

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1997

OR

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

For the transition period from _____ to _____

Commission file number: 0-7062

NOBLE AFFILIATES, INC.
(Exact name of registrant as specified in its charter)

Delaware (State of incorporation)	73-0785597 (I.R.S. employer identification number)
110 West Broadway Ardmore, Oklahoma (Address of principal executive offices)	73401 (Zip Code)

(Registrant's telephone number, including area code)
(580) 223-4110

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class -----	Name of Each Exchange on Which Registered -----
Common Stock, \$3.33-1/3 par value	New York Stock Exchange, Inc.
Preferred Stock Purchase Rights	New York Stock Exchange, Inc.

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No
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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Aggregate market value of Common Stock held by nonaffiliates as of February 17, 1998: \$1,918,000,000.

Number of shares of Common Stock outstanding as of February 17, 1998: 56,958,238.

DOCUMENT INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for the 1998 Annual Meeting of Stockholders to be held on April 28, 1998, which will be filed with the Securities and Exchange Commission within 120 days after December 31,

1997, are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS.

Part I and Part II of this Annual Report on Form 10-K include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts included in this Annual Report on Form 10-K and the documents incorporated herein by reference regarding the Company's estimates of oil and gas reserves and the future net cash flows attributable thereto, anticipated capital expenditures, business strategy, plans and objectives of management of the Company for future operations and industry conditions, are forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from the Company's expectations ("Cautionary Statements") include without limitation future production levels, future prices and demand for oil and gas, results of future exploration and development activities, future operating and development costs, the effect of existing and future laws and governmental regulations (including those pertaining to the environment) and the political and economic climate of the United States and the foreign countries in which the Company operates from time to time, as discussed in this Annual Report on Form 10-K and the other documents of the Company filed with the Securities and Exchange Commission. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the Cautionary Statements.

GENERAL

Noble Affiliates, Inc. is a Delaware corporation organized in 1969. The Registrant is principally engaged, through its subsidiaries, in the exploration, production and marketing of oil and gas.

In this report, unless otherwise indicated or the context otherwise requires, the "Company" or the "Registrant" refers to Noble Affiliates, Inc. and its subsidiaries, "Samedan" refers to Samedan Oil Corporation and its subsidiaries, "EDC" refers to Energy Development Corporation and its subsidiaries, "NGM" refers to Noble Gas Marketing, Inc. and its subsidiary, and "NTI" refers to Noble Trading, Inc. Samedan's subsidiaries include EDC. In this report, quantities of oil are expressed in barrels ("BBLs"); and quantities of natural gas are expressed in thousands of cubic feet ("MCF"), millions of cubic

feet ("MMCF"), billions of cubic feet ("BCF"), trillions of cubic feet ("TCF"), million British Thermal Units ("MMBTU"); or barrel of oil equivalent ("BOE") converting gas to oil at six thousand cubic feet of gas to one barrel of oil.

OIL AND GAS

The Company's wholly owned subsidiary, Samedan, has been engaged in the exploration, production and marketing of oil and gas since 1932. Samedan has exploration, exploitation and production operations in nine prominent areas: four domestic areas and five international areas. The domestic areas consist of: offshore in the Gulf of Mexico, the Gulf Coast (Texas and Louisiana), the Mid Continent (Oklahoma and Southern Kansas), and the Rocky Mountain division (Colorado, Montana, North Dakota, Wyoming and California). The international areas of operations include Argentina, China, Ecuador, Equatorial Guinea and the U.K. Sector of the North Sea. For more information regarding Samedan's oil and gas properties, see "Item 2. Properties--Oil and Gas" of this Form 10-K.

The Company's wholly owned, indirect subsidiary, EDC, was acquired on July 31, 1996, when Samedan purchased all of the outstanding common stock of EDC, previously a wholly owned, indirect subsidiary of Public Services Enterprise Group Incorporated. The consolidated financial statements of the Registrant (Item 8. of this Form 10-K) include EDC from and after July 31, 1996, unless otherwise indicated.

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During 1997, the Registrant sold its Canadian operations. The consolidated financial statements of the Registrant (Item 8. of this Form 10-K) include the Canadian operations throughout the year. There will be no Canadian operations in 1998.

The Company's wholly owned subsidiary, NGM, markets the Company's natural gas as well as third-party gas. For more information regarding NGM's operations, see "Item 1. Business--Oil and Gas--Marketing" of this Form 10-K. The Company's wholly owned subsidiary, NTI, markets a portion of the Company's oil as well as third-party oil. For more information regarding NTI's operations, see "Item 1. Business--Oil and Gas--Marketing" of this Form 10-K.

Exploration Activities

Samedan, by itself or through various arrangements with others, investigates potential oil and gas properties, seeks to acquire exploration rights in areas of interest and conducts exploratory activities, including geophysical and geological evaluation and exploratory drilling on properties for which it acquired such exploration rights.

Gulf of Mexico. Samedan has been actively engaged in exploration, exploitation and development of oil and gas properties in the Gulf of Mexico (offshore Texas and Louisiana) since 1968. Generally, properties in the Gulf of Mexico are characterized by prolific reservoirs with high production rates, which therefore tend to deplete more rapidly than the Company's onshore properties. The Company's current production in the Gulf of Mexico is derived from 282 wells operated by Samedan and 525 wells operated by others. During the past 29 years, Samedan has drilled or participated in the drilling of 833 gross wells in the Gulf of Mexico. At December 31, 1997, the Company held offshore federal leases covering 908,261 gross undeveloped acres in the Gulf of Mexico, with expiration dates ranging from 1998 to 2007, on which the Company currently intends to conduct future exploration activities.

Gulf Coast. Samedan has been actively engaged in exploration, exploitation and development of oil and gas properties on the Gulf Coast (onshore Louisiana and Texas) since the 1930's. The Company's current production in the Gulf Coast areas is derived from 428 wells operated by Samedan and 2,391 wells operated by others. Properties in the Gulf Coast area are characterized by gas reservoirs with strong production rates and oil fields with primary and secondary recovery operations which tend to deplete more gradually than the Company's offshore properties. At December 31, 1997, the Company held 245,260 gross undeveloped acres in the Gulf Coast area on which the Company currently intends to conduct future exploration activities.

Mid Continent. Samedan has been actively engaged in exploration, exploitation and development of oil and gas properties in the Mid Continent region (Oklahoma and Southern Kansas) since 1932. The Company's current oil and gas production in the Mid Continent is derived from 435 wells operated by Samedan and 1,198 wells operated by others. Reservoirs in the Mid Continent region tend to be characterized by stable oil and gas production from primary

and secondary recovery operations. These reservoirs tend to produce for longer periods compared to the Company's offshore properties. At December 31, 1997, the Company held 76,443 gross undeveloped acres in the Mid Continent area on which the Company currently intends to conduct future exploration activities.

Rocky Mountain. Samedan has been actively engaged in exploration, exploitation and development of oil and gas properties in the Rocky Mountain division (Colorado, Montana, North Dakota, Wyoming and California) since 1960. The Company's current production in the Rocky Mountain division is derived from 945 wells operated by Samedan and 786 wells operated by others. Reservoirs in the Rocky Mountain division are primarily characterized by oil and gas production from primary recovery, secondary recovery and horizontally drilled wells. The Rocky Mountain division has two unitized gas fields with an estimated reserve life of 50 years. At December 31, 1997, the Company held 252,857 gross undeveloped acres in the Rocky Mountain division on which it currently intends to conduct future exploration activities.

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Argentina. Samedan, through its subsidiary EDC, has been actively engaged in exploration, exploitation and development of oil and gas properties in Argentina since acquiring EDC in 1996. The Company's properties are located in southern Argentina in the El Tordillo Field, which is characterized by secondary recovery oil production from a 10,000 acre reservoir. There appear to be other exploitation opportunities within the field which the Company intends to pursue in future programs. At December 31, 1997, the Company held 28,988 gross developed acres and 85,760 gross undeveloped acres in Argentina, with an expiration date of 2016, on which the Company currently intends to conduct future exploration activities.

China. Samedan, through its subsidiary EDC, has been actively engaged in exploration and development of oil and gas properties in China since acquiring EDC in 1996. The Company has four concessions in Bo Hai Bay, offshore China. The Company was approved to operate two of the concessions by the Chinese government in 1997. These concessions, Cheng Dao Xi and Cheng Zi Kou, are contiguous and adjoin non-owned production in the southern portion of Bo Hai Bay. The other two concessions, Laopu and Getuo, are located in the northern portion of Bo Hai Bay. At December 31, 1997, the Company held 316,676 gross undeveloped acres in China, on which the Company currently intends to conduct future exploration activities.

Ecuador. Samedan, through its subsidiary EDC, has been actively engaged in exploration and development of oil and gas properties in Ecuador since acquiring EDC in 1996. The Company's presence in Ecuador is primarily in the Amistad gas field (Offshore Ecuador) which was discovered in 1970. The concession, which covers 864,126 gross acres and encompasses the Amistad field, was awarded to EDC in 1996 by the Ecuadorian government.

Equatorial Guinea. Samedan has been actively engaged in exploration, exploitation and development of oil and gas properties Offshore Equatorial Guinea (West Africa) since 1990. The primary Offshore Equatorial Guinea production is from the Alba field. The field produces approximately 2,300 net BBLs per day of condensate. The field also has a sizable gas reserve which will be utilized as feedstock by the Company's methanol plant (see Item 2. of this Form 10-K) that is currently in the preliminary stages of development. The plant will be capable of producing 2,500 metric tons of methanol per day which is equivalent to approximately 20,000 BBLs per day. Based on reserve estimates, the Alba field can deliver gas sufficient for the plant to operate for 30 years. At December 31, 1997, the Company held 26,651 gross developed acres and 284,000 gross undeveloped acres Offshore Equatorial Guinea, on which the Company currently intends to conduct future exploration activities.

U.K. Sector of the North Sea. Samedan, through its subsidiary Brabant Petroleum Limited ("Brabant"), has been actively engaged in exploration, development and production of oil and gas properties in the U.K. Sector of the North Sea since acquiring EDC in 1996. The Company's current production in the U.K. Sector of the North Sea is derived from seven non-operated fields, of which three are oil fields in the northern portion of the North Sea and four are gas fields in the southern gas basin. The seven fields comprise a total of 116 producing wells. The Company's total average daily production from these interests for 1997 was 2,400 BBLs of oil per day and 14,000 MCF of gas per day.

When acquired in July 1996, the Brabant interests were producing 8.7 MMCF of gas per day. At year end 1997, production had increased by 200 percent to 26.1 MMCF per day and proven gas reserves had increased 6.6 percent to 47.3

BCF. Oil reserves at the end of 1997 were seven million BBLs. Key oil fields are Buchan, Claymore and Forties. Key gas fields are Guinevere, Lancelot, Pickerill and Windermere.

At December 31, 1997, the Company held 125,107 gross developed acres and 533,816 gross undeveloped acres, with expiration dates ranging from 1999 to 2020, on which the Company intends to conduct future exploration activities.

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Production Activities

Operated Property Statistics. The percentage of oil and gas wells operated and the percentage of sales volume from operated properties are shown in the following table as of December 31:

(In percentages)	1997		1996		1995	
	Oil	Gas	Oil	Gas	Oil	Gas
Operated well count basis	15.1	60.8	22.4	57.4	19.1	56.8
Operated sales volume basis	48.8	63.5	56.6	68.3	54.5	64.6

Net Production. The following table sets forth Samedan's net production including royalty and working interest of oil and natural gas, for the three years ended December 31:

	1997	1996	1995
Oil Production (million BBLs)	14.0	12.6	9.3
Gas Production (BCF)	206.4	171.8	99.4

Oil and Gas Equivalents. The following table sets forth Samedan's net production stated in oil and gas equivalents, for the three years ended December 31:

	1997	1996	1995
Total Oil Equivalents (million BBLs)	48.4	41.3	25.9
Total Gas Equivalents (BCF)	290.4	247.6	155.5

Oil and Gas Wells. The number of productive oil and gas wells in which Samedan held an interest as of December 31, 1997, 1996 and 1995 were as follows:

	1997 (1) (2) (3)		1996 (1) (3)		1995 (1) (3)	
	Gross	Net	Gross	Net	Gross	Net
OIL WELLS						
United States - Onshore	4,614.5	881.4	4,607.0	860.8	3,554.5	796.0
United States - Offshore	327.0	140.3	343.0	151.1	256.5	110.9
International	549.0	58.5	629.0	91.8	126.0	41.9
Total	5,490.5	1,080.2	5,579.0	1,103.7	3,937.0	948.8
GAS WELLS						
United States - Onshore	1,568.5	920.9	1,476.0	847.2	1,346.5	765.6

United States - Offshore	480.0	176.6	530.0	186.9	432.5	166.0
International	25.0	1.9	89.0	32.6	74.0	18.9
Total	2,073.5	1,099.4	2,095.0	1,066.7	1,853.0	950.5

(1) Productive wells are producing wells and wells capable of production. A gross well is a well in which a working interest is owned. The number of gross wells is the total number of wells in which a working interest is owned. A net well is deemed to exist when the sum of fractional ownership working interests in gross wells equals one. The number of net wells is the sum of the fractional working interests owned in gross wells expressed as whole numbers and fractions thereof.

(2) The reduction in gross international wells from December 31, 1996 to December 31, 1997 was a result of the sale of the Company's Canadian oil and gas operations during 1997.

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(3) One or more completions in the same bore hole is counted as one well in the table above. The following table summarizes multiple completions and non-producing wells as of December 31 for the years shown. Included in wells not producing are wells awaiting additional action, pipeline connections or shut-in for various reasons.

	1997		1996		1995	
	Gross	Net	Gross	Net	Gross	Net
MULTIPLE COMPLETIONS						
Oil	24.5	18.1	21.0	14.4	28.0	18.2
Gas	48.5	21.6	47.0	23.6	46.0	19.4
NOT PRODUCING (SHUT-IN)						
Oil	1,017.0	127.3	1,086.0	136.7	824.0	131.8
Gas	79.5	50.1	63.5	32.0	81.0	42.7

Samedan spent approximately \$3.9 million in 1997 on the purchase of producing oil and gas properties. Approximately \$687 million of the EDC purchase price was allocated to producing properties in 1996, and \$43.7 million was spent to purchase producing properties in 1995.

Acquisitions of Unproved Properties

During 1997, Samedan spent approximately \$19.8 million on acquisitions of unproved properties. These properties were acquired primarily through domestic onshore lease acquisitions, various offshore lease sales and international concession negotiations.

Marketing

NGM seeks opportunities to enhance the value of the Company's gas by marketing directly to end users and accumulating gas to be sold to gas marketers and pipelines. During 1997, approximately 47 percent of NGM's total sales were to end users. NGM is also actively involved in the purchase and sale of gas from other producers. Such third-party gas may be purchased from non-operators who own working interests in the Company's wells or from other producers' properties in which the Company may not own an interest. NGM, through its wholly owned subsidiary, Noble Gas Pipeline, Inc., engages in the installation, purchase and operation of gas gathering systems.

Samedan and EDC have gas sales contracts with NGM, whereby Samedan and EDC are paid an index price for all gas sold to NGM. Sales, including hedging transactions, are recorded as gathering, marketing and processing revenues. NGM records as cost of sales in gathering, marketing and processing costs, the amount paid to Samedan, EDC and third parties. All intercompany sales and expenses are eliminated in the Company's consolidated financial statements.

Oil produced by the Company is sold to purchasers in the United States and foreign locations at various prices depending on the location and quality of the oil. The Company has no long-term contracts with purchasers of its oil production. Crude oil and condensate are distributed through pipelines and

trucks to gatherers, transportation companies and end users. NTI markets a portion of the Company's oil as well as certain third-party oil. The Company records all of NTI's sales as gathering, marketing and processing revenues and records cost of sales in gathering, marketing and processing costs. All intercompany sales and expenses are eliminated in the Company's consolidated financial statements.

Oil prices are affected by a variety of factors that are beyond the control of the Company. The principal factors influencing the prices received by producers of domestic crude oil continue to be the pricing and production of the members of the Organization of Petroleum Exporting Countries. The Company's average oil price decreased from \$18.28 per BBL in 1996 to \$17.86 per BBL in 1997. Due to the volatility of oil and gas prices, the Company, from time to time, has used hedging and may do so in the future as a means of controlling its exposure to price

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changes. The Company's average oil price reflected a reduction of \$.19 per BBL in 1997 and \$2.35 per BBL in 1996, from hedging oil production.

Substantial competition in the natural gas marketplace continued in 1997. Gas prices, which were once determined largely by governmental regulations, are now being influenced to a greater extent by the marketplace. The Company's average gas price increased from \$2.17 per MCF in 1996 to \$2.48 per MCF in 1997. Due to the volatility of oil and gas prices, the Company, from time to time, has used hedging and may do so in the future as a means of controlling its exposure to price changes. The Company's average gas price for 1997 and 1996 reflected a reduction of \$.12 and \$.33 per MCF, respectively, from hedging gas production.

The largest single non-affiliated purchaser of the Company's oil in 1997 accounted for approximately 25 percent of its oil sales, and the five largest purchasers accounted for approximately 63 percent of total oil sales. The largest single non-affiliated purchaser of the Company's gas in 1997 accounted for approximately two percent of its gas sales, and the five largest purchasers accounted for approximately six percent of total gas sales. The Company does not believe that its loss of a major oil or gas purchaser would have a material effect on the Company.

Regulations and Risks

General. Exploration for and production and sale of oil and gas are extensively regulated at the national, state and local levels. Oil and gas development and production activities are subject to various state laws and regulations (and orders of regulatory bodies pursuant thereto) governing a wide variety of matters, including allowable rates of production, marketing, pricing, prevention of waste and pollution, and protection of the environment. Laws affecting the oil and gas industry are under constant review for amendment or expansion and frequently increase the regulatory burden on companies. Numerous governmental departments and agencies are authorized by statute to issue rules and regulations binding on the oil and gas industry. Many of these governmental bodies have issued rules and regulations that are often difficult and costly to comply with, and that carry substantial penalties for failure to comply. These laws, regulations and orders may restrict the rate of oil and gas production below the rate that would otherwise exist in the absence of such laws, regulations and orders. The regulatory burden on the oil and gas industry increases its costs of doing business and consequently affects the Company's profitability.

Natural Gas. The natural gas industry has been regulated under the Natural Gas Act and the Natural Gas Policy Act of 1978 (the "NGPA"). Under the Natural Gas Wellhead Decontrol Act of 1989, price ceilings were eliminated over a transition period which ended on January 1, 1993.

Certain Risks. In Samedan's exploration operations, losses may occur before any accumulation of oil or gas is found. If oil or gas is discovered, no assurance can be given that sufficient reserves will be developed to enable Samedan to recover the costs incurred in obtaining the reserves or that reserves will be developed at a rate sufficient to replace reserves currently being produced and sold. Samedan's international operations are also subject to certain political, economic and other uncertainties including, among others, risk of war, expropriation, renegotiation or modification of existing contracts, taxation policies, foreign exchange restrictions, international monetary fluctuations and other hazards arising out of foreign governmental sovereignty over areas in which Samedan conducts operations.

Environmental Matters. As a developer, owner and operator of oil and gas properties, Samedan is subject to various federal, state, local and foreign country laws and regulations relating to the discharge of materials into, and the protection of, the environment. The release or discharge of oil from Samedan's domestic onshore or offshore facilities could subject Samedan to liability under federal laws and regulations, including the Oil Pollution Act of 1990, the Outer Continental Shelf Lands Act and the Clean Water Act, for pollution cleanup costs, damage to the environment, civil or criminal penalties, and orders or injunctions requiring the suspension or cessation of operations in affected areas. The liability under these laws for a substantial release or discharge of oil, subject to certain specified limitations on liability, may be extraordinarily large. If any oil pollution was caused by willful

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misconduct, willful negligence or gross negligence, or was caused primarily by a violation of federal regulations, such limitations on liability may not apply. Certain of Samedan's facilities are subject to regulations of the United States Environmental Protection Agency, including regulations that require the preparation and implementation of spill prevention control and countermeasure plans relating to the possible discharge of oil into navigable water.

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as "Superfund", imposes liability on certain classes of persons that contributed to the release or threatened release of a hazardous substance into the environment or that own or operate facilities or vessels onto or into which hazardous substances are disposed. The Resource Conservation and Recovery Act ("RCRA") and regulations promulgated thereunder regulate hazardous waste, including its treatment, storage and disposal. CERCLA currently exempts crude oil, and RCRA currently exempts certain oil and gas exploration and production drilling materials, such as drilling fluids and produced waters, from the definitions of hazardous substances and hazardous wastes. Samedan's operations, however, may involve the use or handling of other materials that may be classified as hazardous substances and hazardous wastes, and therefore, these statutes and regulations promulgated under them would apply to Samedan's generation, handling and disposal of these materials. In addition, there can be no assurance that such exemptions will be preserved in future amendments of such acts, if any, or that more stringent laws and regulations protecting the environment will not be adopted.

Certain of Samedan's facilities may also be subject to other federal environmental laws and regulations, including the Clean Air Act with respect to emissions of air pollutants. Certain state or local laws or regulations may impose liabilities in addition to or restrictions more stringent than those described herein. The environmental laws, rules and regulations of foreign countries are generally less stringent than those of the United States, and therefore, the requirements of such jurisdictions do not generally impose an additional compliance burden on Samedan.

Samedan has made and will continue to make expenditures in its efforts to comply with environmental requirements. The Company does not believe that it has to date expended material amounts in connection with such activities or that compliance with such requirements will have a material adverse effect upon the capital expenditures, earnings or competitive position of the Company. Although such requirements do have a substantial impact upon the energy industry, generally they do not appear to affect the Company any differently or to any greater or lesser extent than other companies in the industry.

Insurance. Samedan believes that it has such insurance coverages as are customary in the industry and that it is adequately protected by public liability and physical damage insurance.

Competition

The oil and gas industry is highly competitive. Since many companies and individuals are engaged in exploring for oil and gas and acquiring oil and gas properties, a high degree of competition for desirable exploratory and producing properties exists. A number of the companies with which Samedan competes are larger and have greater financial resources than Samedan.

The availability of a ready market for Samedan's oil and gas production depends on numerous factors beyond its control, including the level of consumer demand, the extent of worldwide oil and gas production, the costs and availability of alternative fuels, the costs and proximity of pipelines and other transportation facilities, regulation by state and federal authorities and the costs of complying with applicable environmental regulations.

EMPLOYEES

During the year, the total number of employees of the Company increased nine percent from 563 at December 31, 1996, to 614 at December 31, 1997.

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ITEM 2. PROPERTIES.

OFFICES

The principal executive office of the Company is located at 110 West Broadway, Ardmore, Oklahoma 73401. The principal office of Samedan is in Ardmore, Oklahoma. Samedan also maintains offices in Oklahoma City, Houston, Denver, United Kingdom, China and Ecuador. Samedan maintains three separate offices in Houston for its international, offshore and onshore oil and gas operations. NGM's office is located in Houston, Texas and NTI's office is located in Ardmore, Oklahoma.

OIL AND GAS

Samedan, by itself or through various arrangements with others, investigates potential oil and gas properties, seeks to acquire exploration rights in areas of interest and conducts exploratory activities, including geophysical and geological evaluation and exploratory drilling, where appropriate, on properties for which it acquired such exploration rights. During 1997, Samedan drilled or participated in the drilling of 384 gross (210.6 net) wells, comprised of 38 gross (7.7 net) international wells and 346 gross (202.9 net) domestic wells. Additionally, Samedan completed 87 square miles of 3-D and 145 miles of 2-D seismic programs in the Amistad field, Ecuador and two 3-D seismic programs covering 140 blocks in the Gulf of Mexico. For more information regarding Samedan's oil and gas properties, see "Item 1. Business -- Oil and Gas" of this Form 10-K.

Gulf of Mexico. In the Gulf of Mexico during 1997, Samedan drilled or participated in the drilling of 72 gross wells, 24 exploratory wells (10.99 net) and 48 development wells (22.28 net) in federal and state waters offshore Texas and Louisiana. Of the 72 gross wells, 60 wells (27.50 net) were completed as productive and 12 wells (5.76 net) were abandoned as dry holes. Samedan acquired 24 federal and seven state leases, in the offshore Gulf of Mexico sales during 1997. The Company intends to remain active in these areas of the Gulf of Mexico.

During 1997, a platform drilling rig was utilized on Samedan's 100 percent owned Main Pass 306 E platform, drilling five wells which were being completed at year end. The wells are expected to deliver approximately 1,000 BBLs of oil per day when fully operational.

Six wells were drilled in Samedan's 50 percent owned Vermilion 279 field during 1997. The wells logged oil and gas pay ranging from 61 to 230 feet in multiple zones. The field was producing approximately 3,500 BBLs of oil and 50 MMCF of gas per day from eight wells at year end 1997. Two additional wells remain to be completed, and a third well was being drilled at year end 1997. During 1998, Samedan expects to drill three additional wells in the field.

Samedan drilled three wells in its East Cameron 331/332 field in which it owns a 70.4 percent interest. At year end 1997, the A-16 well reached its target depth encountering approximately 87 feet of oil and gas pay in five zones. The well is expected to be completed in 1998. During 1998, Samedan expects to drill one additional well in the field.

At the South Timbalier 195 field, owned 100 percent, Samedan drilled three wells. One well had been completed at year end 1997, and the remaining two wells are scheduled to be completed in early 1998. The wells are expected to deliver approximately 45 MMCF of gas per day when fully operational. At year end 1997, Samedan was preparing to drill one additional well, the A-7.

Samedan installed a 3.5 mile pipeline in the South Timbalier production area in December 1997. The pipeline will allow for the flow of more gas from the production area by reducing the pipeline pressure and increasing pipeline capacity.

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Drilling and completion operations were underway at year end on Samedan's 50 percent owned Main Pass 261 lease. The field contains three wells; two of which are completed and awaiting production facilities. The third well was drilling at year end 1997. Two additional wells are projected to be drilled in 1998. Production facilities are expected to be operational in the second quarter of 1998. When fully operational, the field is projected to produce approximately 40 MMCF of gas and 1,000 BBLs of oil per day, net to Samedan's interest.

Samedan drilled a successful infill well in its Ship Shoal 315 field. The 100 percent owned A-1 Sidetrack well encountered approximately 62 feet of pay in two zones. At year end 1997, the well was producing approximately 1,100 BBLs of oil and 12 MMCF of gas per day.

Samedan made a gas discovery on its 67 percent owned South Timbalier 220 lease during 1997. The discovery well encountered approximately 229 feet of pay as determined by electric logs. Development plans include drilling an additional well and installing production facilities. Initial production of approximately 15 MMCF of gas and 150 BBLs of oil per day, net to Samedan's interest, is projected to begin in the third quarter of 1998.

Development is underway on Samedan's 25 percent owned East Cameron 371/381 field which was a gas discovery in 400 feet of water. Completion operations on the two wells drilled and production facilities are scheduled to be finished in the second quarter of 1998. Two additional wells are scheduled to be drilled in 1998. Production from the field is expected to be approximately 22 MMCF of gas and 200 BBLs of oil per day, net to Samedan's interest.

An oil discovery was made on Vermilion 379 which is 25 percent owned by Samedan and located in 325 feet of water. The discovery well was drilled to a measured depth of 6,253 feet and logged 60 feet of apparent pay in one zone. Development plans include drilling five additional wells and installing production facilities. Initial production is expected to commence in the second quarter of 1999.

At Viosca Knoll 864, Samedan participated with a 35 percent working interest in a discovery well which logged approximately 200 feet of oil pay in five zones. The well is located in approximately 1,460 feet of water and tested oil rates as high as 4,350 BBLs of oil per day. Evaluation of the estimated development costs and potential reservoir size were underway at year end 1997.

Gulf Coast. During 1997, a productive well was drilled in Samedan's 23.2 percent owned Kaplan field, Vermilion Parish, Louisiana. The well was completed in the Camerina sand at approximately 16,810 feet. At year end 1997, the well was producing approximately 20 MMCF of gas and 800 BBLs of condensate per day. During 1998, Samedan anticipates participating in the drilling of three additional wells in the field.

Samedan successfully recompleted the Glenn #3 well in the South Lake Arthur gas field, Vermilion Parish, Louisiana. The well was plugged back to the Miogyp sand at 16,735 feet and was flowing 13.7 MMCF of gas per day at year end 1997.

Samedan also has a deep gas prospect lying beneath the South Lake Arthur field which encompasses approximately 5,000 acres. In order to test the deep prospective zone Samedan expects to drill a 20,000 foot test well in 1998.

In South Texas, seven wells were drilled in Samedan's 100 percent owned Rincon field, located in Starr County. The wells were completed in the Rincon or Vicksburg sands. During 1998, five wells are expected to be drilled.

Mid Continent. Samedan is actively drilling wells in its multiple objective Washita Mountain Front play in Beckham County, Oklahoma. Samedan participated in drilling eight wells during the year and each encountered 30 to 250 feet of oil and gas pay in multiple zones, as determined from electric logs. Samedan owns approximately 40

percent in 26,000 gross acres in the prospect. During 1998, Samedan expects to participate in drilling 15 wells. Additionally, Samedan has a 45 percent participation interest in a 3-D seismic program covering 227 square miles within this area.

Rocky Mountain. Samedan drilled 100 wells in its Bowdoin gas field located in Phillips and Valley counties, Montana. The wells were completed in the field pay, but also encountered a new shallow pay zone in the Niobrara formation. Gas from the field is sold under a long-term contract in which the price escalates monthly through May 2007. At year end 1997, the price was \$4.31 per MMBTU.

In Dawson County, Montana, Samedan kept a drilling rig engaged throughout 1997, drilling horizontal oil wells in its Deer Creek prospect. Seven wells were drilled in the field during 1997, including five wells that had multiple lateral well bores. The typical well in the field stabilizes production at approximately 100 BBLS of oil per day. Samedan owns a 75 percent working interest in the prospect and anticipates keeping a rig active throughout 1998.

Argentina. Throughout 1997, two drilling rigs were utilized for expanding infill drilling in the El Tordillo oil field. At year end 1997, a third rig was placed in service to accelerate the drilling program. Twenty-six wells were completed in the main field during the year and drilling to a prospective deeper horizon was in process at year end. Samedan owns 13.7 percent interest in the El Tordillo field which in 1997 produced an average of 2,800 BBLS of oil per day, net to Samedan's interest.

China. Samedan opened its Beijing, China office during 1997 to operate its existing exploration activities and seek additional opportunities. Samedan currently owns and operates the Cheng Dao Xi and Cheng Zi Kou concessions in the southern portion of Bo Hai Bay, China. Samedan also owns a one-third interest in the Laopu and Getuo concessions located in the northern portion of Bo Hai Bay. During 1997, Samedan drilled a dry hole on the Laopu concession.

Drilling plans for 1998 include three wells on the Cheng Dao Xi concession and one well on the Getuo concession. It is anticipated that a drilling rig will be available during the second quarter of 1998 and two of the Cheng Dao Xi wells will be drilled consecutively. If successful, Samedan intends to present a development plan to the Chinese government for the Cheng Dao Xi field during 1998.

Ecuador. In 1997, Samedan opened an office in Guayaquil, Ecuador to manage the activities of its 864,126 acre offshore concession. The concession includes the Amistad gas field which was discovered in 1970, but was never developed. Additionally, during the year Samedan completed an 87 square mile 3-D seismic program on the Amistad gas field and a 145 mile 2-D seismic program within the concession. Samedan's Ecuador staff is focused on developing a gas market for the Amistad field. The best prospect appears to be supplying fuel to electric power plants. Ecuador's existing plants currently burn imported diesel or bunker fuel. Samedan is negotiating with the government and power producers to determine a mutually beneficial price and deliverability arrangement.

Equatorial Guinea. Samedan will be participating, with a 35 percent expense interest, in a joint venture to construct a methanol plant in Equatorial Guinea. The plant is estimated to cost \$317 million and is being designed to produce 2,500 metric tons of methanol per day, which equates to approximately 20,000 BBLS per day. The plant will use the gas from Samedan's 35 percent owned Alba field as feedstock. The plant is being designed to utilize approximately 115 MMCF of gas per day. The gas will be priced at \$.25 per MMBTU. The construction contract stipulates that first commercial production of methanol should be achieved by January 2001. Current marketing plans are to enter into long-term contracts with methanol users in the United States and Europe.

As a result of developing an economic market for the Alba gas through the methanol plant, Samedan added 322.2 BCF of gas to its proved reserves in 1997. Based upon its cash flow projections from methanol sales with the \$.25 per MMBTU wellhead price, Samedan expects to realize a blended value of approximately \$3.83 per MCF for its gas production from the Alba field. Based upon reserve estimates, the Alba field can deliver sufficient gas for the

plant to operate for 30 years. In conjunction with the plant investment, the Alba field owners are evaluating a plan to drill additional wells, install a platform and construct a pipeline system. The plan includes evaluating gas reinjection which would accelerate condensate production. During 1997, the Alba field produced approximately 2,300 BBLS of condensate per day, net to Samedan's interest.

U.K. Sector of the North Sea. Production commenced from Samedan's 20 percent owned Windermere property in mid 1997. The field, located in the

southern gas basin of the North Sea, was producing 13.1 MMCF of gas per day at year end, net to Samedan's interest.

Development operations are underway for Samedan's 25 percent owned Malory field which is also located in the southern gas basin of the North Sea. Samedan estimates the production will commence in the fourth quarter of 1998. Samedan's projected share of production will be approximately 7.5 MMCF per day. At year end 1997, Samedan was drilling an exploratory well on the Goldeneye prospect in the North Sea.

Oil and Gas Reserves and Standardized Measure. The following table summarizes the estimated proved oil and gas reserves of Samedan and the standardized measure of discounted future net cash flows attributed thereto, as of December 31, 1997, 1996 and 1995. Additional information is contained in "Item 8. Financial Statements and Supplementary Data--Supplemental Oil and Gas Information (Unaudited)" of this Form 10-K, and incorporated herein by reference.

(dollars in millions)	1997			1996			1995		
	U.S.	Int'l	TOTAL	U.S.	Int'l	TOTAL	U.S.	Int'l	TOTAL
PROVED RESERVES:									
Natural gas and casinghead gas (MMCF)	1,107,158	375,057	1,482,215	1,079,607	76,643	1,156,250	818,301	32,038	850,339
Crude oil and condensate (BBLS in thousands)	89,065	41,798	130,863	82,317	33,430	115,747	70,907	13,101	84,008
STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS	\$1,063	\$289	\$1,352	\$1,967	\$255	\$2,222	\$1,173	\$101	\$1,274

Samedan has less than five percent of its oil and gas sales volumes committed to long-term supply contracts and has no similar agreements with foreign governments or authorities in which Samedan acts as producer as of year end 1997.

Since January 1, 1997, no oil or gas reserve information has been filed with, or included in any report to, any federal authority or agency other than the Securities and Exchange Commission and the Energy Information Administration (the "EIA"). Samedan files Form 23, including reserve and other information, with the EIA.

At January 30, 1998, Samedan was drilling 32 gross (15.9 net) exploratory wells, and 15 gross (6.6 net) development wells. These wells are located onshore in the United States in California, Colorado, Louisiana, North Dakota, Oklahoma, Texas, Wyoming, Offshore Gulf of Mexico and internationally in Argentina and the U.K. Sector of the North Sea. These wells have objectives ranging from approximately 3,700 to 18,000 feet. The estimated drilling cost to Samedan of these wells is approximately \$42.7 million if all are dry and approximately \$61 million if all are completed as producing wells.

Net Exploratory and Developmental Wells. The following table sets forth for each of the last three years the number of net exploratory and development wells drilled by or on behalf of Samedan. An exploratory well is a well drilled to find and produce oil or gas in an unproved area, to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir, or to extend a known reservoir. A development well, for purposes of the following table and as defined in the rules and regulations of the Securities and Exchange Commission, is a well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive. The number of wells drilled refers to the number of wells completed at any time during the respective year, regardless of when drilling was initiated. Completion refers to the installation of permanent equipment for the production of oil or gas, or in the case of a dry hole, to the reporting of abandonment to the appropriate agency.

