clauses (i), (ii), (iii), (iv) and (v) of the definition of Indebtedness.

"Debt/Capitalization Ratio" means, as of the time a determination thereof is to be made, the ratio expressed as a decimal of (x) the aggregate outstanding amount of the consolidated Debt of the Company and its Consolidated Subsidiaries, to (y) the sum of the consolidated stockholders' equity of the Company and its Consolidated Subsidiaries plus the aggregate outstanding amount of the consolidated Debt of the Company and its Consolidated Subsidiaries; provided, however, that for purposes of the definitions of Alternate Base Rate Spread and Eurodollar Spread and for purposes of Section 2.5(a) the Debt/Capitalization Ratio on each day commencing on the forty-fifth (45th) day following the end of a calendar quarter shall be deemed to be the lesser of (a) the Debt/Capitalization Ratio as of the end of such calendar quarter and (b) the Debt/Capitalization Ratio as of the final day of the month following the end of such calendar quarter, in each case based on a certificate received by the Agents and the Lenders from the vice president and treasurer of the Company pursuant to Section 9.1(k).

"Declining Lender" is defined in Section 2.2.

"Default" means an event described in Article XII.

"Drilling Partnership" means each general and limited partnership in existence and which has not been dissolved by action of the general partner at the Effective Date (other than Apache Offshore Investment Partnership) whose sole general partner and managing partner, if any, is the Company, and which is engaged principally in the business of exploration for, and the production of, oil and gas.

"EBITDDA" means, for any period for which a determination thereof is to be made, without duplication, the sum of the amounts for such period of (i) Consolidated Net Income, (ii) Consolidated Interest Expense, (iii) depreciation expense and depletion expense, (iv) amortization expense, (v) federal and state taxes, (vi) other non-cash charges and expenses and (vii) any losses arising outside of the ordinary course of business which have been included in the determination of Consolidated Net Income; less any gains arising outside of the ordinary course of business which have been included in the determination of Consolidated Net Income, all as determined on a consolidated basis for the Company and the Consolidated Subsidiaries.

"Effective Date" means a date agreed upon by the Company, the Co-Agent, the Collateral Agent and the Administrative Agent as the date on which the conditions precedent set forth in Section 7.1 of this Agreement have been satisfied.

"Environmental Law" means any federal, state, or local statute, or rule or regulation promulgated thereunder, any judicial or administrative order or judgment or written administrative request to which the Company or any Subsidiary is party or which are applicable to the Company or any Subsidiary or the Properties (whether or not by consent), and any provision or condition of any

permit, license or other governmental operating authorization, relating to (A) protection of the environment, persons or the public welfare from actual or potential exposure for the effects of exposure to any actual or potential release, discharge, spill or emission (whether past or present) of, or regarding the manufacture, processing, production, gathering, transportation, importation, use, treatment, storage or disposal of, any chemical, raw material, pollutant, contaminant or toxic, corrosive, hazardous, or non-hazardous substance or waste, including petroleum; or (B) occupational or public health or safety.

"Effectiveness Notice" means a notice and certificate of the Company properly executed by an Authorized Officer addressed to the Lenders and delivered to the Administrative Agent, in sufficient number of counterparts to provide one for each Lender, whereby the Company certifies satisfaction of all the conditions precedent to the effectiveness of this Agreement under Section 7.1.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Eurodollar Auction" means a solicitation of Competitive Bid Quotes setting forth Competitive Bid Margins pursuant to Section 3.4.

"Eurodollar Base Rate" means, with respect to a Eurodollar Revolving Advance or a Eurodollar Bid Rate Advance for the relevant Interest Period, the rate determined by the Administrative Agent to be the arithmetic average of the rates reported to the Administrative Agent by each Reference Lender as the rate at which deposits in U.S. dollars are offered by such Reference Lender to first-class banks in the London interbank market at approximately 11 a.m. (London time) two Business Days prior to the first day of such Interest Period, in the approximate amount of such Reference Lender's relevant Eurodollar Revolving Loan or, in the case of a Eurodollar Bid Rate Loan, the amount of the Eurodollar Bid Rate Loan requested by the Company, and having a maturity approximately equal to such Interest Period. If any Reference Lender fails to provide such quotation to the Administrative Agent, then the Administrative Agent shall determine the Eurodollar Base Rate on the basis of the quotations of the remaining Reference Lender(s).

"Eurodollar Advance" means a Eurodollar Bid Rate Advance or a Eurodollar Revolving Advance.

"Eurodollar Bid Rate" means, with respect to a Eurodollar Bid Rate Loan made by a given Lender for the relevant Interest Period, the sum of (i) the Eurodollar Base Rate and (ii) the Competitive Bid Margin offered by such Lender and accepted by the Company.

"Eurodollar Bid Rate Advance" means a Competitive Bid Advance which bears interest at a Eurodollar Bid Rate.

"Eurodollar Bid Rate Loan" means a Competitive Bid Loan which bears interest at the Eurodollar Bid Rate.

"Eurodollar Loan" means a Eurodollar Bid Rate Loan or a Eurodollar Revolving Loan.

"Eurodollar Revolving Advance" means a Revolving Advance which bears interest at a Eurodollar Rate.

"Eurodollar Revolving Loan" means a Revolving Loan which bears interest at a Eurodollar Rate.

"Eurodollar Rate" means, with respect to a Loan or Advance for each day during the relevant Interest Period, the sum of (i) the quotient of (a) the Eurodollar Base Rate applicable to that Interest Period, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to that Interest Period, plus (ii) the Eurodollar Spread applicable to that day. The Eurodollar Rate shall be rounded, if necessary, to the next higher 1/16 of 1%.

"Eurodollar Spread" means the applicable rate per annum set forth below:

Debt/Capitalization Ratio	Rating of the Company's Long-Term Debt by 2 or more Rating Agencies	Eurodollar Spread
Greater than or equal to .60 to 1	Lower than BBB-/Baa3	1.50%
Greater than or equal to .60 to 1	BBB-/Baa3	1.375%
Greater than or equal to .60 to 1	BBB/Baa2 or higher	1.125%
Greater than or equal to .55 to 1 but less than .60 to 1	Lower than BBB-/Baa3	1.375%
Greater than or equal to .55 to 1 but less than .60 to 1	BBB-/Baa3 or higher	1.125%
Greater than or equal to .50 to 1 but less than .55 to 1	Lower than BBB-/Baa3	1.00%
Greater than or equal to .50 to 1 but less than .55 to 1	BBB-/Baa3 or higher	.875%
Greater than or equal to .45 to 1 but less than .50 to 1	BBB-/Baa3 or lower	.625%
Greater than or equal to .45 to 1 but less than .50 to 1	BBB/Baa2 or higher	.50%
Greater than or equal to .40 to 1 but less than .45 to 1	BBB-/Baa3 or lower	.50%
Greater than or equal to .40 to 1 but less than .45 to 1	BBB/Baa2 or higher	.375%
Less than .40 to 1.0	Lower than BBB-/Baa3	.50%
Less than .40 to 1.0	BBB-/Baa3	.375%
Less than .40 to 1.0	BBB/Baa2 or higher	.25%

"Federal Funds Effective Rate" means, for any period for which a determination thereof is made, a fluctuating interest rate per annum equal for each day during such period to (i) the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the preceding Business Day) by the Federal Reserve Bank of New York; or (ii) if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10 a.m. (Chicago time) for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

"First Chicago" means The First National Bank of Chicago in its individual capacity, and its successors and assigns.

"Floating Bid Rate" means, with respect to a Floating Bid Rate Loan made by a given Lender, the sum of (i) the Alternate Base Rate, changing when and as the Alternate Base Rate changes, and (ii) the Competitive Bid Margin offered by such Lender and accepted by the Company.

"Floating Bid Rate Advance" means a Competitive Bid Advance which bears interest at the Floating Bid Rate.

"Floating Bid Rate Loan" means a Competitive Bid Loan which bears interest at the Floating Bid Rate.

"Floating Rate Auction" means a solicitation of Competitive Bid Quotes setting forth the Competitive Bid Margin for Floating Bid Rates pursuant to Section 3.4.

"Floating Rate Revolving Advance" means a Revolving Advance which bears interest at the Floating Revolving Rate.

"Floating Rate Revolving Loan" means a Revolving Loan which bears interest at the Floating Revolving Rate.

"Floating Revolving Rate" means a rate per annum equal to the sum of the Alternate Base Rate, changing when and as the Alternate Base Rate changes, plus the Alternate Base Rate Spread, in effect from time to time.

"Guaranty" means that certain Guaranty, dated as of July 1, 1991, by MW Petroleum Corporation, a Delaware corporation, as assumed by MW Petroleum pursuant to that certain Assumption Agreement, dated as of December 24, 1991.

"Hazardous Material" means

- i. any "hazardous substance", as defined by CERCLA;
- ii. any "hazardous waste", as defined by the Resource Conservation and Recovery Act, as amended;
- iii. any petroleum, crude oil or any fraction thereof;
- iv. any hazardous, dangerous or toxic chemical, material, waste or substance within the meaning of any Environmental Law;
- v. any radioactive material, including any naturally occurring radioactive material, and any source, special or by-product material as defined in 42 U.S.C. Section 2011 et. seq., and any amendments or reauthorizations thereof;
- vi. asbestos-containing materials in any form or condition; or
- vii. polychlorinated biphenyls in any form or condition.

"HEL" means Hadson Energy Limited, a Western Australia corporation and its Subsidiaries.

"HERC" means Hadson Energy Resources Corporation, a Delaware corporation.

"HLT Notice" is defined in Section 13.4.

"Hydrocarbon Interests" means leasehold and other interests in or under leases with respect to property located in the United States of America and any other countries acceptable to the Required Lenders, mineral fee interests, production sharing contracts, overriding royalty and royalty interests, net profit interests and production payment interests, insofar and only insofar as such interests relate to Hydrocarbons located in the United States of America and any other countries acceptable to the Required Lenders, including any reserved or residual interests of whatever nature.

"Hydrocarbons" means oil, gas and all other liquid or gaseous hydrocarbons and all products refined therefrom and all other minerals and substances including, sulfur, geothermal steam, water, carbon dioxide, helium and any and all other minerals, ores or substances of value and the products and proceeds therefrom.

"include" or "including" means including without limiting the generality of any description preceding such terms, and, for purposes of this Agreement and

each other Loan Document, the parties hereto agree that the rule of ejusdem generis shall not be applicable to limit a general statement, which is followed by or referable to an enumeration of specific matters, to matters similar to the matters specifically mentioned.

"Indebtedness" means, with respect to a Person, such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of property or services, including obligations payable out of Hydrocarbon production, other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade, (iii) obligations, whether or not assumed, secured by Liens or payable out of the proceeds of production from property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, bonds, debentures, acceptances, or other instruments, (v) Capitalized Lease Obligations, (vi) liabilities under interest rate swap, exchange, collar or cap agreements and all other agreements or arrangements designed to protect such Person against fluctuations in interest rates or currency exchange rates, (vii) liabilities under commodity hedge, commodity swap, exchange, collar or cap agreements, fixed price agreements and all other agreements or arrangements designed to protect a person against fluctuations in oil or gas prices, and (viii) obligations, contingent or otherwise, relative to the amount of all letters of credit, whether or not drawn, and (ix) all Contingent Obligations of such Person in respect of any of the foregoing; provided, however, that such term shall not include any amounts included as deferred credits on the financial statements of such Person or of a consolidated group including such Person, determined in accordance with Agreement Accounting Principles.

"Indemnified Person" is defined in Section 14.7.

"Interest Period" means, with respect to a Eurodollar Bid Rate Advance or a Eurodollar Revolving Advance, a period of one (1), two (2), three (3) or, subject to availability, six (6) months commencing on a Business Day selected by the Company pursuant to this Agreement. Such Interest Period shall end on (but exclude) the day which corresponds numerically to such date one (1), two (2), three (3) or six (6) months thereafter, provided, however, that if there is no such numerically corresponding day in such next, second, third or sixth succeeding month, such Eurodollar Interest Period shall end on the last Business Day of such next, second, third or sixth succeeding month. If an Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day; provided, however, that if said next succeeding Business Day falls in the next month, such Interest Period shall end on the immediately preceding Business Day.

"International" means Apache International, Inc., a Delaware corporation, Subsidiaries of Apache International, Inc., and Subsidiaries of the Company which own properties or conduct operations or propose to own properties or conduct operations exclusively outside of the United States of America, except for HERC, Subsidiaries of HERC, and HEL.

"Investment" means, with respect to any Person, any loan, advance, extension of credit (excluding accounts receivable arising in the ordinary course of business on terms customary in the trade) or contribution of capital by such Person to any other Person or any investment in, or purchase or other acquisition of, the stock, notes, debentures or other securities of any other Person made by such Person. The amount of any Investment shall be the original principal or capital amount thereof less all returns of principal or equity thereon (and without adjustment by reason of the financial condition of such other Person) and shall, if made by the transfer or exchange of property other than cash, be deemed to have been made in an original principal or capital amount equal to the fair market value of such property.

"Invitation for Competitive Bid Quotes" means an Invitation for Competitive Bid Quotes substantially in the form of Exhibit H hereto, completed and delivered by the Administrative Agent to the Lenders in accordance with Section 3.4(b).

"July 1991 Agreement" is defined in Recital 1.

"Lenders" means the financial institutions listed on the signature pages of this Agreement and their respective successors and assigns in accordance with Section 17.3 (including any commercial lending institution becoming a party hereto pursuant to an Assignment Agreement) or otherwise by operation of law.

"Lending Installation" means any office, branch, subsidiary or affiliate of any Lender, the Administrative Agent, the Collateral Agent or the Co-Agent.

"Lien" means any interest in assets or property securing an obligation owed to, or a claim by, a Person other than the owner of the asset or property, whether such interest is based on the common law, statute or contract, and whether such obligation or claim is fixed or contingent, and including any security interest, mortgage, pledge, lien, claim, charge, encumbrance, contract for deed, installment sales contract, production payment, lessor's interest under a Capitalized Lease or analogous instrument, in, of or on any Person's assets or properties in favor of any other Person.

"Limited Recourse Indebtedness" is defined in Section 11.1.

"Loan" means any of the Revolving Loans and the Competitive Bid Loans.

"Loan Documents" means this Agreement, the Notes, the Collateral Documents, the Guaranty, the Assignment Agreements, and the agreement with respect to fees described in Section 2.5(c), together with all exhibits, schedules and attachments thereto, and all other agreements, documents, certificates, financing statements and instruments from time to time executed and delivered pursuant to or in connection with any of the foregoing.

"MW Petroleum" means MW Petroleum Corporation, a Colorado corporation.

"MW Petroleum Stock Pledge" means that certain Stock Pledge and Security Agreement, dated as of July 1, 1991, by MW Petroleum Corporation, a Delaware corporation, as assumed by MW Petroleum pursuant to that certain Assumption Agreement, dated as of December 24, 1991, as amended by the First Amendment to Stock Pledge and Security Agreement, dated as of April 15, 1992.

"MWJR" means MWJR Petroleum Corporation, a Delaware corporation.

"Material Adverse Effect" means with respect to any matter that such matter (i) could reasonably be expected to materially and adversely affect the assets, business, properties, condition (financial or otherwise), prospects, or results of operations of the Company and its Subsidiaries, taken as a whole, or the value or condition of the Properties taken as a whole, or the ability of the Company or any Subsidiary to perform its respective obligations under any of the Loan Documents or (ii) has been brought by or before any court or arbitrator or any governmental body, agency or official, and draws into question or otherwise has or reasonably could be expected to have a material adverse effect on the validity or enforceability of any material provision of any Loan Document against any obligor party thereto or the rights, remedies and benefits available to the Agents and the Lenders under the Loan Documents.

"Multiemployer Plan" means a Plan maintained pursuant to a collective bargaining agreement to which the Company or any member of the Controlled Group is a party and to which more than one employer is obligated to make contributions.

"1992 Revolving Loans" is defined in Recital 2.

"1994 Engineers' Report" means those certain engineering reports of the Company's engineers, Ryder Scott Company Petroleum Engineers, dated as of March 8, 1994, with respect to the Properties copies of which have been delivered to each of the Lenders.

"Note" means any Revolving Note or any Competitive Bid Note.

"Notice of Assignment" is defined in Section 17.3(b).

"Obligations" means all unpaid principal of and accrued and unpaid interest on the Notes, all accrued and unpaid facility fees, and all other obligations of the Company or any Subsidiary to any Lender, the Co-Agent, the Administrative Agent or the Collateral Agent, whether or not contingent, arising under or in connection with any of the Loan Documents, and all obligations in respect of any interest rate swap or interest rate cap or collar agreement or other interest rate hedging agreement entered into by the Company or any Subsidiary with any Lender.

"Offshore" means Apache Offshore Petroleum Limited Partnership, a Delaware limited partnership.

"or" as used in this Agreement is not exclusive.

"Original April 1992 Agreement" is defined in Recital 2.

"Original Revolving Loans" is defined in Recital 1.

"Original Term Loans" is defined in Recital 1.

"Original Termination Date" means April 30, 1998.

"Participant" is defined in Section 17.2(a).

"Partnership Pledge and Security Agreement" means that certain Pledge and Security Agreement, dated as of July 1, 1991, by and between the Company and the Collateral Agent, as amended by the First Amendment to Partnership Pledge and Security Agreement, dated as of April 15, 1992.

"Payment Date" means the second day of January and the first day of each April, July and October of each calendar year, commencing July 1, 1994.

"PBGC" means the Pension Benefit Guaranty Corporation and its successors and assigns.

"Person" means any corporation, natural person, firm, joint venture, partnership, trust, unincorporated organization, enterprise, government or any department or agency of any government.

"Plan" means an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code as to which the Company or any member of the Controlled Group may have any liability.

"Projections" means the Company's projections (including the Company Case and the Bank Liquidating Case) as set forth in tab 10 of the Revolving Credit/Term Loan Facility Information Memorandum dated June 1991.

"Properties" means Hydrocarbon Interests and the properties now or hereafter pooled or unitized with Hydrocarbon Interests; all presently existing or future unitization, pooling agreements and declarations of pooled units and the units created thereby (including without limitation all units created under orders, regulations and rules of any governmental body or agency having jurisdiction) which may affect all or any portion of the Hydrocarbon Interests; all operating agreements, contracts and other agreements which relate to any of the Hydrocarbon Interests or the production, sale, purchase, exchange or processing of Hydrocarbons from or attributable to such Hydrocarbon Interests and such properties; all Hydrocarbons in and under and which may be produced and saved or attributable to the Hydrocarbon Interests and such properties; all Hydrocarbons in and under and which may be produced and saved or attributable to the Hydrocarbon Interests and such properties, the lands covered thereby and all oil in tanks and all rents, issues, profits, proceeds, products, revenues and other incomes from or attributable to the Hydrocarbon Interests and such properties; all tenements, hereditaments, appurtenances and properties in anywise appertaining, belonging, affixed or incidental to the Hydrocarbon Interests, properties, rights, titles, interests and estates described or referred to above,

including any and all property, real or personal, now owned or hereinafter acquired and situated upon, used, held for use or useful in connection with the operating, working or development of any of such Hydrocarbon Interests or property (excluding drilling rigs, automotive equipment or other personal property which may be on such premises for the purpose of drilling a well or for other similar temporary uses) and including any and all oil wells, gas wells, injection wells or other wells, buildings, structures, fuel separators, liquid extraction plants, plant compressors, pumps, pumping units, field gathering systems, tanks and tank batteries, fixtures, valves, fittings, machinery and parts, engines, boilers, meters, apparatus, equipment, appliances, tools, implements, cables, wires, towers, casing, tubing and rods, surface leases, rights-of-way, easements and servitudes together with all additions, substitutions, replacements, accessions and attachments to any and all of the foregoing in each case which are owned by the Company or any Subsidiary.

"Proved Developed Non-Producing Reserves" means, with respect to the Properties, those quantities of Hydrocarbons, estimated with reasonable certainty, as demonstrated by geological and engineering data, to be economically recoverable from the Properties by producing methods under existing economic conditions using existing equipment and operating methods from locations which are behind the casing of existing wells or at minor depths below the present bottom of such wells and which are expected to be produced through these wells in the predictable future, where a relatively small expenditure is required for completion or recompletion to make such Hydrocarbons available for production.

"Proved Developed Producing Reserves" means, with respect to the Properties, those quantities of Hydrocarbons, estimated with reasonable certainty, as demonstrated by geological and engineering data, to be economically recoverable from the Properties by producing methods under existing economic conditions using existing equipment and operating methods from existing completion intervals open for production in existing wells.

"Proved Reserves" means, with respect to the Properties, the sum of Proved Developed Producing Reserves, Proved Developed Non-Producing Reserves and Proved Undeveloped Reserves.

"Proved Undeveloped Reserves" means, with respect to the Properties, those quantities of Hydrocarbons, estimated with reasonable certainty, as demonstrated by geological and engineering data, to be economically recoverable from the Properties by producing methods under existing economic conditions using existing equipment, or equipment for which there is a reasonable expectation of or commitment to installation in the future, and operating methods from (i) existing wells where a relatively large expenditure is required for completion or recompletion and (ii) new wells on undrilled locations (a) which are direct offsets to existing wells then or previously open for production, (b) which are within known proved productive limits of the subject formation, estimated with reasonable certainty, (c) which conform to existing completion intervals for existing wells and (d) which will be developed with a reasonable degree of certainty.

"Purchaser" is defined in Section 17.3(a).

"Qualified Long Term Rating" means in respect of any Person, a Person which has publicly traded debt securities rated either A- or higher by Standard & Poor's Corporation or A(3) or higher by Moody's Investors Service, Inc.

"Rate Option" means the Eurodollar Rate or the Floating Rate.

"Rating Agency" means each of Duff & Phelps Credit Rating Company, Moody's Investors Service, Inc. and Standard & Poor's Corporation.

"Reference Lenders" means First Chicago and Chemical.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System from time to time in effect and shall include any successor or other regulation or official interpretation of said Board of Governors or any

successor Person relating to reserve requirements applicable to member banks of the Federal Reserve System or any successor Person.

"Regulation U" means any of Regulations G, T, U or X of the Board of Governors of the Federal Reserve System from time to time in effect and shall include any successor or other regulations or official interpretations of said Board of Governors or any successor Person relating to the extension of credit for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System or any successor Person.

"Release" means a "release", as such term is defined in CERCLA.

"Replacement Lender" is defined in Section 2.2.

"Reportable Event" means a reportable event as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Plan, excluding, however, such events as to which the PBGC by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event, provided that a failure to meet the minimum funding standard of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waivers in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

"Required Lenders" means, as of any date of determination, Lenders (including First Chicago and Chemical) having in the aggregate at least 66-2/3% of the Aggregate Commitment or, if the Aggregate Commitment has been terminated, Lenders holding at least 66-2/3% of the then outstanding principal amount of the Loans.

"Reserve Requirement" means, with respect to an Interest Period, the maximum aggregate reserve requirement (including all basic, emergency, supplemental, marginal and other reserves and taking into account any transitional adjustments or regulations issued from time to time by the Board of Governors of the Federal Reserve System) which is then applicable to assets or liabilities consisting of and including with a maturity equal to that of the "Eurocurrency Liabilities", as defined in Regulation D, having a term approximately equal or comparable to such Interest Period.

"Revolving Advance" means a borrowing hereunder consisting of the aggregate amount of the several Revolving Loans made by the Lenders or any of them to the Company on the same Borrowing Date, at the same Rate Option and, in the case of Eurodollar Revolving Loans, for the same Interest Period.

"Revolving Loan" means, with respect to a Lender, a revolving loan made by such Lender pursuant to Sections 2.2 and 3.3 as the result of a Borrowing Notice from the Company requesting an Advance.

"Revolving Note" means a promissory note in substantially the form of Exhibit "A-1" hereto (with appropriate insertions and deletions), duly executed and delivered to the Administrative Agent by the Company and payable to the order of a Lender in the amount of its Commitment, including any amendment, modification, renewal or replacement of such promissory note.

"Sale" means any sale, transfer, assignment, lease, conveyance, exchange, swap or other disposition.

"Schedules" means Schedules A, 8.8, 11.1 and 11.12 hereto.

"Security Agreement and Financing Statement" means that certain Security Agreement and Financing Statement, dated as of July 1, 1991, by the Company in favor of the Collateral Agent, as amended by the First Amendment to Security Agreement and Financing Statement, dated as of April 15, 1992.

"Single Employer Plan" means a Plan maintained by the Company or any member of the Controlled Group for employees of the Company or any member of the Controlled Group.

"Solvent" means, with respect to any Person at any time, a condition under which

the fair saleable value of such Person's assets is, on the date of determination, greater than the total amount of such Person's liabilities (including contingent and unliquidated liabilities) at such time;

such Person is able to pay all of its liabilities as such liabilities mature; and

such Person does not have unreasonably small capital with which to conduct its business.

For purposes of this definition

(i) the amount of a Person's contingent or unliquidated liabilities at any time shall be that amount which, in light of all the facts and circumstances then existing, represents the amount which can reasonably be expected to become an actual or matured liability;

(ii) the "fair saleable value" of an asset shall be the amount which may be realized within a reasonable time either through collection or sale of such asset at its regular market value; and

(iii) the "regular market value" of an asset shall be the amount which a capable and diligent business person could obtain for such asset from an interested buyer who is willing to purchase such asset under ordinary selling conditions.

"Stated Maturity Date" is defined in Section 3.4(a).

"Stock Pledge and Security Agreement" means that certain Stock Pledge and Security Agreement, dated as of July 1, 1991, by the Company in favor of the Collateral Agent, as amended by the First Amendment to Stock Pledge and Security Agreement, dated as of April 15, 1992, the Second Amendment to Stock Pledge and Security Agreement, dated as of May 15, 1992, and the Third Amendment to Stock Pledge and Security Agreement, dated as of November 30, 1992.

"Subordinated Indebtedness" means any Indebtedness described in Schedule 11.1 as subordinated indebtedness and any Indebtedness of the Company or any of its Subsidiaries permitted pursuant to Section 11.1(c).

"Subsidiary" means, with respect to any Person, any other Person more than 50% of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by such Person; provided, that with respect to the Company, Subsidiaries shall include MW Petroleum, MWJR, each Drilling Partnership and any other Person more than 50% of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by the Company or by one or more Subsidiaries or by the Company and one or more Subsidiaries; provided, that, notwithstanding the foregoing, Subsidiaries of the Company shall not include, for the purposes of Article VIII (except for Sections 8.10, 8.15 and 8.16), Article XI, Article XI (except for Sections 11.2 and 11.9) and Article XII (except for Section 12.1 insofar as the representation or warranty which is breached or shall be false was made pursuant to Section 8.10, Section 8.15 or Section 8.16), HEL or Subsidiaries of HERC.

"Termination Date" means the Original Termination Date, or such other later date as may result from any extension requested by the Company and consented to by the Lenders pursuant to Section 2.2.

"Transferee" is defined in Section 17.4.

"Unfunded Liabilities" means, (i) in the case of Single Employer Plans, the amount (if any) by which the present value of all vested nonforfeitable benefits under such Plan exceeds the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plans, and (ii) in the case of Multiemployer Plans, the withdrawal liability that would be incurred by the Controlled Group if all members of the Controlled Group completely withdrew from all Multiemployer Plans.

"Unmatured Default" means an event which but for the lapse of time or the giving of notice, or both, would constitute a Default.

"Utilized Commitment" means the sum of the aggregate outstanding principal amount of Loans. With respect to each Lender, its share, in dollars, of the Utilized Commitment shall be calculated as the sum of the aggregate outstanding principal amount of such Lender's Loans.

"Wholly-Owned Subsidiary" means any Subsidiary all of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by the Company or one or more Wholly-Owned Subsidiaries, or by the Company and one or more Wholly-Owned Subsidiaries, or any similar business organization which is so owned or controlled.

1.2. Use of Defined Terms. Unless otherwise defined or the context otherwise requires, terms for which meanings are provided in this Agreement shall have such meanings when used in each Schedule and Exhibit hereto and in each Note, Borrowing Notice, Competitive Bid Borrowing Notice, Continuation/Conversion Notice, Loan Document, notice and other communication delivered from time to time in connection with this Agreement or any other Loan Document.

1.3. Cross References. Unless otherwise specified, references in this Agreement and in each other Loan Document to any Article, Section, Exhibit or Schedule are references to such Article or Section of or Schedule or Exhibit to this Agreement or such other Loan Document, as the case may be, and, unless otherwise specified, references in any Article, Section or definition to any clause are references to such clause of such Article, Section or definition.

1.4. Accounting and Financial Determination. Unless otherwise specified, all accounting terms used herein or in any other Loan Document shall be interpreted, all accounting determinations and computations hereunder or thereunder, and all financial statements required to be delivered hereunder or thereunder, shall be prepared in accordance with, the Agreement Accounting Principles.

ARTICLE II

THE FACILITIES

2.1. The Facility.

(a) Description of Facility. On the Effective Date, except as provided in Section 9.16, all outstanding 1992 Revolving Loans shall be renewed, restated, extended and converted into (but shall not be deemed to be repaid) Revolving Loans under this Agreement; provided, however, that from and including the Effective Date the Eurodollar Spread applicable with respect to such renewed, restated, extended and converted 1992 Revolving Loans shall be determined pursuant to this Agreement. Each Lender acknowledges that repayment of 1992 Revolving Loans which are outstanding on the Effective Date and renewed, restated, extended and converted into Revolving Loans under this Agreement (but not any continuation or conversions thereof pursuant to Section 3.6) shall be made based on the percentages set forth on Schedule A, rather than on each Lender's percentage of the Aggregate Commitment under this Agreement. On the terms and subject to the conditions set forth in this Agreement (including satisfaction of the conditions precedent set forth in Article

VII), the Lenders grant to the Company a revolving credit facility pursuant to which, and upon the terms and conditions herein set out:

- (i) each Lender severally agrees to make Revolving Loans to the Company in accordance with this Section and Article III; and
- (ii) each Lender may, in its sole discretion, make bids to make Competitive Bid Loans to the Company in accordance with this Section and Article III.

(b) Facility Amount. In no event may the aggregate principal amount of all outstanding Loans (including both the Revolving Loans and the Competitive Bid Loans) exceed the Aggregate Available Commitment and no Lender shall be obligated to make any Loan hereunder if, after giving effect to such Loan, the sum of the aggregate outstanding principal amount of all Loans would exceed the Aggregate Available Commitment (as then in effect after giving effect to any reductions thereof to be effectuated on such day).

(c) All Loans. Subject to the terms and conditions of this Agreement, the Company may borrow, repay and reborrow all Loans made under this Agreement at any time prior to the Termination Date. The obligations of the Lenders to make Loans shall cease on the Termination Date, and any and all Loans outstanding on such date shall be due and payable on such date.

(d) Revolving Advances. Each Revolving Advance hereunder shall consist of borrowings made from the several Lenders ratably in proportion to the amounts of their respective Commitments. The aggregate outstanding amount of Competitive Bid Loans shall reduce each Lender's portion of the Aggregate Available Commitment ratably in the proportion such Lender's Commitment bears to the Aggregate Commitment regardless of which Lender or Lenders makes such Competitive Bid Loans.

(e) Competitive Bid Loans. In addition to Revolving Loans pursuant to Section 2.1(d), but subject to the terms and conditions of this Agreement (including, without limitation, the limitation set forth in Section 2.1(b) as to the maximum aggregate principal amount of all outstanding Loans hereunder, the Company may, as set forth in this Section 2.1(e) and Article III, at any time when the facility fee payable under Section 2.5(a)(i) is calculated at a rate per annum of .25%, request the Lenders, prior to the Termination Date, to make offers to make Competitive Bid Advances to the Company. Each Lender may, but shall have no obligation to, make such offers and the Company may, but shall have no obligation to, accept such offers.

2.2. Extension of Termination Date and of Commitment.

(a) Subject to the other provisions of this Agreement, the Aggregate Commitment shall be effective for an initial period from the Effective Date to the Original Termination Date; provided that the Aggregate Commitment, and concomitantly the Termination Date, may be extended for successive one year periods expiring the date which is one (1) year from the then scheduled Termination Date, in accordance with the terms of this Section 2.2. If the Company shall request in an Annual Certificate of Extension delivered to the Administrative Agent not more than 120 nor less than 60 days prior to an Anniversary Date, that the Aggregate Commitment be extended for one year from the then scheduled Termination Date, then the Administrative Agent shall promptly notify each Lender of such request and each Lender shall notify the Administrative Agent, no later than the next date by which each Lender is required, pursuant to Section 2.3(a), to approve or disapprove of the Administrative Agent's and the Co-Agent's determination of the Borrowing Base following the receipt of the Approved Engineers' Report due no later than March 15 of each year, whether it, in the exercise of its sole discretion, will

extend the Termination Date for such one year period; provided, however, that if such Annual Certificate of Extension is delivered to the Administrative Agent in the same year in which the Termination Date is then scheduled to occur, each Lender shall notify the Administrative Agent not fewer than 15 days prior to such Anniversary Date, whether it, in the exercise of its sole discretion, will extend the Termination Date for such one-year period. Any Lender which shall not timely notify the Administrative Agent whether it will extend the Termination Date shall be deemed to not have agreed to extend the Termination Date. No Lender shall have any obligation whatsoever to agree to extend the Termination Date. Any agreement to extend the Termination Date by any Lender shall be irrevocable, except as provided in Section 2.2(c).

(b) If all the Lenders notify the Administrative Agent pursuant to clause (a) of this Section 2.2 of their agreement to extend the Termination Date (such Lenders agreeing to extend the Termination Date herein called the "Accepting Lenders"), then the Administrative Agent shall so notify each Lender and the Company, and such extension shall be effective without other or further action by any party hereto for such additional one year period.

