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MOSH HOLDING, L.P.,	§	**IN THE DISTRICT COURT OF**
	§	HARRIS COUNTY, TEXAS
PLAINTIFF,	§	DISTRICT CLERK
	§	JACQUELINE
	§	ED
V.	§	
	§	
PIONEER NATURAL RESOURCES COMPANY;	§	**HARRIS COUNTY, TEXAS**
PIONEER NATURAL RESOURCES USA, INC.;	§	
WOODSIDE ENERGY (USA), INC.; AND	§	
JPMORGAN CHASE BANK, N.A., AS	§	
TRUSTEE OF THE MESA OFFSHORE TRUST,	§	
	§	
DEFENDANTS.	§	**334TH JUDICIAL DISTRICT**

MOTION FOR APPROVAL OF SETTLEMENT AND
PETITION FOR INSTRUCTIONS TO THE TRUSTEE REGARDING FINAL SETTLEMENT APPROVAL

Pursuant to Section 192 of the Restatement (Second) of Trusts, Mesa Offshore Trust (the "Trust"), by and through its Trustee, JPMorgan Chase Bank, N.A. ("JPMorgan" or the "Trustee"), petitions the Court for approval of the Trust's conditional settlement of claims against Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc. (together "Pioneer") and Woodside Energy (USA), Inc. ("Woodside") asserted in this lawsuit.

I. SUMMARY OF WHY THE COURT SHOULD APPROVE THE SETTLEMENT AGREEMENT

The Trustee believes the Mutual Release and Settlement Agreement (the "Settlement Agreement") is in the best interests of the Trust and its Unitholders and that the Court should approve the conditional Settlement Agreement for the following reasons:

1. The Trustee has investigated the claims against Pioneer and Woodside, engaged third-party auditors and valuation experts, and determined that the claims do not have merit or are so speculative that the Trust's assets should not be used to pursue them;

2. The trial of this action would be expensive and time consuming, and would further deplete the Trust's assets;

3. The Trust obtains substantial, real, and immediate benefits under the settlement that are greater than any probable judgment on the claims against Pioneer and Woodside; and

4. The settlement will enable the Trustee to facilitate a public auction of the Trust's Partnership assets, to distribute the net proceeds from the sale of the assets, and timely windup the Trust, as mandated by the Trust Indenture.

A copy of the Settlement Agreement, including its related schedules, is attached as Exhibit A.

II. THE CONDITIONAL SETTLEMENT OF THE CLAIMS AGAINST PIONEER AND WOODSIDE ASSERTED IN THIS LAWSUIT

A. THE CLAIMS AGAINST PIONEER AND WOODSIDE

MOSH Holding, L.P. ("MHLP") is a beneficiary of the Trust and claims to own approximately 10% of the units of the Trust. In its First Amended Original Petition, filed in November 2005 (the "Amended Petition"), MHLP seeks damages and declaratory relief arising from alleged improper conduct by Pioneer, Woodside, and the Trustee. Represented by the same counsel as MHLP, Dagger-Spine Hedgehog Corporation ("Dagger-Spine"), who claims to own 3.5% of the Trust units, intervened in this action as a Plaintiff in December 2006 and asserts the identical allegations as MHLP. Together, MHLP and Dagger-Spine are referred to herein as "Plaintiffs."

The claims asserted by Plaintiffs relate to Pioneer's actions as the Managing General Partner of the Mesa Offshore Partnership (the "Partnership") of which the Trust is the other partner. Pioneer owns .01% of the Partnership and the Trust owns 99.99%. The Partnership owns overriding royalty interests (the "ORRI") in several offshore oil and gas leases (the "Leases") all or parts of which Pioneer owns and operates. The sole source of income for the Partnership, and hence the Trust, are payments pursuant to the ORRIs.

The Plaintiffs' petitions raise three general categories of allegations against Pioneer and Woodside:

- **Mismanagement and Improper Accounting.**

  Pioneer allegedly mismanaged the Leases and committed accounting and operational misdeeds, including inaccurate accounting of well abandonment accruals that reduced the amounts received under the ORRI that allegedly resulted in the premature triggering of a provision in the Trust Indenture that requires termination of the Trust.

- **Breach of Contract—Improper Farmout Transaction.**

  Pioneer entered into an allegedly improper Farmout transaction with Woodside concerning a prospect called "Midway" that included one of the Leases known as Block A-39. Plaintiffs contend that the transaction violates the terms of the ORRI Conveyance[1] and the Partnership Agreement.[2]

- **Devaluation of the Partnership's ORRI—Failure to Develop the Leases.**

  As part of an alleged scheme to devalue and to terminate the Trust, Pioneer purportedly failed to develop the Leases subject to the ORRI and intentionally delayed hooking up a well on the Block A-39 Lease in the Midway Prospect to allow the Trust to fail for lack of adequate revenue. Woodside allegedly conspired with Pioneer to delay the development of the Midway Prospect.

Plaintiffs also assert claims against the Trustee that are derivative of the claims against Pioneer and Woodside, including a claim for breach of fiduciary duty. In short, Plaintiffs allege that the Trustee is somehow liable for the above-alleged actions by Pioneer and Woodside. The claims against the Trustee are not the subject of this motion or the conditional Settlement Agreement.

B. THE TERMS OF THE CONDITIONAL SETTLEMENT

The Trustee has conducted a thorough investigation of the claims against Pioneer and Woodside and determined that the claims either do not have any merit or are too speculative to justify the expenditure of the Trust's limited assets to pursue. The Trustee thus negotiated a settlement, the complete terms of which are contained in Exhibit A.

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[1] Overriding Royalty Conveyance, by Mesa Petroleum Co. to Mesa Offshore Royalty Partnership dated December 1, 1982.

[2] Articles of General Partnership dated November 30, 1982 (as amended by First Amended and Restated Articles of General Partnership dated December 1, 1982 and Amendment to First Amended and Restated Articles of General Partnership dated December 27, 1985).

The general terms of the settlement are:

1. Pioneer shall assign to the Partnership a two-stage overriding royalty interest concerning the Lease for Block A-39 that was the subject of the Pioneer-Woodside Farmout:

   a. Until Payout, the Partnership shall have an ORRI in the Pre-Payout 10% overriding royalty interest that Pioneer received from Woodside in the Block A-39 Lease.[3] The effect is that the Partnership shall receive a 4.5% ORRI in the Block A-39 Lease, which is calculated as follows: 50% (the one-half interest in the Block A-39 Lease subject to the ORRI Conveyance) of 90% (the Partnership's interest pursuant to the ORRI Conveyance) of 10% (Pioneer's overriding royalty interest from Woodside).

   b. If Payout occurs, the Partnership shall have an ORRI in the one-half interest of the Block A-39 Lease owned by Pioneer that is not burdened by the original ORRI assigned to the Partnership. The effect is that after Payout, which is generally the payment of the cost of drilling the well and other costs defined in the Settlement Agreement, the Partnership shall receive one-half of 90% of the Net Proceeds of any production from the Block A-39 Lease.

2. The Partnership's ORRI on all of the Leases shall not be subject to approximately $1,400,000 of costs already expended or accrued for plugging and abandonment of certain facilities on the Leases.

3. The Partnership's ORRI relating to the well on the Block A-39 Lease and the Partnership's ORRI on another prospect called Nimitz shall not be subject to any current or future plugging and abandonment costs or accruals.

4. Procedures are established for the timely sale of the assets of the Partnership by a public auction as required under the Trust Indenture, with the net proceeds of the sale distributed to the Trust unitholders as part of the termination and winding up of the Trust.

5. Pioneer shall continue to perform its regular operations as the Managing General Partner of the Partnership, including the execution of a Farmout transaction with a third party, Hydro Gulf of Mexico, L.L.C.

6. A release of Pioneer and Woodside from all claims pending in this lawsuit.

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[3] The ORRI Conveyance burdens only the one-half interest of the lease on Block A-39 that Pioneer's predecessor, Mesa Petroleum, owned at the time of the ORRI Conveyance. Mesa Petroleum acquired the other one-half of the Block A-39 Lease after the conveyance. Before the Pioneer-Woodside Farmout, Pioneer owned the entire Block A-39 Lease, but the Partnership's ORRI burdened only one-half of it.

The settlement is expressly conditioned on the Court's final approval of the settlement and dismissal of the claims against Pioneer and Woodside with prejudice after notice and a hearing to resolve any objections.

III. THE COURT SHOULD APPROVE THE CONDITIONAL SETTLEMENT

A. THE TRUSTEE HAS THE AUTHORITY TO SETTLE THE CLAIMS AGAINST PIONEER AND WOODSIDE

The Trustee's power to settle the Partnership's or Trust's claims against Pioneer and Woodside arises directly from the Trust Indenture and Texas law. The Trust Indenture expressly gives the Trustee the conclusive power and authority to resolve the claims of the Trust. *See* Trust Indenture §§ 3.01 and 3.05. A copy of the Trust Indenture is attached as Exhibit B. Moreover, under the Texas Trust Act (as codified in the Texas Property Code), the Trustee has the power to compromise and settle claims. TEXAS PROPERTY CODE *§113.019*. The Trustee further has the power to bring before this Court questions arising in the administration of the Trust. *Id.* at §115.001(a)(7).

The Trust and/or the Partnership own the claims against Pioneer and Woodside, not the Plaintiffs. Plaintiffs contend that the actions or inactions of Pioneer and Woodside somehow harmed the Partnership's ORRI. They also contend that Pioneer and Woodside breached obligations owed under the ORRI Conveyance and the Partnership Agreement. Plaintiffs, however, are not parties to either the ORRI Conveyance or the Partnership Agreement and do not own the ORRI. Only the Partnership, as the owner of the ORRI and the assignee under the ORRI Conveyance, and the Trust, as a 99.99% partner in the Partnership, have the right to recover any alleged damages to the Partnership or Trust.

B. TEXAS LAW ALLOWS THE COURT TO APPROVE THE TRUST'S SETTLEMENT

Texas law allows a Court to approve the Trustee's settlement without a jury trial even if Plaintiffs or other beneficiaries contest the settlement. In *Cogdell v. Forth Worth National Bank*,

544 S.W.2d 825 (Tex.Civ.App.—Eastland 1977, writ ref'd n.r.e.), the court approved the trial court's resolution of a contested settlement through a Petition for Instructions pursuant to Section 192 of the Restatement (Second) of Trusts and a comment to that section. Similar to section 3.05 of the Trust Indenture and Texas statutes, Restatement Section 192 provides:

> The trustee can properly compromise, submit to arbitration or abandon claims affecting the trust property, provided that in so doing he exercises reasonable prudence.

A comment to Restatement Section 192 states:

> *d.* Application *to court.* If the trustee is in doubt whether he should compromise or submit to arbitration a claim, he may ask the instruction of the court or he may agree thereto conditionally upon the subsequent approval of the court.

In *Cogdell*, the court utilized Restatement Section 192 and identified several factors this Court should consider to determine if the conditional settlement is in the best interest of the Trust and unitholders:

1. The probable validity of the claims.
2. The apparent difficulties in enforcing the claims through the courts.
3. The collectibility of any judgment recovered.
4. The delay, expense, and trouble of litigation.
5. The amount of the compromise as compared with the amount and collectibility of a judgment.

See Cogdell, 544 S.W.2d at 829.

C. A REVIEW OF THE *COGDELL* FACTORS DEMONSTRATES THAT THE COURT SHOULD APPROVE THE SETTLEMENT

1. The Trustee's investigation of the claims asserted against Pioneer and Woodside.

The Trustee has expended significant effort, time, and money to conduct an independent investigation of the allegations raised by the Plaintiffs. As part of its independent investigation, the Trustee has:

- Analyzed the transaction documents regarding the Pioneer-Woodside Farmout that Plaintiffs contend is improper, as well as the exploration and development efforts of the Block A-39 Lease that was the subject of the Farmout.

- Required information and explanations from Pioneer about Plaintiffs' allegations. Pioneer's response included an October 17, 2005, memorandum from its outside counsel, Vinson & Elkins, LLP, that the Trustee provided to MHLP.

- Investigated the claims to determine whether there is any potential for recovery. Counsel for the Trustee have analyzed the substantial document discovery produced by the parties in the litigation and attended depositions of various witnesses for Plaintiffs, Woodside, Pioneer, and JPMorgan.

- Reviewed the lending relationship between JPMorgan and Pioneer, including the terms of the loan, and the communications (or lack thereof) between the commercial lending department and trust department of JPMorgan.

- Engaged an independent auditor who conducted a comprehensive audit that included an examination of the alleged Pioneer accounting irregularities that Plaintiffs complain about. The auditor's report noted several exceptions, but none supported Plaintiffs' misplaced allegations.

- Engaged an independent petroleum engineer to prepare a reserve report and to analyze the economic effect of the disputed Pioneer-Woodside Farmout and the projected economic performance of the well drilled pursuant to the Farmout.

- Interviewed persons with knowledge of the allegations and conducted various meetings and discussions with all of the parties.

2. The claims against Pioneer and Woodside either are not valid or are too tenuous to justify the expense of litigation.

The extensive investigation performed by or on behalf of the Trust reveals that the claims of the Partnership and the Trust alleged by Plaintiffs either are not actionable against Pioneer and Woodside, or are so speculative and with little or no likelihood of recovery that the Trust and Partnership should not pursue the claims. Further, although immaterial to the Court's assessment of the fairness of the proposed settlement, the allegation that the Trustee has a conflict because of loans by JPMorgan to Pioneer is false. Both under the Trust Indenture and Texas law, there is no prohibition against JPMorgan's lending of non-Trust funds to Pioneer. *See* Trust Indenture §§ 3.04 and 3.07. Furthermore, Texas courts have held that a bank serving as a trustee does not

commit self-dealing or bad faith by making commercial loans of non-Trust funds to entities associated with the Trust. *See Interfirst Bank Dallas, N.A. v. Risser*, 739 S.W.2d 882 (Tex. App.—Texarkana 1987, no writ); and *Texas Commerce Bank, N.A. v. Grizzle*, 96 S.W.3d 240 (Tex. 2002).

a. Pioneer cannot be liable for failure to develop the leases because it expressly has no duty to drill wells.

One claim raised by the Plaintiffs is that Pioneer failed to develop timely and properly the Block A-39 Lease that is the subject of the Pioneer-Woodside Farmout, and in so doing (or not doing) caused the Trust to terminate prematurely. Pioneer, however, does not have any duty to develop the Block A-39 Lease or any of the other Leases that are subject to the ORRI Conveyance. *See* ORRI Conveyance § 9.1. Nor did Pioneer have a duty to ensure that its operations resulted in payments from the ORRI to the Partnership. *Id.* This failure to develop claim thus is not valid, nor is the claim that Pioneer is somehow responsible for the termination of the Trust because of its failure to develop.

b. Even if somehow improper, the Pioneer-Woodside Farmout transaction benefited, not harmed, the Trust and the Partnership.

Another claim asserted by the Plaintiffs is that the Pioneer-Woodside Farmout is invalid because it somehow violates the terms of the ORRI Conveyance. Plaintiffs contend the Farmout results in the Partnership holding a less favorable interest in the Block A-39 Lease. The Trustee's investigation, however, revealed that even if the Farmout were somehow improper (which Pioneer and Woodside firmly deny), the Farmout has been and is likely to continue to be a benefit to the Partnership and Trust. This is because the royalty the Partnership receives as a result of the Farmout is based on the interest Pioneer received under the Farmout and is predicted to be more valuable than the net profits interest the Partnership would retain if the Farmout were invalidated. Under the Farmout, the Partnership's royalty is not subject to the substantial costs

incurred drilling the well on the Block A-39 Lease that would burden the net profits interest if the Farmout were invalidated.

Further, the independent petroleum engineering analyses performed for the Trustee of the production data from the well on the Block A-39 Lease demonstrates that the well is only marginally economic and, at best, is predicted to not produce sufficient hydrocarbons that would result in payments to the Partnership if it holds only a net profits interest. As described below, the Settlement Agreement gives the Partnership the most valuable interest possible – if approved by the Court, the Partnership retains the cost-free ORRI on the Block A-39 Lease that currently exists under the Farmout, but if Payout does occur, the Partnership receives the more valuable net profits interest. This result is better than what Plaintiffs would obtain for the Partnership if they prevail on their claim to invalidate the Farmout.

c. The other claims against Pioneer and Woodside are contrary to uncontested evidence developed in discovery.

Plaintiffs' other allegations are similarly belied by the facts. Pioneer and Woodside encountered significant engineering and technical challenges bringing the hydrocarbons from the well on the Block A-39 Lease to market. This information dispels Plaintiffs' conspiracy theory that Pioneer and Woodside intentionally delayed production to starve the Trust of cash and thereby cause the financial termination trigger to occur. Further, as noted above, the Trustee's independent accounting auditor thoroughly reviewed relevant accounting records from Pioneer and did not find anything to support Plaintiffs' allegations that Pioneer improperly accounted for expenses to reduce income to the Trust.

Moreover, one of the main remedies sought by Plaintiffs – the continuation of the Trust – is contrary to the express terms of the Trust Indenture and is not in the best interest of the beneficiaries. Even if all of Plaintiffs' claims had merit, Plaintiffs cannot overcome the fact that the Trust had insufficient income to avoid the occurrence of the financial termination condition.

Finally, Plaintiffs own only a minority interest, and their actions are to the detriment of the other 86.5% Unitholders.

3. The conditional settlement achieves benefits greater than any probable judgment on Plaintiffs' claims.

As noted above, the Trustee believes the terms of the settlement achieve for the Trust and Unitholders are more than what Plaintiffs seek or any probable judgment they could obtain. Three examples demonstrate this. First, the two-stage ORRI from Pioneer relating to the Block A-39 Lease is better than the relief Plaintiffs desire. Plaintiffs contend that the Court should invalidate the Farmout to give the Partnership an ORRI based on net profits on the Block A-39 Lease instead of the royalty it receives under the Farmout. Plaintiffs' desired outcome does not make economic sense because the ORRI based on net profits would be burdened by the substantial costs of drilling the well on the Block A-39 Lease. In short, the Trust would receive nothing until the costs of the well (and other related costs) were completely satisfied from the sale of production from the well, if that ever occurs.

The two-stage ORRI from Pioneer under the settlement is the best of both worlds – it allows the Trust to continue to receive until Payout a 4.5% overriding royalty interest (one-half of 90% of the 10% pre-Payout overriding royalty interest Woodside provided to Pioneer) and, upon Payout, to receive the ORRI based on a larger net profits interest. This two-stage ORRI is more valuable to the Partnership, and hence the Trust, and should obtain a higher price upon the sale of the Partnership's assets as part of the required termination of the Trust. The settlement thus captures greater value than what could be recovered even if Plaintiffs' claims had merit, yet avoids the high costs and risks of litigation. Furthermore, no theory or claim of Plaintiffs, even if successful, would result in the two-stage ORRI.

Second, Plaintiffs do not assert any claim, and certainly have not developed any evidence, that would allow the Partnership to avoid paying $1,400,000 in plugging and

abandonment accruals. Third, the potential value added to the Partnership by Pioneer's continued operatorship of these assets until there is a public sale, including entry into such additional Farmouts as the recent Hydro transaction, is more certain than any of Plaintiffs' speculative claims.

IV. REQUESTED RELIEF—(1) NOTICE OF HEARING ON CONDITIONAL SETTLEMENT AGREEMENT, AND (2) AFTER THE HEARING, APPROVAL OF THE SETTLEMENT AGREEMENT

For the reasons stated above, the Trustee believes that the Settlement Agreement is in the best interests of Trust and the Unitholders and recommends that the Court approve it. The Trustee, however, believes that all the Unitholders, including the Plaintiffs, should have an opportunity to comment on or object to the Settlement Agreement at an evidentiary hearing. Accordingly, the Trustee requests the Court set a date for a hearing for the Court to consider any objections to the conditional settlement. After the Court sets the date for the hearing, the Trustee will send a notice of the hearing to all Beneficiaries of the Trust in accord with Sections 115.015 and 115.016 of the TEXAS PROPERTY CODE in the form of Exhibit C.

The Trustee further requests that at the hearing on the conditional settlement, the Court approve the Settlement Agreement and enter the proposed order attached as Exhibit D. The Trustee also requests any other relief to which it is entitled.

Respectfully submitted,

ANDREWS KURTH LLP

By: _____

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ATTORNEYS FOR JPMORGAN CHASE BANK, N.A., AS TRUSTEE FOR THE MESA OFFSHORE TRUST

CERTIFICATE OF SERVICE

I certify that on this the 30th day of January 2007, a copy of the foregoing pleading has been served in compliance with the Texas Rules of Civil Procedure on the following parties or counsel, as follows:

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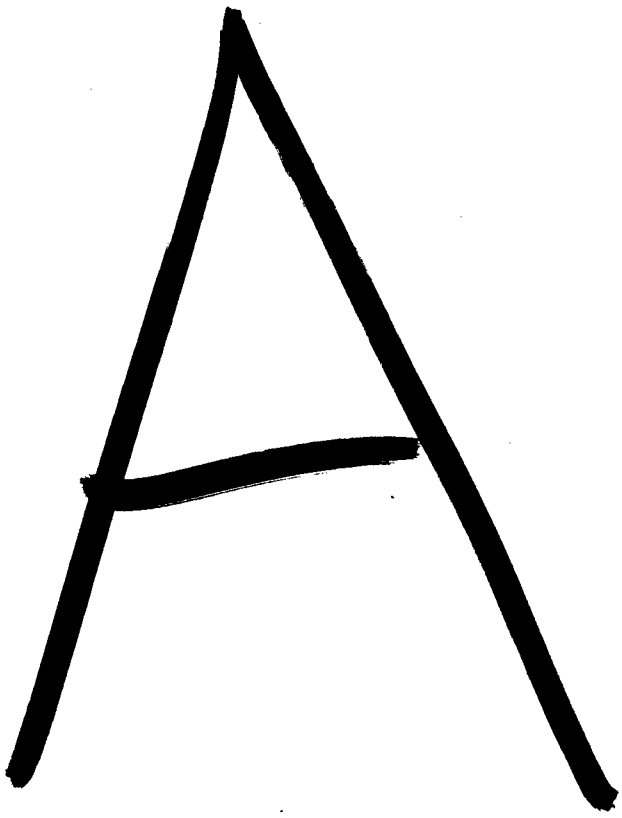


MUTUAL RELEASE AND SETTLEMENT AGREEMENT

The parties to this Mutual Release and Settlement Agreement (this "Agreement") are Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc. ("PNR") (collectively "Pioneer"); and the Mesa Offshore Trust (the "Mesa Trust"), acting by and through JPMorgan Chase Bank, N.A., in its capacity as trustee of the Mesa Trust (the "Trustee"). Pioneer, the Mesa Trust, and the Trustee are collectively referred to as the "Parties."

WHEREAS, the Mesa Trust was created in 1982, pursuant to that certain Royalty Trust Indenture dated December 1, 1982 (the "Trust Indenture"), to hold an interest in the Mesa Offshore Royalty Partnership (the "Mesa Partnership"), to discharge liabilities incurred in the operation of the Mesa Trust, and to distribute remaining amounts to the beneficiaries of the Mesa Trust.

WHEREAS, the Mesa Partnership is a Texas general partnership created in 1982, pursuant to Articles of General Partnership dated November 30, 1982 (as amended by First Amended and Restated Articles of General Partnership dated December 1, 1982 and Amendment to First Amended and Restated Articles of General Partnership dated December 27, 1985) (the "Partnership Agreement"), to receive and hold certain overriding royalty interests (the "Overriding Royalty Interest"), to discharge liabilities incurred in the operation of the Mesa Partnership, and to distribute remaining amounts to the partners of the Mesa Partnership. The Mesa Trust owns 99.99% of the Mesa Partnership.