Net Exploratory Wells		Net Development Wells	
Productive (1)	Dry (2)	Productive (1)	Dry (2)

Year Ended December 31,	-----		-----		-----		-----	
	U.S.	International	U.S.	International	U.S.	International	U.S.	International
1995	12.44	.80	14.42	4.72	107.09	5.50	20.49	.14
1996	15.37	.69	22.16	1.04	74.97	1.17	19.91	
1997	13.98	.76	25.08	3.79	155.93	3.13	7.89	

- (1) A productive well is an exploratory or a development well that is not a dry hole.
- (2) A dry hole is an exploratory or development well found to be incapable of producing either oil or gas in sufficient quantities to justify completion as an oil or gas well.

Average Sales Price. The following table sets forth for each of the last three years the average sales price per unit of oil produced and per unit of natural gas produced, and the average production cost per unit.

	Year Ended December 31,		
	-----	-----	-----
	1997	1996	1995

Average sales price per BBL of oil (1):			
United States	\$ 18.49	\$17.83	\$ 16.80
International	\$ 15.55	\$20.32	\$ 15.57
Combined (2)	\$ 17.86	\$18.28	\$ 16.78
Average sales price per MCF of natural gas (1):			
United States	\$ 2.48	\$ 2.18	\$ 1.75
International	\$ 2.29	\$ 1.90	\$ 1.02
Combined (3)	\$ 2.48	\$ 2.17	\$ 1.72
Average production (lifting) cost per unit of oil and natural gas production, excluding depreciation (per equivalent BBL) (4):			
United States	\$ 3.85	\$ 3.45	\$ 4.17
International	\$ 4.60	\$ 6.47	\$ 4.70
Combined	\$ 3.93	\$ 3.70	\$ 4.21

- (1) Net production amounts used in this calculation include royalties.

- (2) Reflects a reduction of \$.19 per BBL in 1997 and \$2.35 per BBL in 1996 and includes an increase of \$.16 per BBL in 1995 from hedging.
- (3) Reflects a reduction per MCF of \$.12 in 1997, \$.33 in 1996 and \$.004 in 1995 from hedging.
- (4) Gas production is converted to oil BBL equivalents based on the average sales prices per BBL of oil and per MCF of gas. Net production amounts used in the calculation of average sales prices for purposes of computing the conversion ratio exclude royalties. Conversion ratios for 1997, 1996 and 1995 are set forth below:

	United States	International
	-----	-----
1997	7.44 to 1	6.71 to 1
1996	8.12 to 1	10.66 to 1
1995	9.61 to 1	16.43 to 1

OFFSHORE GULF OF MEXICO OPERATIONS
as of December 31, 1997

[MAP]

SIGNIFICANT OFFSHORE UNDEVELOPED LEASE HOLDINGS (interests rounded to nearest whole percent)

Block	Net Working Interest(%)	Block	Net Working Interest(%)	Block	Net Working Interest(%)	Block	Net Working Interest(%)

Matagorda Island (Brazos)		East Cameron		Vermilion		Viosca Knoll	
441-L	100	16	95	64	100	251	40
450-L	100	71	73	103	100	864*	35
439-L	100	142	40	111	95	Garden Banks	
East Breaks		154	38	163	50	-----	
-----		161	50	194	25	35	100
208*	40	178	32	263	100	62	25
475*	100	West Cameron		278	50	63	25
519*	100	-----		283	50	64	25
563*	100	499	75	286	100	78	100
Ship Shoal		518	75	293	50	107	25
-----		583	100	310	50	115	100
313	40	602	100	312	100	116	100
West Delta		604	50	337	98	122	100
-----		619	33	342	38	163	100
59	25	644	25	343	73	326*	100
Green Canyon		Breton Sound		345	75	534*	35
-----		-----		347	71	536*	35
23*	50	41	95	349	75	537*	35
Eugene Island		42	95	350	75	538*	35
-----		49	95	352	74	578*	35
84	95	50	95	358	55	580*	35
300	67	South Pass		360	67	581*	35
South Marsh Island		-----		361	67	582*	35
-----		41	50	365	50	625*	35
62	67	43	50	366	75	751*	100
63	67	58	48	372	74	795*	100
65	67	South Timbalier		374	55	Galveston	
104	100	-----		392	38	-----	
179	35	98	50	394	75	249-L	50
180	35	156	67	402	30	250-L	50
185	35	174	100	407	38	277-L	50
186	35	201	100	408	38	338-S	50
191	50	207	100			349-S	50
Mississippi Canyon		Ewing Bank					
-----		-----					
573	100	993	50				
705	25						
583*	50						
618*	50						

*Located in water deeper than 1,000 feet.

The developed and undeveloped acreage (including both leases and concessions) that Samedan held as of December 31, 1997, is as follows:

Location	Developed Acreage (1) (2)		Undeveloped Acreage (2) (3)	
	Gross Acres	Net Acres	Gross Acres	Net Acres

United States Onshore				
Alabama	2,610	1,264	3,391	1,368
California	21,475	10,684	15,896	9,473
Colorado	67,665	63,364	44,330	35,773
Kansas	96,608	58,076	19,715	12,097
Louisiana	43,171	23,868	7,570	4,031
Michigan	637	151	2,423	557
Mississippi	13,077	7,827	4,339	2,073
Montana	176,123	120,714	100,906	53,307

New Mexico	5,875	3,107	80,858	51,574
North Dakota	24,290	11,416	42,052	25,269
Oklahoma	166,114	66,320	56,728	23,427
Texas	137,616	58,828	149,102	47,472
Wyoming	34,276	13,874	43,310	15,252
Other	5,760	2,893	3,940	2,058

Total United States Onshore	795,297	442,386	574,560	283,731

United States Offshore (Federal Waters)				
Alabama	11,520	5,822	149,760	65,108
California	17,280	2,938	79,678	8,625
Louisiana	723,217	301,391	445,609	232,910
Mississippi	10,891	7,260	50,815	36,895
Texas	319,169	91,491	182,399	120,347

Total United States Offshore (Federal Waters)	1,082,077	408,902	908,261	463,885

International				
Argentina	28,988	3,778	85,760	11,177
Australia			938,980	373,244
China			316,676	161,558
Ecuador			864,126	864,126
Equatorial Guinea	26,651	9,272	284,000	98,806
Ireland			296,797	169,174
Portugal			343,455	154,554
United Kingdom	125,107	12,423	533,816	165,387
Other			777,277	32,063

Total International	180,746	25,473	4,440,887	2,030,089

Total	2,058,120	876,761	5,923,708	2,777,705

- (1) Developed acreage is acreage spaced or assignable to productive wells.
- (2) A gross acre is an acre in which a working interest is owned. A net acre is deemed to exist when the sum of fractional ownership working interests in gross acres equals one. The number of net acres is the sum of the fractional working interests owned in gross acres expressed as whole numbers and fractions thereof.
- (3) Undeveloped acreage is considered to be those lease acres on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and gas regardless of whether or not such acreage contains proved reserves. Included within undeveloped acreage are those lease acres (held by production under the terms of a lease) that are not within the spacing unit containing, or acreage assigned to, the productive well so holding such lease.

ITEM 3. LEGAL PROCEEDINGS.

There are no material pending legal proceedings, other than ordinary routine litigation incidental to the business of the Registrant and its subsidiaries, to which the Registrant or any of its subsidiaries is a party or of which any of their property is the subject.

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

There were no matters submitted to a vote of security holders during the fourth quarter of 1997.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information, as of March 16, 1998, with respect to the executive officers of the Registrant.

Name	Age	Position
Robert Kelley (1)	52	Chairman of the Board, President, Chief Executive Officer, Director
George L. DeMare Jr. (2)	52	Senior Vice President and Operating Committee Member of Samedan
William D. Dickson (3)	49	Senior Vice President-Finance and Treasurer of the Registrant and Operating Committee Member of Samedan
Dan O. Dinges (4)	44	Senior Vice President and Operating Committee Member of Samedan
W. A. Poillion (5)	48	Senior Vice President and Operating Committee Member of Samedan
Orville Walraven (6)	53	Corporate Secretary of the Registrant and Senior Vice President and Operating Committee Member of Samedan

- (1) Robert Kelley has served as President and Chief Executive Officer of the Registrant since August 1, 1986, and as Chairman of the Board since October 27, 1992. Prior to August 1986, he had served as Executive Vice President of the Registrant from January 1986. Mr. Kelley also serves as President and Chief Executive Officer of Samedan, positions he has held since 1984. For more than five years prior thereto, Mr. Kelley served as an officer of Samedan. He has served as a director of the Company since 1986.
- (2) George L. DeMare, Jr. was promoted to Senior Vice President and Onshore Division Manager of Samedan on January 1, 1998. Prior thereto, he had served as Vice President and Onshore Division Manager of Samedan since 1989. Mr. DeMare has been a member of the Operating Committee of Samedan since January 31, 1995.
- (3) William D. Dickson was promoted to Senior Vice President-Finance and Treasurer on January 1, 1998. Prior thereto, he served as Vice President-Finance and Treasurer of the Company since October 1985. He has served as Vice President-Finance, Treasurer and Assistant Secretary of Samedan since 1984 and as a member of the Operating Committee of Samedan since February 9, 1994.
- (4) Dan O. Dinges was promoted to Senior Vice President and Division General Manager, Offshore Division of Samedan on January 1, 1998. Prior thereto, he served as Vice President and General Manager Offshore Division of Samedan since January 1989. Mr. Dinges has been a member of the Operating Committee of Samedan since January 31, 1995.
- (5) W. A. Poillion was promoted to Senior Vice President-Production and Drilling of Samedan on January 1, 1998. Prior thereto, he served as Vice President-Production and Drilling and a member of the operating committee of Samedan since November 1, 1990. From March 1, 1985 to October 31, 1990, he served as Manager of Offshore Production and Drilling for Samedan.

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- (6) Orville Walraven has served as Corporate Secretary of the Registrant since January 1, 1989. He was promoted to Senior Vice President-Land of Samedan on January 1, 1998. Prior thereto, he served as Vice President-Land of Samedan and as a member of the Operating Committee of Samedan since January 1, 1989.
- (7) James C. Woodson was promoted to Senior Vice President-Exploration of Samedan on January 1, 1998. Prior thereto, he served as Vice President-Exploration since September 1, 1983. Mr. Woodson has been a member of the Operating Committee of Samedan since August 1, 1986.

The terms of office for the officers of the Registrant continue until their successors are chosen and qualified. No officer or executive officer of the Registrant has an employment agreement with the Registrant or any of its subsidiaries. There are no family relationships between any of the Registrant's officers.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Common Stock. The Registrant's Common Stock, \$3.33 1/3 par value ("Common Stock"), is listed and traded on the New York Stock Exchange under the symbol "NBL." The declaration and payment of dividends are at the discretion of the Board of Directors of the Registrant and the amount thereof will depend on the Registrant's results of operations, financial condition, contractual restrictions, cash requirements, future prospects and other factors deemed relevant by the Board of Directors.

Stock Prices and Dividends by Quarters. The following table sets forth, for the periods indicated, the high and low sales price per share of Common Stock on the New York Stock Exchange and quarterly dividends paid per share.

	High	Low	Dividends Per Share

1997			

First quarter	\$ 50	\$ 37 1/2	\$.04
Second quarter	\$ 43 3/4	\$ 32 1/4	\$.04
Third quarter	\$ 47 9/16	\$ 38 1/8	\$.04
Fourth quarter	\$ 46	\$ 32 3/16	\$.04
1996			

First quarter	\$ 33 3/8	\$ 26 7/8	\$.04
Second quarter	\$ 38 3/8	\$ 32 1/8	\$.04
Third quarter	\$ 42 1/2	\$ 37 3/8	\$.04
Fourth quarter	\$ 49	\$ 41 5/8	\$.04

Transfer Agent and Registrar. The transfer agent and registrar for the Common Stock is Bank One N.A., Post Office Box 26848, Oklahoma City, Oklahoma 73125.

Stockholders' Profile. As of December 31, 1997, the number of holders of record of Common Stock was 1,512. The following chart indicates the common stockholders by category.

	Shares Outstanding

December 31, 1997	

Individuals	514,165
Joint accounts	79,116
Fiduciaries	185,050
Institutions	2,559,070
Nominees	53,560,652
Foreign	485

Total	56,898,538

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ITEM 6. SELECTED FINANCIAL DATA.

	Year Ended December 31,				
(In thousands, except per share amounts and ratios)	1997	1996	1995	1994	1993

REVENUES AND INCOME					
Revenues	\$1,116,623	\$ 887,203	\$ 487,018	\$ 358,389	\$ 286,583
Net cash provided by operating activities	445,571	380,945	238,920	188,621	139,381
Net income	99,278	83,880	4,086	3,166	12,625
PER SHARE DATA					
Basic earnings per share	\$ 1.75	\$ 1.63	\$.08	\$.06	\$.26
Cash dividends	\$.16	\$.16	\$.16	\$.16	\$.16
Year end stock price	\$ 35.25	\$ 47.88	\$ 29.88	\$ 24.75	\$ 26.50
Basic weighted average shares outstanding	56,872	51,414	50,046	49,970	48,098
FINANCIAL POSITION (at year end)					
Property, plant and equipment, net:					
Oil and gas mineral interests, equipment and facilities	\$1,546,426	\$1,559,691	\$ 831,827	\$ 804,009	\$ 784,235
Total assets	1,875,484	1,956,938	989,176	933,516	1,067,996
Long-term obligations:					
Long-term debt, net of current portion	644,967	798,028	376,992	376,956	453,760
Deferred income taxes	144,083	108,434	69,445	61,802	45,108
Other	56,425	50,603	33,650	19,455	7,158
Shareholders' equity	812,989	720,067	411,911	412,066	415,432
Ratio of debt to book capital	.44	.54	.48	.48	.52
CAPITAL EXPENDITURES					
Oil and gas mineral interests, equipment and facilities	\$ 320,561	\$ 982,499	\$ 252,977	\$ 158,973	\$ 508,506
Other	8,499	3,485	6,265	2,371	1,607

Total capital expenditures \$ 329,060 \$ 985,984 \$ 259,242 \$ 161,344 \$ 510,113

For additional information, see "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

OPERATING STATISTICS

	Year ended December 31,				
	1997	1996	1995	1994	1993
GAS					
Sales (in millions)	\$ 499.4	\$ 365.4	\$ 167.4	\$ 174.5	\$ 159.2
Production (MMCF per day)	565.4	469.4	272.2	247.6	211.1
Average price (per MCF)	\$ 2.48	\$ 2.17	\$ 1.72	\$ 1.97	\$ 2.10
OIL					
Sales (in millions)	\$ 243.6	\$ 225.2	\$ 153.5	\$ 122.9	\$ 111.3
Production (BBLs per day)	38,345	34,520	25,617	22,751	19,496
Average price (per BBL)	\$ 17.86	\$ 18.28	\$ 16.78	\$ 14.90	\$ 15.91
Royalty sales (in millions)	\$ 18.1	\$ 13.9	\$ 7.2	\$ 8.8	\$ 7.5

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

SIGNIFICANT EVENTS IN 1997

- o For eight straight years the Company recorded record levels of gas production.
- o For nine straight years the Company recorded record levels of oil production.
- o The Company expended \$356.9 million on acquisition, exploration and development costs during 1997.
- o The Company added 34.6 million BBLs of oil and 557.4 BCF of gas to its reserve base in 1997 primarily through drilling.
- o During 1997, the Company sold non-strategic Canadian properties for \$43.1 million.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW FROM OPERATIONS

Net cash provided by operating activities was \$445.6 million for 1997, a 17 percent and 86.5 percent increase from the \$380.9 million and \$238.9 million in 1996 and 1995, respectively. Cash and short-term cash investments decreased to \$55.1 million at December 31, 1997, from \$94.8 million at year-end 1996.

During 1997, the Company utilized its beginning cash balance and cash flow from operations to fund its exploration and development expenditures, as well as to repay \$203 million in long-term debt.

The Company's current ratio (current assets divided by current liabilities) was 1.19:1 at December 31, 1997, compared with 1.13:1 at December 31, 1996.

RESERVES ADDED AND COST OF FINDING

During 1997, the Company spent \$356.9 million on acquisitions, exploration and development of oil and gas properties. Total proved gas reserves increased from 1.16 TCF at year-end 1996 to 1.48 TCF at year-end 1997, and total proved oil reserves increased from 115.7 million BBLs at year-end 1996 to 130.9 million BBLs at year-end 1997.

An accepted method of calculating cost of finding is to divide the Company's expenditures for oil and gas acquisition, exploration and development by the net BOE's added during the year. Using this method, the Company's cost of finding for 1997 was \$2.80 per BOE.

A three year summary of cost of finding follows:

(BOE's and Dollars stated in millions, except finding cost)	1997	1996	1995	Three Year Total
Oil reserves added	34.6	46.3	18.2	99.1
Gas reserves added BOE (6:1)	92.9	88.0	29.0	209.9
Total reserves added BOE	127.5	134.3	47.2	309.0
Costs incurred in oil and gas acquisition, exploration and development activities	\$356.9	\$1,009	\$ 266	\$1,631.9
Average finding cost per BOE	\$ 2.80	\$ 7.51	\$ 5.64	\$ 5.28*

*Three year weighted average

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FINANCING

Total long-term debt at December 31, 1997 was \$645 million compared to \$848 million (including current portion) at December 31, 1996, a decrease of 24 percent. The ratio of debt to book capital (defined as the Company's debt plus its equity) was 44 percent at December 31, 1997, compared with 54 percent at December 31, 1996.

The \$300 million credit agreement is a revolving credit facility with a group of banks with a final maturity of December 24, 2002. The interest rate charged, which is based upon a Eurodollar rate plus 22.5 basis points, was 5.9 percent at December 31, 1997. Financial covenants include maintenance of a cash flow multiple of at least four times interest cost and maintenance of a debt level which does not exceed 60 percent of the Company's shareholders' equity plus its debt.

The \$800 million credit agreement was terminated on December 24, 1997, and the outstanding balance of \$200 million was refinanced in the \$300 million credit agreement. The weighted average interest rate on the borrowings during 1997 was 6.9 percent.

Total long-term debt outstanding at December 31, 1997, included \$100 million of 7 1/4% Notes Due 2023, \$250 million of 8% Senior Notes Due 2027, and \$100 million of 7 1/4 % Senior Debentures Due 2097.

The only principal payment on long-term debt due during the next five years is the outstanding balance of the \$300 million credit agreement on December 24, 2002.

On November 1, 1996, all of the Company's \$230 million 4 1/4% Convertible Subordinated Notes Due 2003 were converted into 6,275,510 shares of common stock.

OTHER

The Company follows an entitlements method of accounting for its gas imbalances. The Company's estimated gas imbalance receivables were \$18.5 million and \$19.3 million at December 31, 1997 and 1996, respectively, and estimated gas imbalance liabilities were \$21.6 million and \$21.7 million at December 31, 1997 and 1996, respectively. These imbalances are valued at the amount that is expected to be received or paid to settle the imbalances. The settlement of the imbalances can occur either during, or at the end of, the life of a well on a volume basis or by cash settlement. The Company does not expect that a significant portion of the settlements will occur in any one year. Thus, the Company believes the periodic settlement of gas imbalances will have little impact on its liquidity.

The Company has sold a number of non-strategic oil and gas properties over the past three years, recognizing pretax gains of approximately \$15.9 million, \$1.9 million and \$3.6 million for 1997, 1996 and 1995, respectively. Total amounts of oil and gas reserves associated with these dispositions during the last three years were 6.6 million BBLs of oil and 89.3 BCF of gas. In 1997, the Company sold its Canadian operations for \$43.1 million, with estimated reserves sold of 2.6 million BBLs of oil and 23.1 BCF of gas. The Company believes the disposition of non-strategic properties furthers the goal of concentrating its efforts on its strategic properties.

The Company has paid quarterly cash dividends of \$.04 per share since

1989, and currently anticipates it will continue to pay quarterly dividends of \$.04 per share.

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation." The Company adopted the disclosure requirements of SFAS No. 123 during 1996 and has presented in the footnotes to its financial statements pro forma disclosure as if the provisions of SFAS No. 123 had been adopted for all years reported within the Company's financial statements.

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The Financial Accounting Standards Board issued SFAS No. 128 "Earnings per Share," SFAS No. 129 "Disclosure of Information about Capital Structure," SFAS No. 130 "Reporting Comprehensive Income" and SFAS No. 131 "Disclosure about Segments of an Enterprise and Related Information," in the first half of 1997. SFAS No. 128 and No. 129 are effective for the Company's financial statements in both interim and annual periods ending after December 15, 1997. SFAS No. 130 and No. 131 are effective for 1998. The Company adopted disclosure requirements of SFAS No. 128 and No. 129 in 1997 and has presented disclosure as if the provisions of SFAS No. 128 and No. 129 had been adopted for all years reported within the Company's financial statements.

RESULTS OF OPERATIONS

The Company's consolidated financial statements for the year ended December 31, 1997, include a full year of EDC operations as a wholly owned subsidiary of Samedan. The consolidated financial statements for the year ended December 31, 1996, include five months of consolidated operations. EDC was acquired by the Company on July 31, 1996.

NET INCOME AND REVENUES

1997 VERSUS 1996. Net income for 1997 was \$99.3 million, or \$1.75 per share, compared with \$83.9 million, or \$1.63 per share in 1996. The increase in net income was achieved through record gas production, substantially higher gas prices and the sale of non-strategic properties. Total revenues were \$1,116.6 million in 1997 and \$887.2 million in 1996.

Oil and gas revenues were \$761.1 million in 1997, an increase of \$156.5 million, or 26 percent, over 1996. The Company received an average oil price for 1997 of \$17.86 per BBL, a two percent decrease from the average 1996 price of \$18.28 per BBL. The average gas price increased 14 percent in 1997 to \$2.48 per MCF from the 1996 average of \$2.17 per MCF.

Gathering, marketing and processing revenues were \$329.9 million, an increase of 21 percent from the \$273.7 million in 1996. The increase reflects an increase in marketed volumes for each of NTI and NGM, both wholly owned subsidiaries of the Company.

Other income in 1997 was \$25.6 million, compared with \$8.9 million in 1996. Other income in 1997 included non-recurring income of \$14.1 million resulting from the Company's sale of its Canadian operations, with estimated reserves sold of 2.6 million BBLs of oil and 23.1 BCF of gas. The proceeds of \$43.1 million received from the sale of the Canadian properties were used to reduce the Company's debt existing under its credit agreement.

1996 VERSUS 1995. Net income for 1996 was \$83.9 million, or \$1.63 per share, compared with \$4.1 million, or \$.08 per share in 1995. The increase in net income was achieved through increased oil and gas production and substantially higher oil and gas prices. Total revenues were \$887.2 million in 1996 and \$487.0 million in 1995.

Oil and gas revenues were \$604.6 million in 1996, an increase of \$276.5 million, or 84 percent, over 1995. The Company received an average oil price for 1996 of \$18.28 per BBL, a nine percent increase from the average 1995 price of \$16.78 per BBL. The average gas price increased 26 percent in 1996 to \$2.17 per MCF from the 1995 average of \$1.72 per MCF. The increase in gas price was due primarily to higher demand and lower levels of gas storage than in the previous year.

Gathering, marketing and processing revenues were \$273.7 million, an increase of 143 percent from the \$112.7 million in 1995. The increase reflects a full year of operations for NTI and NGM.

Other income in 1996 was \$8.9 million, compared with \$46.2 million in 1995. Other income in 1995 included non-recurring income of \$39.0 million

resulting from the settlement of a Columbia Gas Transmission Corporation bankruptcy claim with Samedan.

NATURAL GAS INFORMATION

A three-year summary of gas-related information follows:

	1997	1996	1995
Proved reserves at year end (MMCF)	1,482,215	1,156,250	850,339
Gas revenues (millions)	\$ 499.4	\$ 365.4	\$ 167.4
Average price per MCF*	\$ 2.48	\$ 2.17	\$ 1.72
Average daily production (MMCF)	565.4	469.4	272.2
Gas sales as a percent of oil and gas sales	67%	62%	52%

*The average price reflects a reduction per MCF of \$.12 in 1997, \$.33 in 1996 and \$.004 in 1995 from hedging.

1997 VERSUS 1996. Gas sales for 1997 increased 37 percent to \$499.4 million from \$365.4 million in 1996. Average daily production in 1997 increased 20 percent to 565.4 MMCF from 469.4 MMCF in 1996.

The average gas price in 1997 increased 14 percent to \$2.48 per MCF from \$2.17 per MCF in 1996. During 1997, the Company's average gas prices ranged from a low of \$1.80 in April to a high of \$3.35 in January.

International sales accounted for three percent of 1997 gas sales compared with two percent in 1996. Average daily gas production outside of the United States was 20,873 MCF in 1997 and 5,757 MCF in 1996.

1996 VERSUS 1995. Gas sales for 1996 increased 118 percent to \$365.4 million from \$167.4 million in 1995. Average daily production in 1996 increased 72 percent to 469.4 MMCF from 272.2 MMCF in 1995.

The average gas price in 1996 increased 26 percent to \$2.17 per MCF from \$1.72 per MCF in 1995. During 1996, the Company's average gas prices ranged from a low of \$1.82 in April and October to a high of \$3.15 in December.

CRUDE OIL INFORMATION

A three-year summary of oil-related information follows:

	1997	1996	1995
Proved reserves at year end (thousands of BBLs)	130,863	115,747	84,008
Oil revenues (millions)	\$ 243.6	\$ 225.2	\$ 153.5
Average price per BBL*	\$ 17.86	\$ 18.28	\$ 16.78
Average daily production (BBLs)	38,345	34,520	25,617
Oil sales as a percent of oil and gas sales	33%	38%	48%

*The average price reflects a reduction of \$.19 per BBL in 1997 and \$2.35 per BBL in 1996 and includes an increase of \$.16 per BBL in 1995 from hedging.

1997 VERSUS 1996. Oil sales for 1997 increased eight percent to \$243.6 million from \$225.2 million in 1996. Average daily production in 1997 increased 11 percent to 38,345 BBLs from 34,520 BBLs in 1996.

The average oil price for 1997 was \$17.86 per BBL, a two percent decrease from the 1996 average of \$18.28 per BBL. The Company's 1997 average oil prices ranged from a low of \$15.74 per BBL in December to a high of \$21.92 per BBL in January.

International sales accounted for 19 percent of 1997 oil sales compared with 20 percent in 1996. Average daily oil production outside the United States was 8,250 BBLs in 1997 and 6,230 BBLs in 1996.

1996 VERSUS 1995. Oil sales for 1996 increased 47 percent to \$225.2 million from \$153.5 million in 1995. Average daily production in 1996 increased 35 percent to 34,520 BBLs from 25,617 BBLs in 1995.

The average oil price for 1996 was \$18.28 per BBL, a nine percent increase from the 1995 average of \$16.78 per BBL. The Company's 1996 average oil prices ranged from a low of \$17.11 per BBL in January to a high of \$19.74 per BBL in September.

International sales accounted for 20 percent of 1996 oil sales compared with 15 percent in 1995. Average daily oil production outside the United States was 6,230 BBLs in 1996 and 3,777 BBLs in 1995.

HEDGING ACTIVITY

The Company, through its subsidiaries, from time to time, uses various hedging arrangements in connection with anticipated crude oil and natural gas sales of its production to minimize the impact of product price fluctuations. Such arrangements include fixed price hedges, costless collars and other contractual arrangements. Although these hedging arrangements expose the Company to credit risk, the Company monitors the creditworthiness of its counterparties, which generally are major institutions, and believes that losses from nonperformance are unlikely to occur. Hedging gains and losses related to the Company's oil and gas production are recorded in oil and gas sales and royalties.

During 1997, the Company had natural gas hedging contracts that ranged from 20 percent to 32 percent of its average daily natural gas production. Natural gas hedges were in the price range of \$1.88 to \$3.30 per MMBTU. The net effect of these 1997 hedges was a \$.12 per MCF reduction in the average natural gas price realized by the Company. At December 31, 1997, the Company had no natural gas hedging contracts.

During 1997, the Company had crude oil hedging contracts that ranged from 19 percent to 50 percent of its average daily oil production. Crude oil hedges were in the price range of \$16.81 to \$24.35 per BBL. The net effect of these 1997 hedges was a \$.19 per BBL reduction in the average crude oil price realized by the Company. At December 31, 1997, the Company had no crude oil hedging contracts.

During 1996, the Company had natural gas hedging contracts that ranged from 39 percent to 86 percent of its average daily natural gas production. Natural gas hedges were in the price range of \$1.60 to \$3.59 per MMBTU. The net effect of these 1996 hedges was a \$.33 per MCF reduction in the average natural gas price. At December 31, 1996, the Company was a party to natural gas hedging contracts to hedge approximately 21 percent of its estimated 1997 average daily natural gas production at an average price per MMBTU of \$2.20.

During 1996, the Company had crude oil hedging contracts that ranged from 48 percent to 55 percent of its average daily oil production for January through July and 62 percent to 100 percent of its average daily oil production for August through December. Crude oil hedges were in the price range of \$16.50 to \$24.27 per BBL. The net effect of these 1996 hedges was a \$.23 per BBL reduction in the average crude oil price. At December 31, 1996, the Company was a party to crude oil hedging contracts to hedge approximately 26 percent of its estimated 1997 annual crude oil production at an average price per BBL of \$20.48.

During 1995, Samedan had natural gas hedging contracts for November and December to hedge from 20 percent to 46 percent of its average daily natural gas production. For May to December 1995, Samedan had hedged approximately 20 percent of its daily crude oil production. Natural gas hedges were in the range of \$1.60 to \$1.96 per MMBTU and crude oil hedges were in the range of \$18.56 to \$20.27 per BBL. The net effect of these 1995 hedges was a \$.004 per MCF reduction in the average natural gas price and a \$.16 per BBL increase in the average crude oil price realized by the Company.

In addition to the hedging arrangements pertaining to the Company's production as described above, NGM employs various hedging arrangements in connection with its purchases and sales of third party production to lock in

profits or limit exposure to gas price risk. Most of the purchases made by NGM are on an index basis; however, purchasers in the markets in which NGM sells often require fixed or NYMEX related pricing. NGM may use a hedge to convert the fixed or NYMEX sale to an index basis thereby determining the margin and minimizing the risk of price volatility. During 1997, NGM had hedging transactions with broker-dealers that ranged from 317,693 MMBTU's to 768,599 MMBTU's of gas per day.

At December 31, 1997, NGM had in place hedges ranging from approximately 645 MMBTU's to 29,279 MMBTU's of gas per day for January 1998 to March 1999 for future physical transactions. At December 31, 1996, NGM had in place hedges ranging from approximately 7,475 MMBTU's to 551,126 MMBTU's of gas per day for January 1997 to March 1998 for future physical transactions. During 1995, NGM had hedging transactions with large financial institutions that averaged approximately 126,000 MMBTU's of gas per day at prices linked to certain indices. NGM records hedging gains or losses relating to fixed term sales as gathering, marketing and processing revenues in the periods in which the related contract is completed.

COSTS AND EXPENSES

1997 VERSUS 1996. Oil and gas exploration expense increased in 1997 by \$36.8 million from 1996 to \$86.7 million. The increase resulted primarily from a \$14.1 million increase in dry hole expense and a full year of EDC foreign exploration costs for 1997.

Oil and gas operations expense in 1997 increased \$34.7 million from 1996 to \$160.8 million. Lease operating expense increased \$35 million in 1997 due to higher oil and gas production and a full year's ownership of EDC properties. Production taxes increased \$1.8 million in 1997 due to higher production levels and gas prices.

In 1997, depreciation, depletion and amortization ("DD&A") expense increased \$67 million over 1996 due to the higher production levels and a full year of production from the EDC properties. The unit rate of DD&A expense per BOE, converting gas to oil on a 6:1 basis, was \$6.33 for 1997, compared with \$5.66 for 1996.

The Company provides for the cost of future liabilities related to restoration and dismantlement costs for offshore facilities. This provision is based on the Company's best estimate of such costs to be incurred in future years based on information from the Company's engineers. These estimated costs are provided through charging DD&A expense using a ratio of production divided by reserves multiplied by the estimated costs to dismantle and restore. The Company has provided \$59.5 million for such future restoration and dismantlement costs which are classified in accumulated DD&A on the balance sheet at December 31, 1997. Total estimated future dismantlement and restoration costs of \$143.9 million are included in future production and development costs for purposes of estimating the future net revenues relating to the Company's proved reserves.

1996 VERSUS 1995. Oil and gas exploration expense increased in 1996 by \$16.6 million from 1995 to \$49.9 million. The increase resulted primarily from a \$15.2 million increase in dry hole expense for 1996.

Oil and gas operations expense in 1996 increased \$44.3 million from 1995 to \$126 million. Lease operating expense increased \$37.7 million in 1996 due to higher oil and gas production from a greater number of properties and the acquisition of EDC. Production taxes increased \$6.7 million in 1996 due to higher production levels and oil and gas prices.

In 1996, DD&A expense increased \$32.7 million over 1995 due to the record production levels and the EDC acquisition. The unit rate of DD&A expense per BOE, converting gas to oil on a 6:1 basis, was \$5.66 for 1996, compared with \$7.75 for 1995. The 1995 rate included \$59.5 million of additional impairment for the writedown of certain long-lived assets in accordance with provisions of SFAS No. 121.

The Company has provided \$51.6 million for future liabilities related to dismantlement and restoration costs which are classified in accumulated DD&A on the balance sheet at December 31, 1996. Total estimated future dismantlement and restoration costs of \$130.2 million are included in future production and development costs for purposes of estimating the future net revenues relating to the Company's proved reserves.

In 1996, Selling, General and Administrative ("SG&A") expense increased \$15.1 million over 1995 to \$51.6 million. Administrative costs increased \$11.1

million in 1996 due to the acquisition of EDC and the hiring of additional personnel to oversee increased operations. The Company estimates that approximately 32 percent of the EDC increase is due to non-recurring costs.

INTEREST EXPENSE

1997 VERSUS 1996. During 1997, interest expense increased \$14.5 million from 1996 to \$53 million. This increase was due primarily to the indebtedness of the Company incurred in the financing of the acquisition of EDC. During 1996, the interest on the EDC acquisition reflects five months costs compared to twelve months of interest during 1997.

1996 VERSUS 1995. In 1996, interest expense increased \$16.6 million from 1995 to \$38.5 million. This increase was due primarily to the financing of the EDC acquisition offset in part by the conversion into common stock on November 1, 1996, of the \$230,000,000 4 1/4% Convertible Subordinated Notes Due 2003.

MARKETING SUBSIDIARIES

NGM markets the Company's natural gas, as well as certain third-party gas. NGM sells gas directly to end-users, gas marketers, industrial users, interstate and intrastate pipelines, and local distribution companies. The Company records all of NGM's non-affiliated sales as gathering, marketing and processing revenues. All intercompany sales and expenses have been eliminated.

NTI markets a portion of the Company's oil, as well as certain third-party oil. The Company records all of NTI's non-affiliated sales as gathering, marketing and processing revenues. All intercompany sales and expenses have been eliminated.

During 1997, NGM recorded \$228.4 million in gathering, marketing and processing revenues and \$218.8 million in gathering, marketing and processing expenses, generating a gross margin of \$9.6 million for the year. In 1996, NGM recorded \$197.4 million in gathering, marketing and processing revenues and \$184.6 million in gathering, marketing and processing expenses, generating a gross margin of \$12.8 million for the year. In 1995, NGM recorded \$104.6 million in gathering, marketing and processing revenues and \$100.6 million in gathering, marketing and processing expenses, generating a gross margin of \$4.0 million for the year.