(c) If Lenders constituting at least the Required Lenders approve the extension of the then scheduled Termination Date and if one (1) or more of the Lenders shall notify, or be deemed to notify, the Administrative Agent pursuant to clause (a) of this Section 2.2 that it will not extend the then scheduled Termination Date (such Lenders herein called the "Declining Lenders"), then (A) the Administrative Agent shall promptly so notify the Company and the Accepting Lenders, (B) the Accepting Lenders shall, upon the Company's election to extend the then scheduled Termination Date in accordance with clause (i) or (ii) below, extend the then scheduled Termination Date and (C) the Company shall pursuant to a notice delivered to the Administrative Agent, the Accepting Lenders and the Declining Lenders, no later than the fifth day following the date by which each Lender is required, pursuant to Section 2.2(a), to approve or disapprove the requested extension of the Aggregate Commitment, either:

(i) elect to extend the Termination Date with respect to the Accepting Lenders and direct the Declining Lenders to terminate their Commitments, which termination shall become effective on the date which would have been the Termination Date except for the operation of this Section 2.2. On such date, (x) the Company shall deliver a notice of the effectiveness of such termination to the Declining Lenders with a copy to the Administrative Agent and (y) the Company shall pay in full in immediately available funds all Obligations of the Company owing to the Declining Lenders and (z) upon the occurrence of the events set forth in clauses (x) and (y), the Declining Lenders shall each cease to be a Lender hereunder for all purposes, other than for purposes of Section 14.7, and shall cease to have any obligations or any Commitment hereunder, other than to the Agents pursuant to Section 15.8 and the Administrative Agent shall promptly notify the Accepting Lenders and the Company of the new Aggregate Commitment; or

(ii) elect to extend the Termination Date with respect to the Accepting Lenders and, prior to or no later than the then scheduled Termination Date, (A) to replace one or more of the Declining Lender or Lenders with another lender or lenders reasonably acceptable to the Administrative Agent (such lenders herein called the "Replacement Lenders") and (B) the Company shall pay in full in immediately available funds all Obligations of the Company owing to the Declining Lenders which are not being replaced, as provided in clause (i) above; provided that (x) the Replacement Lender or Lenders shall purchase, and the Declining Lender or Lenders shall sell, the Notes of the Declining Lender

or Lenders being replaced and the Declining Lender's or Lenders' rights hereunder without recourse or expense to, or warranty by, such Declining Lender or Lenders being replaced for a purchase price equal to the aggregate outstanding principal amount of the Note or Notes payable to such Declining Lender or Lenders plus any accrued but unpaid interest on such Note or Notes and accrued but unpaid fees in respect of such Declining Lender's or Lenders' Loans and Commitments hereunder, and (y) all obligations of the Company owing under or in connection with this Agreement to the Declining Lender or Lenders being replaced (including, without limitation, such increased costs, breakage fees payable under Section 6.3 and all other costs and expenses payable to each such Declining Lender) shall be paid in full in immediately available funds to such Declining Lender or Lenders concurrently with such replacement, and (z) upon the payment of such amounts referred to in clauses (x) and (y), the Replacement Lender or Lenders shall each constitute a Lender hereunder and the Declining Lender or Lenders being so replaced shall no longer constitute a Lender (other than for purposes of Section 14.7), and shall no longer have any obligations hereunder, other than to the Agents pursuant to Section 15.8; or

(iii) elect to revoke and cancel the extension request in such Annual Certificate of Extension by giving notice of such revocation and cancellation to the Administrative Agent (which shall promptly notify the Lenders thereof) no later than the fifth day following the date by which each Lender is required, pursuant to Section 2.2(a), to approve or disapprove the requested extension of the Aggregate Commitment.

If the Company fails to timely provide the election notice referred to in this clause(c), the Company shall be deemed to have revoked and cancelled the extension request in the Annual Certificate of Extension and to have elected not to extend the Aggregate Commitment, and the concomitant Termination Date with respect to the Accepting Lenders, and on the then scheduled Termination Date the Company shall repay in full all amounts outstanding under the Loans.

2.3. Borrowing Base.

(a) Initial Borrowing Base; Scheduled Semi-Annual and Discretionary Determinations of the Borrowing Base; Procedures for Determination of the Borrowing Base. The initial Borrowing Base shall be \$450,000,000. The Borrowing Base shall be redetermined upon receipt by the Administrative Agent, the Co-Agent and the Lenders of the relevant Approved Engineers' Report or Company's Engineers' Report, as the case may be, pursuant to Sections 2.3(b) or (e), 4.2(d), 9.1(d), (e) or (f). Additionally, the Borrowing Base may be redetermined under each of the circumstances set forth in Sections 2.3(d), 2.3(e) and 11.1. The redeterminations of the Borrowing Base described in the preceding sentences shall be made as follows: The Administrative Agent and Co-Agent shall make a determination of the Borrowing Base in accordance with the criteria described in clause (c) of this Section 2.3 within thirty (30) days after receipt of the Approved Engineers' Report or the Company's Engineers' Report, as the case may be. Within ten (10) days following such determination, the Administrative Agent shall notify the Lenders in writing of such determination. Each Lender shall notify the Administrative Agent in writing, by telex or by facsimile transmission whether it approves or disapproves of any such determination of the Borrowing Base within ten (10) Business Days of its receipt of such notice from the Administrative Agent; provided that any Lender which does not so notify the Administrative Agent shall be deemed to have approved of such determination. Upon the approval (or deemed approval) by the Required Lenders, such determination shall thereafter be the Borrowing Base, and the Administrative Agent shall within five (5) days of such approval notify the Company in writing of such redetermined Borrowing Base. The

Administrative Agent shall promptly notify the Company and the Lenders of any change in the Borrowing Base.

(b) Determination of Borrowing Base at Request of Company. The Company may request one Borrowing Base determination between regularly scheduled semi-annual redeterminations of the Borrowing Base by delivery to the Administrative Agent, the Co-Agent and the Lenders of a written request for such determination; provided that a deemed request for a determination of the Borrowing Base pursuant to Section 11.1(c), (d) or (e) shall not preclude the Company's requesting a Borrowing Base determination to which it is otherwise entitled pursuant to this clause (b). In connection with such determination the Company shall deliver to the Administrative Agent, the Co-Agent and the Lenders such reports and information concerning the Properties (which may include in the Administrative Agent's and Co-Agent's sole discretion an Approved Engineers' Report or a Company's Engineers' Report as of such date) as the Administrative Agent and the Co-Agent shall deem appropriate in their sole discretion.

(c) Criteria for Determination of the Borrowing Base. Each determination by the Administrative Agent and the Co-Agent and the approval by the Required Lenders of the Borrowing Base attributable to the Properties owned by the Company and its Subsidiaries including Properties owned through partnerships (but not to exceed in each case an undivided share of such Properties equal to the Company's ownership share of such partnerships) shall be made by them in the exercise of their respective sole discretion based on their then current engineering criteria and oil and gas lending criteria, all as determined using the then most recently received Approved Engineers' Report or Company's Engineers' Report, as the case may be, and, subject to the approval of the Required Lenders to the extent set forth in clause (a) of this Section 2.3, shall be conclusive and binding in the absence of manifest error.

(d) Redeterminations of Borrowing Base Upon Material Adverse Effect. In the event of:

(i) the assertion or filing of any adverse claim, defect or encumbrance affecting or purporting to affect the title of the Company or any Subsidiary to any Property; or

(ii) any blow out or other casualty affecting any Property or the production of oil and gas therefrom; or

(iii) any withholding after one hundred twenty (120) days following commencement of production by any Person of sums due the Company or any Subsidiary in respect of Hydrocarbons produced, which withholding results from an allegation or claim affecting such Person's rights to such payment;

which would have or be a Material Adverse Effect, the Administrative Agent and the Co-Agent shall have the right in their sole discretion to reduce the Borrowing Base, either temporarily or permanently, by the amount included therein with respect to the interest as to which a claim, defect, encumbrance, withholding or dispute has arisen or exists or a casualty has occurred. The failure of the Administrative Agent and the Co-Agent to make any such reduction upon receipt of any notice with respect to any such claim, dispute or casualty shall not preclude their later election to so reduce the Borrowing Base.

(e) Redetermination of Borrowing Base Upon Material Changes. In the event that "material changes" occur between the dates of determination of the Borrowing Base in (i) oil and/or gas prices, (ii) taxes, (iii) anticipated rates or amounts of production from any Properties included in the Borrowing Base, (iv) the Company's or any Subsidiary's, as the case may be, title or purported title to the Properties, (v) operating, lease, royalty and other arrangements relating

to the Properties or (vi) operating costs with respect to the Properties, then in any such event the Administrative Agent and the Co-Agent may, in their sole discretion, redetermine the Borrowing Base in accordance with the standards set forth in Section 2.3(c) prior to the receipt of either a new Approved Engineers' Report or a new Company's Engineers' Report by adjusting the Borrowing Base to reflect the changes which have occurred. For the purposes hereof, "material changes" shall be deemed to have occurred for purposes of this Section 2.3(e) when such changes would in the aggregate result in a material decrease in the Borrowing Base as determined by the Administrative Agent and the Co-Agent in their sole and absolute discretion.

(f) Reduction of Borrowing Base Upon Sales of Certain Properties. Upon consummation of the Sale of any Property in the Borrowing Base constituting a permitted and designated Sale under clause (iii) of Section 11.3, the Borrowing Base shall be reduced on account of such Sale by an amount equal to the proceeds of such Sale net of reasonable incidental brokerage and legal costs actually paid to third parties, net of taxes associated with such Sale payable in cash concurrently with the consummation of such Sale, and net of federal and state income taxes estimated to be due in respect of such Sale by the Company acting reasonably and in good faith, provided reserves for such taxes are established by the Company. Upon the consummation of the Sale of any Property in the Borrowing Base constituting a permitted Sale under clause (iv) of Section 11.3, the Borrowing Base shall be reduced by an amount equal to the amount of the mandatory prepayment, if any, required to be made under Section 4.2(d) on account of such Sale.

(g) Title Warranty. Delivery to the Lenders of any Approved Engineers' Report or Company's Engineers' Report shall be deemed to be a reaffirmation as of the date of delivery of such report of the representation and warranties in Section 8.14.

2.4. (Intentionally Omitted.)

2.5. Facility Fee; Other Fees.

(a) Facility Fee. (i) The Company agrees to pay to the Administrative Agent for the account of each Lender a facility fee for the period from (and including) the date hereof to the Termination Date, at the applicable rate per annum set forth below on such Lender's ratable portion of the Aggregate Available Commitment as in effect from time to time; provided, however, that a reduction in a Lender's portion of the Aggregate Available Commitment pursuant to Section 2.1(d) shall not reduce such Lender's ratable portion of the Aggregate Available Commitment for the purposes of this Section 2.5(a)(i):

Debt/Capitalization Ratio	Rating of the Company's Long-Term Debt by 2 or more Rating Agencies	Facility Fee
Greater than or equal to .60 to 1.0	Lower than BBB-/Baa3	.50%
Greater than or equal to .60 to 1.0	BBB-/Baa3 or higher	.375%
Greater than or equal to .50 to 1.0 but less than .60 to 1.0	Not applicable	.375%
Greater than or equal to .45 to 1.0 but less than .50 to 1.0	BBB-/Baa3 or lower	.375%

Debt/Capitalization Ratio	Rating of the Company's Long-Term Debt by 2 or more Rating Agencies	Facility Fee
Greater than or equal to .45 to 1.0 but less than .50 to 1.0	BBB/Baa2 or higher	.25%
Less than .45 to 1.0	Not applicable	.25%

(ii) The Company agrees to pay to the Administrative Agent for the account of each Lender a facility fee for the period from (and including) the date hereof to the Termination Date, at one-half of the rate applicable per annum set forth in clause (i) above on such Lender's ratable portion of the Aggregate Unavailable Commitment as in effect from time to time; provided, however, that a reduction in a Lender's portion of the Aggregate Available Commitment pursuant to Section 2.1(d) shall not reduce such Lender's ratable portion of the Aggregate Unavailable Commitment for the purposes of this Section 2.5(a)(ii).

Facility fees accruing pursuant to this Section 2.5(a) shall be payable in arrears on each Payment Date hereafter and on the Termination Date. In addition to the foregoing, the Company agrees to pay all fees accruing prior to date hereof with respect to each Lender's commitments under the April 1992 Agreement.

(b) Participation Fee. The Company agrees to pay to the Administrative Agent for the account of each Lender, on the Effective Date, a participation fee in an amount equal to .125% of each Lender's Commitment, as in effect on the Effective Date.

(c) Agents' Fees. The Company shall pay to each Agent for its own respective account such fees in connection with this Agreement as previously have been agreed in a writing among them (as such writing may hereafter be amended, supplemented, restated or otherwise modified and in effect).

ARTICLE III

BORROWING; SELECTING RATE OPTIONS; ETC.

3.1. Method of Borrowing.

(a) Revolving Loans. Not later than noon Chicago time on each Borrowing Date for Revolving Loans, each Lender shall make available its Loan or Loans, in funds immediately available in Chicago, to the Administrative Agent at its address specified pursuant to Article XVIII. The Administrative Agent will make the funds so received from the Lenders with respect to Revolving Loans available to the Company at the Administrative Agent's aforesaid address.

(b) Competitive Bid Loans. Not later than noon Chicago time on the Borrowing Date specified for each Competitive Bid Loan, each Lender whose Competitive Bid Quote in respect thereof the Company accepted pursuant to Section 3.4(e) shall make available its Competitive Bid Loan, in funds immediately available in Chicago, to the Administrative Agent at its address specified pursuant to Article XVIII. The Administrative Agent will make the funds so received from the Lenders with respect to Competitive Bid Loans available to the Company at the Administrative Agent's aforesaid address.

3.2. (Intentionally Omitted.)

3.3. Method of Selecting Rate Options and Interest Periods for Revolving Loans. The Company shall select the Rate Option and Interest Period applicable to each Revolving Advance from time to time. The Company shall give the Administrative Agent irrevocable notice (a "Borrowing Notice") not later than (a) 10:00 a.m. Chicago time at least one (1) Business Day before the Borrowing Date of each Floating Rate Revolving Advance, and (b) 11:00 a.m. Chicago time at least three (3) Business Days before the Borrowing Date for each Eurodollar Revolving Advance, specifying:

- (i) the Borrowing Date, which shall be a Business Day, of such Revolving Advance,
- (ii) the aggregate amount of such Revolving Advance,
- (iii) the Rate Option selected for such Revolving Advance, and
- (iv) in the case of each Eurodollar Revolving Advance, the Interest Period applicable thereto.

Each Eurodollar Revolving Advance shall bear interest from and including the first day of the Interest Period applicable thereto to (but not including) the last day of such Interest Period at the interest rate determined from time to time as applicable to such Eurodollar Revolving Advance. The Company shall select Interest Periods with respect to Eurodollar Revolving Advances so that it is not necessary to pay a Eurodollar Revolving Advance prior to the last day of the applicable Interest Period in order to make the mandatory repayment on the Termination Date.

3.4. Competitive Bid Loans.

(a) Competitive Bid Quote Request. When the Company wishes to request offers to make Competitive Bid Loans under this Agreement, it shall transmit to the Administrative Agent by telex or telecopy a Competitive Bid Quote Request substantially in the form of Exhibit E hereto so as to be received no later than (i) 10:00 a.m. (Chicago time) at least four Business Days prior to the Borrowing Date proposed therein, in the case of a Eurodollar Auction or (ii) 9:00 a.m. (Chicago time) at least one Business Day prior to the Borrowing Date proposed therein, in the case of a Floating Rate Auction specifying:

- (i) the proposed Borrowing Date, which shall be a Business Day, for the proposed Competitive Bid Advance;
- (ii) the aggregate principal amount of such Competitive Bid Advance;
- (iii) whether the Competitive Bid Quotes requested are to set forth a Eurodollar Bid Rate or a Floating Bid Rate, or both;
- (iv) in the case of each Floating Rate Auction, the maturity date (relative to each Competitive Bid Loan, its "Stated Maturity Date") for the proposed Competitive Bid Advance (which Stated Maturity Date may not be earlier than the date occurring seven (7) days after the proposed Borrowing Date of such Competitive Bid Advance or later than the earlier of (x) the date occurring 185 days after the proposed Borrowing Date of such Competitive Bid Advance and (y) the Termination Date); and
- (v) in the case of each Eurodollar Bid Rate Advance, the Interest Period applicable thereto (which may not end after the Termination Date); provided that the final day of the Interest Period applicable to each Eurodollar Bid Rate Loan shall be the Stated Maturity Date thereof.

The Company may request offers to make Competitive Bid Loans for more than one Interest Period in a single Competitive Bid Quote Request. No Competitive Bid Quote Request shall be given within 5 Business Days (or such other number of days as the Company and the Administrative Agent may agree) of any other Competitive Bid Quote Request. A Competitive Bid Quote Request that does not conform substantially to the format of Exhibit E hereto shall be rejected, and the Administrative Agent shall promptly notify the Company of such rejection by telex or telecopy.

(b) Invitation for Competitive Bid Quotes. Promptly and in any event before the close of business on the same Business Day of receipt of a Competitive Bid Quote Request that is not rejected pursuant to Section 3.4(a), the Administrative Agent shall send to each of the Lenders by telex or telecopy an Invitation for Competitive Bid Quotes substantially in the form of Exhibit H hereto, which shall constitute an invitation by the Company to each Lender to submit Competitive Bid Quotes offering to make the Competitive Bid Loans to which such Competitive Bid Quote Request relates in accordance with this Section 3.4.

(c) Submission and Contents of Competitive Bid Quotes.

(i) Each Lender may, in its sole discretion, submit a Competitive Bid Quote containing an offer or offers to make Competitive Bid Loans in response to any Invitation for Competitive Bid Quotes. Each Competitive Bid Quote must comply with the requirements of this Section 3.4(c) and must be submitted to the Administrative Agent by telex or telecopy at its offices specified pursuant to Article XVIII not later than (a) 10:00 a.m. (Chicago time) at least three Business Days prior to the proposed Borrowing Date, in the case of a Eurodollar Auction or (b) 9:00 a.m. (Chicago time) on the proposed Borrowing Date, in the case of a Floating Rate Auction (or, in either case upon reasonable prior notice to the Lenders, such other time and date as the Company and the Administrative Agent may agree); provided that Competitive Bid Quotes submitted by First Chicago may only be submitted if the Administrative Agent or First Chicago notifies the Company of the terms of the offer or offers contained therein not later than 15 minutes prior to the latest time at which the relevant Competitive Bid Quotes must be submitted by the other Lenders. Subject to Articles VII and XII, any Competitive Bid Quote so made shall be irrevocable except with the written consent of the Administrative Agent given on the instructions of the Company.

(ii) Each Competitive Bid Quote shall be in substantially the form of Exhibit K hereto and shall in any case specify:

a. the proposed Borrowing Date, which shall be the same as that set forth in the applicable Invitation for Competitive Bid Quotes;

b. the Stated Maturity Date and the principal amount of the Competitive Bid Loan for which each such offer is being made, which principal amount (1) may be greater than, less than or equal to the Commitment of the quoting Lender, (2) must be at least \$10,000,000 and an integral multiple of \$1,000,000 in the case of a Eurodollar Bid Rate Advance and at least \$7,000,000 and an integral multiple of \$500,000 in the case of a Floating Bid Rate Advance, and (3) may not exceed the principal amount of Competitive Bid Loans for which offers were requested;

c. the Competitive Bid Margin offered for each such Competitive Bid Loan;

d. the minimum amount, if any, of the Competitive Bid Loan which may be accepted by the Company; and

e. the identity of the quoting Lender.

(iii) The Administrative Agent shall reject any Competitive Bid Quote that:

a. is not substantially in the form of Exhibit K hereto or does not specify all of the information required by Section 3.4(c)(ii);

b. contains qualifying, conditional or similar language, other than any such language contained in Exhibit K hereto;

c. proposes terms other than or in addition to those set forth in the applicable Invitation for Competitive Bid Quotes; or

d. arrives after the time set forth in Section 3.4(c)(i).

If any Competitive Bid Quote shall be rejected pursuant to this Section 3.4(c)(iii), then the Administrative Agent shall notify the relevant Lender of such rejection as soon as practical.

(d) Notice to Company. The Administrative Agent shall promptly notify the Company of the terms (i) of any Competitive Bid Quote submitted by a Lender that is in accordance with Section 3.4(c) and (ii) of any Competitive Bid Quote that amends, modifies or is otherwise inconsistent with a previous Competitive Bid Quote submitted by such Lender with respect to the same Competitive Bid Quote Request. Any such subsequent Competitive Bid Quote shall be disregarded by the Administrative Agent unless such subsequent Competitive Bid Quote specifically states that it is submitted solely to correct a manifest error in such former Competitive Bid Quote. The Administrative Agent's notice to the Company shall specify the aggregate principal amount of Competitive Bid Loans for which offers have been received for each Interest Period or Stated Maturity Date specified in the related Competitive Bid Quote Request and the respective principal amounts and Eurodollar Bid Rates or Floating Bid Rates, as the case may be, so offered.

(e) Acceptance and Notice by Company. Not later than (i) 11:00 a.m. (Chicago time) at least three Business Days prior to the proposed Borrowing Date, in the case of a Eurodollar Auction or (ii) 10:00 a.m. (Chicago time) on the proposed Borrowing Date, in the case of a Floating Rate Auction (or, in either case upon reasonable prior notice to the Lenders, such other time and date as the Company and the Administrative Agent may agree), the Company shall notify the Administrative Agent of its acceptance or rejection of the offers so notified to it pursuant to Section 3.4(d); provided, however, that the failure by the Company to give such notice to the Administrative Agent shall be deemed to be a rejection of all such offers. In the case of acceptance, such notice (a "Competitive Bid Borrowing Notice") shall specify the aggregate principal amount and the Interest Period and Stated Maturity Date of each offer that is accepted. The Company may accept any Competitive Bid Quote in whole or in part (subject to the terms of Section 3.4(c)(ii)d); provided that:

a. the aggregate principal amount of each Competitive Bid Advance may not exceed the applicable amount set forth in the related Competitive Bid Quote Request;

b. acceptance of offers may only be made on the basis of ascending Eurodollar Bid Rates or Floating Bid Rates, as the case may be; and

c. the Company may not accept any offer that is described in Section 3.4(c)(iii) or that otherwise fails to comply with the requirements of this Agreement.

(f) Allocation by Administrative Agent. If offers are made by two or more Lenders with the same Eurodollar Bid Rates or Floating Rates, as the case may be, for a greater aggregate principal amount than the amount in respect of which offers are accepted for the related Interest Period, the principal amount of Competitive Bid Loans in respect of which such offers are accepted shall be allocated by the Administrative Agent among such Lenders as nearly as possible (in such multiples, not greater than \$1,000,000, as the Administrative Agent may deem appropriate) in proportion to the aggregate principal amount of such offers; provided, however, that no Lender shall be allocated a portion of any Competitive Bid Advance which is less than the minimum amount which such Lender has indicated that it is willing to accept. Allocations by the Administrative Agent of the amounts of Competitive Bid Loans shall be conclusive in the absence of manifest error. The Administrative Agent shall promptly, but in any event on the same Business Day, notify each Lender of its receipt of a Competitive Bid Borrowing Notice and the aggregate principal amount of such Competitive Bid Advance allocated to each participating Lender.

3.5. Minimum Amount of Each Advance. Each requested Eurodollar Bid Rate Advance and Eurodollar Revolving Advance shall be in the minimum amount of \$10,000,000 (and in multiples of \$1,000,000 if in excess thereof), and each requested Floating Bid Rate Advance and Floating Rate Revolving Advance shall be in the minimum amount of \$7,000,000 (and in multiples of \$500,000 if in excess thereof); provided, however, that any Floating Bid Rate Advance and any Floating Rate Revolving Advance may be in the amount of the difference between (i) the Aggregate Available Commitment minus (ii) the sum of the outstanding principal amount of all Loans.

3.6. Continuation and Conversion Elections. By providing a Continuation/Conversion Notice to the Administrative Agent on or before 11:00 a.m. Chicago time, in the case of a Eurodollar Revolving Loan, or 10:00 a.m. Chicago time, in the case of a Floating Rate Revolving Loan, on a Business Day, the Company may from time to time irrevocably elect, on, in the case of a Eurodollar Revolving Loan, not less than three nor more than five, and in the case of a Floating Rate Revolving Loan not less than one or more than three, Business Days' notice, that all, or any portion in an aggregate minimum amount of \$10,000,000 and an integral multiple of \$1,000,000 or the remaining balance of any Revolving Loans be, in the case of Floating Rate Revolving Loans converted into Eurodollar Revolving Loans or, in the case of Eurodollar Revolving Loans converted into Floating Rate Revolving Loans or continued as Eurodollar Revolving Loans (in the absence of delivery of a Continuation/Conversion Notice with respect to any Eurodollar Revolving Loan at least three Business Days before the last day of the then current Interest Period with respect thereto, such Eurodollar Revolving Loan shall, on such last day, automatically convert to a Floating Rate Revolving Loan); provided, however, that no portion of the outstanding principal amount of any Loans may be continued as, or be converted into, a Eurodollar Advance when any Default has occurred and is continuing.

3.7. Telephonic Notices. The Company hereby authorizes the Lenders and the Administrative Agent to extend Advances, effect Rate Option selections and submit Competitive Bid Quotes based on telephonic notices made by any Person or Persons the Administrative Agent or any Lender in good faith believes to be acting on behalf of the Company. The Company agrees to deliver promptly to the Administrative Agent a written confirmation of each telephonic notice signed by an Authorized Officer. If the written confirmation differs in any material respect from the action taken by the Administrative Agent and the Lenders, the records of the Administrative Agent and the Lenders shall govern absent manifest error.

3.8. Rate after Maturity. Except as provided in the next sentence, any Advance not paid at maturity, whether by acceleration or otherwise, shall bear interest until paid in full at a rate per annum equal to the Floating Revolving Rate plus 2%. In the case of a Eurodollar Advance the maturity of which is accelerated, such Eurodollar Advance shall bear interest for the remainder of the applicable Interest Period, at the higher of the rate (including the Eurodollar Spread or the Competitive Bid Margin, as applicable) otherwise applicable to such Interest Period plus 2% per annum or the Floating Revolving Rate plus 2% per annum.

3.9. Interest Payment Dates; Determination of Interest and Fees.

(a) Interest Payment Dates.

(i) Interest accrued and unpaid on each Floating Rate Revolving Advance shall be payable on each Payment Date and on any date on which such Floating Rate Revolving Advance is paid or prepaid, whether due to acceleration or otherwise. Interest accrued on each Eurodollar Revolving Advance shall be payable on the last day of its applicable Interest Period and on any date on which such Eurodollar Revolving Advance is prepaid, whether due to acceleration or otherwise. Interest accrued on each Eurodollar Revolving Advance having an Interest Period longer than three (3) months shall also be payable on the last day of each three-month interval during such Interest Period.

(ii) Interest on the outstanding principal amount of Competitive Bid Loans shall be payable on the Stated Maturity Date for each such Competitive Bid Loan; provided, however, that in the case of a Eurodollar Bid Rate Advance having an Interest Period longer than three (3) months, interest accrued on such Eurodollar Bid Rate Advance shall also be payable on the last day of each three-month interval during such Interest Period.

Interest shall be payable for the day an Advance is made but not for the day of any payment on the amount paid if payment is received prior to noon (local time) at the place of payment. If any payment of principal of, or interest on, an Advance shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day (except as provided in the definition of Interest Period) and, in the case of a principal payment, such extension of time shall be included in computing interest in connection with such payment.

(b) Determination of Interest and Fees. Interest on any Advance or portion thereof bearing interest at the Floating Revolving Rate or the Floating Bid Rate and facility fees shall be calculated for actual days elapsed on the basis of a 365- or, if applicable, 366-day year, and all other interest and fees shall be calculated for actual days elapsed on the basis of a 360-day year. Changes in the Alternate Base Rate Spread and the Eurodollar Spread attributable to a change in the Debt/Capitalization Ratio or to a change in the Company's Long-term Debt Rating, if any, shall be effective on the forty-fifth (45th) day of a calendar quarter.

3.10. Notification of Advances, Interest Rates, Prepayments and Commitment Reductions. Promptly after receipt thereof, the Administrative Agent will notify each Lender of the contents of each commitment reduction notice, Borrowing Notice, Continuation/Conversion Notice, Competitive Bid Quote Request and repayment notice received by it hereunder. The Administrative Agent will notify each Lender of the Eurodollar Rate applicable to each Eurodollar Advance promptly upon determination of such Eurodollar Rate and will give each Lender prompt notice of each change in the Alternate Base Rate. Each Reference Lender agrees to furnish timely information for the purpose of determining the Eurodollar Rate.

3.11. Non-Receipt of Funds by the Administrative Agent. Unless the Company or a Lender, as the case may be, notifies the Administrative Agent prior to the date on which it is scheduled to make payment to the Administrative Agent

of (i) in the case of a Lender, the proceeds of a Loan or (ii) in the case of the Company, a payment of principal, interest, fees or other amounts to the Administrative Agent for the account of the Lenders or any Agent, that it does not intend to make such payment, the Administrative Agent may assume that such payment has been made. The Administrative Agent may, but shall not be obligated to, make the amount of such payment available to the intended recipient in reliance upon such assumption. If such Lender or the Company, as the case may be, has not in fact made such payment to the Administrative Agent, the recipient of such payment shall, on demand by the Administrative Agent, repay to the Administrative Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Administrative Agent until the date the Administrative Agent recovers such amount at a rate per annum equal to (i) in the case of payment by a Lender or any Agent, the Federal Funds Effective Rate for such day or (ii) in the case of payment by the Company, the interest rate applicable to the relevant Loan or, in the case of payments in respect of interest, fees or other amounts, at a rate equal to the Floating Rate.

ARTICLE IV

MANDATORY PAYMENTS; REDUCTIONS OF COMMITMENTS; ETC.

4.1. (Intentionally Omitted.)

4.2. Mandatory Prepayments.

(a) Mandatory Prepayment on Account of Excess of Outstandings Over Aggregate Available Commitment. In the event that after giving effect to all other payments or prepayments required to be made under this Section 4.2 on any Business Day the aggregate outstanding principal amount of the Loans shall at any time exceed the Aggregate Available Commitment, the Company shall within ninety (90) days make a mandatory prepayment on the Loans in an amount equal to such excess together with all interest accrued on the amount of such prepayment to the date thereof. Notwithstanding that the Company shall have a 90-day period in which to make any mandatory prepayment specified in this Section 4.2(a), (i) the Company shall not be entitled to borrow Loans during such period without meeting the test under Section 2.1(b) and (ii) the Company shall make all other prepayments and payments required under or in connection with this Agreement as required; provided, that for purposes of the foregoing provisions of this sentence the conversion of an outstanding Eurodollar Loan into a Floating Rate Loan during such period shall not be deemed to be the borrowing of a Loan.

(b) Mandatory Prepayment on Account of Sales of Certain Properties Included in the Borrowing Base. Promptly upon the consummation of any Sale of any Property included in the Borrowing Base constituting (and designated by the Company in a notice to the Administrative Agent as constituting) a permitted Sale under clause (iii) of Section 11.3 and in any event within three (3) Business Days thereof, the Company shall make a mandatory prepayment hereunder equal to the amount, if any, by which the aggregate outstanding principal amount of all Loans on the date of such mandatory prepayment exceeds the Aggregate Available Commitment (as then in effect after giving effect to any reduction thereof resulting from such Sale).

(c) (Intentionally Omitted.)

(d) Mandatory Prepayment on Account of Extraordinary Sales of Properties. In the event the Company or any Subsidiary proposes to consummate a Sale of any Property, which Sale is not otherwise permitted under clause (i) or (ii) of Section 11.3 or otherwise permitted and designated under clause (iii) of Section 11.3, the Company shall promptly notify the Administrative Agent, the Co-Agent and the Lenders of such proposed Sale, which notice shall describe such Property and, if known,

the proposed terms of Sale. In connection therewith the Company shall deliver to the Administrative Agent, the Co-Agent and the Lenders such reports and information concerning such Property (which may include in the Administrative Agent's and Co-Agent's sole discretion an Approved Engineers' Report or a Company's Engineers' Report as of such date) and such Sale as the Administrative Agent and the Co-Agent shall deem appropriate in their sole discretion; provided, however, that in the event the Company or any Subsidiary proposes to consummate a Sale of the type described in this Section 4.2(d), with respect to a Property not included within the Borrowing Base, no mandatory prepayment shall be required; and further, provided, that in no event shall the Borrowing Base be reduced by an amount in excess of the proceeds of such Sale net of costs, charges, and taxes incidental to the Sale, as provided in Section 2.3(f) for Sales pursuant to clause (iii) of Section 11.3. Promptly following receipt of such report and information, and upon approval of such Sale by the Administrative Agent and the Co-Agent, the Administrative Agent and the Co-Agent shall make a recommendation to the Lenders in writing of the amount of prepayment that the Company shall be required to make under this Section 4.2(d) (which amount shall also be the amount of the reduction in the Borrowing Base pursuant to Section 2.3(f)), which recommendation shall be made by the Administrative Agent and the Co-Agent in the exercise of their sole discretion. Each Lender shall notify the Administrative Agent in writing, by telex or by facsimile transmission whether it approves or disapproves (which approval or disapproval shall be made by each Lender in the exercise of its sole discretion) of such recommendation by the Administrative Agent and the Co-Agent within ten (10) Business Days of its receipt of such recommendation from the Administrative Agent; provided, that any Lender which does not so notify the Administrative Agent shall be deemed to have approved of such Sale, such amount of prepayment and such reduction in the Borrowing Base. Upon the approval of the Required Lenders, the Administrative Agent shall promptly notify the Company of such determination. The Company promptly upon the consummation of any such permitted Sale and in any event within three (3) Business Days thereof, shall, if required, make a mandatory prepayment hereunder in the amount so determined in accordance with this clause (d).

(e) Application of Mandatory Prepayments. Each mandatory prepayment made under this Section 4.2 shall be applied (i) first, ratably among the Lenders with respect to any principal and interest due in connection with Revolving Loans, (ii) second, after all amounts described in clause (i) have been satisfied, ratably among those Lenders for whom any payment of principal and interest is due in connection with any Competitive Bid Loans and (iii) third, after all amounts described in clauses (i) and (ii) have been satisfied, ratably to any other Obligations then due.

4.3. Voluntary Prepayments. The Company may from time to time, at its option, prepay outstanding Advances, upon three (3) Business Days' prior notice to the Administrative Agent in the case of a Eurodollar Advance, or upon one (1) Business Day's prior notice to the Administrative Agent in the case of a Floating Rate Advance; provided that each such prepayment shall be in a minimum aggregate amount of \$4,000,000 or any integral multiple of \$1,000,000 in excess thereof without penalty or premium, except that if such prepayment of a Eurodollar Loan occurs prior to a last day of any applicable Interest Period, the Company shall also pay the amount specified in Section 6.3 at the time of such prepayment. Such prepayments shall be applied, at the Company's option, against outstanding Revolving Loans and Competitive Bid Loans and against installments or amounts due on account thereof in such order of application as the Company shall direct; provided, that if the Company fails to direct an order of application at or prior to the time of such notice of prepayment, then such prepayments shall be applied (i) first, ratably among the Lenders with respect to any principal and interest due in connection with Revolving Loans, (ii) second, after all amounts described in clause (i) have been satisfied, ratably among those Lenders for whom any payment of principal and interest is due in connection with any Competitive Bid Loans and (iii) third, after all amounts described in clauses (i) and (ii) have been satisfied, ratably to any other

Obligations then due; provided, further, that if, at the time of any such prepayment, any Default shall have occurred and shall be continuing, then the holders of the Obligations shall share such prepayment on a pro rata basis, based on the respective amount of Obligations owing to each such holder (whether or not matured and currently payable and whether consisting of principal, accrued interest, fees, expenses, indemnities or other types of Obligations) as of the date of occurrence of such Default.