WHEREAS, PNR is the sole managing general partner of the Mesa Partnership and also owns or operates leases that are burdened by the Overriding Royalty Interest owned by the Mesa Partnership. PNR owns 0.01% of the Mesa Partnership.

WHEREAS, the Overriding Royalty Interest owned by the Mesa Partnership was transferred and conveyed to the Mesa Partnership under that certain Overriding Royalty Conveyance (the "Conveyance Agreement"), effective December 1, 1982.

WHEREAS, Pioneer Natural Resources Company is the parent company of PNR.

WHEREAS, JPMorgan Chase Bank, N.A. serves as the trustee of the Mesa Trust and has executed this Agreement on behalf of the Mesa Trust.

WHEREAS, beneficial ownership of the Mesa Trust is divided among record and beneficial holders (the "Beneficiaries") of the 71,980,216 Units of Beneficial Interest in the Mesa Trust.

WHEREAS, on or about January 20, 2003, Woodside Energy (USA) Inc. ("Woodside") and PNR entered into a Farmout Agreement under which PNR agreed to transfer to Woodside, subject to the terms and conditions of the referenced Farmout Agreement, all of PNR's right, title, and interest to certain leasehold rights in Brazos Area Blocks A-7 and A-39, which rights were burdened by Overriding Royalty Interest owned by the Mesa Partnership under the Conveyance Agreement (the "Woodside Farmout Agreement").

EXHIBIT A

WHEREAS, pursuant to the Woodside Farmout Agreement, PNR transferred to Woodside certain rights to Brazos Area Block A-39 by that certain Partial Assignment of Operating Rights executed on or about April 7, 2005, reserving an overriding royalty interest of 10% of 8/8ths, proportionately reduced, which would increase to 12.5% of 8/8ths, proportionately reduced, after payout (the "Woodside Partial Assignment of Operating Rights").

WHEREAS, Pioneer maintains that, under the terms of the Conveyance Agreement, the farmout to Woodside of rights to Brazos Block A-39 caused the interest to be transferred to Woodside free and clear of the Overriding Royalty Interest owned by the Mesa Partnership burdening Block A-39 and caused the Mesa Partnership Overriding Royalty Interest in Block A-39 to be extinguished, subject only to the Mesa Partnership's right to share in the 10% (increasing after payout to 12.5%) overriding royalty interest retained by PNR in the Woodside Farmout Agreement and the Woodside Partial Assignment of Operating Rights.

WHEREAS, on April 11, 2005, MOSH Holding, L.P. ("MOSH") sued the Parties to this Agreement and Woodside in the 250th District Court of Travis County, Texas (the "Lawsuit"). MOSH, a Beneficiary of the Mesa Trust, is a Texas limited partnership that claims to own approximately 10% of the units of the Mesa Trust. The Lawsuit has been transferred and is now pending in the 334th District Court of Harris County, Texas (the "Court").

WHEREAS, on December 8, 2006, Dagger-Spine Hedgehog Corporation ("Dagger-Spine") filed a petition to intervene in the Lawsuit alleging claims virtually identical to those alleged by MOSH. Dagger-Spine is a Texas corporation that claims to own approximately 3.5% of the units of the Mesa Trust.

WHEREAS, MOSH and Dagger-Spine ("Plaintiffs") allege claims against Pioneer in the Lawsuit for, among other things, (1) a wrongful farmout of Brazos A-39 by Pioneer, (2) a wrongful delay by Pioneer in producing Brazos A-39, (3) fraudulent accounting practices by Pioneer, (4) breach of fiduciary duty by Pioneer, (5) aiding and abetting breach of fiduciary duty by Woodside, (6) misapplication of Mesa Trust property by Pioneer, (7) conspiracy to misapply fiduciary property by Woodside and Pioneer, (8) common law fraud by Pioneer, (9) gross negligence by Pioneer, and (10) breach of the Conveyance Agreement by Pioneer, such claims as more fully stated in MOSH's First Amended Original Petition, Verified Application for Temporary Restraining Order, Temporary Injunction, Show Cause Order, Permanent Injunction, and Request for Disclosure ("MOSH's Petition") and in Dagger-Spine's Petition in Intervention and Request for Disclosure ("Dagger-Spine's Petition") on file in the Lawsuit.

WHEREAS, Plaintiffs also allege claims against the Trustee in the Lawsuit for, among other things, (1) an accounting, (2) breaches of fiduciary duty, including the duty to refrain from self-dealing, duty of loyalty, and duty of full disclosure, (3) fraud, (4) gross negligence, and (5) partner (vicarious) liability, such claims as more fully stated in MOSH's Petition and in Dagger-Spine's Petition..

WHEREAS, through the Lawsuit, Plaintiffs seek various remedies from the Parties including, among other things, (a) reconstruing the Royalty Trust Indenture to prevent the Mesa Trust from terminating for failing to reach certain performance thresholds set forth in the Trust Indenture; (b) requiring the Trustee to pursue certain claims against Pioneer and Woodside, or to

allow Plaintiffs to pursue such claims on behalf of the Mesa Trust; (c) setting aside any farmouts by Pioneer in which there have been conveyances to an affiliate of Pioneer; (d) removing JPMorgan Chase Bank, N.A. as Trustee; (e) seeking return or forfeiture of compensation to JPMorgan Chase Bank, N.A.; (f) recovering monetary damages from Pioneer, Woodside, and JPMorgan Chase Bank, N.A.; and (g) pursuing exemplary damages.

WHEREAS, controversies exist whether Pioneer and Woodside are liable to the Mesa Trust as Plaintiffs allege.

WHEREAS, by reason of such controversies, the Parties have agreed to the following settlement and compromise of any and all claims that the Mesa Trust or the Mesa Partnership has or might have against Pioneer and Woodside, conditioned on approval by the Court as set forth herein.

NOW, THEREFORE, in consideration of the mutual promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which the Parties acknowledge, the Parties agree as follows, subject to approval by the Court as set forth herein.

ARTICLE I.
CONVEYANCES AND ADJUSTMENTS

1.1. PNR shall assign and transfer to the Mesa Partnership, or shall cause to be assigned and transferred to the Mesa Partnership, the A-39B ORRI (as defined in Schedule 1.1). The A-39B ORRI shall be in lieu of and shall replace and supersede any rights and interests that the Mesa Partnership and/or the Mesa Trust might otherwise own, claim or be entitled to in the A-39B Property (as defined in Schedule 1.1). The assignment provided for in this Section 1.1 shall be effective as of first production from the A-39 No. 5 Well and shall be substantially in the form of the Assignment of Overriding Royalty Interest attached as Schedule 1.1 hereto. On behalf of the Mesa Trust and the Mesa Partnership, the Trustee hereby agrees and consents to this assignment and transfer and to the related Amendment to the Conveyance Agreement attached as Schedule 1.1A hereto.

1.2. Pioneer, the Mesa Trust and the Trustee acknowledge that as of October 31, 2006, PNR's books and records reflected accrued but unsatisfied plugging, abandonment, and decommissioning costs incurred and projected to be incurred in the future allocable to the Overriding Royalty Interest held by the Mesa Partnership under the Conveyance Agreement of approximately $1.4 million (the "Prior P&A Costs"). The Prior P&A Costs relate to facilities now or previously located on the areas designated as Brazos Block A-7A, Brazos Block A-7B, Brazos Block A-39A, Matagorda Block 624, and South Marsh Island Block 155 (the "P&A Properties"). PNR represents that as of October 31, 2006, it had accrued no plugging, abandonment, or decommissioning costs allocable to the Overriding Royalty Interest held by the Mesa Partnership under the Conveyance Agreement relating to any properties other than the P&A Properties. PNR agrees to amend, and to cause the Mesa Partnership to amend, the Conveyance Agreement such that effective October 31, 2006, the Overriding Royalty Interest held by the Mesa Partnership shall not be subject to or liable for deductions for allocated accruals of the Prior P&A Costs relating to the P&A Properties. Such amendment shall also provide that no plugging, abandonment or decommissioning costs shall be allocated to the Overriding

Royalty Interest held by the Mesa Partnership, or be sought to be recovered from the Mesa Partnership, with respect to the Brazos A-39 No. 5 Well and facilities related to that well. The amendment shall contain a statement to the effect that the Mesa Partnership's interest under the Conveyance Agreement is unencumbered by and bears no share of or responsibility for additional plugging, abandonment, or decommissioning costs associated with activities occurring on or before October 31, 2006 with respect to any Lease (as defined in the Conveyance Agreement) or related facilities existing as of October 31, 2006 on or used in connection with any Lease. This amendment shall be substantially in the form of Schedule 1.2. On behalf of the Mesa Trust and the Mesa Partnership, the Trustee hereby agrees and consents to such amendment.

1.3. Pioneer, the Mesa Trust, and the Trustee acknowledge that PNR has negotiated an agreement with a Non-Affiliate (as such term is defined in the Conveyance Agreement), Hydro Gulf of Mexico, L.L.C. ("Hydro"), pursuant to which PNR is to farmout and assign to Hydro operating rights in the NE/4 of the NE/4 of Brazos Block A-39 (the "Farmout Lands") including the 50% undivided interest in such property currently burdened by the Overriding Royalty Interest under the Conveyance Agreement (the "Hydro Farmout Agreement"). The Hydro Farmout Agreement currently provides—in summary—that if Hydro drills an earning well in the area designated by the parties as the Nimitz prospect (consisting of the Farmout Lands and certain acreage owned by Hydro in adjoining lease blocks, the "Hydro Nimitz Prospect") and otherwise performs its obligations under the Hydro Farmout Agreement, then (i) PNR will assign to Hydro operating rights in the Farmout Lands, reserving a cost-free overriding royalty interest of 12.5% of 20% of 8/8ths production in the Farmout Lands, and (ii) Hydro will assign to PNR a like overriding royalty interest in the remainder of the Hydro Nimitz Prospect. Conditioned on the absence of any material changes to the Hydro Farmout Agreement as currently executed, and subject to Hydro's compliance with the terms of the Hydro Farmout Agreement and satisfaction of all requirements for Hydro to earn an assignment under the Hydro Farmout Agreement, PNR shall assign and transfer to, or cause to be assigned and transferred to, the Mesa Partnership an Overriding Royalty Interest (as such term is defined in the Conveyance Agreement) in 50% of the Retained Interest (as such term is defined in the Conveyance Agreement) reserved or otherwise acquired by PNR in the Hydro transaction. Based on the commercial terms currently expressed in the Hydro Farmout Agreement and subject to Hydro's compliance as stated above, PNR will assign and transfer to, or cause to be assigned and transferred to, the Mesa Partnership an interest equal to 90% of 50% of 20% of 12.5% of 8/8ths, or a 1.125% overriding royalty interest in the Hydro Nimitz Prospect, subject to the terms of the Conveyance Agreement and the Hydro Farmout Agreement. A copy of the Hydro Farmout Agreement is attached as Schedule 1.3 hereto. The Trustee acknowledges that Farmouts to Non-Affiliates of parts of the Subject Interests (as each of the foregoing capitalized terms are defined in the Conveyance Agreement) made in accordance with the Conveyance Agreement are permitted in PNR's discretion and that such Farmouts allow assignment of a portion of the Subject Interests free and clear of the Overriding Royalty Interest provided that the Royalty Owner receives an Overriding Royalty Interest in any Retained Interest reserved or acquired under such Farmout (as each of the foregoing capitalized terms are defined in the Conveyance Agreement).

1.4 Pioneer, the Mesa Trust, and the Trustee acknowledge that pursuant to Article 3.02 of the Trust Indenture the Trustee is directed to sell the Trust's interest in the Mesa Partnership, or to cause the Partnership to sell the assets of the Partnership, if the total amount of

cash per year received by the Trust for each of three successive years after December 31, 1987 is less than 10 times one-third of the total amount payable to the Trustee for management of the Trust for such three-year period. Based upon the audited books and records of the Trust, the amount of cash received by the Trust for each of the calendar years 2002, 2003 and 2004 was less than 10 times one-third of the total amount payable to the Trustee for management in such three-year period. The Parties acknowledge that pursuant to Article 6.04 of the Partnership Agreement the managing general partner, at the direction of the Trustee, is required to use its best efforts to sell or otherwise dispose of, upon such terms as may be specified by the Trustee, the assets of the Partnership including the Overriding Royalty Interest. The Parties further acknowledge that the Trustee must provide at least sixty (60) days written notice to MOSH concerning the Trustee's causing or consenting to the sale of the Overriding Royalty Interest owned by the Mesa Partnership. In accordance with the provisions of the Trust Indenture and the Partnership Agreement, and subject to the Court's orders in the Lawsuit, the Trustee intends and directs, subject to the provisions of Article II below, as follows.

(a) PNR, as managing general partner of the Mesa Partnership, shall use its best efforts to undertake the following steps to sell the assets of the Partnership on the timetable stated at section 1.4(b) below:

(i) PNR shall arrange for the sale through The Oil and Gas Clearinghouse, or another similar third-party firm routinely engaged in conducting auctions of mineral interests.

(ii) PNR shall provide to the auction firm non-confidential information commonly utilized in creating a data room such as a description of the assets to be sold and production and operational information relating to the properties that are currently the subject of the Overriding Royalty Interest. The Trust shall provide to PNR non-confidential information in its possession concerning the properties that are currently the subject of the Overriding Royalty Interest as would commonly be provided to potential bidders in auction sales for inclusion in the data room.

(iii) PNR shall cause the assets of the Partnership to be sold at public auction to the highest cash bidder. Pioneer shall not bid on or purchase any of the Partnership's assets.

(iv) PNR shall promptly pay or make provision for the payment of any liabilities of the Partnership from and distribute the cash received in the sale of the Partnership's assets in accordance with the Partners' Sharing Ratios as provided in the Partnership Agreement.

(b) PNR shall cause the sale to occur as soon as practicable, considering the required schedule of events imposed by the selected auction firm, after the first occurring of the dates specified below:

(i) 90 days following the logging and/or testing at objective depth of the well planned to be drilled to the Nimitz prospect described in section 1.2 above; or

(ii) 90 days following written notice to PNR from the Trustee to sell the assets of the Partnership.

(c) In any event, however, the sale shall occur on, or as soon as practicable after, July 1, 2007.

(d) Notice to the Beneficiaries of the Mesa Trust of this Agreement, provided in accordance with Section 2.1 below, shall constitute notice of sale as provided in Article 3.02 of the Trust Indenture; provided, however, that the Trustee shall issue an appropriate Form 8-K providing notice of the specific date selected for the sale and of the specific auction firm selected to conduct the sale at least 30 days prior to such sale.

(e) PNR shall be reimbursed, pursuant to Article V of the Partnership Agreement, for any out-of-pocket expenses incurred, and for any fees and expenses to third parties, associated with the actions described in this Section 1.4.

(f) The timetable provided for in 1.4(b) above may be subject to adjustment by Pioneer and/or the Trustee in the event of appeal of the Order provided for in Article II below subject, further, to the status of the bonding of such appeal.

ARTICLE II.
CONDITIONS PRECEDENT

2.1. Court Approval. This Agreement shall be expressly conditioned upon an Order by the Court approving of the Agreement, and this Agreement shall not be effective absent such an Order of the Court. This Order shall include a determination by the Court (1) that the Agreement is in the best interests of the Mesa Trust and its Beneficiaries, and (2) that the Trustee has the capacity and authority to settle all claims on behalf of the Mesa Trust against Pioneer and Woodside, including the claims brought by Plaintiffs in the Lawsuit, and to enter into this Agreement.

(a) *Motion to Approve Settlement Agreement and Petition for Instructions.* The Trustee shall seek Court approval of this Agreement by filing a Motion to Approve Settlement Agreement and Petition for Instructions (the "Motion").

(b) *Hearing on the Motion.* The Trustee shall set a preliminary hearing with the Court on the Motion at which the Trustee shall request the Court to issue an Order setting a final hearing on the Motion to occur no fewer than 30 days after the Trustee provides the notice required by the Court.

(c) *Notice to Beneficiaries.* The Trustee shall provide notice of this Agreement and the final hearing on the Motion to all Beneficiaries of the Mesa Trust in accord with Sections 115.015 and 115.016 of the TEXAS PROPERTY CODE. Within five days of serving notice on all Beneficiaries, the Trustee shall confirm to the Court and the

parties to the Lawsuit, in writing, that the Trustee provided notice to all Beneficiaries as ordered by the Court. The costs of providing the notice required by the Court shall be borne by the Mesa Trust.

(d) *Order.* The Trustee shall submit an Order approving the Motion and this Agreement substantially in the form attached as Exhibit A to this Agreement.

2.2. Failure to Obtain Court Approval. Court approval of the Agreement as set forth in Section 2.1 and the entry of a final Order as contemplated in Section 2.1(d) are necessary prerequisites to the enforceability of this Agreement. The Court's refusal to enter an Order substantially in the form of the order set forth in Section 2.1(d) renders this Agreement void and unenforceable between the Parties.

2.3. Modified Procedures. In the event that the Parties desire or are required to modify any of the procedures to be undertaken pursuant to this Agreement, they shall petition the Court, with notice to the parties to the Lawsuit, identifying the modification and seeking the Court's review and/or approval of the modification.

ARTICLE III.
RELEASES

3.1. Release by the Mesa Trust, the Trustee, and the Beneficiaries. Upon entry of the Order provided for in Article II above, JPMorgan Chase Bank, NA, in its capacity as Trustee, on behalf of itself, the Mesa Trust, and the Beneficiaries, and their respective parents, subsidiaries, affiliates, predecessors, successors and assigns, do hereby fully, finally, and forever release, acquit, and discharge Pioneer and Woodside, their respective parent companies, subsidiary companies, and affiliated companies and entities, and their directors, trustees, officers, employees, agents, and successors and assigns, from any and all claims that arise from or relate in any way to the claims, matters, or theories that are, or could have been, asserted in the Lawsuit; including, without limitation, any and all claims relating to alleged wrongful, imprudent, and/or unreasonable actions (or omissions) concerning (i) abandonment costs for the Subject Interests under the Conveyance Agreement, (ii) operation of the Subject Interests including allegations of improper delay of production and improper failure to drill additional wells, (iii) concealment of the value of the Subject Interests, (iv) capturing or converting profits belonging to the Trust, (v) enrichment at the expense of the Trust, and (vi) premature termination of the Trust and/or of the Mesa Partnership. This release shall also include any and all claims relating in any way to the Exploration Agreement between PNR and Woodside, effective January 20, 2003, the Farmout Agreement between PNR and Woodside, effective January 20, 2003, and the Partial Assignment of Operating Rights from PNR to Woodside dated on or about April 7, 2005. This release shall include and encompass any such claims, matters, or theories whether based in contract or in tort and whether based on alleged breaches of fiduciary duty, misapplication of fiduciary property, fraud, negligence or gross negligence, breach of contract, conspiracy, or aiding or abetting.

3.2. Release by Pioneer. Upon entry of the order provided for in Article II above, Pioneer, on their behalf and on behalf of their directors, trustees, officers, employees, agents, successors and assigns, do hereby fully, finally, and forever release, acquit, and discharge the

Mesa Trust and the Trustee, including their respective parent companies, subsidiary companies, and affiliated companies and entities, and their directors, trustees, officers, employees, agents, and successors and assigns, from any and all claims that arise from or relate in any way to the claims, matters, and theories that were, or could have been, asserted in the Lawsuit, including, without limitation, any and all claims described in Section 3.1 above.

3.3. Notwithstanding anything in this Article III to the contrary, the Parties, and each of them, reserve the right to enforce the terms of this Agreement including, without limitation, the rights and obligations provided in Article I above.

3.4. Nothing herein is intended to affect the rights or obligations existing as between Pioneer and Woodside. This Agreement does not express a release of any rights or obligations as between Pioneer and Woodside.

ARTICLE IV.
SALE AND WINDUP

4.1. The Parties acknowledge and agree that, subject to the Court's review and approval as provided in Article II above, upon completion of the sale and windup procedures described in Section 1.4 above, Pioneer and the Mesa Trust's relationship under the Overriding Royalty Conveyance, the Trust Indenture, and the Partnership Agreement shall be resolved and concluded and that the Mesa Partnership shall be dissolved and terminated in accordance with the Partnership Agreement.

ARTICLE V.
REPRESENTATIONS AND WARRANTIES

5.1. The Trustee's Representations and Warranties. The Trustee represents, warrants, and agrees that:

(a) it has consulted with competent legal counsel in connection with the Lawsuit and this Agreement, and that it fully understands all aspects of this Agreement;

(b) no promise, agreement, or representation that is not contained in this Agreement has been made to or relied on by the Trustee in executing this Agreement. It is relying on its own judgment in entering this Agreement, and has been fully represented and advised by legal counsel;

(c) in its professional judgment, this Agreement is in the best interests of the Mesa Trust and its Beneficiaries given (i) the probable validity, or lack thereof, of the claims asserted in the Lawsuit, (ii) the difficulty and expense of litigation, and (iii) the terms of the compromise among the Parties as set forth in this Agreement;

(d) this Agreement has been duly authorized by all requisite action by the Trustee on behalf of the Mesa Trust; and

(e) subject to approval by the Court of this Agreement as set forth in Article II, the Trustee has the full right and authority to enter into this Agreement on behalf of the Mesa Trust and to fully commit and bind the Mesa Trust to its terms.

5.2. Pioneer's Representations and Warranties. Pioneer represents, warrants and agrees that:

(a) it has consulted with competent legal counsel in connection with the Lawsuit and this Agreement, and that it fully understands all aspects of this Agreement;

(b) no promise, agreement, or representation that is not contained in this Agreement has been made to or relied on by Pioneer in executing this Agreement. It is relying on its own judgment in entering this Agreement, and has been fully represented and advised by legal counsel;

(c) it has the full right and authority to enter into the Agreement,

(d) this Agreement has been duly authorized by all requisite action on behalf of Pioneer; and

(e) the person executing this Agreement has the full right and authority to fully commit and bind Pioneer.

ARTICLE VI.
JURISDICTION, VENUE, AND CHOICE OF LAW

6.1. Enforcement of Agreement. Any dispute related to this Agreement must be raised by a Motion to Enforce Agreement in District Court in Harris County, Texas, or in any other court of competent jurisdiction located in Harris County, Texas. In executing this Agreement, the Parties hereby submit to the jurisdiction of any such court of competent jurisdiction located in Harris County, Texas.

6.2. Choice of Law. The laws of the State of Texas shall govern this Agreement and any disputes arising from its execution, validity, interpretation, construction, or enforcement.

ARTICLE VII.
MISCELLANEOUS PROVISIONS

7.1. Amendments in Writing. Any amendment to this Agreement must be in writing, must specifically refer to this Agreement, and must be signed by duly authorized representatives of each of the Parties.

7.2. Neutral Interpretation and Construction. Given that the Parties to this Agreement and their respective counsel have had the opportunity to draft, review, and edit the language of this Agreement, no presumption for or against any Party arising out of drafting all or any part of this Agreement shall be applied in any action relating to, connected to, or involving this Agreement.

7.3. No Liability by Any Party. This Agreement is made for the purpose of avoiding the expense, inconvenience, and uncertainty of litigation and is the result of a compromise of disputed claims. This Agreement shall not be construed as an admission of liability by any Party, and all Parties expressly deny any liability to any Party.