During 1997, NTI recorded \$101.5 million in gathering, marketing and processing revenues and \$95.0 million in gathering, marketing and processing expenses, generating a gross margin of \$6.5 million for the year. In 1996, NTI recorded \$76.3 million in gathering, marketing and processing revenues and \$68.9 million in gathering, marketing and processing expenses, generating a gross margin of \$7.4 million for the year. In 1995, NTI began marketing a portion of the Company's oil as well as certain third-party oil and recorded \$8.1 million in gathering, marketing and processing revenues and \$7.3 million in gathering, marketing and processing expenses, generating a gross margin of \$791,000 for the year.

FUTURE TRENDS

The Company expects higher production volumes in 1998 compared to 1997. The increase in volume is expected primarily due to the production associated with oil and gas properties acquired from New England Energy Incorporated, effective January 1, 1998, as well as certain new oil and gas properties expected to commence

production during the year. Revenue, however, may also be impacted by commodity prices which are expected to remain volatile during 1998.

The Company has set its 1998 capital budget at approximately \$400 million, exclusive of producing property acquisitions. The capital budget includes the expected 1998 expenditures for the first phase of construction for the Equatorial Guinea methanol plant and exploration, exploitation and development expenditures. The Company expects to fund the 1998 capital budget through its cash flow from operations. The Company will fund the New England Energy Incorporated property acquisition through short-term borrowings under its current \$300 million credit agreement.

Samedan has from time to time settled various claims against parties which failed to fulfill their contractual obligation to Samedan to purchase gas at fixed prices greater than market or pursuant to take-or-pay provisions. The

Company's policy, which is consistent with general industry practice, is that amounts received in such settlements ("settlement payments") do not represent payment for gas produced and, therefore, are not subject to royalty payments. Property owners, including governmental authorities and private parties, have in recent years asserted claims against Samedan and other oil and gas companies for royalties on settlement payments.

Samedan participated, in a joint effort with other energy companies and the Independent Petroleum Association of America ("IPAA"), in a test case which challenged the determination by the U.S. Minerals Management Service ("MMS") that royalties were payable to the government on certain settlement payments received by Samedan (and the other plaintiffs). The District Court for the District of Columbia (the "D.C. District Court") entered a judgment against Samedan in the amount of \$20,000. In August 1996, the Court of Appeals for the District of Columbia Circuit reversed the judgment against Samedan. In subsequent proceedings in the D.C. District Court consistent with the appellate court decision, on July 25, 1997, the court enjoined the MMS from taking action to collect from Samedan royalties on non-recoupable settlement payments (the "MMS Injunction"). The MMS has until April 14, 1998 to appeal the MMS Injunction.

Notwithstanding the ultimate outcome with respect to the MMS Injunction, Samedan may be the subject of future legal actions by property owners claiming royalties on other settlement payments received by Samedan. There can be no assurance that Samedan will prevail in any such action. The Company is unable to estimate the possible amount of loss, if any, associated with this contingency.

Management believes that the Company is well positioned with its balanced reserves of oil and gas to take advantage of future price increases that may occur. However, the uncertainty of oil and gas prices continues to impact the domestic oil and gas industry. Due to the volatility of oil and gas prices, the Company, from time to time, has used hedging and may do so in the future as a means of controlling its exposure to price changes. The Company cannot predict the extent to which its operations will be impacted by inflation, government regulation or changing prices. Market risk is a new disclosure that the Company is required to report through quantitative and qualitative disclosures. The required disclosures are presented in the financial statements and footnotes. For more information concerning market risk, see "Item 8. Financial Statements and Supplementary Data--Supplemental Oil and Gas Information (Unaudited)" in this Form 10-K.

The Company is currently in the process of updating its computer software programs and operating systems so that these systems will properly utilize dates beyond December 31, 1999. The Company does not expect the cost to modify its information systems to be material to its financial condition or results of operations. The Company does not anticipate any material disruptions in its operations as a result of its year 2000 compliance plan.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Under the general instructions, the Registrant's disclosures about market risk pursuant to this item should be made in the Registrant's Form 10-K for the year ending December 31, 1998.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of Noble Affiliates, Inc.:

We have audited the accompanying consolidated balance sheet of Noble Affiliates, Inc. (a Delaware corporation) and subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Noble Affiliates, Inc. and subsidiaries as of December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Oklahoma City, Oklahoma
 January 30, 1998

CONSOLIDATED BALANCE SHEET

NOBLE AFFILIATES, INC. AND SUBSIDIARIES

	December 31,	
(In thousands, except share amounts)	1997	1996
ASSETS		
CURRENT ASSETS:		
Cash and short-term cash investments	\$ 55,075	\$ 94,768
Accounts receivable - trade	162,667	206,151
Materials and supplies inventories	2,805	4,489
Other current assets	38,087	11,395
Total current assets	258,634	316,803
PROPERTY, PLANT AND EQUIPMENT, AT COST:		
Oil and gas mineral interests, equipment and facilities (successful efforts method of accounting)	2,766,741	2,536,524
Other	40,286	35,440
Accumulated depreciation, depletion and amortization	2,807,027	2,571,964
	(1,260,601)	(1,000,200)
Total property, plant and equipment, net	1,546,426	1,571,764
OTHER ASSETS	70,424	68,371
TOTAL ASSETS	\$ 1,875,484	\$ 1,956,938
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 163,563	\$ 143,408
Other current liabilities	28,456	75,736
Current installments of long-term debt	50,000	50,000
Income taxes - current	25,001	10,662
Total current liabilities	217,020	279,806

DEFERRED INCOME TAXES	144,083	108,434
OTHER DEFERRED CREDITS AND NONCURRENT LIABILITIES	56,425	50,603
LONG-TERM DEBT	644,967	798,028
SHAREHOLDERS' EQUITY:		
Preferred stock - par value \$1.00; 4,000,000 shares authorized, none issued		
Common stock - par value \$3.33 1/3; 100,000,000 shares authorized;		
58,423,438 and 58,321,297 shares issued in 1997 and 1996, respectively	194,743	194,402
Capital in excess of par value	358,054	355,651
Retained earnings	275,610	185,432
	828,407	735,485
Less common stock in treasury, at cost (1997 and 1996, 1,524,900 shares)	(15,418)	(15,418)
Total shareholders' equity	812,989	720,067
TOTAL LIABILITIES AND EQUITY	\$ 1,875,484	\$ 1,956,938

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF OPERATIONS NOBLE AFFILIATES, INC. AND SUBSIDIARIES

(In thousands, except per share amounts)	Year ended December 31,		
	1997	1996	1995
REVENUES:			
Oil and gas sales and royalties	\$ 761,145	\$ 604,588	\$ 328,134
Gathering, marketing and processing	329,868	273,690	112,702
Other income	25,610	8,925	46,182
Total Revenue	1,116,623	887,203	487,018
COSTS AND EXPENSES:			
Oil and gas exploration	86,698	49,861	33,246
Oil and gas operations	160,765	126,044	81,735
Gathering, marketing and processing	313,807	253,529	107,867
Depreciation, depletion and amortization	300,354	233,604	200,914
Selling, general and administrative	50,545	51,567	36,514
Interest	53,008	38,474	21,871
Interest capitalized	(6,239)	(2,165)	(3,127)
Total Expenses	958,938	750,914	479,020
INCOME BEFORE TAXES	157,685	136,289	7,998
INCOME TAX PROVISIONS:			
Current	25,569	31,376	(9,123)
Deferred	32,838	21,033	13,035
Total Tax Provision	58,407	52,409	3,912
NET INCOME	\$ 99,278	\$ 83,880	\$ 4,086
BASIC EARNINGS PER SHARE	\$ 1.75	\$ 1.63	\$.08
DILUTED EARNINGS PER SHARE	\$ 1.73	\$ 1.55	\$.08
WEIGHTED AVERAGE SHARES OUTSTANDING:			
Basic	56,872	51,414	50,046
Diluted	57,421	57,223	50,466

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS NOBLE AFFILIATES, INC. AND SUBSIDIARIES

Year ended December 31,

(In thousands)	1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 99,278	\$ 83,880	\$ 4,086
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	300,354	233,604	200,914
Amortization of undeveloped leasehold costs, net	8,146	5,827	6,465
(Gain) loss on disposal of assets	(11,007)	(3,335)	(3,289)
Noncurrent deferred income taxes	35,650	38,989	7,642
Increase in other deferred credits	5,822	14,409	14,194
(Increase) decrease in other	1,684	(16,296)	(399)
Changes in working capital, not including cash:			
(Increase) decrease in accounts receivable	43,484	(89,141)	(29,786)
(Increase) decrease in other current assets	(25,053)	10,608	5,151
Increase (decrease) in accounts payable	(29,845)	37,536	27,063
Increase (decrease) in other current liabilities	17,058	64,864	6,879
NET CASH PROVIDED BY OPERATING ACTIVITIES	445,571	380,945	238,920
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(326,958)	(257,719)	(255,188)
Acquisition of Energy Development Corporation		(768,185)	
Proceeds from sale of property, plant and equipment	54,543	26,758	10,745
NET CASH USED IN INVESTING ACTIVITIES	(272,415)	(999,146)	(244,443)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Exercise of stock options	2,744	7,851	3,766
Cash dividends paid	(9,100)	(8,311)	(8,006)
Proceeds from bank borrowings		800,000	30,000
Repayment of bank debt	(549,000)	(99,000)	(30,000)
Proceeds from issuance of long-term debt	342,507		
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(212,849)	700,540	(4,240)
INCREASE (DECREASE) IN CASH AND SHORT-TERM CASH INVESTMENTS	(39,693)	82,339	(9,763)
CASH AND SHORT-TERM CASH INVESTMENTS AT BEGINNING OF YEAR	94,768	12,429	22,192
CASH AND SHORT-TERM CASH INVESTMENTS AT END OF YEAR	\$ 55,075	\$ 94,768	\$ 12,429
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest (net of amount capitalized)	\$ 46,140	\$ 28,652	\$ 17,659
Income taxes	\$ 32,415	\$ 11,500	\$

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
NOBLE AFFILIATES, INC. AND SUBSIDIARIES

(In thousands, except shares issued)	Common Stock Shares Issued	Amount	Capital in Excess of Par Value	Treasury Stock at Cost	Retained Earnings
JANUARY 1, 1995	51,537,455	\$171,790	\$141,911	\$(15,418)	\$113,783
Net Income					4,086
Exercise of stock options	185,192	617	3,148		
Cash dividends (\$.16 per share)					(8,006)
DECEMBER 31, 1995	51,722,647	\$172,407	\$145,059	\$(15,418)	\$109,863
Net Income					83,880
Exercise of stock options	323,140	1,077	6,774		
Redemption of convertible notes	6,275,510	20,918	203,818		
Cash dividends (\$.16 per share)					(8,311)
DECEMBER 31, 1996	58,321,297	\$194,402	\$355,651	\$(15,418)	\$185,432
Net Income					99,278
Exercise of stock options	102,141	341	2,403		
Cash dividends (\$.16 per share)					(9,100)
DECEMBER 31, 1997	58,423,438	\$194,743	\$358,054	\$(15,418)	\$275,610

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in tables, unless otherwise indicated,
are in thousands, except per share amounts)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION

The consolidated accounts include Noble Affiliates, Inc. (the "Company") and the consolidated accounts of its wholly owned subsidiaries: Noble Gas Marketing, Inc. ("NGM"); Noble Trading, Inc. ("NTI"); NPM, Inc.; and Samedan Oil Corporation ("Samedan"). Listed below are consolidated entities at December 31, 1997.

NOBLE AFFILIATES, INC.
 Noble Gas Marketing, Inc.
 Noble Gas Pipeline, Inc.
 Noble Trading, Inc.
 NPM, Inc.
 Samedan Oil Corporation
 Samedan Oil of Canada, Inc.
 Samedan of North Africa, Inc.
 Samedan LPG
 Samedan Methanol
 Samedan Pipe Line Corporation
 Samedan Royalty Corporation
 Samedan of Tunisia, Inc.
 Energy Development Corporation ("EDC")
 Brabant Petroleum Limited
 EDC Argentina, Inc.
 EDC Australia, Ltd.
 EDC China, Inc.
 EDC Ecuador Ltd.
 EDC HIPS, Inc.
 EDC Portugal Ltd.
 EDC Senegal Ltd.
 Gasdel Pipeline System Incorporated
 HGC, Inc.
 Producers Service, Inc.

NATURE OF OPERATIONS

The Company is principally engaged, through its subsidiaries, in the exploration, development, production and marketing of oil and gas. Samedan operates throughout the major basins in the United States, including the Gulf of Mexico, as well as international operations with production in Argentina, Equatorial Guinea and the U.K. Sector of the North Sea. The Company markets its oil and gas production through NGM, NTI and Samedan.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Such estimates and assumptions also affect the disclosure of contingent assets and liabilities at the date of the financial statements as well as amounts of revenues and expenses recognized during the reporting period. Of the estimates and assumptions that affect reported results, the estimate of the Company's oil and gas reserves is the most significant.

FOREIGN CURRENCY TRANSLATION

The U.S. dollar is considered the functional currency for each of the Company's international operations with the exception of Canada. The functional currency for Canada is the Canadian dollar which has been translated into U.S. dollars

for the financial statements. Translation gains or losses were not material in any of the periods presented.

INVENTORIES

Materials and supplies inventories, consisting principally of tubular goods and production equipment, are stated at the lower of cost or market, with cost being determined by the first-in, first-out method.

PROPERTY, PLANT AND EQUIPMENT

The Company accounts for its oil and gas properties under the successful efforts method of accounting. Under this method, costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory wells that find proved reserves and to drill and equip development wells are capitalized. Capitalized costs of producing oil and gas properties are amortized to operations by the unit-of-production method based on proved developed oil and gas reserves on a property by property basis as estimated by Company engineers. Estimated future restoration and abandonment costs are recorded by charges to depreciation, depletion and amortization ("DD&A") expense over the productive lives of the related properties. The Company has provided \$59.5 million for such future costs classified with accumulated DD&A in the balance sheet. The total estimated future dismantlement and restoration costs of \$143.9 million are included in future production and development costs for purposes of estimating the future net revenues relating to the Company's proved reserves. Upon sale or retirement of depreciable or depletable property, the cost and related accumulated DD&A are eliminated from the accounts and the resulting gain or loss is recognized.

Undeveloped oil and gas properties, which are individually significant, are periodically assessed for impairment of value and a loss is recognized at the time of impairment by providing an impairment allowance. Other undeveloped properties are amortized on a composite method based on the Company's experience of successful drilling and average holding period. Geological and geophysical costs, delay rentals and costs to drill exploratory wells which do not find proved reserves are expensed. Repairs and maintenance are charged to expense as incurred.

Developed oil and gas properties and other long-lived assets are periodically assessed to determine if circumstances indicate that the carrying amount of an asset may not be recoverable. The Company performs this review of recoverability by estimating future cash flows. If the sum of the expected future cash flows is less than the carrying amount of the asset, an impairment is recognized based on the discounted amount of such cash flows.

INCOME TAXES

The Company files a consolidated federal income tax return. Deferred income taxes are provided for temporary differences between the financial reporting and tax bases of the Company's assets and liabilities.

BASIC EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 128 "Earnings per Share" in February 1997. The Company adopted disclosure requirements of SFAS No. 128 during 1997 and restated all previously presented financial statements in conformity with SFAS No. 128. Basic income per share of common stock has been computed on the basis of the weighted average number of shares outstanding during each period. The diluted net income per share of common stock includes the effect of outstanding stock options and the dilutive effect of the convertible subordinated notes, which were converted on November 1, 1996.

The following table summarizes the calculation of basic earnings per share ("EPS") and diluted EPS as of December 31:

(shares in thousands)	1997		1996		1995	
	Income (Numerator)	Shares (Denominator)	Income (Numerator)	Shares (Denominator)	Income (Numerator)	Shares (Denominator)

Net income/shares	\$99,278	56,872	\$83,880	51,414	\$4,086	50,046

BASIC EPS	\$1.75		\$1.63		\$.08	

Net income/shares	\$99,278	56,872	\$83,880	51,414	\$4,086	50,046
Effect of Diluted Securities						
Stock options		549		556		420
4 1/4% Convertible Subordinated Notes (1)			4,692	5,253		

Adjusted net income and shares	\$99,278	57,421	\$88,572	57,223	\$4,086	50,466

DILUTED EPS	\$1.73		\$1.55		\$.08	

(1) In 1995, the 4 1/4% Convertible Subordinated Notes were anti-dilutive and were converted on November 1, 1996.

CAPITALIZATION OF INTEREST

The Company capitalizes interest costs associated with the acquisition or construction of significant oil and gas properties.

STATEMENT OF CASH FLOWS

For purposes of reporting cash flows, cash and short-term cash investments include cash on hand and investments purchased with original maturities of three months or less.

REVENUE RECOGNITION AND GAS IMBALANCES

Samedan and EDC have a gas sales contract with NGM, whereby Samedan and EDC are paid an index price for all gas sold to NGM.

NGM records sales, including hedging transactions, as gathering, marketing and processing revenues. NGM records as cost of sales in gathering, marketing and processing costs, the amount paid to Samedan, EDC and third parties. All intercompany sales and costs have been eliminated.

The Company follows an entitlements method of accounting for its gas imbalances. Gas imbalances occur when the Company sells more or less gas than its entitled ownership percentage of total gas production. Any excess amount received above the Company's share is treated as a liability. If less than the Company's entitlement is received, the underproduction is recorded as a receivable. The Company records the noncurrent liability in Other Deferred Credits and Noncurrent Liabilities, and the current liability in Other Current Liabilities. The Company's gas imbalance liabilities were \$21.6 million and \$21.7 million for 1997 and 1996, respectively. The Company records the noncurrent receivable in Other Assets, and the current receivable in Other Current Assets. The Company's gas imbalance receivables were \$18.5 million and \$19.3 million for 1997 and 1996, respectively, and are valued at the amount which is expected to be received.

TAKE-OR-PAY SETTLEMENTS

The Company records gas contract settlements which are not subject to recoupment in Other Income when the settlement is received.

TRADING AND HEDGING ACTIVITIES

The Company, through its subsidiaries, from time to time, uses various hedging arrangements in connection with anticipated crude oil and natural gas sales of its production to minimize the impact of product price fluctuations. Such arrangements include fixed price hedges, costless collars and other contractual arrangements. Although these hedging arrangements expose the Company to credit risk, the Company monitors the creditworthiness of its counterparties, which generally are major institutions, and believes that losses from nonperformance are unlikely to occur. Hedging gains and losses related to the Company's oil and gas production are recorded in oil and gas sales and royalties.

During 1997, the Company had natural gas hedging contracts that ranged from 20 percent to 32 percent of its average daily natural gas production. Natural gas hedges were in the price range of \$1.88 to \$3.30 per million British Thermal Units ("MMBTU"). The net effect of these 1997 hedges was a \$.12 per

thousand cubic feet ("MCF") reduction in the average natural gas price realized by the Company. At December 31, 1997, the Company had no natural gas hedging contracts.

During 1997, the Company had crude oil hedging contracts that ranged from 19 percent to 50 percent of its average daily oil production. Crude oil hedges were in the price range of \$16.81 to \$24.35 per barrel ("BBL"). The net effect of these 1997 hedges was a \$.19 per BBL reduction in the average crude oil price realized by the Company. At December 31, 1997, the Company had no crude oil hedging contracts.

During 1996, the Company had natural gas hedging contracts that ranged from 39 percent to 86 percent of its average daily natural gas production. Natural gas hedges were in the price range of \$1.60 to \$3.59 per MMBTU. The net effect of these 1996 hedges was a \$.33 per MCF reduction in the average natural gas price. At December 31, 1996, the Company was a party to natural gas hedging contracts to hedge approximately 21 percent of its estimated 1997 average daily natural gas production at an average price per MMBTU of \$2.20.

During 1996, the Company had crude oil hedging contracts that ranged from 48 percent to 55 percent of its average daily oil production for January through July and 62 percent to 100 percent of its average daily oil production for August through December. Crude oil hedges were in the price range of \$16.50 to \$24.27 per BBL. The net effect of these 1996 hedges was a \$2.35 per BBL reduction in the average crude oil price. At December 31, 1996, the Company was a party to crude oil hedging contracts to hedge approximately 26 percent of its estimated 1997 annual crude oil production at an average price per BBL of \$20.48.

During 1995, Samedan had natural gas hedging contracts for November and December to hedge from 20 percent to 46 percent of its average daily natural gas production. For May to December 1995, Samedan had hedged approximately 20 percent of its daily crude oil production. Natural gas hedges were in the range of \$1.60 to \$1.96 per MMBTU and crude oil hedges were in the range of \$18.56 to \$20.27 per BBL. The net effect of these 1995 hedges was a \$.004 per MCF reduction in the average natural gas price and a \$.16 per BBL increase in the average crude oil price realized by the Company.

In addition to the hedging arrangements pertaining to the Company's production as described above, NGM employs various hedging arrangements in connection with its purchases and sales of third party production to lock in profits or limit exposure to gas price risk. Most of the purchases made by NGM are on an index basis; however, purchasers in the markets in which NGM sells often require fixed or New York Mercantile Exchange ("NYMEX") related pricing. NGM may use a hedge to convert the fixed or NYMEX sale to an index basis thereby determining the

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margin and minimizing the risk of price volatility. During 1997, NGM had hedging transactions with broker-dealers that ranged from 317,693 MMBTU's to 768,599 MMBTU's of gas per day.

At December 31, 1997, NGM had in place hedges ranging from approximately 645 MMBTU's to 29,279 MMBTU's of gas per day for January 1998 to March 1999 for future physical transactions. At December 31, 1996, NGM had in place hedges ranging from approximately 7,475 MMBTU's to 551,126 MMBTU's of gas per day for January 1997 to March 1998 for future physical transactions. During 1995, NGM had hedging transactions with large financial institutions that averaged approximately 126,000 MMBTU's of gas per day at prices linked to certain indices. NGM records hedging gains or losses relating to fixed term sales as gathering, marketing and processing revenues in the periods in which the related contract is completed.

SELF-INSURANCE

The Company self-insures the medical and dental coverage provided to certain of its employees, certain workers' compensation and the first \$200,000 of its general liability coverage.

A provision for self-insured claims is recorded when sufficient information is available to reasonably estimate the amount of the loss.

RECLASSIFICATION

Certain reclassifications have been made to the 1996 and 1995 consolidated financial statements to conform to the 1997 presentation.

RECENTLY ISSUED PRONOUNCEMENTS

In December 1997, the Financial Accounting Standards Board issued SFAS No. 130 "Reporting Comprehensive Income" and SFAS No. 131 "Disclosures About Segments of an Enterprise and Related Information." The Company plans on adopting both SFAS No. 130 and No. 131 in 1998. The Company anticipates there will be no material impact associated with the adoption of these standards.

NOTE 2 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments pursuant to the requirements of SFAS No. 107, "Disclosures about Fair Value of Financial Instruments."

CASH AND SHORT-TERM CASH INVESTMENTS

The carrying amount approximates fair value due to the short maturity of the instruments.

OIL AND GAS PRICE HEDGE AGREEMENTS

The fair value of oil and gas price hedges is the estimated amount the Company would receive or pay to terminate the hedge agreements at the reporting date taking into account the creditworthiness of the hedging parties.

LONG-TERM DEBT

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

The carrying amounts and estimated fair values of the Company's financial instruments as of December 31, for each of the years are as follows:

	1997		1996	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and short-term cash investments	\$ 55,075	\$ 55,075	\$ 94,768	\$ 94,768
Oil and gas hedge agreements			\$ 5,180	\$ (26,869)
Long-term debt (including current portion)	\$ 644,967	\$ 740,000	\$ 848,028	\$ 854,000

NOTE 3 - DEBT

A summary of debt at December 31 follows:

	1997	1996
\$800 million Credit Agreement	\$	\$749,000
\$300 million Credit Agreement	200,000	
7 1/4% Notes Due 2023	100,000	100,000
8% Senior Notes Due 2027	250,000	
7 1/4% Senior Debentures Due 2097	100,000	
Outstanding debt	650,000	849,000
Less: current portion		50,000
Less: unamortized discount	5,033	972
Long-term debt	\$ 644,967	\$798,028

Total long-term debt at December 31, 1997, was \$645 million compared to \$848 million (including current portion) at December 31, 1996, a decrease of 24 percent. The ratio of debt to book capital (defined as the Company's debt plus its equity) was 44 percent at December 31, 1997, compared with 54 percent at December 31, 1996.

The \$300 million credit agreement is a revolving credit facility with a group of banks with a final maturity of December 24, 2002. The interest rate charged, which is based upon a Eurodollar rate plus 22.5 basis points, was 5.9

percent at December 31, 1997. Financial covenants include maintenance of a cash flow multiple of at least four times interest cost and maintenance of a debt level which does not exceed 60 percent of the Company's shareholders' equity plus its debt.

The \$800 million credit agreement was terminated on December 24, 1997, and the outstanding balance of \$200 million was refinanced in the \$300 million credit agreement. The weighted average interest rate on the borrowings during 1997 was 6.9 percent.

Total long-term debt outstanding at December 31, 1997, included \$100 million of 7 1/4% Notes Due 2023, \$250 million of 8% Senior Notes Due 2027, and \$100 million of 7 1/4 % Senior Debentures Due 2097.

The only principal payment on long-term debt due during the next five years is the outstanding balance of the \$300 million credit agreement on December 24, 2002.

On November 1, 1996, all of the Company's \$230 million 4 1/4% Convertible Subordinated Notes Due 2003 were converted into 6,275,510 shares of common stock.

NOTE 4 - INCOME TAXES

The components of income from operations before income taxes for each year are as follows:

	1997	1996	1995
Domestic	\$159,535	\$137,462	\$ 18,368
Foreign	(1,850)	(1,173)	(10,370)
	\$157,685	\$136,289	\$ 7,998

The income tax provisions relating to operations for each year consist of the following:

	1997	1996	1995
U.S. current	\$22,146	\$ 26,425	\$(9,309)
U.S. deferred	34,344	17,918	11,327
State current	587	844	65
State deferred	(622)	644	258
Foreign current	2,836	4,107	121
Foreign deferred	(884)	2,471	1,450
	\$58,407	\$ 52,409	\$ 3,912

The following table details the difference between the federal statutory tax rate and the effective tax rate for the years ended December 31:

(Amounts expressed in percentages)	1997	1996	1995
Statutory rate	35.0	35.0	35.0
Effect of:			
Percentage depletion	(.1)	(.1)	(1.4)
State taxes		.7	2.6
Foreign taxes	.8	3.1	12.8
Losses from international operations	1.4	.1	
Other, net	(.1)	(.3)	(.1)
Effective rate	37.0	38.5	48.9

The net current deferred tax asset (liability) in the following table is classified as Other Current Assets in the Consolidated Balance Sheet at December 31, 1997 and 1996. The tax effects of temporary differences which gave rise to deferred tax assets and liabilities as of December 31 were:

	1997	1996

U.S. and State Current Deferred Tax Assets:		
Accrued expenses	\$ (2,269)	\$ (197)
Deferred income	3,127	255
Deferred hedge		(219)
Minimum tax		286
Allowance for doubtful accounts	496	1,186
Other	903	(111)

Net current deferred tax asset	2,257	1,200

U.S. and State Non-current Deferred Tax Liabilities:		
Property, plant and equipment, principally due to differences in depreciation, amortization, lease impairment and abandonments	(138,771)	(100,983)
Accrued expenses	4,390	3,454
Deferred income	6,351	6,629
Income tax accruals	10,688	11,215
Other	1,548	423

Net non-current deferred liability	(115,794)	(79,262)

U.S. and state net deferred tax liability	(113,537)	(78,062)

Foreign Deferred Tax Liabilities:		
Property, plant and equipment of foreign operations	(28,289)	(25,226)
Valuation allowance		(3,946)

Deferred tax liability	(28,289)	(29,172)

Total deferred taxes	\$ (141,826)	\$ (107,234)

A valuation allowance of \$3.9 million for 1996 related to the Company's foreign operations was established for the portion of the deferred tax assets which management believed unlikely to have a tax benefit realized. The valuation allowance for 1996 was related to Canada and was written off in 1997 due to the sale of the Company's Canadian assets.

NOTE 5 - COMMON STOCK, STOCK OPTIONS AND STOCKHOLDER RIGHTS

The Company has two stock option plans, the 1992 Stock Option and Restricted Stock Plan ("1992 Plan") and the 1988 Non-Employee Director Stock Option Plan ("1988 Plan"). The Company accounts for these plans under APB Opinion 25, under which no compensation cost has been recognized in the accompanying financial statements.

Under the Company's 1992 Plan, the Board of Directors may grant stock options and award restricted stock. No restricted stock has been issued under the 1992 Plan. Since the 1992 Plan's adoption, stock options have been issued at the market price on the date of grant. The earliest the granted options may be exercised is over a three year period at the rate of 33 1/3% each year commencing on the first anniversary of the grant date. The options expire ten years from the grant date. The 1992 Plan was amended in 1997, with a vote of the shareholders, to increase the maximum number of shares of common stock that may be issued under the 1992 Plan to 4,000,000 shares. At December 31, 1997, the Company had reserved 3,735,166 shares of common stock for issuance, including 1,850,282 shares available for grant under its 1992 Plan.

The Company's 1988 Plan allows stock options to be issued to certain non-employee directors at the market price on the date of grant. The options may be exercised one year after issue and expire ten years from the grant date. The 1988 Plan provides for the grant of options to purchase a maximum of 550,000 shares of the Company's authorized but unissued common stock. At December 31, 1997, the Company had reserved 433,000 shares of common stock for issuance, including 274,000 shares available for grant under its 1988 Plan.

Stock options outstanding under the plans mentioned above and two previously terminated plans are presented for the periods indicated.

	Number of Shares	Option Price Range
----- OUTSTANDING DECEMBER 31, 1994 -----	1,429,382	\$10.63-\$30.00
Granted	357,663	\$24.25-\$25.50
Exercised	(185,192)	\$10.63-\$27.25
Canceled	(18,144)	\$16.88-\$27.25
----- OUTSTANDING DECEMBER 31, 1995 -----	1,583,709	\$10.63-\$30.00
Granted	376,368	\$37.63-\$40.38
Exercised	(323,140)	\$10.63-\$27.25
Canceled	(34,839)	\$16.88-\$27.25
----- OUTSTANDING DECEMBER 31, 1996 -----	1,602,098	\$10.63-\$40.38
Granted	707,307	\$39.63-\$39.88
Exercised	(102,141)	\$10.63-\$40.38
Canceled	(1,929)	\$24.25-\$27.25
----- OUTSTANDING DECEMBER 31, 1997 -----	2,205,335	\$11.63-\$40.38
----- EXERCISABLE AT DECEMBER 31, 1997 -----	1,158,175	\$11.63-\$40.38

The following schedule shows the Company's net income and net income per share for each of the years ended December 31, had compensation costs been determined consistent with SFAS No. 123 "Accounting for Stock-Based Compensation."

	1997	1996	1995

Net Income:			
As Reported	\$99,278	\$83,880	\$4,086
Pro Forma	\$90,874	\$82,447	\$3,651
Basic Earnings Per Share:			
As Reported	\$ 1.75	\$ 1.63	\$.08
Pro Forma	\$ 1.60	\$ 1.60	\$.07
Diluted Earnings Per Share:			
As Reported	\$ 1.73	\$ 1.55	\$.08
Pro Forma	\$ 1.58	\$ 1.44	\$.07

The SFAS No. 123 method of accounting is not required to be applied to options granted prior to 1995. The pro forma information presented above is based on several assumptions and should not be viewed as indicative of the operations of the Company in future periods.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 1997, 1996 and 1995, respectively:

(Amounts expressed in percentages)	1997	1996	1995

Interest rate	6.03	6.62	6.33
Dividend yield	.40	.40	.66
Expected volatility	32.97	32.89	33.33

The weighted average fair value of options granted using the Black-Scholes option model for 1997, 1996 and 1995, respectively:

(Amounts expressed in dollars)	1997	1996	1995

Black-Scholes model weighted average fair value option price	\$18.28	\$18.95	\$11.05

designed to assure that the Company's stockholders receive fair and equal treatment in the event of any proposed takeover of the Company and to guard against partial tender offers and other abusive takeover tactics to gain control of the Company without paying all stockholders a fair price. The rights plan was not adopted in response to any specific takeover proposal. Under the rights plan, the Company declared a dividend of one right ("Right") on each share of Noble Affiliates, Inc. Common Stock. Each Right will entitle the holder to purchase one one-hundredth of a share of a new Series A Junior Participating Preferred Stock, par value \$1.00 per share, at an exercise price of \$150.00. The Rights are not currently exercisable and will become exercisable only in the event a person or group acquires beneficial ownership of 15 percent or more of Noble Affiliates, Inc. Common Stock. The dividend distribution was made on September 8, 1997, to stockholders of record at the close of business on that date. The Rights will expire on September 8, 2007.

NOTE 6 - EMPLOYEE BENEFIT PLANS

PENSION PLAN

The Company has a non-contributory defined benefit pension plan covering substantially all of its domestic employees. The benefits are based on an employee's years of service and average earnings for the 60 consecutive calendar months of highest compensation. The Company also has an unfunded restoration plan to ensure payments of amounts for which employees are entitled under the provisions of the pension plan, but which are subject to limitations imposed by federal tax laws. The Company's funding policy has been to make annual contributions equal to the actuarially computed liability to the extent such amounts are deductible for income tax purposes. Plan assets consist principally of equity securities and fixed income investments.

The periodic pension expense included the following components for the years ended December 31:

	1997	1996	1995
Service cost-benefits earned in the period	\$ 3,003	\$ 2,212	\$ 1,781
Interest cost on projected benefit obligation	4,078	3,382	3,298
Actual return on plan assets	(10,060)	(6,734)	(8,611)
Net amortization and deferral	6,917	3,621	5,461
Net pension expense	\$ 3,938	\$ 2,481	\$ 1,929

The funded status of the Company's pension plans at December 31 was as follows:

	1997		1996	
	Funded	Unfunded	Funded	Unfunded
Actuarial present value of:				
Vested benefit obligation	\$ 31,350	\$ 4,202	\$ 27,694	\$ 3,473
Accumulated benefit obligation	35,939	4,586	31,476	3,623
Projected benefit obligation	52,134	10,353	42,506	5,074
Plan assets at fair value	55,611		47,921	
Plan assets in excess of (less than) projected benefit obligation	3,477	(10,353)	5,415	(5,074)
Unrecognized net (gain) loss	(12,486)	4,287	(11,775)	32
Unrecognized net (asset) liability at transition	(1,721)	3,009	(1,936)	3,248
Unrecognized prior service cost	2,608	521	2,579	451
Accrued pension cost	\$ (8,122)	\$ (2,536)	\$ (5,717)	\$ (1,343)

The Company's assumptions as of December 31 in determining the pension cost and liability for the three years were as follows:

(Amounts expressed in percentages)	1997	1996	1995
Discount rate	7.25	7.75	7.25
Rates of increase in compensation	5.50	5.50	5.50
Long-term rate of return on plan assets	8.50	8.50	8.50

EMPLOYEE SAVINGS PLAN

The Company has an employee savings plan ("ESP") which is a defined contribution plan. Participation in the ESP is voluntary and all regular employees of the Company are eligible to participate. The Company may match up to 100 percent of the participant's contribution not to exceed six percent of the employee's base compensation. Plan contributions of \$1,369,000, \$1,053,000 and \$895,000 for 1997, 1996 and 1995, respectively, were charged to expense.

OTHER EMPLOYEE PLANS

The Company sponsors other plans for the benefit of its employees and retirees. These plans include health care and life insurance benefits. The accumulated postretirement benefit obligation of these plans was computed using an assumed discount rate of 7.25, 7.75 and 7.25 percent in 1997, 1996 and 1995, respectively. The health care cost trend rate was assumed to be nine percent for 1997, declining by one percent for three successive years to six percent in 2000 and 2001, decreasing to five percent for 2002 and remaining at that rate thereafter.

If the health care cost trend rate was increased one percent for all future years, the accumulated postretirement benefit obligation as of December 31, 1997, would have increased approximately \$352,000. The effect of this change on the aggregate of service and interest cost for 1997 would have been an increase of approximately \$55,000.