4.4. Method of Payment. All payments of principal, interest, and fees hereunder shall be made by noon (local time at the place of payment) on the date when due in immediately available funds to the Administrative Agent at the Administrative Agent's address specified pursuant to Article XVIII, or at any other single Lending Installation of the Administrative Agent specified not less than five (5) days prior to the date when due in writing by the Administrative Agent to the Company and shall be applied (i) first, ratably among the Lenders with respect to any principal and interest due in connection with Revolving Loans, (ii) second, after all amounts described in clause (i) have been satisfied, ratably among those Lenders for whom any payment of principal and interest is due in connection with any Competitive Bid Loans and (iii) third, after all amounts described in clauses (i) and (ii) have been satisfied, ratably to any other Obligations then due; provided, however, that, if, at the time of any such payment, any Default shall have occurred and shall be continuing, then the holders of the Obligations shall share such payment on a pro rata basis, based on the respective amount of Obligations owing to each such holder (whether or not matured and currently payable and whether consisting of principal, accrued interest, fees, expenses, indemnities or other types of Obligations) as of the date of occurrence of such Default. As between the Company and any Lender, the timely receipt of any payment by the Administrative Agent from the Company for the account of such Lender shall constitute receipt by such Lender. Each payment delivered to the Administrative Agent for the account of any Lender shall be delivered promptly by the Administrative Agent to such Lender in the same type of funds which the Administrative Agent received at its address specified pursuant to Article XVIII or at any Lending Installation specified in a notice received by the Administrative Agent from such Lender. Each of the Company and the Administrative Agent shall be deemed to have complied with this Section 4.4 with respect to any payment if it shall have initiated a wire transfer to the appropriate recipient thereof and furnished such recipient with the identifying number of such wire transfer.

4.5. Notes. Each Lender is hereby authorized to record the principal amount of each of its Loans and each repayment thereof, on the schedule attached to each of its Notes, provided, however, that the failure to so record shall not affect the Company's obligations under any such Note.

4.6. Voluntary Reductions of Commitments. The Company may permanently reduce the Aggregate Commitment in whole, or in part, ratably among the Lenders, in a minimum aggregate amount of \$5,000,000 or any integral multiple of \$1,000,000 in excess thereof; provided, however, that the amount of the Aggregate Commitment may not be reduced to an amount which would cause it to be less than the outstanding principal amount of the Loans. All accrued facility fees shall be payable on the effective date of any such reduction or termination of the Aggregate Commitment.

4.7. Voluntary and Mandatory Prepayments. Any prepayments of principal of the Loans, whether voluntary or mandatory, shall include accrued interest to, but not including, the date of the prepayment on the principal amount being prepaid.

ARTICLE V

(Intentionally Omitted.)

ARTICLE VI

CHANGE IN CIRCUMSTANCES; TAXES

6.1. Yield Protection. If any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any reasonable interpretation thereof, or compliance of any Lender with such,

(a) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender or any applicable Lending Installation (other than reserves and assessments taken into account in determining the interest rate applicable to Eurodollar Advances), or

(b) imposes any other condition the result of which is to increase the cost to any Lender or any applicable Lending Installation of making, funding or maintaining Loans or reduces any amount receivable by any Lender or any applicable Lending Installation in connection with Loans, or requires any Lender or any applicable Lending Installation to make any payment calculated by reference to the amount of Loans held or interest received, by an amount reasonably deemed material by such Lender,

then, within 15 days of demand by such Lender, the Company shall pay such Lender that portion of such increased expense incurred or reduction in an amount received which such Lender reasonably determines is attributable to making, funding and maintaining its Loans and its Commitment.

6.2. Availability of Rate Options. If any Lender determines that maintenance of its Eurodollar Loans at a suitable Lending Installation would violate any applicable law, rule, regulation or directive, whether or not having the force of law, (i) the Administrative Agent shall suspend the availability of the Eurodollar Rate with respect to such Lender until such time as such situation is no longer the case, (ii) any Eurodollar Loans from such Lender then outstanding shall bear interest at the Floating Rate for the remainder of the Interest Period applicable to such Loan and (iii) until such time as such situation is no longer the case, any Eurodollar Advance made thereafter shall consist of a Floating Rate Loan made by such Lender(s) and Eurodollar Loans made by each other Lender. If the Required Lenders reasonably determine that deposits of a type or maturity appropriate to match fund Eurodollar Advances are not available, the Administrative Agent shall suspend the availability of the Eurodollar Rate with respect to any Eurodollar Advances made after the date of any such determination until such time as such situation is no longer the case. If the Required Lenders determine that the Eurodollar Rate does not accurately reflect the cost of making a Eurodollar Advance at such Eurodollar Rate, then, if for any reason whatsoever the provisions of Section 6.1 are inapplicable, the Administrative Agent shall suspend the availability of the Eurodollar Rate with respect to any Eurodollar Advances made on or after the date of any such determination until such time as such situation is no longer the case and shall require any outstanding Eurodollar Advances to be repaid.

6.3. Funding Indemnification. If any payment of a Eurodollar Advance occurs on a date which is not the last day of the applicable Interest Period, whether because of acceleration, prepayment, conversion or otherwise (except pursuant to Section 6.2), or a Eurodollar Advance is not made on the date specified by the Company for any reason other than default by the Lenders, the Company will indemnify each Lender for any loss or cost incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits acquired to fund or maintain the Eurodollar Advance (net of any cost or expense, unless Section 6.1, 6.5 or 6.6 is applicable thereto, which the Lender would have incurred with respect to such Eurodollar Advance had such prepayment or failure to fund not occurred).

6.4. Lending Installations. Each Lender may book its Loans at any Lending Installation selected by such Lender and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and the Notes shall be deemed held by each Lender for the benefit of such Lending Installation. Each Lender may, by written or telex or facsimile notice to the Administrative Agent and the Company, designate a Lending Installation through which Loans will be made by it and for whose account Loan payments are to be made. To the extent reasonably possible, each Lender shall designate an alternate Lending Installation with respect to its Eurodollar Loans to reduce any liability of the Company to such Lender under Sections 6.1, 6.5 and 6.6 or to avoid the unavailability of a Rate Option under Section 6.2, so long as such designation is not disadvantageous to such Lender in the sole opinion of such Lender.

6.5. Increased Capital Costs. If any change in, or the introduction, adoption, effectiveness, interpretation, reinterpretation or phase-in of, any law or regulation, directive, guideline, decision or request (whether or not having the force of law) of any court, central bank, regulator or other governmental authority affects or would affect the amount of capital required or expected to be maintained by any Lender or any Person controlling such Lender, and such Lender determines (in its sole and absolute discretion) that the rate of return on its or such controlling Person's capital as a consequence of its Commitments or the Loans made by such Lender is reduced to a level below that which such Lender, or such controlling Person, as the case may be, could have achieved but for the occurrence of any such circumstance (taking into account such Person's policies as to capital adequacy), then, in any such case upon notice from time to time by such Lender to the Company, the Company shall immediately pay directly to such Lender additional amounts sufficient to compensate such Lender or such controlling Person for such reduction in rate of return. A statement of such Lender as to any such additional amount or amounts (including calculations thereof in reasonable detail) shall, in the absence of manifest error, be conclusive and binding on the Company. In determining such amount, such Lender may use any method of averaging and attribution that it (in its sole and absolute discretion) shall deem applicable.

6.6. Taxes. All payments by the Company and MW Petroleum of principal of, and interest on, the Loans and all other amounts payable hereunder and in connection herewith shall be made free and clear of and without deduction for any present or future income, excise, stamp or franchise taxes and other taxes, fees, duties, withholdings or other charges of any nature whatsoever imposed by any taxing authority, but excluding franchise taxes and taxes imposed on or measured by any Agent's or any Lender's, as applicable, net income or receipts (such non-excluded items being called "Taxes"). In the event that any withholding or deduction from any payment to be made by the Company or MW Petroleum hereunder or under any Loan Document is required in respect of any Taxes pursuant to any applicable law, rule or regulation, then the Company will

(a) pay directly to the relevant authority the full amount required to be so withheld or deducted;

(b) promptly forward to the Administrative Agent an official receipt or other documentation satisfactory to the Administrative Agent or the relevant Agent or Lender evidencing such payment to such authority; and

(c) pay to the Administrative Agent for the account of the Agents and the Lenders such additional amount or amounts as is necessary to ensure that the net amount actually received by each Agent and Lender will equal the full amount such Agent or Lender would have received had no such withholding or deduction been required.

Moreover, if any Taxes are directly asserted against any Agent or any Lender, with respect to any payment received by it hereunder or in connection herewith, the relevant Agent or Lender may pay such Taxes and the Company will promptly pay such additional amounts (including any penalties, interest or expenses) as is necessary in order that the net amount received by such Person after the payment

of such Taxes (including any Taxes on such additional amount) shall equal the amount such Person would have received had not such Taxes been asserted.

If the Company fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent, for the account of the respective Agents and Lenders, the required receipts or other required documentary evidence, the Company shall indemnify the Agents and the Lenders for any incremental Taxes, interest or penalties that may become payable by any Agent or Lender as a result of any such failure. For purposes of this Section 6.6, a distribution hereunder by the Administrative Agent or any other Agent or any Lender to or for the account of any Agent or Lender shall be deemed a payment by the Company.

Notwithstanding the foregoing, if any Agent or any Lender not incorporated or organized under the laws of the United States of America, or a state thereof, fails to timely deliver the forms required to be delivered pursuant to Section 6.8 in a situation in which timely delivery of such forms would eliminate some or all requirements for withholding of United States federal income taxes by the Company or MW Petroleum in connection with payments under this Agreement or the other Loan Documents, then the Company shall not be required to pay or reimburse to the Lender or Agent any amount in respect of such Taxes withheld that would not have been required to be withheld if such Lender or Agent had timely delivered such forms.

6.7. Lender Statements; Survival of Indemnity; Substitution of Lenders; Limitation on Claims by Lenders. Each Agent and Lender shall deliver to the Company and the Administrative Agent a written statement of such Agent or Lender, as the case may be, as to the amount due, if any, under Sections 6.1, 6.3, 6.5 or 6.6. Such written statement shall set forth in reasonable detail the calculations upon which such Agent or Lender, as the case may be, determined such amount and shall be final, conclusive and binding on the Company in the absence of manifest error. Determination of amounts payable under such Sections in connection with a Eurodollar Loan shall be calculated as though each Lender funded its Eurodollar Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the Eurodollar Rate applicable to such Loan, whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the written statement shall be payable on demand after receipt by the Company of the written statement. The obligations of the Company under Sections 6.1, 6.3, 6.5 and 6.6 shall survive payment of the Obligations and termination of this Agreement. In the event that any Lender shall deliver to the Company and the Administrative Agent a written statement as to an amount due under Section 6.1, 6.3, 6.5 or 6.6, the Company may, at its sole expense and effort, require such Lender to transfer and assign, without recourse (in accordance with Section 17.3) all of its interests, rights and obligations under this Agreement to an assignee which shall assume such assigned obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) such assignment shall not conflict with any law, rule or regulation or order of any court or other governmental authority, (ii) the Company shall have received a written consent of the Administrative Agent and the Co-Agent in the case of an entity that is not a Lender, which consent shall not be unreasonably withheld, (iii) the Company or such assignee shall have paid to the assigning Lender in immediately available funds the principal of and interest accrued to the date of such payment on the Loans made by it hereunder and all other amounts owed to it hereunder and the fee payable to the Administrative Agent pursuant to Section 17.3(b) and (iv) that nothing in the foregoing is intended or shall be construed as obligating any Lender to locate such an assignee. The Company shall not be required to pay to any Lender any amount under Section 6.1, 6.3, 6.5, or 6.6 in respect of any time or period more than twelve months prior to the time such Lender notifies or bills the Company of or for such amount.

6.8. Withholding Tax Exemption. At least five (5) Business Days prior to the first date on which interest or fees are payable hereunder (but in no event prior to the Effective Date) for the account of any Lender or any Agent, each Lender or Agent that is not incorporated or organized under the laws of the United States of America, or a state thereof, agrees that it will deliver to each

of the Company and the Administrative Agent two (2) duly completed copies of United States Internal Revenue Service Form 1001 or 4224, certifying in either case that such Lender or Agent, as the case may be, is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes. Each Lender or Agent which so delivers a Form 1001 or 4224 further undertakes to deliver to each of the Company and the Administrative Agent two (2) additional copies of such form (or a successor form) on or before the date that such form expires (currently, three (3) successive calendar years for Form 1001 and one (1) calendar year for Form 4224) or becomes obsolete or after the occurrence of any event requiring a change in the most recent forms so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by the Company or the Administrative Agent, in each case certifying that such Lender or Agent, as the case may be, is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender or Agent from duly completing and delivering any such form with respect to it and such Lender or Agent, as the case may be, advises the Company and the Administrative Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

ARTICLE VII

CONDITIONS PRECEDENT

7.1. Conditions of Effectiveness. The effectiveness of this Agreement and the obligation of each Lender to make Loans hereunder, are subject to the conditions precedent that the Company has furnished to the Administrative Agent all of the following, each in form and substance satisfactory to each of the Administrative Agent and the Co-Agent, and each (except for the Notes, of which only one original of each type shall be signed for each Lender) in sufficient number of duly executed signed counterparts (or photocopies thereof) to provide one for the Administrative Agent, the Co-Agent, the Collateral Agent and each Lender:

(i) Copies of the Articles of Incorporation of each of the Company, MW Petroleum, and MWJR, together with all amendments, and certificates of good standing, all of the foregoing certified by the appropriate governmental officer in their respective jurisdiction of incorporation and, in the case of certificates of good standing, in each jurisdiction in which its business is conducted.

(ii) Copies, certified by the Secretary or Assistant Secretary of each of the Company and MW Petroleum, of their respective By-Laws and of their respective Board of Directors' resolutions (and resolutions of other bodies, if any are deemed necessary by counsel for either the Administrative Agent or the Co-Agent) authorizing the execution, delivery and performance of the Loan Documents.

(iii) Incumbency certificates, executed by the Secretary or Assistant Secretary of each of the Company and MW Petroleum, which shall identify by name and title and bear the signature of the officers of the Company and MW Petroleum, respectively, authorized to sign the Loan Documents and (in the case of the Company) to make borrowings hereunder, upon which certificate the Agents and the Lenders shall be entitled to rely until informed of any change in writing by the Company or MW Petroleum, respectively.

(iv) Written opinions of the Company's, MW Petroleum's and MWJR's counsel acceptable to the Administrative Agent and the

Co-Agent, addressed to the Agents and the Lenders in substantially the form of Exhibit "B" hereto, with such modifications, additions, alterations, exceptions, assumptions and provisions as shall be acceptable to the Administrative Agent and the Co-Agent.

(v) The Notes payable to the order of each of the Lenders.

(vi) A certificate of an Authorized Officer of the Company, satisfactory to the Administrative Agent and the Co-Agent, regarding insurance maintained by the Company.

(vii) The Acknowledgment to Guaranty of MW Petroleum.

(viii) The opinion of Mayer, Brown & Platt, special counsel to the Administrative Agent and the Co-Agent, substantially in the form of Exhibit "G" hereto, with such modifications, additions, alterations, exceptions, assumptions and provisions as shall be acceptable to the Administrative Agent and the Co-Agent.

(ix) The Effectiveness Notice.

(x) A certificate, signed by the Vice President/Treasurer of the Company, stating that on the Effective Date no Default or Unmatured Default has occurred and is continuing.

Such other instruments and documents as any of the Administrative Agent or the Co-Agent or its counsel may have reasonably requested.

The effectiveness of this Agreement and the obligation of each Lender to make Loans hereunder, are further conditioned upon satisfaction of the following on or prior to the Effective Date:

(a) The Administrative Agent shall have received, for the account of each Lender, the participation fee described in Section 2.5(b).

(b) The Administrative Agent shall have received the fees to be received on or prior to the Effective Date as set forth in the agreement with respect to fees described in Section 2.5(c).

7.2. Each Advance. The Lenders shall not be required to make any Advance unless on the applicable Borrowing Date:

(a) There exists no Default or Unmatured Default.

(b) The representations and warranties contained in Article VIII, including in Sections 8.3 and 8.7, or contained in any other Loan Document are true and correct as of such Borrowing Date except for changes in the Schedules hereto reflecting transactions permitted by this Agreement.

(c) All legal requirements arising under or in connection with the Loan Documents or applicable laws, rules or regulations and incident to the making of such Advance shall be satisfactory to the Administrative Agent and the Co-Agent and their respective counsel.

(d) No event, occurrence, action, inaction or other item shall have occurred which could have or could cause a Material Adverse Effect.

Each Borrowing Notice, Competitive Bid Borrowing Notice and Continuation/Conversion Notice with respect to each Advance shall constitute a representation and warranty by the Company that the conditions contained in Sections 7.2(a) and 7.2(b) have been satisfied and, that after giving effect to such Advance and the assignment or application of the proceeds thereof, the outstanding Loans will not exceed the Aggregate Commitment.

7.3. (Intentionally Omitted.)

7.4. Exchange of Notes. Upon the satisfaction by the Company of the conditions in Sections 7.1 and 7.2, each Lender shall deliver to the Company the revolving Note delivered to such Lender pursuant to the April 1992 Agreement, each such revolving Note to be marked "amended, renewed and extended."

ARTICLE VIII

REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to the Lenders and the Agents that:

8.1. Corporate Existence and Standing. The Company is a corporation, and each Subsidiary is a corporation or other legal entity, in either case duly incorporated or otherwise properly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization and has all requisite authority, permits and approvals, and is in good standing to conduct its business in each jurisdiction in which its business is conducted.

8.2. Authorization and Validity. The Company and each Subsidiary has the corporate or partnership power and authority and legal right to execute and deliver the Loan Documents and to perform its respective obligations thereunder. The execution and delivery by the Company and each Subsidiary of the Loan Documents to which it is a party and the performance of its obligations thereunder have been duly authorized by proper corporate or partnership proceedings, and the Loan Documents have been duly executed and delivered and constitute legal, valid and binding obligations of the Company and each Subsidiary enforceable against the Company and each Subsidiary in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

8.3. No Conflict; Government Consent. Neither the execution and delivery by the Company and each Subsidiary of the Loan Documents nor the consummation of the transactions therein contemplated, nor compliance with the provisions thereof will violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Company or any Subsidiary or the Company's or any Subsidiary's articles of incorporation or by-laws or partnership agreement or the provisions of any indenture, instrument or agreement to which the Company or any Subsidiary is a party or is subject, or by which it, or its property, is bound, or conflict with or constitute a default thereunder, or result in the creation or imposition of any Lien in, of or on all or any part of the property of the Company or any Subsidiary. No order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any governmental or public body or authority, or any subdivision thereof, is required to authorize, or is required in connection with the execution, delivery and performance of, or the legality, validity, binding effect or enforceability of, any of the Loan Documents.

8.4. Financial Statements. The consolidated financial statements of the Company dated December 31, 1993 heretofore delivered to the Lenders were prepared in accordance with generally accepted accounting principles in effect on the date such statements were prepared and fairly present the consolidated financial condition of the Company and the Subsidiaries at such date and the consolidated results of their operations for the period then ended.

8.5. Material Adverse Change. Since December 31, 1993, there has been no change in the business, assets, properties, operations, condition (financial or otherwise) or results of operations or prospects of the Company and its Subsidiaries or MW Petroleum and its Subsidiaries or any legal or regulatory development which could have or be a Material Adverse Effect.

8.6. Taxes. The Company and the Subsidiaries have filed all United States federal tax returns and all other tax returns which are required to be filed and have paid all taxes due pursuant to said returns or pursuant to any

assessment received by the Company or any Subsidiary, except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided. The United States income tax returns of the Company and the Subsidiaries (other than MW Petroleum and MWJR) have been audited by the Internal Revenue Service or, if no audit was performed, the statute of limitations permitting such an audit has run, through the fiscal year ended December 31, 1982. No tax liens have been filed and no claims are being asserted with respect to any such taxes. The charges, accruals and reserves on the books of the Company and the Subsidiaries in respect of any taxes or other governmental charges are adequate.

8.7. Litigation and Contingent Obligations. There is no litigation, arbitration, governmental investigation, proceeding or inquiry pending or, to the knowledge of any of their officers, threatened against or affecting the Company or any Subsidiary which is or could have a Material Adverse Effect. The Company and its Subsidiaries have no material contingent obligations not provided for or disclosed in the financial statements referred to in Section 8.4.

8.8. Subsidiaries. Schedule 8.8 hereto contains an accurate list of all of the presently existing Subsidiaries of the Company as of the date of this Agreement, setting forth their respective jurisdictions of incorporation or organization and the percentage of their respective capital stock or, the revenue share attributable to the general and limited partnership interests, as the case may be, owned by the Company or other Subsidiaries. All of the issued and outstanding shares of capital stock of such Subsidiaries which are corporations have been duly authorized and issued and are fully paid and non-assessable.

8.9. ERISA. The Unfunded Liabilities of all Plans do not in the aggregate exceed \$5,000,000. Each Plan complies in all material respects with all applicable requirements of law and regulations, no Reportable Event has occurred with respect to any Plan, neither the Company nor any other members of the Controlled Group has withdrawn from any Plan or initiated steps to do so, and no steps have been taken to terminate any Plan.

8.10. Accuracy of Information. No information, exhibit or report furnished by the Company or any Subsidiary to any Agent or to any Lender in connection with the negotiation of, or compliance with, the Loan Documents contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not misleading.

8.11. Regulation-U. Margin stock (as defined in Regulation U) constitutes less than 25% of those assets of the Company and the Subsidiaries which are subject to any limitation on sale, pledge, or other restriction hereunder.

8.12. Material Agreements. Neither the Company nor any Subsidiary is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in (i) any agreement to which it is a party, which default might have a Material Adverse Effect or (ii) any agreement or instrument evidencing or governing Indebtedness.

8.13. Compliance With Laws. The Company and the Subsidiaries have complied in all material respects with all applicable statutes, rules, regulations, orders and restrictions of any domestic or foreign government or any instrumentality or agency thereof, having jurisdiction over the conduct of their respective businesses or the ownership of their respective Properties. Neither the Company nor any of the Subsidiaries has received any notice to the effect that it, its operations or the Properties are not in material compliance with any of the requirements of applicable federal, state or local environmental, health and safety statutes and regulations, or are the subject of any federal or state investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, whether from the Properties or elsewhere, which in any case would have a Material Adverse Effect.

8.14. Title to Properties. Each of the Company and the Subsidiaries has legal, valid and defensible title to substantially all of its properties and assets and valid and defensible title, whether legal or beneficial, to all of its properties and assets, free and clear of any and all Liens other than those Liens permitted by Section 11.5. The 1994 Engineers' Report refers to and covers all of the reserves in the Properties as of the Effective Date and such Report covers no reserves other than in such Properties.

8.15. Investment Company Act. Neither the Company nor any Subsidiary is an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

8.16. Public Utility Holding Company Act. Neither the Company nor any Subsidiary is a "holding company" or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

8.17. Subordinated Indebtedness. The Obligations constitute senior indebtedness which is entitled to the benefits of the subordination provisions of all outstanding Subordinated Indebtedness.

8.18. Post-Retirement Benefits. The present value of the expected cost of post-retirement medical and insurance benefits payable by the Company and its Subsidiaries to its employees and former employees, as estimated by the Company in accordance with reasonable procedures and assumptions deemed reasonable by the Required Lenders, does not exceed \$2,000,000.

8.19. Solvency. As of the Effective Date, (i) the Company and its Consolidated Subsidiaries are each solvent and (ii) International and its Subsidiaries on a consolidated basis is solvent.

8.20. Environmental Warranties. In the ordinary course of its business, the Borrower conducts an ongoing review of the effect of Environmental Laws on the business, operations and Properties of the Borrower and its Subsidiaries, in the course of which it identifies and evaluates associated liabilities and costs (including any capital or operating expenditures required for clean-up or closure of Properties presently owned or operated, any capital or operating expenditures required to achieve or maintain compliance with environmental protection standards imposed by law or as a condition of any license, permit or contract, any related constraints on operating activities, including any periodic or permanent shutdown of any facility or reduction in the level of or change in the nature of operations conducted thereat and any actual or potential liabilities to third parties, including employees, and any related costs and expenses). On the basis of this review, the Borrower has reasonably concluded that, except as disclosed in writing by the Company to the Lenders and the Agents, to the best of its knowledge after due inquiry:

(a) all facilities and property (including underlying groundwater) owned, leased or operated by the Company or any Subsidiary have been, and continue to be, owned, leased or operated by the Company or any Subsidiary in material compliance with all Environmental Laws;

(b) there have been no past, and there are no pending or threatened

(i) claims, complaints, notices or inquiries to, or requests for information received by, the Company or any Subsidiary with respect to any alleged violation of any Environmental Law, that, singly or in the aggregate, have or may reasonably be expected to have a Material Adverse Effect, or

(ii) claims, complaints, notices or inquiries to, or requests for information received by, the Company or any Subsidiary regarding potential liability under any Environmental Law or under any common law theories relating to operations or the

condition of any facilities or property (including underlying groundwater) owned, leased or operated by the Company or any Subsidiary that, singly or in the aggregate, have, or may reasonably be expected to have a Material Adverse Effect;

(c) there have been no Releases of Hazardous Materials at, on or under any property now or previously owned or leased by the Company or any Subsidiary that, singly or in the aggregate, have, or may reasonably be expected to have, a Material Adverse Effect;

(d) the Company and each Subsidiary have been issued and are in material compliance with all permits, certificates, approvals, licenses and other authorizations relating to environmental matters and necessary or desirable for their businesses;

(e) no property now or previously owned, leased or operated by the Company or any Subsidiary is listed or proposed for listing on the National Priorities List pursuant to CERCLA, or, to the extent that such listing may, singly or in the aggregate, have, or may reasonably be expected to have a Material Adverse Effect, on the CERCLIS or on any other federal or state list of sites requiring investigation or clean-up;

(f) there are no underground storage tanks, active or abandoned, including petroleum storage tanks, on or under any property now or previously owned, leased or operated by the Company or any Subsidiary that, singly or in the aggregate, have, or may reasonably be expected to have, a Material Adverse Effect;

(g) none of the Company or any Subsidiary has directly transported or directly arranged for the transportation of any Hazardous Material to any location which is listed or proposed for listing on the National Priorities List pursuant to CERCLA, or, to the extent that such listing may, singly or in the aggregate, have, or may reasonably be expected to have a Material Adverse Effect, on the CERCLIS or on any federal or state list or which is the subject of federal, state or local enforcement actions or other investigations which may lead to material claims against the Company or such Subsidiary for any remedial work, damage to natural resources or personal injury, including claims under CERCLA;

(h) there are no polychlorinated biphenyls, radioactive materials or friable asbestos present at any property now or previously owned or leased by the Company or any Subsidiary that, singly or in the aggregate, have, or may reasonably be expected to have, a Material Adverse Effect; and

(i) no condition exists at, on or under any property now or previously owned or leased by the Company or any Subsidiary which, with the passage of time, or the giving of notice or both, would give rise to material liability under any Environmental Law that, singly or in the aggregate have, or may reasonably be expected to have a Material Adverse Effect.

ARTICLE IX

AFFIRMATIVE COVENANTS

During the term of this Agreement, unless the Required Lenders shall otherwise consent in writing:

9.1. Financial Reporting. The Company will maintain a system of accounting established and administered in accordance with generally accepted accounting principles, and furnish to the Lenders:

(a) As soon as available and in any event within 90 days after the close of each of its fiscal years, an unqualified audit report certified by independent certified public accountants, acceptable to the Required Lenders, prepared in accordance with generally accepted accounting principles on a consolidated basis for itself and its Consolidated Subsidiaries, including balance sheets as of the end of such period, related profit and loss and reconciliation of surplus statements, and a statement of cash flows, accompanied by a certificate of said accountants to the effect that, in the course of their examination necessary for their certification of the foregoing, they have obtained no knowledge of any Default or Unmatured Default, or if, in the opinion of such accountants, any Default or Unmatured Default shall exist, stating the nature and status thereof.

(b) As soon as available and in any event within 45 days after the close of the first three quarterly periods of each of its fiscal years, for itself and the Consolidated Subsidiaries, consolidated unaudited balance sheets as at the close of each such period and consolidated profit and loss and reconciliation of surplus statements and a statement of cash flows for the period from the beginning of such fiscal year to the end of such quarter.

(c) Together with the financial statements required under clauses (a) and (b), a compliance certificate in substantially the form of Exhibit "C" hereto signed by its vice president/treasurer and addressing the matters set forth therein.

(d) Promptly after December 31 of each calendar year, commencing December 31, 1994, and in any event not later than March 15 of the next succeeding calendar year, an Approved Engineers' Report prepared as of December 31 of such calendar year, in form and substance satisfactory to the Administrative Agent and the Co-Agent.

(e) Within 45 days in the case of a Company's Engineers' Report and 60 days in the case of an Approved Engineers' Report, of any request by the Required Lenders in connection with any (other than the scheduled semi-annual redeterminations of the Borrowing Base) determination of the Borrowing Base pursuant to Section 2.3(a), an Approved Engineers' Report or a Company's Engineers' Report, as the case may be, prepared as of the date of such request, in form and substance satisfactory to the Required Lenders.

(f) Promptly after June 30 of each calendar year and in any event not later than September 15 of such calendar year, a Company's Engineers' Report prepared as of June 30 of such calendar year, in form and substance satisfactory to the Administrative Agent and the Co-Agent.

(g) Promptly upon the furnishing thereof to the shareholders of the Company copies of all financial statements, reports and proxy statements so furnished.

(h) Promptly upon the filing thereof, copies of all publicly available registration statements and annual, quarterly, monthly or other regular reports which the Company or any Subsidiary (other than a Drilling Partnership) or any other Affiliate files with the Securities and Exchange Commission.

(i) Promptly after December 31 of each calendar year, commencing December 31, 1994, and in any event no later than March 21 of the next succeeding calendar year, a budget (including specific capital expenditures information) through the year 2000 for the Company and its Subsidiaries certified by the Vice President/Treasurer of the Company and in a format consistent with the Projections and otherwise in form and substance satisfactory to the Administrative Agent and the Co-Agent.

(j) At the request of the Administrative Agent or the Co-Agent, or the Required Lenders promptly after June 30 of each calendar year, commencing June 30, 1994, and in any event prior to October 1 of such calendar year, an update of the budget described in clause (i) of this Section 9.1 in form and substance satisfactory to the Administrative Agent and the Co-Agent and signed by the Vice President/Treasurer of the Company.

(k) Promptly and in any event within 40 days after the close of each calendar quarter during each year, a certificate of an Authorized Officer certifying to the Agent and the Lenders the Debt/Capitalization Ratio and the calculation thereof as of the last day of the immediately preceding calendar quarter.

(l) Such other information (including engineering, financial and non-financial information) as the Administrative Agent or the Co-Agent or any Lender may from time to time reasonably request.

9.2. Use of Proceeds. The Company will, and will cause each Subsidiary to, use the proceeds of the Loans (i) to refinance existing Indebtedness of the Company and the Subsidiaries, or (ii) for the Company's and the Subsidiaries' general corporate purposes.

9.3. Notice of Default, Unmatured Default, Litigation and Material Adverse Effect. The Company will give prompt notice in writing to the Lenders and to MW Petroleum of (i) the occurrence of any Default or Unmatured Default and the steps, if any, being taken to cure it, (ii) the occurrence of any adverse development with respect to any labor controversy, litigation, action or proceeding described in Section 8.7, or the commencement of any labor, controversy, litigation, action or proceeding of the type described in Section 8.7 together with copies of all material pleadings relating thereto, and (iii) the occurrence of any other development, financial or otherwise, which might have or be a Material Adverse Effect or might materially adversely affect the ability of the Company to repay the Obligations.

9.4. Conduct of Business. The Company will, and will cause its Subsidiaries to, carry on and conduct its respective business in substantially the same manner and in substantially the same fields of enterprise as it is presently conducted and, except to the extent permitted by Section 11.2, will, and will cause each Subsidiary to, do all things necessary to remain duly incorporated or organized, validly existing and in good standing as a domestic corporation or partnership, as the case may be, in its jurisdiction of incorporation or organization and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted.

9.5. Taxes. The Company will, and will cause each Subsidiary to, pay when due all taxes, assessments and governmental charges and levies upon it or its income, profits or property, and all lawful claims which, if unpaid, might become a Lien upon any properties of the Company or any Subsidiary, except those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves in accordance with generally accepted accounting principles have been set aside on its books.

9.6. Insurance. The Company and its Subsidiaries will maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and business against such liabilities, casualties, risks and contingencies and in such types and amounts as customary in the case of corporations engaged in the same or similar businesses and similarly situated. Upon the request of the Administrative Agent, the Company will furnish or cause to be furnished to the Administrative Agent from time to time a summary of the insurance coverage of the Company and its Subsidiaries in form and substance satisfactory to the Required Lenders in their reasonable judgment, and, if requested, will furnish the Administrative Agent copies of the applicable policies. In the case of any fire, accident or other casualty causing loss or damage to any property of the Company or any of its Subsidiaries, the proceeds

of such policies will be used (i) to repair or replace the damaged property or (ii) to prepay the Obligations, at the election of the Company.

9.7. Compliance with Laws. The Company will, and will cause each Subsidiary to, comply with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject.

9.8. Maintenance of Properties. The Company will and will cause each Subsidiary to, do all things necessary to maintain, preserve, protect and keep its properties in good repair, working order and condition, and make all necessary and proper repairs, renewals and replacements so that its business carried on in connection therewith may be properly conducted at all times.

9.9. Inspection. The Company will, and will cause each Subsidiary to, permit the Lenders, by their respective representatives and Agents, to inspect any of the properties, corporate books and financial records of the Company and each Subsidiary, to examine and make copies of the books of accounts and other financial records of the Company and each Subsidiary, and to discuss the affairs, finances and accounts of the Company and each Subsidiary with, and to be advised as to the same by, their respective officers at such reasonable times and intervals as the Lenders may designate. Any information received by the Lenders as a result of the foregoing shall be included in information subject to the confidentiality provisions set forth in Exhibit "J" hereto.