7.4. Merger Clause. This Agreement contains the entire agreement of the Parties; all prior negotiations, statements, or representations are hereby superseded and displaced. The Parties expressly disclaim reliance on any statements concerning this Agreement or the Lawsuit that are not expressly included in the terms of this Agreement.

7.5. Headings. The headings to the Articles and Sections of this Agreement are inserted for convenience only and shall not affect the construction or interpretation of this Agreement.

7.6. Executable in Counterparts. This Agreement may be executed in counterparts by the Parties, and when each Party has signed and delivered at least one such counterpart to the other Parties, each counterpart shall be deemed an original and taken together shall constitute one and the same Agreement.

7.7 Successor Liability. This Agreement and the obligations, contained herein, are binding obligations of the Parties, their respective successors and assigns.

EXECUTED ON January 26, 2007

MESA OFFSHORE TRUST

By: JPMORGAN CHASE BANK, N.A., as Trustee for the Mesa Offshore Trust

By: Bank of New York Trust Company, N.A., as attorney in fact

By: _____
Name: Mike Ulrich
Title: Vice President

PIONEER NATURAL RESOURCES COMPANY

By: _____

Name: Mark S. Berg

Title: Executive Vice President & General Counsel

PIONEER NATURAL RESOURCES USA, INC.

By: _____

Name: Mark S. Berg

Title: Executive Vice President & General Counsel

SCHEDULE 1.1

Form of

ASSIGNMENT OF OVERRIDING ROYALTY INTEREST

This Assignment of Overriding Royalty Interest ("Assignment"), dated effective 7:00 a.m. on April 20, 2006, is from **PIONEER NATURAL RESOURCES USA, INC.,** a Delaware corporation, whose address is 5205 North O'Conner Blvd., Suite 200, Irving, Texas 75039 ("Assignor"), to **MESA OFFSHORE ROYALTY PARTNERSHIP**, a Texas general partnership, whose address is 5205 N. O'Conner Blvd., Suite 200, Irving, Texas 75039-3746 ("Assignee"). Assignor and Assignee are sometimes collectively referred to herein as the "Parties" and individually as a "Party."

RECITALS

1. Reference is made to that certain Overriding Royalty Conveyance from Mesa Petroleum Co. (predecessor to Assignor) to Assignee, effective December 1, 1982, as amended (the "Original Conveyance").

2. Reference is also made to that certain Mutual Release and Settlement Agreement among Pioneer Natural Resources Company, Pioneer Natural Resources USA, Inc., Assignor, and the Mesa Offshore Trust (the "Mesa Trust"), acting by and through JPMorgan Chase Bank, N.A., in its capacity as trustee of the Mesa Trust (the "Trustee"), dated _____ (the "Settlement Agreement").

3. Reference is also made to that certain Partial Assignment of Operating Rights from Assignor to Woodside Energy (USA) Inc. ("Woodside") dated on or about April 7, 2005, approved by the United States Department of the Interior, Minerals Management Service, Gulf of Mexico Regional Office. (the "Woodside Assignment").

4. Pursuant to the Settlement Agreement, Assignor desires to assign to Assignee, and Assignee desires to accept, the A-39B ORRI (as defined below) in substitution and in lieu of any interest Assignee now holds, or is deemed to hold, in and to the A-39B Property (as defined below).

NOW THEREFORE, for and in consideration of the mutual agreements, covenants and conditions herein contained, the receipt and sufficiency of which are hereby acknowledged, and intending hereby to be legally bound, the Parties hereby agree as follows:

1. Defined Terms. As used in this Assignment, the following terms shall have the meanings set forth below.

"**After Acquired Leasehold Interests**" means the 50% leasehold interest and associated operating rights assigned to Assignor in and to the A-39B Property by the Subsequent Assignments.

"**A-39B ORRI**" means an overriding royalty interest in oil, gas and other hydrocarbons produced and saved from the A-39B Property, and being further described as follows:

(a) until Payout, an Overriding Royalty Interest in the Pre-Payout Woodside ORRI; and

(b) from and after Payout, an Overriding Royalty Interest in and to the After Acquired Leasehold Interests;

in each case subject to the terms of the Original Conveyance, as amended, this Assignment, and the Operating Agreement.

"**A-39B Property**" means the Oil and Gas Lease bearing Serial No. OCS-G 4559, effective January 1, 1981, by and between the United States of America, as Lessor, and Mesa Petroleum Co. and Texaco Inc., as Lessee, covering all of Block A-39, Brazos Area, as shown on OCS Leasing Map, Texas Map No. 5, containing 5,760 acres, more or less; INSOFAR AND ONLY INSOFAR as such lease covers the South Half of Block A-39, Brazos Area, containing 2,880 acres, more or less, from the surface down to 50,000 feet subsurface.

"**Operating Agreement**" means Offshore Operating Agreement dated effective January 20, 2003, as amended, by and between Pioneer Natural Resources USA, Inc., as Operator, and Woodside, as Non-Operator, covering the A-39B Property.

"**Original ORRI**" means any and all rights, titles and interests of Assignee in and to, or with respect to, the A-39B Property pursuant to the Original Conveyance.

"**Overriding Royalty Interest**" has the meaning given that term in the Original Conveyance.

"**Payout**" means the following: the first day of the month following the month in which Woodside has recouped from its share of the total proceeds from the sale of production from the initial well, and any subsequent well(s), drilled on the lands assigned to Woodside under the Woodside Assignment or lands pooled therewith, as applicable, after deducting lessor's and any overriding royalties, reasonable and necessary leasehold operating expenses, all taxes on production, an amount equal to all costs and expenses borne by or allocated to Woodside in respect of drilling, testing, completing, equipping, including the cost of constructing a platform or the cost of tying in the initial well to a third party platform, and operating the initial well and any subsequent wells drilled on the lands assigned to Woodside or the lands pooled therewith, and the costs of processing, transporting and marketing production including fees paid for and costs associated with production handling.

"**Pre-Payout Woodside ORRI**" means that portion of the overriding royalty interest reserved by Assignor pursuant to the Woodside Assignment attributable to periods, and oil, gas and other hydrocarbons produced and saved from the A-39B Property, prior to Payout, being ten percent of eight-eighths (10% of 8/8), proportionately reduced to the 50% interest conveyed in the Woodside Assignment, being five percent of eight-eighths (5% of 8/8).

"**Subsequent Assignments**" means, collectively,

(a) that certain Assignment of Record Title Interest by and between Texaco Exploration and Production Inc., as Assignor, and Mesa Operating Co., as Assignee, executed December 29, 1995 and effective December 31, 1995, approved by the United States Department of the Interior, Minerals Management Service, Gulf of Mexico Regional Office on June 18, 1996; and

(b) that certain Assignment of Record Title Interest by and between Bechtel Energy Partners Ltd., as Assignor, and Pioneer Natural Resources USA, Inc., as Assignee, executed June 13, 2000 and effective May 1, 2000, approved by the United States Department of the Interior, Minerals Management Service, Gulf of Mexico Regional Office on July 13, 2000.

2. ORRI.

(a) Conveyance. Assignor hereby assigns and transfers the A-39B ORRI to Assignee.

(b) Replacement of Original ORRI. Assignor and Assignee hereby acknowledge and agree that the Original ORRI is hereby terminated and discharged, that Assignor and the property that was the subject of the Original ORRI are released from any further burden or obligation with respect thereto, and that if and to the extent the Original ORRI survives, or is deemed to survive, such termination and discharge, the same is hereby re-assigned and re-transferred to Assignor, it being understood and agreed that the A-39B ORRI is in full replacement of and in lieu of the Original ORRI. For the avoidance of doubt, Assignee shall have no interest, pursuant to this Assignment or the Original Conveyance or otherwise, in or to that portion of the overriding royalty interest reserved by Assignor pursuant to the Woodside Assignment attributable to periods, and oil, gas and other hydrocarbons produced and saved from the A-39B Property, after Payout.

3. Subject to Original Conveyance. The Parties stipulate and agree that as a consequence of the execution, delivery and acceptance of this Assignment, the Subject Interests under the Original Conveyance (as the term "Subject Interests" is defined in the Original Conveyance) shall include (i) the Pre-Payout Woodside ORRI until Payout, and (ii) the After Acquired Leasehold Interests from and after Payout, subject to all limitations set forth in such definition of Subject Interests, but shall otherwise exclude the A-39B Property. The Parties stipulate and agree that, from and after Payout, Net Proceeds (as defined in the Original Conveyance) attributable to the A-39B ORRI as a Subject Interest shall not be subject to or reduced by any costs or expenses relating to the period prior to Payout that were deducted in calculating the occurrence of payout. The interest conveyed herein to be held, and to inure to the benefit of, Assignee and its successors and assigns.

4. Special Warranty. Notwithstanding anything herein to the contrary, this Assignment without warranty, either express or implied, except for a limited warranty by, through and under Assignor but not otherwise.

IN WITNESS WHEREOF, the Parties have duly executed this Assignment effective as of the date first above written.

ASSIGNOR: **PIONEER NATURAL RESOURCES USA, INC.**

By:_____
Name:_____
Title:_____

ASSIGNEE: **MESA OFFSHORE ROYALTY PARTNERSHIP**

By:_____, its managing general partner

By:_____
Name:_____
Title:_____

STATE OF TEXAS §
§
COUNTY OF DALLAS §

This instrument was acknowledged before me on _____, 2007, by _____, _____, of **Pioneer Natural Resources USA, Inc.**, a Delaware corporation, on behalf of said corporation.

Notary Seal:

_____
Notary Public in and for
The State of Texas

STATE OF TEXAS §
§
COUNTY OF _____ §

This instrument was acknowledged before me on _____, 2007, by _____, _____ of _____, managing general partner, on behalf of **Mesa Offshore Royalty Partnership**, a Texas general partnership.

Notary Seal:

_____
Notary Public in and for
The State of Texas

SCHEDULE 1.1A

Form of
AMENDMENT TO OVERRIDING ROYALTY CONVEYANCE

This Amendment to Overriding Royalty Conveyance is entered into effective 6:59 a.m. on April 20, 2006, by and between Pioneer Natural Resources USA, Inc., a Delaware corporation, whose address is 5205 North O'Conner Blvd., Suite 200, Irving, Texas 75039 ("PNR") and Mesa Offshore Royalty Partnership, a Texas general partnership, whose address is 5205 N. O'Conner Blvd., Suite 200, Irving, Texas 75039-3746 ("Mesa Partnership"). PNR and Mesa Partnership are sometimes collectively referred to herein as the "Parties" and individually as a "Party."

RECITALS

(1) Reference is made to that certain Overriding Royalty Conveyance from Mesa Petroleum Co. (predecessor to PNR) to Mesa Partnership, effective December 1, 1982 (the "Original Conveyance").

(2) Reference is also made to that certain Mutual Release and Settlement Agreement among Pioneer Natural Resources Company, PNR, and the Mesa Offshore Trust (the "Mesa Trust"), by and through JPMorgan Chase Bank, N.A., in its capacity as Trustee of the Mesa Trust (the "*Trustee*"), dated _____ (the "Settlement Agreement").

(3) Pursuant to the Settlement Agreement, PNR and Mesa Partnership desire to amend the Original Conveyance as provided herein.

NOW THEREFORE, for and in consideration of the mutual agreements, covenants and conditions herein contained, the receipt and sufficiency of which are hereby acknowledged, and intending hereby to be legally bound, the Parties hereby agree as follows:

1. **Subject Interests Definition.** Article I of the Original Conveyance is hereby amended by adding the following sentence to the end of the definition of Subject Interests:

> "Subject Interests shall further mean and include the Pre-Payout Woodside ORRI until Payout, and the After Acquired Leasehold Interest from and after Payout (as such capitalized terms are defined in that certain Assignment of Overriding Royalty Interest dated effective 7:00 a.m. on April 20, 2006 from Pioneer Natural Resources USA, Inc. to Mesa Offshore Royalty Partnership concerning the A-39B ORRI)."

IN WITNESS WHEREOF, the Parties have duly executed this Amendment effective as of the date first above written.

PIONEER NATURAL RESOURCES USA, INC.

By:_____
Name:_____
Title:_____

MESA OFFSHORE ROYALTY PARTNERSHIP

By:_____, its managing general partner

By:_____
Name:_____
Title:_____

STATE OF TEXAS §
§
COUNTY OF DALLAS §

This instrument was acknowledged before me on _____, 2007, by _____, _____, of **Pioneer Natural Resources USA, Inc.**, a Delaware corporation, on behalf of said corporation.

Notary Seal:

_____
Notary Public in and for
The State of Texas

STATE OF TEXAS §
§
COUNTY OF _____ §

This instrument was acknowledged before me on _____, 2007 by _____, _____ of _____, managing general partner, on behalf of **Mesa Offshore Royalty Partnership**, a Texas general partnership.

Notary Seal:

_____
Notary Public in and for
The State of Texas

SCHEDULE 1.2

Form of
AMENDMENT TO OVERRIDING ROYALTY CONVEYANCE

This Amendment to Overriding Royalty Conveyance is entered into effective _____, by and between Pioneer Natural Resources USA, Inc., a Delaware corporation, whose address is 5205 North O'Conner Blvd., Suite 200, Irving, Texas 75039 ("PNR") and Mesa Offshore Royalty Partnership, a Texas general partnership, whose address is 5205 N. O'Conner Blvd., Suite 200, Irving, Texas 75039-3746 ("Mesa Partnership"). PNR and Mesa Partnership are sometimes collectively referred to herein as the "Parties" and individually as a "Party."

RECITALS

(1) Reference is made to that certain Overriding Royalty Conveyance from Mesa Petroleum Co. (predecessor to PNR) to Mesa Partnership, effective December 1, 1982 (the "Original Conveyance").

(2) Reference is also made to that certain Mutual Release and Settlement Agreement among Pioneer Natural Resources Company, PNR, and the Mesa Offshore Trust (the "Mesa Trust"), acting by and through JPMorgan Chase Bank, N.A., in its capacity as trustee of the Mesa Trust (the "*Trustee*"), dated _____ (the "Settlement Agreement").

(3) Pursuant to the Settlement Agreement, PNR and Mesa Partnership desire to amend the Original Conveyance as provided herein.

NOW THEREFORE, for and in consideration of the mutual agreements, covenants and conditions herein contained, the receipt and sufficiency of which are hereby acknowledged, and intending hereby to be legally bound, the Parties hereby agree as follows:

1. **Abandonment Costs Definition**. Article I of the Original Conveyance is hereby amended by adding the following proviso to the end of the definition of Abandonment Costs:

> "; provided however, that effective as of October 31, 2006, Abandonment Costs shall exclude (i) the Prior P&A Costs and (ii) the Brazos A-39 No. 5 Well P&A Costs."

2. **New Definitions**. Article I of the Original Conveyance is hereby further amended by adding the following new definitions:

> "'**Brazos A-39 No. 5 Well P&A Costs**' means the plugging, abandonment, and decommissioning costs with respect to the well designated as No. 5 and located on the Brazos Block A-39 Lease and the related facilities allocated to such well.

'**Brazos Block A-39 Lease**' means the Oil and Gas Lease bearing Serial No. OCS-G 4559, effective January 1, 1981, by and between the United States of America, as Lessor, and Mesa Petroleum Co. and Texaco Inc., as Lessee, covering all of Block A-39, Brazos Area, as shown on OCS Leasing Map, Texas Map No. 5, containing 5,760 acres, more or less.

'**Designated Facilities**' means, collectively,

(a) Concerning Brazos Block A-7A, the Block A-7 No. A4 Well and well bore, and associated Block A-7 Pioneer Platform A (now abandoned and removed) bearing MMS Platform ID No. 10189 1, said platform comprised of three decks with four (4) slots.

(b) Concerning Brazos Block A-7B, the Block A-7 No. B1 Well and well bore, and associated Block A-7 Newfield Platform B bearing MMS Platform ID No. 146 1, said platform comprised of two decks with one (1) slot.

(c) Concerning Brazos Block A-39A, the Block A-39 No. A1 Well and well bore, the Block A-39 No. A2 Well and well bore, the Block A-39 No. A3 Well and well bore, and the associated Block A-39 Pioneer Platform A (now abandoned and removed) bearing MMS Platform ID No. 10202 1, said platform comprised of three decks with four (4) slots.

(d) Concerning Matagorda Island Block 624, the Block 624 Pioneer Platform A, bearing MMS Platform ID No. 10198 1, removed in year 2003, said platform comprised of three decks with nine (9) slots, said platform currently located at the Omega yard in New Iberia, Louisiana, awaiting disposal.

(e) Concerning South Marsh Island Block 155, the Block 155 Pioneer Platform A, bearing MMS Platform ID No. 22473 1, removed in year 2002, said platform comprised of three decks with twenty four (24) slots, said platform currently located at the Omega yard in New Iberia, Louisiana, awaiting disposal.

'**Prior P&A Costs**' means the approximately $1,400,000 of accrued plugging, abandonment and decommissioning costs related to Designated Facilities, expended and projected to be expended as reflected in the books and records of Assignor as of October 31, 2006, which costs have not, as of such date, been used in the calculation of Net Proceeds."

3. **No Currently Outstanding Abandonment Costs**. The Parties acknowledge and agree that effective as of October 31, 2006 Mesa Partnership's interest under the Original Conveyance is unencumbered by, and bears no share of or responsibility for plugging, abandonment or decommissioning costs associated with activities occurring on or before October 31, 2006, with respect to any Leases (as defined in the Original Conveyance), or associated with any facilities located on or used in connection with any Lease as of October 31, 2006, and that

Mesa Partnership has fully satisfied and discharged its share of and responsibility for plugging, abandonment and decommissioning costs associated with activities occurring on or before October 31, 2006 and facilities existing as of October 31, 2006 by virtue of charges previously assessed against Mesa Partnership's interest.

IN WITNESS WHEREOF, the Parties have duly executed this Amendment effective as of the date first above written.

PIONEER NATURAL RESOURCES USA, INC.

By:_____
Name:_____
Title:_____

MESA OFFSHORE ROYALTY PARTNERSHIP

By:_____, its managing general partner

By:_____
Name:_____
Title:_____

STATE OF TEXAS §
§
COUNTY OF DALLAS §

This instrument was acknowledged before me on _____, 2007, by _____, _____, of **Pioneer Natural Resources USA, Inc.**, a Delaware corporation, on behalf of said corporation.

Notary Seal:

_____
Notary Public in and for
The State of Texas

STATE OF TEXAS §
§
COUNTY OF _____ §

This instrument was acknowledged before me on _____, 2007 by _____, _____ of _____, managing general partner, on behalf of **Mesa Offshore Royalty Partnership**, a Texas general partnership.

Notary Seal:

_____
Notary Public in and for
The State of Texas

SCHEDULE 1.3
HYDRO FARMOUT AGREEMENT

PIONEER
NATURAL RESOURCES USA INC

November 2, 2006

Mr. Dan McCue
Senior Landman
Hydro Gulf of Mexico, L.L.C.
Two Allen Center
1200 Smith Street, Suite 800
Houston, TX 77002

Re: Farmout Agreement
Nimitz Prospect
Brazos Area Blocks A-24, A-25, A-39
Offshore Texas – Gulf of Mexico

Dear Mr. McCue:

Pioneer Natural Resources USA, Inc. ("Farmor") is the owner of the following oil and gas lease (the "Lease"), situated Offshore Texas, namely:

> Oil and Gas Lease of Submerged Lands under the Outer Continental Shelf Lands Act bearing MMS Serial No. OCS-G 4559, dated effective as of January 1, 1981 granted by the United States of America, as Lessor, in favor of Mesa Petroleum Co. and Texaco Inc., as Lessee, covering all of Block A-39, Brazos Area, as shown on OCS Leasing Map, Texas Map No. 5 (the "Lease").

Upon acceptance of this Farmout Agreement ("Agreement"), Farmor does hereby grant to Hydro Gulf of Mexico, L.L.C. ("Farmee") the right to acquire certain interests in the northeast quarter of the northeast quarter (NE/4 of the NE/4) of the Lease (the "Farmout Lands") under the terms and conditions set out below. Farmor and Farmee are herein sometimes referred to collectively as "Parties" and individually as "Party".

Farmor and Farmee have agreed to an allocation percentage representing a fair percentage that the Farmout Lands bear to the total prospect which is depicted on Exhibit "C" attached hereto and underlying portions of Brazos Area Blocks A-24 (E/2 SE/4), A-25 (W/2 SW/4) and A-39 (NE/4 NE/4) (the "Prospect Lands"). The "Agreed Allocation" is twenty percent (20%) of the Prospect.

I.
TEST WELL

On or before February 1, 2007, Farmee will commence or cause to be commenced the drilling of an exploratory test well ("Test Well") at a legal location on the Prospect Lands to be thereafter diligently drilled to a depth sufficient in the opinion of Hydro to adequately test the Chris I Sands, ("Contract Depth") which are seen at depths between 17,500' and 18,300' on the Induction Gamma Ray log of the Shell Brazos A-19 (OCS-G 3936) Well No. 2 (JC#1).

The Test Well, any Substitute Well (defined in Article II below) or any Subsequent Well (defined in Article III below) drilled under the terms of this Agreement shall be drilled free of any cost and/or liability of any kind or character to Farmor, and all risk, liability, costs or expenses incurred in connection with drilling, testing, completing, and equipping said well or wells or plugging or abandoning said well or wells shall be borne solely by Farmee, except as provided below.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS ARTICLE I OR ELSEWHERE IN THIS AGREEMENT, FARMEE SHALL NOT BE OBLIGATED TO DRILL OR COMMENCE DRILLING A TEST WELL OR ANY SUBSTITUTE WELL UNDER THE TERMS OF THIS AGREEMENT. Farmee will suffer no penalty other than the forfeiture of all rights under this Agreement in the event that Farmee does not drill or commence drilling the Test Well or any Substitute Well under the terms of this Agreement.

II.
SUBSTITUTE WELL

If, during the drilling of the Test Well, Farmee encounters impenetrable substances or conditions, including loss of the hole due to mechanical difficulties, which would cause a reasonably prudent operator under the same or similar conditions to discontinue drilling and to plug and abandon such well ("Discontinued Well"), Farmee will have the right, but not the obligation, to commence actual drilling operations on another well on the Prospect Lands, or a sidetracking operation on such Discontinued Well ("Substitute Well"), provided actual drilling of this Substitute Well is commenced within ninety (90) days after the date of rig release for the Discontinued Well. If such Substitute Well is timely and properly commenced and drilled in compliance with all terms and conditions provided herein, the Substitute Well will in all respects be considered as if it were the Test Well.

III.
SUBSEQUENT WELLS

Should the Test Well, or a Substitute Well, reach the Contract Depth and such well fails to qualify as a well capable of producing oil and/or gas in commercial quantities pursuant to 30 CFR §250.115 or §250.116, Farmee shall have the option to drill a subsequent well or wells on the Prospect Lands ("Subsequent Well") in an attempt to obtain United States Minerals Management Service determination that the Subsequent Well is capable of producing oil and/or

gas in commercial quantities pursuant to 30 CFR §250.115 or §250.116; provided that Farmee, not later than sixty (60) days after release of the drilling rig used for the last well drilled by Farmee pursuant to the terms of this Agreement, notifies Farmor that it plans to drill a Subsequent Well and actual drilling of said Subsequent Well commences no later than ninety (90) days after release of the drilling rig used for the last well drilled by Farmee pursuant to the terms of this Agreement.

