

ASSUMPTION AGREEMENT AND
AMENDMENT OF PROMISSORY NOTE

THIS AGREEMENT made this 8th day of December, 1983, by and between John B. Anderson (the "Borrower"), Crocker National Bank (the "Transferee"), and The Federal Land Bank of Spokane (the "Bank").

WHEREAS, the Bank is the maker of a loan (the "Loan") to Tulana Farms, an Oregon corporation; Dick Henzel and Elizabeth Henzel, husband and wife; and Mabel Henzel, a widow (collectively referred to herein as the "Henzels and Tulana Farms") which is evidenced by a Promissory Note (the "Promissory Note"), dated June 30, 1972, in the original principal sum of Five Million One Hundred Seven Thousand Dollars (\$5,107,000), which is secured by a Mortgage (the "Mortgage") dated June 30, 1972, and recorded July 6, 1972, in Volume M72, Page 7301, Mortgage Records of Klamath County, Oregon, covering real property described in said Mortgage (the "Property"); and

WHEREAS, Borrower assumed all obligations of the Henzels and Tulana Farms under the Promissory Note and the Mortgage; and

WHEREAS, pursuant to Borrower's assumption of the Loan, Borrower and Buttes Oil and Gas, a Delaware corporation ("Buttes"), executed certain guaranties of Borrower's obligations under Promissory Note and Mortgage (the "Guaranties"); and

WHEREAS, Transferee is in the process of acquiring or has acquired said Property pursuant to Deeds in Lieu of Foreclosure; and

WHEREAS, Transferee desires to assume the obligation of Borrower to pay the outstanding indebtedness of Borrower in accordance with the terms of the Promissory Note evidencing said indebtedness, as modified herein; and

WHEREAS, Borrower has requested that Bank release the Borrower and Buttes from liability under the Promissory Note, Mortgage and Guaranties and Bank has agreed to such release subject to the consent of certain Junior Lienholders; and

WHEREAS, Transferee desires to obtain the consent of Bank to transfer of the Property to Transferee.

NOW, THEREFORE, it is agreed as follows:

1. Transferee hereby assumes the obligation to pay the indebtedness evidenced by the Promissory Note in accordance with the terms of the Promissory Note and to perform and observe all of the Borrower's obligations contained in and in accordance with the provisions of the Mortgage and any and all other documents evidencing or securing the Loan (the "Loan Documents"), and agrees to be bound by each and all of the terms and provisions of the Promissory Note and Mortgage, all as though the Promissory Note, the Mortgage, and the Loan Documents, and each of them, had originally been made, executed and delivered by Transferee.

2. Borrower hereby agrees to assign to Transferee all Bank stock it now holds pursuant to the Loan. The Bank shall transfer record ownership of the stock on its books to Transferee upon execution of this Agreement.

3. The Bank hereby consents to the transactions as disclosed by Transferee and the Borrower. Bank will not exercise any option to declare all sums secured by the Mortgage to be immediately due and payable on account of the acquisition of the Property by Transferee; provided, however, that such consent by Bank shall not be deemed or construed as a waiver of any provision requiring the Bank's

consent in the event of any subsequent transfer of the Property, and the consent of the Bank shall be required on all successive occurrences.

4. Bank will release Borrower and Buttes from any liability or obligation under the Promissory Note, Mortgage, the Guaranties and the Loan Documents, from and after this date, provided that Borrower shall first provide the written consent to such release executed by the persons shown on Exhibit B of that certain mortgage dated December 27, 1976, recorded December 27, 1976, in Volume M76, page 20632, Mortgage Records of Klamath County, Oregon, the same being a mortgage taken from Tulana Farms, an Oregon corporation, to Dick Henzel, Samuel Henzel and Jack Liskey as agents ("Junior Lienholders").

5. The Promissory Note is hereby modified to provide that as of January 1, 1984 the total outstanding principal balance is \$5,233,631.39.

6. The Promissory Note evidencing said indebtedness is hereby further modified to provide that, beginning on January 1, 1985, and continuing each year thereafter an amount shall be due and payable which will be sufficient to amortize the total outstanding balance of \$5,233,631.39, owed at the Bank's variable interest rate over a period of fifteen (15) years from the date hereof in equal annual installments of principal and interest. On the first business day following January 1, 1984, Transferee agrees to pay all outstanding sums owed under the Promissory Note in excess of said \$5,233,631.39.

7. The Promissory Note is hereby further modified to provide that the entire unpaid balance of the Promissory Note shall be due and payable in full on January 1, 1989 (the "Maturity Date") and to provide that the effective default rate shall be the applicable variable rate under the note plus 2%.

8. To the extent that any of the provisions of the Promissory Note conflicts with any of the provisions of this Agreement, the provisions of this Agreement shall prevail, but in all other respects, the Promissory Note and all terms and provisions of the Mortgage shall remain in full force and effect.

9. The Property shall remain subject to the lien, charge and encumbrance of the Mortgage, and nothing herein contained or done pursuant hereto shall affect or impair or be construed to affect or impair the lien, charge or encumbrance of the Mortgage or the priority thereof over other liens, charges or encumbrances, if any, or to release or affect the liability of any party or parties whomsoever who may now or hereafter be liable under or on account of the Promissory Note and/or the Mortgage, except as may be provided herein.

10. Transferee agrees to perform the maintenance presently required for the dikes, lift stations and related facilities on the security and maintenance of the dredge.

11. This Agreement applies to, inures to the benefit of and binds all parties hereto and their respective heirs, legatees, devisees, administrators, executors, successors and assigns.

12. In this Agreement, whenever the context so requires, the masculine gender includes the feminine and/or neuter, the singular includes the plural and the plural includes the singular.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year written above.

BANK:

THE FEDERAL LAND BANK
OF SPOKANE

By

Shirley Dunsmore
Shirley Dunsmore
Authorized Agent

TRANSFeree:

CROCKER NATIONAL BANK
a national banking association

By

James R. Hollander
Vice President

Attest:

Douglas S. Barry
Assistant Secretary

BORROWER:

John B. Anderson,

By

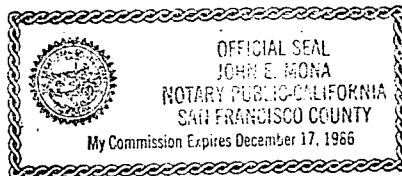
[Signature]

STATE OF CALIFORNIA)

County of San Francisco) ss.

On this 6th day of January, 19 84, before me,
personally appeared James R. Hollander and Douglas S. Barry,
known to me to be the Vice President and Assistant Secretary
[Signature], respectively, of the corporation that executed
the within instrument, and acknowledged to me that such corporation
executed the same as its free act and deed; and each on oath stated
that he was authorized to execute said instrument.

John E. Mona
Notary Public for the State of California
Residing at One Montgomery - West Tower
My commission expires 12-12-86

STATE OF OREGON,)
County of Klamath)

Filed for record at request of

on this 27th day of Jan, A.D. 19 84
at 9:46 o'clock A M, and duly
recorded in Vol. M84 of Mortgages
Page 1477

EVELYN BIEHN, County Clerk

By [Signature] DeputyFee 12.00

Return to:

FEDERAL LAND BANK ASSOCIATION
OF KLAMATH FALLS
P. O. BOX 148
KLAMATH FALLS, OREGON 97601