9.10. Operation of Properties. The Company will, and will cause each Subsidiary owning Properties included in the Borrowing Base to, preserve, operate and maintain, or cause to be preserved, operated and maintained, the Properties in a good and workmanlike manner continuously to their economic limit as a prudent operator in accordance with good oil and gas industry standards.

9.11. (Intentionally Omitted.)

9.12. Environmental Covenant. The Company will, and will cause each of its Subsidiaries to,

(a) use, operate and maintain all of its facilities and properties in material compliance with all Environmental Laws, keep all necessary permits, approvals, certificates, licenses and other authorizations relating to environmental matters in effect and remain in material compliance therewith, and handle all Hazardous Materials in material compliance with all applicable Environmental Laws;

(b) (i) promptly notify the Administrative Agent and provide copies upon receipt of all material written claims, complaints, notices, liens or inquiries relating to the condition of its facilities and properties or compliance with Environmental Laws, (ii) within ninety (90) days have dismissed with prejudice any actions or proceedings relating to compliance with Environmental Laws which would or could in the reasonable opinion of the Administrative Agent and the Co-Agent have a Material Adverse Effect; and (iii) diligently pursue cure of any material underlying environmental problem which forms the basis of any such claim, complaint, notice, lien, inquiry, proceeding or action; and

(c) provide such information and certifications which the Administrative Agent or the Co-Agent may reasonably request from time to time to evidence compliance with this 9.12.

9.13. (Intentionally Omitted.)

9.14. (Intentionally Omitted.)

9.15. Further Assurances; Other Matters.

(a) Further Assurances. The Company will cure and will cause its respective Subsidiaries to cure promptly any defects in the creation and issuance of any Obligations and the execution and delivery of any

Guaranty. The Company and each Subsidiary will at its expense promptly execute and deliver to the Collateral Agent upon request all such other and further reasonable documents, agreements and instruments in compliance with, or accomplishment of, the covenants and agreements of the Company and such Subsidiary in any Loan Document.

(b) Other Matters. The Company shall use reasonable efforts to take or cause to be taken all necessary steps and actions, including in the case of Subsidiaries obtaining all necessary shareholder approvals and making all filings with any governmental agencies, or in the case of an Affiliate, all legal steps necessary to consummate either the merger or dissolution, as the case may be, of the associated entities to consolidate and simplify the U.S. exploration and production operations and property ownership structure. Concurrently therewith the Company (i) shall expressly assume, pursuant to agreements in form and substance satisfactory to the Administrative Agent, the Collateral Agent and the Co-Agent, all obligations of any merged or dissolved entity under and in connection with the Loan Documents, (ii) shall execute and deliver or cause to be executed and delivered any board resolutions, legal opinions, title opinions and other instruments and documents as the Collateral Agent or the Administrative Agent or the Co-Agent shall require, including any amendment to the Guaranty in form and substance satisfactory to the Collateral Agent, and (iii) shall make any recordings, file any notices or obtain any consents, all as may be necessary or appropriate in connection therewith.

9.16. Repayment. The Company shall pay to each of Banque Indosuez and Norwest Bank Denver, N.A., on the Effective Date, an amount equal to the unpaid principal and accrued interest on all 1992 Revolving Loans made by Banque Indosuez and Norwest Bank Denver, N.A., respectively, to the Company which are outstanding on the Effective, plus all fees, costs (including, without limitation, costs resulting from the repayment of such 1992 Revolving Loans prior to the last day of the applicable Interest Period thereof, as more fully described in Section 6.3 of the April 1992 Agreement) and expenses payable to Banque Indosuez and Norwest Bank Denver, N.A. under the April 1992 Agreement, which amounts shall be promptly delivered by the Administrative Agent to Banque Indosuez and Norwest Bank Denver, N.A. at the address specified pursuant to Article XVIII of the April 1992 Agreement or at any other address specified in a notice received by the Administrative Agent from Banque Indosuez or Norwest Bank Denver, N.A. The Lenders and the Agents hereby consent to such repayment.

ARTICLE X

FINANCIAL COVENANTS

10.1. (Intentionally Omitted.)

10.2. Consolidated Tangible Net Worth. The Company will maintain Consolidated Tangible Net Worth of not less than the sum of (i) \$350,000,000, plus (ii) the product of 0.50 times the sum of Consolidated Net Income for each calendar quarter subsequent to the calendar quarter ending June 30, 1991 during which Consolidated Net Income is greater than \$0, plus (iii) the product of 0.50 times the proceeds of the sale by the Company and its Subsidiaries of securities (other than securities constituting Indebtedness) net of reasonable incidental, brokerage and legal costs actually paid to third parties.

10.3. Ratio of EBITDDA to Consolidated Interest. The Company shall not permit the ratio of (i) EBITDDA to (ii) Consolidated Interest Expense for any four consecutive calendar quarters ending on the last day of any calendar quarter to be less than 3.70 to 1.0.

ARTICLE XI

NEGATIVE COVENANTS

11.1. Indebtedness. The Company will not, nor will it permit any Subsidiary to, create, incur or suffer to exist any Indebtedness, except:

(a) The Obligations arising under the Loan Documents, Contingent Obligations permitted under Section 11.4 and Indebtedness of International or HERC pursuant to Investments by the Company permitted by Section 11.12(e);

(b) Indebtedness existing on the date hereof and described in Schedule 11.1 hereto;

(c) Other Indebtedness of the Company or any Subsidiary consented to by the Required Lenders in the exercise of their sole discretion having no conditions precedent or covenants or defaults more onerous to the Company or such Subsidiary than the conditions precedent and covenants and defaults contained herein and which is expressly made subordinate and junior in right of payment to the Obligations and which contains terms (including interest rates, amortization and maturity) and provisions satisfactory to the Required Lenders in the exercise of their sole discretion;

(d) Other Indebtedness of the Company or any Subsidiary consented to by the Required Lenders in the exercise of their sole discretion and constituting Limited Recourse Indebtedness, provided that such Limited Recourse Indebtedness contains terms (including interest rates, amortization and maturity) and provisions satisfactory to the Required Lenders in the exercise of their sole discretion;

(e) Other Indebtedness of the Company or any Subsidiary, consented to by the Required Lenders in the exercise of their sole discretion having no conditions precedent or covenants or defaults more onerous to the Company or such Subsidiary than the conditions precedent and covenants and defaults contained herein and which contains terms (including interest rates, amortization, maturity and the application of the proceeds thereof) and provisions satisfactory to the Required Lenders in the exercise of their sole discretion;

(f) Indebtedness of the type referred to in clause (vi) of the definition of Indebtedness;

(g) Indebtedness of the type referred to in clause (vii) of the definition of Indebtedness, provided such Indebtedness is otherwise permitted pursuant to Section 11.13;

(h) Additional Indebtedness of the Company not included in the foregoing clauses (a) through (g) in an aggregate principal amount not exceeding \$20,000,000, exclusive of any Contingent Obligations permitted under Section 11.4;

provided, that if the Company shall request that any Indebtedness be permitted as Subordinated Indebtedness pursuant to clause (c), as Limited Recourse Indebtedness pursuant to clause (d), or as Indebtedness pursuant to clause (e), the Administrative Agent or the Co-Agent shall notify the Company that it or they, as the case may be, deem such request by the Company to be a request for a redetermination of the Borrowing Base pursuant to Section 2.3(b), in which event the Company shall supply such information and reports provided pursuant to such Section 2.3(b) and the Administrative Agent, the Co-Agent and the Required Lenders shall make a determination of the Borrowing Base in accordance with the provisions of Section 2.3(a), giving effect to such requested Indebtedness. For purposes hereof, "Limited Recourse Indebtedness" shall mean Indebtedness of a Person for which there is no recourse whatsoever to such Person for the repayment thereof other than recourse limited to the cash flow from the assets constituting collateral therefor and recourse to the extent necessary to enable amounts to be claimed in respect of such Indebtedness upon an enforcement of any Lien on any such assets; provided that (a) the extent of such recourse is limited solely to the amount of any recoveries made on any such enforcement, (b) such Person is not

entitled, by virtue of any right or claim arising out of or in connection with such Indebtedness to commence proceedings for the winding up or dissolution of, or to appoint or procure the appointment of any receiver, trustee or similar person or official in respect of, such Person or any of its assets (other than the assets the subject of such Lien) and (c) except as provided in the foregoing (a) and (b), neither the Company nor any Subsidiary shall have any contingent liability in respect thereof other than Contingent Obligations permitted pursuant to Section 11.4.

11.2. Merger. The Company will not, nor will it permit any Subsidiary to, merge or consolidate with or into any other Person or Persons except that notwithstanding the foregoing, a Subsidiary may merge into the Company and a Subsidiary (other than MW Petroleum) may merge into a Wholly-Owned Subsidiary; provided, however that the foregoing shall not prohibit mergers or consolidations in any calendar year not in excess of five percent (5%) of the consolidated total assets of the Company and its Consolidated Subsidiaries immediately prior to the initial such merger or consolidation during such calendar year if (i) the Company or such Subsidiary, as the case may be, is the surviving entity of such merger (and if a merger between the Company and any Subsidiary, the Company is the surviving entity) and (ii) after giving effect to such merger or consolidation, no Default or Unmatured Default shall occur and be continuing.

11.3. Sale of Assets. The Company will not, nor will it permit any Subsidiary to, lease, sell, transfer, convey, assign, issue or otherwise dispose of any of its property, assets (including stocks or partnership interests in or of any Subsidiary) or business to any other Person, whether in one transaction or in a series of transactions, except:

(i) Sales of Hydrocarbon inventory and severed oil and gas in the ordinary course of business.

(ii) Sales of Properties (other than Hydrocarbon inventory and severed oil and gas in the ordinary course of business) or other assets with a fair market value not in excess of \$10,000,000 for all such Sales permitted pursuant to this clause (ii) during any consecutive six-month period.

(iii) Sales of Properties (other than sales of Hydrocarbon inventory and severed oil and gas in the ordinary course of business) having a fair market value not in excess of \$50,000,000 in the aggregate for all such Sales during any period occurring between successive dates of determination of the Borrowing Base pursuant to Section 2.3; provided, however, that concurrently with any such Sale the Borrowing Base shall be reduced pursuant to Section 2.3(f), and the Company shall make any mandatory prepayment required pursuant to Section 4.2(b).

(iv) Sales of Properties (other than sales of Hydrocarbon inventory and severed oil and gas in the ordinary course of business) not described in the foregoing clause (ii) or (iii) if the Required Lenders give prior written consent to such Sale in the exercise of their sole discretion; provided, however, that concurrently with any such Sale the Borrowing Base shall be reduced pursuant to Section 2.3(f) and the Company shall make a mandatory prepayment pursuant to Section 4.2(d).

(v) Sales of assets (other than sales of Hydrocarbon inventory and severed oil and gas in the ordinary course of business and other than assets constituting Properties) if the Required Lenders give prior written consent to such Sale in the exercise of their sole discretion.

(vi) The issuance by the Company of common stock.

(vii) A transfer, conveyance or assignment to the Company of Properties as a result of the winding up and liquidation of a Drilling Partnership.

(viii) A transfer, conveyance or assignment to the Company or a Subsidiary of Properties as a result of a merger permitted pursuant to Section 11.2.

Anything herein contained to the contrary notwithstanding, the Company will not, nor will it permit any Subsidiary to, consummate any Sale otherwise permitted hereunder if it receives therefor consideration other than cash or other consideration readily convertible to cash or which is less than the fair market value of the relevant property or asset.

11.4. Contingent Obligations. The Company will not, nor will it permit any Subsidiary to, make or suffer to exist any Contingent Obligation (including, without limitation, any Contingent Obligation with respect to the obligations of a Subsidiary) in an aggregate amount for all such Persons and Contingent Obligations as of any date of determination in excess of \$30,000,000 except (a) by endorsement of instruments for deposit or collection in the ordinary course of business, (b) any Contingent Obligation pursuant to any of the Loan Documents, (c) Contingent Obligations in respect of Apache Offshore Investment Partnership or Offshore outstanding as of the Effective Date or in replacement of such outstanding Contingent Obligations pursuant to the facility described in item 1 of Schedule 11.1, and not exceeding in the aggregate the lesser of (i) \$40,000,000 or (ii) the greater of (A) \$23,000,000 or (B) the present value (discounted at 10%) of Apache Offshore Investment Partnership's proved reserves as shown in the most recent Form 10-K filed with the Securities and Exchange Commission, (d) net Contingent Obligations of International consisting of foreign work commitments or other similar obligations under exploration or production licenses or agreements entered into by International in the ordinary course of business not to exceed net at any one time outstanding for all such Contingent Obligations of \$60,000,000; provided that for purposes of this clause (d), net Contingent Obligations shall be deemed to be the difference between the aggregate for all such Contingent Obligations in respect of foreign work commitments or other similar obligations less the aggregate of such Contingent Obligations in respect of which another industry partner (which the Company reasonably believes is capable of performing such commitments or obligations) has become obligated to perform, (e) Contingent Obligations in the form of Indebtedness of the type referred to in clause vii of the definition of Indebtedness; provided such Contingent Obligations are otherwise permitted pursuant to Section 11.13; (f) Contingent Obligations in support of Indebtedness of the type referred to in clause vii of the definition of Indebtedness, in an aggregate amount as of any date of determination not in excess of \$30,000,000; and (g) any Contingent Obligations pursuant to Indebtedness of the type referred to in clause (vi) of the definition of Indebtedness.

11.5. Liens. The Company will not, nor will it permit any Subsidiary or Affiliate to, create, incur, or suffer to exist any Lien in, of or on (i) any of the Company's, the Subsidiaries' and the Affiliates' consolidated assets, revenues and properties securing an amount greater than \$5,000,000 in the aggregate for all such Liens or (ii) any of the Properties, except in either case:

(a) Liens for taxes, assessments or governmental charges or levies on its property if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings and for which adequate reserves in accordance with generally accepted accounting principles shall have been set aside on its books.

(b) Liens imposed by law, such as carriers', warehousemen's and mechanics' liens and other similar liens arising in the ordinary course of business which secure obligations not more than 60 days past due or which are being contested in good faith by appropriate proceedings and for which

adequate reserves in accordance with generally accepted accounting principles shall have been set aside on its books.

(c) Liens arising out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation.

(d) Utility easements, building restrictions and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character and which do not in any material way affect the marketability of the same or interfere with the use thereof in the business of the Company, the Subsidiaries or the Affiliates, as the case may be.

(e) Liens existing on the date hereof described in Schedule 11.1 and securing the Indebtedness described in Schedule 11.1 hereto or otherwise permitted in connection with Indebtedness of the type described in Section 11.1(d) consented to by the Required Lenders in the exercise of their sole discretion.

(f) Liens arising under operating agreements in respect of obligations which are not yet due or which are being contested in good faith by appropriate proceedings.

(g) Liens reserved in oil, gas and/or mineral leases for bonus or rental payments and for compliance with the terms of such leases.

(h) Liens pursuant to partnership agreements, oil, gas and/or mineral leases, farm-out agreements, division orders, contracts for the sale, purchase, exchange, or processing of oil, gas and/or other hydrocarbons, unitization and pooling declarations and agreements, operating agreements, development agreements, area of mutual interest agreements, and other agreements which are customary in the oil, gas and other mineral exploration, development and production business and in the business of processing of gas and gas condensate production for the extraction of products therefrom.

(i) Liens on Properties owned by Offshore arising out of the facility described in item 1 of Schedule 11.1.

11.6. (Intentionally Omitted.)

11.7. Restricted Payments, etc. On and at all times after the Effective Date:

(a) the Company will not declare, pay or make any dividend or distribution (in cash, property or obligations) on any shares of any class of capital stock (now or hereafter outstanding) of the Company or on any warrants, options or other rights with respect to any shares of any class of capital stock (now or hereafter outstanding) of the Company (other than dividends or distributions payable in its common stock or warrants to purchase its common stock or splitups or reclassifications of its stock into additional or other shares of its common stock) or apply, or permit any of its Subsidiaries to apply, any of its funds, property or assets to the purchase, redemption, sinking fund or other retirement of any shares of any class of capital stock (now or hereafter outstanding) of the Company except that if (i) no Default or Unmatured Default shall have occurred and be continuing (ii) the Company's Consolidated Tangible Net Worth (after giving effect to any dividends or distributions to be made) is not less than the sum of (w) \$350,000,000, plus (x) the product of 0.50 times the sum of Consolidated Net Income for each calendar quarter subsequent to the calendar quarter ending June 30, 1991 during which Consolidated Net Income is greater than \$0 plus (y) the product of 0.50 times the proceeds of the sale by the Company and the Subsidiaries of securities (other than securities constituting Indebtedness) net of reasonable incidental, brokerage and legal costs actually paid to third

parties, plus (z) \$50,000,000, and (iii) if the Company shall not then be obligated to make a mandatory prepayment pursuant to Section 4.2(a), the Company may declare and pay or make dividends and distributions on the capital stock of the Company.

(b) (Intentionally Omitted.)

(c) the Company will not and will not permit any of its Subsidiaries to make any optional payment or prepayment on, or redemption of, or redeem, purchase or defease prior to its stated maturity, any Indebtedness other than Indebtedness incurred under this Agreement, the other Loan Documents or Indebtedness of Offshore; provided with respect to Indebtedness of Offshore, that the optional payment or prepayment be made with proceeds of the facility described in item 1 of Schedule 11.1;

(d) the Company will not, and will not permit any Subsidiary to, make any deposit for any of the foregoing purposes;

provided, that notwithstanding the foregoing clause (c), the Company shall be permitted to make an optional payment or prepayment on, or redeem, purchase or defease Subordinated Indebtedness or any other Indebtedness of itself or its Subsidiaries so long as the Debt/Capitalization Ratio following such payment, repayment, redemption, purchase or defeasance is less than .45 to 1.0.

11.8. Rental Obligations. The Company will not, and will not permit any of its Subsidiaries to, enter into at any time any arrangement (other than oil, gas and mineral leases and leases of rights-of-way and easements and other than short-term operating equipment rental arrangements) which does not create a Capitalized Lease Obligation and which involves the leasing by the Company or any of its Subsidiaries from any lessor of any real or personal property (or any interest therein), except arrangements which, together with all other such arrangements which shall then be in effect, will not require the payment of an aggregate amount of rentals by the Company and its Subsidiaries in excess of (excluding escalations resulting from a rise in the consumer price or similar index) \$10,000,000 for any calendar year; provided, however, that any calculation made for purposes of this Section shall exclude any amounts required to be expended for normal maintenance and repairs, insurance, taxes, assessments, and other similar charges.

11.9. Transactions with Affiliates. The Company will not, and will not permit any of its Subsidiaries to, enter into, or cause, suffer or permit to exist any arrangement or contract with any of its other Affiliates unless such arrangement is fair and equitable to the Company or such Subsidiary, as the case may be, and is not of a sort which would not be entered into by a prudent Person in the position of the Company or such Subsidiary with, or which is on terms which are less favorable than are obtainable from, any Person which is not one of its Affiliates.

11.10. Negative Pledges, etc. The Company will not, and will not permit any of its Subsidiaries to, enter into, on or at any time after the Effective Date, any agreement (excluding this Agreement and any other Loan Document) directly or indirectly prohibiting the creation, assumption or perfection of any Lien upon its properties, revenues or assets, whether now owned or hereafter acquired, restricting any loans, advances or other Investments to or in the Company or any of its Subsidiaries, restricting the capitalization of the Company or any Subsidiary, restricting the ability of any Subsidiary to make dividend payments or other distributions or payments (by way of dividends, advances, repayments of loans or advances, reimbursements or otherwise) or restricting the ability of the Company or any Subsidiary to amend or otherwise modify this Agreement or any other Loan Document.

11.11. Regulation U Acquisitions. The Company will not, nor will it permit any Subsidiary to, use any of the proceeds of the Loans to purchase or carry any "margin stock" (as defined in Regulation U) or to make any Acquisition except (i) Acquisitions not involving "margin stock", where such Acquisition shall have been approved or consented to by the board of directors or similar

governing entity of the Person being acquired; (ii) Acquisitions involving "margin stock" where such Acquisitions shall have been approved or consented to by the board of directors or similar governing entity of the Person being acquired and (iii) Acquisitions of not more than 15% of the outstanding equity securities of any issuer, whether or not such securities are "margin stock"; provided, however, that the amount paid by the Company to consummate all Acquisitions of the type described in clauses (ii) and (iii) shall not exceed \$15,000,000 in the aggregate.

11.12. Investments. The Company will not, and will not permit any of its Subsidiaries to make, incur, assume or suffer to exist any Investment in any other Person, except:

(a) Investments existing on the Effective Date and identified in Schedule 11.12;

(b) Cash Equivalent Investments;

(c) without duplication, Investments permitted as Indebtedness pursuant to Section 11.1 and Investments permitted as Contingent Obligations pursuant to Section 11.4;

(d) in the ordinary course of business, Investments (other than the contribution of Hydrocarbon Interests) by the Company in MW Petroleum;

(e) in the ordinary course of business, (i) Investments by the Company in International, HERC or HEL (or by HERC in HEL) not to exceed \$15,000,000 in the aggregate for all such Investments made, incurred or assumed in any calendar year; provided, that Investments made by HERC in HEL using the proceeds of Investments by the Company in HERC shall not be included in such aggregate amount and (ii) Investments by the Company in International, HERC or HEL (or by HERC in HEL) for the purpose of capital expenditures in respect of Properties owned by International, HERC or HEL, as the case may be, and included in the Borrowing Base, and consisting of Hydrocarbon Interests located in countries (other than the United States of America) approved by the Required Lenders pursuant to the definition of Hydrocarbon Interests and not to exceed in the aggregate capital expenditures in respect thereof set forth in the then most recent Approved Engineers' Report or Company's Engineers' Report to be delivered pursuant to Section 9.1;

(f) Investments by Subsidiaries of International in Subsidiaries of International;

(g) Other Investments in an aggregate amount not to exceed \$15,000,000 during any calendar year;

(h) Investments in Persons which (A) Persons arise as a result of joint operations of oil and gas properties located in the United States of America, in which such joint operators each directly own undivided interests, pursuant to joint operating agreements containing terms and provisions customary in the oil and gas industry and entered into in the ordinary course of business (and not arising as a result of a joint venture agreement or partnership agreement, whether written, oral, express or implied) and (B) Investments are in respect of the joint operations of such Properties pursuant to such joint operating agreements;

provided, however, that

(i) any Investment which when made complies with the requirements of the definition of the term "Cash Equivalent Investment" may continue to be held notwithstanding that such Investment if made thereafter would not comply with such requirements; and

(j) no Investment otherwise permitted by clause (d), (e) (f) or (g) shall be permitted to be made if, immediately before or after giving effect thereto, any Default shall have occurred and be continuing.

11.13. Hedging Contracts. The Company will not and will not permit any of its Subsidiaries to enter into or become obligated under any contract for sale for future delivery of oil or gas, whether or not the subject oil or gas is to be delivered, hedging contract, forward contract, commodity swap agreement, futures contract or other similar agreement except for such contracts which in the aggregate do not cover at any time a volume of oil or gas, as the case may be, equal to more than 75% of the projected production of oil or gas, as the case may be, from the Properties included in the Borrowing Base for the term covered by such contracts.

11.14. Approval of Consents. In any instance in this Article XI where it is provided that an action may be taken by the Company or a Subsidiary only with the approval or consent of the Required Lenders, the failure by a Lender to respond to a request for such approval or consent within 10 Business Days of receipt of a request for such approval or consent (or such other length of time as specified by the Administrative Agent in such request) shall be deemed an approval of, or consent to, such request.

ARTICLE XII

DEFAULTS

The occurrence of any one or more of the following events shall constitute a "Default":

12.1. Breach of Warranties and Misleading Statements. Any representation or warranty made or deemed made pursuant to Article VIII, by or on behalf of the Company or any Subsidiary to the Lenders, the Administrative Agent, the Co-Agent or the Collateral Agent under or in connection with this Agreement, any Loan, any Loan Document, or any certificate, or, information delivered in connection with this Agreement, any other Loan Document is breached or shall be false, incomplete or incorrect on the date as of which made or deemed made in any material respect.

12.2. Nonpayment of Notes, Fees and other Obligations. Nonpayment of principal of any Note when due; or nonpayment of interest upon any Note or of any facility fee or other Obligation under any of the Loan Documents within three (3) days after the same becomes due.

12.3. Breach of Certain Covenants. The breach by the Company of any of the terms or provisions of Section 9.2, 9.3, 9.15 or Article X or Article XI.

12.4. (Intentionally Omitted.)

12.5. Non-Compliance with this Agreement. The breach by the Company (other than a breach which constitutes a Default under any other Section of this Article XII) of any of the terms, provisions or covenants of this Agreement which is not remedied within 30 days after written notice from the Administrative Agent, the Co-Agent, the Collateral Agent or any Lender.

12.6. Cross-Defaults.

(a) Failure of the Company or any Subsidiary to pay any Indebtedness (other than Limited Recourse Indebtedness of such Person) in excess of \$25,000,000 in aggregate principal amount when due; or the default by the Company or any Subsidiary in the performance of any term, provision or condition contained in any agreement under which any such Indebtedness was created or is governed, the effect of which is to cause, or to permit the holder or holders of such Indebtedness to cause, such Indebtedness to become due prior to its stated maturity; or any such Indebtedness of the Company or any Subsidiary shall be declared to be due

and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the stated maturity thereof; or the Company or any Subsidiary shall not pay, or shall admit in writing its inability to pay, its debts generally as they become due.

(b) Failure of an Affiliate (other than any Subsidiary) to pay any Indebtedness (other than Limited Recourse Indebtedness) in excess of \$25,000,000 in aggregate principal amount when due or any such Indebtedness of an Affiliate shall be declared to be due and payable or required to be prepaid (other than a regularly scheduled payment) prior to the stated maturity thereof; or an Affiliate shall not pay, or shall admit in writing its inability to pay, its debts as they become due; if any of the foregoing would have a Material Adverse Effect.

12.7. Voluntary Dissolution and Insolvency Proceedings and Actions. The Company, any Subsidiary or any Affiliate shall (a) have an order for relief entered with respect to it under Federal bankruptcy laws as now or hereafter in effect, (b) make an assignment for the benefit of creditors, (c) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its property, (d) institute any proceeding seeking an order for relief under Federal bankruptcy laws as now or hereafter in effect or seeking to adjudicate it a bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (e) take any corporate or partnership action to authorize or effect any of the foregoing actions set forth in this Section 12.7 or (f) fail to contest in good faith any appointment or proceeding described in Section 12.8; provided, however, that if any of the foregoing shall occur with respect to any Affiliate, it shall not constitute a Default hereunder unless it shall have a Material Adverse Effect.

12.8. Involuntary Insolvency Proceedings or Dissolution. Without the application, approval or consent of the Company, any Subsidiary or any Affiliate, a receiver, trustee, examiner, liquidator or similar official shall be appointed for such Person or any substantial part of its property, or a proceeding described in Section 12.7(d) shall be instituted against the Company, any Subsidiary or any Affiliate and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of 30 consecutive days; provided, however, that if any of the foregoing shall occur with respect to any Affiliate, it shall not constitute a Default hereunder unless it shall have a Material Adverse Effect.

12.9. Condemnation. Any court, government or governmental agency shall condemn, seize or otherwise appropriate, or take custody or control of all or any portion of the assets of the Company or any Subsidiary with a fair market value in excess of \$50,000,000 in the aggregate for all such assets; provided, that for purposes of the foregoing, the fair market value of the assets of a Subsidiary constituting a Drilling Partnership condemned, seized or otherwise appropriated or taken into custody or control shall be deemed to be the product of such fair market value times the Company's direct ownership percentage of such Drilling Partnership; and, provided, further, that this Section 12.9 shall not apply to any assets which are not included in the Borrowing Base and which are either: (i) owned by International or (ii) owned by the Company or a Subsidiary other than International and located outside of the United States of America.

12.10. Judgments. The Company or any Subsidiary shall fail within 45 days to pay, bond or otherwise discharge any uninsured portion of any judgment or order for the payment of money in excess of \$10,000,000 in the aggregate for all such judgments and orders, which is not stayed on appeal or is not otherwise being appropriately contested in good faith.

12.11. Plans. The Unfunded Liabilities of all Plans shall exceed in the aggregate \$10,000,000.

12.12. Material Adverse Effect. The Company, any Subsidiary, or any of the Properties shall be the subject of any proceeding or investigation pertaining to the release by any of them or from such Property of any toxic or hazardous waste or substance into the environment, or any violation of any federal, state or local environmental, health or safety law or regulation, which would, in any case, have or be a Material Adverse Effect; or the occurrence of any material adverse change in the business, assets, properties, operations, conditions or prospects (financial or otherwise) of the Company and any of its Subsidiaries taken as a whole or in the ability of the Company or its Subsidiaries to perform their respective obligations under the Loan Documents.

12.13. Other Defaults Under Loan Documents. The occurrence of any default under any Loan Document (other than this Agreement or the Notes) or the breach of any of the terms or provisions of any Loan Document (other than this Agreement or the Notes) which default or breach continues beyond any period of grace therein provided.

12.14. Failure of Loan Documents. Any Loan Document shall fail to remain in full force or effect or shall be declared null and void, or any action shall be taken to discontinue or to assert the invalidity or unenforceability of any Loan Document.

12.15. Change in Control. Any Change in Control shall occur.

ARTICLE XIII

ACCELERATION, WAIVERS, AMENDMENTS, REMEDIES; RELEASES

13.1. Acceleration. If any Default described in Section 12.7 or 12.8 occurs with respect to the Company, (a) the obligations of the Lenders to make Loans hereunder shall automatically terminate, (b) the Obligations shall immediately become due and payable without any election or action on the part of any Agent or any Lender and without presentment, demand, protest or notice of any kind, including without notice of acceleration or notice of intent to accelerate, all of which the Company and MW Petroleum each hereby expressly waives, and (c) the Agents and the Lenders and each of them shall be able to exercise any rights available to it or them under the Loan Documents, the Guaranty or by law. If any other Default occurs, (a) the Required Lenders may terminate or suspend the obligations of the Lenders to make Loans hereunder, or declare the Obligations to be due and payable, or both, whereupon the Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, including without notice of acceleration or notice of intent to accelerate, all of which the Company and MW Petroleum each hereby expressly waives, and (b) the Agents and the Lenders and each of them shall be able to exercise any rights available to it or them under the Loan Documents, the Guaranty or by law. The Administrative Agent hereby agrees, at the written direction of the Required Lenders, subject to the provisions of Article XV, to exercise any of the foregoing rights available to it.

13.2. Amendments. Subject to the provisions of this Article XIII, the Required Lenders (or the Administrative Agent with the consent in writing of the Required Lenders) and the Company may enter into agreements supplemental hereto for the purpose of adding or edifying any provisions to the Loan Documents or changing in any manner the rights and remedies of the Lenders or the Company hereunder or waiving any Default hereunder; provided however that Sections 2.3 and the related definitions in Section 1.1 shall not be changed without the prior written consent of the Required Lenders; provided, further however, that no such supplemental agreement shall, without the consent of each Lender affected thereby:

(a) Extend the maturity of any Loan, Note or payment under a Guaranty, or reduce the principal amount of any of them, or reduce the rate or extend the time of payment of interest or fees thereon.

(b) Reduce the percentage specified in the definition of Required Lenders.

(c) Extend the Termination Date or reduce the amount or extend the payment date for, the mandatory payments required under Section 4.2 or increase the amount of the Commitment of any Lender hereunder or permit the Company to assign its rights or obligations under this Agreement or under any other Loan Document.

(d) Amend this Section 13.2.

No amendment of any provision of this Agreement relating to any Agent shall be effective without the written consent of such Agent. The Administrative Agent may waive payment of the fee required under Section 17.3(b) without obtaining the consent of any of the Lenders.

13.3. Preservation of Rights. All remedies contained in the Loan Documents or afforded by law shall be cumulative and all shall be available to the Agents and the Lenders until the Obligations have been paid in full. No delay or omission of the Lenders, the Agents or any of them to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Default or an acquiescence therein, and the making of a Loan notwithstanding the existence of a Default or the inability of the Company to satisfy the conditions precedent to such Loan shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the Lenders and the Agents required pursuant to Section 13.2, and then only to the extent specifically set forth in such writing. Notwithstanding the foregoing or any other provision of this Agreement, each of the various written consents provided by the Administrative Agent on behalf of the Lenders, or any group of Lenders, with respect to the April 1992 Agreement shall remain in full force and effect according to its terms, including, without limitation, each consent contained in that certain letter from the Administrative Agent to the Company dated January 20, 1994, concerning the purchase by the Company of up to five million shares of its common stock.

13.4. Rights and Remedies Upon Classification as a Highly Leveraged Transaction. If any Agent shall determine or be advised by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation or the Office of the Comptroller of the Currency or any other applicable regulatory agency (including any successor agency) or examiner, that the facilities available under this Agreement and the other Loan Documents, or any Advance, or any Note constitute a "highly leveraged transaction", as such term may be defined or interpreted, in accordance with applicable federal guidelines and regulations as in effect from time to time, such Agent shall promptly notify the Administrative Agent and the Administrative Agent shall promptly notify the Company, the other Agents and the Lenders (an "HLT Notice"). If an HLT Notice shall be given, the Company shall forthwith commence discussions with the Administrative Agent to attempt to negotiate revisions to this Agreement and the other Loan Documents (including, without limitation, a restructuring of the facilities and the Commitments, or an increase in the interest rates, margins, and fees, and changes in the terms, covenants, representations and any other terms deemed relevant by the Lenders and the Agents in their sole and absolute discretion). Any such revisions shall be subject to the approval of all the Agents and all the Lenders and nothing herein contained shall obligate the Company, the Lenders or the Agents to agree to any such revisions.

13.5. Release of Collateral. Each Agent and each Lender agrees that the Collateral Agent is authorized and directed to (a) release the security interest granted to the Collateral Agent pursuant to the Partnership Pledge and Security Agreement, the Stock Pledge and Security Agreement, the Security Agreement and Financing Statement and the MW Petroleum Stock Pledge, (b) terminate any intercreditor agreement or other agreement relating to the maintenance or disposition of collateral for Loans under the April 1992 Agreement, (c) terminate

any and all financing statements filed with respect to any of the foregoing instruments and (d) return to the Company or MW Petroleum, as applicable, all stock certificates representing collateral.