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Net postretirement benefit cost included the following components for the years ended December 31:

	1997	1996	1995
Service cost-benefits earned in the period	\$210	\$180	\$140
Interest cost-accumulated benefit obligation	154	143	123
Net loss amortization	14	27	12
Net postretirement benefit cost	\$378	\$350	\$275

The plan's postretirement benefit obligation at December 31 was as follows:

	1997	1996
Accumulated postretirement benefit obligation:		
Retirees	\$ (143)	\$ (357)
Fully eligible active employees	(272)	(377)
Active employees, not fully eligible	(1,969)	(1,418)
Total participants	(2,384)	(2,152)
Plan assets		
Funded status	(2,384)	(2,152)
Unrecognized net loss	455	554
Accrued postretirement benefit obligation	\$ (1,929)	\$ (1,598)

NOTE 7 - EDC ACQUISITION

On July 31, 1996, Samedan acquired all the outstanding shares of common stock of EDC for \$768 million. The acquisition has been accounted for using the

purchase method of accounting. Accordingly, the purchase price has been allocated to EDC's assets and liabilities based on fair values at the date of the acquisition.

The operating results of EDC have been included in the Consolidated Statement of Operations from the date of the acquisition. The pro forma information includes adjustments for interest expense that would have been incurred to finance the acquisition, additional depreciation, depletion and amortization based on the fair value of EDC's property, plant and equipment and expected savings from the termination of certain EDC employees and facilities consolidation.

The following information has been prepared assuming the acquisition had taken place at the beginning of 1996 and 1995:

(unaudited)	Pro Forma	
	1996	1995
Revenues	\$ 1,103,334	\$842,757
Net income	\$ 74,082	\$ 73
Basic earnings per share	\$ 1.44	\$ 0.00
Diluted earnings per share	\$ 1.29	\$ 0.00

The pro forma information presented above is based on several assumptions and should not be viewed as indicative of the operations of the Company in future periods.

NOTE 8 - ADDITIONAL BALANCE SHEET AND STATEMENT OF OPERATIONS INFORMATION

Included in accounts receivable-trade is an allowance for doubtful accounts at December 31 of the following:

	1997	1996
Allowance for doubtful accounts	\$ 1,401	\$3,083

Other current assets at December 31 include the following:

	1997	1996
Deferred hedges	\$	\$1,684
Deferred tax asset	\$ 2,257	\$1,200

Other current liabilities at December 31 include the following:

	1997	1996
Gas imbalance liabilities	\$4,153	\$3,583

Oil and gas operations expense included the following for the years ended December 31:

	1997	1996	1995
Lease operating expense	\$ 151,712	\$ 116,692	\$78,959
Production taxes	\$ 11,947	\$ 10,108	\$ 3,426

Oil and gas exploration expense included the following for the years

ended December 31:

	1997	1996	1995
Dry hole expense	\$46,902	\$ 32,762	\$17,608
Undeveloped lease amortization	\$ 8,146	\$ 5,827	\$ 6,465
Abandoned assets	\$ 4,923	\$ 545	\$ 483
Seismic	\$19,095	\$ 11,885	\$ 8,358

During the past three years, there was no purchaser that accounted for more than ten percent of total oil and gas sales and royalties.

NOTE 9 - IMPAIRMENT OF LONG-LIVED ASSETS

In March 1995, the Financial Accounting Standards Board issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The Company adopted SFAS No. 121 during the fourth quarter of 1995.

The assets impaired under SFAS No. 121 are oil and gas properties maintained under the successful efforts method of accounting. The excess of the net book value over the projected discounted future net revenue of the impaired properties was charged to DD&A expense. The Company recognized a \$59.5 million SFAS No. 121 impairment for 1995. This impairment included \$3.2 million in Tunisia, \$4.1 million in Canada, \$18.4 million onshore U.S., and \$33.8 million offshore Gulf of Mexico properties.

The Company recorded no asset impairment under SFAS No. 121 for its properties during 1997 and 1996.

SUPPLEMENTAL OIL AND GAS INFORMATION
(Unaudited)

PROVED OIL AND GAS RESERVES (Unaudited)

The following reserve schedule was developed by the Company's reserve engineers and set forth the changes in estimated quantities of proved oil and gas reserves of the Company during each of the three years presented.

PROVED RESERVES AS OF:	Natural Gas and Casinghead Gas (MMCF)			Crude Oil & Condensate (BBLs in thousands)		
	United States	International (1)	TOTAL	United States	International (1)	TOTAL
DECEMBER 31, 1994	744,245	34,705	778,950	65,536	9,991	75,527
Revisions of previous estimates	(35,728)	(4,776)	(40,504)	247	(517)	(270)
Extensions, discoveries and other additions	143,589	6,558	150,147	12,270	3,658	15,928
Production	(94,038)	(2,946)	(96,984)	(8,175)	(1,405)	(9,580)
Sale of minerals in place	(2,424)	(3,489)	(5,913)	(115)	(6)	(121)
Purchase of minerals in place	62,657	1,986	64,643	1,144	1,380	2,524
DECEMBER 31, 1995	818,301	32,038	850,339	70,907	13,101	84,008
Revisions of previous estimates	(30,618)	(2,792)	(33,410)	(187)	731	544
Extensions, discoveries and other additions	127,399	9,825	137,224	7,701	2,507	10,208
Production	(162,996)	(5,104)	(168,100)	(10,785)	(2,287)	(13,072)
Sale of minerals in place	(49,851)	(4,286)	(54,137)	(1,239)	(216)	(1,455)
Purchase of minerals in place	377,372	46,962	424,334	15,920	19,594	35,514
DECEMBER 31, 1996	1,079,607	76,643	1,156,250	82,317	33,430	115,747
Revisions of previous estimates	(1,228)	(1,110)	(2,338)	1,516	865	2,381
Extensions, discoveries and other additions	226,546	329,230	555,776	16,501	15,211	31,712
Production	(195,085)	(7,551)	(202,636)	(11,450)	(3,024)	(14,474)
Sale of minerals in place	(6,934)	(22,299)	(29,233)	(184)	(4,797)	(4,981)
Purchase of minerals in place	4,252	144	4,396	365	113	478
DECEMBER 31, 1997	1,107,158	375,057	1,482,215	89,065	41,798	130,863

(1) The December 31, 1997, proved reserves for the Company's

international operations are detailed as follows:

Proved Reserves	Equatorial Guinea	Argentina	United Kingdom	Total
Oil (thousand BBLs)	22,767	11,997	7,034	41,798
Gas (MMCF)	322,204	5,565	47,288	375,057

Proved Reserves. Proved reserves are estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

There are numerous uncertainties inherent in estimating quantities of proved oil and gas reserves. Oil and gas reserve engineering is a subjective process of estimating underground accumulations of oil and gas that cannot be precisely measured, and estimates of engineers other than Samedan's might differ materially from the estimates set forth herein. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, testing and production subsequent to the date of the estimate may justify revision of such estimate. Accordingly, reserve estimates are often different from the quantities of oil and gas that are ultimately recovered.

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PROVED DEVELOPED OIL AND GAS RESERVES (Unaudited)

The following reserve schedule was developed by the Company's reserve engineers and set forth the changes in estimated quantities of proved developed oil and gas reserves of the Company presented as of the beginning of each year.

PROVED DEVELOPED RESERVES:	Natural Gas and Casinghead Gas (MMCF)			Crude Oil & Condensate (BBLs in thousands)		
	United States	International(1)	TOTAL	United States	International(1)	TOTAL
January 1, 1995	658,228	34,705	692,933	63,013	8,305	71,318
January 1, 1996	750,753	32,036	782,789	67,368	11,667	79,035
January 1, 1997	1,010,837	50,258	1,061,095	78,564	29,334	107,898
January 1, 1998	1,022,192	66,279	1,088,471	82,713	29,422	112,135

Proved Developed Reserves. Proved developed reserves are proved reserves which are expected to be recovered through existing wells with existing equipment and operating methods.

COSTS INCURRED IN OIL AND GAS ACTIVITIES (Unaudited)

Costs incurred in connection with the Company's oil and gas acquisition, exploration and development activities during the year are shown below. Amounts are presented in accordance with SFAS No. 19, and may not agree with amounts determined using traditional industry definitions.

	1997			1996			1995		
	U.S.	Int'l	TOTAL	U.S.	Int'l	TOTAL	U.S.	Int'l	TOTAL
Property acquisition costs:									
Proved	\$ 3,884	\$ 28	\$ 3,912	\$ 541,363	\$ 146,052	\$ 687,415	\$ 36,728	\$ 6,932	\$ 43,660
Unproved	16,668	3,178	19,846	24,672	21,737	46,409	8,209	1,096	9,305
Total	\$ 20,552	\$ 3,206	\$ 23,758	\$ 566,035	\$ 167,789	\$ 733,824	\$ 44,937	\$ 8,028	\$ 52,965
Exploration costs	\$ 81,141	\$ 36,023	\$ 117,164	\$ 81,018	\$ 9,981	\$ 90,999	\$ 39,008	\$ 11,586	\$ 50,594
Development costs	\$ 201,788	\$ 14,180	\$ 215,968	\$ 176,419	\$ 7,886	\$ 184,305	\$ 159,405	\$ 2,981	\$ 162,386

AGGREGATE CAPITALIZED COSTS (Unaudited)

cash flows \$1,063 \$ 289 \$1,352 \$ 1,967 \$255 \$2,222 \$1,173 \$ 101 \$ 1,274

The future net cash inflows for 1997 do not include cash flows relating to the Company's anticipated future methanol sales. For more information regarding Samedan's methanol plant, see Item 1. and Item 2. "Business--Oil and Gas" of this Form 10-K.

Future cash inflows are computed by applying year-end prices of oil and gas relating to the Company's proved reserves to the year-end quantities of those reserves, with consideration given to the effect of existing trading and hedging contracts if any. The year-end weighted average oil price utilized in the computation of future cash inflows was approximately \$16.22 per BBL.

West Texas intermediate crude oil price in mid February 1998 was approximately \$2.72 per BBL lower than year-end 1997. The Company estimates that a \$1.00 per BBL change in the average oil price from the year-end price would change discounted future net cash flows before income taxes by approximately \$74 million.

The year-end weighted average gas price utilized in the computation of future cash inflows was approximately \$2.55 per MCF. Natural gas index prices at Henry Hub have decreased approximately \$.33 per MCF in mid February 1998 compared with the year-end index. The Company estimates that a \$.10 per MCF change in the average gas price from the year-end price would change discounted future net cash flows before income taxes by approximately \$83 million.

Future production and development costs, which include dismantlement and restoration expense, are computed by estimating the expenditures to be incurred in developing and producing the Company's proved oil and gas reserves at the end of the year, based on year-end costs, and assuming continuation of existing economic conditions.

Future income tax expenses are computed by applying the appropriate year-end statutory tax rates to the future pretax net cash flows relating to the Company's proved oil and gas reserves, less the tax bases of the properties involved. The future income tax expenses give effect to tax credits and allowances, but do not reflect the impact of general and administrative costs and exploration expenses of ongoing operations relating to the Company's proved oil and gas reserves.

At December 31, 1997, the Company had estimated gas imbalance receivables of \$18.5 million and estimated liabilities of \$21.6 million; at year-end 1996, \$19.3 million in receivables and \$21.7 million in liabilities; and at year-end 1995, \$12.3 million in receivables and \$11.4 million in liabilities. Neither the gas imbalance receivables nor liabilities have been included in the standardized measure of discounted future net cash flows as of each of the three years ended December 31, 1997, 1996 and 1995.

Principal changes in the aggregate standardized measure of discounted future net cash flows attributable to the Company's proved oil and gas reserves at year end are shown below.

(In millions of dollars)	1997	1996	1995
Standardized measure of discounted future net cash flows at the beginning of the year	\$ 2,222	\$ 1,274	\$ 736
Extensions, discoveries and improved recovery, less related costs	501	256	378
Revisions of previous quantity estimates	13	(76)	(53)
Changes in estimated future development costs	(15)	(21)	(29)
Purchases/sales of minerals in place	(45)	1,043	116
Net changes in prices and production costs	(1,259)	212	378
Accretion of discount	310	178	103
Sales of oil and gas produced, net of production costs	(594)	(475)	(241)
Development costs incurred during the period	38	74	67
Net change in income taxes	332	(368)	(216)
Change in timing of estimated future production, and other	(151)	125	35
Standardized measure of discounted future net cash flows at the end of the year	\$ 1,352	\$ 2,222	\$1,274

INTERIM FINANCIAL INFORMATION (Unaudited)

Interim financial information for the years ended December 31, 1997 and 1996 are as follows:

	Quarter Ended			
	Mar. 31,	June 30,	Sept. 30,	Dec. 31, (1)
1997				
Revenues	\$ 322,455	\$ 236,667	\$ 234,349	\$ 323,153
Gross profit				
from operations	\$ 74,625	\$ 32,596	\$ 34,694	\$ 62,539
Net income	\$ 38,363	\$ 13,152	\$ 15,177	\$ 32,586
Basic earnings per share	\$.67	\$.23	\$.27	\$.57
Diluted earnings per share	\$.67	\$.23	\$.26	\$.57
1996				
Revenues	\$ 170,423	\$ 183,572	\$ 235,933	\$ 297,275
Gross profit				
from operations	\$ 40,410	\$ 31,066	\$ 37,333	\$ 63,789
Net income	\$ 22,679	\$ 16,859	\$ 15,306	\$ 29,036
Basic earnings per share	\$.45	\$.33	\$.31	\$.53
Diluted earnings per share	\$.43	\$.32	\$.29	\$.51

(1) During the fourth quarter of 1997 and 1996, DD&A expense increased \$5.5 million and \$.8 million, respectively, relating to the cumulative effect of oil and gas reserve revisions on the DD&A provision for the preceding three quarters.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The section entitled "Election of Directors" in the Registrant's proxy statement for the 1998 annual meeting of stockholders sets forth certain information with respect to the directors of the Registrant and is incorporated herein by reference. Certain information with respect to the executive officers of the Registrant is set forth under the caption "Executive Officers of the Registrant" in Part I of this report.

The section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" in the Registrant's proxy statement for the 1998 annual meeting of stockholders sets forth certain information with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The section entitled "Executive Compensation" in the Registrant's proxy statement for the 1998 annual meeting of stockholders sets forth certain information with respect to the compensation of management of the Registrant, and except for the report of the Compensation and Benefits Committee and Stock Option Committee of the Board of Directors and the information therein under "Executive Compensation--Performance Graph" is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The sections entitled "Security Ownership of Certain Beneficial Owners" and "Security Ownership of Directors and Executive Officers" in the Registrant's proxy statement for the 1998 annual meeting of stockholders set forth certain information with respect to the ownership of the Registrant's common stock and

are incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The section entitled "Certain Transactions" in the Registrant's proxy statement for the 1998 annual meeting of stockholders sets forth certain information with respect to certain relationships and related transactions, and is incorporated herein by reference.

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PART IV

ITEM 14. FINANCIAL STATEMENT SCHEDULES, EXHIBITS AND REPORTS ON FORM 8-K.

(a) The following documents are filed as a part of this report:

(1) Financial Statements and Financial Statement Schedules: These documents are listed in the Index to Consolidated Financial Statements in Item 8 hereof.

(2) Exhibits: The exhibits required to be filed by this Item 14 are set forth in the Index to Exhibits accompanying this report.

(b) No report on Form 8-K was filed by the Registrant during the quarter ended December 31, 1997.

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SIGNATURES

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

NOBLE AFFILIATES, INC..

Date: March 16, 1998

By: /s/ William D. Dickson

William D. Dickson,
Senior Vice President-Finance
and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature -----	Capacity in which signed -----	Date ----
/s/ Robert Kelley ----- Robert Kelley	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)	March 16, 1998
/s/ William D. Dickson ----- William D. Dickson	Senior Vice President-Finance and Treasurer (Principal Financial Officer)	March 16, 1998
/s/ James L. McElvany ----- James L. McElvany	Vice President and Controller (Principal Accounting Officer)	March 16, 1998
/s/ Alan A. Baker -----	Director	March 16, 1998

Exhibit Number -----	Exhibit ** -----
10.6*	-- 1982 Stock Option Plan of the Registrant (filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-8 (Registration No. 2-81590) and incorporated herein by reference).
10.7*	-- Amendment No. 1 to the 1982 Stock Option Plan of the Registrant (filed as Exhibit 4.2 to the Registrant's Registration Statement on Form S-8 (Registration No. 2-81590) and incorporated herein by reference).
10.8*	-- Amendment No. 2 to the 1982 Stock Option Plan of the Registrant (filed as Exhibit 10.11 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995 and incorporated herein by reference).
10.9*	-- 1978 Non-Qualified Stock Option Plan of the Registrant (filed as Exhibit 1.1 to the Registrant's Registration Statement on Form S-8 (Registration No. 2-64600) and incorporated herein by reference).
10.10*	-- 1978 Non-Qualified Stock Option Plan of the Registrant, as amended July 27, 1978 (filed as Exhibit 1.2 to the Registrant's Registration Statement on Form S-8 (Registration No. 2-64600) and incorporated herein by reference).
10.11*	-- Amendment No. 2 to the 1978 Non-Qualified Stock Option Plan of the Registrant (filed as Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993 and incorporated herein by reference).
10.12*	-- Amendment No. 3 to the 1978 Non-Qualified Stock Option Plan of the Registrant (filed as Exhibit 10.15 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995 and incorporated herein by reference).
10.13*	-- 1988 Nonqualified Stock Option Plan for Non-Employee Directors of the Registrant, as amended and restated, effective as of January 30, 1996 (filed as Exhibit 10.13 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
10.14*	-- Form of Indemnity Agreement entered into between the Registrant and each of the Registrant's directors and bylaw officers (filed as Exhibit 10.18 to the Registrant's Annual Report of Form 10-K for the year ended December 31, 1995 and incorporated herein by reference).
10.15	-- Guaranty of the Registrant dated October 28, 1982, guaranteeing certain obligations of Samedan (filed as Exhibit 10.12 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993 and incorporated herein by reference).
10.16	-- Stock Purchase Agreement dated as of July 1, 1996, between Samedan Oil Corporation and Enterprise Diversified Holdings Incorporated (filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K (Date of Event: July 31, 1996) dated August 13, 1996 and incorporated herein by reference).
10.17	-- Credit Agreement dated as of July 31, 1996 among the Registrant, as borrower, certain commercial lending institutions which are or may become a party thereto, as lenders (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (Date of Event: July 31, 1996), filed on August 13, 1996 and incorporated herein by reference).
10.18	-- First Amendment to Credit Agreement dated as of October 15, 1996 among the Registrant, as borrower, certain commercial lending institutions which are or may become parties thereto, as lenders, and Union Bank of Switzerland, Houston Agency, as agents for the lender (filed as Exhibit 4.2 to the Registrant's Registration Statement on Form S-3 (No. 333-14275) and incorporated herein by reference).

Exhibit Number -----	Exhibit ** -----
10.19*	-- Noble Affiliates, Inc. 1992 Stock Option and Restricted Stock Plan, as amended and restated on December 10, 1996, subject to the approval of stockholders (filed as Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
10.20	-- Amended and Restated Credit Agreement dated as of December 24, 1997 among the Registrant, as borrower, and Union Bank of Switzerland, Houston agency, as the agent for the lender, and NationsBank of Texas, N.A. and Texas Commerce Bank National Association, as managing agents, and Bank of Montreal, CIBC Inc., The First National Bank of Chicago, Royal Bank of Canada, and Societe Generale, Southwest agency, as co-agents, and certain commercial lending institutions, as lenders.
21	-- Subsidiaries.
23	-- Consent of Arthur Andersen LLP.
27	-- Financial Data Schedule.

* Management contract or compensatory plan or arrangement required to be filed as an exhibit hereto.

** Copies of exhibits will be furnished upon prepayment of 25 cents per page. Requests should be addressed to the Senior Vice President - Finance and Treasurer, Noble Affiliates, Inc., Post Office Box 1967, Ardmore, Oklahoma 73402.

AMENDED BY-LAWS
OF
NOBLE AFFILIATES, INC.

ARTICLE III

DIRECTORS (Cont'd)

COMMITTEES OF DIRECTORS

Section 10. The Board of Directors may designate one or more committees, each committee to consist of one or more of the regular Directors of the Corporation. The Board may designate one or more regular Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; provided, no such committee shall have the power or authority in reference to:

(a) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the Delaware General Corporation Law to be submitted to stockholders for approval; or

(b) adopting, amending or repealing any By-law.

Any such committee shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

Section 11. Each committee shall keep written minutes of its meetings and report the same to the Board of Directors when required.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS

Section 1. The Corporation shall indemnify to the fullest extent authorized by law any person made or threatened to be made a party to any action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that such person, or a person of whom such person is the legal representative, is or was a director or officer of the Corporation or any predecessor of the Corporation or serves or served any other enterprise as a director, officer, employee or agent at the request of the Corporation or any predecessor of the Corporation. The

Corporation may indemnify any person made or threatened to be made a party to any action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that such person, or a person of whom such person is the legal representative, is or was an employee or agent of the Corporation or any predecessor of the Corporation or serves or served any other enterprise as a director, officer, employee or agent at the request of the Corporation or any predecessor of the Corporation.

Section 2. Notwithstanding the other provisions of this Article VI, to the extent that a present or former director or officer of the Corporation has

been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 of this Article VI, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Section 3. The rights conferred on any person by Section 1 of this Article VI shall not be exclusive of any other right that such person may have or hereafter acquire under any statute, provision of the Corporation's Certificate of Incorporation, by-law, agreement, vote of stockholders or disinterested directors, or otherwise. All rights to indemnification under this Article VI shall be deemed to be provided by a contract between the Corporation and the director, officer, employee or agent who serves in such capacity at any time while these By-laws and other relevant provisions of the Delaware General Corporation Law and other applicable law, if any, are in effect. Any repeal or modification thereof shall not affect any rights or obligations then existing.

Section 4. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another enterprise against all expenses, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement), whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the applicable provisions of the Delaware General Corporation Law.

Section 5. The Corporation may, in its discretion, pay the expenses (including attorneys' fees) incurred in defending any civil, criminal, administrative or investigative action, suit or proceeding in advance of its final disposition; provided, however, that expenses (including attorneys' fees) incurred by a present or former officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt by the Corporation of an undertaking by or on behalf of such officer or director to repay all such amounts advanced if it should ultimately be determined that such person is not entitled to be indemnified by the Corporation under this Article VI or otherwise. Such expenses (including attorneys' fees) incurred by present or former employees or agents of the Corporation other than directors or officers may be so paid upon such terms and conditions, if any, as the Corporation deems appropriate.

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BY-LAWS

As Amended through February 3, 1998
NOBLE AFFILIATES, INC.

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NOBLE AFFILIATES, INC.

BY-LAWS

ARTICLE I

OFFICES

Section 1. The registered office of the Corporation shall be 100 West Tenth Street, City of Wilmington, New Castle County, Delaware.

Section 2. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. All meetings of the stockholders for the election of Directors shall be held at such place, either within or without the State of Delaware, as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. Meetings of the stockholders for any

other purpose may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2(a). Annual meetings of stockholders shall be held on the fourth Tuesday of April if not a legal holiday, and if a legal holiday, then on the next secular day following, at 10:00 a.m. or at such other date and time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which they shall elect by a plurality vote a Board of Directors, and transact such other business as may properly be brought before the meeting.

(b). At the annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before the annual meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise be properly brought before the meeting by or at the direction of the Board of Directors or (iii) otherwise (1) be properly requested to be brought before the meeting by a stockholder of record entitled to vote in the election of directors generally and (2) constitute a proper subject to be brought before the meeting. In order for business (other than the election of directors) to be properly brought before the annual meeting of stockholders by a stockholder, the business must be legally proper, and written notice of such stockholder's intent to bring such matter before the annual meeting of stockholders must be delivered, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation. Such notice must be received by the Secretary not later than 60 days in advance of such meeting if such meeting is to be held on a day which is within 30 days preceding the anniversary of the previous year's annual meeting, or 90 days in advance of such meeting if such meeting is to be held on or after the anniversary of the previous year's annual meeting. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting of stockholders: (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (ii) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business, (iii) the class and number of shares of the Corporation which are owned by such stockholder and (iv) any material interest of the stockholder in such business. No business brought by a stockholder shall be conducted at the annual meeting

(Section 2, as amended July 31, 1984)
(Section 2(b) added January 28, 1992)

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of stockholders except in accordance with the procedures set forth in this Section 2(b). The filing of a stockholder notice as required by this Section 2(b) shall not, in and of itself, constitute the bringing of the business described therein before the annual meeting. The chairman of the meeting shall, if the facts warrant, determine that (1) the business proposed to be brought before the meeting is not a proper subject therefor and/or (2) such business was not properly brought before the meeting in accordance with the provisions hereof, and if he should so determine, he shall declare to the meeting that (1) the business proposed to be brought before the meeting is not a proper subject thereof and/or (2) such business was not properly brought before the meeting and shall not be transacted.

Section 3. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

Section 4. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and

kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 5. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation, may be called by the President and shall be called by the President or Secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of stockholders owning a majority in amount of the entire capital stock of the Corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

Section 6. Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting.

Section 7. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 8. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the Certificate of Incorporation. Where a separate vote by a class or classes is required, a majority of the outstanding shares of such class or classes, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting, at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty days, or if after the adjournment, a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

(Sections 3, 6 and 8, as amended October 27, 1987)

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Section 9. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting (other than the election of directors), unless the question is one upon which, by express provision of the statutes or of the Certificate of Incorporation, a different vote is required, in which case such express provision shall govern and control the decision of such question. Directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Where a separate vote by a class or classes is required, the affirmative vote of the majority of shares of such class or classes present in person or represented by proxy at the meeting shall be the act of such class.

Section 10. Each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, but no proxy shall be voted on after three years from its date, unless the proxy provides for a longer period.

Section 11(a). Unless otherwise restricted by the Certificate of Incorporation, any action required or permitted to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation by

delivery to its registered office in Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested.

(b). Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty days of the earliest dated consent delivered in the manner required by this Section to the Corporation, written consents signed by a sufficient number of holders to take action are delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested.

(c). Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

Section 12. Either the Board of Directors or, in the absence of an appointment of inspectors by the Board, the Chairman of the Board or the President shall, in advance of each meeting of the stockholders, appoint one or more inspectors to act at such meeting and make a written report thereof. In connection with any such appointment, one or more persons may, in the discretion of the body or person making such appointment, be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at any meeting of stockholders, the chairman of such meeting shall appoint one or more inspectors to act at such meeting. Each such inspector shall perform such duties as are required by law and as shall be specified by the Board, the Chairman of the Board, the President or the chairman of the meeting. Each such inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability. Inspectors need not be stockholders. No director or nominee for the office of director shall be appointed such an inspector.

(Sections 9 and 11, as amended October 27, 1987)
(Section 12 added January 28, 1992)

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ARTICLE III

DIRECTORS

Section 1(a). The number of regular Directors which shall constitute the whole Board shall be not less than three nor more than fifteen. Within the limits above specified, the number of regular Directors shall be determined by resolution of the Board of Directors or by the stockholders at the annual meeting.

(b). A person shall be eligible to be elected a regular Director until the annual meeting next succeeding such person's 70th birthday.

(c). The regular Directors shall be elected at the annual meeting of the stockholders, except as provided in Section 2 of this Article, and each regular Director elected shall hold office until his successor is elected and qualified.

(d). All regular Directors who have served as such for not less than ten successive years at the time of the annual meeting next succeeding their 70th birthday shall automatically become Directors Emeritus to serve at the pleasure of the regular Board of Directors.

(e). A Director Emeritus shall serve until his or her resignation as such or until terminated by a majority vote of the regular Board.

(f). Directors Emeritus shall be entitled to attend and participate in all regular or special meetings of the Board of Directors and shall be entitled to all rights, privileges and perquisites of a regular Director except that such Director Emeritus shall have no duty or obligation to attend Board meetings, shall not be counted in determining a quorum, shall not serve on regular committees of the Board, shall have no vote and shall receive no annual compensation stipend.

(g). Directors need not be stockholders.

(h). Subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, nominations for the election of directors may be made by the Board of Directors or by any stockholder entitled to vote for the election of directors. Any stockholder entitled to vote for the election of directors at a meeting (i.e., any stockholder of record) may nominate persons for election as directors only if written notice of such stockholder's intent to make such nomination is given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation not later than (i) with respect to an election to be held at an annual meeting of stockholders, 90 days in advance of such meeting, and (ii) with respect to an election to be held at a special meeting of stockholders for the election of directors, the close of business on the seventh day following the date on which notice of such meeting is first given to stockholders. Each such notice shall set forth: (1) the name and address of the stockholder who intends to make the nomination of the person or persons to be nominated; (2) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (3) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (4) such other information regarding each nominee proposed by such stockholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated, by the Board of Directors; and (5) the written consent of each nominee to serve as a director of the Corporation if so elected. The filing of a stockholder notice as required by this Section 1(h) shall not, in and of itself, constitute the making of the

(Article III, as amended December 14, 1983)
(Section 1(h) added January 28, 1992)

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nomination(s) described therein. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

Section 2. Vacancies and newly created directorships resulting from any increase in the authorized number of regular Directors may be filled by a majority of the regular Directors then in office, though less than a quorum, or by a sole remaining regular Director, and the Directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced. If there are no regular Directors in office, then an election of regular Directors may be held in the manner provided by statute. If, at the time of filling any vacancy or any newly created directorship, the regular Directors then in office shall constitute less than a majority of the whole Board (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent of the total number of the shares at the time outstanding having the right to vote for such Directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the Directors chosen by the Directors then in office.

Section 3. The business of the Corporation shall be managed by its regular Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-laws directed or required to be

exercised or done by the stockholders.

MEETINGS OF THE BOARD OF DIRECTORS

Section 4. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware.

Section 5. The first meeting of each newly elected Board of Directors shall be held at such time and place as shall be fixed by the vote of the stockholders at the annual meeting and no notice of such meeting shall be necessary to the newly elected Directors in order legally to constitute the meeting, provided a quorum shall be present. In the event of the failure of the stockholders to fix the time or place of such first meeting of the newly elected Board of Directors, or in the event such meeting is not held at the time and place so fixed by the stockholders, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors, or as shall be specified in a written waiver signed by all of the regular Directors.

Section 6. Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board.

Section 7. Special meetings of the Board may be called by the President on three days' notice to each Director, either personally or by mail or by telegram; special meetings shall be called by the President or Secretary in like manner and on like notice on the written request of two regular Directors.

Section 8. At all meetings of the Board a majority of the regular Directors shall constitute a quorum for the transaction of business and the act of a majority of the regular Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the Certificate of Incorporation. If a quorum shall not be present at any meeting of the Board of Directors, the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 9. Unless otherwise restricted by the Certificate of Incorporation or these By-laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all regular members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

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COMMITTEES OF DIRECTORS

Section 10. The Board of Directors may designate one or more committees, each committee to consist of one or more of the regular Directors of the Corporation. The Board may designate one or more regular Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; provided, no such committee shall have the power or authority in reference to:

(a) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the Delaware General Corporation Law to be submitted to stockholders for approval;

or

(b) adopting, amending or repealing any By-law.

Any such committee shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

Section 11. Each committee shall keep written minutes of its meetings and report the same to the Board of Directors when required.

COMPENSATION OF DIRECTORS

Section 12. All Directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors. Regular Directors may be paid an annual stipend or stated salary as Director. No such payment shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

ARTICLE IV

NOTICES

Section 1. Whenever, under the provisions of the statutes or of the Certificate of Incorporation or of these By-laws, notice is required to be given to any Director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such Director or stockholder, at his address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the mail. Notice to Directors may also be given by telegram.

Section 2. Whenever any notice is required to be given under the provisions of the statutes or of the Certificate of Incorporation or of the By-laws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

(Section 10, as amended February 3, 1998)

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ARTICLE V

OFFICERS

Section 1. The officers of the Corporation shall be chosen by the Board of Directors and shall be a Chairman of the Board, a President, a Vice President, a Secretary and a Treasurer. The Board may designate from time to time either the Chairman of the Board or the President as the Chief Executive Officer of the Corporation and may also choose additional Vice Presidents and one or more Assistant Secretaries and Assistant Treasurers. Any number of offices may be held by the same person, unless the Certificate of Incorporation or these By-laws otherwise provide.

Section 2. The Board of Directors at its first meeting after each annual meeting of stockholders shall choose a Chairman of the Board, a President, one or more Vice Presidents, a Secretary and a Treasurer.

Section 3. The Board of Directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

Section 4. The salaries of all officers and agents of the Corporation shall be fixed by the Board of Directors.

Section 5. The officers of the Corporation shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a

majority of the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors.

CHAIRMAN OF THE BOARD

Section 6. The Chairman of the Board of Directors shall preside at meetings of the Board of Directors and of the stockholders. He shall have general power to execute bonds, mortgages, and other instruments requiring a seal, under the seal of the Corporation, except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent. When the Board of Directors designates the Chairman as the Chief Executive Officer of the Corporation he shall have general supervision, direction and active management of the business of the Corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. The Chairman shall have such other specific duties as shall be assigned to him by the Board of Directors from time to time.

THE PRESIDENT

Section 7. The President, in the absence or disability of the Chairman of the Board of Directors, shall preside at meetings of the Board of Directors and of the stockholders and shall perform the duties and exercise the powers of the Chairman of the Board of Directors. He shall have general power to execute bonds, mortgages and other instruments requiring a seal under the seal of the Corporation, except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation. When designated as Chief Executive Officer of the Corporation, the President shall have general supervision, direction and active management of the business of the Corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect; otherwise, he shall be the chief operating officer of the Corporation and shall perform such other duties as may be prescribed by the Board of Directors or by the Chairman of the Board of Directors.

(Sections 1, 6 and 7 as amended January 29, 1980,
effective December 31, 1979)

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THE VICE PRESIDENTS

Section 8. In the absence of the President or in the event of his inability or refusal to act, the Vice President (or in the event more than one Vice President is elected, the Vice Presidents in the order designated, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice Presidents shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

THE SECRETARY AND ASSISTANT SECRETARIES

Section 9. The Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings of the meetings of the Corporation and of the Board of Directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or President, under whose supervision he shall be. He shall have custody of the corporate seal of the Corporation and he, or an Assistant Secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature.

Section 10. The Assistant Secretary, or if there be more than one, the Assistant Secretaries in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election), shall,

in the absence of the Secretary or in the event of his inability or refusal to act, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

THE TREASURER AND ASSISTANT TREASURERS

Section 11. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors.

Section 12. He shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation.

Section 13. If required by the Board of Directors, he shall give the Corporation a bond (which shall be renewed every six years) in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 14. The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Treasurer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS

Section 1. The Corporation shall indemnify to the fullest extent authorized by law any person made or threatened to be made a party to any action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that such person, or a person of whom such person is the legal representative, is or was a director or officer of the Corporation or any predecessor of the Corporation or serves or served any other enterprise as a director, officer, employee or agent at the request of the Corporation or any predecessor of the Corporation. The Corporation may indemnify any person made or threatened to be made a party to any action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that such person, or a person of whom such person is the legal representative, is or was an employee or agent of the Corporation or any predecessor of the Corporation or serves or served any other enterprise as a director, officer, employee or agent at the request of the Corporation or any predecessor of the Corporation.

Section 2. Notwithstanding the other provisions of this Article VI, to the extent that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 of this Article VI, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Section 3. The rights conferred on any person by Section 1 of this

Article VI shall not be exclusive of any other right that such person may have or hereafter acquire under any statute, provision of the Corporation's Certificate of Incorporation, by-law, agreement, vote of stockholders or disinterested directors, or otherwise. All rights to indemnification under this Article VI shall be deemed to be provided by a contract between the Corporation and the director, officer, employee or agent who serves in such capacity at any time while these By-laws and other relevant provisions of the Delaware General Corporation Law and other applicable law, if any, are in effect. Any repeal or modification thereof shall not affect any rights or obligations then existing.