IV.
INTEREST EARNED

Should Farmee drill the Initial Well, Substitute Well, or Subsequent Well to Contract Depth, comply with the terms of this Agreement, and obtain United States Minerals Management Service determination that said well is a well capable of commercial production as provided under 30 CFR §250.115 or 30 CFR §250.116, then said well shall be deemed the "Earning Well" and Farmee will earn an assignment of one hundred percent (100%) Operating Rights interest in the Farmout Lands from the surface down to 100' below the stratigraphic equivalent of the total depth drilled ("Earned Depth").

Upon written request by Farmee, Farmor shall prepare an Assignment of Operating Rights ("Farmor's Assignment"). Farmor's Assignment shall be without warranty, either express or implied, except for a limited warranty by, through and under Farmor but not otherwise. The interest assigned shall be subject only to Lessor's royalty and the reservations made by Farmor herein, and shall be free and clear of any other overriding royalty interests, production payments, or similar other burdens against the Lease.

Farmee shall not earn an interest in, or be responsible or liable for any existing wells, platforms, facilities or pipelines (including, without limitation, plugging and abandonment liability). All existing wells, platforms, facilities, pipelines and other equipment owned by Farmor (or its assigns) located on or crossing the Farmout Lands shall remain the property of Farmor and are specifically excluded from the Agreement. Notwithstanding anything contained herein to the contrary, it is agreed and understood, Farmor reserves under this agreement and shall reserve under any Assignment, all rights to drill through the Earned Depth in order to explore, develop and/or operate all rights owned by Farmor below the Earned Depth on the Farmout Lands. Farmor's right to drill through the Earned Depth shall not be construed to entitle Farmor the right to complete or produce in any rights covered by the Assignment, or to the use of any platforms or facilities owned by Farmee without Farmee's prior written consent.

V.
OVERRIDING ROYALTY INTEREST

Farmor shall reserve unto itself in Farmor's Assignment an overriding royalty interest in the Farmout Lands equal to 20% of 12.5% which shall become effective when Farmee earns an assignment of Operating Rights in the Farmout Lands as provided in this Agreement. Additionally, when Farmee earns an assignment of Operating Rights in the Farmout Lands, Farmee shall assign to Farmor an overriding interest from the surface down to Earned Depth in

the E/2 SE/4 of Brazos Area Block A-24 and the W/2 SW/4 of Brazos Area Block A-25 equal to 20% of 12.5% ("Farmee's Assignment"). Farmee's Assignment shall become effective when Farmee earns an assignment of Operating Rights in the Farmout Lands as provided in this Agreement. The Parties acknowledge and agree that it is their intention that, by virtue of the overriding royalty interest reserved in Farmor's Assignment and the overriding royalty interest granted and conveyed in Farmee's Assignment, Farmor shall be entitled to and shall receive a 20% of 12.5% interest in 8/8ths (equal to a 2.5% interest in 8/8ths) in and to the Earned Depth in the Prospect Lands and any production from the Earned Depth in the Prospect Lands.

The overriding royalty interest reserved in Farmor's Assignment and granted and conveyed in Farmee's Assignment shall be computed in the same manner and paid at the same time as the Lessor's royalty under the leases covering Blocks A-24, A-25 and A-39 and shall be free and clear of all royalty, overriding royalty, and other burdens associated with production and all costs and expenses of drilling and production.

The Parties acknowledge and agree that in the event that Farmee earns an interest in the Lease as provided herein, Pioneer shall have no further obligation or liability for maintenance of the Lease as to the NE/4 of the NE/4 of Brazos Block A-39 and further acknowledge and agree that any lapse or termination of the Lease shall not be considered a breach by Pioneer of its obligations hereunder or a breach of warranty hereunder. The overriding royalty interest reserved in Farmor's Assignment and granted and conveyed in Farmee's Assignment shall extend to and shall apply to any extensions or renewals by Farmee, its successor, or assigns affecting the Prospect Lands.

VI.
INFORMATION REQUIREMENTS

Farmee shall deliver free of cost to Farmor the information set out in Exhibit "A", attached hereto, and all other geological and geophysical, engineering, technical, production test, exploratory, or reservoir information, or any logs or other information and data which Farmee might acquire from the Test Well or any other well drilled by Farmee prior to earning an interest as provided in Article IV, or any well drilled by Farmee after earning whereby Farmor has an overriding royalty interest in the well. Delivery of such information to Farmor shall be a condition of Farmee to earning the assignment provided for in Article IV. Subject to Farmor's obligations of confidentiality set forth in Article VII below, Farmor shall have the right to copy, use, make derivative works and modify all such information, notwithstanding copyright or other restrictive legends placed thereon by Farmee, its subcontractors, or its suppliers. Farmor, including its representatives and consultants, shall have access at its sole cost, risk and expense to the rig floor at all times. Farmor shall coordinate in advance all visits to the drilling rig with Farmee.

VII.
CONFIDENTIALITY

For the purposes of this Agreement, the term "Confidential Information" shall include any geological, geophysical, engineering, technical, production test, exploratory, or reservoir information, or any logs or other information delivered to Farmor by Farmee pursuant to Article V above. The Confidential Information shall be the property of the Parties and shall be maintained by Farmee and Farmor as confidential for a period of one (1) year from the effective date of this Agreement or until such information is made public by a governmental authority, unless all Parties agree in writing to a lesser period of time. It is agreed and understood that if at any time Farmee relinquishes or allows to expire, all of its rights under this Agreement, in the Farmout Lands, then at such time the provisions of this Article shall automatically terminate with respect to Farmor. The obligation of each Party to protect Confidential Information shall be considered met by using at least the same degree of care as it uses in protecting its own proprietary materials of like kind.

Exceptions. The Parties shall not have any obligation to limit disclosure or use of any portion of Confidential Information which:

(a) is already in Party's possession prior to receipt hereunder;
(b) is now in or hereafter becomes publicly available through no fault of the receiving party;
(c) is disclosed to the Party without obligation of confidence by a third party which has the right to make such disclosure; or
(d) is independently developed by or for the receiving party without use or reliance on the Confidential Information received under this Agreement.

Limited Disclosure. Notwithstanding any other provision of this Agreement, any Party may make Confidential Information available to third parties without the consent of the other Parties as follows:

(a) To a consultant or engineering firm for hydrocarbon reserve or other technical evaluation, analysis or interpretation or for reprocessing for the Parties, provided that such consultant or engineering firm is not allowed to retain a copy of the Confidential Information after completion of its services and agrees in writing to treat it as confidential.
(b) To show, but not provide copies thereto, a third party: (1) with which such Party hereto is negotiating sale of its interest, or part thereof, under this Agreement and/or its working interest in the Lease; or (2) with which such Party hereto is negotiating a possible merger or consolidation or sale of its business operations which include this Agreement; provided that such third party or parties agree in writing to hold all such Confidential Information in confidence. In the event of completion of a transaction contemplated by this paragraph, a copy of all Confidential Information may be provided to the successor in interest of such

Party and such Party may also retain copies of the Confidential Information with all the rights and obligations which it had prior to the completion of the transaction.

(c) To show, but not provide copies thereof, to any third party or parties with which it is negotiating an agreement relating to the development, including transportation or sale, of minerals in, on or under any region which is geologically related to the area described in the Lease.

(d) To show and provide copies of the Confidential Information to an affiliate, including their managers, members, employees, officers, directors, attorneys, accountants, engineers, and other agents or consultants engaged by such affiliated party, provided that such affiliate agrees to be bound by the confidentiality provisions of this Agreement.

(e) To show and provide copies of the Confidential Information to owners of overriding royalty interests burdening Farmor's interest, including their managers, members, employees, officers, directors, attorneys, accountants, engineers, and other agents or consultants engaged by such party, provided that such party agrees to be bound by the confidentiality provisions of this Agreement.

(f) To show the Confidential Information to and provide copies thereof to agencies of federal and state governments, including any recognized stock exchange on which the securities of such Party are traded, having jurisdiction to the extent required by applicable law, rule or regulation, provided that such Party shall promptly advise the other Party of each request, demand, order, etc. for the Confidential Information, to whom disclosure is to be made, and the law, rule or regulation requiring disclosure and shall take all actions, and assist in taking all actions, as permitted by such laws, rules and regulations to object to such disclosure and to require the confidential treatment of the Confidential Information which must be disclosed.

VIII.
CONSENT TO ASSIGN

Farmee may not assign any rights under this Agreement without Farmor's prior written consent, and any assignment made without such consent shall be void. When requesting Farmor's consent to assign, Farmee shall provide Farmor with the name, address and percentage of participation of the proposed assignee. Should Farmee request Farmor's consent to assign to a willing and financially able party, Farmor's consent shall not be unreasonably withheld. It is understood and agreed that if Farmee elects to assign any rights under this Agreement to the extent permitted herein, that any such assignee shall ratify and become a Party to this Agreement. Notwithstanding Farmor's consent to assign, Farmee shall remain fully liable to Farmor for the performance of all obligations required under this Agreement. Furthermore, all assignments shall be made expressly subject to this Agreement and Farmor shall not be under any obligation to recognize any assignment of this Agreement pursuant to the terms hereof unless and until it has received from Farmee a true and correct copy of same and assignee has ratified this Agreement. This Agreement shall be binding upon and inure to the benefit of the Parties and

their respective heirs, successors, representatives, and assigns and shall constitute a covenant running with the Lease.

Notwithstanding anything to the contrary in this Article VIII, Farmor understands that Farmee's ability to commence the drilling of the Test Well provided for herein is contingent upon Farmee securing third-party participation. Farmor agrees to provide Farmee with said written consent to assign within five (5) working days following receipt of said request as defined above.

IX.
INDEMNITY

FARMEE SHALL RELEASE, INDEMNIFY, AND HOLD FARMOR HARMLESS, TO THE MAXIMUM EXTENT PERMITTED BY LAW, FROM AND AGAINST ANY CLAIMS, LIABILITIES, AND LOSSES FOR INJURY, DEATH OR DAMAGE OF EVERY KIND AND CHARACTER TO PERSONS, PROPERTY OR THE ENVIRONMENT ARISING OUT OF OR IN CONNECTION WITH FARMEE'S OPERATIONS UNDER THE TERMS OF THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO CLAIMS CONCERNING THE PRUDENCE OF FARMEE'S OPERATIONS ON OR RELATING TO THE PROSPECT LANDS AND INCLUDING CLAIMS DERIVING FROM ACTS OF FARMEE'S CONTRACTORS, SUBCONTRACTORS, SUCCESSORS AND ASSIGNS AND/OR THE SOLE OR CONCURRING NEGLIGENCE OR FAULT OF FARMOR, THEIR CONTRACTORS, SUBCONTRACTORS, SUCCESSORS AND ASSIGNS; PROVIDED THAT IF ANY SUIT IS FILED ON ANY SUCH CLAIM, FARMEE SHALL IMMEDIATELY NOTIFY FARMOR AND PERMIT FARMOR TO PARTICIPATE IN THE DEFENSE THEREOF WITHOUT WAIVER OR IMPAIRMENT OF FARMEE'S INDEMNITIES TO FARMOR. IT IS THE EXPRESSED INTENTION OF THE PARTIES HERETO THAT THE FOREGOING INDEMNITY IS AN INDEMNITY BY FARMEE TO PROTECT FARMOR FROM THE CONSEQUENCES OF FARMOR, ITS CONTRACTORS, SUBCONTRACTORS, SUCCESSORS AND ASSIGNS OWN NEGLIGENCE, WHETHER THAT NEGLIGENCE IS THE SOLE OR CONCURRING CAUSE OF THE INJURY, DEATH OR DAMAGE.

FARMOR SHALL RELEASE, DEFEND, INDEMNIFY, AND HOLD FARMEE, ITS PARENT, AFFILIATES, SUBSIDIARIES, JOINT VENTURERS, JOINT INTEREST OWNERS, PARTNERS, CO-OWNERS, CO-LESSEES, OR ANY PARTY TO WHOM FARMEE OWES INDEMNITY OR DEFENSE FOR THE "CLAIMS" AS DEFINED BELOW ("FARMEE GROUP") HARMLESS, TO THE MAXIMUM EXTENT PERMITTED BY LAW, FROM AND AGAINST ANY CLAIMS, LIABILITIES, LOSSES, ATTORNEYS' FEES, AND COSTS IN ANY WAY ARISING OUT OF, RELATING TO, OR IN CONNECTION WITH CLAIMS AGAINST FARMEE GROUP BY THE MESA OFFSHORE ROYALTY TRUST AND/OR ANY UNIT HOLDER(S) IN THE MESA OFFSHORE ROYALTY TRUST IN ANY SUIT FILED BY SUCH PARTIES AGAINST FARMEE GROUP BASED ON ALLEGATIONS THAT THIS FARMOUT AGREEMENT VIOLATES THE TRUST'S AND/OR SUCH UNIT HOLDER(S)' RIGHTS, OR THAT THIS FARMOUT AGREEMENT BREACHES CONTRACTUAL OR OTHER DUTIES OWED TO THE TRUST AND/OR SUCH UNIT HOLDER(S) AND FURTHER INCLUDING, WITHOUT LIMITATION, CLAIMS ARISING

FROM THE CAUSE CURRENTLY PENDING AS NO. 2006-01984, *MOSH HOLDING, L.P. V. PIONEER NATURAL RESOURCES COMPANY, ET AL.* IN THE 334TH JUDICIAL DISTRICT COURT OF HARRIS COUNTY, TEXAS (COLLECTIVELY, "CLAIMS"). IF ANY SUCH SUIT IS FILED AGAINST FARMEE GROUP, FARMEE SHALL IMMEDIATELY NOTIFY FARMOR THEREOF IN WRITING, AND FARMOR SHALL HAVE THE OPTION, BUT NOT THE OBLIGATION, TO ASSUME THE DEFENSE OF FARMEE GROUP IN SUCH SUIT AT FARMOR'S EXPENSE. IF FARMOR UNEQUIVOCABLY AND IRREVOCABLY ELECTS TO ASSUME THE DEFENSE OF FARMEE GROUP IN SUCH SUIT, FARMOR SHALL HAVE THE RIGHT TO SELECT COUNSEL OF ITS OWN CHOOSING TO REPRESENT FARMEE GROUP IN SUCH SUIT, AND FARMEE HEREBY CONSENTS TO THE REPRESENTATION OF FARMEE GROUP BY COUNSEL SELECTED BY FARMOR. IF BOTH FARMEE GROUP AND FARMOR ARE DEFENDANTS IN SUCH SUIT, FARMOR MAY, BUT NEED NOT, RETAIN THE SAME COUNSEL TO REPRESENT BOTH FARMOR AND FARMEE GROUP IN SUCH SUIT. IF FARMOR ELECTS NOT TO PROVIDE THE DEFENSE OF FARMEE GROUP IN A SUIT FOR WHICH INDEMNITY IS PROVIDED IN THIS PARAGRAPH, FARMOR SHALL REIMBURSE FARMEE FOR THE REASONABLE EXPENSES OF DEFENSE OF SUCH SUIT, INCLUDING COSTS, REASONABLE ATTORNEY'S FEES, AND EXPERT FEES. IT IS THE EXPRESSED INTENTION OF THE PARTIES HERETO THAT THE RELEASE, DEFENSE, INDEMNITY, AND HOLD HARMLESS OBLIGATION PROVIDED FOR IN THIS PARAGRAPH BY FARMOR TO FARMEE GROUP SHALL NOT, EXCEPT AS REQUIRED IN THIS PARAGRAPH, LIMIT OR DIMINISH THE INDEMNITY BY FARMEE TO FARMOR PROVIDED IN THE FIRST PARAGRAPH OF THIS ARTICLE IX.

X.
ASSUMPTION OF LIABILITIES

It is understood that Farmee shall assume all duties, responsibilities and liabilities in connection with all of its operations on the Prospect Lands, that Farmee shall incur all expenses associated with the drilling, equipping, operation, plugging, and abandonment of any wells drilled on the Prospect Lands and that Farmee shall perform all duties and make any and all filings and reports as necessary and obtain all necessary permits in connection with the drilling and plugging and abandoning of any well or wells drilled under the terms of this Agreement and Farmee does hereby agree to defend, indemnify and hold harmless Farmor from and against any damages arising directly or indirectly out of Farmee's performance or non-performance of such duties, responsibilities and liabilities. Farmor hereby consents to provide Farmee copies of permits and site data (including any shallow hazard surveys, bathymetry reports, and any soil boring reports) if and when available. HOWEVER, FARMOR MAKES NO WARRANTY, EXPRESS, IMPLIED, STATUTORY OR OTHERWISE AND HEREBY EXPRESSLY DISCLAIMS ALL SUCH WARRANTIES, AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION, PERMITS OR DATA SO FURNISHED. FARMEE HEREBY EXPRESSLY ASSUMES THE RISK OF THE INACCURACY OR INCOMPLETENESS OF SUCH INFORMATION, PERMITS OR DATA, RELEASES AND WAIVES ANY CLAIMS AGAINST FARMOR REGARDING SUCH INFORMATION, PERMITS OR DATA, AND

ACKNOWLEDGES THAT, WITHOUT SUCH WAIVER, FARMOR WOULD NOT FURNISH SUCH INFORMATION, PERMITS OR DATA.

XI.
SEVERAL LIABILITY

Farmor on the one hand and Farmee on the other hereby agree that the respective obligations and liabilities of the Farmor and Farmee under this Agreement shall be several, not joint or collective, and each Party shall be responsible for its own obligations. It is not the intention of the Parties to create, nor shall this Agreement be construed as creating, a mining or other partnership, agency or association between the Parties or to render them liable as partners, agents or associates.

XII.
COMPLIANCE

Farmee agrees to comply with all laws and regulations applicable to any activities carried out by Farmee, under the provisions of this Agreement and any amendments hereto. Farmee agrees to immediately notify Farmor of any material failures to comply with applicable laws or regulations, AND AGREES TO RELEASE, INDEMNIFY, DEFEND, AND HOLD HARMLESS FARMOR FROM AND AGAINST ANY AND ALL LOSSES, LIABILITIES, CLAIMS, DEMANDS, ORDERS, JUDGMENTS, NOTICES, DAMAGES OR OTHER MATTERS, WHETHER SIMILAR OR DISSIMILAR IN NATURE WHICH MAY ARISE FROM FARMEE'S FAILURE TO COMPLY WITH SUCH LAWS AND REGULATIONS.

XIII.
INSURANCE

During the term of this Agreement, Farmee agrees that in the event it conducts operations on the Farmout Lands, it shall maintain adequate insurance coverage as provided in Exhibit "B" attached hereto. Prior to the commencement of drilling operations on the Farmout Lands, Farmee agrees to furnish evidence of the required insurance coverage to Farmor. Farmor shall be named as "additional insured" under all insurance policies maintained by Farmee under this Article XIII (except the Workers' Compensation policy) and such policies shall also provide that the underwriters waive subrogation against Farmor.

XIV.
REPORTING ACCURACY

Farmee agrees that all financial settlements, billings and reports rendered to Farmor pursuant to this Agreement and/or any amendments, will, to the best of its knowledge and belief, reflect properly the facts about all activities and transactions, including those handled hereunder, which data may be relied upon as being substantially complete and accurate in any further recording and reporting made by Farmor for whatever purpose. Farmee agrees to notify Farmor promptly upon Farmee's discovery of any instance where it has reason to believe data supplied is no longer accurate or complete.

XV.
TIMELY OPERATIONS

If a well drilled by Farmee on the Prospect Lands has obtained qualification as a producible well under 30 CFR §250.115 or CFR §250.116, Farmee agrees to submit a Development and Production Plan for the approval of the United States Minerals Management Service. Submission of the Plan shall be made within a reasonable time after qualification of the well, as would a reasonably prudent operator. Thereafter, Farmee shall attempt to begin producing said well to market within twelve (12) months of the date of commencement of production set out in the activity schedule in the approved Development and Production Plan, as may be amended, and any approved Suspension of Production, as may be revised.

XVI.
AUDIT RIGHTS

Farmor, upon written notice to Farmee, shall have the right, for a period of twenty four (24) months from the end of the calendar year in which overriding royalty disbursement is or should have been received, to audit Farmee's records of all proceeds, operating expenses and any other data or information attributable to rights of Farmor pursuant to this Agreement.

XVII.
WELL TAKEOVER

If at any time Farmee elects to permanently abandon any well drilled under this Agreement on the Lease, then Farmor shall have the option to take over said well for any purpose. If Farmee elects to abandon such a well, it shall give notice to Farmor within forty-eight (48) hours (exclusive of weekends and holidays) of making its decision to so abandon. Within forty-eight (48) hours (exclusive of weekends and holidays) after receipt of such notice, Farmor shall notify Farmee whether it elects to exercise its option. Failure to respond timely shall be deemed a negative election.

If Farmor exercises the option to take over the well, it shall be entitled to operate the well in conjunction with any facilities (provided Farmor agrees to pay processing fees which are or would have been connected with operation of the well, and Farmor shall further be entitled to produce the well from any zone, formation, or reservoir encountered in the initial drilling of the well whether or not the zone, formation, or reservoir has been previously completed. In the event Farmor exercises such well takeover option, it shall pay Farmee the salvage value of the well and associated equipment (including the salvage value of the platform and facilities associated with the well), if any, less the estimated costs of salvaging and shall thereafter assume all further risk, responsibility and expense of plugging and abandoning the well. If Farmor elects not to take over the well, then Farmee shall thereafter promptly plug and abandon it in accordance with all rules and regulations of the United States Minerals Management Service.

XVIII.
RIGHTS TO PRODUCTION

Each Party shall own and have the right, but not the obligation, to receive in-kind and to separately dispose of its proportionate share of the oil and gas production from the Prospect Lands.

XIX.
LEASE MAINTENANCE PAYMENTS

Subsequent to execution of this Agreement and prior to the time Farmee receives an Assignment under this Agreement, Farmor shall pay any rentals and/or minimum royalty necessary to perpetuate the Lease subject to such Assignment. Subsequent to such Assignment, Farmor will continue to make such payments, provided; however, Farmor may be relieved of such obligation if Farmor, at its sole option, gives Farmee notice at least sixty (60) days prior to any payment due date, and thereafter Farmee shall be responsible for such payments. Notwithstanding the above, any rental payments made by Farmor prior or subsequent to any Assignment hereunder, shall be reimbursed to Farmor by Farmee within thirty (30) days of receipt of invoice for such payment. Such reimbursement shall be proportionately reduced on an acreage basis, taking into account the Lease area covers only a portion of OCS-G 4559. Farmor or Farmee as provided herein shall make a bona fide effort to pay such payments, but shall not be responsible to the other Party for losses or damages resulting from its failure to do so and Farmor shall not be otherwise responsible to Farmee for preservation of the Lease prior to the time Farmee is to receive an Assignment under this Agreement. Upon the written request of a non-paying Party, the Party responsible for making the rental or minimum royalty payments shall provide proof of any such payment.

XX.
REPRESENTATION AND WARRANTY

Farmee represents and warrants to Farmor that Farmee is duly qualified with the United States Minerals Management Service to operate and otherwise do business in the Outer Continental Shelf Gulf of Mexico.

XXI.
APPLICABLE LAW

THE LEASE AND ALL OPERATIONS CONDUCTED HEREUNDER BY FARMEE SHALL BE SUBJECT TO ALL VALID AND APPLICABLE FEDERAL LAWS, RULES, REGULATIONS AND ORDERS ("FEDERAL LAW"). TO THE EXTENT REQUIRED BY FEDERAL LAW, THE LAWS OF THE STATE ADJACENT TO THE LEASE SHALL APPLY. THIS AGREEMENT SHALL OTHERWISE BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE SUBSTANTIVE LAWS OF THE STATE OF TEXAS, EXCLUSIVE OF ANY PROVISIONS THAT WOULD DIRECT THE APPLICATION OF THE SUBSTANTIVE LAW OF ANY OTHER JURISDICTION. In the event this

Agreement, or any part thereof, contemplated hereby is found to be contrary to any law, this Agreement shall be regarded as modified accordingly and as so modified shall continue in full force and effect.