ARTICLE XIV

GENERAL PROVISIONS

14.1. Survival of Representations. All representations and warranties of the Company, MW Petroleum and any other Subsidiary contained in the July 1991 Agreement, the April 1992 Agreement, this Agreement, or in any other Loan Document shall survive the delivery of the Notes and the making of the Loans herein contemplated until all the Obligations have been paid and this Agreement has been terminated.

14.2. Governmental Regulation. Anything contained in this Agreement to the contrary notwithstanding, no Lender shall be obligated to extend credit to the Company in violation of any limitation or prohibition provided by any applicable statute or regulation.

14.3. Taxes. Any taxes (excluding income taxes) or other similar assessments or charges payable or ruled payable by any governmental authority in respect of the Loan Documents shall be paid by the Company, together with interest and penalties, if any.

14.4. Headings. Article and section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

14.5. Entire Agreement. The Loan Documents embody the entire agreement and understanding among the Company, the Agents and the Lenders and supersede all prior agreements and understandings among the Company, the Agents and the Lenders relating to the subject matter thereof.

14.6. Several Obligations. The respective obligations of the Lenders hereunder are several and not joint and no Lender shall be the partner or agent of any other (except to the extent to which an Agent is authorized to act as such). The failure of any Lender to perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. This Agreement is not intended to, and shall not be construed so as to, confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns.

14.7. Reimbursement of Costs and Expenses; Indemnification.

(a) Reimbursement of Costs and Expenses. The Company shall reimburse each Agent for any reasonable costs, internal charges and out-of-pocket expenses (including fees and expenses of consultants and attorneys' fees and time charges of attorneys for such Agent, which attorneys may be employees of such Agent) paid or incurred by such Agent in connection with (i) the preparation, review, execution, delivery, amendment, modification and administration of the Loan Documents including, without limitation, the fees incurred by such Agent in connection with its initial evaluation of the Properties and costs, charges and expenses incurred in connection with the negotiation and documentation of revisions pursuant to Section 13.4, and (ii) the filing, recordation, refiling or re-recording or termination of the Collateral Documents and/or any Uniform Commercial Code financing statements relating thereto and any and all other documents or instruments or further assurances required to be filed or recorded or refiled or re-recorded or terminated by the terms of this Agreement or the Collateral Documents. The Company shall reimburse each Agent and the Lenders for any costs, internal charges and out-of-pocket expenses (including attorneys' fees and time charges of attorneys for the Agent and the Lenders, which attorneys may be employees of the Agents or the Lenders) paid or incurred by any

Agent or any Lender in connection with the collection and enforcement of the Loan Documents.

(b) Indemnification. In consideration of the execution and delivery of this Agreement by each Lender and the extension of the Commitments, the Company hereby indemnifies, exonerates and holds each Agent and each Lender, and their respective directors, Agents, officers and employees ("Indemnified Persons") free and harmless from and against any and all losses, claims, damages, penalties, judgments, liabilities, actions, suits, costs and expenses (including, without limitation, all expenses of litigation or preparation therefor whether or not any Agent or any Lender or any Indemnified Person is a party thereto and all other attorneys' fees and disbursements) ("Claims") which any of them may pay or incur as a result of, arising out of, or relating to,

(i) this Agreement, the other Loan Documents, the transactions contemplated hereby or thereby;

(ii) the direct or indirect application or proposed application of the proceeds of any Loan hereunder;

(iii) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of any Loan;

(iv) any investigation, litigation or proceeding related to any acquisition or proposed acquisition by the Company, any of its Subsidiaries, HERC or HEL of all or any portion of the stock or assets of any Person, whether or not any Agent or any Lender is party thereto;

(v) any investigation, litigation or proceeding related to any environmental cleanup, audit, compliance or other matter relating to any Environmental Law or the condition of any facility or property owned, leased or operated by the Company or any Subsidiary;

(vi) the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission, discharging or releases from, any facility or property owned, leased or operated by the Company or any Subsidiary thereof of any Hazardous Material (including any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under any Environmental Law), regardless of whether caused by, or within the control of, the Company or such Subsidiary; or

(vii) any misrepresentation, inaccuracy or any breach in or of Section 8.20 or Section 9.12;

(the foregoing collectively the "Indemnified Liabilities"), except to the extent that a final order of a court of competent jurisdiction finds that the such Indemnified Liability arises solely from such Indemnified Person's gross negligence or wilful misconduct. If and to the extent that the foregoing undertaking may be unenforceable for any reason, the Company hereby agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law. The obligations of the Company under this Section 14.7 shall survive the termination of this Agreement or any non- assumption of this Agreement in a bankruptcy or similar proceeding. The Company shall be obligated to indemnify the Indemnified Persons for all Claims regardless of whether the Company had knowledge of the facts and circumstances giving rise to such Claims.

14.8. Numbers of Documents. All statements, notices, closing documents, and requests hereunder shall be furnished to the Administrative Agent with sufficient counterparts so that the Administrative Agent may furnish one to each of the Lenders and each of the Agents.

14.9. Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

14.10. Nonliability of Lenders. The relationship between the Company on the one hand and the Lenders and the Agents on the other hand shall be solely that of borrower and lender. None of the Agents nor any Lender shall have any fiduciary responsibilities to the Company or any of its Subsidiaries. None of the Agents nor any Lender undertakes any responsibility to the Company or any of its Subsidiaries to review or inform the Company of any matter in connection with any phase of the Company's or such Subsidiary's business or operations.

14.11. CHOICE OF LAW. THE LOAN DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW PROVISION) SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF ILLINOIS, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL LENDERS.

14.12. CONSENT TO JURISDICTION. ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY AGENT, THE LENDERS OR THE COMPANY SHALL BE BROUGHT AND MAINTAINED EXCLUSIVELY IN THE COURTS OF THE STATE OF ILLINOIS OR IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT ANY AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. THE COMPANY HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF ILLINOIS AND THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH SUCH LITIGATION. THE COMPANY FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF ILLINOIS. THE COMPANY HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY HAVE OR HEREAFTER MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT THAT THE COMPANY HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OF FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, THE COMPANY HEREBY IRREVOCABLY WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

14.13. Confidentiality. Each Lender and each Agent agrees to hold any confidential information which it may receive from the Company pursuant to this Agreement in confidence in accordance with the provisions set forth in Exhibit "J" hereto. In addition to the disclosures permitted in such provisions, the Lenders and the Agents each shall be permitted to make disclosures of such information in accordance with Section 17.4.

ARTICLE XV

THE ADMINISTRATIVE AGENT,
THE CO-AGENT AND THE COLLATERAL AGENT

15.1. Appointment of Agents. The First National Bank of Chicago is hereby appointed Administrative Agent and Collateral Agent hereunder and under each other Loan Document, and Chemical is hereby appointed Co-Agent hereunder and under each other Loan Document, and each of the Lenders irrevocably authorizes each such Agent to act as the agent of such Lender. Each Agent agrees to act as such upon the express conditions contained in this Article XV. No Agent shall

have a fiduciary relationship in respect of any Lender by reason of this Agreement or any of the other Loan Documents.

15.2. Powers. Each Agent shall have and may exercise such powers under this Agreement and the other Loan Documents as are specifically delegated to it by the terms of each thereof, together with such powers as are reasonably incidental thereto. None of the Agents shall have implied duties to the Lenders, or any obligation to the Lenders to take any action thereunder except any action by an Agent specifically provided by the Loan Documents to be taken by such Agent.

15.3. General Immunity. No Agent nor any of their directors, officers, agents or employees shall be liable to any Lender or any of the other Agents for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith except for its or their own gross negligence or wilful misconduct as established by final order of a court of competent jurisdiction.

15.4. No Responsibility for Loans, Recitals, etc. No Agent nor any of their directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into, or verify (i) any statement, warranty or representation made in connection with any Loan Document or any borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of any obligor under any Loan Document; (iii) the satisfaction of any condition specified in Article VII, except receipt by an Agent of items required to be delivered to such Agent unless such condition shall have been waived in accordance with Section 13.2; or (iv) the validity, effectiveness or genuineness of any Loan Document or any other agreement, instrument or writing furnished in connection therewith.

15.5. Action on Instructions of Lenders. Each Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Loan Document in accordance with written instructions signed by the Required Lenders or the Required Lenders, as the case may be, and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders, the other Agents and all holders of Notes.

15.6. Employment of Agents and Counsel. Each Agent may execute any of its duties as Agent hereunder and under any other Loan Document by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. Each Agent shall be entitled to advice of counsel concerning all matters pertaining to the agency hereby created and its respective duties hereunder and under any other Loan Document.

15.7. Reliance on Documents; Counsel. Each Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in, respect to legal matters, upon the opinion of counsel selected by such Agent, which counsel may be employees of the Agents or any of them.

15.8. Reimbursement and Indemnification. Each Lender agrees to reimburse and indemnify each of the Administrative Agent, the Collateral Agent, the Co-Agent ratably in proportion to such Lender's Aggregate Commitments, (i) for any amounts (other than principal or interest) not reimbursed by the Company or the Guarantor for which such Agent is entitled to reimbursement by the Company under the Loan Documents, and (ii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against such Agent in any way relating to or arising out of the Loan Documents or any other document delivered in connection therewith or the transactions contemplated thereby, or the enforcement of any of the terms thereof or of any such other documents, provided that no Lender shall be so liable to the extent any of the foregoing is found by a final order of a court of competent

jurisdiction to have arisen solely from such Agent's gross negligence or willful misconduct.

15.9. Rights as a Lender. With respect to its Commitments, Loans made by it and the Notes issued to it, each Agent shall have the same rights and powers hereunder and under each other Loan Document as any Lender and may exercise the same as though it did not hold such role, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include each of them in its individual capacity. In addition to, and not by way of limitation of the rights set forth in Section 14.14, each Agent may accept deposits from, lend money to, and generally engage in any kind of banking or trust business with the Company or any Subsidiary or any other Affiliate of the Company as if it did not hold such role.

15.10. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon any Agent or any other Lender and based on the financial statements prepared by the Company and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and the other Loan Documents. Each Lender also acknowledges that it will, independently and without reliance upon any Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents.

15.11. Certain Successor Agents. Any Agent may resign at any time by giving thirty (30) days' prior written notice thereof to the Lenders and the Company. Upon any such resignation, the Company shall, if no Default or Unmatured Default has occurred and is continuing, have the right (subject to the consent of the Required Lenders) to appoint, on behalf of the Company and the Lenders, a Lender as a successor Agent. If no successor Agent shall have been so appointed by the Company and shall have accepted such appointment within thirty (30) days' after the retiring Agent's giving notice of resignation, then the retiring Agent may appoint, on behalf of the Company and the Lenders, a Lender as a successor Agent; provided, however, that the Company may, within the one year period following the appointment of a successor Agent, and upon thirty (30) days written notice to the Lenders, remove the successor Agent and appoint a successor Agent acceptable to the Company (subject to the consent of the Required Lenders). Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and Obligations (but not any liability arising from its gross negligence or willful misconduct as established by a final order of a court of competent jurisdiction) hereunder and under the other Loan Documents. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article XV shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as an Agent hereunder and under the other Loan Documents.

ARTICLE XVI

SETOFF; RATABLE PAYMENTS

16.1. Setoff. In addition to, and without limitation of, any rights of the Lenders under applicable law, if the Company becomes insolvent, however evidenced, or any Default or Unmatured Default occurs, any indebtedness from any Lender to the Company (including all account balances, whether provisional or final and whether or not collected or available) may be offset and applied toward the payment of the Obligations owing to such Lender, whether or not the Obligations, or any part hereof, shall then be due and payable.

16.2. Ratable Payments. If any Lender, whether by setoff or otherwise, has payment made to it upon its Loans in a greater proportion than it would have received pursuant to an allocation using the method set forth in Section 4.3 or 4.4 (except for payments made to Lenders with respect to 1992 Revolving Loans which are outstanding on the Effective Date including, without limitation,

payments made to Banque Indosuez and Norwest Bank Denver, N.A. pursuant to Section 9.16), such Lender agrees, promptly upon demand, to purchase a portion of the Loans held by the other Lenders so that after such purchase each Lender will hold its ratable proportion of such type of Loans. If any Lender, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Obligations or such amounts which may be subject to set off, such Lender agrees, promptly upon demand, to take such action necessary such that all Lenders share in the benefits of such collateral ratably in proportion to the Obligations owing to each of them. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

ARTICLE XVII

BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS

17.1. Successors and Assigns. The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Company, the Agents and the Lenders and their respective successors and assigns, except that the Company shall not have the right to assign its rights or obligations under the Loan Documents and any assignment by any Lender must be made in compliance with Section 17.3. The Administrative Agent and the Collateral Agent may treat the payee of any Note as the owner thereof for all purposes hereof unless and until such payee complies with Section 17.3 in the case of an assignment thereof or, in the case of any other transfer, a written notice of the transfer is filed with such Agent. Any assignee or transferee of a Note agrees by acceptance thereof to be bound by all the terms and provisions of the Loan Documents. Any request, authority or consent of any Person, who at the time of making such request or giving such authority or consent is the holder of any Note, shall be conclusive and binding on any subsequent holder, transferee or assignee of such Note or of any Note or Notes issued in exchange therefor.

17.2. Participations.

(a) Any Lender, in the ordinary course of its business and in accordance with applicable law, at any time may sell to one or more banks or other entities ("Participants") participating interests in any Loan owing to such Lender, any Note held by such Lender, any Commitment of such Lender or any other interest of such Lender under the Loan Documents. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's Obligations under the Loan Documents shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, such Lender shall remain the holder of any such Note or Obligation for all purposes under the Loan Documents, and the Company and the Agents shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents.

(b) Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Loan or Commitment in which such Participant has an interest which forgives principal, interest or fees or reduces the interest rate or fees payable with respect to any such Loan or Commitment, postpones any date fixed for any regularly-scheduled payment of principal of, or interest or fees on, or reimbursement obligation with respect to, any such Loan or Commitment, releases any guarantor of any such Obligation or releases all or substantially all of the collateral (except as permitted by Section 13.2(d)), if any, securing any such Obligation.

(c) The Company agrees that each Participant shall be deemed to have the right of setoff provided in Section 16.1 in respect of its participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under the Loan Documents, provided that each

Lender shall retain the right of setoff provided in Section 16.1 with respect to the amount of participating interests sold to each Participant. The Lenders agree to share with each Participant, and each Participant, by exercising the right of setoff provided in Section 16.1, agrees to share with each Lender, any amount received pursuant to the exercise of its right of setoff, such amounts to be shared in accordance with Section 16.2 as if each Participant were a Lender. The Company also agrees that each Participant shall be entitled to the benefits of Sections 6.1 and 6.3 with respect to its participation in the Commitments or the Loans outstanding from time to time; provided, that no Participant shall be entitled to receive any greater amount pursuant to such Sections than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

17.3. Assignments.

(a) Any Lender may, in the ordinary course of its business and in accordance with applicable law and with the consent of the Company, at any time assign to one or more banks or other entities ("Purchasers") all or any part of its rights and obligations under the Loan Documents subject to a minimum of \$15,000,000 or such lesser amount as may be agreed to by the Company; provided that with respect to any Purchaser which is an Affiliate of such Lender, such consent of the Company shall not be unreasonably withheld. Such assignment shall be substantially in the form of Exhibit "D" hereto. The consent of the Administrative Agent shall also be required prior to an assignment becoming effective with respect to a Purchaser which is not a Lender. All such consents shall be substantially in the form attached as Exhibits "D-II" or "D-III" to Exhibit "D" hereto and shall not be unreasonably withheld.

(b) Upon (i) delivery to the Administrative Agent of a notice of assignment, substantially in the form attached as Exhibit "D-I" to Exhibit "D" hereto (a "Notice of Assignment"), together with any consents required by Section 17.3.(a), and (ii) payment of a \$2,500 fee to the Administrative Agent for processing such assignment, such assignment shall become effective on the effective date specified in such Notice of Assignment; provided, however, that any amounts paid by the Company to, or for the benefit of, the assigning Lender, on or before the execution date of the assignment, if such date is later than the effective date of the assignment, shall be deemed paid to and for the benefit of the Purchaser for all purposes. On and after the effective date of such assignment, such Purchaser shall for all purposes be a Lender, party to this Agreement and any other Loan Document executed by the Lenders, and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party hereto, and no further consent or action by the Company, the Lenders or any Agent shall be required to release the transferor Lender, with respect to the percentages of the Commitment, and the Loans assigned to such Purchaser and the transferor Lender shall henceforth be so released. Upon the consummation of any assignment to a Purchaser pursuant to this Section 17.3(b), the Company shall issue replacement Notes to such transferor Lender and shall issue new Notes or, as appropriate, replacement Notes, to such Purchaser, in each case in principal amounts reflecting their respective Commitments, as adjusted pursuant to such assignment.

(c) The provisions of the foregoing clauses (a) and (b) shall not apply to or restrict, or require the consent of or notice to any Person to effectuate, the pledge or assignment by any Agent or Lender of its rights or obligations under any Loan Documents to any Federal Reserve Bank.

17.4. Dissemination of Information. The Company authorizes each Agent and each Lender to disclose to any Participant or Purchaser or any other Person acquiring an interest in the Loan Documents by operation of law (each a "Transferee") and any prospective Transferee any and all information in such

Lender's possession concerning the creditworthiness of the Company and the Subsidiaries, provided that such Transferee and prospective Transferee agrees in writing to be bound by Section 14.13 of this Agreement.

17.5. Tax Treatment. If any interest in any Loan Document is transferred to any Transferee which is organized under the laws of any jurisdiction other than the United States or any State thereof, the transferor Lender shall cause such Transferee, concurrently with the effectiveness of such transfer, to comply with the provisions of Section 6.8.

ARTICLE XVIII

NOTICES

18.1. Giving Notice. Except as otherwise permitted by Section 4.5 with respect to borrowing notices, all notices and other communications provided to any party hereto under this Agreement or any other Loan Document shall be in writing or by telex or by facsimile and addressed or delivered to such party at its address set forth below its signature hereto or at such other address as may be designated by such party in a notice to the other parties. Any notice, if mailed and properly addressed with postage prepaid, shall be deemed given when received; any notice, if transmitted by telex or facsimile, shall be deemed given when transmitted (answerback confirmed in the case of telexes).

18.2. Change of Address. The Company, the Administrative Agent, the Co-Agent, the Collateral Agent and the Lenders may each change the address for service of notice upon it by a notice in writing to the other parties hereto.

ARTICLE XIX

COUNTERPARTS

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement shall be effective when it has been executed by the Company, the Agents and the Lenders and each party has notified the Administrative Agent, by telex, facsimile or telephone, that it has taken such action.

ARTICLE XX

NO ORAL AGREEMENTS

THIS WRITTEN AGREEMENT, THE NOTES, AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

IN WITNESS WHEREOF, the Company, the Lenders and the Agents have executed this Agreement as of the date first above written.

APACHE CORPORATION

By: /s/ CLYDE E. MCKENZIE

Title: Clyde E. McKenzie
Vice President and Treasurer
2000 Post Oak Boulevard
Suite 100
Houston, Texas 77056-4400

Attention: Clyde McKenzie
Vice President and Treasurer

with a copy to:
Zurab S. Kobiashvili
Vice President and General Counsel
2000 Post Oak Boulevard, Suite 100
Houston, Texas 77056-4400

Facsimile: (713) 296-6459
Telephone: (713) 296-6000

\$50,000,000

THE FIRST NATIONAL BANK OF CHICAGO,
Individually and as Administrative
Agent and Collateral Agent

By: /s/ W. WALTER GREEN, III

Title: Vice President
One First National Plaza
Chicago, Illinois 60670

Attention: W. Walter Green, III
Petroleum and Mining
Division
Suite 0363

Facsimile: (312) 732-3055
Telephone: (312) 732-7235

with a copy to:

Attention: Thomas E. Both
Syndications and
Placements/Agency
Suite 0353

Facsimile: (312) 732-2038
Telephone: (312) 732-7268

CHEMICAL BANK, as Co-Agent

By: /s/ RONALD POTTER

Title: Managing Director
270 Park Avenue
Energy Portfolio, 10th Floor
New York, New York 10017-2070

Attention: Ronald Potter

Facsimile: (212) 270-3860
Telephone: (212) 270-2057

with a copy to:
Lori Vettors
Chemical Banking Corporation
707 Travis
5th Floor North
Houston, Texas 77002

Facsimile: (713) 236-4117
Telephone: (713) 236-4332

73
\$50,000,000

BANK OF MONTREAL, Individually and
as Lead Manager

By: /s/ ROBERT L. ROBERTS

Title: Director. U.S. Corporate Banking
700 Louisiana Street
Suite 4400
Houston, Texas 77002

Attention: Robert L. Roberts

Facsimile: (713) 223-4007
Telephone: (713) 546-9754

74
\$50,000,000

NATIONSBANK,
Individually and as Lead Manager

By: /s/ MELISSA A. BAUMAN

Title: Vice President
700 Louisiana Street, 8th Floor
Houston, Texas 77002

Attention: Jo A. Tamalis

Facsimile: (713) 247-6432
Telephone: (713) 247-6856

with a copy to:

Melissa Bauman
700 Louisiana Street, 8th Floor
Houston, Texas 77002

Facsimile: (713) 247-6432
Telephone: (713) 247-6830

75
\$50,000,000

TEXAS COMMERCE BANK, N.A.

By: /s/ LORI VETTERS

Title: Vice President
Address: 707 Travis, 5th Floor
Houston, Texas 77002

Attention: Lori Vettters

Facsimile: (713) 216-4227
Telephone: (713) 216-4332

76
\$37,000,000

THE CHASE MANHATTAN BANK, N.A.

By: /s/ BETTYLOU J. ROBERT

Title: Vice President
One Chase Manhattan Plaza
New York, New York 10081

Attention: Global Energy

Facsimile: (212) 552-1687
Telephone: (212) 552-6362

with a copy to:

Chase Manhattan Southwest
1100 Milam, Suite 2345
Houston, Texas 77002

Attention: J. Scott Porter

Facsimile: (713) 751-9122
Telephone: (713) 751-5657

77
\$37,000,000

CHRISTIANIA BANK OG KREDITKASSE

By: /s/ JAHN O. ROISING

Title: First Vice President

By: /s/ DEBRA DICKEHUTH

Title: Vice President
11 West 42nd Street
New York, New York 10036

Attention: Deborah Dickehuth

Facsimile: (212) 827-4888

Telephone: (212) 827-4836

78
\$37,000,000

MIDLAND BANK PLC, NEW YORK BRANCH

By: /s/ JOHN A. CLEVELAND

Title: Director
140 Broadway, 4th Floor
New York, New York 10005-1185

Attention: John A. Cleveland

Facsimile: (212) 658-2580
Telephone: (212) 658-2702

72

79
\$25,000,000

ROYAL BANK OF CANADA
GRAND CAYMAN (NORTH AMERICAN #2) BRANCH

By: /s/ J. D. FROST

Title: Senior Manager
600 Wilshire Blvd.
Suite 800
Los Angeles, California 90017

Attention: Everett M. Harner

Facsimile: (213) 955-5350
Telephone: (213) 955-5370

80
\$37,000,000

NBD BANK, N.A.

By: /s/ DOUGLAS R. LIFTMAN

Title: Vice President
611 Woodward Avenue
Detroit, Michigan 48226

Attention: Doug Liftman

Facsimile: (313) 225-2649
Telephone: (313) 225-3193

81
\$37,000,000

THE BANK OF NOVA SCOTIA
SAN FRANCISCO AGENCY

By: /s/ N. O. CAMPBELL

Title: Assistant Agent
101 California Street, 48th Floor
San Francisco, California 94111

Attention: N. O. Campbell, Asst. Agent

Facsimile: (415) 397-0791
Telephone: (415) 986-1100

with copy to:

The Bank of Nova Scotia
Houston Representative Office
1100 Louisiana, Suite 3000
Houston, Texas 77002

Attention: Mark A. Ammerman

Facsimile: (713) 752-2425
Telephone: (713) 752-0900

82
\$25,000,000

BANQUE PARIBAS

By: /s/ DEEPA PANUMATY

Title: Vice President

By: /s/ CHARLES K. THOMPSON

Title:

787 7th Avenue
New York, New York 10019

Attention: Charles K. Thompson

Facsimile: (212) 841-2555

Telephone: (212) 841-2133

83
\$25,000,000

CANADIAN IMPERIAL BANK OF COMMERCE

By: /s/ J. WESTLAND

Title: Authorized Signatory

Attention: Credit Administration
200 Galleria Parkway, N.W., Suite 650
Atlanta, Georgia 30339

Facsimile: (404) 955-1185
Telephone: (404) 955-8989

with a copy to:

909 Fannin
Two Houston Center, Suite 1220
Houston, Texas 77010

Attention: Brian Swinford

Facsimile: (713) 658-9922
Telephone: (713) 658-8400

84
\$25,000,000

COLORADO NATIONAL BANK

By: /s/ MONTE DECKERD

Title: Vice President
950 Seventeenth Street
Denver, Colorado 80202

Attention: Monte Deckerd

Facsimile: (303) 585-4362
Telephone: (303) 585-4212

85
\$25,000,000

CITIBANK, N.A.

By: /s/ EDWARD LETTIERI

Title: Vice President
c/o Citibank, N.A.
399 Park Avenue, 6th Floor
New York, New York 10022

Attention: Barbara A. Cohen

Facsimile: (212) 559-8712
Telephone: (212) 793-3824

86
\$25,000,000

THE FIRST NATIONAL BANK OF BOSTON

By: /s/ MICHAEL KANE

Title: Managing Director
100 Federal Street
Boston, Massachusetts 02110

Attention: Michael Kane

Facsimile: (617) 434-3652
Telephone: (617) 434-5358

80

87
\$25,000,000

THE FUJI BANK, LIMITED
- HOUSTON AGENCY

By: /s/ SOICHI YOSHIDA

Title: Vice President and Senior Manager
2 Houston Center
909 Fannin Street, Suite 2800
Houston, Texas 77010

Attention: William Brown

Facsimile: (713) 759-0048
Telephone: (713) 759-1800

81

88
\$8,000,000

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

By: /s/ VERNON B. FORD, JR.

Title: Vice President
60 Wall Street
New York, New York 10260

Attention: Steven A. Tulip

Facsimile: (212) 648-5014
Telephone: (212) 648-7225

82

89
\$8,000,000

J.P. MORGAN DELAWARE

By: /s/ D. J. MORRIS

Title: Vice President
902 N. Market Street
Wilmington, Delaware 19801

Attention: Phil Detjens

Facsimile: (302) 654-5336
Telephone: (302) 651-3726

83

90
\$37,000,000

BANK OF AMERICA
f/k/a SECURITY PACIFIC NATIONAL BANK

By: /s/ JOHN ROBINSON

Title: Vice President
333 Clay Street, Suite 4550
Houston, Texas 77002

Attention: John Robinson

Facsimile: (713) 651-4841
Telephone: (713) 651-4836

91
\$37,000,000

SOCIETE GENERALE, SOUTHWEST AGENCY

By: /s/ RICHARD A. ERBERT

Title: Vice President
2001 Ross Avenue, #4800
Dallas, Texas 75201

Attention: Terri Jones

Facsimile: (214) 754-0171
Telephone: (214) 979-2777

With a copy to:

SOCIETE GENERALE
1111 Bagby, Suite 2020
Houston, Texas 77002

Attention: Richard A. Erbert

Facsimile: (713) 650-0824
Telephone: (713) 759-6318

92
\$25,000,000

ABN-AMRO BANK N.V. - Houston Agency

By: /s/ MICHAEL N. OAKES

Title: Vice President
Address: Three Riverway
Suite 1600
Houston, Texas 77056

Attention: Michael N. Oakes

Facsimile: (713) 629-7533
Telephone: (713) 964-3356

93
\$25,000,000

UNION BANK

By: /s/ RICHARD P. DEGREY

Title: Vice President

By: /s/ WALTER M. ROTH

Title: Vice President

445 South Figueroa Street
15th Floor
Los Angeles, California 90071

Attention: Richard P. De Grey

Facsimile: (213) 236-4096

Telephone: (213) 236-5469

\$700,000,000

AGGREGATE
COMMITMENT

AMENDED AND RESTATED
ACCEPTANCE AGREEMENT
by and between
HADSON ENERGY LIMITED
and
BANK OF MONTREAL
individually and as Agent
and
the Other Banks
which may become Parties hereto
Dated as of May 26, 1994

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HADSON ENERGY LIMITED
AMENDED AND RESTATED ACCEPTANCE AGREEMENT

To:

Bank of Montreal
and the Other Banks From Time
to Time Parties Hereto

Gentlemen:

Reference is made to that certain Acceptance Agreement by and between Hadson Energy Limited and Bank of Montreal, individually and as Agent, and the other Banks which may become party thereto, dated as of June 6, 1991 (as the same may, from time to time, be amended or modified, the "Original Acceptance Agreement"). The undersigned, Hadson Energy Limited, A.C.N. 009 301 964, a Western Australia corporation (the "Company"), wishes to amend and restate the Original Acceptance Agreement, as set forth below, and hereby applies to you for your several commitments, subject to all of the terms and conditions hereof and on the basis of the representations and warranties hereinafter set forth, to accept and discount Drafts, all as more fully hereinafter set forth.

SECTION 1. THE ACCEPTANCES.

1.1. General Terms. Acceptances (as defined in the Original Acceptance Agreement) outstanding on the date hereof shall, on such date, be continued as and deemed to be Acceptances under this Agreement having the same maturity date and shall continue to be secured by the Collateral. Subject to all of the terms and conditions hereof, the Banks agree to accept and discount Drafts on behalf of the Company during the period from the date hereof to and including the Termination Date, all as more fully hereinafter set forth, provided that the aggregate face amount of Acceptances outstanding at any one time shall not exceed the Available Amount as then determined and computed, and provided further that from and after the Transition Date, Drafts will be accepted and discounted in an aggregate amount no greater than that necessary to refund the purchase price of Acceptances maturing on the related Acceptance Date. Notwithstanding the immediately preceding sentence, during the ninety (90) day period immediately following a reduction in the Borrowing Base as a result of a redetermination thereof, the Banks shall accept and discount Drafts in an aggregate amount necessary to refund the purchase price of

Acceptances maturing during such period even though, as a result thereof, the aggregate face amount of Acceptances outstanding exceeds the Available Amount then in effect. The obligations of the Banks hereunder are several and not joint and no Bank shall under any circumstances be obligated to extend credit hereunder in excess of its Facility Amount Percentage of the Available Amount hereunder. At no time shall there be more than five tranches of Acceptances outstanding.

1.2. Procedure for Acceptance of Drafts. In order to facilitate the acceptance of Drafts hereunder, the Company will from time to time deliver to each Bank, under cover of a letter in a form acceptable to such Bank, a supply of Drafts executed on behalf of the Company but with the date, the face amount and the maturity thereof left blank. Each Bank agrees to hold the Drafts so delivered to it in safekeeping giving such Drafts the same physical care and safeguards as it affords its own property of a similar type. Not less than three Business Days prior to each Acceptance Date the Company shall advise the Agent through issuance of an Acceptance Request in the form annexed hereto as Exhibit A (the "Acceptance Requests") of the aggregate face amount (if any) of Drafts which are to be accepted and discounted hereunder on the Acceptance Date in question, which amount shall be a minimum amount of \$1,000,000 and thereafter in integral multiples of \$100,000. In no event may the Company request the creation and/or discount of Acceptances hereunder if after giving effect thereto the aggregate amount of Acceptances scheduled to be outstanding through the maturity date of the newly accepted Drafts will exceed the Available Amount as scheduled to be outstanding during the same period. The Agent shall promptly notify each Bank of each Acceptance Request so received. Subject to all the conditions hereof on the related Acceptance Date, each Bank shall withdraw one or more presigned Drafts from its inventory thereof and complete the same with the applicable Acceptance Date, a face amount equal to its Facility Amount Percentage of the aggregate face amount of all Drafts to be accepted on the applicable Acceptance Date and the maturity thereof (which shall be 30, 60 or 90 days after the applicable Acceptance Date as requested by the Company in the applicable Acceptance Request except that maturities of less than 30 days may be requested until the Available Amount is fully in use and to facilitate an orderly retirement of the Available Amount) and shall then accept such Drafts and discount the same for the account of the Company pursuant to Section 1.3 hereof.

1.3. Discounting. Subject to all of the terms and conditions hereof, each Bank agrees that it will on each Acceptance Date fund or discount all Drafts accepted by it on such date in the Canadian U.S. Dollar acceptance market or, subject to Section 1.4 hereof, purchase the same for its own account such in each instance that the purchase price therefor shall be equal to the face amount of the Drafts accepted, discounted or purchased by it less the

Discount applicable to such Drafts and the Stamping Fee payable with respect thereto, with such purchase price to be remitted on the applicable Acceptance Date to the Agent which will in turn make same available to the Company at the main branch of the Agent in Toronto.

1.4. Certain Undertakings of the Banks. Each Bank for itself alone undertakes to the Company to use reasonable efforts to ensure that the Drafts accepted by it are widely distributed and agrees not to knowingly sell or transfer a Draft or any interest therein to a resident of Australia. Following a request from the Company which relates to:

(a) information ordinarily required for the purposes of obtaining a certificate under section 128F of the Income Tax Assessment Act 1936 of Australia relating to the Acceptances; or

(b) a request from the Australian Taxation Office for specific information (in which case the request shall be accompanied by satisfactory evidence of such request from the Australian Taxation Office),

the Banks agree to provide to the Company within a reasonable time a statement which sets out at that date:

(i) the number and face value of the Acceptances which have been accepted by and are still retained by such Bank as at that date; and

(ii) such other information concerning the Acceptances as the Company may reasonably require in order to enable it to obtain a certificate under section 128F of the Income Tax Assessment Act 1936 of Australia relating to such Acceptances.

1.5. Payment of Drafts by the Company. The Company agrees to pay to the Agent for the ratable account of the Banks the face amount of each Draft accepted and discounted pursuant hereto in same day U.S. Dollars no later than such Draft's maturity date provided the amount of each Draft accepted or discounted hereunder shall become immediately due and payable under the circumstances set forth in Sections 8.2 and 8.3 hereof. In addition, the Company agrees to pay on demand to the Agent for the ratable account of the Banks interest (computed on the basis of a year of 360 days for the actual number of days elapsed) at the Interest Rate on the face amount of each Acceptance from the maturity date thereof (or such earlier date as the face amount of such Draft becomes due and payable to the Bank accepting same pursuant to the provisions of this Section 1.5 or the provisions of Sections 8.2 or 8.3 hereof) until payment in full thereof by the Company.