Section 4. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another enterprise against all expenses, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement), whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the applicable provisions of the Delaware General Corporation Law.

Section 5. The Corporation may, in its discretion, pay the expenses (including attorneys' fees) incurred in defending any civil, criminal, administrative or investigative action, suit or proceeding in advance of its final disposition; provided, however, that expenses (including attorneys' fees) incurred by a present or former officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt by the Corporation of an undertaking by or on behalf of such officer or director to repay all such amounts advanced if it should ultimately be determined that such person is not entitled to be indemnified by the Corporation under this Article VI or otherwise. Such expenses (including attorneys' fees) incurred by present or former employees or agents of the Corporation other than directors or officers may be so paid upon such terms and conditions, if any, as the Corporation deems appropriate.

(Article VI, as amended July 29, 1986 and
as amended February 3, 1998)
(Section 4 added October 27, 1992)

ARTICLE VII

CERTIFICATES OF STOCK

Section 1. Every holder of stock in the Corporation shall be entitled to have a certificate, signed by, or in the name of, the Corporation by the Chairman of the Board of Directors or the President or a Vice President and the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him in the Corporation.

Section 2. Where a certificate is countersigned (1) by a transfer agent other than the Corporation or its employee, or, (2) by a registrar other than the Corporation or its employee, any other signature on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

LOST CERTIFICATES

Section 3. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in

its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

TRANSFERS OF STOCK

Section 4. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

FIXING RECORD DATE

Section 5(a). In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty nor less than ten days before the date of such meeting. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of a meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b). In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board of Directors.

(Section 5 as amended October 27, 1987)

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(c). In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty days prior to such action.

REGISTERED STOCKHOLDERS

Section 6. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VIII

GENERAL PROVISIONS

DIVIDENDS

Section 1. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant

to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation.

Section 2. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the Directors shall think conducive to the interest of the Corporation, and the Directors may modify or abolish any such reserve in the manner in which it was created.

ANNUAL STATEMENT

Section 3. The Board of Directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the Corporation.

CHECKS

Section 4. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

FISCAL YEAR

Section 5. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

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SEAL

Section 6. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE IX

AMENDMENTS

Section 1. These By-laws may be altered, amended or repealed or new By-laws may be adopted by the stockholders or by the Board of Directors, when such power is conferred upon the Board of Directors by the Certificate of Incorporation, at any regular meeting of the stockholders or of the Board of Directors or at any special meeting of the stockholders or of the Board of Directors if notice of such alteration, amendment, repeal or adoption of new By-laws be contained in the notice of such special meeting.

U.S. \$300,000,000

AMENDED AND RESTATED CREDIT AGREEMENT,

dated as of December 24, 1997

among

NOBLE AFFILIATES, INC.,
as the Borrower,

and

UNION BANK OF SWITZERLAND, Houston Agency,
as the Agent for the Lenders

and

NATIONSBANK OF TEXAS, N.A. and
TEXAS COMMERCE BANK NATIONAL ASSOCIATION,
as Managing Agents

and

BANK OF MONTREAL,
CIBC INC.,
THE FIRST NATIONAL BANK OF CHICAGO,
ROYAL BANK OF CANADA, and
SOCIETE GENERALE, SOUTHWEST AGENCY,
as Co-Agents

and

CERTAIN COMMERCIAL LENDING INSTITUTIONS,
as the Lenders

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AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT, dated as of December 24, 1997 (as may be amended, restated, supplemented or otherwise modified from time to time, this "Agreement"), is among NOBLE AFFILIATES, INC., a Delaware corporation (the "Borrower"), UNION BANK OF SWITZERLAND, Houston Agency ("UBS"), as administrative agent (UBS in such capacity, together with any successor(s) thereto in such capacity, the "Agent"), NATIONSBANK OF TEXAS, N.A. ("NB") and TEXAS COMMERCE BANK NATIONAL ASSOCIATION ("TCB"), as managing agents (NB and TCB in such capacities, together with any successor(s) thereto in such capacities, collectively called the "Managing Agents"), BANK OF MONTREAL ("BOM"), CIBC INC. ("CIBC"), THE FIRST NATIONAL BANK OF CHICAGO ("First Chicago"), ROYAL BANK OF CANADA ("RBC") and SOCIETE GENERALE, SOUTHWEST AGENCY ("SocGen"), as co-agents (BOM, CIBC, First Chicago, RBC and SocGen in such capacities, together with any successor(s) thereto in such capacities, collectively called the "Co-Agents"), and certain commercial lending institutions as are or may become parties hereto (collectively, the "Lenders").

W I T N E S S E T H:

WHEREAS, the Borrower, the Agent, the Managing Agents, the Co-Agents and the Lenders have heretofore entered into that certain Credit Agreement dated July 31, 1996, as amended pursuant to that certain First Amendment to Credit Agreement dated October 15, 1996 (as amended, the "Original Credit Agreement"), pursuant to which the Lenders have agreed to make available to the Borrower a term loan facility and revolving credit facility with a competitive bid loan subfacility;

WHEREAS, the Borrower intends to repay all indebtedness evidenced by and outstanding under the Original Credit Agreement as of the Effective Date (the "Prior Indebtedness");

WHEREAS, the Borrower has asked that the Lenders modify their respective commitments under the Original Credit Agreement such that on the Effective Date each Lender shall be obligated hereunder, subject to the terms hereof, to the Commitment stated on Schedule IIA for such Lender;

WHEREAS, the term loan facility and all the term loans thereunder have been fully repaid and the parties hereto intend to reduce the revolving credit facility; and

WHEREAS, the parties hereto intend and have agreed to amend and restate the Credit Agreement in its entirety as and pursuant to this Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

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

"Absolute Rate" means, with respect to a Competitive Bid Loan made by a particular Lender for the relevant Absolute Rate Interest Period, the rate of interest per annum (rounded to the nearest 1/100 of 1%) offered by such Lender and accepted by the Borrower pursuant to Section 2.2.6(ii).

"Absolute Rate Advance" means a borrowing hereunder consisting of the aggregate amount of the several Absolute Rate Loans made by some or all of the Lenders to the Borrower at the same time and for the same Absolute Rate Interest Period.

"Absolute Rate Auction" means a solicitation of Competitive Bid Quotes setting forth Absolute Rates pursuant to Section 2.2.

"Absolute Rate Interest Period" means, with respect to an Absolute Rate Advance or an Absolute Rate Loan, a period of not less than 14 and not more than 90 days commencing on a Business Day selected by the Borrower pursuant to this Agreement. If such Absolute Rate Interest Period would end on a day which is not a Business Day, such Absolute Rate Interest Period shall end on the next succeeding Business Day.

"Absolute Rate Loan" means a Loan which bears interest at an Absolute Rate.

"Affiliate" of any Person means any other Person which, directly or indirectly, controls, is controlled by or is under common control with such Person (excluding any trustee under, or any committee with responsibility for administering, any Plan). A Person shall be deemed to be "controlled by" any other Person if such other Person possesses, directly or indirectly, power (a) to vote 10% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managing general partners; or (b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Agent" is defined in the preamble and includes each other Person as shall have subsequently been appointed as the successor Agent pursuant to Section 9.4.

"Agent Fee Letter" is defined in Section 3.3.2.

"Agreement" means, on any date, this Credit Agreement as originally in effect on the Effective Date and as thereafter from time to time amended, supplemented, amended and restated, or otherwise modified and in effect on such date.

"Applicable Facility Fee Rate" means the number of basis points per annum (based on a year of 360 days) set forth below based on the Applicable Rating Level and the Total Debt to Capitalization Ratio on such date:

Applicable Rating Level	50% < Debt/Cap > 60%	Debt/Cap < or = to 50%
Level I	12.5	12.5

Level II	15.0	12.5
Level III	20.0	20.0
Level IV	25.0	25.0

; provided, however, that at any time that Moody's and S&P have split ratings of two or more rating differentials, then the Applicable Facility Fee Rate will be determined using the following formula:

$$\frac{M + S}{2} = R$$

where (i) "M" is the number of basis points per annum determined in accordance with the above chart using an Applicable Rating Level equal to the Moody's Rating Level at the time of such determination and the Total Debt to Capitalization Ratio at the time of such determination, (ii) "S" is the number of basis points per annum determined in accordance with the above chart using an Applicable Rating Level equal to the S&P's Rating Level at the time of such determination and the Total Debt to Capitalization Ratio at the time of such determination and (iii) "R" is the Applicable Facility Fee Rate. Changes in the Facility Fee Rate will occur automatically without prior notice. The Agent will give notice promptly to the Borrower and the Lenders of changes in the Facility Fee Rate.

"Applicable Margin" means on any date and with respect to each Eurodollar Loan or Eurodollar Bid Rate Advance the number of basis points per annum set forth below based on the Applicable Rating Level and the Total Debt to Capitalization Ratio on such date:

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Applicable Rating Level	50% < Debt/Cap < 60%	Debt/Cap < or = to 50%
Level I	22.5	17.5
Level II	35	22.5
Level III	42.5	30
Level IV	50	37.5

; provided, however, that if Moody's and S&P have split ratings of two or more rating differentials, then the Applicable Margin will be determined using the following formula:

$$\frac{M + S}{2} = A$$

where (i) "M" is the number of basis points per annum determined in accordance with the above chart using an Applicable Rating Level equal to the Moody's Rating Level at the time of such determination and the Total Debt to Capitalization Ratio at the time of such determination, (ii) "S" is the number of basis points per annum determined in accordance with the above chart using an Applicable Rating Level equal to the S&P's Rating Level at the time of such determination and the Total Debt to Capitalization Ratio at the time of such determination and (iii) "A" is the Applicable Margin.

Changes in the Applicable Margin will occur automatically without prior notice. The Agent will give notice promptly to the Borrower and the Lenders of changes in the Applicable Margins.

"Applicable Rating Level" means at any time that Moody's and S&P have the equivalent rating or split ratings of not more than one rating differential, of the Borrower's senior unsecured long-term debt, the level set forth in the chart below under the heading "Applicable Rating Level" opposite the rating under the heading "Moody's" or "S&P" which is the higher of the two if split ratings or opposite the ratings under the headings "Moody's" and "S&P" if equivalent; provided that at any time that Moody's and S&P have split ratings of more than one rating differential, there shall be no Applicable Rating Level for purposes of this Agreement.

Applicable Rating Level	Moody's	S&P
Level I	> or = to Baa1	> or = to BBB+
Level II	Baa2	BBB
Level III	Baa3	BBB-
Level IV	< or = to Ba1	< or = to BB+

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For example, if the Moody's rating is Baa1 and the S&P rating is BBB, Level I shall apply.

For purposes of the foregoing, (i) "equal to or more than" means a rating equal to or more favorable than; "equal to or less than" means a rating equal to or less favorable than; "more than" means a rating greater than; "less than" means a rating less than; (ii) if ratings for the Borrower's senior unsecured long-term debt shall not be available from S&P or Moody's, Level IV shall be deemed applicable; (iii) if determinative ratings shall change (other than as a result of a change in the rating system used by any applicable Rating Agency) such that a change in Applicable Rating Level would result, such change shall effect a change in Applicable Rating Level as of the day on which it is first announced by the applicable Rating Agency, and any change in the Applicable Margin or percentage used in calculating fees due hereunder shall apply commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change; and (iv) if the rating system of any of the Rating Agencies shall change prior to the date all obligations hereunder have been paid and the Commitments canceled, the Borrower and the Lenders shall negotiate in good faith to amend the references to specific ratings in this definition to reflect such changed rating system, and pending such amendment, if no Applicable Rating Level is otherwise determinable based upon the foregoing, Level IV shall apply.

"Assignee Lender" is defined in Section 10.11.1.

"Authorized Officer" means, relative to the Borrower, those of its officers whose signatures and incumbency shall have been certified to the Agent and the Lenders pursuant to Section 5.1.1.

"Base Rate" means, on any date and with respect to all Base Rate Loans, a fluctuating rate of interest per annum equal to the higher of (a) the rate of interest most recently announced by UBS at its Domestic Office as its base rate for Dollar loans; and (b) the Federal Funds Rate most recently determined by the Agent plus 1/2%. The Base Rate is not necessarily intended to be the lowest rate of interest determined by the UBS in connection with

extensions of credit. Changes in the rate of interest on that portion of any Loans maintained as Base Rate Loans will take effect simultaneously with each change in the Base Rate. The Agent will give notice promptly to the Borrower and the Lenders of changes in the Base Rate.

"Base Rate Loan" means a Loan bearing interest at a fluctuating rate determined by reference to the Base Rate.

"Borrower" is defined in the preamble, and includes its permitted successors and assigns.

"Borrowing" means any extension of credit (as opposed to any continuation or conversion thereof) made by the Lenders by way of Competitive Bid Advances and Revolving Loans.

"Borrowing Date" means a date on which a Borrowing is made hereunder.

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"Borrowing Request" means a loan request and certificate duly executed by an Authorized Officer of the Borrower, substantially in the form of Exhibit 2.5 hereto.

"Business Day" means (a) any day which is neither a Saturday or Sunday nor a legal holiday on which banks are authorized or required to be closed in New York, New York; and (b) relative to the making, continuing, prepaying or repaying of any Eurodollar Borrowing, any day on which dealings in Dollars are carried on in the London and New York Eurodollar interbank market.

"Capitalization" means the sum, at any time outstanding and without duplication, of (i) Debt plus (ii) Stockholders' Equity.

"Capitalized Lease Liabilities" means all monetary obligations of the Borrower or any of its Subsidiaries under any leasing or similar arrangement which, in accordance with GAAP, would be classified as capitalized leases, and, for purposes of this Agreement and each other Loan Document, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP, and the stated maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

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

"Change in Control" means (a) the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 30% or more of the outstanding shares of voting stock of the Borrower; or (b) the failure of the Borrower to own, free and clear of all Liens or encumbrances (other than non-consensual Liens or encumbrances which are not material or which are fully discharged or with respect to obligations which are fully bonded, in either case within thirty (30) days after the imposition of such Lien or encumbrance) at least 100% of the outstanding shares of voting stock of SOC on a fully diluted basis.

"Co-Agents" is defined in the preamble.

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

"Commitment" means, relative to any Lender, such Lender's obligation to make Revolving Loans pursuant to Section 2.1.1.

"Commitment Amount" means, on any date, \$300,000,000, as such amount may be reduced from time to time pursuant to Section 2.3.

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"Commitment Termination Date" means the earliest of (a) the fifth anniversary of the Effective Date; (b) the date on which the Commitment Amount is terminated in full or reduced to zero pursuant to Section 2.3; and (c) the date on which any Commitment Termination Event occurs. Upon the occurrence of any event described in clause (b) or (c), the Commitments shall terminate automatically and without any further action.

"Commitment Termination Event" means (a) the occurrence of any Default described in clauses (a) through (d) of Section 8.1.9 with respect to the Borrower or any Significant Subsidiary; or (b) the occurrence and continuance of any other Event of Default and either (i) the declaration of the Loans to be due and payable pursuant to Section 8.3, or (ii) in the absence of such declaration, the giving of notice by the Agent, acting at the direction of the Required Lenders, to the Borrower that the Commitments have been terminated.

"Competitive Bid Advance" means a borrowing hereunder consisting of the aggregate amount of the (i) several Eurodollar Bid Rate Advances or (ii) several Absolute Rate Advances, made by some or all of the Lenders to the Borrower at the same time, at the same interest basis, and for the same Interest Period.

"Competitive Bid Borrowing Notice" is defined in Section 2.2.6.

"Competitive Bid Fee Letter" is defined in Section 2.2.8.

"Competitive Bid Loan" means a Eurodollar Bid Rate Loan or an Absolute Rate Loan, as the case may be.

"Competitive Bid Margin" means the margin above, at or below the applicable Eurodollar Rate offered for a Eurodollar Bid Rate Loan, expressed as a percentage (rounded to the nearest 1/100 of 1%) to be added or subtracted from such Eurodollar Rate.

"Competitive Bid Note" means a promissory note in substantially the form of Exhibit 2.2.1 hereto, with appropriate insertions, duly executed and delivered to the Agent by the Borrower for the account of a Lender and payable to the order of such Lender, including any amendment, modification, renewal or replacement of such promissory note.

"Competitive Bid Quote" means a Competitive Bid Quote substantially in the form of Exhibit 2.2.4 hereto completed and delivered by a Lender to the Agent in accordance with Section 2.2.4.

"Competitive Bid Quote Request" means a Competitive Bid Quote Request substantially in the form of Exhibit 2.2.2 hereto completed and delivered by the Borrower to the Agent in accordance with Section 2.2.2.

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"Continuation/Conversion Notice" means a notice of continuation or conversion and certificate duly executed by an Authorized Officer of the Borrower, substantially in the form of Exhibit 2.6 hereto.

"Controlled Group" means all members of a controlled group of corporations and all members of a controlled group of trades or businesses (whether or not incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414(b) or 414(c) of the Code or Section 4001 of ERISA.

"Debt" means the consolidated Indebtedness of the Borrower and its Subsidiaries.

"Default" means any Event of Default or any Unmatured Event of Default.

"Default Margin" means 2%.

"Disclosure Schedule" means the Disclosure Schedule attached hereto as Schedule I, as it may be amended, supplemented or otherwise modified from time to time by the Borrower with the written consent of the Agent and the Required Lenders.

"Dollar" and the sign "\$" mean lawful money of the United States.

"Domestic Office" means, relative to any Lender, the office of such Lender designated as such below its signature hereto or designated in the Lender Assignment Agreement or such other office of a Lender (or any successor or assign of such Lender) within the United States as may be designated from time to time by notice from such Lender, as the case may be, to each other Person party hereto. A Lender may have separate Domestic Offices for purposes of making, maintaining or continuing, as the case may be, Base Rate Loans.

"EBITDA" means, for any period, the sum of (i) the consolidated net income of the Borrower and its Subsidiaries for such period before non-cash non-recurring items, gains or losses on dispositions of assets and the cumulative effect of changes in accounting principles plus (ii) to the extent included in the determination of such income, the consolidated charges for such period for interest, depreciation, depletion and amortization plus (or, if there is a benefit from income taxes, minus) (iii) to the extent included in the determination of such income, the amount of the provision for or benefit from income taxes; provided that in determining such consolidated net income, such consolidated charges and such provision for or benefit from income taxes, there shall be excluded therefrom (to the extent otherwise included therein) the net income (but not loss) of, charges for interest, depreciation, depletion and amortization of, and such provision for (but not benefit from) income taxes of, any Person which is subject to any contractual restriction which prevents the payment of dividends or the making of distributions on the capital stock or other ownership interests of such Person to the extent of such contractual restrictions.

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"EDC" means Energy Development Corporation, a New Jersey corporation, and its permitted successors and assigns.

"Effective Date" means the date this Agreement becomes effective pursuant to Section 10.8.

"Environmental Law" means any federal, state, or local statute, or rule or regulation promulgated thereunder, any judicial or administrative order or judgment to which the Borrower or any Subsidiary is party or which are applicable to the Borrower or any Subsidiary (whether or not by consent), and any provision or condition of any governmental permit, license or other operating authorization, relating to protection of the environment, persons or the public welfare from actual or potential exposure for the effects of exposure to any actual or potential release, discharge, spill or emission (whether past or present) of, or regarding the manufacture, processing, production, gathering, transportation, importation, use, treatment, storage or disposal of, any chemical, raw material, pollutant, contaminant or toxic, corrosive, hazardous, or non-hazardous substance or waste, including petroleum.

"Equatorial Guinea Project" means the participation by the Borrower and/or its Subsidiaries in the construction of a methanol plant in Equatorial Guinea, which participation shall not exceed a 50% equity interest in the aggregate.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, together with the regulations thereunder, in each case as in effect from time to time. References to sections of ERISA also refer to any successor sections.

"Eurodollar Auction" means a solicitation of Competitive Bid Quotes setting forth Competitive Bid Margins pursuant to Section 2.2.

"Eurodollar Bid Rate" means, with respect to a Loan made by a given Lender for the relevant Eurodollar Interest Period, the sum of (i) the

Eurodollar Rate and (ii) the Competitive Bid Margin offered by such Lender and accepted by the Borrower pursuant to Section 2.2.6(i).

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

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

"Eurodollar Borrowing" means a borrowing hereunder consisting of the aggregate amount of the (i) several Eurodollar Loans or (ii) several Eurodollar Bid Rate Loans, made by all or some of the Lenders to the Borrower, at the same time, at the same interest rate and for the same Interest Period.

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"Eurodollar Loan" means a Loan bearing interest, at all times during an Interest Period applicable to such Loan, at a fixed rate of interest determined by reference to the Eurodollar Rate.

"Eurodollar Office" means, relative to any Lender, the office of such Lender designated as such below its signature hereto or designated in the Lender Assignment Agreement or such other office of a Lender as designated from time to time by notice from such Lender to the Borrower and the Agent, whether or not outside the United States, which shall be making or maintaining Eurodollar Loans of such Lender hereunder.

"Eurodollar Rate" means, relative to any Interest Period for Eurodollar Loans, the rate of interest equal to the average of the offered quotations appearing on Telerate Page 3750 or if such Telerate Page shall not be available, on the LIBO page on the Reuters Screen (or any page that can reasonably be considered a replacement page) at approximately 11:00 a.m., London time, (or as soon thereafter as practicable) on the day two Business Days prior to the first day of such Interest Period for dollar deposits having a term comparable to such Interest Period. If none of such Telerate Page 3750 or Reuters Screen LIBO page (or replacement page) is available, then the "Eurodollar Rate" shall mean, with respect to any Interest Period for any applicable Eurodollar Loan, the rate per annum determined by the Agent to be the average of the rates quoted by the Reference Banks at approximately 10:00 a.m., New York time, (or as soon thereafter as practicable) on the day two Business Days prior to the first day of such Interest Period for the offering by such Reference Banks to leading banks in the interbank market of U.S. dollar deposits having a term comparable to such Interest Period and in an amount comparable to the principal amount of the Eurodollar Loan of such respective Reference Bank to which such Interest Period relates. If any Reference Bank does not furnish a timely quotation, the Agent shall determine the relevant interest rate on the basis of the quotation or quotations furnished by the remaining Reference Bank or Banks.

"Event of Default" is defined in Section 8.1.

"Facility" is defined in Section 2.1.1.

"Federal Funds Rate" means, for any day, the average rate quoted to the Agent at approximately 11:00 a.m. (New York City time) on such day (or, if such day is not a Business Day, on the next preceding Business Day) for overnight Federal Funds transactions arranged by New York Federal Funds brokers selected by the Agent.

"Fee Letter" means the Agent Fee Letter or the Competitive Bid Fee Letter, as the case may be.

"Fiscal Quarter" means any quarter of a Fiscal Year.

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"Fiscal Year" means any period of twelve consecutive calendar months ending on December 31; references to a Fiscal Year with a number corresponding to any calendar year (e.g., the "1988 Fiscal Year") refer to the Fiscal Year ending on December 31 occurring during such calendar year.

"Fixed Rate Borrowing" means a borrowing hereunder consisting of the aggregate amount of the (i) several Eurodollar Bid Rate Loans, or (ii) several Absolute Rate Loans, or (iii) several Eurodollar Loans, made by all or some of the Lenders to the Borrower at the same time and for the same Interest Period.

"F.R.S. Board" means the Board of Governors of the Federal Reserve System or any successor thereto.

"GAAP" is defined in Section 1.4.

"Guaranteed Liability" means any agreement, undertaking or arrangement by which any Person guarantees, endorses or otherwise becomes or is contingently liable upon (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to, or otherwise to invest in, a debtor, or otherwise to assure a creditor against loss) the Indebtedness, obligation or any other liability (other than guaranties of trade payables and guaranties of performance obligations) of any other Person (other than by endorsements of instruments in the course of collection), or guarantees the payment of dividends or other distributions upon the shares of any other Person. The amount of any Person's obligation under any Guaranteed Liability shall (subject to any limitation set forth therein) be deemed to be the outstanding principal amount (or maximum principal amount, if larger) of the debt, obligation or other liability (other than guaranties of trade payables and guaranties of performance obligations) guaranteed thereby.

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

"Hedging Obligations" means, with respect to any Person, all liabilities of such Person under derivative contracts, including interest rate or commodity swap agreements, interest rate or commodity cap agreements and interest rate or commodity collar agreements, and all similar agreements or arrangements.

"herein", "hereof", "hereto", "hereunder" and similar terms contained in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document, as the case may be, as a whole and not to any particular Section, paragraph or provision of this Agreement or such other Loan Document.

"Impermissible Qualification" means, relative to the opinion or certification of any independent public accountant as to any financial statement of the Borrower, any qualification or exception to such opinion or certification (a) which is of a "going concern" or similar nature; (b) which relates to the limited scope of examination of matters relevant to such financial statement; or (c) which relates to the treatment or classification of any item in such financial statement and which, as a condition to its removal, would require an adjustment to such item the effect of which would be to cause the Borrower to be in default of any of its obligations under Section 7.2.4.

"including" means including without limiting the generality of any description preceding such term.

"Indebtedness" of any Person means, without duplication: (a) all obligations of such Person for borrowed money and all obligations of such

Person evidenced by bonds, debentures, notes or other similar instruments; (b) all obligations, contingent or otherwise, relative to (i) banker's acceptances issued for the account of such Person and (ii) the face amount of all letters of credit, whether or not drawn, to the extent that such letters of credit support the payment of financial obligations; (c) all obligations of such Person as lessee under leases which have been or should be, in accordance with GAAP, recorded as Capitalized Lease Liabilities; (d) whether or not so included as liabilities in accordance with GAAP, all obligations of such Person to pay the deferred purchase price of property or services (except accounts payable arising in the ordinary course of business), and indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse; and (e) all Guaranteed Liabilities of such Person in respect of any of the foregoing. For all purposes of this Agreement, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture in which such Person is a general partner or a joint venturer unless such Indebtedness by its terms is expressly non-recourse to such general partner or joint venturer.

"Indemnified Liabilities" is defined in Section 10.4.

"Indemnified Parties" is defined in Section 10.4.

"Interest Period" means, relative to any Fixed Rate Borrowings, (a) with respect to Eurodollar Borrowings, the period beginning on (and including) the date on which such Eurodollar Borrowing is made or continued as, or converted into, a Eurodollar Borrowing pursuant to Section 2.5 or 2.6 and shall end on (but exclude) the day which numerically corresponds to such date one, two, three or six months thereafter (or, if such month has no numerically corresponding day, on the last Business Day of such month), as the Borrower may select in its relevant notice pursuant to Section 2.5, or (b) with respect to Absolute Rate Advances, as the period as the Borrower may select pursuant to Section 2.2; provided, however, that (a) the Borrower shall not be permitted to select Interest Periods to be in effect at any one time which have expiration dates occurring on more than five different dates; (b) Interest Periods commencing on the same date for Loans or Competitive Bid Advances comprising part of the same Borrowing shall be of the same duration; (c) if such Interest

Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next following Business Day (unless, if such Interest Period applies to Eurodollar Loans, such next following Business Day is the first Business Day of a calendar month, in which case such Interest Period shall end on the Business Day next preceding such numerically corresponding day); and (d) no Interest Period may end later than the date set forth in clause (a) of the definition of "Commitment Termination Date".

"Interests" is defined in Section 10.13.

"Invitation for Competitive Bid Quotes" is defined in Section 2.2.3.

"Law" means any law (including, without limitation, any zoning law or ordinance or any Environmental Law), statute, rule, regulation, ordinance, order, directive, code, interpretation, judgment, decree, injunction, writ, determination, award, permit, license, authorization, direction, requirement or decision of and agreement with or by any government or governmental department, commission, board, court, authority, agency, official or officer, domestic or foreign.

"Lender Assignment Agreement" means a Lender Assignment Agreement substantially in the form of Exhibit 10.11 hereto.

"Lenders" means the financial institutions listed on the signature pages hereto and their respective successors and assigns in accordance with Section 10.11 (including any commercial lending institution becoming a party hereto pursuant to a Lender Assignment Agreement) or otherwise by operation of law.

"Lien" means any security interest, mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or otherwise), charge against or interest in property to secure payment of a debt or performance of an obligation or other priority arrangement of any kind or nature whatsoever.

"Loan" means, as the context may require, either a Revolving Loan or a Competitive Bid Loan.

"Loan Advances" means the Loans of the same Type and, in the case of Fixed Rate Loans, having the same Interest Period made by all Lenders on the same Business Day and pursuant to the same Borrowing Request in accordance with Section 2.1.

"Loan Documents" means this Agreement, each of the Notes, each Competitive Bid Quote Request, each Borrowing Request, each Committed Borrowing Notice, each Fee Letter, together in each case with all exhibits, schedules and attachments thereto, and all other agreements and instruments from time to time executed and delivered by the Borrower or any of its Subsidiaries pursuant to or in connection with any of the foregoing.

"Managing Agents" is defined in the preamble.

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"Material Adverse Effect" means a material adverse effect on (i) the business, property, financial condition or results of operations of the Borrower and its Subsidiaries (taken as a whole) or (ii) the ability of the Borrower to perform its payment obligations under any of the Loan Documents.

"Moody's" means Moody's Investors Service, Inc. and any successor thereto that is a nationally-recognized rating agency.

"Moody's Rating Level" means at any time a determination thereof is to be made, the level shown under the heading "Applicable Rating Level" opposite the Borrower's then rating of its senior unsecured long-term debt shown in the column "Moody's" in the definition of Applicable Rating Level; provided that at any time that the Borrower does not have a rating of its senior unsecured long-term debt by Moody's, the Moody's Rating Level shall be deemed to be Level IV.

"Noble Gas" means Noble Gas Marketing, Inc., a Delaware corporation, and its permitted successors and assigns.

"Noble Trading" means Noble Trading, Inc., a Delaware corporation, and its permitted successors and assigns.

"Note" means, as the context may require, either a Revolving Note or a Competitive Bid Note; and "Notes" means some or all of the foregoing.

"Obligations" means all obligations (monetary or otherwise) of the Borrower arising under or in connection with this Agreement, the Notes and each other Loan Document.

"Organic Document" means, relative to the Borrower, its certificate of incorporation, its by-laws and all shareholder agreements, voting trusts and similar arrangements applicable to any of its authorized shares of capital stock.

"Original Credit Agreement" is defined in the first recital.

"Participant" is defined in Section 10.11.

"Payment Date" is defined in Section 3.2.4.

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"Payment Office" means:

Union Bank of Switzerland, New York Branch
299 Park Avenue
New York, New York 10171

Attention: James Broadus
Phone: (212) 821-3227
Facsimile: (212) 821-3259

Payment instructions: via Fed Wire to ABA 0260 0843 9
(UBS, New York Branch
Att: Loan Servicing)

Reference: NOBLE AFFILIATES

"PBGC" means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"Pension Plan" means a "pension plan", as such term is defined in section 3(2) of ERISA, which is subject to Title IV of ERISA (other than a multiemployer plan as defined in section 4001(a)(3) of ERISA), and to which the Borrower or any corporation, trade or business that is, along with the Borrower, a member of a Controlled Group, may have liability, including any liability by reason of having been a substantial employer within the meaning of section 4063 of ERISA at any time during the preceding five years, or by reason of being deemed to be a contributing sponsor under section 4069 of ERISA.

"Percentage" means, relative to any Lender, the percentage set forth in Schedule II attached hereto or set forth in the most recent Lender Assignment Agreement executed by such Lender, as such percentage may be adjusted from time to time pursuant to Lender Assignment Agreements executed by such Lender and its Assignee Lenders and delivered pursuant to Section 10.11.

"Person" means any natural person, corporation, partnership, firm, association, trust, government, governmental agency or any other entity, whether acting in an individual, fiduciary or other capacity.

"Plan" means any Pension Plan or Welfare Plan.

"Prior Indebtedness" is defined in the fourth recital.

"Quarterly Payment Date" means the last day of each March, June, September, and December or, if any such day is not a Business Day, the next succeeding Business Day.

"Rating Agency" means either of S&P or Moody's.

"Reference Banks" means each of the Agent and any two Lenders selected by UBS in its sole discretion.

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

"Required Lenders" means Lenders in the aggregate holding at least 67% of the aggregate unpaid principal amount of the outstanding Borrowings (other than Competitive Bid Loans) and if no Borrowings (other than Competitive Bid Loans) are outstanding, Lenders having at least 67% of the then Total Commitment.

"Resource Conservation and Recovery Act" means the Resource Conservation and Recovery Act, 42 U.S.C. Section 690, et seq., as in effect from time to time.

"Restricted Indebtedness" means, at the time of determination and after giving effect to any Indebtedness incurred or to be incurred in connection with such determination and to any substantially contemporaneous use of the proceeds thereof to repay other Indebtedness, the sum of (i) the aggregate principal amount of the Indebtedness of the Borrower and its

Significant Subsidiaries then secured (or to be secured in connection with such determination) by Liens permitted under Section 7.2.2(n) plus (ii) the aggregate principal amount of the Indebtedness of the Significant Subsidiaries then outstanding (or to be incurred in connection with such determination) other than Indebtedness of the Significant Subsidiaries permitted by Section 7.2.5(i).

"Restricted Indebtedness Basket" means, at the time of determination, an amount equal to 5% of the Borrower's consolidated tangible net worth as reported in the Borrower's consolidated financial statements most recently delivered to the Lenders.

"Revolving Loan" is defined in Section 2.1.1.

"Revolving Note" means a promissory note of the Borrower payable to any Lender, in the form of Exhibit 2.8 hereto (as such promissory note may be amended, endorsed or otherwise modified from time to time), evidencing the aggregate Indebtedness of the Borrower to such Lender resulting from outstanding Revolving Loans, and also means all other promissory notes accepted from time to time in substitution therefor or renewal thereof.

"S&P" means Standard & Poor's Ratings Group and any successor thereto that is a nationally-recognized rating agency.

"S&P's Rating Level" means at any time a determination thereof is to be made, the level shown under the heading "Applicable Rating Level" opposite the Borrower's then rating of its senior unsecured long-term debt shown in the column "S&P's" in the definition of Applicable Rating Level; provided that at any time that the Borrower does not have a rating of its senior unsecured long-term debt by S&P, the S&P Rating Level shall be deemed to be Level IV.

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"Significant Subsidiary" means (a) SOC, EDC and each other Subsidiary of the Borrower (other than Noble Gas or Noble Trading) that (i) accounts for at least 5% of the consolidated revenues of the Borrower and its Subsidiaries for any consecutive four quarter period ending on the last day of a fiscal quarter, or (ii) has assets which represent at least 5% of the consolidated assets of the Borrower and its Subsidiaries as of the last day of any fiscal quarter of the Borrower immediately preceding the date as of which any such determination is made, all of which, with respect to clauses (a)(i) and (ii), shall be as reflected on the financial statements of the Borrower and its Subsidiaries for such period, or as of such date, as the case may be; or (b) Noble Gas or Noble Trading, or both, as the case may be, to the extent that Noble Gas or Noble Trading or both, as the case may be, (i) has consolidated net income of at least 10% of the consolidated net income of the Borrower and its Subsidiaries for any consecutive four quarter period ending on the last day of a fiscal quarter, or (ii) has consolidated tangible net worth of at least 5% of the consolidated tangible net worth of the Borrower and its Subsidiaries as of the last day of any fiscal quarter of the Borrower immediately preceding the date as of which any such determination is made, all of which, with respect to clauses (b)(i) and (ii), shall be as reflected on the financial statements of the Borrower and its Subsidiaries for such period, or as of such date.

"SPV" means any Subsidiary of the Borrower that is not a Significant Subsidiary and that is designated by the Borrower in a written notice to the Agent as an SPV; provided that the Borrower shall not designate as an SPV any Subsidiary of the Borrower that has any operations at the time of such designation or any Subsidiary of the Borrower that owns, directly or indirectly, in whole or in part, any other Subsidiary of the Borrower at the time of such designation.

"SOC" means Samedan Oil Corporation, a Delaware corporation, and its permitted successors and assigns.