XXII.
SECTION HEADINGS

The section headings used herein are for convenience only and shall not be construed as having any substantive significance or as indicating that all of the provisions of this Agreement relating to any particular topic are to be found in any particular section.

XXIII.
MISCELLANEOUS

This Agreement contains and comprises the entire agreement between the Parties regarding the Lease and supersedes any previous negotiations or documents related thereto. Any amendments, changes or modifications to the rights and obligations of the Parties hereto shall be in writing and shall be effective only when agreed in writing by all Parties. Farmor makes no warranty, statutory, express or implied, with respect to its ownership in the Lease.

XXIV.
NOTICES

All notices given hereunder, except information as specified in Exhibit "A", shall be given to the Parties at the following addresses:

Hydro Gulf of Mexico, L.L.C.
Two Allen Center
1200 Smith Street, Suite 800
Houston, TX 77002
Attn: Dan McCue
Telephone: (713) 759-1770
Telefax: (713) 759-1773

Pioneer Natural Resources USA, Inc.
5205 N. O'Connor Blvd., Suite 200
Irving, Texas 75039-3746
Attn: Harold Sonnier
Telephone: (972) 444-9001
Telefax: (972) 969-3533

All notices hereunder shall be sufficiently given for all purposes if in writing and delivered personally, sent by documented mail or overnight delivery service or, to the extent receipt is confirmed, telecopy, telefax or other electronic transmission service to the appropriate address or number set forth above.

XXV.
FORCE MAJEURE

All obligations imposed by this Agreement on each Party, except for the payment of money and providing of indemnification, shall be suspended and all periods of time for exercising any rights hereunder shall be extended while compliance is prevented, in whole or in part, by a labor dispute, fire, flood, hurricane, war, civil disturbance, or act of God; by laws; by governmental rules, regulations, or orders; by governmental action or governmental delay; or by any other cause, whether similar or dissimilar, beyond the reasonable control of the said Party; provided, however, that performance shall be resumed within a reasonable time after such cause has been removed; and provided further that no Party shall be required against its will to settle any labor dispute.

Whenever a Party's obligations or rights are suspended or extended by a force majeure hereunder, such Party shall immediately notify the other Party, giving full particulars of the reason for such suspension or extension, and such Party shall thereafter diligently endeavor to remove or correct the cause of such Force Majeure event as soon as reasonably possible.

XXVI.
SUBSEQUENT BURDENS

Any overriding royalty, production payment, or net profits interest burden that may be created subsequent to the date of this Agreement, other than the overriding royalty interest reserved by Farmor under this Agreement and the overriding royalty interest granted and conveyed by Farmee under this Agreement, shall be the sole responsibility and borne out of the interest of the Party creating such burden.

If the foregoing terms and conditions are acceptable, please execute and return one (1) original copy of this Agreement.

Sincerely,

PIONEER NATURAL RESOURCES USA, INC.

By:_____

Name: Edwin Rees

Title: VP Legal

AGREED TO AND ACCEPTED this 3 day of November, 2006.

HYDRO GULF OF MEXICO, L.L.C.

By:_____

Name: Dan McCae

Title: Senior Landman

EXHIBIT "A"

Attached to and made a part of that certain Farmout Agreement dated effective _____, by and among Pioneer Natural Resources USA, Inc., as Farmor and Hydro Gulf of Mexico, L.L.C. as Farmee.

Pioneer Natural Resources USA, Inc.
5205 N. O'Connor Boulevard, Suite 200
Irving, Texas 75039-3746
Main: 972-444-9001
CONTACTS AND DATA REQUIREMENTS (OBO)

WELL NAME:	
OPERATOR:	
FIELD/PROSPECT:	
SURFACE LOCATION:	
PTD:	
OPERATOR AFE NO. / DATE:	
OPERATOR AFE DESCRIPTION:	

As a Working Interest Partner (or by holding another type of interest) in the above captioned well, Pioneer Natural Resources is providing its Contacts and Data Requirements as listed below.

DAILY REPORTS *Note: Info below to be used if a secure data website is not provided*	
By E-Mail: (DRLG)	Daily Drilling Reports by 7:00 AM (Dallas Time) **gilbertg@pioneernrc.com** Back-up fax in case of email failure is: 972-969-3564
By E-Mail: (G&G)	Daily Drilling Reports, Geological Reports, Mudlogs, LWD/MWD/AIT/CMR/ECS/HNGS/OBMI/DSI Logs by 7:00 AM (Dallas Time) **alan.hadfield@pxd.com and tom.spalding@pxd.com** Back-up fax in case of email failure is: 972-969-3519 (Primary) 972-969-3549 (Back-up)

REGULATORY AND DRILLING ENGINEERING DATA **MAIL TO:** **Pioneer Natural Resources USA, Inc.** **5205 N. O'Connor Blvd., Suite 200** **Irving, TX 75039-3746** **Attention: Lynne Foote (footel@pxd.com)**		
	COPIES	
ITEM	**FIELD**	**FINAL**
Authority for Expenditure (AFE)		1
Well Status Change Report		1
Drilling Prognosis (complete drilling program)		2

List of Vendors to be used for major equipment and service		1
Drilling Rig Contract		1
Location Plat		2
Directional Plan (wall plot) if applicable		2
Notification of Intent to Drill a Well		1
End of Well Reports		1
Regulatory Completion Reports*		1
All Government Reports and Correspondence With Regulatory Agencies*		1

*Note: Please provide copies of the Proprietary government filings, not the Public Record versions.

WELL CUTTINGS SAMPLES		
TYPE		SETS
Cuttings samples: at casing points or TD, send to C&M Storage, Schulenburg, TX (see Sect. II)		1

Note: A set of wet samples will be needed only in the event the Operator is not providing the results of their paleontological analysis to Pioneer.

NOTIFICATION LIST				
NAME/TITLE	OFFICE PHONE	HOME PHONE	MOBILE	EMAIL
Alan Hadfield, Staff Operations Geol.	972-969-3819	713-864-5703 (Fri PM – Sun only)	713-516-4250	alan.hadfield.pxd.com; hadfield@sbcglobal.net
Tom Spalding, VP-Exploration	972-969-3888			tom.spalding@pxd.com

Please notify one of the above contacts, starting with the Staff Operations Geologist, prior to any unscheduled coring or logging. Pioneer Natural Resources requests the following on the subject well:

I. General Requirements

A. In accordance with normal practices, Pioneer, at its own risk and expense and through its representative, shall have complete and immediate access at all times to the well or wells and the records thereof and may observe the conduct of operations. In this regard, Operator will provide Pioneer's representatives transportation on a space-available basis to and from said well or wells on regularly scheduled trips at the sole risk of Pioneer.

B. Pioneer shall be notified in sufficient time to allow a representative to be present for all logging, testing, and coring operations and shall be notified, by email or telephone, when a show of oil or gas deemed worthy of immediate or eventual evaluation is detected during operations. Such notice shall be given to one of the parties listed in the "Notification List".

C. While the Operator may elect to restrict the electronic transmission of well data to any non-secure site, all sites within the Pioneer firewall (@pioneernrc.com) shall be considered secure.

II. Drill Cuttings, Cores, and Fluid Samples

A. Operator shall furnish Pioneer with one (1) set of washed, sieved, and dried cuttings (with sufficient cuttings to completely fill the envelope). If possible, the samples shall be in 30-foot depth intervals (10-foot intervals in zones of interest) from first returns to total depth, **DO NOT MICROWAVE SAMPLES.** Individual sample bags and envelopes are to be labeled clearly, with indelible ink, with the following information:

Operator
OCS & Well Number
Area, Block Number, and Prospect Name
API Number
Sample Interval

Cuttings are to be sent to Pioneer's sample-storage site as designated below. Shipping bags/boxes are to be labeled clearly with the Operator Name (with "Pioneer Set" after Operator Name), Well Name and Number, Block Name and Number, and sample interval, and shipped to:

C&M Storage, Inc.
P.O. Box 295
3311 South US Hwy 77
Schulenburg, TX 78956
Phone: 979-562-2777
Fax: 979-562-2776
Email: cmstor@cvtv.net

NOTE: Pioneer will NOT require a set of wet samples unless it will be necessary for them to perform their own paleontological analysis. Check with the Staff Operations Geologist if there is a question pertaining to the preferred sample program.

B. Operator shall provide Pioneer with a sample of fluids, if requested and if sufficient volume exists, recovered from wireline or conventional well tests with an accompanying transmittal letter for each sample containing well name, fluid type, test number, depth interval, date and time of collection, and any other pertinent data.

C. Pioneer shall be furnished a copy of all analyses performed by third-party venders on well cuttings samples, whole core or sidewall core samples, and fluid samples.

III. Mudlogs, MWD Logs, Wireline Logs, Core Analyses, and Reports

Pioneer requests that all relevant well data be posted to a common data-sharing address (such as Petrolink or Wellhub). In the event the Operator chooses not to utilize such a service, data should be emailed to both the Operations Geologist and the Exploration Geoscientist.

A. The 1" mud log, the 1" LWD/MWD log, and the mudlogger's report shall be emailed twice daily to Pioneer as noted on page 1. On directional or deviated wells, both measured-depth (MD) and true-vertical-depth (TVD) logs are required.

B. Prior to any wireline log run, Operator shall notify Pioneer so that Pioneer may elect to have a representative present on location. Notification may be made by contacting any of the people listed in the "Notification List " starting with the Operations Geologist. Digital data transmission arrangements shall be made by contacting the Operations Geologist at the number(s) listed above.

C. All wireline logs shall be emailed to Pioneer as soon as possible after each log run.

D. Pioneer shall be provided access to the "Field Final" digital data ASAP after each log run, as well as a final merged composite "Library" file (LAS/DLIS/graphical formats, CD-ROM preferred) within ten (10) business days at the end of the well or after the final logging run.

E. Pioneer's log and report requirements are listed on pages 1 & 2.

EXHIBIT "B"

Attached to and made a part of that certain Farmout Agreement dated effective _____, by and among Pioneer Natural Resources USA, Inc., as Farmor and Hydro Gulf of Mexico, L.L.C. as Farmee.

SCHEDULE OF INSURANCE

Prior to commencing operations under this Agreement, Farmee shall obtain at Farmee's expense insurance policies and endorsements outlined below with policy limits specified in U.S. currency not less than those indicated to cover all operations to be performed under this Agreement. All insurance required herein shall be provided by reliable insurance companies acceptable to Farmor and authorized to do business in the state or area in which operations are to be performed. Such insurance shall be in force at the time operations are commenced and shall remain in force for the duration of this Agreement, unless a later date is specified below.

1. **WORKER'S COMPENSATION AND EMPLOYER'S LIABILITY INSURANCE:** And including occupational disease as required by applicable Worker's Compensation laws for all employees performing operations hereunder. Said coverage shall afford Employer's Liability Coverage, including occupational disease, with limits not less than $1,000,000 in any one accident. Where applicable, such coverage shall be extended to include liability to employees under the Federal Longshoremen's and Harbor Worker's Compensation Act, as amended, including the Outer Continental Shelf Land Act extension, the Jones Act, the Death on the High Seas Act, Admiralty Act, and the General Maritime Laws including liability for transportation, wages, maintenance and cure to injured maritime employees. Such maritime coverage shall have a territorial extension for the area in which the operations are performed. This coverage shall include Maritime Employer's Liability insurance endorsed to include coverage for voluntary compensation, borrowed servant, and In Rem.

2. **COMPREHENSIVE OR COMMERCIAL GENERAL LIABILITY INSURANCE**: Covering all operations by or on behalf of Farmee against claims for bodily injury, including death, and property damage. Such insurance shall provide coverage for: Premises and Operations, Products and Completed Operations, Independent Contractors, Contractual Liability sufficient to insure the indemnity provisions herein, Broad Form Property Damage, Explosion (X), Collapse (C) and Underground (U) Hazards coverage, Pollution Liability (sudden and accidental), Gulf of Mexico Territorial Extension, Action Over Clause, and if not insured under aviation or maritime policies, deletion of Non-Owned aircraft / watercraft exclusions, at limits of liability not less than $1,000,000 combined single limit per occurrence for bodily injury and property damage. Policy aggregates, if any, shall apply separately to each annual policy period. If this insurance is written on a claim made policy form, then the policy shall be endorsed to include an extended reporting period of at least one (1) year.

3. **AUTOMOBILE PUBLIC LIABILITY INSURANCE**: To over liability arising out of the ownership, maintenance or use of owned, hired or non-owned automotive equipment at limits of $1,000,000 combined single limit bodily injury and property damage.

4. **AIRCRAFT LIABILITY INSURANCE** (if aircraft are involved): Aircraft (including helicopters) Liability Insurance with a combined single limit of not less than $25,000,000 for Bodily Injury and Property Damage Liability covering owned and non-owned aircraft and including passengers, which can be a combination of primary and excess.

5. **OPERATOR'S EXTRA EXPENSE INSURANCE**: To include control of well, blowout and cratering, and sudden and accidental pollution with limits of at least Fifty-Million and No/100 Dollars ($50,000,000.00). The insurance shall also include coverage for bringing an out of control well under control, debris removal, restoration of the hole, extra expense, evacuation expense, and deliberate well firing.

6. **OIL POLLUTION ACT ENDORSEMENT** with a limit of liability of $35,000,000, or otherwise qualify for the MMS Exempt List.

7. **PROTECTION AND INDEMNITY INSURANCE (P&I)** for all vessels owned, operated, or chartered by or for the Farmee, with a limit of insurance of at least $20,000,000.The insurance provided shall include collision liability, tower's liability, marine contractual liability sufficient to insure the indemnity obligations herein, debris removal, sudden and accidental pollution liability, and if not insured elsewhere, crew coverage. Farmee shall cause the insurer providing the coverage to waive its right to limit its liability to the value of the vessel with respect to the Farmor. The phrase "as owner of vessel named herein" and all similar phrases purporting to limit the insurer's liability to that of an owner shall be deleted.

8. **POLLUTION LIABILITY INSURANCE**, if coverage is provided outside of a P&I Club entry, with a limit of insurance of $50,000,000, which can be a combination of primary and excess.

9. **EXCESS UMBRELLA LIABILITY INSURANCE** with limits and serving to increase the limits of said coverages Fifty Million and No/100 Dollars ($50,000,000.00) any one occurrence, in excess of the coverage outlined in Sections 1)(employers liability only), 2), 3), and 8).

10. **ADDITIONAL REQUIREMENTS**:
Farmee shall submit to Farmor at the time Farmee executes this Agreement, a Certificate of Insurance evidencing that coverage of the type and limits set forth hereinabove are in effect. Policies providing such coverages shall contain provisions that no cancellations or material changes in the policies shall become effective except on thirty (30) days advance written notice thereof to Farmor, provided, however, that no such material changes or cancellations shall relieve Farmee of its obligation to maintain insurance in accordance with this Exhibit. Irrespective of the requirements as to insurance to be carried as

provided for herein, the insolvency, bankruptcy or failure of any insurance company carrying insurance of Farmee, or the failure of any insurance company to pay claims accruing, or the inadequacy of the limits of the insurance, shall not affect, negate or waive any of the provisions of this Agreement, including, without exception, the indemnity obligations of Farmee.

Farmee agrees to require any policies of insurance, except Workers' Compensation coverages, which are in any way related to operations on the lease and that are secured and maintained by Farmee or its subcontractors, to include Farmor, its Affiliates and their directors, officers, employees and agents, as Additional Insured to the extent of the liabilities assumed by Farmee under this Agreement, except for Paragraph 1 and 5 above. Furthermore, Farmee shall waive all rights of recovery against Farmor, and their Affiliates which Farmee may have or acquire because of deductible clauses in or inadequacy of limits of, any policies of insurance maintained by Farmee.

To the extent of the liabilities assumed by Farmee under this Agreement, Farmee agrees to require all such policies of insurance which are in any way related to the operations on the lease and that are secured and maintained by Farmee, to include clauses providing that each underwriter shall waive its rights of recovery, under subrogation, against Farmor, and their affiliates, directors, officers, employees and agents.

Farmee warrants that Certificates of Financial Responsibility (COFR's) are on file with the U.S. Coast Guard as per Federal requirements.

All insurance obligations under this Exhibit shall be independent of the indemnity obligations contained in the Agreement and shall apply regardless of whether the indemnity provisions contained in the Agreement are enforceable.

NO. 2006-01984

MOSH HOLDING, L.P.,	§	IN THE DISTRICT COURT OF
	§	
PLAINTIFF,	§	
	§	
V.	§	
	§	
PIONEER NATURAL RESOURCES COMPANY; PIONEER NATURAL RESOURCES USA, INC.; WOODSIDE ENERGY (USA), INC.; AND JPMORGAN CHASE BANK, N.A., AS TRUSTEE OF THE MESA OFFSHORE TRUST	§	HARRIS COUNTY, TEXAS
	§	
DEFENDANTS.	§	334TH JUDICIAL DISTRICT

FINAL ORDER APPROVING MUTUAL RELEASE AND SETTLEMENT AGREEMENT AND DISMISSAL WITH PREJUDICE

Pending before the Court is the Motion for Approval of Settlement and Petition for Instructions to the Trustee Regarding Final Settlement Approval (the "Motion"). After a hearing conducted on _____, the Court has reviewed the Motion, all responses and objections to the Motion and the Mutual Release and Settlement Agreement (the "Settlement Agreement") that is the subject of the Motion, the evidence presented by the parties and interested persons, the arguments of counsel, and finds that the Motion should be granted.

The Court makes the following findings in connection with this Order:

1. The Court has the authority under Texas law to approve the Settlement Agreement and to dismiss with prejudice the claims asserted in this lawsuit against Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc. (together, "Pioneer") and Woodside Energy (USA), Inc. ("Woodside") pursuant to the Motion and the Settlement Agreement.

2. The Trustee provided appropriate notice to beneficiaries of the Trust in accord with the provisions of Texas Property Code, including Sections 115.015 and 115.016.

EXHIBIT A

3. Pursuant to Texas law, the Royalty Trust Indenture dated December 1, 1982 (the Trust Indenture"), the Overriding Royalty Conveyance dated December 1, 1982, and the Articles of General Partnership dated November 30, 1982 (as amended by First Amended and Restated Articles of General Partnership dated December 1, 1982 and Amendment to First Amended and Restated Articles of General Partnership dated December 27, 1985) (the "Partnership Agreement"), JPMorgan Chase Bank, as Trustee of the Mesa Offshore Trust (the "Trustee"), has standing and the authority to cause the Mesa Offshore Trust (the "Trust"), the beneficiaries of the Trust, and (as the 99.99% General Partner of the Mesa Offshore Royalty Partnership (the "Partnership")) the Partnership to enter into the Settlement Agreement, to compromise the claims asserted against Pioneer and Woodside in this lawsuit, and to receive the benefits and consideration provided to the Trust and the Partnership pursuant to the Settlement Agreement.

4. The Trustee, Pioneer, and Woodside conducted settlement negotiations at arms' length and in good faith. The Trustee negotiated the Settlement Agreement in the best interests of the Trust and the Trust's beneficiaries.

5. The Trustee has diligently investigated the claims asserted against Pioneer and Woodside in the pleadings filed by MOSH Holding, L.P. and Dagger-Spine Hedgehog Corporation in this lawsuit. The claims against Pioneer and Woodside asserted in this lawsuit are not valid or are too speculative to justify using the Trust's assets to pursue.

6. The evidence that the parties would offer on the trial of this case would be voluminous, complex, and sharply conflicting, and a trial on the merits of this action would be extremely lengthy, complex, and expensive.

7. The proposed settlement agreement gives the Partnership, the Trust, and the Trust's beneficiaries substantial benefits and advantages that would not be available to them

even if Pioneer and Woodside were found liable on all of the claims raised in this lawsuit. The benefits achieved by the Settlement Agreement are more certain and greater than the benefits that likely could be obtained in a trial of this lawsuit.

8. The Settlement Agreement is advantageous for and in the best interest of the Trust and all of the beneficiaries of the Trust, including, without limitation, MOSH Holding, L.P. and Dagger-Spine Hedgehog Corporation.

9. The Trustee acted reasonably and properly in negotiating and executing the Settlement Agreement.

10. The actions of JPMorgan Chase Bank, in its capacity as Trustee and in its individual capacity, do not create any conflicts, including any conflicts arising from JPMorgan Chase Bank's lending relationship with Pioneer and its responsibilities as Trustee. No conflict of interest exists between the Trust, the beneficiaries of the Trust, and the Trustee.

11. The claims asserted in this lawsuit against Pioneer and Woodside belong to the Partnership or the Trust. Any recovery that could be obtained pursuant to the claims raised in this lawsuit would belong to and be for the benefit of the Partnership or the Trust, and not directly for the beneficiaries of the Trust, including MOSH Holding, L.P. and Dagger-Spine Hedgehog Corporation. The beneficiaries of the Trust do not have standing to assert the claims stated in this lawsuit against Pioneer and Woodside.

12. The total amount of cash that the Trust received per year in 2002, 2003, and 2004 was less than ten times one-third the total amount payable to the Trustee under Article VII of the Trust Indenture for such three-year period. Accordingly, the Trust Indenture requires the Trustee to sell the assets of the Trust or to cause the Partnership to sell the Partnership's assets. The procedures for the sale of the assets of the Partnership and the distribution of the net proceeds

from the sale of those assets that are stated in the Settlement Agreement are reasonable, necessary, and satisfy the obligations of Pioneer and the Trustee under the Partnership Agreement, the Overriding Royalty Conveyance, and the Trust Indenture.

It is therefore ORDERED that:

1. The Court approves the Settlement Agreement, which is attached as Exhibit A. All of the terms and provisions of the Settlement Agreement are incorporated into this Order. The Trustee is instructed to consummate the Settlement Agreement and to enforce its terms.

2. The claims and causes of action asserted against JPMorgan Chase Bank, N.A., as Trustee of the Mesa Offshore Trust, in this lawsuit are severed from the main cause and shall be docketed under cause number 2006-01984-A.

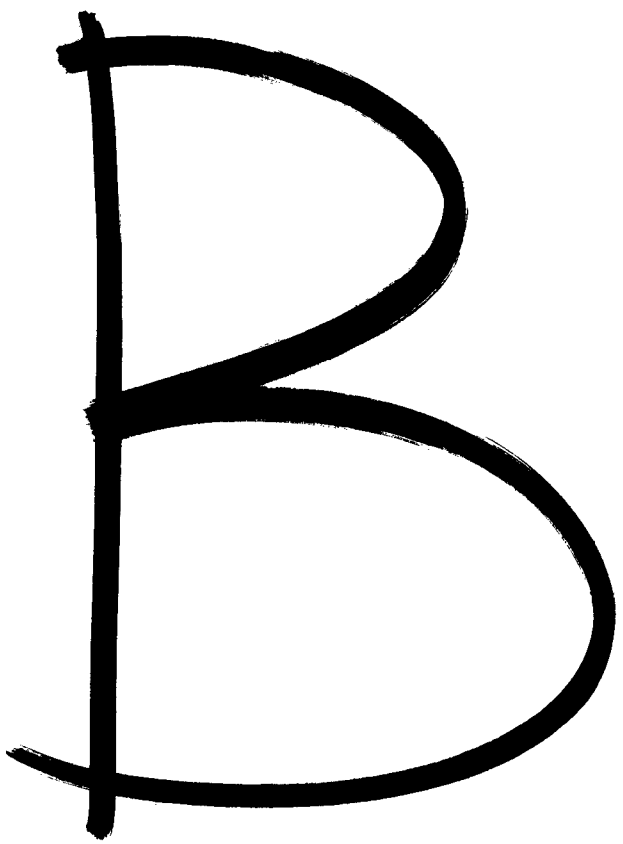
3. Pioneer Natural Resources Company, Pioneer Natural Resources USA, Inc., and Woodside Energy (USA), Inc., and all claims asserted against them in this action, are dismissed with prejudice. This order is final and appealable.