1.6. Extension of Transition Date and Termination Date.

Subject to the other provisions of this Agreement, the obligation of the Banks to accept Drafts hereunder shall be effective for an initial period from the date hereof to the Termination Date; provided that the Transition Date and the Termination Date may each be extended for successive one-year periods, if requested by the Company and consented to by each of the Banks as set forth below. The Company may request such an extension by delivering to the Agent a Certificate of Extension duly executed by an officer of the Company not more than one hundred twenty (120) days nor less than sixty (60) days prior to the date occurring one year prior to the Transition Date then in effect. The Agent will promptly deliver to all Banks a written notice of receipt of such a Certificate of Extension and each Bank shall notify the Agent in writing of its approval or disapproval of such request (which determination shall be made by each Bank in its sole discretion) at least thirty (30) days prior to the date (each such date an "Extension Date") occurring one year prior to the Transition Date then in effect. Upon the receipt of such notices from all the Banks, the Agent shall promptly notify the Company of the approval or disapproval of such request for extension. If consented to by all the Banks such extension shall be effective on such Extension Date without other or further action by any party hereto for such additional one-year period. The Banks shall use reasonable efforts to respond to any such request to extend the Transition Date and the Termination Date; provided, however, that failure by any Bank to respond to such requests shall be deemed to be a disapproval of such request for extension and shall not create a claim against it or have the effect of extending the obligation of the Banks to accept Drafts hereunder beyond the Termination Date then in effect or of extending the Transition Date or the Termination Date; and provided, further, however, that no Bank shall have any obligation whatsoever to extend the Termination Date and Transition Date in effect at any time.

1.7. Certain Indemnities. In consideration of the Banks'

acceptance and discounting of Drafts hereunder, the Company agrees to indemnify and hold the Agent and each Bank harmless from and against any and all stamp taxes, recording taxes and fees and filing taxes and other fees payable in connection with the Drafts and/or the acceptance and/or discount thereof pursuant to this Agreement (the Agent and the Banks acknowledging and agreeing that no such taxes or fees are currently payable in Canada) and all actions, claims, damages, losses, liabilities, fines, penalties, costs and expenses of every nature suffered or incurred by the Agent or any Bank by reason of its having accepted, discounted or maintained an inventory of Drafts at the Company's request as provided for herein, provided that such indemnity shall not apply to the extent that any such action, claim, damage, loss, liability, fine, penalty, cost or expense arises out of or is based solely upon the negligence of the party indemnified hereby.

1.8. Records. Each Bank shall maintain a record of all Drafts accepted by it hereunder, of the maturity date thereof, of the Discount applicable thereto and of the amount of all charges with respect thereto and of the initial purchasers thereof and the Company agrees that in any action or proceeding brought to enforce the rights of such Bank hereunder with respect to such Drafts the entries so recorded on the books of such Bank shall be deemed prima facie correct.

1.9. Illegality. Notwithstanding any other provisions of this Agreement, if at any time a Bank shall determine in good faith that any applicable laws, treaties or regulations or the interpretation thereof makes it unlawful for such Bank to accept or discount Drafts, or it becomes impractical for any Bank so to do because of circumstances beyond such Bank's control, it shall promptly so notify the Agent (which shall in turn promptly notify the Company and the other Banks) and the obligation of such Bank to accept or discount Drafts under this Agreement shall terminate until it is no longer unlawful or impractical for such Bank to accept or discount Drafts. In the event of any termination of a Bank's obligations under this Section 1.9, such Bank agrees that it will, should the Company request, negotiate in good faith with the Company for a replacement credit facility which will preserve, as nearly as is practical, the benefits of this facility to the Company, provided that such facility will not in the reasonable judgment of such Bank be greater in amount, of longer duration, less secure, less profitable or otherwise less advantageous to such Bank.

1.10. Taxes and Increased Costs. If any Bank shall determine in good faith that any applicable law, treaty, regulation or guideline or any interpretation of any of the foregoing by any governmental authority charged with the administration thereof or any central bank or other fiscal, monetary or other authority having jurisdiction over such Bank or the Acceptances contemplated by this Agreement (whether or not having the force of law) shall:

(i) impose, increase, or deem applicable any reserve, special deposit or similar requirement against assets held by, or drafts accepted, purchased or discounted by, such Bank;

(ii) subject such Bank or the Acceptances or the obligations of the Company with respect thereto to any tax, duty, charge, stamp tax, fee, deduction or withholding in respect of this Agreement, any Acceptance or the Company's obligations with respect thereto, except such taxes as may be measured by the overall net income of such Bank and imposed by the jurisdiction, or any political subdivision or taxing authority thereof, in which such Bank's principal executive office or its accepting branch is located and except such

taxes as would be imposed on the date hereof by Canada or any political subdivision thereof;

(iii) change the basis of taxation of payments due from the Company to such Bank hereunder or under or in respect of an Acceptance (other than by a change in taxation of the overall net income of such Bank and imposed by the jurisdiction, or any political subdivision or taxing authority thereof, in which such Bank's principal executive office or its accepting branch is located); or

(iv) impose on such Bank any penalty with respect to the foregoing or any other condition regarding this Agreement or the Acceptances or the discounting thereof except for penalties which would be imposed on the date hereby by Canada or any political subdivision thereof;

and such Bank shall determine that the result of any of the foregoing is to increase the cost (whether by incurring a cost or adding to a cost) to such Bank of creating or discounting Acceptances or to reduce any amount received or receivable by such Bank with respect thereto, then the Company shall pay on demand to such Bank from time to time as specified by such Bank such additional amounts as such Bank shall reasonably determine are sufficient to compensate and indemnify it for such increased cost or reduced amount. If any Bank makes such a claim for compensation, it shall provide to the Company a certificate executed by an officer of such Bank setting forth the amount of such loss, cost, expense or premium in reasonable detail (including an explanation of the basis for and the computation of such loss, cost, expense or penalty), and the amounts shown on such certificate shall be conclusive and binding absent manifest error.

1.11. Lending Branch. Each Bank may, at its option, elect to make and fund its Acceptances and the discount thereof at the branches or offices specified on the signature pages hereof or on any Assignment Agreement executed and delivered pursuant to Section 11.13 hereof or at such other of its branches or offices located outside of Australia as such Bank may from time to time elect, but the Company shall not be obligated to reimburse any Bank for any increased cost or reduced amount incident to such Bank accepting or discounting Drafts outside of Canada.

1.12. Disclosures. For the purposes of the Interest Act (Canada) and disclosure thereunder, the parties agree to the provisions of subparagraphs (i) through (vi) of this Section 1.12 hereinafter set forth:

(i) For the purposes of this Section 1.12, the following terms shall have the following meanings, respectively:

(A) "Advance" shall mean an advance or other amount owing or payable under this Agreement on which interest shall be payable at a specific Stated Interest Rate;

(B) "Specific Interest Period" shall mean a period of time designated in this Agreement with respect to which interest shall be calculated on an Advance at a specific Stated Interest Rate;

(C) "Stated Interest Rate" shall mean a rate of interest expressed in or determined in accordance with this Agreement;

(D) "Year" has the meaning attributed thereto in the Interpretation Act (Canada), and the term "yearly" has corresponding meaning: and

(E) "Yearly Stated Interest Rate" shall mean:

(I) with respect to a Stated Interest Rate which is expressed or determined on the basis of a year, the Stated Interest Rate; and

(II) with respect to a Stated Interest Rate which is expressed or determined on the basis of a period of less than a year (a "Short Period"), the yearly rate of interest to which such Stated Interest Rate is equivalent determined in accordance with paragraph (ii) of this paragraph.

(ii) Where any Stated Interest Rate applicable to a Specific Interest Period is expressed or determined on the basis of a Short Period, the yearly rate of interest to which such Stated Interest Rate is equivalent is determined by multiplying such Stated Interest Rate by the actual number of days in the year in which such Specific Interest Period ends and dividing the result by the number of days in such Short Period.

(iii) The effective yearly rate of interest of a specific Advance for any period during a year of less than a year (a "Payment Period") for which interest is made payable at a specific Yearly Stated Interest Rate (assuming the reinvestment of such interest at such Yearly Stated Interest Rate and the periodic compounding of such interest at intervals based on the terms of the Payment Period) may be determined by the formula $(1 + (C/100N)^{N-1} \times 100$, expressed

as a percentage and not as a decimal, where C is equal to the arithmetic average of the Yearly Stated Interest Rate, expressed as an absolute interest rate percent, in effect on each day during the Payment Period and N is the result obtained by dividing the number of days comprising the year by the number of days in such Payment Period.

(iv) The effective yearly rate of interest in respect of a specific Advance for any year (or if the Advance is not outstanding for the entire year, for the portion of the year during which such Advance shall be outstanding) is equal to the arithmetic average of the effective yearly interest rates for each day of each Payment Period in respect of a specific Advance during such year.

(v) The Company acknowledges that there is a material difference between the Yearly Stated Interest Rates and the effective yearly rates of interest referred to above in this paragraph and that it is capable of making the calculations contemplated by this paragraph required to determine such effective yearly rates of interest.

(vi) The Company acknowledges and agrees that all calculations of interest under this Agreement are to be made on the basis of the applicable Stated Interest rate and not on the basis of the effective yearly rates determined in accordance with paragraphs (iii) and (iv) hereof or on any other basis which gives effect to the principle of deemed reinvestment.

SECTION 2. FEES, PAYMENTS, REDUCTIONS, APPLICATIONS.

2.1. Facility Fee. For the period from the date hereof to but excluding the Transition Date, the Company shall pay to the Agent for the ratable account of the Banks a facility fee at the rate of $\frac{3}{8}$ of 1% per annum on the average daily unused amount of the Available Amount hereunder, such fee to be payable quarterly in arrears (and calculated for the actual number of days elapsed on the basis of a year consisting of 365 or, when appropriate, 366 days) on the last day of each June, September, December and March in each year to and including the Transition Date.

2.2. Agent's Fees. The Company shall pay the Agent an agent's fee of \$5,000 per annum for each Bank party to this Agreement other than the Agent, such fee to be payable at the time each such other Bank becomes a party hereto and annually thereafter so long as this Agreement is in effect or any Acceptances are outstanding hereunder.

2.3. Optional Prepayments. The Acceptances may not be prepaid.

2.4. Mandatory Reductions. In the event that the outstanding face amount of the Acceptances shall at any time and for any reason (other than during the ninety (90) day period immediately following a reduction in the Borrowing Base as the result of a redetermination thereof) exceed the Available Amount as then determined and computed, the Company shall pay over the amount of the excess to the Agent immediately upon becoming aware that an excess exists to be held as collateral security for the Company's obligations hereunder, (and invested at the request of the Company in investments of the type identified in clauses (a) through (c) of Section 7.9 hereof maturing on or before the next Acceptance Date, with the investment earnings thereon to be released to the Company if and so long as no Default or Event of Default has occurred and is continuing) and applied to the payment of the Drafts on their maturity date. Any cash or investments (and the proceeds thereof) held by the Agent pursuant to this Section 2.4 shall be and constitute collateral security for the obligations of the Company under the Loan Documents and Related Documents and shall be pledged to the Agent for that purpose.

2.5. Voluntary Reductions of the Available Amount. The Company shall have the privilege at any time and from time to time upon notice to the Agent (which shall promptly notify the Banks) received on or before 12:00 p.m. (Chicago time) at least three Business Days before the Termination Date to reduce the Available Amount, each such reduction to reduce the Available Amount otherwise scheduled to be outstanding on each date occurring thereafter and no such reduction may be made if after giving effect thereto the outstanding face amount of Acceptances will exceed the Available Amount. Any reduction of the Available Amount may be reinstated upon request by the Company at the time of any redetermination of the Borrowing Base provided the requested increase of the Available Amount shall not cause the Available Amount, including amounts reinstated, to exceed the lesser of the Borrowing Base or the Facility Amount.

2.6. Place and Application. All payments required hereunder shall be made to the Agent at its office at First Canadian Place, Toronto, Ontario (or at such other place as the Agent may specify) in immediately available and freely transferable funds at the place of payment. All payments hereunder shall be made in U.S. Dollars. All such payments shall be made without setoff or counterclaim and without reduction for, and free from, any and all present or future taxes, levies, imposts, duties, fees, charges, deductions, withholdings, restrictions or conditions of any nature imposed by any government or political subdivision or taxing authority thereof (collectively, "Taxes"), except for Taxes presently imposed by Canada and its political subdivisions and Taxes assessable against any Bank with respect to the overall net income of such Bank. If the Company is prohibited by applicable law from making any payment free and clear of Taxes it shall pay

such Taxes and forthwith pay to the affected Bank or Banks through the Agent such additional amount so that the net amount received by such Bank or Banks after taking account of such Taxes (and any additional Taxes payable on the amount of any additional payment called for by this sentence) will equal the full amount which would have been received by such Bank or Banks had no such Taxes been paid, deducted or withheld. Payments received by the Agent after 1:00 p.m. (Toronto time) shall be deemed received as of the opening of business on the next Business Day. Except as otherwise provided in this Agreement, all payments shall be received by the Agent for the ratable account of the Banks, and shall be promptly distributed by the Agent ratably to the Banks except that payments which pursuant to the terms hereof are for the use and benefit of the Agent shall be retained by it for its own account and payments received to reimburse a Bank for a cost peculiar to that Bank shall be remitted to it.

Anything contained herein to the contrary notwithstanding, all payments and collections received in respect of the Acceptances and all proceeds of the Collateral or recoveries on the Guaranties received, in each instance, by the Agent or any of the Banks after the occurrence of an Event of Default shall be distributed as follows:

(a) first, to the payment of any outstanding costs and expenses incurred by the Agent in monitoring, verifying, protecting, preserving or enforcing the liens on the Collateral or in protecting, preserving or enforcing rights under the Loan Documents and in any event including all costs and expenses of a character which the Company has agreed to pay under Section 11.11 hereof (such funds to be retained by the Agent for its own account unless it has previously been reimbursed for such costs and expenses by the Banks, in which event such amounts shall be remitted to the Banks to reimburse them for payments theretofore made to the Agent);

(b) second, to the payment of any outstanding principal, interest or other fees or amounts due under the Loan Documents or Related Documents not described in part (c) below ratably, as among the Banks in accord with the amount of such owing each;

(c) third, to the Agent to be held as collateral security for Drafts accepted but not yet paid and for contingent liabilities not yet due; and

(d) fourth, to whoever may be lawfully entitled thereto.

2.7. Capital Adequacy. If any Bank shall determine that any applicable law, rule or regulation regarding capital

adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof or compliance by such Bank (or its accepting and/or discounting office) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has the effect of reducing the rate of return on such Bank's capital as a consequence of its obligations hereunder or the Acceptances or credit extended by it hereunder to a level below that which such Bank could have achieved but for such law, rule, regulation, change or compliance (taking into consideration such Bank's policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time as specified by such Bank the Company shall pay such additional amount or amounts as will compensate such Bank for such reduction. A certificate of any Bank claiming compensation under this Section 2.7 and setting forth the additional amount or amounts to be paid to it hereunder in reasonable detail shall be final and conclusive absent manifest error. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

SECTION 3. THE COLLATERAL AND THE GUARANTIES.

The obligations of the Company under the Loan Documents (except the obligations contained in the third and fourth sentences of the first paragraph of Section 2.6 hereof) and Related Documents are (i) secured by valid, perfected and enforceable first liens on all capital stock of the Pledged Subsidiaries, in each instance whether now owned or existing or hereafter issued, and all proceeds thereof (collectively the "Collateral") and (ii) unconditionally guaranteed by the Guarantors. The Company agrees that it will and will cause any other owners of any of the Collateral to, from time to time at the request of the Agent or the Required Banks execute and deliver such documents and do such acts and things as the Agent or the Required Banks may reasonably request in order to provide for, continue or perfect such liens. The Company agrees that it will cause any entity which becomes a Pledged Subsidiary to execute and deliver to the Agent and the Banks a Guaranty.

SECTION 4. THE BORROWING BASE.

4.1. Amount and Determination. The Borrowing Base shall, as of any date, be an amount equal to the lesser of (i) the Maximum Borrowing Base and (ii) the sum of the loan value (determined as hereinafter set forth) of the Borrowing Base Assets. The loan value of the Borrowing Base Assets shall be determined by the Agent and the Banks, according to the procedures set forth below in this Section 4.1, using their from time to time customary standards and practices for evaluating oil and gas loans, including

an evaluation of the projected revenues which the Company and the owners of the Borrowing Base Assets shall require for their other needs, all based upon engineering reports, production data from the Borrowing Base Assets, other information submitted by the Company and additional factors and data which the Agent and the Banks believe relevant, the determination by the Agent and the Banks of the Borrowing Base as of any time to be final and conclusive absent manifest error, provided that the Banks have acted in good faith in connection therewith.

In determining the Borrowing Base, the Company acknowledges and agrees that the Agent and the Banks will take into consideration risks incident to foreign currency conversions, exchange and export controls, taxes, restrictions or potential restrictions on repatriation of earnings and the proceeds of asset dispositions and other sovereign risks which may result in a reduction in the values included for Borrowing Base Assets located in foreign jurisdictions over what such values would have been had such assets been located within the United States or Canada and it is further acknowledged and agreed that the Agent and the Required Banks shall have the right to reconsider such matters at the time of redetermination of the Borrowing Base and under the circumstances set forth in Section 4.3(c) hereof.

Based on the information and data heretofore submitted to the Banks, the Banks have determined that the Borrowing Base as of the date hereof is \$25,000,000 which will, subject to the other provisions of this Agreement, continue to be used for the computation of the Borrowing Base until the next redetermination. The Company shall submit engineering reports pursuant to Section 7.5(f) and (g) for regularly scheduled Borrowing Base redeterminations, together with such other information and data as the Required Banks may reasonably request, evaluating the Borrowing Base Assets and prepared in substantially the same manner and containing substantially the same data and projections as are contained in the reports dated as of January 1994 ("the Initial Report").

Except as otherwise provided herein, the procedures for determining the Borrowing Base shall be as follows: the Agent shall make a determination of the Borrowing Base, based upon the most recent engineering reports submitted, production data from the Borrowing Base Assets, other factors and data customarily used by it in making such evaluations and otherwise in accordance with the criteria set forth in this Section 4.1 on or prior to April 25 and October 25 in each year (and in the case of a redetermination pursuant to Section 4.3(a), within 25 days of receipt of all information to be provided by the Company pursuant to such Section). Within ten (10) days following such determination, the Agent shall notify the Banks in writing of such determination. Each Bank shall notify the Agent in writing, by Telex or facsimile

transmission, whether it approves or disapproves of such determination within twenty (20) Business Days of its receipt of such notice from the Agent; provided that any Bank which does not so notify the Agent shall be deemed to have approved of such determination. Upon the approval (or deemed approval) by the Required Banks, such determination shall, subject to the other provisions of this Section 4.1, be the Borrowing Base, and the Agent shall promptly notify the Company in writing of such redetermined Borrowing Base. If any such determination results in a decrease in the Borrowing Base, the Agent will, at the request of the Company, provide it with a statement in reasonable detail of the computation of the Borrowing Base, which will be final and conclusive absent manifest error.

4.2. The Borrowing Base Assets. The assets included in the determination of the Borrowing Base as of the date hereof (the "Initial Borrowing Base Assets") are as described in the Initial Report previously delivered to the Banks and the Company represents and warrants that all such assets satisfy the criteria set forth below. In order to be eligible for designation as a Borrowing Base Asset such asset must meet each of the following criteria unless the Required Banks otherwise agree in any instance, and by requesting that any asset be included as a Borrowing Base Asset, the Company shall be deemed to have represented and warranted that it satisfies all such criteria:

(i) It consists of a Proved Producing Property or is an Oil and/or Gas Property of a type which the Required Banks find acceptable for inclusion in the Borrowing Base;

(ii) The Company or a Pledged Subsidiary has defensible title (subject only to minor title defects and irregularities and to liens permitted by Section 7.8 hereof which do not materially affect the value thereof) to the Borrowing Base Asset in question which entitles it to a net interest in the production therefrom equal to that disclosed to the Banks; and

(iii) Any representations or covenants contained herein with respect to Borrowing Base Assets are true and correct and complied with in the case of the Borrowing Base Asset in question.

4.3. Special Adjustments to the Borrowing Base.

(a) Determination of Borrowing Base at the Request of the Company. The Company may request one Borrowing Base redetermination during any twelve month period by delivery to the Agent and the Banks of a written request for such determination. In connection therewith, the Company shall deliver to the Agent and the Banks such reports and information concerning the Borrowing

Base Assets as the Agent shall reasonably deem appropriate. Following receipt of such request, reports and information, the Agent and the Banks shall determine the Borrowing Base using the procedures set forth in Section 4.1. In connection with each such redetermination, the Company shall pay to the Agent, for its own use and benefit an engineering evaluation fee of \$10,000.

(b) Sales. In the event that any Borrowing Base Asset is leased, sold, transferred or conveyed (other than sales or transfers from the Company or a Pledged Subsidiary to a Pledged Subsidiary or the Company, (i) if the sale is permitted under Section 7.13(c), the Company shall notify the Agent of such sale and the loan value of the Borrowing Base Assets shall be reduced by an amount equal to the proceeds of such sale net of reasonable incidental, brokerage and legal costs actually paid to third parties, taxes associated with such sale payable in cash concurrently with the consummation of such sale and net of an amount to be determined by the Company acting reasonably and in good faith equal to the income taxes estimated to be payable by the Company or the applicable Pledged Subsidiary in cash in respect of such sale, provided reserves for such taxes are established by the Company or such Pledged Subsidiary; and (ii) if the sale is not permitted under Section 7.13(c) (or in the event any Borrowing Base Asset ceases to satisfy any of the criteria set forth in Section 4.2 for inclusion as a Borrowing Base Asset), (x) the Company shall notify the Banks prior to such sale (or promptly following that date on which any Borrowing Base Asset ceases to satisfy any of the criteria set forth in Section 4.2), (y) the Agent and the Banks shall recalculate the loan value of the Borrowing Base Assets to reflect the deletion of the asset in question and notify the Company of the adjustment to the loan value of the Borrowing Base Assets, and (z) no such sale, lease, transfer or conveyance shall be made until any necessary reduction to the Borrowing Base has been made or if after giving effect thereto a Default or Event of Default would have occurred and be continuing or if the aggregate outstanding face amount of the Acceptances would exceed the amount of the Borrowing Base as so reduced.

(c) Casualties and Adverse Claims. The Company shall notify the Banks of the assertion or filing of any material adverse claim, defect or encumbrance affecting or purporting to affect the Company's or any Pledged Subsidiary's title to all or any portion of any of the Borrowing Base Assets or of any blow out or other material casualty affecting any Borrowing Base Asset or the production of oil or gas therefrom, of any withholding by any person of any payment of sums due in respect of oil or gas produced which withholding materially diminishes the value of the Borrowing Base Assets and which results from an allegation or claim affecting the Company's or any Pledged Subsidiary's rights to such payment, of any material breach by any party of any obligation under a Significant Agreement and of any other occurrence which materially

diminishes the value of the Borrowing Base Assets and/or the production or sale of oil and/or gas therefrom and/or the right of the Company or any Pledged Subsidiary to receive all of such sums, in each case promptly after any responsible officer of the Company becomes aware of same. The Required Banks shall have the right to reduce the Borrowing Base, either temporarily or permanently, by the amount of such claim or dispute, or the diminution in value caused by such claim or dispute, as determined in good faith by the Required Banks, with respect to the Borrowing Base Assets as to which a claim or dispute has arisen or a casualty or other event giving rise to a diminution in value or suspension or reduction of payment has occurred. The failure of the Required Banks to make any such reduction upon receipt of any such notice shall not preclude their later election to so reduce the Borrowing Base.

(d) Exogenous Factors. In the event that between determination dates, in the reasonable determination of the Agent, a material change occurs in oil and/or gas prices, taxes, anticipated inflation rates as reflected in the money markets, exchange rates, export controls, sovereign risks, or other material external factors or assumptions used by the Banks in determining the Borrowing Base as of the last determination date in accord with their customary standards and practices applicable to oil and gas loans or if any other material adverse change shall, in the reasonable determination of the Agent, have occurred in the financial condition, operations, assets, business, prospects or properties of the Company or any Pledged Subsidiary, then in that event the Required Banks may redetermine the Borrowing Base between determination dates by adjusting such value to reflect the change which has occurred. For the purposes hereof, a material change in external factors shall be deemed to materially affect the value of the Borrowing Base Assets if, in the sole determination of the Agent, the change would result in a decrease in the value of the Borrowing Base Assets under the customary standards and practices used by the Required Banks of more than ten percent (10%) of the Borrowing Base then in effect.

SECTION 5. REPRESENTATIONS AND WARRANTIES.

The Company represents and warrants to the Banks as follows:

5.1. Organization and Power. The Company is duly organized and existing under the laws of Western Australia, and is duly licensed or qualified to do business in each jurisdiction where the nature of the assets owned or leased by it or business conducted by it requires such licensing or qualification and in which the failure to be so licensed or qualified would materially and adversely affect the business, properties or operations of the Company and its Subsidiaries taken as a whole or the value or marketability of the Borrowing Base Assets taken as a whole and has

all necessary corporate power to carry on its present business. The Company has full right, power and authority to enter into this Agreement, to issue the Drafts, to execute and deliver the Collateral Documents and Related Documents executed and delivered or to be executed and delivered by it and to perform each and all of the matters and things herein and therein provided for. The Loan Documents and Related Documents do not, nor will the performance or observance by the Company of any of the matters and things herein or therein provided for, contravene any provision of law (except where such contravention would not affect the validity or enforceability of any of the Loan Documents or Related Documents or have a material adverse effect on the financial condition or business prospects of the Company or its Subsidiaries), or any charter or by-law provision of the Company or any material covenant, indenture or agreement of or affecting the Company or any of its properties.

5.2. Subsidiaries. Each Pledged Subsidiary is duly organized and existing under the laws of the jurisdiction in which it was incorporated, has full and adequate corporate power to carry on its business as now conducted and is duly licensed or qualified in all jurisdictions wherein the nature of its business requires such licensing or qualification and in which the failure to be so licensed or qualified would materially and adversely affect the business, properties or operations of the Company and the Pledged Subsidiaries taken as a whole or the value or marketability of the Borrowing Base Assets taken as a whole. All of the outstanding capital stock of all of such Pledged Subsidiaries has been validly issued, is fully paid and nonassessable and, to the extent and in the percentages set forth in Exhibit B hereto, is owned by the Company or one or more of the Subsidiaries free and clear of all liens, security interests, charges and encumbrances (except for liens in favor of the Agent to the extent permitted by Section 7.8 hereof). There are outstanding no commitments or other obligations of any Pledged Subsidiary to issue, and no options, warrants or other rights of any individual or entity to acquire, any shares of any class of capital stock of any Pledged Subsidiary. All Subsidiaries are listed on Exhibit B.

5.3. Guaranties and Collateral Documents . The Pledged Subsidiaries have all necessary right, power and authority to execute and deliver the Guaranties and Collateral Documents and any document or instrument related thereto executed and delivered or to be executed and delivered by them, and to observe and perform all of the matters and things therein provided for, and the execution and delivery of such Guaranties and Collateral Documents will not, nor will the observance or performance of any of the matters and things therein provided for, contravene any provision of law (except where such contravention would not affect the validity or enforceability of any of the Loan Documents or have a material adverse effect on the financial condition or business

prospects of the Company or its Subsidiaries), or any charter or bylaw provision of any of the Pledged Subsidiaries or any material covenant, indenture or agreement of or affecting any of the Pledged Subsidiaries or of any of their properties.

5.4. Financial Statements. The financial report of the Company and its Subsidiaries for the year ended December 31, 1993, including a consolidated balance sheet as of December 31, 1993, and a consolidated statement of profit and loss for the twelve months ended on said date prepared by the Company, truly and accurately reflect the financial condition of the Company and its Subsidiaries as at said date and the results of operations for the period covered thereby. The Company and its Subsidiaries have no contingent liabilities which are material to the Company and its Subsidiaries other than as indicated on said financial statements and since the date of such financial statements, there have been no material adverse changes in the condition, financial or otherwise, of the Company and its Subsidiaries.

5.5. Financial Information. The consolidated financial statements of Apache dated December 31, 1993, copies of which have been furnished to the Agent and each Bank, have been prepared in accordance with GAAP in effect on the date of such statements, and present fairly the consolidated financial condition of the corporations covered thereby as at the dates thereof and the results of their operations for the periods then ended.

5.6. Litigation and Taxes. There is no litigation or governmental proceeding pending, nor to the knowledge of the Company threatened, against the Company or any Subsidiary which if adversely determined would result in any material adverse change in the financial condition or properties, business, prospects or operations of the Company or any Subsidiary. No objections to or controversies in respect of the income or other tax returns of the Company or its Subsidiaries are pending or threatened which, if adversely determined, would have a material adverse effect on the financial condition of the Company and its Subsidiaries. Except as provided herein, no authorization, consent, license, exemption or filing or registration with any court or governmental department, agency or instrumentality, is or will be necessary to the valid execution, delivery or performance by the Company or the Pledged Subsidiaries of the Loan Documents or Related Documents.

5.7. Burdensome Contracts with Affiliates. Neither the Company nor any Subsidiary is a party to any contracts or agreements with any of its Affiliates on terms and conditions which, taken as a whole, are less favorable to the Company or such Subsidiary than would be usual and customary in similar contracts or agreements between Persons not affiliated with each other.

5.8. The Borrowing Base Assets. All of the leasehold estates, mineral interests, licenses, concessions, Significant Agreements and other interests constituting part of the Borrowing Base Assets are valid and subsisting and mortgageable or assignable, and (with respect to oil and gas production) provide for the continuation or renewal thereof so long as oil and/or gas is produced and saved therefrom and contain no unusual or unduly burdensome covenants or restrictions or provisions for the forfeiture thereof (other than covenants and restrictions which are customary in the oil and gas industry and which do not materially detract from the value of the interest therein of the owner) and the Company and Pledged Subsidiaries have defensible title to the Borrowing Base Assets, free and clear of all liens, defects and encumbrances other than such thereof as may be permitted hereunder and minor title defects and irregularities which do not materially affect the value thereof and such title entitles the Company or a Pledged Subsidiary to a net interest in production from the Borrowing Base Assets equal to the net interest in production set forth in the most recent report received by the Banks pursuant to Sections 7.5(f) or (g).

5.9. Full Disclosure. The statements and information furnished to the Agent and the Banks in connection with the negotiation of this Agreement and the commitments by the Banks to provide all or part of the financing contemplated hereby do not, taken as a whole, contain any untrue statement of a material fact or omit a material fact necessary to make the material statements contained therein or herein not misleading except for such thereof as were corrected in subsequent written statements furnished the Banks, the Banks acknowledging that as to any projections furnished to the Banks, the Company only represents that the same were prepared on the basis of information and estimates the Company believes to be reasonable. There is no fact peculiar to the Company or its Subsidiaries which the Company has not disclosed to the Banks in writing which materially adversely affects nor, so far as the Company now can reasonably foresee, may reasonably be expected to materially adversely affect the properties, business, profits or condition (financial or otherwise) of the Company or its Subsidiaries. Without limiting the generality of the foregoing, the factual data contained in or submitted by the Company and the Pledged Subsidiaries in connection with the preparation of the Initial Report and all other information and data submitted to the Banks concerning the Borrowing Base Assets and the values thereof, the past, present and estimated future production therefrom and the arrangements for and pricing of sales therefrom is, to the best knowledge of the Company, true, correct and complete and the Company has not failed to deliver any information or data available to it or to the Pledged Subsidiaries which is inconsistent with any of that submitted.

5.10. Compliance with Law. Except where any default or failure to comply would not have any material adverse effect on the Company and its Subsidiaries taken as a whole, or on Hadson Australia Development Pty. Ltd. or on of Petro Energy Limited, (a) neither the Company nor any Subsidiary is (i) in default with respect to any order, writ, injunction or decree of any court or (ii) to the best knowledge of the Company, in default in any material respect under any law, ordinance, order, regulation, license or demand of any federal, state, municipal or other governmental agency; and (b) the Company and its Subsidiaries are each in compliance with all applicable environmental, health and safety statutes and regulations and, to the knowledge of the Company neither it nor any Subsidiary will have acquired, incurred or assumed, directly or indirectly, any material contingent liability in connection with the release of any toxic or hazardous waste or substance into the environment.

5.11. Use of Proceeds. The proceeds of the Drafts shall be applied to the acquisition of Oil and/or Gas Properties and for general corporate purposes of the Company, in each case in connection with the Oil and Gas Business of the Company in Australia. The Company irrevocably authorizes the Banks to (and the Banks shall) apply the proceeds of Drafts discounted pursuant hereto on any date first to the payment of any Drafts maturing on such date.

5.12. No Business in Canada. Neither the Company nor any Subsidiary carries on or will carry on business in Canada.

5.13. Regulation G, U and X. Neither the Company nor any Subsidiary is engaged in the business of extending credit for the purpose of carrying margin stock (as defined in F.R.S. Regulations G, U and X), and no proceeds of any Drafts will be used for a purpose which violates, or would be inconsistent with, F.R.S. Board Regulation G, U or X.

SECTION 6. CONDITIONS PRECEDENT.

6.1. All Acceptances. The obligation of the Banks to accept or discount any Draft shall be subject to the provisions of Sections 8.2 and 8.3 hereof and shall also be subject to the conditions precedent that as of the time of the creation of each Acceptance or the discount thereof:

(a) each of the representations and warranties set forth herein or in the Collateral Documents or Guaranties shall be true and correct, as of the date of such creation or discount (except that the representations and warranties made in Sections 5.4 and 5.5 hereof shall be deemed to refer to the most recent financial statements delivered to the Banks pursuant to Section 7.5);

(b) no material adverse change shall have occurred in the financial condition or business prospects of Apache, the Company or its Subsidiaries or any Guarantor;

(c) no Default or Event of Default shall have occurred and be continuing;

(d) the Agent shall have received an Acceptance Request in the form annexed hereto as Exhibit A (which may be by facsimile transmission thereof to be followed by a hard copy original);

(e) the Banks shall have received the Stamping Fee for the Drafts then to be accepted (provided that unless the Company has paid the Stamping Fee in cash, the Banks are hereby irrevocably authorized to deduct the amount thereof from the proceeds of the drafts being accepted and discounted); and

(f) the Agent shall have received either (i) a copy of a certificate or certificates issued by the Australian Taxation Office under section 128F(4) of the Income Tax Assessment Act 1936 of Australia in respect of all prior Acceptances or all Acceptances whenever issued or (ii) a certificate of the Company's vice president and treasurer stating that such certificate shall not be forthcoming.