"Solvent" means, with respect to any Person at any time, a condition under which: a) the fair saleable value of such Person's assets is, on the date of determination, greater than the total amount of such Person's liabilities (including contingent and unliquidated liabilities) at such time; b) such Person is able to pay all of its liabilities as such liabilities mature; and c)

such Person does not have unreasonably small capital with which to conduct its business. For purposes of this definition (i) the amount of a Person's contingent or unliquidated liabilities at any time shall be that amount which, in light of all the facts and circumstances then existing, represents the amount which can reasonably be expected to become an actual or matured liability; (ii) the "fair saleable value" of an asset shall be the amount which may be realized within a reasonable time either through collection or sale of such asset at its regular market value; and (iii) the "regular market value" of an asset shall be the amount which a capable and diligent business person could obtain for such asset from an interested buyer who is willing to purchase such asset under ordinary selling conditions.

"Stated Maturity Date" means the fifth anniversary of the Effective Date.

"Stockholders' Equity" means, as of the time of any determination thereof is to be made, the sum of the Borrower's capital stock (which shall exclude treasury stock and any capital stock subject to mandatory redemption by the issuer at the option of the holder thereof) and additional paid-in

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capital, plus retained earnings (minus accumulated deficit), all as shown on the consolidated balance sheet of the Borrower and its Subsidiaries and based on GAAP.

"Subsidiary" means, with respect to any Person, (a) any corporation of which more than 50% of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person, by such Person and one or more other Subsidiaries of such Person, or by one or more other Subsidiaries of such Person, (b) any partnership of which such Person, such Person and one or more other Subsidiaries of such Person, or one or more other Subsidiaries of such Person is a general partner and (c) any limited liability company in which such Person, such Person and one or more other Subsidiaries of such Person, or one or more other Subsidiaries of such Person is a member or manager.

"Taxes" is defined in Section 4.6.

"Total Commitment" means the aggregate of all the Lenders' Commitments.

"Total Debt to Capitalization Ratio" means the ratio of (a) total Debt to (b) total Capitalization.

"Total Interest Expense" means with respect to any period for which a determination thereof is to be made, the sum, without duplication, of (i) the aggregate amount of all interest accrued (whether or not paid) on all Indebtedness of the Borrower and its Subsidiaries on a consolidated basis plus (ii) the portion of any Capitalized Lease Liabilities allocable to interest expense in accordance with GAAP.

"Type" means, relative to any Loan, the portion thereof, if any, being maintained as a Base Rate Loan or a Eurodollar Loan.

"UBS" is defined in the preamble, and includes its successors and assigns.

"United States" or "U.S." means the United States of America, its fifty States and the District of Columbia.

"Unmatured Event of Default" means any condition, occurrence or event which, after notice or lapse of time or both, would constitute an Event of Default.

"Welfare Plan" means a "welfare plan", as such term is defined in section 3(1) of ERISA.

SECTION 1.2 Use of Defined Terms. Unless otherwise defined or the context otherwise requires, terms for which meanings are provided in this Agreement shall have such meanings when used in the Disclosure Schedule and in each Note, Borrowing Request, Competitive Bid Quote Request, Competitive Bid Borrowing Notice, Continuation/Conversion Notice, Loan Document,

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notice and other communication delivered from time to time in connection with this Agreement or any other Loan Document.

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

SECTION 1.4 Accounting and Financial Determinations. Unless otherwise specified, all accounting terms used herein or in any other Loan Document shall be interpreted, all accounting determinations and computations hereunder or thereunder (including under Section 7.2.4) shall be made, and all financial statements required to be delivered hereunder or thereunder shall be prepared in accordance with, those generally accepted accounting principles ("GAAP") applied in the preparation of the financial statements referred to in Section 6.5.

ARTICLE II

THE FACILITY, BORROWING PROCEDURES AND NOTES

SECTION 2.1 The Facility.

SECTION 2.1.1 Description of the Facility. The Lenders grant to the Borrower a revolving credit facility (the "Facility") pursuant to which, and upon the terms and subject to the conditions herein set out and provided that no Default or Unmatured Default has occurred and is continuing from time to time on any Business Day occurring prior to the Commitment Termination Date, each Lender severally agrees to make revolving loans in U.S. Dollars (relative to such Lender, its "Revolving Loans") to the Borrower equal to such Lender's Percentage of the aggregate amount of Revolving Loans requested by the Borrower to be made on such day (the commitment of each Lender described in this Section 2.1.1 is herein referred to as its "Commitment"). In addition, each Lender may, in its sole discretion, make bids to make Competitive Bid Loans in U.S. Dollars to the Borrower in accordance with Section 2.2. No Lender shall be permitted or required to make (i) any Revolving Loan or Competitive Bid Loan if, after giving effect thereto, the aggregate outstanding principal amount of all Revolving Loans plus Competitive Bid Loans of all Lenders would exceed the Commitment Amount, and (ii) any Revolving Loan if, after giving effect thereto, the aggregate amount of all Revolving Loans of such Lender would exceed the Lender's Percentage of the Commitment Amount. Subject to clause (i) in the immediately preceding sentence, any Lender may make Competitive Bid Loans in excess of such Lender's Percentage of the Commitment.

SECTION 2.1.2 Availability of Facility. Subject to the terms of this Agreement, the Facility is available to the Borrower from the date of this Agreement to the Commitment Termination Date, and the Borrower may borrow, repay and reborrow under the Facility at any time prior to the Commitment Termination Date.

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SECTION 2.2 Competitive Bid Advances.

SECTION 2.2.1 Competitive Bid Option. In addition to Loans pursuant to Section 2.1, but subject to the terms and conditions of this Agreement (including, without limitation, the limitation set forth in Section 2.1.1 as to the maximum aggregate principal amount of all outstanding Loans hereunder), the Borrower may, as set forth in this Section 2.2, request the Lenders, prior to the Commitment Termination Date, to make offers to make Competitive Bid Advances to the Borrower. Each Lender may, but shall have no obligation to, make such offers and the Borrower may, but shall have no obligation to, accept any such offers in the manner set forth in this Section 2.2.

SECTION 2.2.2 Competitive Bid Quote Request. The Borrower may request offers to make Competitive Bid Loans under Section 2.2 by transmitting to the Agent by telex or telecopy a Competitive Bid Quote Request so as to be received no later than (i) 10:00 a.m. (New York time) at least four Business Days prior to the Borrowing Date proposed therein, in the case of a Eurodollar Auction or (ii) 10:00 a.m. (New York time) at least one Business Day prior to the Borrowing Date proposed therein, in the case of an Absolute Rate Auction. The Competitive Bid Quote Request shall specify (i) the proposed Borrowing Date, which shall be a Business Day, for the proposed Competitive Bid Advance; (ii) the aggregate principal amount of such Competitive Bid Advance; (iii) whether the Competitive Bid Quotes requested are to set forth a Competitive Bid Margin or an Absolute Rate, or both; and (iv) the Interest Period applicable thereto (which may not end after the Commitment Termination Date).

The Borrower may request offers to make Competitive Bid Loans for more than one Interest Period and for a Eurodollar Auction and an Absolute Rate Auction in a single Competitive Bid Quote Request. No Competitive Bid Quote Request shall be given within three Business Days (or upon reasonable prior notice to the Lenders, such other number of days as the Borrower and the Agent may agree) of any other Competitive Bid Quote Request. Each Competitive Bid Quote Request shall be in a minimum amount of \$10,000,000 (and in integral multiples of \$1,000,000 in excess thereof). A Competitive Bid Quote Request that does not conform substantially to the format of Exhibit 2.2.2 hereto shall be rejected, and the Agent shall promptly notify the Borrower of such rejection by telex or telecopy.

SECTION 2.2.3 Invitation for Competitive Bid Quotes. Promptly and in any event before 1:00 p.m. (New York time) on the same Business Day of receipt of a Competitive Bid Quote Request that is not rejected pursuant to Section 2.2.2, the Agent shall send to each of the Lenders by telex or telecopy an Invitation for Competitive Bid Quotes, substantially in the form of Exhibit 2.2.3 attached hereto, which shall constitute an invitation by the Borrower to each Lender to submit Competitive Bid Quotes offering to make the Competitive Bid Loans to which such Competitive Bid Quote Request relates in accordance with Section 2.2.4.

SECTION 2.2.4 Submission and Contents of Competitive Bid Quotes.
(a) Each Lender may, in its sole discretion, but is under no obligation to, submit a Competitive Bid Quote containing

an offer or offers to make Competitive Bid Loans in response to any Invitation for Competitive Bid Quotes. Each Competitive Bid Quote must comply with the requirements of this Section 2.2.4 and must be submitted to the Agent by telecopy (except in the case of UBS) at its offices specified in Section 10.2 not later than (i) in the case of a Eurodollar Auction, (A) with respect to UBS, 12:45 p.m. (New York time), at least three Business Days prior to the proposed Borrowing Date and (B) with respect to each other Lender, 1:00 p.m. (New York time), at least three Business Days prior to the proposed Borrowing Date, or (ii) in the case of an Absolute Rate Auction, (A) with respect to UBS, 9:45 a.m. (New York time) on the proposed Borrowing Date and (B) with respect to each other Lender, 10:00 a.m. (New York time) on the proposed Borrowing Date (or, with respect to clauses (i) and (ii) and upon reasonable prior notice to the Lenders, such other time and date as the Borrower and the Agent may agree, provided that UBS shall submit its Competitive Bid Quote fifteen minutes before the time that the other Lenders are required to submit their Competitive Bid Quotes).

(b) Each Competitive Bid Quote shall in any case specify: (i) the proposed Borrowing Date, which shall be the same as that set forth in the applicable Invitation for Competitive Bid Quotes; (ii) the principal amount of the Competitive Bid Loan for which each such offer is being made, which principal amount (1) may be greater than, less than or equal to the Commitment of the quoting Lender, (2) must be at least \$10,000,000 and an integral multiple of \$1,000,000, and (3) may not exceed the principal amount of Competitive Bid Loans for which offers were requested; (iii) in the case of a Eurodollar Auction, the Competitive Bid Margin offered for each such Competitive Bid Loan; (iv) the minimum or maximum amount, if any, of any Competitive Bid Loan which may be accepted by the Borrower and/or the limit, if any, as to the aggregate principal amount of Competitive Bid Loans from such Lender which may be accepted by the Borrower; (v) in the case of an Absolute Rate Auction, the Absolute Rate offered for each such Competitive Bid Loan; (vi) the applicable Interest Period; and (vii) the identity of the quoting Lender.

(c) The Agent shall reject any Competitive Bid Quote that (i) is not substantially in the form of Exhibit 2.2.4 hereto or does not specify all of the information required by Section 2.2.4(ii); (ii) contains qualifying, conditional or similar language, other than any such language contained in Exhibit 2.2.4 hereto; (iii) proposes terms other than or in addition to those set forth in the applicable Invitation for Competitive Bid Quotes; or (iv) arrives after the time set forth in Section 2.2.4(i). If any Competitive Bid Quote shall be rejected pursuant to this Section 2.2.4(iii), then the Agent shall notify the relevant Lender of such rejection as soon as practical.

SECTION 2.2.5 Notice to the Borrower. The Agent shall promptly notify the Borrower of the terms (i) of any Competitive Bid Quote submitted by a Lender that is in accordance with Section 2.2.4 and (ii) of any Competitive Bid Quote that is in accordance with Section 2.2.4 and amends, modifies or is otherwise inconsistent with a previous Competitive Bid Quote submitted by such Lender with respect to the same Competitive Bid Quote Request. Any such subsequent Competitive Bid Quote shall be disregarded by the Agent unless such subsequent Competitive Bid Quote specifically states that it is submitted solely to correct a manifest error in such former Competitive Bid Quote. The Agent's notice to the Borrower shall specify the aggregate principal amount of Competitive Bid Loans for which offers have been received for each Interest Period

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specified in the related Competitive Bid Quote Request and the respective principal amounts and Competitive Bid Margins or Absolute Rates, as the case may be, so offered.

SECTION 2.2.6 Acceptance and Notice by the Borrower. Subject to the receipt of the notice from the Agent referred to in Section 2.2.5, not later than (i) 3:00 p.m. (New York time) at least three Business Days prior to the proposed Borrowing Date, in the case of a Eurodollar Auction or (ii) 11:00 a.m. (New York time) on the proposed Borrowing Date, in the case of an Absolute Rate Auction, the Borrower shall notify the Agent of its acceptance or rejection of the offers so notified to it pursuant to Section 2.2.5; provided, however, that the failure by the Borrower to give such notice to the Agent shall be deemed to be a rejection of all such offers. In the case of acceptance, such notice (a "Competitive Bid Borrowing Notice") shall be irrevocable and shall specify the aggregate principal amount of offers for each Interest Period that are accepted. The Borrower may accept or reject any Competitive Bid Quote in whole or in part (subject to the terms of Section 2.2.4(b)(iv)); provided that (a) the aggregate principal amount of each Competitive Bid Advance may not exceed the applicable amount set forth in the related Competitive Bid Quote Request; (b) acceptance of offers for any Competitive Bid Advance with otherwise identical terms may only be made on the basis of ascending Competitive Bid Margins or Absolute Rates, as the case may be; (c) the Borrower may not accept any offer of the type described in Section 2.2.4(c) or that otherwise fails to comply with the requirements of this Agreement for the purpose of obtaining a Competitive Bid Loan under this Agreement; and (d) after giving effect to such Competitive Bid Advance, the sum of the aggregate principal amount of all outstanding Revolving Loans plus all

Competitive Bid Advances shall not exceed the Commitment Amount.

SECTION 2.2.7 Allocation by the Agent. If offers are made by two or more Lenders with the same Competitive Bid Margins or Absolute Rates, as the case may be, for a greater aggregate principal amount than the amount in respect of which offers are permitted to be accepted for the related Interest Period, the principal amount of Competitive Bid Loans in respect of which such offers are accepted shall be allocated by the Agent among such Lenders as nearly as possible (in such multiples, not greater than \$1,000,000, as the Agent may deem appropriate) in proportion to the aggregate principal amount of such offers; provided, however, that no Lender shall be allocated a portion of any Competitive Bid Advance which is less than the minimum amount which such Lender has indicated that it is willing to accept. Allocations by the Agent of the amounts of Competitive Bid Loans shall be conclusive in the absence of manifest error. The Agent shall promptly, but in any event on the same Business Day in the case of Eurodollar Bid Rate Advances, and by 12:00 p.m. (New York time) in the case of Absolute Rate Advances, notify each Lender of its receipt of a Competitive Bid Borrowing Notice and the aggregate principal amount of such Competitive Bid Advance allocated to each participating Lender.

SECTION 2.2.8 Administration Fees. The Borrower hereby agrees to pay to the Agent for its sole account administration fees for Competitive Bid Quote Requests in such amounts as heretofore agreed upon by the Borrower and the Agent in a fee letter dated December 24, 1997, as amended from time to time (the "Competitive Bid Fee Letter").

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SECTION 2.2.9 Reduction. While any Competitive Bid Advances are outstanding, each Lender's Commitment shall be reduced by, and deemed used in the amount of its pro rata share (based on its respective Percentage of the Commitment Amount) of the outstanding amount of such Competitive Bid Advances.

SECTION 2.3 Reduction of Commitment Amount. The Borrower may, from time to time on any Business Day occurring after the time of the initial Borrowing hereunder, voluntarily reduce the amount of the Commitment Amount; provided, however, that all such reductions shall require at least three Business Days' prior notice to the Agent and be permanent, and any partial reduction of the Commitment Amount shall be in a minimum amount of \$25,000,000 and in an integral multiple of \$5,000,000.

SECTION 2.4 Base Rate Loans and Eurodollar Loans. Subject to the terms and conditions set forth in Article V, each Loan shall be either a Eurodollar Loan or a Base Rate Loan as the Borrower may request, it being understood that Loans made to the Borrower on any date may be either Eurodollar Loans or Base Rate Loans or a combination thereof. As to any Eurodollar Loan, each Lender may, if it so elects, fulfill its commitment to make such Eurodollar Loan by causing its Eurodollar Office to make such Eurodollar Loan; provided, however, that in such event the obligation of the Borrower to repay such Eurodollar Loan nevertheless shall be to such Lender and shall be deemed to be held by such Lender for the account of such Eurodollar Office.

SECTION 2.5 Borrowing Procedures for Loans. The Borrower shall give the Agent prior written or telegraphic notice pursuant to a Borrowing Request (in substantially the form of Exhibit 2.5 hereto) of each proposed Borrowing or continuation, and as to whether such Borrowing or continuation is to be of Base Rate Loans or Eurodollar Loans, as follows:

SECTION 2.5.1 Domestic Loans. The Agent shall receive written or telegraphic notice from the Borrower on or before 2:00 p.m. New York time one Business Day prior to the date of such Borrowing and amount of such Borrowing (which shall be in a minimum amount of \$10,000,000 and an integral multiple of \$1,000,000), and the Agent shall advise each Lender thereof promptly thereafter. Not later than 10:00 a.m., New York time, on the date specified in such notice for such Borrowing, each Lender shall provide to the Agent at the Payment Office, same day or immediately available funds covering such Lender's Percentage of the requested Base Rate Loan. Upon fulfillment of the applicable conditions set forth in Article V with respect to such Base Rate Loan, the Agent shall make available to the Borrower the proceeds of each Base Rate Loan (to the extent received from the Lenders) by wire transfer of such proceeds to

such account(s) as the Borrower shall have specified in the Borrowing Request.

SECTION 2.5.2 Eurodollar Loans. The Agent shall receive written or telegraphic notice pursuant to a Borrowing Request from the Borrower on or before 10:00 a.m. New York time, at least three (3) Business Days prior to the date requested for each proposed Borrowing or continuation of a Eurodollar Loan, of the date of such Borrowing or continuation, as the case may be, the amount of such Borrowing or continuation, as the case may be (which shall be in a minimum amount of \$10,000,000 and an integral multiple of \$1,000,000), and the duration of the initial Euro-

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dollar Interest Period with respect thereto, and the Agent shall advise each Lender thereof promptly thereafter. Not later than 10:00 a.m., New York time, on the date specified in such notice for such Borrowing, each Lender shall provide to the Agent at the Payment Office, same day or immediately available funds covering such Lender's Percentage of the requested Eurodollar Loan. Upon fulfillment of the applicable conditions set forth in Article V with respect to such Eurodollar Loan, the Agent shall make available to the Borrower the proceeds of each Eurodollar Loan (to the extent received from the Lenders) by wire transfer of such proceeds to such account(s) as the Borrower shall have specified in the Borrowing Request.

SECTION 2.6 Continuation and Conversion Elections. By delivering a Continuation/Conversion Notice to the Agent on or before 10:00 a.m., New York time, on a Business Day, the Borrower may from time to time irrevocably elect, on not less than three nor more than five Business Days' notice that all, or any portion in an aggregate minimum amount of \$10,000,000 and an integral multiple of \$1,000,000 of any Borrowings be, (i) in the case of Base Rate Loans, converted into Eurodollar Loans, or (ii) in the case of Eurodollar Loans, be converted into a Base Rate Loan or continued as a Eurodollar Loan of such Type (in the absence of delivery of a Continuation/Conversion Notice with respect to any Eurodollar Loan at least three Business Days before the last day of the then current Interest Period with respect thereto, such Eurodollar Loan shall, on such last day, automatically convert to a Base Rate Loan); provided, however, that (i) each such conversion or continuation shall be pro rated among the applicable outstanding Loans of all Lenders, and (ii) no portion of the outstanding principal amount of any Loans may be continued as, or be converted into, Eurodollar Loans when any Default has occurred and is continuing.

SECTION 2.7 Funding. Each Lender may, if it so elects, fulfill its obligation to make, continue or convert Eurodollar Loans hereunder by causing one of its foreign branches or Affiliates (or an international banking facility created by such Lender) to make or maintain such Eurodollar Loan; provided, however, that such Eurodollar Loan shall nonetheless be deemed to have been made and to be held by such Lender, and the obligation of the Borrower to repay such Eurodollar Loan shall nevertheless be to such Lender for the account of such foreign branch, Affiliate or international banking facility. In addition, the Borrower hereby consents and agrees that, for purposes of any determination to be made for purposes of Sections 4.1, 4.2, 4.3 or 4.4, it shall be conclusively assumed that each Lender elected to fund all Eurodollar Loans by purchasing, as the case may be, Dollar deposits in its Eurodollar Office's interbank eurodollar market.

SECTION 2.8 Notes. Each Lender's Revolving Loans shall be evidenced by a Revolving Note, payable to the order of such Lender in a maximum principal amount equal to such Lender's Percentage of the original applicable Commitment Amount. Each Lender's Competitive Bid Loans shall be evidenced by a Competitive Bid Note, each payable to the order of such Lender in a maximum principal amount of \$300,000,000. The Borrower hereby irrevocably authorizes each Lender to make (or cause to be made) appropriate notations on the grid attached to such Lender's Notes (or on any continuation of such grid), which notations, if made, shall evidence, inter alia, the date of, the outstanding principal of, and the interest rate and Interest Period applicable to the Revolving Loans or Competitive Bid Loans evidenced thereby. Such notations shall be conclusive

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and binding on the Borrower absent manifest error; provided, however, that the failure of any Lender to make any such notations shall not limit or otherwise affect any Obligations of the Borrower.

ARTICLE III

REPAYMENTS, PREPAYMENTS, INTEREST AND FEES

SECTION 3.1 Repayments and Prepayments. The Borrower shall repay in full the unpaid principal amount of each Loan upon the Stated Maturity Date or of each Competitive Bid Loan on the last day of its applicable Interest Period. Prior thereto, the Borrower

(a) may, from time to time on any Business Day, make a voluntary prepayment, in whole or in part, of the outstanding principal amount of any Loans; provided, however, that (i) any such prepayment shall be applied to the Lenders among Loans having the same Type and, if applicable, having the same Interest Period; (ii) no such prepayment of any Competitive Bid Loan may be made on any day other than the last day of the Interest Period for such Loan; (iii) all such voluntary prepayments shall require at least three Business Days' prior written notice to the Agent; and (iv) all such voluntary partial prepayments shall be in a minimum amount of \$10,000,000 and an integral multiple of \$5,000,000; and

(b) shall, immediately upon any acceleration of the Stated Maturity Date of any Loans pursuant to Section 8.2 or Section 8.3, repay all Loans, unless, pursuant to Section 8.3, only a portion of all Loans is so accelerated.

Each prepayment of Loans shall be applied, to the extent of such prepayment, in the inverse order of maturity. Each prepayment of any Loans made pursuant to this Section shall be without premium or penalty, except as may be required by Section 4.4. No voluntary prepayment of principal of any Revolving Loans shall cause a reduction in the Commitment Amount.

SECTION 3.2 Interest Provisions. Interest on the outstanding principal amount of Loans shall accrue and be payable in accordance with this Section 3.2.

SECTION 3.2.1 Rates. Pursuant to an appropriately delivered Borrowing Request or Continuation/Conversion Notice, the Borrower may elect that Loans comprising a Borrowing accrue interest at a rate per annum: (a) on that portion maintained from time to time as a Base Rate Loan, equal to the sum of the Base Rate from time to time in effect; and (b) on that portion maintained as a Eurodollar Loan, during each Interest Period applicable thereto, equal to the sum of the Eurodollar Rate for such Interest Period plus the Applicable Margin. All Eurodollar Borrowings shall bear interest from and including the first day of the applicable Interest Period to (but not including) the last day of such Interest Period at the interest rate determined as applicable to such Eurodollar Borrowing.

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SECTION 3.2.2 Post-Maturity Rates. After the date any principal amount of any Loan is due and payable (whether on the Stated Maturity Date, upon acceleration or otherwise), or after any other monetary Obligation of the Borrower shall have become due and payable, the Borrower shall pay, but only to the extent permitted by law, interest (after as well as before judgment) on such amounts at a rate per annum equal to the Base Rate plus the Default Margin.

SECTION 3.2.3 Payment Dates. Interest accrued on each Borrowing shall be payable, without duplication on the following dates (each a "Payment Date"): (a) on the Stated Maturity Date therefor; (b) on the date of any

payment or prepayment, in whole or in part, of principal outstanding on such Loan on the amount of such principal prepaid or repaid; (c) with respect to Base Rate Loans, on each Quarterly Payment Date occurring after the Effective Date; (d) with respect to Eurodollar Borrowings, on the last day of each applicable Interest Period (and, if such Interest Period shall exceed 90 days, on the 90th day of such Interest Period); (e) with respect to any portion of Base Rate Loans converted into Eurodollar Loans on a day when interest would not otherwise have been payable pursuant to clause (c), on the date of such conversion; and (f) on that portion of any Borrowings the Stated Maturity Date of which is accelerated pursuant to Section 8.2 or Section 8.3, immediately upon such acceleration; and (g) with respect to Competitive Bid Loans, as otherwise provided by the relevant Competitive Bid Quote Request. Interest accrued on Borrowings or other monetary Obligations arising under this Agreement or any other Loan Document after the date such amount is due and payable (whether on the Stated Maturity Date, upon acceleration or otherwise) shall be payable upon demand.

SECTION 3.3 Fees. The Borrower agrees to pay the fees set forth in this Section 3.3. All such fees shall be non-refundable.

SECTION 3.3.1 Facility Fee. The Borrower agrees to pay to the Agent for the account of each Lender, a facility fee in an amount equal to the product of the Applicable Facility Fee Rate times such Lender's Percentage times the Commitment Amount as it may be reduced from time to time, pursuant to reductions under Section 2.3.

SECTION 3.3.2 Agent's Fee. The Borrower agrees to pay to the Agent for its own account, all fees (including any fees pursuant to Section 2.2.8) pursuant to that certain fee letter agreement dated December 24, 1997, between the Borrower and the Agent, as amended from time to time (the "Agent Fee Letter").

SECTION 3.3.3 Payment Office. The Borrower shall make all payments to the Agent at the Payment Office.

ARTICLE IV

CERTAIN EURODOLLAR AND OTHER PROVISIONS

SECTION 4.1 Eurodollar Lending Unlawful. If any Lender shall determine (which determination shall, upon notice thereof to the Borrower and the Lenders, be conclusive and binding on the Borrower) that the introduction of or any change in or in the interpretation of any law makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for such Lender to make, continue or maintain any Borrowing as, or to convert any Borrowing into, a Eurodollar Borrowing, the obligations of such Lender to make, continue, maintain or convert any such Borrowings shall, upon such determination, forthwith be suspended until such Lender shall notify the Agent that the circumstances causing such suspension no longer exist, and all Eurodollar Borrowings shall automatically convert into Base Rate Loans at the end of the then current Interest Periods with respect thereto or sooner, if required by such law or assertion; provided, however, that the obligation of such Lender to make, continue, maintain or convert any such Eurodollar Borrowings shall remain unaffected if such Lender can designate a different Eurodollar Office for the making, continuance, maintenance or conversion of Eurodollar Borrowings and such designation will not, in the sole discretion of such Lender, be otherwise disadvantageous to such Lender.

SECTION 4.2 Deposits Unavailable or Eurodollar Interest Rate Unascertainable. If the Agent shall have determined that, by reason of circumstances affecting the Agent's relevant market, adequate means do not exist for ascertaining the interest rate applicable hereunder to Eurodollar Borrowings, then, upon notice from the Agent to the Borrower and the Lenders, the obligations of all Lenders under Section 2.6 and Section 2.8 to make or continue any Borrowings as, or to convert any Borrowings into, Eurodollar Borrowings shall forthwith be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 4.3 Increased Eurodollar Borrowing Costs, etc. The Borrower agrees to reimburse each Lender for any increase in the cost to such Lender of, or any reduction in the amount of any sum receivable by such Lender in respect of, making, continuing or maintaining (or of its obligation to make, continue or maintain) any Borrowings as, or of converting (or of its obligation to convert) any Borrowings into, Eurodollar Borrowings. Such Lender shall promptly notify the Agent and the Borrower in writing of the occurrence of any such event, such notice to state, in reasonable detail, the reasons therefor and the additional amount required fully to compensate such Lender for such increased cost or reduced amount; provided, however, that such Lender shall designate a different Eurodollar Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the sole discretion of such Lender, be otherwise disadvantageous to such Lender. Such additional amounts shall be payable by the Borrower directly to such Lender within fifteen days of its receipt of such notice, and such notice shall be rebuttable presumptive evidence of the amount payable by the Borrower.

SECTION 4.4 Funding Losses. In the event any Lender shall incur any loss or expense (including any loss or expense incurred by reason of the liquidation or reemployment of deposits or

other funds acquired by such Lender to make, continue or maintain any portion of the principal amount of any Borrowing as, or to convert any portion of the principal amount of any Borrowing into, a Eurodollar Borrowing) as a result of (a) any conversion or repayment or prepayment of the principal amount of any Eurodollar Borrowings on a date other than the scheduled last day of the Interest Period applicable thereto, whether pursuant to Section 3.1 or otherwise, (b) any Borrowings not being made as Eurodollar Borrowings in accordance with the Borrowing Request or Competitive Bid Quote Request, as the case may be, therefor, or (c) any Borrowings not being continued as, or converted into, Eurodollar Borrowings in accordance with the Continuation/Conversion Notice therefor, then, upon the written notice of such Lender to the Borrower (with a copy to the Agent), the Borrower shall, within fifteen days of its receipt thereof, pay directly to such Lender such amount as will (in the reasonable determination of such Lender) reimburse such Lender for such loss or expense. Such written notice (which shall include calculations in reasonable detail) shall be rebuttable presumptive evidence of the amount payable by the Borrower.

SECTION 4.5 Increased Capital Costs. If any change in, or the introduction, adoption, effectiveness, interpretation, reinterpretation or phase-in of, any law or regulation, directive, guideline, decision or request (whether or not having the force of law) of any court, central bank, regulator or other governmental authority affects or would affect the amount of capital required or expected to be maintained by any Lender or any Person controlling such Lender, and such Lender determines (in its sole discretion) that the rate of return on its or such controlling Person's capital as a consequence of its Commitments or the Borrowings made by such Lender is reduced to a level below that which such Lender or such controlling Person could have achieved but for the occurrence of any such circumstance, then, in any such case upon notice from time to time by such Lender to the Borrower, the Borrower shall pay directly to such Lender, within fifteen days, additional amounts sufficient to compensate such Lender or such controlling Person for such reduction in rate of return; provided, however, that such Lender shall designate a different Domestic or Eurodollar Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the sole discretion of such Lender, be otherwise disadvantageous to such Lender. A statement of such Lender as to any such additional amount or amounts (including calculations thereof in reasonable detail) shall be rebuttable presumptive evidence of the amount payable by the Borrower. In determining such amount, such Lender may use any reasonable method of averaging and attribution that it (in its sole discretion) shall deem applicable.

SECTION 4.6 Taxes. All payments by the Borrower of principal of, and interest on, the Borrowings and all other amounts payable hereunder shall be made free and clear of and without deduction for any present or future income, excise, stamp or franchise taxes and other taxes, fees, duties,

withholdings or other charges of any nature whatsoever imposed by any taxing authority, but excluding franchise taxes and taxes imposed on or measured by any Lender's net income or receipts (such non-excluded items being called "Taxes"). In the event that any withholding or deduction from any payment to be made by the Borrower hereunder is required in respect of any Taxes pursuant to any applicable law, rule or regulation, then the Borrower will, within fifteen days (a) pay directly to the relevant authority the full amount required to be so withheld or deducted; (b) promptly forward to the Agent an official receipt or other documentation satisfactory to the Agent evidencing

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

If any Taxes are directly asserted against the Agent or any Lender with respect to any payment received by the Agent or such Lender hereunder, the Agent or such Lender may pay such Taxes and the Borrower will promptly pay such additional amounts (including any penalties, interest or expenses) as is necessary in order that the net amount received by such person after the payment of such Taxes (including any Taxes on such additional amount) shall equal the amount such person would have received had not such Taxes been asserted; provided that the Borrower will not be obligated to pay such additional amounts to the Agent or such Lender to the extent that such additional amounts shall have been incurred as a consequence of the Agent's or such Lender's gross negligence or willful misconduct, as the case may be.

If the Borrower fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to the Agent, for the account of the respective Lenders, the required receipts or other required documentary evidence, the Borrower shall indemnify the Lenders for any incremental Taxes, interest or penalties that may become payable by any Lender as a result of any such failure. For purposes of this Section 4.6, a distribution hereunder by the Agent or any Lender to or for the account of any Lender shall be deemed a payment by the Borrower.

Each Lender that is organized under the laws of a jurisdiction other than the United States shall, prior to the due date of any payments under the Notes, execute and deliver to the Borrower and the Agent, on or about the first scheduled Payment Date in each Fiscal Year, one or more (as the Borrower or the Agent may reasonably request) United States Internal Revenue Service Forms 4224 or Forms 1001 or such other forms or documents (or successor forms or documents), appropriately completed, as may be applicable to establish the extent, if any, to which a payment to such Lender is exempt from withholding or deduction of Taxes, and shall (but only so long as such Lender remains lawfully able to do so) deliver to the Borrower and the Agent additional copies of such forms on or before the date that such forms expire or become obsolete or after the occurrence of an event requiring a change in the most recent form so delivered by it and such amendments thereto as may be reasonably requested by the Borrower or the Agent, in each case certifying that such Lender is entitled to benefits under an income tax treaty to which the United States is a party which reduces the rate of withholding tax on payments of interest or fees or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States. If the form provided by a Lender at the time such Lender first becomes a party to this Agreement indicates a United States withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from the definition of "Taxes". For any period with respect to which a Lender has failed to provide the Borrower and the Agent with the forms required pursuant to this paragraph, if any (other than if such failure is due to a change in treaty, law or regulation occurring subsequent to the date on which a form originally was required to be provided), such Lender shall not be entitled to indemnification under this Section 4.6 with respect to Taxes imposed

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by the United States which Taxes would not have been imposed but for such failure to provide such form; provided, however, that should a Lender, which is otherwise exempt from or subject to a reduced rate of withholding tax, become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as the Lender shall reasonably request to assist the Lender to recover such Taxes.

If the Borrower is required to pay additional amounts to or for the account of any Lender pursuant to this Section 4.6, then such Lender will change the jurisdiction of its applicable Eurodollar or Domestic Office so as to eliminate or reduce any such additional payment which may thereafter accrue if such change, in the sole discretion of such Lender, is not otherwise disadvantageous to such Lender. No Lender shall be entitled to receive any greater payment under this Section 4.6 as a result of the designation by such Lender of a different applicable Eurodollar or Domestic Office after the date hereof, unless such designation is made with the Borrower's prior written consent or by reason of the provisions of Sections 4.1, 4.3 or 4.5 requiring such Lender to designate a different applicable Eurodollar or Domestic Office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

SECTION 4.7 Special Fees in Respect of Reserve Requirements.

With respect to Eurodollar Borrowings, the Borrower agrees to pay to each Lender on appropriate Payment Dates, as additional interest, such amounts as will compensate such Lender for any cost to such Lender, from time to time, of any reserve, special deposit, special assessment or similar capital requirements against assets of, deposits with or for the account of, or credit extended by, such Lender which are imposed on, or deemed applicable by, such Lender, from time to time, under or pursuant to (i) any Law, treaty, regulation or directive now or hereafter in effect (including, without limitation, Regulation D of the Board of Governors of the Federal Reserve System but excluding any reserve requirement included in the definition of Eurodollar Rate in Section 1.1), (ii) any interpretation or application thereof by any governmental authority, agency or instrumentality charged with the administration thereof or by any court, central bank or other fiscal, monetary or other authority having jurisdiction over the Eurodollar Borrowings or the office of such Lender where its Eurodollar Borrowings are lodged, or (iii) any requirement imposed or requested by any court, governmental authority, agency or instrumentality or central bank, fiscal, monetary or other authority, whether or not having the force of law. A written notice as to the amount of any such cost or any change therein (including calculations, in reasonable detail, showing how such Lender computed such cost or change) shall be promptly furnished by such Lender to the Borrower and shall be rebuttable presumptive evidence of such cost or change. The Borrower will not be responsible for paying any amounts pursuant to this Section 4.7 accruing prior to 180 days prior to the receipt by the Borrower of the written notice referred to in the preceding sentence. Within fifteen (15) days after such certificate is furnished to the Borrower, the Borrower will pay directly to such Lender such additional amount or amounts as will compensate such Lender for such cost or change.