4. The Trustee is released from any liability from the Trust or the Trust beneficiaries for any claims arising from its agreement to and performance of the Settlement Agreement.

5. This Order and the Settlement Agreement is binding on Pioneer, Woodside, the Trust, the Trustee, and all of the beneficiaries of the Trust, including without limitation, MOSH Holding, L.P., and Dagger-Spine Hedgehog Corporation.

Signed this ___ day of _____, _____.

_____
Presiding Judge



STATE OF TEXAS }
COUNTY OF HARRIS }

ROYALTY TRUST INDENTURE

This Royalty Trust Indenture is entered into as of the first day of December, 1982, by and between MESA PETROLEUM Co., a Delaware corporation with its principal office in Amarillo, Texas (the "Company"), as Trustor, and TEXAS COMMERCE BANK NATIONAL ASSOCIATION, a banking association organized under the laws of the United States with its principal place of business at 712 Main Street, Houston, Texas 77002 (the "Bank"), as Trustee.

WHEREAS, the Company desires to distribute to its stockholders an overriding royalty interest in certain oil and gas properties; and

WHEREAS, because of the conveyancing and accounting burdens which would be caused by conveying title in such royalty directly to the stockholders, it would be impracticable to do so; and

WHEREAS, the Company's objectives may be accomplished through (a) the creation of a trust which will hold a 99.99% interest in Mesa Offshore Royalty Partnership (the "Partnership"), which will hold such royalty interest, and (b) the distribution to the stockholders of interests in such trust; and

WHEREAS, the Company has conveyed such royalty interest to the Partnership, which at the date of execution of this Agreement is owned 99.99% by the Company and 0.01% by Mesa Offshore Management Co. (the "Subsidiary"), a Delaware corporation and a wholly owned subsidiary of the Company; and

WHEREAS, upon the closing contemplated by the Prospectus (hereinafter defined) the Trustee will deliver to the Company certificates evidencing ownership of all the units of beneficial interest in the trust created hereby, in consideration of the assignment by the Company to the Trustee of the Company's 99.99% interest in the Partnership, and the Trustee will be admitted as a general partner of the Partnership.

NOW, THEREFORE, the Company has delivered to the Bank One Hundred Dollars ($100), and the Bank hereby accepts delivery thereof, to have and to hold in trust, such property and all other properties which may hereafter be received hereunder, for the purposes and subject to the terms and conditions hereafter provided.

ARTICLE I

Definitions

As used herein, the following terms have the meanings indicated:

"Beneficial Interest" means the equitable interest in the Trust Estate, but does not include any interest, legal or equitable, in or to any asset of the Trust Estate to the extent that an interest in such asset would cause the interest of a Certificate Holder to be treated as other than an intangible personal property interest.

"Business Day" means any day which is not a Saturday, Sunday or other day on which national banking institutions in the city in which the Trustee has its principal trust offices are closed as authorized or required by law.

"Certificate" means a certificate issued by the Trustee pursuant to Section 2.03 or Article IV evidencing the ownership of one or more Units.

EXHIBIT B

"Certificate Holder" means the owner of a Certificate as reflected on the books of the Trustee pursuant to Article IV.

"Code" means the Internal Revenue Code of 1954, as amended.

"Conveyance" means the conveyance referred to in the Partnership Agreement.

"Entity" means a corporation, partnership, trust, estate or other organization.

"Indenture" means this instrument, as originally executed, or, if amended or supplemented, as so amended or supplemented.

"Issue" means lawful descendants in any degree of the ancestor designated.

"Monthly Distribution Amount" for each calendar month means an amount determined by the Trustee pursuant to Section 5.02 to be equal to the excess, if any, of (a) the Trustee's share of the Partnership's Monthly Distribution Amount (as defined in the Partnership Agreement) for such month, plus any decrease in any cash reserve theretofore established by the Trustee for the payment of liabilities of the Trust, plus any other cash receipts of the Trust during such month other than interest earned on the Monthly Distribution Amount for any other month over (b) the liabilities of the Trust paid during such month, plus any increase in the amount of any cash reserve established by the Trustee for the payment of any future or contingent liabilities of the Trust.

"Monthly Record Date" for each month means the close of business on the last Business Day of such month unless the Trustee determines that a later date is required to comply with applicable law or the rules of any securities exchange on which the Units may be listed, in which event it means such later date.

"Partnership Agreement" means the First Amended and Restated Articles of General Partnership of the Partnership, or, if amended or supplemented, as so amended or supplemented.

"Person" means an individual or Entity.

"Prospectus" means the prospectus of the Company dated November 10, 1982 relating to the Units.

"Royalty" means the overriding royalty and any other interests conveyed to the Partnership pursuant to the Conveyance.

"Transferee" as to any Certificate Holder or former Certificate Holder means any Person succeeding to the interest of such Certificate Holder or former Certificate Holder in one or more Units of the Trust, whether as purchaser, donee, legatee or otherwise.

"Trust" (a) means the trust created by and administered under the terms of the Indenture, (b) when used in reference to a payment, means a payment chargeable against the Trust Estate, (c) when used in reference to any type of actual or asserted liability, means an actual or asserted liability as to which the Trustee is liable, either in its fiduciary capacity or individually, and is entitled to indemnification under Section 6.02, or which is otherwise satisfiable out of the Trust Estate, (d) when used in reference to receipts, means receipts which augment the Trust Estate, and (e) when used in reference to income and deductions, means receipts and payments described in (b) and (d) above which constitute income and deductions for accounting or tax purposes as applicable.

"Trust Estate" means the assets held by the Trustee under this Indenture, including both income and principal.

"Trustee" means the Entity serving as Trustee under this instrument during the period it is so serving in such capacity.

"Unit" means an undivided fractional interest in the Beneficial Interest.

ARTICLE II

Name and Purpose of the Trust

2.01. *Name.* The Trust shall be known as the Mesa Offshore Trust, and the Trustee may transact its affairs in that name.

2.02. *Purpose.* The purposes of the Trust are:

(a) to protect and conserve, for the benefit of the Certificate Holders, the Trust Estate;

(b) to receive the Trust's share of any distributions from the Partnership; and

(c) to pay, or provide for the payment of, any liabilities incurred in carrying out the purposes of the Trust, and thereafter to distribute the remaining amounts of cash received by the Trust pro rata to the Certificate Holders.

2.03. *Acquisition of Partnership Interest.* After the execution of this Indenture, the Trustee, subject to the consummation at closing of the other transactions contemplated by the Prospectus, and in consideration for the Company's assignment of its 99.99% interest in the Partnership to the Trust, shall issue to the Company the initial Certificates evidencing ownership of the Units and shall execute and deliver on behalf of the Trust the First Amended and Restated Articles of General Partnership with the Subsidiary in the form attached hereto.

ARTICLE III

Administration of the Trust

3.01. *Management of Trust Estate.* Subject to the limitations set forth in this Indenture, the Trustee is authorized to take such action as in its judgment is necessary or advisable best to achieve the purposes of the Trust, including the authority to agree to modifications of the terms of the Partnership Agreement or to cause the Partnership to agree to modifications of the terms of the Conveyance or to settle disputes with respect thereto, so long as such modifications or settlements do not:

(a) alter the nature of the Royalty as a right to receive a share of the proceeds of minerals produced from the properties burdened by such Royalty, free of any expense or other cost and without any operating rights; or

(b) alter the Partnership Agreement so as to change the purposes or scope of activities of the Partnership.

The Trustee may not dispose of its interest in the Partnership or cause the Partnership to dispose of the Royalty except as provided in Sections 3.02, 3.07 and 9.03.

3.02. *Limited Power of Disposition.* If approved by the Certificate Holders present or represented at a meeting held in accordance with the requirements of Article VIII, the Trustee shall sell that portion of the Trust Estate (or shall cause the Partnership to sell the assets of the Partnership, or any portion thereof) as directed by the Certificate Holders at such meeting. In addition, if the total amount of cash per year received by the Trust for each of three successive years commencing after December 31, 1987 is less than 10 times one-third of the total amount payable to the Trustee under Article VII for such three-year period, then the Trustee shall sell the Trust's interest in the Partnership, or cause the Partnership to sell the assets of the Partnership. Any property which the Trustee is required to sell (or which the Partnership has been directed to sell) in accordance with this Section 3.02 may be sold at public auction to the highest cash bidder. If any such property has not been sold within two years after the date of the meeting of Certificate Holders authorizing such sale or within two years after the last day of the third calendar year referred to in the second sentence of this Section 3.02, as the case may be, the Trustee shall cause (or shall direct the Partnership to cause) such property to be sold at public auction to the highest cash bidder. Notice of any such sale by

auction shall be mailed (or caused to be mailed) at least 30 days prior to such sale to each Certificate Holder at his address as it appears upon the books of the Trustee. In no event may the Trustee (or the Partnership) sell or otherwise dispose of all or any part of the Trust Estate for any consideration other than cash. This Section 3.02 shall not be construed to require approval of the Certificate Holders for (a) any sale or other disposition of all or any part of the Trust's interest in the Partnership pursuant to Section 3.07 or 9.03, or (b) any action to cause the Partnership to sell or otherwise dispose of all or any part of the Royalty pursuant to Section 3.07 or 9.03. The Trustee shall not agree to any distribution from the Partnership of the Royalty or any other asset of the Partnership which would cause the interest of a Certificate Holder to be treated as other than an intangible personal property interest. The Trustee is authorized to retain any part of the Trust Estate in the form in which such property was transferred to the Trustee, without regard to any requirement to diversify investments or other requirements.

3.03. *No Power to Engage in Business or Make Investments.* The Trustee shall not, in its capacity as Trustee under the Trust, except as permitted in Section 3.04, acquire any asset other than the Trust's interest in the Partnership or engage in any business or investment activity of any kind whatsoever.

3.04. *Interest on Cash Reserves.* Cash being held by the Trustee as a reserve for the distribution of a Monthly Distribution Amount or for the payment of any liabilities, other than current routine administrative costs, will be placed in interest-bearing accounts or certificates of one or more banks or financial institutions, which, to the extent not prohibited by Section 11 of the Texas Trust Act, may be, or may include, any bank serving as the Trustee. On the date a Monthly Distribution Amount is determined, the Trustee shall use its best efforts to determine the amount of interest that will be earned on such Monthly Distribution Amount during the period held by the Trust. Any excess of interest actually earned on such Monthly Distribution Amount over the interest expected to be earned thereon will be treated as interest other than interest earned on a Monthly Distribution Amount. Any deficit will be made up from other assets of the Trust, and the cost of so doing will be treated as an administrative expense of the Trust for the month in which the deficit is determined. The interest rate on reserves placed with any bank serving as the Trustee shall be the interest rate which such bank pays in the normal course of business on amounts placed with it, taking into account the amount involved, the period held and other relevant factors.

3.05. *Power to Settle Claims.* The Trustee is authorized to prosecute or defend, and to settle by arbitration or otherwise, any claim of or against the Trustee, the Trust or the Trust Estate, to waive or release rights of any kind and to pay or satisfy any debt, tax or claim upon any evidence by it deemed sufficient.

3.06. *Power to Contract for Services.* In the administration of the Trust, the Trustee is empowered to employ oil and gas consultants, accountants, attorneys and other professional and expert persons and to employ or contract for clerical and other administrative assistance and to make payments of all fees for services or expenses in any manner thus incurred out of the Trust Estate.

3.07. *Payment of Liabilities of Trust.* The Trustee may and shall use all money received by it in the payment of all liabilities of the Trust, including but without limiting the generality of the foregoing, all expenses, taxes, liabilities incurred of all kinds, compensation to it for its services hereunder, as provided for in Article VII, and compensation to such parties as may be employed as provided for in Section 3.06 hereof. With respect to any liability which is contingent or uncertain in amount or which otherwise is not currently due and payable, the Trustee in its sole discretion may, but is not obligated to, establish a cash reserve for the payment of such liability. The Trustee shall not pay any liability of the Trust with funds set aside pursuant to Section 5.02 for the payment of a Monthly Distribution Amount. If at any time the cash on hand and to be received by the Trustee is not, or will not, in the judgment of the Trustee, be sufficient to pay liabilities of the Trust as they become due, the Trustee is authorized to borrow the funds required to pay such liabilities.

In such event, no further distributions will be made to Certificate Holders (except in respect of previously determined Monthly Distribution Amounts) until the indebtedness created by such borrowings has been paid in full. Such funds may be borrowed from any Person, including, without limitation, the Bank or any other fiduciary hereunder, on a secured or unsecured basis. To secure payment of such indebtedness, the Trustee is authorized to mortgage, pledge, grant security interests in or otherwise encumber the Trust Estate, or any portion thereof, to cause the Partnership to mortgage, pledge, grant security interests in or otherwise encumber a percentage of the assets of the Partnership equal to the Trustee's Sharing Ratio (as defined in the Partnership Agreement), and to cause the Partnership to carve out and convey production payments with respect to such percentage of assets. In securing payment of any indebtedness, the Trustee is specifically authorized to include, or cause the Partnership to include, any and all terms, powers, remedies, covenants and provisions deemed necessary or advisable in the Trustee's discretion, including, without limitation, confession of judgment and the power of sale with or without judicial proceedings.

3.08. *Income and Principal.* The Trustee shall not be required to keep separate accounts or records for income and principal. However, if the Trustee does keep such separate accounts or records, then the Trustee is authorized to treat all or any part of the receipts from the Partnership attributable to the yield from the Royalty as income or principal, without having to maintain any reserve therefor, and in general to determine all questions as between income and principal and to credit or charge to income or principal or to apportion between them any receipt or gain and any charge, disbursement or loss as is deemed advisable under the circumstances of each case.

3.09. *Term of Contracts.* In exercising the rights and powers granted hereunder, the Trustee is authorized to make the term of any transaction or contract or other instrument extend beyond the term of the Trust.

3.10. *Transactions Between Trusts.* The Trustee shall not be prohibited in any way in exercising its powers from making contracts or having dealings with itself in any other fiduciary capacity.

3.11. *No Bond Required.* The Trustee shall not be required to furnish any bond or security of any kind.

3.12. *Miscellaneous.* This Indenture and the Trust shall be governed by the laws of the State of Texas in effect at any applicable time in all matters, including the validity, construction and administration of this Indenture and the Trust, the enforceability of the provisions of this Indenture and the service of the Trustee hereunder. Furthermore, except as otherwise provided in this Indenture, the rights, powers, duties and liabilities of the Trustee shall be as provided under the Texas Trust Act and other laws of the State of Texas in effect at any applicable time. It is the intention and agreement of Trustor and Trustee to create an express trust as such term is used in the Texas Trust Act for the benefit of the Certificate Holders.

ARTICLE IV

Beneficial Shares and Certificates

4.01. *Creation and Distribution.* The Company shall initially be the sole beneficiary of both the income and principal of the Trust, and its ownership of the entire Beneficial Interest shall be divided into that number of Units which is equal to the sum of (a) the number of whole shares of Common Stock of the Company issued and outstanding on the date such Units are first issued plus (b) the number of whole shares of Common Stock of the Company issuable upon exercise of all employee stock options outstanding on such date (whether or not such options are then exercisable). The ownership of the Units shall be evidenced by Certificates in substantially the form set forth on Schedule 1 hereto, containing such changes or alterations of form, but not substance, as the Trustee shall from time to time, in its discretion, deem necessary or desirable. Initially, the Company shall own all of the Units. However, the Company intends to distribute such Units to its stockholders except for a portion to be retained by the Company for issuance to holders of outstanding employee stock

options when such options are exercised, all as contemplated by the Prospectus. At the request of the Company, the Trustee shall forthwith issue Certificates, in the names and denominations requested by the Company, evidencing the aggregate number of Units to be so distributed and retained. If on or before December 31, 1982 the order issued November 30, 1982 by the United States District Court for the Northern District of Texas, Dallas Division, approving the settlement agreement described under the caption "Remuneration of Officers and Directors – Legal Proceedings" in the Prospectus, becomes final and nonappealable, then certificates representing 1,200,000 of the Units referred to in clause (b) above and retained by the Company as contemplated by the Prospectus shall be returned on or before December 31, 1982 by the Company to the Trustee and cancelled. If such 1,200,000 Units are so returned to the Trustee and cancelled, the Beneficial Interest attributable thereto shall automatically, upon such return and cancellation, be allocated proportionately among the Units remaining outstanding and increase the portion of the entire Beneficial Interest attributable to each Unit still outstanding.

4.02. *Rights of Certificate Holders.* The Certificate Holders shall own pro rata the Beneficial Interest and shall be entitled to participate pro rata in the rights and benefits of the Certificate Holders under this Indenture. A Certificate Holder by assignment or otherwise takes and holds the same subject to all the terms and provisions of this Indenture, which shall be binding upon and inure to the benefit of the successors, assigns, legatees, heirs and personal representatives of the Certificate Holder. By an assignment or transfer of one or more Units represented by a Certificate, the assignor thereby shall, with respect to such assigned or transferred Unit or Units, part with, except as provided in Section 4.04 in the case of a transfer after a Monthly Record Date and prior to the corresponding payment date, (i) all his Beneficial Interest attributable thereto; (ii) all his rights in, to and under such Certificate; and (iii) all interests, rights and benefits under this Trust of a Certificate Holder which are attributable to such Unit or Units as against all other Certificate Holders and the Trustee, including, without limiting the generality of the foregoing, any and all rights to any Monthly Distribution Amounts, or any portion thereof, attributable to any Units so assigned or transferred, for any month or months subsequent to the last Monthly Record Date on which the assignor owned such Units. The Certificates, the Units, and the rights, benefits and interests evidenced by either or both (including without limiting the foregoing, the entire Beneficial Interest) are and shall be held and construed to be in all respects intangible personal property, and the Certificates and Units evidenced thereby shall be bequeathed, assigned, disposed of and distributed as intangible personal property. No Certificate Holder as such shall have any title, legal or equitable, in or to any real property interest which may be considered a part of the Trust Estate, including, without limiting the foregoing, the Royalty or any part thereof, or in or to any asset of the Trust Estate to the extent that an interest in such asset would cause the interest of a Certificate Holder to be treated as other than an intangible personal property interest, but the sole interest of each Certificate Holder shall be his Beneficial Interest and the obligation of the Trustee to hold, manage and dispose of the Trust Estate and to account for the same as in this Indenture provided. No Certificate Holder shall have the right to call for or demand or secure any partition during the continuance of the Trust or during the period of liquidation and winding up under Section 9.03.

4.03. *Execution of Certificates.* All Certificates shall be signed by a duly authorized officer of the Trustee. Certificates may be signed and sealed on behalf of the Trustee by such persons as at the actual date of the signing and sealing of such Certificates shall be the proper officers of the Trustee, although at the nominal date of such Certificates any such person shall not have been such officer of the Trustee. Any such signature may be the manual or facsimile signature of such officers and may be affixed, imprinted or otherwise reproduced on the Certificate.

4.04. *Registration and Transfer of Units.* The Units shall be transferable as against the Trustee only on the records of the Trustee and only upon the surrender of Certificates and compliance with such reasonable regulations as it may prescribe. No service charge shall be made to the transferor or Transferee for any transfer of a Unit, but the Trustee may require payment of a sum sufficient to cover

any tax or other governmental charge that may be imposed in relation thereto. Until any such transfer the Trustee may treat the owner of any Certificate as shown by its records as the owner of the Units evidenced thereby and shall not be charged with notice of any claim or demand respecting such Certificate or the interest represented thereby by any other party. Any such transfer of a Unit shall, as to the Trustee, transfer to the Transferee as of the close of business on the date of transfer all of the undivided right, title and interest of the transferor in and to the Beneficial Interest, provided that a transfer of a Unit after any Monthly Record Date shall not transfer to the Transferee the right of the transferor to any sum payable to him as the holder of the Certificate of record on said day. As to matters affecting the title, ownership, warranty or transfer of Certificates and the Units represented thereby, Article 8 of the Uniform Commercial Code, the Texas Uniform Act for Simplification of Fiduciary Security Transfers under Chapter 33 of the Texas Business and Commerce Code and other statutes and rules with respect to the transfer of securities, as each such code, act, statute and rule is adopted and then in force in the State of Texas, shall govern and apply. The death of any Certificate Holder shall not entitle the Transferee to an account or valuation for any purpose, but such Transferee shall succeed to all rights of the deceased Certificate Holder under this Indenture upon proper proof of title, satisfactory to the Trustee.

4.05. *Mutilated, Lost, Stolen and Destroyed Certificates.* If any Certificate should become lost, stolen, destroyed or mutilated, the Trustee, in its discretion and upon proof satisfactory to the Trustee, together with a surety bond sufficient in the opinion of the Trustee to indemnify the Trustee against all loss or expenses in the premises, and surrender of the mutilated Certificate, may issue a new Certificate to the holder of such lost, stolen, destroyed or mutilated Certificate as shown by the records of the Trustee, upon payment of a reasonable charge of the Trustee and any reasonable expenses incurred by it in connection therewith.

4.06. *Protection of Trustee.* The Trustee shall be protected in acting upon any notice, credential, certificate, assignment or any other document or instrument believed by the Trustee to be genuine and to be signed by the proper party or parties. The Trustee is specifically authorized to rely upon the application of Article 8 of the Uniform Commercial Code, the application of the Texas Uniform Act for Simplification of Fiduciary Security Transfers under Chapter 33 of the Texas Business and Commerce Code and the application of other statutes and rules with respect to the transfer of securities, as each such code, act, statute and rule is adopted and then in force in the State of Texas, as to all matters affecting title, ownership, warranty or transfer of the Certificates and the Units represented thereby, without any personal liability for such reliance, and the indemnity granted under Section 6.02 shall specifically extend to any matters arising as a result thereof.

4.07. *Determination of Ownership of Certificates.* In the event of any disagreement between persons claiming to be Transferees of any Certificate Holder, the Trustee shall be entitled at its option to refuse to recognize any such claim so long as such disagreement shall continue. In so refusing, the Trustee may elect to make no delivery or other disposition of the interest represented by the Certificate involved, or any part thereof, or of any sum or sums of money, accrued or accruing thereunder, and, in so doing, the Trustee shall not be or become liable to any Person for the failure or refusal of the Trustee to comply with such conflicting claims, and the Trustee shall be entitled to continue so to refrain and refuse so to act, until:

(a) the rights of the adverse claimants have been adjudicated by a final nonappealable judgment of a court assuming and having jurisdiction of the parties and the interest and money involved, or

(b) all differences have been adjusted by valid agreement between said parties and the Trustee shall have been notified thereof in writing signed by all of the interested parties.

ARTICLE V

Accounting and Distribution

5.01. *Fiscal Year and Accounting Method.* The Trustee may adopt any fiscal year and may change its fiscal year from time to time as it elects, and shall maintain its books in accordance with the cash method of accounting.