Any request made by the Company to the Agent for the acceptance or discount of a Draft shall be deemed to constitute a representation and warranty that the foregoing statements are true and correct.

6.2. Conditions to Effectiveness. The effectiveness of this Agreement and the obligation of each Bank to accept Drafts hereunder are subject to the satisfaction of the following conditions precedent:

(a) The Agent shall have received the following for the account of the Banks (each to be properly executed and completed) and the same shall have been approved as to form and substance by the Banks:

(i) copies (executed or certified as may be appropriate) for each Bank of all legal documents or proceedings taken in connection with the execution and delivery of this Agreement and the other Loan Documents, to the extent the Agent or its counsel may reasonably request, including, without limitation, certificates as to the incumbency and authority, and setting forth a specimen signature of, each officer of the Company or any Guarantor or Pledged Subsidiary who is to sign any document hereunder;

(ii) any Collateral Documents which are required by this Agreement to be delivered to the Agent and which have not previously been delivered to the Agent, any documentation necessary to perfect the liens thereby created, and any documentation which, in the reasonable determination of the Agent, is necessary to perfect or continue the liens created pursuant to any Collateral Document;

(iii) the certificates evidencing the stock of each Pledged Subsidiary other than Hadson Australia Development Pty Limited A.C.N. 009 140 854 and Petro Energy Limited A.C.N. 000 293 729, together with duly executed share transfers therefor and acknowledgments of pledge from the issuers thereof;

(iv) Guaranties from each Pledged Subsidiary other than Hadson Australia Development Pty Limited A.C.N. 009 140 854 and Petro Energy Limited A.C.N. 000 293 729;

(v) the liens evidenced by the Collateral Documents executed by each Pledged Subsidiary other than Hadson Australia Development Pty Limited A.C.N. 009 140 854 and Petro Energy Limited A.C.N. 000 293 729 shall have been duly perfected in the manner required by law so as to be effective against all creditors of and purchasers from the Company and the Pledged Subsidiaries including, without limitation, stamping and registration required under the laws of any State or territory of Australia;

(vi) a consent and acknowledgement duly executed by each of the Guarantors, in form and substance satisfactory to the Agent, consenting to this Agreement and acknowledging that the obligations of such Guarantor continue in full force and effect with respect to the obligations of the Company and such Guarantor pursuant to this Agreement and each Loan Document;

(vii) either (x) an indicative letter from the Australian Taxation Office indicating that, based on the information submitted, a certificate of exemption under section 128F(4) of the Income Tax Assessment Act 1936 of Australia may be expected to be issued in respect of Acceptances under this Agreement or (y) a certificate of the Company's vice president and treasurer stating that such letter shall not be forthcoming;

(viii) copies of the Significant Agreements certified to be true and correct as of the date hereof;

(ix) a summary of the insurance coverages maintained by the Company and the Subsidiaries;

(x) an organizational chart for the Company and the Pledged Subsidiaries and a listing of the Oil and/or Gas Properties owned by each Subsidiary;

(xi) Subordination Agreements, in form and substance satisfactory to the Agent, from each of Apache Corporation and Hadson Energy Resources Corporation;

(xii) a certificate of the Company's vice president and treasurer listing the production licenses, pipeline licenses and exploration permits in effect on the date of such certificate; and

(xiii) an amendment, in form and substance satisfactory to the Agent, of that certain Subordination Deed among the Company, Hadson Australia Development Pty. Limited, Petro Energy Limited and the Agent, dated June 13, 1991.

(b) The Agent shall have received for its own account such fees as the Company has otherwise agreed to pay to the Agent together with a letter confirming ongoing fee arrangements;

(c) The Agent shall have received and approved such evidence as it shall reasonably require as to the state of title to the Borrowing Base Assets and the truthfulness of the representations contained in Sections 5.7 and 5.9 hereof;

(d) an acknowledgement of the Company, satisfactory in form and substance to the Banks, that all present and future claims of the Company against the Pledged Subsidiaries are or continue to be subordinated to the obligations of the Pledged Subsidiaries under the Guaranties pursuant to that certain Subordination Deed among the Company, Hadson Australia Development Pty Limited, Petro Energy Limited and the Agent dated June 13, 1991,

(e) Legal matters incident to the execution and delivery of this Agreement and the other instruments and documents contemplated hereby shall be satisfactory to the Banks and their counsel and the Banks shall have received the favorable written opinion of acceptable counsel for the

Company and the Guarantors in form and substance satisfactory to the Banks and their counsel and with such exceptions, qualifications and limitations as shall be acceptable to the Banks and their counsel, with respect to:

(i) the due organization and existence of the Company and the Guarantors and the due licensing or qualification of the Company and the Guarantors in all jurisdictions where the nature of the assets owned or leased by it or business conducted by it requires such licensing or qualification and in which the failure to be so licensed or qualified would materially and adversely affect the business, properties or operations of the Company and its Subsidiaries taken as a whole or the value or marketability of the Borrowing Base Assets;

(ii) the power and authority of the Company and the Guarantors to enter into this Agreement and other instruments and documents contemplated hereby and Related Documents and the power and authority of the Company and the Guarantors to perform and observe all the matters and things herein and therein provided for and the fact that the execution and delivery of this Agreement and other instruments and documents contemplated hereby and Related Documents will not, nor will the observance or performance of any of the matters or things therein or herein provided for, contravene any provision of law known to counsel after due inquiry or of the Charter or By-Laws of the Company or of any Guarantor or of any provision of any material agreement binding upon the Company or of any Guarantor or affecting any of their properties or assets;

(iii) the due authorization for and the validity and enforceability of this Agreement and each other document or agreement contemplated hereby and each other Loan Document;

(iv) the fact that no governmental authorization or consent is required with respect to the lawful execution and delivery of this Agreement and each other document or agreement contemplated hereby or Related Documents or if any such consent is necessary, that the same has been obtained and is in full force and effect;

(v) the fact that the ordinary shares of the Pledged Subsidiaries are fully paid and not subject to any tax or other government impost;

(vi) the lack, to the knowledge of such counsel, of any material legal or administrative proceedings pending or threatened against the Company or any Guarantor; and

(vii) that an Australian court would recognize and enforce a judgment obtained against the Company or the Guarantors in an Ontario or Illinois court.

In expressing its opinion as to the validity and enforceability of those Loan Documents governed by the laws of Ontario, counsel may assume that the laws of Ontario do not differ in any respect material to its opinion from those of Western Australia if Ontario counsel advises the Agent that such documents would be valid (subject to customary exceptions affecting creditor's rights generally and assuming that they were duly authorized, executed and delivered by, and within the corporate power of, the parties thereto), under the laws of Ontario.

SECTION 7. COMPANY COVENANTS.

The Company agrees that, so long as any credit is available to or in use by the Company hereunder, except to the extent compliance in any case or cases is waived in writing by the Required Banks:

7.1. Maintenance of Business. The Company will preserve and keep in force and effect, and cause each of its Subsidiaries to preserve and keep in force and effect, all material licenses and permits necessary to the ownership, development and operation of the Borrowing Base Assets.

7.2. Maintenance. The Company will maintain, preserve and keep its plant, properties and equipment in good repair, working order and condition and will from time to time make all needful and proper repairs, renewals, replacements, additions and betterments thereto so that at all times the efficiency thereof shall be fully preserved and maintained and will cause each Subsidiary so to do in respect of its properties.

7.3. Taxes. The Company will duly pay and discharge, and will cause each Subsidiary to duly pay and discharge, all taxes, rates, assessments, fees and governmental charges upon or against the Company, or such Subsidiary or against their respective properties, in each case before the same become delinquent and before penalties accrue thereon, unless and to the extent that the same are being contested in good faith and by appropriate proceedings.

7.4. Insurance. The Company will insure and keep insured, and will cause each Subsidiary to insure and keep insured,

in good and responsible insurance companies, all material insurable property owned by it which is of a character usually insured by companies similarly situated and operating like properties; and will insure, and cause each Subsidiary to insure, such other hazards and risks (including employers' and public liability risks) in good and responsible insurance companies as and to the extent usually insured by companies similarly situated and conducting similar businesses. The Company will upon request of any Bank furnish a certificate setting forth in summary form the nature and extent of the insurance maintained pursuant to this Section 7.4.

7.5. Financial Reports. The Company will, and will cause each Subsidiary to, maintain a standard and modern system of accounting in accordance with sound accounting practice and will furnish to the Banks and their duly authorized representatives such information respecting the business and financial condition of the Company and its Subsidiaries, as any Bank may reasonably request; and without any request, will furnish to the Banks:

(a) as soon as available, and in any event within 60 days after the close of each quarterly fiscal period of the Company other than at fiscal year end, a copy of the balance sheet, statement of earnings and statement of cash flow of the Company and its Subsidiaries for such period, prepared on a consolidated basis in accordance with GAAP and certified to by the president or the vice president and treasurer thereof with such certificate to also (i) state that the signer thereof has reexamined the provisions of this Agreement and that no Default or Event of Default has occurred or is continuing or if any of such has occurred or is continuing stating the nature thereof and the action, if any, which the Company proposes to take with respect thereto, (ii) include a statement of all sales of Borrowing Base Assets during the preceding twelve months, and (iii) include such information as may be necessary to confirm the Company's compliance with the covenants set forth in Section 7.17;

(b) as soon as available, and in any event within 90 days after the close of each fiscal year, a copy of the report for such year and accompanying financial statements, including balance sheet, statement of earnings and statement of cash flow on a consolidated basis for the Company and its Subsidiaries, all as prepared in accordance with GAAP and certified by the president or the vice president and treasurer of Apache with such certificate to also (i) state that the signer thereof has reexamined the provisions of this Agreement and that no Default or Event of Default has occurred and is continuing or if any of such has occurred or is continuing stating the nature thereof and the action, if any, which the Company proposes to take with respect thereto, (ii) include a statement of all sales of Borrowing Base Assets during the

preceding twelve months and (iii) include such information as may be necessary to confirm the Company's compliance with the covenants set forth in Section 7.17;

(c) as soon as available and in any event within 60 days after the close of each quarterly fiscal period of the Company other than at fiscal year end and within 90 days after the close of each of the fiscal years of the Company, the Company shall provide information as to the gross volumes and proceeds received by the Company and the Pledged Subsidiaries during the immediately preceding quarterly fiscal period from the sale of oil and gas;

(d) as soon as available and in any event within 90 days after the close of each of the fiscal years of Apache, an unqualified audit report certified by independent certified public accountants, acceptable to the Required Banks, prepared in accordance with GAAP on a consolidated basis, including balance sheets as of the end of such period, related profit and loss and reconciliation of surplus statements, and a statement of cash flows for Apache and its Subsidiaries;

(e) as soon as available and in any event within 60 days after the close of the first three quarterly periods of each of its fiscal years, for Apache and its Subsidiaries, consolidated unaudited balance sheets as of the close of each such period and consolidated profit and loss statements and a statement of cash flows for the period from the beginning of such fiscal year to the end of such quarter;

(f) as soon as available after each January 1st and in any event by March 31st of each year, an updated engineering report in form and substance satisfactory to the Agent, prepared by the Company and audited and certified by an Acceptable Engineer, together with such other information and data as the Required Banks may reasonably request (including, without limitation, a listing of changes, if any, to the production licenses, pipeline licenses and exploration permits then in effect from the previous information delivered pursuant to Section 6.2(a)(xii) or this clause (f), as the case may be), evaluating the Borrowing Base Assets as of January 1 of such year;

(g) as soon as available after each June 30th and in any event by September 30th of each year, a report in form and substance satisfactory to the Agent, prepared by the Company, together with such other information and data as the Required Banks may reasonably request (including, without limitation, a listing of changes, if any, to the production licenses, pipeline licenses and exploration permits then in effect from the previous information delivered pursuant to

Section 6.2(a)(xii) or this clause (g), as the case may be), evaluating the Borrowing Base Assets as of June 30 of such year;

(h) promptly after the end of each calendar year and in any case no later than April 1st of the next succeeding calendar year, a budget for each of the next succeeding three calendar years (including specific capital expenditures information) for the Company and its Subsidiaries in reasonable detail, based on reasonable assumptions set forth therein acceptable to the Required Banks and in form and substance satisfactory to the Required Banks;

(i) promptly after actual knowledge thereof shall have come to the attention of any responsible officer of the Company, written notice of (i) any threatened or pending litigation or governmental proceeding or assessment against the Company or any Subsidiary which if adversely determined would materially adversely affect the business and properties of the Company and its Subsidiaries on a consolidated basis, (ii) the occurrence of any Default or Event of Default, (iii) any material breach by any party of its obligations under any of the Significant Agreements and (iv) any occurrence or condition which may reasonably be expected to have a material adverse effect on the properties, business, operations, condition (financial or otherwise) of the Company or any Pledged Subsidiary or to materially adversely affect the ability of the Company or any Pledged Subsidiary to fulfill its obligations pursuant to this Agreement, any other Loan Document, or any Related Document; and

(j) such other information (including engineering, financial and non-financial information) as the Agent or any Bank may from time to time reasonably request.

The Company will permit representatives of any Bank at all reasonable times to examine and make extracts from the books and records of the Company and its Subsidiaries and to examine their assets and access thereto shall be permitted for such purpose.

7.6. Compliance with Laws. The Company will comply, and will cause each Subsidiary to comply, with all laws, ordinances and governmental rules and regulations to which it is subject, including without limitation, all laws, ordinances, governmental rules and regulations relating to environmental protection in all applicable jurisdictions, the violation of which could materially and adversely affect the properties, business, profits or condition of the Company and its Subsidiaries taken as a whole or the Borrowing Base Assets taken as a whole or would result in any lien

or charge upon any property of the Company or any Subsidiary not permitted hereby.

7.7. Nature of Business. Neither the Company nor any Subsidiary will engage in any business or activity other than the Oil and Gas Business and activities reasonably incidental thereto.

7.8. Liens. The Company will not, nor will it permit any Pledged Subsidiary to, pledge, mortgage or otherwise encumber or subject to, or permit to exist upon or be subjected to, any lien, security interest or charge upon, any assets or property of any kind or character at any time owned by the Company or any Subsidiary; provided, however, that nothing in this Section contained shall operate to prevent:

(a) liens, pledges or deposits in connection with workmen's compensation, social security obligations, assessments, statutory obligations or other similar charges, good faith deposits in connection with tenders, contracts or leases to which the Company or a Subsidiary is a party or other deposits required to be made in the ordinary course of business and not in connection with borrowing money or obtaining advances or credit; provided in each case that the obligation or liability arises in the ordinary course of business and is not overdue, or if overdue, is being contested in good faith by appropriate proceedings;

(b) inchoate statutory, construction, materialmen's, warehousemen's, producers' or operator's liens securing obligations not overdue, or if overdue, which are being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP have been set aside;

(c) liens of judgments or awards if and so long as the judgment or award in question does not constitute an Event of Default under Section 8.1(f) hereof;

(d) the liens created by the Collateral Documents;

(e) Permitted Exceptions and liens securing abandonment costs;

(f) liens in the form of margin deposits incident to arrangements entered into to hedge against the risk of changes in the prices of hydrocarbons produced by the Company or its Pledged Subsidiaries;

(g) liens arising under operating agreements in respect of obligations not yet due;

(h) zoning and use restrictions, easements, rights-of-way, reservations or other similar encumbrances on real property incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and do not materially detract from the value of property subject thereto or interfere with the ordinary conduct of the business of the Company or any of its Subsidiaries;

(i) liens pursuant to partnership agreements, oil, gas and/or mineral interests, farm-out agreements, division orders, contracts for the sale, purchase, exchange, or processing of oil, gas and/or other hydrocarbons, unitization and pooling declarations and agreements, operating agreements, development agreements, area of mutual interest agreements, and other agreements which are customary in the oil, gas and other mineral exploration, development and production business and in the business of processing of gas and gas condensate production for the extraction of products therefrom;

(j) cash deposits securing liabilities in respect of letters of credit, bonds and guaranties permitted by Section 7.10(e) and (g) hereof; and

(k) any lien, security interest or charge upon any assets of the Company with respect to the construction and financing of improvements to the Company's administrative offices.

7.9. Acquisitions, Investments, Loans and Advances. The Company will not, nor will it permit any Subsidiary to, directly or indirectly, make, retain or have outstanding any interest or investments (whether through purchase of stock or obligations or otherwise) in, or loans or advances to, any other Person, or acquire all or any substantial part of the assets or business of any other Person, or subordinate any claim or demand it may have to the claim or demand of any other person, firm or corporation; provided, however, that the foregoing provisions shall not apply to nor operate to prevent:

(a) investments by the Company in direct obligations of Australia or the United States of America or of any agency or instrumentality thereof whose obligations constitute full faith and credit obligations of Australia or the United States of America, respectively, provided that any such obligations shall mature within one year from the date the same are acquired by the Company;

(b) investments by the Company in commercial paper rated P-1 by Moody's Investors Services, Inc. and A-1 by Standard and Poor's Corporation (or equivalent ratings by

Australian rating agencies) maturing within 270 days of the date of issuance thereof;

(c) investments by the Company in notes, certificates of deposit or time deposits issued by and bills of exchange accepted by any Commercial Bank, or by any prime Australian commercial bank and having a maturity of one year or less;

(d) acquisitions by the Company and Subsidiaries of Oil and/or Gas Properties or companies substantially all of the assets of which are Oil and/or Gas Properties or assets incidental thereto and which following such acquisition shall be Pledged Subsidiaries (and shall deliver to the Agent a Guaranty and such other documents and opinions as the Agent may reasonably require) or shall be merged into the Company or any of the Pledged Subsidiaries;

(e) advances to employees and suppliers made in the ordinary course of business;

(f) loans and advances by the Company to Pledged Subsidiaries;

(g) loans and advances by the Company to Subsidiaries other than Pledged Subsidiaries or to Subsidiaries of Apache and by any Subsidiary of the Company to its Subsidiaries, provided that the amount of such loans or advances outstanding at any one time shall not exceed (i) \$500,000 to any such Subsidiary and (ii) \$1,000,000 in the aggregate to all such Subsidiaries; and

(h) subordinations by the Company of obligations owing it from Pledged Subsidiaries to obligations of the Pledged Subsidiaries to the Banks, including without limitation, subordinations of obligations pursuant to that certain Subordination Deed dated June 13, 1991 among the Company, Hadson Australia Development Pty Limited, Petro Energy Limited and Bank of Montreal, as the same may have been or may hereafter be amended or modified.

7.10. Indebtedness. The Company will not, nor will it permit any Subsidiary to, issue, incur, assume, create or have outstanding any Indebtedness except:

(a) Indebtedness of the Company hereunder;

(b) the Guaranties;

(c) Indebtedness in respect of judgments or awards if and so long as such judgments or awards: (i) do not

constitute Indebtedness for borrowed money or (ii) do not constitute or create an Event of Default under Section 8.1(f) hereof;

(d) Indebtedness of the Company to Subsidiaries and of Subsidiaries to the Company permitted by Section 7.9;

(e) the liability of the Company or Subsidiaries in respect of letters of credit not exceeding AUS \$1,000,000 at any one time outstanding, which letters of credit are (i) for the procurement of goods and services in the ordinary course of business directly associated with the normal conduct of the Oil and Gas Business of the Company or such Subsidiary or (ii) to guarantee, pursuant to any governmental requirements, future unfunded obligations with respect to plugging or abandonment of wells;

(f) Subordinated Indebtedness of the Company to Apache and/or Hadson Energy Resources Corporation;

(g) liabilities (other than pursuant to letters of credit and other than Indebtedness of the type referred to in clause (f) of the definition of Indebtedness) in respect of bonds and guaranties supporting statutory obligations in respect of the Oil and Gas Business of the Company and its Subsidiaries; provided any such liabilities assumed by the Company or any Pledged Subsidiary in respect of any Subsidiary which is not a Pledged Subsidiary shall be deemed an advance to such Subsidiary for purposes of Section 7.9(g);

(h) Hedging Agreements entered into by the Company and letters of credit in support of such Hedging Agreements; and

(i) Indebtedness in an aggregate amount not to exceed \$1,200,000 incurred in connection with the construction and financing of improvements of the Company's administrative offices.

(j) Indebtedness for taxes due and payable but not yet overdue, or overdue but being contested in good faith by appropriate proceedings.

7.11. Dividends and Certain Other Restricted Payments. The Company will not declare or pay any dividends on any class of its capital stock (other than dividends payable solely in its capital stock) or directly or indirectly or through any Subsidiary purchase, redeem or otherwise acquire or retire any of its capital stock if after giving effect thereto either: (i) a Default or Event of Default has occurred and is continuing or (ii) the Company's Tangible Net Worth is less than \$37,000,000.

7.12. Mergers, Consolidations, etc. The Company will not, nor will it permit any Pledged Subsidiary to, sell, lease or otherwise dispose of all or a substantial part of its properties or assets, and will not, nor will it permit any Pledged Subsidiary to, consolidate or be a party to a merger with any other corporation or in any event sell or discount, with or without recourse, any of its notes or accounts receivable or sell, transfer or otherwise dispose of any capital stock of a Pledged Subsidiary except that and provided always that after giving effect to any of the transactions enumerated below, no Default or Event of Default has occurred or is continuing, (i) any Pledged Subsidiary may merge with or into any other Pledged Subsidiary or the Company if such actions are taken as the Agent may require to assure that any such merger does not adversely affect its liens on the Collateral, (ii) any corporation may merge with or into any Pledged Subsidiary or the Company provided that such Pledged Subsidiary or the Company is the surviving corporation, and (iii) the Company and its Subsidiaries may sell, lease or otherwise dispose of assets as permitted by Section 7.13 below.

7.13. Sale of Assets. The Company will not, nor will it permit any Pledged Subsidiary to, lease, sell, transfer, convey, assign, issue or otherwise dispose of any of its property, assets (including stocks or partnership interests in or of any Subsidiary) or business to any other Person, whether in one transaction or in a series of transactions, except:

(a) sales of oil and gas inventory and severed oil and gas in the ordinary course of business;

(b) sales or other transfers of obsolete equipment and other personal property not useful in the operation or maintenance of the Borrowing Base Assets (other than oil and gas inventory and severed oil and gas in the ordinary course of business) at fair market value and in the ordinary course of business;

(c) sales or other transfers of Borrowing Base Assets, whether in one or more transactions, which do not exceed in the aggregate \$1,000,000 in any period occurring between successive dates of determination of the Borrowing Base pursuant to Section 4.1;

(d) sales or other transfers of assets (other than sales of oil and gas inventory and severed oil and gas in the ordinary course of business) by the Company to any Pledged Subsidiary or by any Pledged Subsidiary to any other Pledged Subsidiary or the Company;

(e) sales, relinquishments or farm outs of exploration rights by the Company or any Pledged Subsidiary of

exploration rights other than those forming part of the Borrowing Base Assets;

(f) a transfer, conveyance or assignment to the Company or a Subsidiary of Properties as a result of a merger permitted pursuant to Section 7.12; and

(g) sales or other transfers of assets which are not Borrowing Base Assets, whether in one or more transactions, which do not exceed in the aggregate \$3,000,000 in any period between successive dates of determination of the Borrowing Base pursuant to Section 4.1.

Anything herein contained to the contrary notwithstanding, the Company will not, nor will it permit any Subsidiary to consummate any sale or transfer otherwise permitted hereunder if receiving therefor consideration other than cash or other consideration readily convertible to cash or Proved Producing Properties or Oil and/or Gas Properties or which is less than the fair market value of the relevant property or asset.

7.14. Issuance of Additional Capital Stock. The Company will not permit any Pledged Subsidiary to issue any additional shares of its capital stock of any class unless such stock is issued to the Company or another Pledged Subsidiary and all such actions are taken as the Agent may require in order to grant it a valid perfected lien on such stock.

7.15. Burdensome Contracts with Affiliates. The Company will not, nor will it permit any Subsidiary to, enter into any contract, agreement or business arrangement with an Affiliate on terms and conditions which, taken as a whole, are less favorable to the Company or such Subsidiary than would be usual and customary in similar contracts, agreements or business arrangements between Persons not affiliated with each other.

7.16. The Significant Agreements. The Company will comply with all of its material obligations under the Significant Agreements and will not amend or modify the same in any material respect or waive compliance by any other party with the provisions thereof. The Company will and will cause the Pledged Subsidiaries to comply with the terms of all licenses, concessions and governmental requirements incident to their interests in the Borrowing Base Assets.

7.17. Financial Covenants. The Company shall comply with the following:

(a) the Company will maintain as of the last day of each fiscal quarter a Current Ratio of at least 1.0:1.0;

(b) the Company will at all times maintain a Tangible Net Worth of not less than the sum of (i) \$30,000,000 plus (ii) the product of 0.50 times the sum of Consolidated Net Income for each calendar quarter subsequent to the calendar quarter ending December 31, 1993 during which Consolidated Net Income is greater than \$0;

(c) as of the last day of each fiscal quarter, the Company shall have a ratio, for the Calculation Period then ended, of Consolidated Cash Flow to Debt Service of at least 1.1:1.0; and

(d) as of the last day of each fiscal quarter, the Company shall have a ratio, for the Calculation Period then ended, of Consolidated Cash Flow to Interest Expense of at least 3.0:1.0.

7.18. Capital Expenditures. In accordance with each engineering report, the Company shall use reasonable efforts to make such capital expenditures as may be advisable to develop Oil and Gas Properties so that they achieve production in Paying Quantities.

7.19. Limitations Concerning Distributions and Transfers by Pledged Subsidiaries. Except as provided in this Acceptance Agreement, the Company shall not, and shall not permit any of its Pledged Subsidiaries to, suffer to exist any consensual encumbrance or restriction on the ability of any Pledged Subsidiary (i) to pay, directly or indirectly, dividends or make other distribution with respect to its capital stock or pay any Indebtedness owed to the Company or any other Pledged Subsidiary; (ii) to make loans or advances to the Company or any Pledged Subsidiary; or (iii) to transfer any of its property or assets to the Company or any Pledged Subsidiary.

SECTION 8. EVENTS OF DEFAULT AND REMEDIES.

8.1. Any one or more of the following shall constitute an Event of Default hereunder:

(a) failure to pay within three days following the date when payment is due with respect to any amount due any Bank with respect to any Acceptance, whether at the stated maturity thereof or at any other time provided for in this Agreement, or failure to pay within three days after notice from the Agent or any Bank regarding payment of any fee, charge or other amount payable by the Company or any Guarantor hereunder or under any of the Related Documents or Loan Documents;

(b) default in the observance or performance of any covenant set forth in Sections 7.12, 7.13, 7.14, or 7.17 hereof;

(c) default in the observance or performance of any other provision hereof or any of the other Loan Documents or of any of the Related Documents which is not remedied within 30 days after written notice thereof to the Company by any Bank;

(d) (i) default shall occur in the payment when due (whether by lapse of time, acceleration or otherwise), after giving effect to any period of grace provided therefor, of (A) any indebtedness issued, assumed or guaranteed by the Company or any Subsidiary which aggregates \$1,000,000 (or its equivalent in any other currency) or more or (B) any indebtedness issued, assumed or guaranteed by Apache or any Subsidiary or Subsidiaries of Apache which aggregates \$25,000,000 (or its equivalent in any other currency) or more or (ii) any other event or default shall occur with respect to any such indebtedness beyond any period of grace provided therefor if the effect thereof is to permit the maturity of such Indebtedness to be accelerated;

(e) any representation or warranty made herein or in any of the other Loan Documents or in any Related Document or in any statement or certificate furnished pursuant hereto or thereto, or in connection with any acceptance or discount made hereunder or by any person in connection with the transactions contemplated hereby proves untrue in any material respect as of the date of the issuance or making thereof, and shall not be made good within 30 days after notice thereof to the Company by any Bank or by the holder of any Note;

(f) any Judgment or Judgments, writ or writs or warrant or warrants of attachment or any levies or executions, or any similar process or processes in an aggregate amount in excess of \$1,000,000 shall be entered or filed against the Company or any Subsidiary or against any of the property or assets of any of them and remains undischarged, unvacated, unbonded or unstayed for a period of 10 days (30 days if the liability therefor is fully covered by insurance (subject to an immaterial deductible) as to which the insurer has acknowledged liability without reservation);

(g) any event occurs or condition exists which is specified as an event of default under any of the Collateral Documents;

(h) any Significant Agreement is voided or terminated or any party thereto defaults in the performance of

any of its material obligations thereunder and fails to cure such default within any applicable period of grace;

(i) the Company ceases for any reason to be a wholly owned subsidiary of Apache, either directly or through one or more other wholly owned subsidiaries;

(j) any event or condition has occurred or exists and is continuing which may have a material adverse effect on the business, operations, property, finances or prospects of the Company, any Pledged Subsidiary or Apache or on the ability of the Company or any Pledged Subsidiary to perform its obligations under any Loan Document or Related Document;

(k) the Company or Apache or any Pledged Subsidiary becomes insolvent or bankrupt or bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings or other proceedings for relief under any bankruptcy law or laws for the relief of debtors are instituted against the Company or Apache or any Pledged Subsidiary and are not dismissed within 60 days after such institution or a decree or order of a court having jurisdiction in the premises for the appointment of a trustee or receiver or custodian for the Company or Apache or any Pledged Subsidiary or for the major part of any of the property of any of the aforementioned is entered and the trustee or receiver or custodian appointed pursuant to such decree or order is not discharged within 60 days after such appointment; or

(l) Apache or the Company or any Pledged Subsidiary shall institute bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings or other proceedings for relief under any bankruptcy law or laws for the relief of debtors or shall consent to the institution of such proceedings against it by others or to the entry of any decree or order adjudging it bankrupt or insolvent or approving as filed any petition seeking reorganization under any bankruptcy or similar law or shall apply for or shall consent to the appointment of a receiver or trustee or custodian for it or for the major part of its property or shall make an assignment for the benefit of creditors or shall suspend payment of or admit in writing its inability to pay its debts as they mature or shall cease to carry on its business or shall be wound up or dissolved or shall take any corporate action in contemplation or in furtherance of any of the foregoing purposes or under governmental authority its management is displaced or its authority to conduct its business is curtailed.

8.2. When any Event of Default described in subsections 8.1(a) to 8.1(j), both inclusive, has occurred and is

continuing or any event described in the last sentence of Section 11.21 hereof has occurred and is continuing, the Agent shall, upon request of the Required Banks, by notice to the Company, take any or all of the following actions:

(a) terminate the obligation of the Banks to accept or discount any further Drafts hereunder on the date (which may be the date thereof) stated in such notice (such termination shall be effective upon verbal notification; the Agent hereby agreeing to provide written notification thereof to the Company as soon as practical thereafter);

(b) declare all fees, charges and commissions payable hereunder to be immediately due and payable whereupon all of such shall be and become immediately due and payable without further demand, presentment, protest or notice of any kind;

(c) demand that the Company immediately pay to the Agent the full face amount of each Acceptance and the Company agrees to immediately make such payment and acknowledges and agrees that the Banks would not have an adequate remedy at law for failure by the Company to honor any such demand and that the Banks shall have the right to require the Company to specifically perform such undertaking whether or not any Acceptance has by its terms matured; and

(d) enforce any and all rights and remedies available under the Loan Documents or applicable law.

8.3. When any Event of Default described in subsections 8.1(k) or (l) has occurred and is continuing, then (a) all fees, charges and commissions payable hereunder, shall immediately become due and payable without presentment, demand, protest or notice of any kind, (b) the obligation of the Banks to accept or discount further Drafts pursuant to any of the terms hereof shall immediately and automatically terminate (c) the Company shall immediately pay to the Agent the full amount of all Acceptances, whether or not such Acceptances have by their terms matured, the Company acknowledging that the Banks would not have an adequate remedy at law for failure by the Company to honor any such demand, and the Banks shall have the right to require the Company to specifically perform such undertaking whether or not such Acceptances have by their terms matured, and (d) the Agent may exercise all remedies available to it under the Loan Documents or applicable law.

SECTION 9. DEFINITIONS.

9.1. The following terms when used herein shall have the following meanings, such definitions to be equally applicable to the singular and plural of the terms defined:

The term "Acceptable Engineer" means Ryder Scott Company Petroleum Engineers or such other petroleum engineers of recognized standing selected by the Company and satisfactory to the Required Banks.

The term "Acceptances" shall mean Drafts which have been accepted by one or more of the Banks pursuant to the terms of this Agreement.

The term "Acceptance Date" shall mean July 11, 1994 and each day thereafter on which outstanding Acceptances mature provided that (i) no Acceptance Date shall be a date later than the Termination Date then in effect and (ii) if any such day is not a Business Day, then the related Acceptance Date shall be the first Business Day following such maturity date.

The term "Acceptance Request" has the meaning set forth in Section 1.2 hereof.

The term "Affiliate" shall mean any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, another Person. A Person shall be deemed to control another Person for the purposes of this definition if such first Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise.

The term "Agent" shall mean Bank of Montreal and its successors as agent hereunder.

The term "Apache" means Apache Corporation, a Delaware corporation.

The term "Apache Debt/Capitalization Ratio" shall have the meaning assigned to the term "Debt/Capitalization Ratio" in the Second Amended and Restated Credit Agreement, dated as of May 9, 1994 among Apache, the Lenders named therein, The First National Bank of Chicago, as Administrative Agent and Collateral Agent, and Chemical Bank, as Co-Agent, as in effect on the date hereof without giving effect to any amendments or modifications to such Second Amended and Restated Credit Agreement subsequent to the date hereof. Such term and all ancillary provisions and definitions are herein incorporated by reference as if set forth herein and shall survive any termination of such Second Amended and Restated Credit Agreement.

The term "Assignment Agreement" has the meaning specified in Section 11.13 hereof.

The term "Available Amount" shall mean the lesser of (i) the Facility Amount and (ii) the Borrowing Base or such lesser amount as the Company shall request pursuant to Section 2.5.

The term "Bank" shall mean Bank of Montreal and each other Person which becomes a Bank party hereto pursuant to Section 11.13 hereof.

The term "Borrowing Base" has the meaning specified in Section 4.1 hereof.

The term "Borrowing Base Assets" shall mean the assets from time to time included in the computation of the Borrowing Base.

The term "Business Day" shall mean a day (other than a Saturday or Sunday) on which the Banks are open for business in Toronto, Ontario.

The term "Certificate of Extension" means a certificate duly executed by the Company delivered to the Agent pursuant to Section 1.6 hereof and substantially in the form of Exhibit C.

The term "Calculation Period" means, as of the end of any fiscal quarter of the Company, the period of four fiscal quarters ending on such date.

The term "Collateral" has the meaning specified in Section 3 hereof.

The term "Collateral Documents" shall mean all assignments, pledge agreements, security agreements, applications and instruments and documents at any time providing, creating or evidencing liens on the Collateral or any part thereof.