SECTION 4.8 Payments, Computations, etc. Unless otherwise

expressly provided, all payments by the Borrower pursuant to this Agreement, the Notes or any other Loan Document shall be made by the Borrower to the Agent for the pro rata account of the Lenders entitled to receive such

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payment. All such payments required to be made to the Agent shall be made, without setoff, deduction or counterclaim, not later than 11:00 a.m., New York time, on the date due, in same day or immediately available funds, to such account as the Agent shall specify from time to time by notice to the Borrower. Funds received after that time shall be deemed to have been received by the Agent on the next succeeding Business Day. The Agent shall promptly remit in same day funds to each Lender its share, if any, of such payments received by the Agent for the account of such Lender. All interest and fees shall be computed on the basis of the actual number of days (including the first day but

excluding the last day) occurring during the period for which such interest or fee is payable over a year comprised of 360 days (or, in the case of interest on a Base Rate Loan, 365 days or, if appropriate, 366 days). Whenever any payment to be made shall otherwise be due on a day which is not a Business Day, such payment shall (except as otherwise required by clause (c) of the definition of the term "Interest Period" with respect to Eurodollar Loans) be made on the next succeeding Business Day and such extension of time shall be included in computing interest and fees, if any, in connection with such payment.

SECTION 4.9 Sharing of Payments. If any Lender shall obtain any payment or other recovery (whether voluntary, involuntary, by application of setoff or otherwise) on account of any Loan (other than pursuant to the terms of Sections 4.3, 4.4 and 4.5) in excess of its pro rata share of payments then or therewith obtained by all Lenders, such Lender shall purchase from the other Lenders such participations in Loans made by them as shall be necessary to cause such purchasing Lender to share the excess payment or other recovery ratably with each of them; provided, however, that if all or any portion of the excess payment or other recovery is thereafter recovered from such purchasing Lender, the purchase shall be rescinded and each Lender which has sold a participation to the purchasing Lender shall repay to the purchasing Lender the purchase price to the ratable extent of such recovery together with an amount equal to such selling Lender's ratable share (according to the proportion of (a) the amount of such selling Lender's required repayment to the purchasing Lender to (b) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 4.9 may, to the fullest extent permitted by law, exercise all its rights of payment with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation. If under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a set off to which this Section 4.9 applies, such Lender shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders entitled under this Section to share in the benefits of any recovery on such secured claim.

SECTION 4.10 Use of Proceeds. The Borrower shall apply the proceeds of each Borrowing in accordance with the fourth recital; without limiting the foregoing, no proceeds of any Borrowing will be used to acquire any equity security of a class which is registered pursuant to Section 12 of the Securities Exchange Act of 1934 or any "margin stock", as defined in F.R.S. Board Regulation U.

SECTION 4.11 Replacement of Lender on Account of Increased Costs, Eurodollar Lending Unlawful, Reserve Requirements, Taxes, Certain Dissents, etc. If any Lender shall claim the inability to make or maintain Eurodollar Borrowings pursuant to Section 4.1 above, if any Lender is owed increased costs under Section 4.5 above, if any payment to any Lender by the Borrower is subject to any withholding tax pursuant to Section 4.6 above, or if any Lender is owed any cost or expense pursuant to Section 4.7 above, the Borrower shall have the right, if no Event of Default or Unmatured Event of Default then exists, to replace such Lender with another bank or financial institution provided that (i) if it is not a Lender or an Affiliate thereof, such bank or financial institution shall be reasonably acceptable to the Agent and (ii) such bank or financial institution shall unconditionally purchase, in accordance with Section 10.11 hereof, all of such Lender's rights and obligations under this Agreement and the Notes and the appropriate pro rata share of such Lender's Notes and Commitments, without recourse or expense to, or warranty by, such Lender being replaced for a purchase price equal to the aggregate outstanding principal amount of the Notes payable to such Lender, plus any accrued but unpaid interest on such Notes plus accrued but unpaid fees in respect of such Lender's Borrowings and Percentage of the Commitments hereunder to the date of such purchase on a date therein specified. The Borrower shall be obligated to pay, simultaneously with such purchase and sale, the increased costs, amounts, expenses and taxes under Sections 4.1, 4.5, 4.6, and 4.7 above, all breakage fees payable under Section 4.4 and all other costs, fees and

expenses payable to such Lender hereunder and under the Loan Documents, to the date of such purchase as well as all other Obligations due and payable to or for the benefit of such Lender; provided, that if such bank or financial institution fails to purchase such rights and obligations, the Borrower shall continue to be obligated to pay the increased costs, amounts, expenses and taxes under Sections 4.1, 4.5, 4.6, and 4.7 above to such Lender.

SECTION 4.12 Maximum Interest. It is the intention of the parties hereto to conform strictly to applicable usury laws and, anything herein to the contrary notwithstanding, the obligations of the Borrower to each Lender under this Agreement shall be subject to the limitation that payments of interest shall not be required to the extent that receipt thereof would be contrary to provisions of law applicable to such Lender limiting rates of interest which may be charged or collected by such Lender. Accordingly, if the transactions contemplated hereby would be usurious under applicable law (including the Federal and state laws of the United States of America, or of any other jurisdiction whose laws may be mandatorily applicable) with respect to a Lender then, in that event, notwithstanding anything to the contrary in this Agreement, it is agreed as follows: (a) the provisions of this Section 4.12 shall govern and control; (b) the aggregate of all consideration which constitutes interest under applicable law that is contracted for, charged or received under this Agreement, or under any of the other aforesaid agreements or otherwise in connection with this Agreement by such Lender shall under no circumstances exceed the maximum amount of interest allowed by applicable law (such maximum lawful interest rate, if any, with respect to such Lender herein called the "Highest Lawful Rate"), and any excess shall be credited to the Borrower by such Lender (or, if such consideration shall have been paid in full, such excess refunded to the Borrower); (c) all sums paid, or agreed to be paid, to such Lender for the use, forbearance and detention of the Indebtedness of the Borrower to such Lender hereunder shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such Indebtedness until payment in full

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so that the actual rate of interest is uniform throughout the full term thereof; and (d) if at any time the interest provided pursuant to Section 4.1 together with any other fees payable pursuant to this Agreement and deemed interest under applicable law, exceeds that amount which would have accrued at the Highest Lawful Rate, the amount of interest and any such fees to accrue to such Lender pursuant to this Agreement shall be limited, notwithstanding anything to the contrary in this Agreement to that amount which would have accrued at the Highest Lawful Rate, but any subsequent reductions, as applicable, shall not reduce the interest to accrue to such Lender pursuant to this Agreement below the Highest Lawful Rate until the total amount of interest accrued pursuant to this Agreement and such fees deemed to be interest equals the amount of interest which would have accrued to such Lender if a varying rate per annum equal to the interest provided pursuant to Section 3.2 had at all times been in effect, plus the amount of fees which would have been received but for the effect of this Section 4.12. For purposes of Article 5069-1.04, Vernon's Texas Civil Statutes, as amended, to the extent, if any, applicable to a Lender, the Borrower agrees that the Highest Lawful Rate shall be the "indicated (weekly) rate ceiling" as defined in said Article, provided that such Lender may also rely, to the extent permitted by applicable laws, on alternative maximum rates of interest under other laws applicable to such Lender if greater. Tex. Rev. Civ. Stat. Ann. Art. 5069, Ch. 15 (which regulates certain revolving credit loan accounts and revolving tri-party accounts) shall not apply to this Agreement or the Notes.

ARTICLE V

CONDITIONS TO BORROWING

SECTION 5.1 Initial Borrowing. The obligations of the Lenders to fund the initial Borrowing shall be subject to the prior satisfaction, or waiver in writing by the Agent (with the consent of Required Lenders) of each of the conditions precedent set forth in this Section 5.1.

SECTION 5.1.1 Resolutions, etc. The Agent shall have received from

the Borrower a certificate, dated the date of the initial Borrowing, of its Secretary or Assistant Secretary as to (a) resolutions of its Board of Directors then in full force and effect authorizing the execution, delivery and performance of this Agreement, the Notes and each other Loan Document to be executed by it; and (b) the incumbency and signatures of those of its officers authorized to act with respect to this Agreement, the Notes and each other Loan Document executed by it, upon which certificate each Lender may conclusively rely until it shall have received a further certificate of the Secretary of the Borrower canceling or amending such prior certificate.

SECTION 5.1.2 Delivery of Notes. The Agent shall have received, for the account of each Lender, its Notes duly executed and delivered by the Borrower.

SECTION 5.1.3 Opinion of Counsel. The Agent shall have received a favorable opinion, dated the date hereof and addressed to the Agent and all Lenders, from Thompson & Knight, P.C., counsel to the Borrower, substantially in the form of Exhibit 5.1.4 hereto.

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SECTION 5.1.4 Fee Letters, Closing Fees, Expenses, etc. The Agent shall have received the Competitive Bid Fee Letter and the Agent Fee Letter described in Sections 2.2.8 and 3.3.2, respectively, duly executed by the Borrower. The Agent shall also have received for its own account, or for the account of each Lender, as the case may be, all fees, costs and expenses due and payable pursuant to Sections 3.3.2 and 10.3, if then invoiced.

SECTION 5.1.5 Material Adverse Change. There shall have been no material adverse change in the consolidated business, condition (financial or otherwise), operations, performance or properties of any of the Borrower and its consolidated Subsidiaries taken as a whole from June 30, 1997, except as disclosed in Item 5.1.5 ("Material Adverse Change") of the Disclosure Schedule.

SECTION 5.1.6 Other Documents. Such other documents as the Agent or any Lender may have reasonably requested.

SECTION 5.2 All Borrowings. The obligation of each Lender to fund any Borrowing (including the initial Borrowing) shall be subject to the satisfaction of each of the conditions precedent set forth in this Section 5.2.

SECTION 5.2.1 Compliance with Warranties, No Default, etc. Both before and after giving effect to any Borrowing (but, if any Default of the nature referred to in Section 8.1.5 shall have occurred with respect to any other Indebtedness, without giving effect to the application, directly or indirectly, of the proceeds thereof) the following statements shall be true and correct (a) the representations and warranties set forth in Article VI (excluding, however, except in the case of the initial Borrowing, those contained in Section 6.6 and Section 6.7) shall be true and correct with the same effect as if then made (unless stated to relate solely to an early date, in which case such representations and warranties shall be true and correct as of such earlier date); and (b) no Default shall have then occurred and be continuing, and neither the Borrower nor any of its Subsidiaries are in material violation of any law or governmental regulation or court order or decree.

SECTION 5.2.2 Borrowing Request and Competitive Bid Quote Request. The Agent shall have received a Borrowing Request or a Competitive Bid Quote Request for such Borrowing. Each of the delivery of a Borrowing Request or a Competitive Bid Borrowing Notice and the acceptance by the Borrower of the proceeds of such Borrowing shall constitute a representation and warranty by the Borrower that on the date of such Borrowing (both immediately before and after giving effect to such Borrowing and the application of the proceeds thereof) the statements made in Section 5.2.1 are true and correct.

SECTION 5.2.3 Satisfactory Legal Form. All documents executed or submitted pursuant hereto by or on behalf of the Borrower or any of its Subsidiaries shall be satisfactory in form and substance to the Agent and its counsel; the Agent and its counsel shall have received all information, approvals, opinions, documents or instruments as the Agent or its counsel may

reasonably request.

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ARTICLE VI

REPRESENTATIONS AND WARRANTIES

In order to induce the Lenders and the Agent to enter into this Agreement and to make Loans hereunder, the Borrower represents and warrants unto the Agent and each Lender as set forth in this Article VI.

SECTION 6.1 Organization, etc. The Borrower and each of its Subsidiaries is a corporation, partnership, limited partnership or limited liability company validly organized and existing and in good standing under the laws of the State of its incorporation, is duly qualified to do business and is in good standing as a foreign entity in each jurisdiction where the nature of its business requires such qualification, and has full power and authority and holds all requisite governmental licenses, permits and other approvals to enter into and perform its Obligations under this Agreement, the Notes and each other Loan Document to which it is a party and to conduct its business substantially as currently conducted by it (except where the failure to be so qualified to do business or be in good standing or to hold any such licenses, permits and other approvals will not have a Material Adverse Effect.

SECTION 6.2 Due Authorization, Non-Contravention, etc. The execution, delivery and performance by the Borrower of this Agreement, the Notes and each other Loan Document executed or to be executed by it, and the Borrower's participation in any transaction contemplated herein are within the Borrower's powers, have been duly authorized by all necessary corporate action, and do not (a) contravene the Borrower's Organic Documents; (b) contravene any contractual restriction, law or governmental regulation or court decree or order binding on or affecting the Borrower; or (c) result in, or require the creation or imposition of, any Lien on any of the Borrower's properties.

SECTION 6.3 Government Approval, Regulation, etc. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or other Person is required for the due execution, delivery or performance by the Borrower of this Agreement, the Notes or any other Loan Document to which it is a party, or for the Borrower's participation in any transaction contemplated herein, except as have been obtained. Neither the Borrower nor any of its Subsidiaries is an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

SECTION 6.4 Validity, etc. This Agreement constitutes, and the Notes and each other Loan Document executed by the Borrower will, on the due execution and delivery thereof, constitute, the legal, valid and binding obligations of the Borrower enforceable in accordance with their respective terms except as (i) enforceability thereof may be limited by bankruptcy, insolvency or similar laws

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affecting creditor's rights generally and (ii) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability.

SECTION 6.5 Financial Information. The balance sheets of the Borrower and each of its Subsidiaries as at June 30, 1997 and the related statements of earnings and cash flow, copies of which have been furnished to

the Agent and each Lender, have been prepared in accordance with GAAP consistently applied, and present fairly the consolidated financial condition of the corporations covered thereby as at the dates thereof and the results of their operations for the periods then ended except as disclosed in Item 6.5 ("Financial Information") of the Disclosure Schedule.

SECTION 6.6 No Material Adverse Change. As of the Effective Date, since the date of the financial statements described in Section 6.5, there has been no material adverse change in the financial condition, operations, assets, business or properties of the Borrower and its Subsidiaries (on a consolidated basis), except as disclosed in Item 5.1.5 ("Material Adverse Change") of the Disclosure Schedule.

SECTION 6.7 Litigation, Labor Controversies, etc. As of the Effective Date, there is no pending or, to the knowledge of the Borrower, threatened litigation, action, proceeding, or labor controversy affecting the Borrower or any of its Subsidiaries, or any of their respective properties, businesses, assets or revenues, which could reasonably be expected to have a Material Adverse Effect or which purports to affect the legality, validity or enforceability of, and the rights and remedies of the Agent and the Lenders under, this Agreement, the Notes or any other Loan Document, except as disclosed in Item 6.7 ("Litigation") of the Disclosure Schedule.

SECTION 6.8 Subsidiaries. As of the Effective Date, the Borrower has no Subsidiaries, except those Subsidiaries which are identified in Item 6.8 ("Subsidiaries") of the Disclosure Schedule.

SECTION 6.9 Taxes. The Borrower and each of its Subsidiaries has filed all tax returns and reports required by law to have been filed by it and has paid all taxes and governmental charges thereby shown to be owing, except any such taxes or charges which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books except such returns and taxes for jurisdictions other than the United States with respect to which the failure to file and pay such taxes would not have a Material Adverse Effect.

SECTION 6.10 Pension and Welfare Plans. During the twelve-consecutive-month period prior to the date of the execution and delivery of this Agreement and prior to the date of any Borrowing hereunder, no steps have been taken to terminate any Pension Plan, and no contribution failure has occurred with respect to any Pension Plan sufficient to give rise to a Lien securing an amount in excess of \$1,000,000 under section 302(f) of ERISA. No condition exists or event or transaction has occurred with respect to any Pension Plan which might result in the incurrence by the Borrower or any member of the Controlled Group of any material liability, fine or penalty.

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Except as disclosed in Item 6.10 ("Employee Benefit Plans") of the Disclosure Schedule, neither the Borrower nor any member of the Controlled Group has any contingent liability with respect to any post-retirement benefit under a Welfare Plan, other than liability for continuation coverage described in Part 6 of Title I of ERISA.

SECTION 6.11 Environmental Warranties and Compliance. The liabilities and costs of Borrower and its consolidated Subsidiaries related to compliance with applicable Environmental Laws (as in effect on the date on which this representation is made or deemed made) could not reasonably be expected to have a Material Adverse Effect.

SECTION 6.12 Regulations G, T, U and X. None of the Borrower and its Subsidiaries are engaged in the business of extending credit for the purpose of purchasing or carrying margin stock, and no proceeds of any Loans will be used for a purpose which violates, or would be inconsistent with, F.R.S. Board Regulation G, T, U or X. Terms for which meanings are provided in F.R.S. Board Regulation G, T, U or X or any regulations substituted therefor, as from time to time in effect, are used in this Section with such meanings.

SECTION 6.13 Accuracy of Information. No certificate, statement or other information delivered herewith or hereto by or on behalf of the

Borrower in writing to the Agent or any Lender in connection with the negotiation of this Agreement or in connection with any transaction contemplated hereby contains any untrue statement of a fact or omits to state any fact known to the Borrower or its Subsidiaries necessary to make the statements contained herein or therein not misleading as of the date made or deemed made, except to the extent that any untrue statement or omission could not reasonably be expected to have a Material Adverse Effect.

SECTION 6.14 Use of Proceeds. The proceeds of each Borrowing shall be used for the general corporate purposes of the Borrower and its Subsidiaries; without limiting the foregoing, no proceeds of any Borrowing will be used to acquire any equity security of a class which is registered pursuant to Section 12 of the Securities Exchange Act of 1934 or any "margin stock", as defined in F.R.S. Board Regulation U.

SECTION 6.15 Existing Liens. None of the assets of the Borrower or any Subsidiary of the Borrower is subject to any Lien except the Liens permitted under Section 7.2.2.

ARTICLE VII

COVENANTS

SECTION 7.1 Affirmative Covenants. The Borrower agrees with the Agent and each Lender that, until all Commitments have terminated and all Obligations have been paid and performed in full, the Borrower will perform the obligations set forth in this Section 7.1.

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SECTION 7.1.1 Financial Information, Reports, Notices, etc. The Borrower will furnish, or will cause to be furnished, to each Lender and the Agent copies of the following financial statements, reports, notices and information:

(a) as soon as available and in any event within 45 days after the end of each of the first three Fiscal Quarters of each Fiscal Year of the Borrower, consolidated balance sheets of the Borrower and its Subsidiaries as of the end of such Fiscal Quarter and consolidated statements of earnings and cash flow of the Borrower and its Subsidiaries for such Fiscal Quarter and for the period commencing at the end of the previous Fiscal Year and ending with the end of such Fiscal Quarter, certified by the chief financial Authorized Officer of the Borrower;

(b) as soon as available and in any event within 90 days after the end of each Fiscal Year of the Borrower, a copy of the annual audit report for such Fiscal Year for the Borrower and its Subsidiaries, including therein consolidated balance sheets of the Borrower and its Subsidiaries as of the end of such Fiscal Year and consolidated statements of earnings and cash flow of the Borrower and its Subsidiaries for such Fiscal Year, in each case certified (without any Impermissible Qualification) in a manner acceptable to the Agent and the Required Lenders by independent public accountants of recognized national standing;

(c) as soon as available and in any event within 60 days after the end of each Fiscal Quarter, a certificate, executed by the chief financial Authorized Officer of the Borrower, showing (in reasonable detail and with appropriate calculations and computations in all respects satisfactory to the Agent) compliance with the financial covenants set forth in Section 7.2.3;

(d) promptly, and in any event within three Business Days after an officer of the Borrower or any of its Subsidiaries becomes aware of the existence of the occurrence of each Default, a statement of the chief executive officer or the chief financial Authorized Officer of the Borrower setting forth details of such Default and the action which the Borrower has taken and proposes to take with respect thereto;

(e) promptly, and in any event within three Business Days after an officer of the Borrower or any of its Subsidiaries becomes aware of (x) the

occurrence of any adverse development with respect to any litigation, action, proceeding, or labor controversy described in Section 6.7 which would have or reasonably be expected to have a Material Adverse Effect, or (y) the commencement of any material labor controversy, litigation, action, proceeding of the type described in Section 6.7 which would have or reasonably be expected to have a Material Adverse Effect, notice thereof and copies of all documentation relating thereto requested by the Agent or any Lender;

(f) promptly after the sending or filing thereof, copies of all reports and registration statements which the Borrower or any of its Subsidiaries files with the Securities and Exchange Commission or any national securities exchange;

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(g) immediately upon becoming aware of the institution of any steps by the Borrower or any other Person to terminate any Pension Plan, or the failure to make a required contribution to any Pension Plan if such failure is sufficient to give rise to a Lien under section 302(f) of ERISA, or the taking of any action with respect to a Pension Plan which could result in the requirement that the Borrower furnish a bond or other security to the PBGC or such Pension Plan, or the occurrence of any event with respect to any Pension Plan which could result in the incurrence by the Borrower of any liability, fine or penalty, or any increase in the contingent liability of the Borrower with respect to any post-retirement Welfare Plan benefit which would have or could reasonably be expected to have a Material Adverse Effect, notice thereof and copies of all documentation relating thereto; and

(h) such other information respecting the condition or operations, financial or otherwise, of the Borrower or any of its Subsidiaries as any Lender through the Agent may from time to time reasonably request.

SECTION 7.1.2 Compliance with Laws, etc. The Borrower will, and will cause each of its Subsidiaries to, comply in all material respects with all applicable laws, rules, regulations and orders, such compliance to include (without limitation): (a) the maintenance and preservation of its corporate existence and qualification as a foreign corporation, (b) the payment, before the same become delinquent, of all taxes, assessments and governmental charges imposed upon it or upon its property except to the extent being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books and (c) all Environmental Laws; except; in each case, where the failure to so comply would not have or would not reasonably be expected to have a Material Adverse Effect.

SECTION 7.1.3 Maintenance of Properties. The Borrower will, and will cause each of its Subsidiaries to, maintain, preserve, protect and keep its properties in good repair, working order and condition, and make necessary and proper repairs, renewals and replacements so that its business carried on in connection therewith may be properly conducted at all times unless the Borrower determines in good faith that the continued maintenance of any of its properties is no longer economically desirable or unless failure to so preserve, maintain, protect or keep its properties would not reasonably be expected to have a Material Adverse Effect.

SECTION 7.1.4 Insurance. The Borrower will, and will cause each of its Subsidiaries to, maintain or cause to be maintained with responsible insurance companies insurance with respect to its properties and business against such casualties and contingencies and of such types and in such amounts as is customary in the case of similar businesses in similar locations.

SECTION 7.1.5 Books and Records. The Borrower will, and will cause each of its Subsidiaries to, keep books and records which accurately reflect, in accordance with GAAP, all of its business affairs and transactions and permit the Agent or its representatives, at reasonable times and intervals and upon reasonable prior notice to the Borrower, to visit all of its offices, to discuss its financial matters with its officers and employees and to examine any of its books or other

corporate records; provided, however, that prior notice to the Borrower shall not be required if an Event of Default has occurred or is continuing.

SECTION 7.1.6 Conduct of Business. Borrower will, and will cause each Subsidiary to, cause all material properties and businesses to be regularly conducted, operated, maintained and developed in a good and workmanlike manner, as would a prudent operator and in accordance with all applicable federal, state and local laws, rules and regulations, except for any failure to so operate, maintain and develop that could not reasonably be expected to have a Material Adverse Effect.

SECTION 7.2 Negative Covenants. The Borrower agrees with the Agent and each Lender that, until all Commitments have terminated and all Obligations have been paid and performed in full, the Borrower will perform the obligations set forth in this Section 7.2.

SECTION 7.2.1 Business Activities. The Borrower will not, and will not permit any of its Subsidiaries to, engage in any business activity if, as a result thereof, the Borrower and its Subsidiaries taken as a whole would no longer be principally engaged in the business of oil, gas and energy exploration, development, production, processing and marketing and such activities as may be incidental or related thereto.

SECTION 7.2.2 Liens. The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon any of its property, revenues or assets, whether now owned or hereafter acquired, except: (a) Liens securing payment of the Obligations, granted pursuant to any Loan Document; (b) Liens granted prior to the Effective Date to secure payment of Indebtedness; (c) Liens for taxes, assessments or other governmental charges or levies not at the time delinquent or thereafter payable without penalty or being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books; (d) Liens of carriers, warehousemen, mechanics, materialmen and landlords incurred in the ordinary course of business for sums not overdue or being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books; (e) Liens incurred in the ordinary course of business in connection with workmen's compensation, unemployment insurance or other forms of governmental insurance or benefits, or to secure performance of tenders, statutory obligations, leases and contracts (other than for borrowed money) entered into in the ordinary course of business or to secure obligations on surety or appeal bonds; (f) judgment Liens in existence less than 30 days after the entry thereof or with respect to which execution has been stayed or the payment of which is covered in full (subject to a customary deductible) by insurance maintained with responsible insurance companies and (g) Liens on cash or cash-equivalents securing Hedging Obligations of the Borrower or any of its Subsidiaries not in excess in the aggregate of \$5,000,000 for all such cash and cash equivalents; (h) any Lien existing on any asset of any Person at the time such Person becomes a Subsidiary and not created in contemplation of such event; (i) any Lien existing on any asset prior to the acquisition thereof by the Borrower or a Subsidiary and not created in contemplation of such acquisition; (j) Liens in favor of the United States of America or any state thereof or any department, agency, instrumentality or political subdivision of any such jurisdiction

to secure partial, progress, advance or other payments pursuant to any contract or statute; (k) Liens required by any contract or statute in order to permit the Borrower or a Subsidiary to perform any contract or subcontract made by it with or at the request of the United States of America, any state or any department, agency or instrumentality or political subdivision of either; (l) Liens securing Debt owing by any Subsidiary to the Borrower; (m) Liens under operating agreements, unitization agreements, pooling orders, and similar

arrangements; (n) in addition to those Liens permitted above, Liens securing Indebtedness which do not encumber or attach to any equity interest in a Significant Subsidiary so long as the time each such Lien attaches, Restricted Indebtedness does not exceed the Restricted Indebtedness Basket; and (o) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Lien referred to in the foregoing clauses of this Section or of any Debt secured thereby; provided that the principal amount of Debt secured thereby shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement and that such extension, renewal or replacement Lien shall be limited to all or part of substantially the same property subject of the Lien extended, renewed or replaced (plus improvements on such property).

SECTION 7.2.3 Financial Covenants. The Borrower will not and will not permit any of its Subsidiaries to:

(a) EBITDA to Total Interest Expense. Permit the ratio of EBITDA to Total Interest Expense for any consecutive period of four fiscal quarters ending on the last day of a fiscal quarter to be less than 4.0:1.0.

(b) Total Debt to Capitalization. Permit the Total Debt to Capitalization Ratio, expressed as a percentage, to exceed 60% at any time.

SECTION 7.2.4 Restricted Payments, etc. On and at all times after the Effective Date, the Borrower will not declare, pay or make any dividend or distribution (in cash, property or obligations) on any shares of any class of capital stock (now or hereafter outstanding) of the Borrower or on any warrants, options or other rights with respect to any shares of any class of capital stock (now or hereafter outstanding) of the Borrower (other than dividends or distributions payable in its common stock or warrants to purchase its common stock or splitups or reclassifications of its stock into additional or other shares of its common stock) or apply, or permit any of its Subsidiaries to apply, any of its funds, property or assets to the purchase, redemption, sinking fund or other retirement of, or agree or permit any of its Subsidiaries to purchase or redeem, any shares of any class of capital stock (now or hereafter outstanding) of the Borrower, or warrants, options or other rights with respect to any shares of any class of capital stock (now or hereafter outstanding) of the Borrower, if, after giving effect thereto, an Event of Default shall have occurred and be continuing.

SECTION 7.2.5 Indebtedness. The Borrower will not permit any of its Significant Subsidiaries to contract, create, incur or assume any Indebtedness, except (i) Indebtedness of a Significant Subsidiary owed to the Borrower or a Subsidiary of the Borrower, (ii) Indebtedness incurred or to be incurred by one or more of the Borrower or Samedan of North Africa, Inc. or any

SPV in connection with the construction of the Equatorial Guinea Project, which Indebtedness shall not exceed \$175,000,000 in the aggregate at any time outstanding, or (iii) other Indebtedness if at the time of incurrence thereof, and after giving effect thereto Restricted Indebtedness does not exceed the Restricted Indebtedness Basket.

SECTION 7.2.6 Consolidation, Merger, etc. The Borrower will not, and will not permit any of its Subsidiaries to, liquidate or dissolve, consolidate with, or merge into or with, any other corporation, or purchase or otherwise acquire all or substantially all of the assets of any Person (or of any division thereof) except (a) any such Subsidiary may liquidate or dissolve voluntarily into, and may merge with and into, the Borrower or any other Subsidiary, and the assets or stock of any Subsidiary may be purchased or otherwise acquired by the Borrower or any other Subsidiary; and (b) so long as no Default has occurred and is continuing or would occur after giving effect thereto, the Borrower or any of its Subsidiaries may purchase all or substantially all of the assets of any Person, or acquire such Person by merger (as long as the Borrower or such Subsidiary is the surviving entity).

SECTION 7.2.7 Transactions with Affiliates. The Borrower will not, and will not permit any of its Subsidiaries to, enter into, or cause, suffer or permit to exist any arrangement or contract with any of its other Affiliates

unless such arrangement or contract is on an "arms length" basis and is an arrangement or contract of the kind which would be entered into by a prudent Person in the position of the Borrower or such Subsidiary with a Person which is not one of its Affiliates.

SECTION 7.2.8 Negative Pledges, Restrictive Agreements, etc. The Borrower will not, and will not permit any of its Subsidiaries to, enter into any agreement (excluding this Agreement, any other Loan Document and any agreement governing any Indebtedness not prohibited under this Agreement) prohibiting the creation or assumption of any Lien upon its properties, revenues or assets, whether now owned or hereafter acquired, or the ability of the Borrower to amend or otherwise modify this Agreement or any other Loan Document. The Borrower will not and will not permit any of its Subsidiaries to enter into any agreement prohibiting the ability of any Subsidiary to make any payments, directly or indirectly, to the Borrower by way of dividends, advances, repayments of loans or advances, reimbursements of management and other intercompany charges, expenses and accruals or other returns on investments, or any other agreement or arrangement which restricts the ability of any such Subsidiary to make any payment, directly or indirectly, to the Borrower.

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ARTICLE VIII

EVENTS OF DEFAULT

SECTION 8.1 Listing of Events of Default. Each of the following events or occurrences described in this Section 8.1 shall constitute an "Event of Default".

SECTION 8.1.1 Non-Payment of Obligations. The Borrower shall default in the payment or prepayment when due of any principal of or interest on any Loan or Competitive Bid Loan, or the Borrower shall default (and such default shall continue unremedied for a period of five days) in the payment when due of any fee or of any other Obligation.

SECTION 8.1.2 Breach of Warranty. Any representation or warranty of the Borrower made or deemed to be made hereunder or in any other Loan Document executed by it or any certificates delivered pursuant to Article V is or shall be incorrect in any material respect when made or deemed made.

SECTION 8.1.3 Non-Performance of Certain Covenants and Obligations. The Borrower shall default in the due performance and observance of any of its obligations under Section 7.2.2, 7.2.3, 7.2.6 or 7.2.8; provided that the imposition of any non-consensual Lien that is not permitted to exist pursuant to Section 7.2.2 shall not be deemed to constitute an Event of Default hereunder until thirty (30) days after the date of such imposition.

SECTION 8.1.4 Non-Performance of Other Covenants and Obligations. The Borrower shall default in the due performance and observance of any other provision contained herein (not constituting an Event of Default under the preceding provisions of this Section 8.1) or any other Loan Document executed by it, and such default shall continue unremedied for a period of 30 days after notice thereof shall have been given to the Borrower by the Agent or any Lender.

SECTION 8.1.5 Default on Other Indebtedness. A default shall occur in the payment when due (subject to any applicable grace period), whether by acceleration or otherwise, of any Indebtedness (other than Indebtedness described in Section 8.1.1) of the Borrower or any of its Subsidiaries having a principal amount, individually or in the aggregate, in excess of \$25,000,000, or a default shall occur in the performance or observance of any obligation or condition with respect to such Indebtedness if the effect of such default is to accelerate the maturity of any such Indebtedness or such default shall continue unremedied for any applicable period of time sufficient to permit the holder or holders of such Indebtedness, or any trustee or agent for such holders, to cause such Indebtedness to become due and payable prior to its expressed maturity.

SECTION 8.1.6 Judgments. Any judgment or order for the payment of money in excess of \$25,000,000 shall be rendered against the Borrower or any of its Significant Subsidiaries if such excess is not fully covered by valid and collectible insurance in respect thereof, the payment of which is not being disputed or contested by the insurer or the insurers, and either (i) proper or

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valid enforcement or levying proceedings shall have been commenced by any creditor upon such judgment or order or (ii) such judgment or order shall continue unsatisfied and unstayed for a period of thirty (30) consecutive days.

SECTION 8.1.7 Pension Plans. Any of the following events shall occur with respect to any Pension Plan (a) the institution of any steps by the Borrower, any member of its Controlled Group or any other Person to terminate a Pension Plan if, as a result of such termination, the Borrower or any such member could be required to make a contribution to such Pension Plan, or could reasonably expect to incur a liability or obligation to such Pension Plan, in excess of \$25,000,000; or (b) a contribution failure occurs with respect to any Pension Plan sufficient to give rise to a Lien securing an amount in excess of \$1,000,000 under section 302(f) of ERISA.

SECTION 8.1.8 Change in Control. Any Change in Control shall occur.

SECTION 8.1.9 Bankruptcy, Insolvency, etc. The Borrower or any of its Significant Subsidiaries shall (a) become insolvent or generally fail to pay, or admit in writing its inability or unwillingness to pay, debts as they become due; (b) apply for, consent to, or acquiesce in, the appointment of a trustee, receiver, sequestrator or other custodian for the Borrower or any of its Significant Subsidiaries or any substantial portion of the property of any thereof, or make a general assignment for the benefit of creditors; (c) in the absence of such application, consent or acquiescence, permit or suffer to exist the appointment of a trustee, receiver, sequestrator or other custodian for the Borrower or any of its Significant Subsidiaries or for a substantial part of the property of any thereof, and such trustee, receiver, sequestrator or other custodian shall not be discharged within 60 days, provided that the Borrower, each Significant Subsidiary hereby expressly authorizes the Agent and each Lender to appear in any court conducting any relevant proceeding during such 60-day period to preserve, protect and defend their rights under the Loan Documents; (d) permit or suffer to exist the commencement of any bankruptcy, reorganization, debt arrangement or other case or proceeding under any bankruptcy or insolvency law, or any dissolution, winding up or liquidation proceeding, in respect of the Borrower or any of its Significant Subsidiaries, and, if any such case or proceeding is not commenced by the Borrower or such Subsidiary, such case or proceeding shall be consented to or acquiesced in by the Borrower or such Significant Subsidiary or shall result in the entry of an order for relief or shall remain for 60 days undischarged, provided that the Borrower, each Significant Subsidiary hereby expressly authorizes the Agent and each Lender to appear in any court conducting any such case or proceeding during such 60-day period to preserve, protect and defend their rights under the Loan Documents; or (e) take any corporate action authorizing, or in furtherance of, any of the foregoing.

SECTION 8.2 Action if Bankruptcy. If any Event of Default described in Section 8.1.9 shall occur with respect to the Borrower or any Significant Subsidiary, the Commitments (if not theretofore terminated) shall automatically terminate and the outstanding principal amount of all outstanding Borrowings and all other Obligations shall automatically be and become immediately due and payable, without notice or demand.