5.02. *Distributions.* The Trustee shall determine the Monthly Distribution Amount for each month and on the Monthly Record Date for such month shall establish a cash reserve equal to such amount. During the months of January, April, July and October of each year, the Trustee shall, for each of the immediately preceding three months, distribute pro rata the Monthly Distribution Amount for each such month, together with any interest earned on each such amount from the Monthly Record Date for such month to the payment date, to the Certificate Holders of record on the Monthly Record Date for each such month.

5.03. *Federal Income Tax Reporting.* For federal income tax purposes, the Trustee shall file such returns and statements as in its judgment are required to comply with applicable provisions of the Code and regulations and to permit each Certificate Holder correctly to report his share of the income and deductions of the Trust. The Trustee intends to treat all income and deductions of the Trust for each month as having been realized on the Monthly Record Date for such month unless otherwise advised by counsel or the Internal Revenue Service.

5.04. *Reports to Certificate Holders and Others.* As promptly as practicable following the end of each quarter, the Trustee shall mail to each Person who was a Certificate Holder of record on a Monthly Record Date during such quarter a report which shall show in reasonable detail the assets and liabilities and receipts and disbursements of the Trust for such quarter and for each month in such quarter. Within 120 days following the end of each fiscal year, the Trustee shall mail to each Person who was a Certificate Holder of record on a date to be selected by the Trustee, an annual report containing financial statements audited by a nationally recognized firm of independent public accountants selected by the Trustee, plus such annual reserve information regarding the Royalty as may be required by any regulatory authority having jurisdiction. The Trustee is authorized to make all filings on behalf of the Trust with the Securities and Exchange Commission and other governmental authorities required by applicable law or regulation and is further authorized to take all actions necessary with respect to registration of the Units on a securities exchange.

ARTICLE VI

Liability of Trustee and Method of Succession

6.01. *Liability of Trustee*

(a) Except as provided in paragraph (b) below, the Trustee, in carrying out its powers and performing its duties, may act in its discretion and shall be personally or individually liable only for fraud or acts or omissions in bad faith or which constitute gross negligence and shall not individually or personally be liable for any act or omission of any agent or employee of the Trustee unless the Trustee has acted in bad faith in the selection and retention of such agent or employee.

(b) If the Trustee incurs any liability of any kind by contract, tort or otherwise, without inserting such provision or taking such action as may be necessary to ensure that such liability shall be satisfiable only out of the Trust Estate and shall not in any event, including the exhaustion of the Trust Estate, be satisfiable out of amounts at any time distributed to any Certificate Holder or out of any other assets owned by any Certificate Holder, then Trustee, vis-a-vis the Certificate Holders, shall be fully and exclusively liable for such liability, but shall have the right to be indemnified and reimbursed from the Trust Estate to the extent provided in Section 6.02.

6.02. *Indemnification of Trustee.* The Trustee shall be indemnified by, and receive reimbursement from, the Trust Estate against and from any and all liability, expense, claims, damages or loss incurred by it individually or as Trustee in the administration of the Trust and the Trust Estate or any part or parts thereof, or in the doing of any act done or performed or omission occurring on account of its being Trustee, except such liability, expense, claims, damages or loss as to which it is liable under Section 6.01(a). The Trustee shall have a lien upon the Trust Estate to secure it for such indemnification and reimbursement and for compensation to be paid to Trustee. Except as provided in Section 4.05, neither the Trustee nor any agent or employee of the Trustee shall be entitled to any reimbursement or indemnification from any Certificate Holder for any liability, expense, claims, damages or loss incurred by the Trustee or any such agent or employee, their right of reimbursement and indemnification, if any, being limited solely to the Trust Estate, whether or not the Trust Estate is exhausted without full reimbursement or indemnification of the Trustee or any such agent or employee.

6.03. *Resignation of Trustee.* The Trustee may resign, with or without cause, at any time by written notice to each of the then Certificate Holders, given by registered or certified mail addressed to each such holder at his last known post office address as shown by the records of the Trustee at the time such notice is given. Such notice shall specify a date when such resignation shall take effect, which shall be a Business Day not less than 30 days after the date such notice is mailed.

6.04. *Removal of Trustee.* The Trustee may be removed by the affirmative vote of the Certificate Holders present or represented at a meeting held in accordance with the requirements of Article VIII.

6.05. *Appointment of Successor Trustee.* In the event of a vacancy in the position of Trustee or if a Trustee has given notice of its intention to resign, the Certificate Holders present or represented at a meeting held in accordance with the requirements of Article VIII may appoint a successor Trustee. Any Trustee shall be a bank or trust company having its principal office in the State of Texas or elsewhere and having capital, surplus and undivided profits of at least $100,000,000. In the event that a vacancy in the position of Trustee continues for 60 days, a successor Trustee may be appointed by any State or Federal District Court holding terms in Houston, Harris County, Texas, upon the application of any Certificate Holder, and in the event any such application is filed, such court may appoint a temporary Trustee at any time after such application is filed with it which shall, pending the final appointment of a Trustee, have such powers and duties as the court appointing such temporary Trustee shall provide in its order of appointment, consistent with the provisions of this Indenture.

Immediately upon the appointment of any successor Trustee, all rights, titles, duties, powers and authority of the succeeded Trustee hereunder shall be vested in and undertaken by the successor Trustee which shall be entitled to receive from the Trustee which it succeeds all of the Trust Estate held by it hereunder and all records and files in connection therewith. No successor Trustee shall be obligated to examine or seek alteration of any account of any preceding Trustee, nor shall any successor Trustee be liable personally for failing to do so or for any act or omission of any preceding Trustee. The preceding sentence shall not prevent any successor Trustee or anyone else from taking any action otherwise permissible in connection with any such account.

6.06. *Laws of Other Jurisdictions.* If notwithstanding the other provisions of this Indenture (including, without limitation, Section 3.12 hereof) the laws of jurisdictions other than Texas (each being referred to below as "such jurisdiction") apply to the administration of properties under this Indenture, the following provisions shall apply. If it is necessary or advisable for a trustee to serve in such jurisdiction and if the Trustee is disqualified from serving in such jurisdiction or for any other reason fails or ceases to serve there, the ancillary trustee in such jurisdiction shall be such Entity, meeting the requirements set forth in the second sentence of Section 6.05, as shall be designated in writing by the Trustee. To the extent permitted under the laws of such jurisdiction, the Trustee may remove the trustee in such jurisdiction, without cause and without necessity of court proceeding, and

may or may not appoint a successor trustee in such jurisdiction from time to time. The trustee serving in such jurisdiction is requested and authorized, to the extent not prohibited under the laws of such jurisdiction, to appoint the Trustee to handle the details of administration in such jurisdiction. The trustee in such jurisdiction shall have all rights, powers, discretions, responsibilities and duties as are delegated in writing by the Trustee, subject to such limitations and directions as shall be specified by the Trustee in the instrument evidencing such appointment. Any trustee in such jurisdiction shall be responsible to the Trustee for all assets with respect to which such trustee is empowered to act. To the extent the provisions of this Indenture and Texas law cannot be applicable to the administration in such jurisdiction, the rights, powers, duties and liabilities of the trustee in such jurisdiction shall be the same (or as near the same as permitted under the laws of such jurisdiction if applicable) as if governed by Texas law. In all events, the administration in such jurisdiction shall be as free and independent of court control and supervision as permitted under the laws of such jurisdiction. Whenever the term "Trustee" is applied in this Indenture to the administration in such jurisdiction, it shall refer only to the trustee then serving in such jurisdiction.

ARTICLE VII

Compensation of the Trustee

7.01. *Compensation of Trustee.* The Trustee shall receive compensation for its services as Trustee hereunder and reimbursement for expenses as set forth in Schedule 2 attached hereto.

7.02. *Other Services.* Charges for performing any services not contemplated or specifically covered in Schedule 2 will be determined upon an appraisal of the service rendered. The Trustee shall be reimbursed for actual expenditures made on account of any unusual duties in connection with matters pertaining to the Trust. In the event of litigation involving the Trust, audits or inspection of the records of the Trust pertaining to the transactions affecting the Trust or any unusual or extraordinary services rendered in connection with the administration of the Trust, the Trustee shall be entitled to receive reasonable compensation for the services rendered.

ARTICLE VIII

Meetings of Certificate Holders

8.01. *Purpose of Meetings.* A meeting of the Certificate Holders may be called at any time and from time to time pursuant to the provisions of this Article to transact any matter that the Certificate Holders may be authorized to transact.

8.02. *Notice of Meetings.* Any such meeting of the Certificate Holders may be called by the Trustee or by Certificate Holders owning not less than ten per cent (10%) in number of the Units represented by the then outstanding Certificates. All such meetings shall be held at such time and at such place in Houston, Texas, as the notice of any such meeting may designate. Written notice of every meeting of the Certificate Holders signed by the Trustee or the Certificate Holders calling the meeting, setting forth the time and place of the meeting and in general terms the matters proposed to be acted upon at such meeting, shall be given in person or by mail not more than 60 nor less than 20 days before such meeting is to be held to all of the Certificate Holders of record not more than 60 days before the date of such mailing. If such notice is given to any Certificate Holder by mail, it shall be directed to him at his last address as shown by the records of the Trustee and shall be deemed duly given when so addressed and deposited in the United States mail, postage paid. No matter other than that stated in the notice shall be acted upon at any meeting.

8.03. *Method of Voting and Vote Required.* At any such meeting the presence in person or by proxy of Certificate Holders holding a majority of the Units outstanding as of the record date for determining the right to receive notice of such meeting shall constitute a quorum, and any matter shall be deemed to have been approved by the Certificate Holders if it is approved by the vote of

Certificate Holders holding a majority of the then outstanding Units; provided, however, that (a) any proposal presented prior to December 31, 1987 that the Trustee sell all or any portion of the Trust Estate (or cause the Partnership to sell all or any portion of the assets of the Partnership), that the Trust be terminated or that the Trustee consent to a dissolution of the Partnership, or (b) any proposal to amend this proviso, shall be deemed to have been approved by the Certificate Holders only if it is approved by the vote of Certificate Holders holding at least 80% of the then outstanding Units. Each Certificate Holder shall be entitled to one vote for each Unit owned by him, and any Certificate Holder may vote in person or by duly executed written proxy.

8.04. *Conduct of Meetings.* The Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Certificate Holders, for the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, the preparation and use at the meeting of a list authenticated by or on behalf of the Trustee of the Certificate Holders entitled to vote at the meeting and such other matters concerning the conduct of the meeting as it shall deem advisable.

ARTICLE IX

Duration, Revocation and Termination of Trust

9.01. *Revocation.* The Trust is and shall be irrevocable. The Trust shall be terminable only as provided in Section 9.02, and shall continue until so terminated.

9.02. *Termination.* The Trust shall terminate upon the first to occur of the following events or times:

(a) the sale pursuant to this Agreement of all the Trust's interest in the Partnership, or the sale by the Partnership of all of the Royalty,

(b) a vote in favor of termination by the Certificate Holders present or represented at a meeting held in accordance with the requirements of Article VIII, or

(c) the expiration of 21 years after the death of the last survivor of the Issue of Joseph P. Kennedy, father of the late President of the United States of America, in being on the date first written above.

9.03. *Disposition and Distribution of Properties.* For the purpose of liquidating and winding up the affairs of the Trust at its termination, the Trustee shall continue to act as such and exercise each power until its duties have been fully performed and the Trust Estate finally distributed. Upon the termination of the Trust, the Trustee shall sell for cash in one or more sales all the properties then constituting the Trust Estate (or shall cause the Partnership to sell for cash all assets owned by the Partnership). The Trustee shall as promptly as possible distribute the proceeds of any such sales and any other cash in the Trust Estate according to the respective interests and rights of the Certificate Holders, after paying, satisfying and discharging all of the liabilities of the Trust, or, when necessary, setting up reserves in such amounts as the Trustee in its discretion deems appropriate for contingent liabilities. With respect to any property which the Trustee is required to sell (or to cause the Partnership to sell), the Trustee may cause such property to be sold at public auction to the highest cash bidder. If any such property has not been sold within two years after the date of termination of the Trust, the Trustee shall cause (or shall direct the Partnership to cause) such property to be sold at public auction to the highest cash bidder. Notice of any such sale by auction shall be mailed (or caused to be mailed) at least 30 days prior to such sale to each Certificate Holder at his address as it appears upon the books of the Trustee. The Trustee shall not be required to obtain approval of the Certificate Holders prior to selling property pursuant to this Section 9.03. Upon making final distribution to the Certificate Holders, the Trustee shall be under no further liability except as provided in Section 6.01(b).

ARTICLE X

Amendments

10.01. *Prohibited.* No amendment may be made to any provision of the Indenture which would:

(a) increase the power of the Trustee to engage in business or investment activities; or

(b) alter the rights of the Certificate Holders vis-a-vis each other.

10.02. *Permitted.* All other amendments to the provisions of the Indenture may be made only by a vote of the Certificate Holders present or represented at a meeting held in accordance with the requirements of Article VIII; provided that no amendment shall be effective without the express written approval of the Trustee.

ARTICLE XI

Miscellaneous

11.01. *Inspection of Trustee's Books.* Each Certificate Holder and his duly authorized agents and attorneys shall have the right, at his own expense and during reasonable business hours, to examine and inspect the records of the Trust and the Trustee in reference thereto.

11.02. *Trustee's Employment of Experts.* The Trustee may, but shall not be required to, consult with counsel, who may be its own counsel, accountants, geologists, engineers and other parties deemed by the Trustee to be qualified as experts on the matters submitted to them, and the opinion of any such parties on any matter submitted to them by the Trustee shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of any such party.

11.03. *Disability of a Certificate Holder.* Any payment or distribution to a Certificate Holder may be made by check of the Trustee drawn to the order of the Certificate Holder, regardless of whether or not the Certificate Holder is a minor or under other legal disability, without the Trustee having further responsibility with respect to such payment or distribution. This Section 11.03 shall not be deemed to prevent the Trustee from making any payment or distribution by any other method which is appropriate under law.

11.04. *Merger or Consolidation of Trustee.* Neither a change of name of the Trustee nor any merger or consolidation of its corporate powers with another bank or with a trust company nor the transfer of its trust operations to a separate corporation shall affect its right or capacity to act hereunder.

11.05. *Filing of this Indenture.* Neither this Indenture nor any executed copy hereof need be filed in any county in which any of the Trust Estate is located, but the same may be filed for record in any county by the Trustee. In order to avoid the necessity of filing this Indenture for record, the Trustee agrees that for the purpose of vesting the record title to the Trust Estate in any successor to the Trustee, the retiring Trustee will, upon appointment of any successor Trustee, execute and deliver to such successor Trustee appropriate assignments or conveyances.

11.06. *Separability.* If any provision of this Indenture or the application thereof to any Person or circumstances shall be finally determined by a court of proper jurisdiction to be illegal, invalid or unenforceable to any extent, the remainder of this Indenture or the application of such provision to Persons or circumstances other than those as to which it is held illegal, invalid or unenforceable shall not be affected thereby, and every provision of this Indenture shall be valid and enforced to the fullest extent permitted by law.

11.07. *Notices.* Any notice or demand which by any provision of this Indenture is required or permitted to be given or served upon the Trustee by any Certificate Holder may be given or served by being deposited, postage prepaid, and by registered or certified mail, in a post office or letter box

addressed (until another address is designated by notice to the Certificate Holders) to the Trustee at 712 Main Street, Houston, Texas 77002. Any notice or other communication by the Trustee to any Certificate Holder shall be deemed to have been sufficiently given, for all purposes, when deposited, postage prepaid, in a post office or letter box addressed to said holder at his address as shown on the records of the Trustee.

11.08. *Counterparts.* This Indenture may be executed in a number of counterparts, each of which shall constitute an original, but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the Company has caused this Indenture to be executed by its duly authorized Vice President and its seal to be hereto affixed and attested by its duly authorized Secretary or Assistant Secretary and the Trustee has caused this Indenture to be executed by its duly authorized Senior Vice President and Trust Officer and its seal to be hereto affixed and attested by its duly authorized Vice President and Trust Officer as of the day and year first above written, this instrument being executed in a number of copies, each of which shall be an original but all of which shall constitute only one Indenture, at Houston, Harris County, Texas.

ATTEST:

Assistant Secretary

MESA PETROLEUM CO.

By *E Vice President*
TRUSTOR

ATTEST:

Vice President and Trust Officer

TEXAS COMMERCE BANK
NATIONAL ASSOCIATION

By *Senior Vice President and Trust Officer*
TRUSTEE

WITNESSES TO ALL SIGNATURES:

STATE OF TEXAS
COUNTY OF HARRIS

BEFORE ME, the undersigned Notary Public, duly commissioned and qualified in and for said County and State, personally came and appeared ..... J. F. Keesee ....., to me known, who declared and acknowledged to me, Notary, and undersigned competent witnesses, that he is a Vice President of Mesa Petroleum Co., a Delaware corporation, that as such duly authorized officer, by and with the authority of the Board of Directors of said corporation, he signed and executed the foregoing instrument, as the free and voluntary act and deed of said corporation, for and on behalf of said corporation, and for the objects, purposes and considerations therein set forth and in the capacity therein stated.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal and the said witnesses have hereunto affixed their signatures this 15 day of ..... Dec ....., 1982.

WITNESSES:

Terry M. Hemingway

Ellen H. Moyer

Anne Lackey
Notary Public, State of Texas

STATE OF TEXAS
COUNTY OF HARRIS

BEFORE ME, the undersigned Notary Public, duly commissioned and qualified in and for said County and State, personally came and appeared ..... Richard A. Milton ....., to me known, who declared and acknowledged to me, Notary, and undersigned competent witnesses, that he is the ..... S.V.P. ..... of Texas Commerce Bank National Association, a banking association organized under the banking laws of the United States, with its principal place of business at Houston, Texas, that as such duly authorized officer, by and with the authority of the Board of Directors of said Bank, he signed and executed the foregoing instrument, as the free and voluntary act and deed of said Bank, for and on behalf of said Bank and for the objects, purposes and considerations therein set forth and in the capacity therein stated.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal and the said witnesses have hereunto affixed their signatures this 15 day of ..... Dec ....., 1982.

WITNESSES:

Terry M. Hemingway

Ellen H. Moyer

Anne Lackey
Notary Public, State of Texas

SCHEDULE 1

No. .... Units

CERTIFICATE OF BENEFICIAL INTEREST
IN
MESA OFFSHORE TRUST

Total Authorized Units of Beneficial Interest: .....

Created by, issued under and subject to the Royalty Trust Indenture dated as of December 1, 1982

THIS CERTIFIES THAT ..... is the owner of ..... Units of Beneficial Interest ("Units") in that certain Trust known and designated as the Mesa Offshore Trust, created and established under the terms of the above referenced Indenture by and between Mesa Petroleum Co., a Delaware corporation with its principal office in Amarillo, Texas, as Trustor, and Texas Commerce Bank National Association, a banking association organized under the United States banking laws with its principal place of business in Houston, Texas, as Trustee, a duplicate original of which Indenture is, for the information of all concerned, held by said Trustee at its office in Houston, Texas. Said Indenture is hereby referred to and made a part of this Certificate for all purposes, and the owner of this Certificate by accepting the same consents to, and becomes bound by, all the terms and provisions of said Indenture and the provisions herein. The Units represented by this Certificate are transferable on the books of the Trustee by the holder hereof in person, or by his duly authorized attorney, upon surrender of this Certificate, properly endorsed, to the Trustee.

WITNESS the seal of the Trustee and the signature of its duly authorized officer.

Dated: .....

TEXAS COMMERCE BANK NATIONAL ASSOCIATION

By .....
Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED ..... hereby sell, assign and transfer unto ..... Units represented by the within Certificate of Beneficial Interest, and do hereby constitute and appoint irrevocably ..... attorney to transfer the said Units on the books of the within named ..... TRUSTEE, with full power of substitution in the premises.

WITNESS ..... hand this the .... day of ....., 19..

In the presence of:

.....

.....

SCHEDULE 2

TRUSTEE'S COMPENSATION

(1) Administrative: For all administrative services, preparation of quarterly and annual statements with attention to tax and legal matters, 1/20 of 1% of the annual gross income of the Trust (provided that such amount shall be not less than $12,500 nor more than $25,000 per year) plus an hourly charge at the Trustee's standard rate for officer time in excess of 300 hours annually.

(2) Transfer Agency:

(a) For maintaining computer records of each Certificate holder, name and address of record, tax ID number, outstanding Unit balances, alternative payee, various coded fields of pertinent information; for processing change of address and/or social security number; posting each Certificate cancelled or issued; issuance of 20,000 Certificates; processing request and documentation required for replacement of lost or destroyed Certificates; for placing and/or removing stop transfer orders; registering Certificates; disbursing cash distributions; preparing and mailing required IRS forms; mailing of proxies and other related material; tabulation of proxies; and printing of Certificate holder list:

$3.00 annually per account in years when no cash is distributed to Certificate holders; and

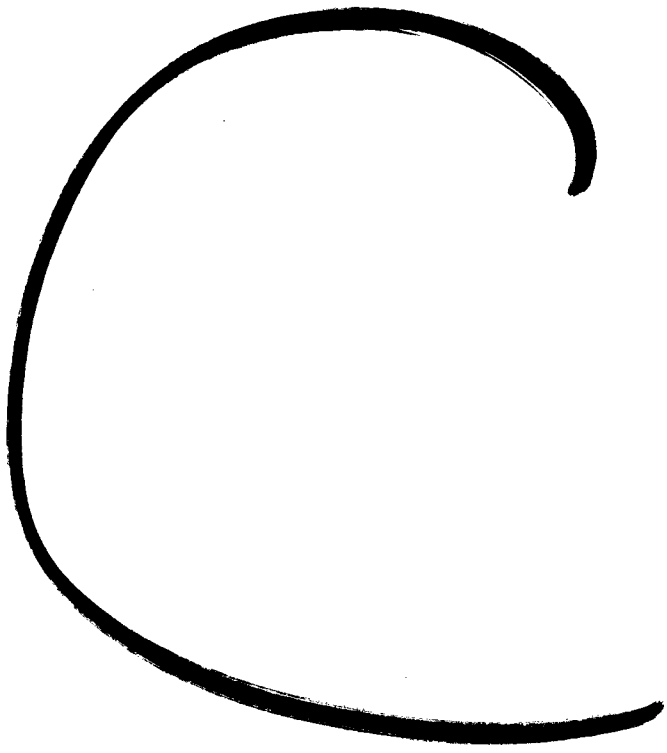
$4.50 annually per account in years when cash is distributed to Certificate holders.

(b) For Certificates issued, registered and posted in excess of 20,000 annually, $1.00 for each Certificate.

(c) In addition to the fees quoted, a charge will be made for all out-of-pocket expenses, such as postage, envelopes, insurance, long distance telephone calls, overtime necessitated by rush orders, checks, binders and similar items.

(3) The transfer agency fees and the minimum and maximum fees for administrative services stated above will be subject to change based upon the general change in prices in the economy. The index used will be the Producers Price Index as published by the Department of Labor, Bureau of Labor Statistics. All fees will be adjusted annually by the percentage change in this index on a December-to-December basis beginning December 31, 1983.

(4) Termination: A fee will be charged upon termination of the Trust commensurate with the amount of work and responsibility involved which shall not exceed 10% of the value of the assets distributed, provided that termination is accomplished under Section 9.02(a). Under any other method of termination, fees will be charged on an hourly basis only.



NOTICE OF PROPOSED SETTLEMENT
BY THE MESA OFFSHORE TRUST

This notice is to inform all current Unitholders of the Mesa Offshore Trust of a conditional settlement in the lawsuit titled *MOSH Holding, L.P. v. Pioneer Natural Resources Co.*, Cause No. 2006-01984, in the 334th Judicial District of Harris County, Texas.