The term "Commercial Bank" shall mean any person which has publicly traded debt securities rated either A- or higher by Standard and Poor's Corporation or A(3) or higher by Moody's Investors Service, Inc.

The term "Consolidated Cash Flow" means, for any Calculation Period, the sum of Consolidated Net Income plus, the change in deferred revenue plus, to the extent deducted in the computation of such Consolidated Net Income, depreciation, depletion, deferred taxes, amortization of goodwill, interest expenses (net of interest capitalized) plus other non-cash charges acceptable to the Agent for such Calculation Period.

The term "Consolidated Net Income" for any Calculation Period shall mean the net earnings of the Company and its Subsidiaries for such period computed on a consolidated basis in accordance with GAAP, and excluding undistributed earnings of entities which are not Subsidiaries and without limiting the foregoing, after the deduction from gross income of all charges and reserves for all taxes on or measured by income, but excluding any extraordinary profits or losses (as determined in accordance with GAAP) on the sale or other disposition of fixed or capital assets or on the acquisition, retirement, sale or other disposition of stock or securities of the Company or any Subsidiary, and also excluding any taxes on such profits and any tax deductions or credits on account of any such losses.

The term "Current Ratio" means the ratio of (a) consolidated current assets of the Company and its Subsidiaries to (b) consolidated current liabilities of the Company and its Subsidiaries; provided that (i) current portions of long-term debt and loans payable to Affiliates shall be excluded from current liabilities and (ii) on any date of determination prior to the Transition Date, current assets of the Company shall be increased by the face amount of Drafts which might be accepted pursuant to Section 1.1 hereof, but which have not been accepted and for which no Acceptance Request has been given as of the date of such determination.

The term "Debt Service" means the sum of the scheduled principal repayments of all Indebtedness of the Company and its Subsidiaries during the period for which such amount is being determined plus the sum of all principal payments actually paid by the Company and its Subsidiaries during such period with respect to Subordinated Indebtedness (excluding the sum of all scheduled principal payments actually paid by the Company and its Subsidiaries with respect to Subordinated Indebtedness) plus Interest Expense and fees on all Indebtedness for such period, computed in each case on a consolidated basis in accordance with GAAP.

The term "Discount" shall mean as to each Bank and each Acceptance discounted by such Bank or purchased by such Bank for its own account hereunder the amount to be deducted from the face amount of such Draft when the same is discounted (using a year of 360 days for the actual number of days elapsed) at the effective discount rate of the Agent applicable to U.S. dollar banker's acceptances accepted by the Agent in Canada for the same term to maturity and for a similar face amount not later than 11:00 a.m. (Toronto time) on the Business Day preceding the Acceptance Date in question. The determination by the Agent of the Discount (including the discount rate) to be applicable to each Draft accepted shall be final and conclusive absent manifest error.

The term "Drafts" shall mean Drafts of the Company drawn on one or more of the Banks maturing as contemplated by the last sentence of Section 1.2 hereof from their date and being payable in U.S. dollars.

The term "Event of Default" shall mean any of the events or conditions described as such in Section 8.1 hereof and the term "Default" shall mean any event or condition which if uncured and/or with the lapse of time, the giving of notice, or both, would constitute an Event of Default.

The term "Extension Date" has the meaning specified in Section 1.6 hereof.

The term "Facility Amount" shall mean \$50,000,000 through (and including) the date one day prior to the Transition Date with the Facility Amount to automatically reduce on the Transition Date to an amount equal to the aggregate face amount of all Drafts outstanding on the Transition Date and to further reduce by an amount equal to 1/12 of the aggregate face amount of all Drafts outstanding on the Transition Date as of the date in the third month after the Transition Date, and in every third month thereafter, which numerically corresponds to the Transition Date (or, if such month has no numerically corresponding date, on the last Business Day of such month), all as such amounts may be further reduced pursuant to Section 2.5 hereof.

The term "Facility Amount Percentage" shall mean the percentage for each Bank specified opposite its signature hereto or on an assignment agreement executed by it, as such a percentage may be adjusted pursuant to the provisions of Section 11.13 hereof.

The term "F.R.S. Board" means the Board of Governors of the Federal Reserve System or any successor thereto.

The term "GAAP" shall mean generally accepted United States accounting principles as in effect on the date financial statements are prepared and applied consistently with those used in the preparation of the financial reports referred to in Sections 5.4 and 5.5 hereof.

The term "Guaranties" shall mean guaranties acceptable in form and substance to the Banks pursuant to which the Guarantors guarantee unconditionally all indebtedness, obligations and liabilities of the Company and the Pledged Subsidiaries arising under the Loan Documents and/or the Related Documents.

The term "Guarantors" shall mean the Pledged Subsidiaries.

The term "Hedging Agreement" means (i) any commodity hedge, commodity swap, exchange, forward, future, collar or cap agreements, fixed price agreements and all other agreements or arrangements designed to protect the Company or any Pledged Subsidiary against fluctuations in commodity prices, (ii) any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or similar agreement designed to protect the Company or any Pledged Subsidiary against fluctuations in interest rates or (iii) all commitment and/or facility letters, applications, contracts, agreements and confirmations of every kind or character evidencing or setting forth terms and conditions to be applicable to or constituting agreements to provide, letters of credit, bonds, guaranties or currencies (whether on a spot or forward basis) or other arrangements entered into for the purpose of hedging or otherwise protecting the Company or any Pledged Subsidiary against the consequences of changes in currency conversion rates.

The term "Indebtedness" of any Person shall mean, as of any date (a) all obligations of such Person for borrowed money, (b) all obligations which are secured by any lien or encumbrance existing on property owned by such Person whether or not the obligation secured thereby shall have been assumed by such Person, other than those obligations which are incurred in the ordinary course of business and are not required to be shown as a liability on a balance sheet in accordance with GAAP, (c) all obligations of such Person under any lease which, in accordance with GAAP, is or should be capitalized on the books of the lessee, (d) the deferred purchase price for goods, property or services acquired by such Person, and all obligations of such Person to purchase such goods, property or services where payment therefore is required regardless of whether or not delivery of such goods or property or the performance of such services is ever made or tendered, other than such deferred purchase price and obligations which are incurred in the ordinary course of business and are not required to be shown as a liability on a balance sheet in accordance with GAAP, (e) all obligations of such Person to advance funds to, or to purchase property or services from, any other person in order to maintain the financial condition of such person, (f) all obligations of others similar in character to those described in clauses (a) through (c) of this definition for which such Person is liable contingently or otherwise, as obligor, guarantor or in any other capacity, or in respect of which obligations such Person assures a creditor against loss or agrees to take any action to prevent any such loss (other than endorsements of negotiable instruments for collection in the ordinary course of business) and (g) liabilities of such Person in respect of banker's acceptances and letters of credit (to the extent the obligation supported by such a letter of credit is not already a liability of such Person).

The term "Initial Borrowing Base Assets" has the meaning specified in Section 4.2 hereof.

The term "Initial Report" has the meaning specified in Section 4.1 hereof.

The term "Interest Expense" means with respect to any period for which a determination thereof is to be made, the aggregate amount of all interest accrued (whether or not paid) on all Indebtedness.

The term "Interest Rate" shall mean the rate per annum determined by adding 2% to the floating annual rate of interest established from time to time by the Agent as the base rate it will use to determine rates of interest on Canadian dollar loans to customers in Canada and designated as its prime rate, with any change in the Interest Rate resulting from a change in the prime rate to be and become effective on the date of the change in the prime rate.

The term "Loan Documents" shall mean, collectively, this Agreement, the Guaranties, the Collateral Documents, the Consent and Acknowledgement of each Guarantor and any Certificate of Extension.

The term "Maximum Borrowing Base" means \$30,000,000 or such greater amount as the Banks from time to time may agree; provided, however, that the Banks shall have no obligation to so agree.

The term "Oil and Gas Business" shall mean the business of acquiring Oil and/or Gas Properties, exploring for and/or producing and/or developing and/or marketing oil and/or natural gas and/or dealing in Oil and/or Gas Properties, including as part of the Oil and Gas Business the sale of natural gas at wholesale or retail and the ownership and operation of pipelines and gas processing plants.

The term "Oil and/or Gas Property" shall mean and include any interest in real estate and/or in oil and/or gas which may be found thereon or produced therefrom, or in the revenues derived from the sale or other disposition thereof including without limitation mineral interests, royalty interests, net profits interests, working interests of all types and licenses, permits and rights to produce and retain hydrocarbons, other than interests in real estate which are acquired and held for purposes other than exploring for or producing oil and/or gas or selling such properties to others who intend to engage in the exploration for or production of oil and/or gas.

The term "Original Currency" has the meaning specified in Section 11.19 hereof.

The term "Paying Quantities" shall mean production of hydrocarbons in an amount sufficient to pay operating and marketing expenses.

The term "Permitted Exceptions" shall mean and include:

(a) liens and charges incidental to construction except such as may result from any delinquent obligation for the payment of money on account of such construction, or, if delinquent, the payment or validity of which is being contested in good faith and for which adequate reserves in accordance with GAAP have been set aside;

(b) the lien of current taxes and assessments not in default or, if delinquent, the validity of which is being contested in good faith and for which adequate reserves in accordance with GAAP have been set aside;

(c) liens reserved in leases, easements, grants, franchises or permits for rent and fees or for compliance with the terms of such leases, easements, grants, franchises or permits; and

(d) liens securing obligations neither (x) assumed by the Company or any Subsidiary (y) nor on account of which the Company or a Subsidiary customarily pays interest, upon real estate in which the Company or a Subsidiary has a right-of-way, easement, franchise or other servitude or of which the Company or a Subsidiary is the lessee of the whole thereof or any interest therein for the purpose of locating pipe lines, substations, measuring stations, tanks or pumping or delivery equipment.

The term "Person" shall mean an individual, partnership, corporation, trust or unincorporated organization and a government or agency or political subdivision thereof.

The term "Pledged Subsidiaries" shall mean (i) Hadson Australia Development Pty Limited A.C.N. 009 140 854, a company incorporated in Western Australia, (ii) Petro Energy Limited A.C.N. 000 293 729, a company incorporated in New South Wales, (iii) any Subsidiary which owns any interest in any Oil and/or Gas Property included in the Borrowing Base and (iv) any Subsidiary to which the Company or any Subsidiary or Subsidiaries of the Company shall, at any time on or after the date hereof, have loans or advances which were made subsequent to the date hereof outstanding in an aggregate principal amount greater than \$500,000, and which

in each case has executed and delivered a Guaranty and Collateral Documents to the Agent in form and substance satisfactory to the Agent which remain in full force and effect.

The term "Process Agent" has the meaning specified in Section 11.22 hereof.

The term "Proved Producing Properties" shall mean interests in Oil and/or Gas Properties of the Company and Pledged Subsidiaries subject only to liens permitted by Section 7.8 hereof, in oil and/or gas to be produced from existing wells which have been continuously producing oil and/or gas in Paying Quantities at stabilized production rates for a period sufficient in the reasonable judgment of the Required Banks so as to enable future production amounts and trends to be predicted with reasonable assurance.

The term "Rating Agency" shall mean each of Duff & Phelps Credit Rating Company, Moody's Investors Service, Inc. and Standard & Poor's Corporation.

The term "Related Documents" shall mean all Hedging Agreements between any of the Banks and the Company or the Pledged Subsidiaries against the consequences of changes in interest rates or currency conversion rates.

The term "Required Banks" shall mean Banks holding 50% or more of the outstanding principal amount of the Acceptances, or, if no Acceptances are outstanding, Banks whose Facility Amount Percentages aggregate 50% or more.

The term "Second Currency" has the meaning specified in Section 11.19 hereof.

The term "Significant Agreements" shall mean the agreements listed on Exhibit D hereto, together with all amendments or modifications with respect thereto.

The term "Stamping Fee" shall mean a percentage per annum equal to the percentage set forth below:

Apache/Debt Capitalization Ratio	Rating of Apache's Long-Term Debt by 2 or more Rating Agencies	Stamping Fee
Greater than or equal to .60 to 1.0	Lower than BBB-/Baa3	2.375%
Greater than or equal to .60 to 1.0	BBB-/Baa3	2.125%

Apache/Debt Capitalization Ratio	Rating of Apache's Long-Term Debt by 2 or more Rating Agencies	Stamping Fee
Greater than or equal to .60 to 1.0	BBB/Baa2 or higher	1.875%
Greater than or equal to .55 to 1 but less than .60 to 1	Lower than BBB-/Baa3	2.125%
Greater than or equal to .55 to 1 but less than .60 to 1	BBB-/Baa3 or higher	1.875%
Greater than or equal to .50 to 1 but less than .55 to 1	Lower than BBB-/Baa3	1.75%
Greater than or equal to .50 to 1 but less than .55 to 1	BBB-/Baa3 or higher	1.625%
Greater than or equal to .45 to 1 but less than .50 to 1	BBB-/Baa3 or lower	1.375%
Greater than or equal to .45 to 1 but less than .50 to 1	BBB/Baa2 or higher	1.125%
Greater than or equal to .40 to 1 but less than .45 to 1	BBB-/Baa3 or lower	1.125%
Greater than or equal to .40 to 1 but less than .45 to 1	BBB/Baa2 or higher	1.00%
Less than .40 to 1	Lower than BBB-/Baa3	1.125%
Less than .40 to 1	BBB-/Baa3	1.00%
Less than .40 to 1	BBB/Baa2 or higher	.875%

Such percentage shall be computed on the face amount of each Acceptance for the period from the date of Acceptance to its maturity date.

The term "Subordinated Indebtedness" means unsecured Indebtedness of the Company which is subordinated, upon terms satisfactory to the Agent, in right of payment to the payment in full of the Company under this Agreement or any Related Document.

The term "Subsidiary" shall mean any corporation all of the outstanding voting shares of which, other than directors qualifying shares to the extent required by law, is at the time, owned by the parent in question or by any other corporations or entities which are themselves Subsidiaries within the meaning of this definition or jointly by the parent in question and any one or more such Subsidiaries.

The term "Tangible Net Worth" means the consolidated net worth of the Company and its Subsidiaries after subtracting therefrom the aggregate amount of any intangible assets of the Company and its Subsidiaries, including goodwill, franchises, licenses, patents, trademarks, trade names, copyrights, service marks and brand names.

The term "Taxes" has the meaning set forth in Section 2.6 hereof.

The term "Termination Date" shall mean May 26, 1999, as such date may be extended pursuant to Section 1.6, or such earlier date on which the obligation of the Banks to accept Drafts hereunder is terminated in whole pursuant to Sections 2.5, 8.2, 8.3 or 11.21 hereof.

The term "Transition Date" shall mean May 26, 1996, as such date may be extended pursuant to Section 1.6 hereof.

The term "U.S. Dollars" shall mean currency which at the time is legal tender for public and private debts in the United States of America.

The term "U.S. Dollar Equivalent" shall mean the amount of United States Dollars which would be realized by converting a foreign currency into United States Dollars in the spot market at the exchange rate quoted by Bank of Montreal at 11:00 a.m. (New York time) on the date of determination to prime banks in the London interbank foreign exchange market for the purchase of United States Dollars with such foreign currency.

The term "\$" shall mean U.S. Dollars.

9.2. U.S. Dollars. Except to the extent explicitly otherwise provided herein, all references to dollars and dollar amounts shall be deemed references to U.S. Dollars.

10.1. Appointment and Authorization. Each Bank hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers hereunder and under the Loan Documents as are designated to the Agent by the terms hereof and thereof together with such powers as are reasonably incidental thereto. The Agent may resign at any time by sending twenty (20) days prior written notice to the Company and the Banks and may be removed by the Required Banks upon twenty (20) days prior written notice to the Company and the Banks. In the event of any such resignation or removal the Required Banks may appoint a new agent, which shall succeed to all the rights, powers and duties of the Agent hereunder and under the other Loan Documents. Any resigning or removed Agent shall be entitled to the benefit of all the protective provisions hereof with respect to its acts as an agent hereunder, but no successor Agent shall in any event be liable or responsible for any actions of its predecessor. If the Agent resigns or is removed and no successor is appointed, the rights and obligations of such Agent shall be automatically assumed by the Required Banks and (i) the Company shall be directed to make all payments due each Bank hereunder directly to such Bank and (ii) the Agent's rights in the Loan Documents shall be assigned without representation, recourse or warranty to the Banks as their interests may appear.

10.2. Rights as a Bank. The Agent has and reserves all of the rights, powers and duties hereunder and under the other Loan Documents, the Guaranties and the Acceptances as any Bank may have and may exercise the same as though it were not the Agent and the terms "Bank" or "Banks" as used herein and in all of such documents shall, unless the context otherwise expressly indicates, include the Agent in its individual capacity as a Bank. The Agent reserves the right to engage in other business transactions with the Company and its Affiliates.

10.3. Standard of Care. The Banks acknowledge that they have received and approved copies of the Loan Documents, and such other information and documents concerning the transactions contemplated and financed hereby as they have requested to receive and/or review and that the Agent or an Affiliate thereof may be financially interested in the Company. The Agent makes no representations or warranties of any kind or character to the Banks with respect to the validity, enforceability, genuineness, perfection, value, worth or collectibility hereof or of the other Loan Documents or of the liens provided for thereby or of any other documents called for hereby or thereby or of the Collateral. The Agent need not verify the worth or existence of the Collateral and may rely exclusively on reports provided by the Company in computing the Borrowing Base. Neither the Agent nor any director, officer, employee, agent or representative thereof (including any

security trustee therefor) shall, subject to Section 1.7, in the case of the Company, in any event be liable for any clerical errors or errors in judgment, inadvertence or oversight, or for action taken or omitted to be taken by it or them hereunder or under the Loan Documents or in connection herewith or therewith except for its or their own gross negligence or willful misconduct. The Agent shall incur no liability under or in respect of this Agreement or the other Loan Documents by acting upon any notice, certificate, warranty, instruction or statement (oral or written) of anyone (including anyone in good faith believed by it to be authorized to act on behalf of the Company), unless it has actual knowledge of the untruthfulness of same. The Agent agrees to use the same care in protecting the interests of the Banks under the Loan Documents as it uses for similar facilities held by it solely for its own account. The Agent shall be entitled to advice of counsel concerning all matters pertaining to the agencies hereby created and its duties hereunder, and shall incur no liability to anyone and be fully protected in acting upon the advice of such counsel. The Agent shall be entitled to assume that no Default or Event of Default exists, absent actual knowledge thereof, unless notified to the contrary by a Bank. The Agent shall in all events be fully protected in acting or failing to act in accord with the instructions of the Required Banks. Whenever the terms hereof or of another Loan Document permit the Agent to take a particular action, the Agent agrees that it will take such action or refrain from same, if requested to do so by the Required Banks. Upon the occurrence of an Event of Default hereunder, the Agent shall take such action with respect to the enforcement of its liens on the Collateral and the preservation and protection thereof and its rights under the Guaranties as it shall be directed to take by the Required Banks (and shall consult with the Banks as to actions to be taken) but unless and until the Required Banks have given such direction the Agent shall take or refrain from taking such actions as it deems appropriate and in the best of interest of all Banks. The Agent shall in all cases be fully justified in failing or refusing to act hereunder unless it shall be indemnified to its reasonable satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Each Bank acknowledges that it has independently and without reliance on the Agent or any other Bank and based upon such information, investigations and inquiries as it deems appropriate made its own credit analysis and decision to extend credit to the Company. It shall be the responsibility of each Bank to keep itself informed as to the creditworthiness of the Company and the Agent shall have no liability to any Bank with respect thereto. The Agent shall, upon the written request of a Bank, request from the Company copies of any information to which the Agent is entitled to receive hereunder, and shall promptly deliver copies thereof upon receipt of same to such requesting Bank.

10.4. Costs and Expenses. Each Bank agrees to reimburse the Agent for all out-of-pocket costs and expenses suffered or incurred by the Agent or any security trustee in performing its duties hereunder and under the other Loan Documents or in the exercise of any right or power imposed or conferred upon the Agent hereby or thereby, to the extent that the Agent is not promptly reimbursed for same by the Company or out of the Collateral, all such costs and expenses to be borne by the Banks ratably in accordance with the amounts of their respective Facility Amount Percentages. If any Bank fails to reimburse the Agent for its share of any such costs and expenses, such costs and expenses shall be paid pro rata by the remaining Banks, but without in any manner releasing the defaulting Bank from its liability hereunder.

10.5. Indemnity. The Banks shall ratably indemnify and hold the Agent, and its directors, officers, employees, agents or representatives (including as such any security trustee therefor) harmless from and against any liabilities, losses, costs or expenses suffered or incurred by them under the other Loan Documents or in connection with the transactions contemplated hereby or thereby, regardless of when asserted or arising, except to the extent they are promptly reimbursed for the same by the Company or out of the Collateral and except to the extent that any event giving rise to a claim was caused by the gross negligence or willful misconduct of the party seeking to be indemnified. If any Bank defaults in its obligations hereunder, its share of the obligations shall be paid pro rata by the remaining Banks, but without in any manner releasing the defaulting Bank from its liability hereunder.

SECTION 11. MISCELLANEOUS.

11.1. Waiver of Rights. No delay or failure on the part of the Company, the Agent or any Bank in the exercise of any power or right shall operate as a waiver thereof, nor as an acquiescence in any default, nor shall any single or partial exercise thereof, or the exercise of any other power or right, preclude any other right or the further exercise of any other rights, and the rights and remedies hereunder of the Company, the Banks and the Agent are cumulative to, and not exclusive of, any rights or remedies which any of them would otherwise have.

11.2. Non-Business Day. If any amount payable hereunder shall fall due on a day which is not a Business Day, the payment date therefor shall be extended to the next date which is a Business Day.

11.3. Documentary Taxes. The Company agrees to pay any documentary, stamp or similar taxes payable in respect to this Agreement or any Draft or Acceptance, including interest and penalties, in the event any such taxes are assessed irrespective of

when such assessment is made and whether or not any credit is then in use or available hereunder.

11.4. Survival of Representations. All representations and warranties made in the Loan Documents or pursuant thereto or in certificates given pursuant hereto or thereto shall survive the execution and delivery of this Agreement, and shall continue in full force and effect with respect to the date as of which they were made as long as any credit is in use or available hereunder.

11.5. Survival of Indemnities. All indemnities and all other provisions relative to reimbursement to the Banks of amounts sufficient to protect the yield of the Banks with respect to the Acceptances shall survive the termination of this Agreement and the payment of the Acceptances.

11.6. Set-off Sharing. Each Bank agrees with each other Bank party hereto that in the event such Bank shall receive and retain any payment, whether by set-off or application of deposit balances or otherwise ("Set-off"), on or in respect of any Acceptance outstanding under this Agreement in excess of its ratable share of payments on all Acceptances then outstanding, then such Bank shall purchase for cash at face value, but without recourse, ratably from each of the other Banks such amount of the risk incident to the Acceptances held by each such other Bank (or interest therein) as shall be necessary to cause such Bank to share such excess payment ratably with all the other Banks; provided, however, that if any such purchase is made by any Bank, and if such excess payment or part thereof is thereafter recovered from the other Banks, the related purchases shall be rescinded ratably and the purchase price restored as to the purchasing Bank such portion of such excess payment so recovered, but without interest.

11.7. Notices. All communications provided for herein shall be in writing or by telex, telegraph or facsimile transmission, except as otherwise specifically provided for hereinabove, addressed, if to the Company at 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400, Attention: Clyde E. McKenzie, or if to the Agent or Banks at their respective addresses set forth opposite their respective signatures hereto, or at such other address as shall be designated by any party hereto in a written notice to each other party pursuant to this Section 11.7. Any notice in writing shall be deemed to have been given or made when served personally or when received if sent by mail, and any notice given by telex or telegraphic means shall be deemed given when transmitted (answerback confirmed); provided that any notice to the Agent or any Bank under Section 1 hereof shall only be effective upon receipt.

11.8. Counterparts. This Agreement may be executed in any number of counterparts, and by the different parties on

different counterparts, each of which when executed shall be deemed an original, but all such counterparts taken together shall constitute one and the same instrument.

11.9. Successors and Assigns. This Agreement shall be binding upon the Company and its successors and assigns, and shall be binding upon and inure to the benefit of the Banks and their respective successors and permitted assigns. The Company may not assign its rights or obligations hereunder without the prior written consent of the Banks.

11.10. Participants. Each Bank shall have the right at its own cost to grant participations (to be evidenced by one or more agreements or certificates of participation) in the Acceptances created by such Bank at any time and from time to time to one or more other financial institutions, provided that no such participant shall have any rights under this Agreement (the participant's rights against the Bank granting its participation to be those set forth in the participation agreement between the participant and such Bank). Each such Bank shall be entitled to the benefits of Section 1 hereof to the extent such Bank would have been so entitled had no such participation been sold.

11.11. Costs and Expenses. The Company agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Agent in connection with the negotiation, preparation, execution, delivery, syndication, recording and/or filing and/or release of the Loan Documents and the other instruments and documents to be delivered hereunder or thereunder or in connection with the transactions contemplated hereby or thereby or in connection with any consents hereunder or thereunder or waivers or amendments hereto or thereto, including the reasonable fees and expenses of counsel for the Agent with respect to all of the foregoing, and all recording, filing or other fees, costs and taxes incident to perfecting a lien upon the collateral security for the Company's obligations under the Loan Documents and Related Documents and other obligations of the Company, and all reasonable costs and expenses (including reasonable attorneys' fees), incurred by the Agent, any security trustee for the Banks or the Banks in connection with a default or the enforcement of any of the Loan Documents and the other instruments and documents to be delivered hereunder or thereunder. Subject to Section 1.7 hereof, the Company agrees to indemnify and save the Banks, the Agent and any security trustee for the Banks harmless from any and all liabilities, losses, costs and expenses incurred by the Banks or the Agent in connection with any action, suit or proceeding brought against the Agent, security trustee or any Bank by any person which arises out of the transactions contemplated or financed hereby or by the other Loan Documents or Related Documents or out of any action or inaction by the Agent, any security Trustee or any Bank hereunder or thereunder, except for such thereof as is caused by

the gross negligence or willful misconduct of the party indemnified or a breach by the indemnified Bank of its agreements herein contained. The provisions of this Section 11.11 and the protective provisions of Section 1 hereof shall survive payment of the Acceptances.

11.12. Construction. The parties hereto acknowledge and agree that this Agreement shall not be construed more favorably in favor of one than the other based upon which party drafted the same, it being acknowledged that all parties hereto contributed substantially to the negotiation of this Agreement.

11.13. Assignment Agreements. Bank of Montreal may, from time to time, with the consent of the Company (which will not be unreasonably withheld, it being acknowledged that it would be reasonable to withhold a consent if the Company's costs would be increased in any material respect by factors peculiar to the proposed assignee bank or to a class of banks of which it is a part), assign to other financial institutions a portion of its obligation to create and discount Acceptances hereunder pursuant to written agreements executed by the assignor, the assignee and the Company, which agreements shall specify in each instance the portion of the Facility Amount Percentage which is to be assigned to each such assignee and assumed by it (the "Assignment Agreements"), provided that the Company may in its sole discretion withhold its consent to any assignment by Bank of Montreal if as a result thereof Bank of Montreal would have assigned fifty percent or more of its original Facility Amount Percentage or there would be more than four Banks hereunder. Upon the execution of each Assignment Agreement by the assignor, the assignee and the Company (i) such assignee shall thereupon become a "Bank" for all purposes of this Agreement with a Facility Amount Percentage in the amount set forth in such Assignment Agreement and with all the rights, powers and obligations afforded a Bank hereunder, (ii) Bank of Montreal shall have no further liability for accepting or funding the portion of its Facility Amount Percentage assumed by such other Bank and (iii) the address for notices to such Bank shall be as specified in the Assignment Agreement executed by it.

11.14. Amendments and Waivers. No provision of the Loan Documents may be amended or waived except in writing signed by the Company and the Required Banks and, if the rights or duties of the Agent are affected thereby, by the Agent; provided that no such amendment or waiver shall, unless signed by all Banks, (i) increase or extend the Facility Amount Percentage of any Bank or subject any Bank to any additional obligation, (ii) reduce the principal of or rate of interest or discount payable to any Bank with respect to any Acceptance created or discounted by it or any fees due such Bank hereunder, or (iii) change the stated time or manner of any payment due from such Bank or the provisions hereof allocating payments or recoveries, or (iv) change the percentage of the

Facility Amount or of the aggregate unpaid principal amount of the Acceptances, or the number of Banks required for the Banks or any of them to take any action under this Section 11.14 or any other provisions of this Agreement or release the lien of the Collateral Documents on any substantial (in value) part of the Collateral except concurrently with the sale thereof, if permitted hereby.

11.15. Governing Law. This Agreement and the rights and duties of the parties hereto, shall be construed and determined in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

11.16. Entire Agreement. This Agreement constitutes the entire understanding of the parties with respect to the subject matter hereof and any prior agreements, whether written or oral, with respect thereto are superseded hereby.

11.17. One Bank. If and so long as Bank of Montreal is the only Bank hereunder, Bank of Montreal shall have all rights, powers and privileges afforded the Agent, the Banks or the Required Banks hereunder.

11.18. Headings. Section headings used in this Agreement are for reference only and shall not affect the construction of this Agreement.

11.19. Judgment Currency.

(a) If for the purpose of obtaining judgment in any court it is necessary to convert an amount due hereunder in the currency in which it is due (the "Original Currency") into another currency (the "Second Currency"), the rate of exchange applied shall be that at which, in accordance with normal banking procedures, a Bank could purchase, in the Toronto foreign exchange market, the Original Currency with the Second Currency on the date two Business Days preceding that on which judgment is given. The Company agrees that its obligation in respect of any Original Currency due from it to each Bank hereunder shall, notwithstanding any judgment or payment in such other currency, be discharged only to the extent that on the Business Day following the date such Bank receives payment of any sum so adjudged to be due hereunder in the Second Currency the Bank can, in accordance with normal banking procedures, purchase, in the Toronto foreign exchange market the amount due in the Original Currency with the amount of the Second Currency so paid; and if the amount of the Original Currency so purchased or which could have been so purchased is less than the amount originally due in the Original Currency, the Company agrees as a separate obligation and notwithstanding any such payment or judgment to indemnify such Bank against such loss.

(b) The term "rate of exchange" in this Section 11.19 means the spot rate at which the Bank in accordance with normal practices is able on the relevant date to purchase the Original Currency with the Second Currency and includes any premium and costs of exchange payable in connection with such purchase.

11.20. Time is of the Essence. Time is of the essence of this Agreement.

11.21. Limit on Rate of Interest or Discount.

Notwithstanding any provision contained in this Agreement, the Company shall not be obliged to make any payment of interest, discount or other amounts payable to a Bank hereunder in excess of the amount or rate which would be prohibited by applicable law or would result in the receipt by such Bank of interest at a criminal rate (as such terms are construed under the Criminal Code (Canada)). In the event that any such payments are limited or prohibited as provided in Section 11.21, the Banks shall have no further obligation to make any Credit available hereunder and the entire amount of credit then outstanding shall become immediately due and payable.

11.22. Courts. Any legal action or proceeding with respect to this Agreement or any Collateral against the Company may be brought in the courts of the Province of Ontario, which courts the parties hereto acknowledge irrevocably to be a convenient forum for the resolution of any such legal action or proceeding. The Company hereby accepts, for itself and in respect of its assets and revenues, generally and unconditionally the non-exclusive jurisdiction of the aforesaid courts.

The Company hereby irrevocably designates and appoints C T Corporation System (Canada), Ltd. (the "Process Agent") at its registered office from time to time and of which the Agent shall have been notified, which office is currently located at 20 Queen Street West, Toronto, Ontario M5H 2V3 as the authorized agent of the Company upon which process may be served in any suit or proceeding arising out of or in connection with this Agreement or any Loan Document which may be instituted in the Province of Ontario and agrees that service of process on the Process Agent shall, to the extent permitted by law, be deemed in every respect to be effective service of process on the Company. However, nothing in this Section 11.22 shall affect the right of the Agent to serve legal process in any other manner permitted by law or affect the right of the Agent to bring any action or proceed against the Company or its properties in the courts of any other jurisdiction.

11.23. No Merger or Novation. All Guaranties (except the Guaranty of Hadson Energy Corporation), Collateral Documents

and other Loan Documents provided to the Agent and/or the Banks prior to the date hereof in connection with the Original Acceptance Agreement or the Indebtedness of the Company thereunder remain in full force and effect, there being no novation or merger of the Original Acceptance Agreement, this Amended and Restated Acceptance Agreement, the Guaranties, Collateral Documents or Loan Documents.

Upon your acceptance hereof in the manner hereinafter set forth, this Agreement shall be a contract between us for the purposes hereinabove set forth.

Executed and delivered as of this 26th day of May, 1994.

HADSON ENERGY LIMITED

By /s/ CLYDE E. MCKENZIE
Its Vice President

Accepted and agreed to as of the day and year last above written.

Address and Amount and Percentage of Facility Amount:

First Canadian Place
Toronto, Ontario M5X 1A1
Attention: Corporate Loan
Administration
Sylvia Ehrlund
Level B-2

BANK OF MONTREAL,
individually and as Agent

With copies of notices to:

/s/ ROBERT L. ROBERTS
Robert L. Roberts
Director, US Corporate Banking

700 Louisiana, Suite 4400
Houston, Texas 77002
Attention: Robert L. Roberts

Facility Amount Percentage:
\$50,000,000
(100%)

APACHE CORPORATION
 COMPUTATION OF EARNINGS PER SHARE
 (In thousands except per share data)

	For the Quarter Ended June 30, 1994		For the Six Months Ended June 30, 1994	
	----- Primary -----	Fully Diluted -----	----- Primary -----	Fully Diluted -----
Net income	\$ 10,196	\$ 10,196	\$ 19,603	\$ 19,603
Assumed reduction of interest expense upon conversion of \$75 million 3.93% convertible notes, net of tax	532	532	1,063	1,063
	-----	-----	-----	-----
Net income, as adjusted	\$ 10,728	\$ 10,728	\$ 20,666	\$ 20,666
	=====	=====	=====	=====
Weighted average common shares outstanding	61,243	61,243	61,204	61,204
Stock options: common stock equivalents outstanding using the treasury stock method	236	236	236	236
Common shares issuable upon assumed conversion of 3.93% convertible notes	2,778	2,778	2,778	2,778
	-----	-----	-----	-----
Common shares outstanding, as adjusted	64,257	64,257	64,218	64,218
	=====	=====	=====	=====
Earnings per share	\$.17	\$.17	\$.32	\$.32
	=====	=====	=====	=====