Please read this notice carefully. As a Unitholder in the Mesa Offshore Trust, the settlement of this lawsuit might affect the value of your beneficial interest in the Trust. Additionally, you have a right to comment on or object to the settlement. To obtain a copy of the settlement, and of other materials described in this Notice, please call 1(800) _____ or visit www._____.

EXHIBIT C

NOTICE OF PROPOSED SETTLEMENT

1. **The Parties Involved in the Dispute.** A lawsuit titled *MOSH Holding, L.P. v. Pioneer Natural Resources Co.*, Cause No. 2006-01984 is pending in the 334th Judicial District Court of Harris County, Texas by MOSH Holding, L.P. ("MOSH") stating various causes of action against J.P. Morgan Chase Bank, N.A. in its capacity as Trustee of the Mesa Offshore Trust (the "Trustee"); Pioneer Natural Resources USA, Inc. ("PNR"); Pioneer Natural Resources Company, the parent of PNR (collectively with PNR, "Pioneer"); and Woodside Energy (USA) Inc. ("Woodside"). MOSH is a Texas limited partnership that claims to own approximately 10% of the units of the Mesa Offshore Trust. Dagger-Spine Hedgehog Corporation ("Dagger-Spine") has sought to intervene in the Lawsuit as a plaintiff. Dagger-Spine is a Texas corporation that claims to own approximately 3.5% of the units in the Mesa Offshore Trust. PNR is the sole managing general partner of the Mesa Partnership, a Texas general partnership that holds and manages the royalty interests of the Mesa Offshore Trust. The Mesa Offshore Trust owns 99.99% of the Mesa Partnership.

2. **Summary of the Claims Asserted in the Lawsuit.** In this lawsuit, MOSH and Dagger-Spine ("Plaintiffs") allege that Pioneer acted wrongfully in connection with its management of and operations on properties in which the Mesa Offshore Trust holds an interest ("Trust Properties"), including alleged wrongful acts concerning a farmout to Woodside affecting certain Trust Properties. Plaintiffs allege that, in entering into this farmout agreement with Woodside, Pioneer and Woodside breached contractual obligations and committed various wrongful acts against the Mesa Offshore Trust, including fraud, breach of fiduciary duty, and gross negligence. Plaintiffs also allege that the Trustee is operating under a conflict of interest regarding Pioneer, and that it has breached its fiduciary duty to the Mesa Offshore Trust. These claims against Pioneer, Woodside, and the Trustee are more fully stated in MOSH's First Amended Original Petition and in Dagger-Spine's Petition in Intervention. Copies are available to you as described in paragraph 4 below.

3. **The Purpose of This Notice.** The Trustee, having investigated the allegations raised by Plaintiffs, has reached a settlement with Pioneer of all claims that the Mesa Offshore Trust or the Mesa Partnership has or might have against Pioneer concerning the subject of the Lawsuit. The settlement is conditioned on the Court's approval of its terms and conditions after a hearing on any objections to the settlement. The Trustee, having sought the advice of outside attorneys and industry experts, has determined that the proposed settlement is in the best interests of the Trust in light of the probable validity/invalidity of the claims asserted, the delay and expense of litigation, and the amount of the compromise as compared to the possible amount of any judgment that might be obtained through the litigation of this matter. *This Notice is solely to inform Unitholders of the Trust of the conditional settlement and to inform Unitholders of their opportunity to comment on or object to the conditional settlement.*

4. **Summary of the Proposed Settlement Terms.** Under the conditional settlement, PNR has agreed to assign to the Mesa Partnership an interest confirming its right to a 5% cost-free overriding royalty interest in the Brazos Area Block A-39 No. 5 Well until payout of that well, and to assign to the Mesa Partnership an interest in the same well, to be effective from and after payout if payout occurs, equal to a 45% net profits interest. (This provision is described in greater detail at section 1.1 of the Settlement Agreement.) PNR has, additionally,

agreed to pay for and satisfy approximately $1.4 million in plugging, abandonment, and decommissioning costs that would otherwise be allocated to the Mesa Partnership and that would otherwise be deducted from any proceeds generated by the Trust Properties and to agree that the Mesa Partnership had no unsatisfied obligations or responsibility for plugging, abandonment, or decommissioning costs associated with activities occurring on or before October 31, 2006 on the Trust Properties. (This provision is described at section 1.2 of the Settlement Agreement.) Additionally, PNR has agreed to assign certain rights to the Mesa Partnership concerning a farmout PNR has entered into with Hydro Gulf of Mexico, L.L.C. relating to a portion of the Brazos Block A-39 lease. (This provision is described at Section 1.3 of the Settlement Agreement.) Finally, Pioneer has agreed to take certain actions at the direction of the Trustee to arrange for the marketing and sale of the assets of the Mesa Partnership at public auction, to the highest cash bidder, targeting a date in mid-2007. (This provision is described at Section 1.4 of the Settlement Agreement.) The Trustee has agreed, in return, to release the claims against Pioneer and Woodside on behalf of itself, the Mesa Offshore Trust, and the beneficiaries of the Mesa Offshore Trust. (This provision is described at section 3.1 of the Settlement Agreement.) Each of these provisions is explained in detail in the Mutual Release and Settlement Agreement that has been negotiated by the parties. To obtain a copy of the Settlement Agreement, the related schedules and exhibits, MOSH's First Amended Original Petition, or Dagger-Spine's Petition in Intervention, please call 1(800) _____ or visit www._____. We encourage you to obtain and review these documents. This Notice provides only a summary of the details.

5. **This Notice Does Not Constitute an Admission of Liability.** This conditional settlement is a compromise of disputed claims between Pioneer, Woodside, and the Mesa Offshore Trust and is not an indication of liability of any sort. This Notice is not to be construed as an admission or concession of liability by Pioneer, Woodside, or the Trustee.

6. **Settlement Is Conditioned on Court Approval.** The settlement is conditioned on approval by the Court, and the Court's determination that the settlement is reasonable and in the best interests of the Mesa Offshore Trust. If the Court approves the settlement, it will enter a judgment that will dismiss the lawsuit against Pioneer and Woodside with prejudice as to all claims that may be brought on behalf of the Mesa Offshore Trust, either by the Trustee or by Unitholders seeking to assert claims on behalf of the Mesa Offshore Trust.

7. **You May Comment on or Object to the Conditional Settlement.** As a Unitholder of the Mesa Offshore Trust, you have the following options regarding the conditional settlement:

(a) If you agree with the conditional settlement, you need not do anything. On the Court's approval of the settlement and its entry of final judgment, Pioneer and the Trustee will effectuate the terms of the settlement.

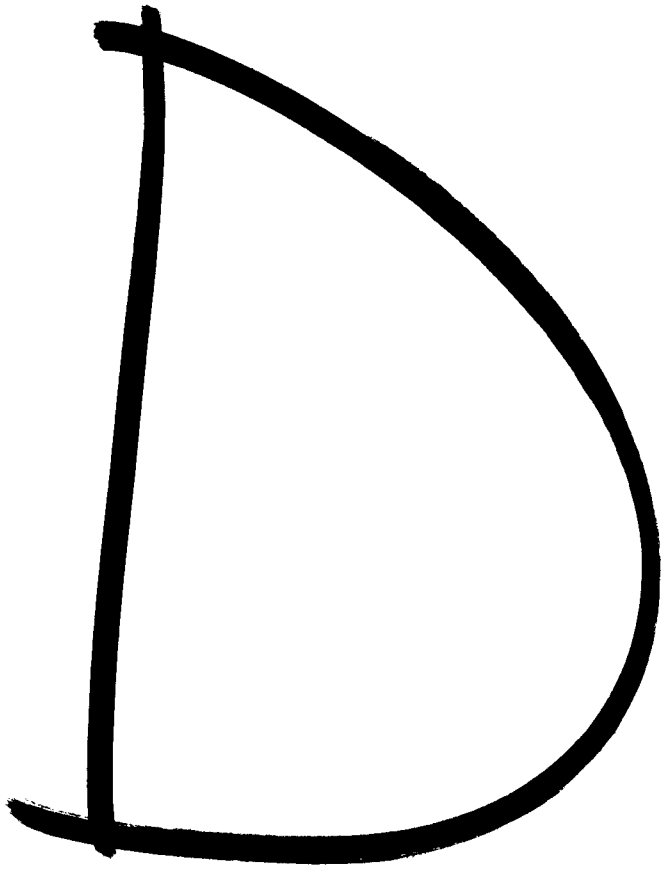
(b) If you oppose the conditional settlement, you may appear and voice your opposition at the settlement hearing described in Paragraph 8.

8. **Settlement Hearing.** A settlement hearing will be held on _____, 2007, at _____ __.m., before the Honorable Sharon McCally of the 334th Judicial District of

Harris County, Harris County Civil Courthouse, and 201 Caroline Street, Houston, Texas 77002. The purpose of the settlement hearing will be to determine whether the settlement should be approved as being in the best interests of the Mesa Offshore Trust and its Unitholders.

9. **Where to Direct Inquiries Regarding This Notice.** Any inquiries concerning this notice or the underlying lawsuit should be made in writing to _____. *No inquiries should be directed to the Court.*

Houston 3068099v.1



NO. 2006-01984

MOSH HOLDING, L.P.,	§	IN THE DISTRICT COURT OF
	§	
PLAINTIFF,	§	
	§	
V.	§	
	§	
PIONEER NATURAL RESOURCES COMPANY; PIONEER NATURAL RESOURCES USA, INC.; WOODSIDE ENERGY (USA), INC.; AND JPMORGAN CHASE BANK, N.A., AS TRUSTEE OF THE MESA OFFSHORE TRUST	§	HARRIS COUNTY, TEXAS
	§	
DEFENDANTS.	§	334TH JUDICIAL DISTRICT

FINAL ORDER APPROVING MUTUAL RELEASE AND SETTLEMENT AGREEMENT AND DISMISSAL WITH PREJUDICE

Pending before the Court is the Motion for Approval of Settlement and Petition for Instructions to the Trustee Regarding Final Settlement Approval (the "Motion"). After a hearing conducted on _____, the Court has reviewed the Motion, all responses and objections to the Motion and the Mutual Release and Settlement Agreement (the "Settlement Agreement") that is the subject of the Motion, the evidence presented by the parties and interested persons, the arguments of counsel, and finds that the Motion should be granted.

The Court makes the following findings in connection with this Order:

1. The Court has the authority under Texas law to approve the Settlement Agreement and to dismiss with prejudice the claims asserted in this lawsuit against Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc. (together, "Pioneer") and Woodside Energy (USA), Inc. ("Woodside") pursuant to the Motion and the Settlement Agreement.

2. The Trustee provided appropriate notice to beneficiaries of the Trust in accord with the provisions of Texas Property Code, including Sections 115.015 and 115.016.

EXHIBIT D

3. Pursuant to Texas law, the Royalty Trust Indenture dated December 1, 1982 (the Trust Indenture"), the Overriding Royalty Conveyance dated December 1, 1982, and the Articles of General Partnership dated November 30, 1982 (as amended by First Amended and Restated Articles of General Partnership dated December 1, 1982 and Amendment to First Amended and Restated Articles of General Partnership dated December 27, 1985) (the "Partnership Agreement"), JPMorgan Chase Bank, as Trustee of the Mesa Offshore Trust (the "Trustee"), has standing and the authority to cause the Mesa Offshore Trust (the "Trust"), the beneficiaries of the Trust, and (as the 99.99% General Partner of the Mesa Offshore Royalty Partnership (the "Partnership")) the Partnership to enter into the Settlement Agreement, to compromise the claims asserted against Pioneer and Woodside in this lawsuit, and to receive the benefits and consideration provided to the Trust and the Partnership pursuant to the Settlement Agreement.

4. The Trustee, Pioneer, and Woodside conducted settlement negotiations at arms' length and in good faith. The Trustee negotiated the Settlement Agreement in the best interests of the Trust and the Trust's beneficiaries.

5. The Trustee has diligently investigated the claims asserted against Pioneer and Woodside in the pleadings filed by MOSH Holding, L.P. and Dagger-Spine Hedgehog Corporation in this lawsuit. The claims against Pioneer and Woodside asserted in this lawsuit are not valid or are too speculative to justify using the Trust's assets to pursue.

6. The evidence that the parties would offer on the trial of this case would be voluminous, complex, and sharply conflicting, and a trial on the merits of this action would be extremely lengthy, complex, and expensive.

7. The proposed settlement agreement gives the Partnership, the Trust, and the Trust's beneficiaries substantial benefits and advantages that would not be available to them

even if Pioneer and Woodside were found liable on all of the claims raised in this lawsuit. The benefits achieved by the Settlement Agreement are more certain and greater than the benefits that likely could be obtained in a trial of this lawsuit.

8. The Settlement Agreement is advantageous for and in the best interest of the Trust and all of the beneficiaries of the Trust, including, without limitation, MOSH Holding, L.P. and Dagger-Spine Hedgehog Corporation.

9. The Trustee acted reasonably and properly in negotiating and executing the Settlement Agreement.

10. The actions of JPMorgan Chase Bank, in its capacity as Trustee and in its individual capacity, do not create any conflicts, including any conflicts arising from JPMorgan Chase Bank's lending relationship with Pioneer and its responsibilities as Trustee. No conflict of interest exists between the Trust, the beneficiaries of the Trust, and the Trustee.

11. The claims asserted in this lawsuit against Pioneer and Woodside belong to the Partnership or the Trust. Any recovery that could be obtained pursuant to the claims raised in this lawsuit would belong to and be for the benefit of the Partnership or the Trust, and not directly for the beneficiaries of the Trust, including MOSH Holding, L.P. and Dagger-Spine Hedgehog Corporation. The beneficiaries of the Trust do not have standing to assert the claims stated in this lawsuit against Pioneer and Woodside.

12. The total amount of cash that the Trust received per year in 2002, 2003, and 2004 was less than ten times one-third the total amount payable to the Trustee under Article VII of the Trust Indenture for such three-year period. Accordingly, the Trust Indenture requires the Trustee to sell the assets of the Trust or to cause the Partnership to sell the Partnership's assets. The procedures for the sale of the assets of the Partnership and the distribution of the net proceeds

from the sale of those assets that are stated in the Settlement Agreement are reasonable, necessary, and satisfy the obligations of Pioneer and the Trustee under the Partnership Agreement, the Overriding Royalty Conveyance, and the Trust Indenture.

It is therefore ORDERED that:

1. The Court approves the Settlement Agreement, which is attached as Exhibit A. All of the terms and provisions of the Settlement Agreement are incorporated into this Order. The Trustee is instructed to consummate the Settlement Agreement and to enforce its terms.

2. The claims and causes of action asserted against JPMorgan Chase Bank, N.A., as Trustee of the Mesa Offshore Trust, in this lawsuit are severed from the main cause and shall be docketed under cause number 2006-01984-A.

3. Pioneer Natural Resources Company, Pioneer Natural Resources USA, Inc., and Woodside Energy (USA), Inc., and all claims asserted against them in this action, are dismissed with prejudice. This order is final and appealable.

4. The Trustee is released from any liability from the Trust or the Trust beneficiaries for any claims arising from its agreement to and performance of the Settlement Agreement.

5. This Order and the Settlement Agreement is binding on Pioneer, Woodside, the Trust, the Trustee, and all of the beneficiaries of the Trust, including without limitation, MOSH Holding, L.P., and Dagger-Spine Hedgehog Corporation.

Signed this ___ day of _____, _____.

_____
Presiding Judge

ANDREWS KURTH LLP
ATTORNEYS

600 Travis, Suite 4200
Houston, Texas 77002
713.220.4200 Phone
713.220.4285 Fax
andrewskurth.com

Neil D. Kelly
713.220.4198 Phone
713.238.7247 Fax
nkelly@andrewskurth.com

January 30, 2007

VIA MESSENGER

Mr. Charles Bacarisse, District Clerk
Harris County District Court
201 Caroline
Houston, Texas 77002

Re: Cause No. 2006-01984; *MOSH Holdings, L.P. v. Pioneer Natural Resources Company, et al;* In the 334th Judicial District Court of Harris County, Texas

Dear Mr. Bacarisse:

Enclosed for filing in the above-referenced cause is JPMorgan Chase Bank's Motion for Approval of Settlement and Petition for Instruction to the Trustee Regarding Final Settlement Approval and *proposed* Order.

Please place your file stamp on the extra copies and return with the waiting messenger. By copy of this letter, all counsel of record are being duly served.

Thank you for your courtesy and cooperation.

Very truly yours,

Neil D. Kelly

NDK/bsm
Enclosures

[7932/159554]

cc: Mr. Robert L. Ketchand — **BY MESSENGER**
Boyer & Ketchand, P.C.
9 Greenway Plaza, Suite 3100
Houston, Texas 77046

Mr. Robert C. Walters — **BY CERTIFIED MAIL - RRR**
Vinson & Elkins L.L.P.
3700 Trammell Crow Center
2001 Ross Avenue
Dallas, Texas 75201-2975

Mr. Charles L. Stinneford — **BY CERTIFIED MAIL - RRR**
Gordon, Arata, McCollom,
Duplantis & Eagan L.L.P.
2200 West Loop South, Suite 1050
Houston, Texas 77027

NO. 2006-01984

MOSH HOLDING, L.P.,	§	IN THE DISTRICT COURT OF
PLAINTIFF,	§	
V.	§	
PIONEER NATURAL RESOURCES COMPANY; PIONEER NATURAL RESOURCES USA, INC.; WOODSIDE ENERGY (USA), INC.; AND JP MORGAN CHASE BANK, N.A., AS TRUSTEE OF THE MESA OFFSHORE TRUST	§	HARRIS COUNTY, TEXAS
DEFENDANTS.	§	334TH JUDICIAL DISTRICT

FINAL ORDER APPROVING MUTUAL RELEASE AND SETTLEMENT AGREEMENT AND DISMISSAL WITH PREJUDICE

Pending before the Court is the Motion for Approval of Settlement and Petition for Instructions to the Trustee Regarding Final Settlement Approval (the "Motion"). After a hearing conducted on _____, the Court has reviewed the Motion, all responses and objections to the Motion and the Mutual Release and Settlement Agreement (the "Settlement Agreement") that is the subject of the Motion, the evidence presented by the parties and interested persons, the arguments of counsel, and finds that the Motion should be granted.

The Court makes the following findings in connection with this Order:

1. The Court has the authority under Texas law to approve the Settlement Agreement and to dismiss with prejudice the claims asserted in this lawsuit against Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc. (together, "Pioneer") and Woodside Energy (USA), Inc. ("Woodside") pursuant to the Motion and the Settlement Agreement.

2. The Trustee provided appropriate notice to beneficiaries of the Trust in accord with the provisions of Texas Property Code, including Sections 115.015 and 115.016.

3. Pursuant to Texas law, the Royalty Trust Indenture dated December 1, 1982 (the Trust Indenture"), the Overriding Royalty Conveyance dated December 1, 1982, and the Articles of General Partnership dated November 30, 1982 (as amended by First Amended and Restated Articles of General Partnership dated December 1, 1982 and Amendment to First Amended and Restated Articles of General Partnership dated December 27, 1985) (the "Partnership Agreement"), JPMorgan Chase Bank, as Trustee of the Mesa Offshore Trust (the "Trustee"), has standing and the authority to cause the Mesa Offshore Trust (the "Trust"), the beneficiaries of the Trust, and (as the 99.99% General Partner of the Mesa Offshore Royalty Partnership (the "Partnership")) the Partnership to enter into the Settlement Agreement, to compromise the claims asserted against Pioneer and Woodside in this lawsuit, and to receive the benefits and consideration provided to the Trust and the Partnership pursuant to the Settlement Agreement.

4. The Trustee, Pioneer, and Woodside conducted settlement negotiations at arms' length and in good faith. The Trustee negotiated the Settlement Agreement in the best interests of the Trust and the Trust's beneficiaries.

5. The Trustee has diligently investigated the claims asserted against Pioneer and Woodside in the pleadings filed by MOSH Holding, L.P. and Dagger-Spine Hedgehog Corporation in this lawsuit. The claims against Pioneer and Woodside asserted in this lawsuit are not valid or are too speculative to justify using the Trust's assets to pursue.

6. The evidence that the parties would offer on the trial of this case would be voluminous, complex, and sharply conflicting, and a trial on the merits of this action would be extremely lengthy, complex, and expensive.

7. The proposed settlement agreement gives the Partnership, the Trust, and the Trust's beneficiaries substantial benefits and advantages that would not be available to them

even if Pioneer and Woodside were found liable on all of the claims raised in this lawsuit. The benefits achieved by the Settlement Agreement are more certain and greater than the benefits that likely could be obtained in a trial of this lawsuit.

8. The Settlement Agreement is advantageous for and in the best interest of the Trust and all of the beneficiaries of the Trust, including, without limitation, MOSH Holding, L.P. and Dagger-Spine Hedgehog Corporation.

9. The Trustee acted reasonably and properly in negotiating and executing the Settlement Agreement.

10. The actions of JPMorgan Chase Bank, in its capacity as Trustee and in its individual capacity, do not create any conflicts, including any conflicts arising from JPMorgan Chase Bank's lending relationship with Pioneer and its responsibilities as Trustee. No conflict of interest exists between the Trust, the beneficiaries of the Trust, and the Trustee.

11. The claims asserted in this lawsuit against Pioneer and Woodside belong to the Partnership or the Trust. Any recovery that could be obtained pursuant to the claims raised in this lawsuit would belong to and be for the benefit of the Partnership or the Trust, and not directly for the beneficiaries of the Trust, including MOSH Holding, L.P. and Dagger-Spine Hedgehog Corporation. The beneficiaries of the Trust do not have standing to assert the claims stated in this lawsuit against Pioneer and Woodside.

12. The total amount of cash that the Trust received per year in 2002, 2003, and 2004 was less than ten times one-third the total amount payable to the Trustee under Article VII of the Trust Indenture for such three-year period. Accordingly, the Trust Indenture requires the Trustee to sell the assets of the Trust or to cause the Partnership to sell the Partnership's assets. The procedures for the sale of the assets of the Partnership and the distribution of the net proceeds

from the sale of those assets that are stated in the Settlement Agreement are reasonable, necessary, and satisfy the obligations of Pioneer and the Trustee under the Partnership Agreement, the Overriding Royalty Conveyance, and the Trust Indenture.

It is therefore ORDERED that:

1. The Court approves the Settlement Agreement, which is attached as Exhibit A. All of the terms and provisions of the Settlement Agreement are incorporated into this Order. The Trustee is instructed to consummate the Settlement Agreement and to enforce its terms.

2. The claims and causes of action asserted against JPMorgan Chase Bank, N.A., as Trustee of the Mesa Offshore Trust, in this lawsuit are severed from the main cause and shall be docketed under cause number 2006-01984-A.

3. Pioneer Natural Resources Company, Pioneer Natural Resources USA, Inc., and Woodside Energy (USA), Inc., and all claims asserted against them in this action, are dismissed with prejudice. This order is final and appealable.

4. The Trustee is released from any liability from the Trust or the Trust beneficiaries for any claims arising from its agreement to and performance of the Settlement Agreement.

5. This Order and the Settlement Agreement is binding on Pioneer, Woodside, the Trust, the Trustee, and all of the beneficiaries of the Trust, including without limitation, MOSH Holding, L.P., and Dagger-Spine Hedgehog Corporation.

Signed this ___ day of _____, _____.

_____
Presiding Judge