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SECTION 8.3 Action if Other Event of Default. If any Event of Default (other than any Event of Default described in Section 8.1.9 with

respect to the Borrower or any Significant Subsidiary) shall occur for any reason, whether voluntary or involuntary, and be continuing, the Agent, upon the direction of the Required Lenders, shall by notice to the Borrower declare all or any portion of the outstanding principal amount of the Borrowings and other Obligations to be due and payable and/or the Commitments (if not theretofore terminated) to be terminated, whereupon the full unpaid amount of such Loans and other Obligations which shall be so declared due and payable shall be and become immediately due and payable, without further notice, demand or presentment, as the case may be, and/or the Commitments shall terminate.

ARTICLE IX

THE AGENT, THE MANAGING AGENTS AND THE CO-AGENTS

SECTION 9.1 Actions. Each Lender hereby (i) appoints UBS as the Agent under this Agreement, the Notes and each other Loan Document, (ii) acknowledges each of NB and TCB as a Managing Agent under this Agreement, the Notes and each other Loan Document, and (iii) acknowledges each of BOM, CIBC, First Chicago, RBC and SocGen as a Co-Agent under this Agreement, the Notes and each other Loan Document. Each Lender authorizes the Agent to act on behalf of such Lender under this Agreement, the Notes and each other Loan Document and, in the absence of other written instructions from the Required Lenders received from time to time by the Agent (with respect to which the Agent agrees that it will comply, except as otherwise provided in this Section or as otherwise advised by counsel), to exercise such powers hereunder and thereunder as are specifically delegated to or required of the Agent by the terms hereof and thereof, together with such powers as may be reasonably incidental thereto. Each Lender acknowledges that none of the Managing Agents and the Co-Agents have any duties or obligations under this Agreement in connection with their capacity as a Managing Agent or a Co-Agent, as the case may be. Each Lender hereby indemnifies (which indemnity shall survive any termination of this Agreement) each of the Agent, the Managing Agents and the Co-Agents, pro rata according to such Lender's Percentage, whether or not related to any singular, joint or concurrent negligence of the Agent, the Managing Agents and the Co-Agents, from and against any and all liabilities, obligations, losses, damages, claims, costs or expenses of any kind or nature whatsoever which may at any time be imposed on, incurred by, or asserted against, the Agent, any Managing Agent or any Co-Agent in any way relating to or arising out of this Agreement, the Notes and any other Loan Document, including reasonable attorneys' fees, and as to which the Agent, such Managing Agent or such Co-Agent is not reimbursed by the Borrower; provided, however, that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, claims, costs or expenses which are determined by a court of competent jurisdiction in a final proceeding to have resulted solely from the Agent's, such Managing Agent's or such Co-Agent's gross negligence or wilful misconduct. None of the Agent, the Managing Agents and the Co-Agents shall be required to take any action hereunder, under the Notes or under any other Loan Document, or to prosecute or defend any suit in respect of this Agreement, the Notes or any other Loan Document, unless it is indemnified

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hereunder to its satisfaction. If any indemnity in favor of the Agent, any Managing Agent or any Co-Agent shall be or become inadequate, in the Agent's, such Managing Agent's or such Co-Agent's determination, as the case may be, the Agent, such Managing Agent or such Co-Agent, as the case may be, may call for additional indemnification from the Lenders and cease to do the acts indemnified against hereunder until such additional indemnity is given. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, none of the Agent, the Managing Agents and the Co-Agents shall have any duties or responsibilities, except as expressly set forth herein, nor shall any of the Agent, the Managing Agents and the Co-Agents have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against any of the Agent, the Managing Agents and the Co-Agents.

SECTION 9.2 Funding Reliance, etc. Unless the Agent shall have

been notified by telephone, confirmed in writing, by any Lender by 5:00 p.m., New York time, on the day prior to a Borrowing (except with respect to a Borrowing comprised of Base Rate Loans, in which case notice shall be given no later than 12:00 noon, New York time, on the date of the proposed Borrowing) that such Lender will not make available the amount which would constitute its Percentage of such Borrowing on the date specified therefor, the Agent may assume that such Lender has made such amount available to the Agent and, in reliance upon such assumption, make available to the Borrower a corresponding amount. If and to the extent that such Lender shall not have made such amount available to the Agent, such Lender and the Borrower severally agree to repay the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date the Agent made such amount available to the Borrower to the date such amount is repaid to the Agent, at the Federal Funds Rate.

SECTION 9.3 Exculpation. None of the Agent, the Managing Agents, the Co-Agents and their respective directors, officers, employees or agents shall be liable to any Lender for any action taken or omitted to be taken by it under this Agreement or any other Loan Document, or in connection herewith or therewith, except for its own wilful misconduct or gross negligence, nor responsible for any recitals or warranties herein or therein, nor for the effectiveness, enforceability, validity or due execution of this Agreement or any other Loan Document, nor to make any inquiry respecting the performance by the Borrower of its obligations hereunder or under any other Loan Document. Any such inquiry which may be made by the Agent, any Managing Agent or any Co-Agent shall not obligate it to make any further inquiry or to take any action. Each of the Agent, the Managing Agents and the Co-Agents shall be entitled to rely upon advice of counsel concerning legal matters and upon any notice, consent, certificate, statement or writing which the Agent, such Managing Agent or such Co-Agent believes to be genuine and to have been presented by a proper Person.

SECTION 9.4 Successor. Any of the Agent, the Managing Agents and the Co-Agents may resign as such at any time upon at least 30 days' prior notice to the Borrower and all Lenders. If the Agent at any time shall resign, the Required Lenders may appoint another Lender as the successor

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Agent which shall thereupon become the Agent hereunder. If no successor Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving notice of resignation, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be one of the Lenders or a commercial banking institution organized under the laws of the U.S. (or any State thereof) or a U.S. branch or agency of a commercial banking institution, and having a combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as the Agent hereunder by a successor Agent, such successor Agent shall be entitled to receive from the retiring Agent such documents of transfer and assignment as such successor Agent may reasonably request, and shall thereupon succeed to and become vested with all rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After a retiring Agent's, Managing Agent's or Co-Agent's resignation hereunder as Agent, Managing Agent or Co-Agent, the provisions of (a) this Article IX shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Agent under this Agreement, and Section 10.4 (and, with respect to the Agent, Section 10.3) shall continue to inure to its benefit.

SECTION 9.5 Loans by the Agents. Each of the Agent, the Managing Agents and the Co-Agents shall have the same rights and powers with respect to (x) the Loans made by it or any of its Affiliates, and (y) the Notes held by it or any of its Affiliates as any other Lender and may exercise the same as if it were not the Agent, a Managing Agent or a Co-Agent, as the case may be. Each of the Agent, the Managing Agents and the Co-Agents and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Subsidiary or Affiliate of the Borrower as if it were not the Agent, a Managing Agent or a Co-Agent hereunder, as the case may be.

SECTION 9.6 Credit Decisions. Each Lender acknowledges that it has made its own credit decision to extend its Commitments hereunder (i) independently of each of the Agent, the Managing Agents, the Co-Agents and each other Lender, and (ii) based on such Lender's review of the financial information of the Borrower, this Agreement, the other Loan Documents (the terms and provisions of which being satisfactory to such Lender) and such other documents, information and investigations as such Lender has deemed appropriate. Each Lender also acknowledges that it will continue to make its own credit decisions as to exercising or not exercising from time to time any rights and privileges available to it under this Agreement or any other Loan Document (i) independently of each of the Agent, the Managing Agents, the Co-Agents and each other Lender, and (ii) based on such other documents, information and investigations as it shall deem appropriate at any time.

SECTION 9.7 Copies, etc. The Agent shall give prompt notice to each Lender of each notice or request required or permitted to be given to the Agent by the Borrower pursuant to the terms of this Agreement (unless concurrently delivered to the Lenders by the Borrower). The Agent will distribute to each Lender each document or instrument received for its account and copies of all other communications received by the Agent from the Borrower for distribution to the Lenders by the Agent in accordance with the terms of this Agreement."

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ARTICLE X

MISCELLANEOUS PROVISIONS

SECTION 10.1 Waivers, Amendments, etc. The provisions of this Agreement and of each other Loan Document may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and consented to by the Borrower and the Required Lenders; provided, however, that no such amendment, modification or waiver which would: (a) modify any requirement hereunder that any particular action be taken by all the Lenders or by the Required Lenders shall be effective unless consented to by each Lender; (b) modify this Section 10.1, change the definition of "Required Lenders", increase any Commitment Amount or the Percentage of any Lender, reduce any fees described in Article III, change the schedule of reductions to the Commitments provided for in Section 2.3, release any collateral security except as otherwise specifically provided in any Loan Document or extend any Commitment Termination Date, shall be made without the consent of each Lender; (c) extend the due date for, or reduce the amount of, any scheduled repayment or prepayment of principal of or interest on any Loan (or reduce the principal amount of or rate of interest on any Loan) shall be made without the consent of the holder of that Note evidencing such Loan; or (d) affect adversely the interests, rights or obligations of the Agent as Agent, any Managing Agent as Managing Agent or any Co-Agent as Co-Agent shall be made without the consent of such Agent, Managing Agent or Co-Agent.

No failure or delay on the part of the Agent, any Lender or the holder of any Note in exercising any power or right under this Agreement or any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No notice to or demand on the Borrower in any case shall entitle it to any notice or demand in similar or other circumstances. No waiver or approval by the Agent, any Lender or the holder of any Note under this Agreement or any other Loan Document shall, except as may be otherwise stated in such waiver or approval, be applicable to subsequent transactions. No waiver or approval hereunder shall require any similar or dissimilar waiver or approval thereafter to be granted hereunder.

SECTION 10.2 Notices. All notices and other communications provided to any party hereto under this Agreement or any other Loan Document shall be in writing or by facsimile and addressed, delivered or transmitted to such party at its address or facsimile number set forth below its signature hereto or set forth in the Lender Assignment Agreement or at such other address or facsimile number as may be designated by such party in a notice to the other parties. Any notice, if mailed and properly addressed with postage prepaid or if properly addressed and sent by pre-paid courier service, shall be deemed

given when received; any notice, if transmitted by facsimile, shall be deemed given when transmitted and receipt is confirmed.

SECTION 10.3 Payment of Costs, Expenses and Taxes. The Borrower agrees to pay on demand all reasonable out-of-pocket costs and expenses of (i) the Agent (including, without limitation, the reasonable fees and out-of-pocket expenses of Messrs. Mayer, Brown & Platt and of

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local counsel, if any, who may be retained by said counsel) in connection with the preparation, negotiation, execution, delivery, syndication and administration of this Agreement and of each other Loan Document, including schedules and exhibits, and any amendments, waivers, consents, supplements or other modification to this Agreement or any other Loan Document and (ii) the Agent and the Lenders in connection with the enforcement by the Lenders or the Agent of, or the protection of rights under, this Agreement, the Notes and each other Loan Document. The Agent and each Lender agree to the extent feasible, and to the extent a conflict of interest does not exist in the reasonable opinion of the Agent or any Lender, to use one law firm in each jurisdiction in connection with the foregoing, to the extent they seek reimbursement for the expenses thereof from the Borrower. Each Lender agrees to reimburse the Agent on demand for such Lender's pro rata share (based upon its respective Percentage) of any such costs or expenses not paid by the Borrower. In addition, the Borrower agrees to pay, and to save the Agent and the Lenders harmless from all liability for, any stamp or other taxes which may be payable in connection with the execution or delivery of this Agreement, the Borrowings hereunder, or the issuance of the Notes, or of any other instruments or documents provided for herein or delivered or to be delivered hereunder or in connection herewith.

SECTION 10.4 Indemnification. In consideration of the execution and delivery of this Agreement by each Lender and the extension of the Commitments, the Borrower hereby indemnifies, exonerates and holds the Agent, each Managing Agent, each Co-Agent and each Lender and each of their respective officers, directors, employees and agents (collectively, the "Indemnified Parties"), whether or not related to any negligence of the Indemnified Parties, free and harmless from and against any and all actions, causes of action, suits, losses, costs, liabilities and damages, and expenses incurred in connection therewith (irrespective of whether any such Indemnified Party is a party to the action for which indemnification hereunder is sought), including reasonable attorneys' fees and disbursements (collectively, the "Indemnified Liabilities"), incurred by the Indemnified Parties or any of them as a result of, or arising out of, or relating to (a) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of any Loan; (b) the entering into and performance of this Agreement and any other Loan Document by any of the Indemnified Parties; (c) any investigation, litigation or proceeding related to any acquisition or proposed acquisition by the Borrower or any of its Significant Subsidiaries of all or any portion of the stock or assets of any Person, whether or not the Agent, such Managing Agent, such Co-Agent or such Lender is party thereto; any investigation, litigation or proceeding related to any environmental cleanup, audit, compliance or other matter relating to the protection of the environment or the Release by the Borrower or any of its Significant Subsidiaries of any Hazardous Material; or (d) the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission, discharging or releases from, any real property owned or operated by the Borrower or any Subsidiary thereof of any Hazardous Material (including any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under any Environmental Law), regardless of whether caused by, or within the control of, the Borrower or such Subsidiary, except for any such Indemnified Liabilities arising for the account of a particular Indemnified Party by reason of the relevant Indemnified Party's gross negligence or wilful misconduct. If and to the extent that the foregoing undertaking may be unenforceable for any

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reason, the Borrower hereby agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law."

SECTION 10.5 Survival. The obligations of the Borrower under Sections 4.3, 4.4, 4.5, 4.6, 10.3 and 10.4, and the obligations of the Lenders under Section 9.1, shall in each case survive any termination of this Agreement, the payment in full of all Obligations and the termination of all Commitments.

SECTION 10.6 Severability. Any provision of this Agreement or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such provision and such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement or such Loan Document or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 10.7 Headings. The various headings of this Agreement and of each other Loan Document are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement or such other Loan Document or any provisions hereof or thereof.

SECTION 10.8 Execution in Counterparts, Effectiveness, etc. This Agreement may be executed by the parties hereto in several counterparts, each of which shall be executed by the Borrower and the Agent and be deemed to be an original and all of which shall constitute together but one and the same agreement. This Agreement shall become effective when counterparts hereof executed on behalf of the Borrower and each Lender (or notice thereof satisfactory to the Agent) shall have been received by the Agent and notice thereof shall have been given by the Agent to the Borrower and each Lender.

SECTION 10.9 Governing Law; Entire Agreement. THIS AGREEMENT, THE NOTES AND EACH OTHER LOAN DOCUMENT SHALL EACH BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAWS. This Agreement, the Notes and the other Loan Documents constitute the entire understanding among the parties hereto with respect to the subject matter hereof and supersede any prior agreements, written or oral, with respect thereto.

SECTION 10.10 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that: (a) the Borrower may not assign or transfer its rights or obligations hereunder without the prior written consent of the Agent and all Lenders; and (b) the rights of sale, assignment and transfer of the Lenders are subject to Section 10.11.

SECTION 10.11 Sale and Transfer of Loans and Notes; Participations in Loans and Notes. Each Lender may assign, or sell participations in, its Loans and Commitments to one or more other Persons in accordance with this Section 10.11.

SECTION 10.11.1 Assignments. Any Lender, (a) with the written consents of the Borrower and the Agent (which consents shall not be unreasonably delayed or withheld, may at any time assign and delegate to one or more commercial banks or other financial institutions, and (b) with notice to the Borrower and the Agent, but without the consent of the Borrower or the Agent, may assign and delegate to any of its Affiliates or to any other Lender (each Person described in either of the foregoing clauses as being the Person to whom such assignment and delegation is to be made, being hereinafter referred to as an "Assignee Lender"), all or any fraction of such Lender's total Loans and Commitments (which assignment and delegation shall be of a constant, and not a varying, percentage of all the assigning Lender's Loans and Commitments and which shall be of equal pro rata shares of the Facility) in a minimum aggregate amount of \$10,000,000; provided, however, that any such Assignee Lender will comply, if applicable, with the provisions contained in the last sentence of Section 4.6 and further, provided, however, that, the Borrower and the Agent shall be entitled to continue to deal solely and

directly with such Lender in connection with the interests so assigned and delegated to an Assignee Lender until (c) written notice of such assignment and delegation, together with payment instructions, addresses and related information with respect to such Assignee Lender, shall have been given to the Borrower and the Agent by such Lender and such Assignee Lender, (d) such Assignee Lender shall have executed and delivered to the Borrower and the Agent a Lender Assignment Agreement, accepted by the Agent, and (e) the processing fees described below shall have been paid.

From and after the date that the Agent accepts such Lender Assignment Agreement, (x) the Assignee Lender thereunder shall be deemed automatically to have become a party hereto and to the extent that rights and obligations hereunder have been assigned and delegated to such Assignee Lender in connection with such Lender Assignment Agreement, shall have the rights and obligations of a Lender hereunder and under the other Loan Documents, and (y) the assignor Lender, to the extent that rights and obligations hereunder have been assigned and delegated by it in connection with such Lender Assignment Agreement, shall be released from its obligations hereunder and under the other Loan Documents. Within five Business Days after its receipt of notice that the Agent has received an executed Lender Assignment Agreement, the Borrower shall execute and deliver to the Agent (for delivery to the relevant Assignee Lender) new Notes evidencing such Assignee Lender's assigned Loans and Commitments and, if the assignor Lender has retained Loans and Commitments hereunder, replacement Notes in the principal amount of the Loans and Commitments retained by the assignor Lender hereunder (such Notes to be in exchange for, but not in payment of, those Notes then held by such assignor Lender). Each such Note shall be dated the date of the predecessor Notes. The assignor Lender shall mark the predecessor Notes "exchanged" and deliver them to the Borrower. Accrued interest on that part of the predecessor Notes evidenced by the new Notes, and accrued fees, shall be paid as provided in the Lender Assignment Agreement. Accrued interest on that part of the predecessor Notes evidenced by the replacement Notes shall be paid to the assignor Lender. Accrued interest and accrued fees shall be paid at the same time or times provided in the predecessor Notes and in this Agreement. Such assignor Lender or such Assignee Lender must also pay a processing fee to the Agent upon delivery of any Lender Assignment Agreement in the amount of \$2,000. Any attempted assignment and delegation not made in accordance with this Section 10.11.1 shall be null and void.

SECTION 10.11.2 Participations. Any Lender may at any time sell to one or more commercial banks or other Persons (each of such commercial banks and other Persons being herein called a "Participant") participating interests in any of the Loans, Commitments, or other interests of such Lender hereunder; provided, however, that (a) no participation contemplated in this Section 10.11 shall relieve such Lender from its Commitments or its other obligations hereunder or under any other Loan Document, (b) such Lender shall remain solely responsible for the performance of its Commitments and such other obligations, (c) the Borrower and the Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and each of the other Loan Documents, (d) no Participant, unless such Participant is an Affiliate of such Lender, or is itself a Lender, shall be entitled to require such Lender to take or refrain from taking any action hereunder or under any other Loan Document, except that such Lender may agree with any Participant that such Lender will not, without such Participant's consent, take any actions of the type described in clause (b) or (c) of Section 10.1, and (e) the Borrower shall not be required to pay any amount under Section 4.6 that is greater than the amount which it would have been required to pay had no participating interest been sold. The Borrower acknowledges and agrees that each Participant, for purposes of Sections 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9 and 10.4, shall be considered a Lender; provided that this sentence shall not obligate Borrower to pay more under such Sections that it would be obligated to pay had no such participation been granted.

SECTION 10.12 Other Transactions. Nothing contained herein shall preclude the Agent or any other Lender from engaging in any transaction, in addition to those contemplated by this Agreement or any other Loan Document, with the Borrower or any of its Affiliates in which the Borrower or such Affiliate is not restricted hereby from engaging with any other Person.

SECTION 10.13 Sale and Purchase of Loans. On the Effective Date, the aggregate principal balance of the Prior Indebtedness outstanding is \$200,000,000 as shown on Schedule IIB and each Lender represents and warrants for itself that its outstanding loans under the Original Credit Agreement as of the Effective Date is as set forth in the second column of Schedule IIB. Lenders hereby sell, assign, transfer and convey, and Lenders hereby purchase and accept so much of the Prior Indebtedness and all of the rights, titles, benefits, interests, privileges, claims, liens, security interests, and obligations existing and to exist (collectively the "Interests") such that each Lender's Percentage of the outstanding loans and commitments under the Original Credit Agreement as amended and restated by this Agreement shall be as set forth in Schedule IIA as of the Effective Date. The foregoing assignment, transfer and conveyance are without recourse to the Lenders and without any warranties whatsoever as to title, enforceability, collectibility, documentation or freedom from liens or encumbrances, in whole or in part, other than the warranty by each Lender that it has not sold, transferred, conveyed or encumbered such Interests. If as a result thereof, a Lender's Percentage of the outstanding Loans under this Agreement is less than its outstanding loans under the Original Credit Agreement on the Effective Date, the difference set forth in the last column of Schedule IIB shall be remitted to such Lender by the Agent upon receipt of funds from the other Lenders shown in the last column of Schedule IIB on the Effective Date. Each Lender so acquiring a part of such outstanding loans assumes its Percentage of the outstanding Loans, Commitments,

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rights, titles, interests, privileges, claims, liens, security interests, benefits and obligations under this Agreement and the other Loan Documents and any Lender so acquiring an interest in such outstanding Loans may be paid a cost of funds with respect thereto as mutually agreed between the Borrower and such Lender. Lenders are proportionately released from the obligations assumed by Lenders so acquiring such obligations and, to that extent, the Lenders so released shall have no further obligation under the Original Credit Agreement, as amended and restated hereby. The Borrower hereby represents and warrants that it has no defenses, offsets or counterclaims to the Prior Indebtedness or its obligations or rights under this Agreement, including, without limitation, the Interests being assigned pursuant to this Section 10.13. The promissory notes evidencing the Prior Indebtedness shall be appropriately endorsed and delivered by the holders thereof to the Agent and retained by the Agent until the Obligations shall have been paid in full, all Letters of Credit have expired or been canceled and the Commitments have been canceled.

SECTION 10.14 Forum Selection and Consent to Jurisdiction. ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF THE AGENT, THE LENDERS OR THE BORROWER SHALL BE BROUGHT AND MAINTAINED EXCLUSIVELY IN THE COURTS OF THE STATE OF NEW YORK OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT THE AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. THE BORROWER, THE AGENT, AND EACH LENDER HEREBY EXPRESSLY AND IRREVOCABLY SUBMIT TO THE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE AND IRREVOCABLY AGREE TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH SUCH LITIGATION. THE BORROWER, THE AGENT, AND EACH LENDER FURTHER IRREVOCABLY CONSENT TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF NEW YORK. THE BORROWER, THE AGENT, AND EACH LENDER HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY HAVE OR HEREAFTER MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT THAT THE BORROWER HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OF FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO

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ITSELF OR ITS PROPERTY, THE BORROWER HEREBY IRREVOCABLY WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

SECTION 10.15 Waiver of Jury Trial. THE AGENT, THE LENDERS AND THE BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF THE AGENT, THE LENDERS OR THE BORROWER. THE BORROWER ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION (AND EACH OTHER PROVISION OF EACH OTHER LOAN DOCUMENT TO WHICH IT IS A PARTY) AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE AGENT AND THE LENDERS ENTERING INTO THIS AGREEMENT AND EACH SUCH OTHER LOAN DOCUMENT.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

NOBLE AFFILIATES, INC.

By:

Name: William D. Dickson
Title: Vice President Finance and Treasurer

Address: 110 West Broadway
Ardmore, Oklahoma 73401

Facsimile No.: 405/221-1386
Telephone No.: 405/223-4110
Attention: William D. Dickson

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UNION BANK OF SWITZERLAND, Houston Agency, Individually as a Lender and as the Agent

By:

Name: Finley Biggerstaff
Title: Assistant Vice President

By:

Name: Evans Swann
Title: Managing Director

Domestic Office: 1100 Louisiana, Suite 4500

Houston, Texas 77002

Facsimile No.: (713) 655-6555

Attention: Finley Biggerstaff
Telephone: (713) 655-6500

Eurodollar
Office: 1100 Louisiana, Suite 4500
Houston, Texas 77002

Facsimile No.: (713) 655-6555

Attention: Finley Biggerstaff
Telephone: (713) 655-6500

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NATIONSBANK OF TEXAS, N.A, Individually as a
Lender and as Managing Agent

By: _____

Name: Dale T. Wilson
Title: Vice President

Domestic
Office: 901 Main Street, 14th Floor
Dallas, Texas 75202

Facsimile No.: (214) 508-1215

Attention: Betty Canales
Telephone: (214) 508-1225

Eurodollar
Office: 901 Main Street, 14th Floor
Dallas, Texas 75202

Facsimile No.: (214) 508-1215

Attention: Betty Canales
Telephone: (214) 508-1225

Send copies to: 303 West Wall Street
Midland, Texas 79701-4761

Facsimile No.: (915) 685-2009

Attention: Dale Wilson
Telephone: (915) 685-2193

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TEXAS COMMERCE BANK NATIONAL ASSOCIATION,
Individually as a Lender and as Managing Agent

By: _____

Name: Dale Hurd
Title: Senior Vice President

Domestic
Office: 2200 Ross Ave., 3rd Floor
Dallas, Texas 75201

Facsimile No.: (214) 965-2389

Attention: Dale Hurd
Telephone: (214) 965-2583

Eurodollar
Office: 2200 Ross Ave., 3rd Floor
Dallas, Texas 75201

Facsimile No.: (214) 965-2389

Attention: Dale Hurd
Telephone: (214) 965-2583

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BANK OF MONTREAL, Individually as a Lender and
as Co-Agent

By: _____

Name:
Title:

Domestic
Office: 115 S. LaSalle, 11W
Chicago, Illinois 60603

Facsimile No.: (312) 750-4326

Attention: Charla Chase
Telephone: (312) 750-4326

Eurodollar
Office: 115 S. LaSalle, 11W
Chicago, Illinois 60603

Facsimile No.: (312) 750-6061

Attention: Charla Chase
Telephone: (312) 750-4326

Send copies to: 700 Louisiana, Suite 4400
Houston, Texas 77002

Facsimile No.: (713) 223-4007

Attention: Robert L. Roberts
Telephone: (713) 546-9754

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66

CIBC INC., Individually as a Lender and as
Co-Agent

By: _____

Name:
Title:

Domestic
Office: 2727 Paces Ferry Rd.
Suite 1200
Atlanta, Georgia 30339

Facsimile No.: (270) 319-4950

Attention: Joan Moseley
Telephone: (270) 319-4828

Eurodollar
Office: 2727 Paces Ferry Rd.
Suite 1200
Atlanta, Georgia 30339

Facsimile No.: (270) 319-4950

Attention: Joan Moseley
Telephone: (270) 319-4828

Send copies to: 909 Fannin, Suite 1200
Houston, TX 77010

Facsimile No.: (713) 658-9922

Attention: Brian Myers
Telephone: (713) 658-5230

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THE FIRST NATIONAL BANK OF CHICAGO, Individually
as a Lender and as Co-Agent

By: _____

Name:
Title:

Domestic
Office: One First National Plaza
0634, 1FNP, 10
Chicago, IL 60670

Facsimile No.: (312) 732-4840

Attention: John Beirne
Telephone: (312) 732-3659

Eurodollar
Office: One First National Plaza
0634, 1FNP, 10
Chicago, IL 60670

Facsimile No.: (312) 732-4840

Attention: John Beirne
Telephone: (312) 732-3659

Send copies to: 1100 Louisiana, Suite 3200
Houston, TX 77002

Facsimile No.: (713) 654-7370

Attention: Ron Dierker
Telephone: (713) 654-7341

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ROYAL BANK OF CANADA, Individually as a Lender
and as Co-Agent

By: _____

Name: Linda M. Stephens
Title: Manager

Domestic
Office: 1 Financial Square
New York, NY 10005-3531

Facsimile No.: (212) 428-2372

Attention: Linda Smith, Loan Administrator
Telephone: (212) 428-6323

Eurodollar
Office: 1 Financial Square
New York, NY 10005-3531

Facsimile No.: (212) 428-2372

Attention: Linda Smith, Loan Administrator
Telephone: (212) 428-6323

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SOCIETE GENERALE, SOUTHWEST AGENCY, Individually
as a Lender and as Co-Agent

By: _____

Name:
Title:

Domestic
Office: 2001 Ross Ave., Suite 4800
Dallas, Texas 75201

Facsimile No.: (214) 979-1104

Attention: Louis P. LaVille
Telephone: (214) 979-2762

Eurodollar
Office: 2001 Ross Ave., Suite 4800
Dallas, Texas 75201

Facsimile No.: (214) 754-0171

Attention: Ralph Saheb
Telephone: (214) 979-2764

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BANK OF AMERICA NATIONAL TRUST AND SAVINGS
ASSOCIATION, as a Lender

By:

Name: Ronald E. McKaig
Title: Vice President

Domestic
Office: Bank of America NT&SA
231 South LaSalle
Chicago, IL 60697

Facsimile No.: (510) 603-8264
Attention: Leeann Denbow
Telephone: (510) 675-7040

With a copy to: Bank of America

Address: 333 Clay Street, Suite 4550
Houston, TX 77002

Facsimile No.: (713) 651-4841
Attention: Ronald E. McKaig
Telephone: (713) 651-4881

Eurodollar
Office: Bank of America NT&SA
231 South LaSalle
Chicago, IL 60697

Facsimile No.: (510) 603-8264
Attention: Leeann Denbow
Telephone: (510) 675-7040

With a copy to: Bank of America

Address: 333 Clay Street, Suite 4550
Houston, TX 77002

Facsimile No.: (713) 651-4841
Attention: Ronald E. McKaig
Telephone: (713) 651-4881

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THE BANK OF NEW YORK, as a Lender

By: -----
Name:
Title:

Domestic
Office: The Energy Industries Division
One Wall Street, 19th Floor
New York, New York 10286

Facsimile No.: (212) 635-7923

Attention: Raymond Palmer
Telephone: (212) 635-7834

Eurodollar
Office: Eurodollar/Cayman Funding Area
101 Barclay Street
New York, New York 10286

Facsimile No.: (212) 635-7923

Attention: Carol Tafuro
Telephone: (212) 635-7550

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BANQUE PARIBAS, as a Lender

By: -----
Name:
Title:

By: -----
Name:
Title:

Domestic
Office: 1200 Smith Street, Suite 3100
Houston, Texas 77002

Facsimile No.: (713) 659-5305

Attention:
Telephone:

Eurodollar
Office: 1200 Smith Street, Suite 3100
Houston, Texas 77002

Facsimile No.: (713) 659-6915

Attention:
Telephone:

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FIRST UNION NATIONAL BANK f/k/a FIRST UNION
NATIONAL BANK OF NORTH CAROLINA, as a Lender

By: _____

Name:
Title:

Domestic
Office: 301 South College Street
Charlotte, N.C. 28288

Facsimile No.: (704) 374-6249

Attention: Michael Kolosowsky
Telephone: (704) 383-8225

Eurodollar
Office: 301 South College Street
Charlotte, N.C. 28288

Facsimile No.: (704) 374-6249

Attention: Michael Kolosowsky
Telephone: (704) 383-8225

Send copies to: 1001 Fannin Street, Suite 2255
Houston, TX 77002

Facsimile No.: (713) 650-6354

Attention: Russell Clingman
Telephone: (713) 650-3619

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MELLON BANK, N.A., as a Lender

By: _____

Name:
Title:

Domestic
Office: Three Mellon Bank Center
Room 153-1203
Pittsburgh, PA 15258

Facsimile No.: (412) 236-2027

Attention: Jennifer Ratay
Telephone: (412) 234-5767

Eurodollar
Office: Three Mellon Bank Center
Room 153-1203
Pittsburgh, PA 15258

Facsimile No.: (412) 236-2027

Attention: Jennifer Ratay
Telephone: (412) 234-5767

Send copies to: One Mellon Bank Center
Room 151-4425
Pittsburgh, PA 15258

Facsimile No.: (412) 236-1840

Attention: Richard A. Matthews
Telephone: (412) 234-9759

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LIBERTY BANK AND TRUST COMPANY
OF OKLAHOMA CITY, N.A., as a Lender

By: _____

Name: Laura Christofferson
Title: Vice President

Domestic
Office: 100 North Broadway
Oklahoma City, OK 73102

Facsimile No.: (405) 231-6788

Attention: Laura Christofferson
Telephone: (405) 231-6853

Eurodollar
Office: 100 North Broadway
Oklahoma City, OK 73102

Facsimile No.: (405) 231-6788

Attention: Laura Christofferson
Telephone: (405) 231-6853

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For purposes of selling, assigning, transferring and conveying its respective Interests, the undersigned have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date and year first above written.

THE SUMITOMO BANK, LIMITED, HOUSTON
AGENCY

By: _____

Name:
Title:

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ITEM 6.7 Litigation. None.

ITEM 6.8 Existing Subsidiaries.

Name ----	State or Jurisdiction of Organization -----	Ownership % -----
Samedan Oil Corporation	Delaware	100% owned by Noble Affiliates, Inc.
Samedan Oil of Canada, Inc.	Delaware	100% owned by Samedan Oil Corporation
Samedan of North Africa, Inc.	Delaware	100% owned by Samedan Oil Corporation
Samedan North Sea, Inc.	Delaware	100% owned by Samedan Oil Corporation
Samedan Oil of Indonesia, Inc.	Delaware	100% owned by Samedan Oil Corporation
Samedan Pipe Line Corporation	Delaware	100% owned by Samedan Oil Corporation
Samedan Royalty Corporation	Delaware	100% owned by Samedan Oil Corporation
Samedan of Tunisia, Inc.	Delaware	100% owned by Samedan Oil Corporation
Samedan - NEEI Exploration Company	Oklahoma	50% general partnership interest owned by Samedan Oil Corporation
Temin 1987 Partnership	Oklahoma	50% general partnership interest owned by Samedan Oil Corporation
Comin 1989 Partnership	Oklahoma	50% general partnership interest owned by Samedan Royalty Corporation

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Name ----	State or Jurisdiction of Organization -----	Ownership % -----
Shipride Partnership	Oklahoma	50% general partnership interest owned by Samedan Royalty Corporation
Samedan of Papua New Guinea, Inc.	Delaware	100% owned by Samedan Oil Corporation
Noble Gas Marketing, Inc.	Delaware	100% owned by Noble Affiliates, Inc.
Noble Gas Pipeline, Inc.	Delaware	100% owned by Noble Gas Marketing, Inc.
Noble Trading, Inc.	Delaware	100% owned by Noble Affiliates, Inc.
NPM, Inc.	Delaware	100% owned by Noble Affiliates, Inc.
Samedan LPG	Cayman Islands	100% owned by Samedan of North Africa, Inc.
Energy Development Corporation	New Jersey	100% owned (direct or indirect) by Noble Affiliates, Inc.
Energy Development Corporation (Argentina), Inc.	Delaware	100% owned (direct or indirect) by Noble Affiliates, Inc.
Energy Development Corporation (China), Inc.	Delaware	100% owned (direct or indirect) by Noble Affiliates, Inc.
Energy Development Corporation (HIPS), Inc.	Delaware	100% owned (direct or indirect) by Noble Affiliates, Inc.
Energy Development Corporation (Peru), Inc.	Delaware	100% owned (direct or indirect) by Noble Affiliates, Inc.
EDC (Tunisia), Inc.	Delaware	100% owned (direct or indirect) by Noble Affiliates, Inc.
EDC Ecuador Ltd.	Delaware	100% owned (direct or indirect) by Noble Affiliates, Inc.

EDC Senegal Ltd.	Delaware	100% owned (direct or indirect) by Noble Affiliates, Inc.
EDC Australia Ltd.	Delaware	100% owned (direct or indirect) by Noble Affiliates, Inc.
EDC Portugal Ltd.	Delaware	100% owned (direct or indirect) by Noble Affiliates, Inc.

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Name -----	State or Jurisdiction of Organization -----	Ownership % -----
Gasdel Pipeline System, Inc.	New Jersey	100% owned (direct or indirect) by Noble Affiliates, Inc.
Producers Service, Inc.	New Jersey	100% owned (direct or indirect) by Noble Affiliates, Inc.
HGC, Inc.	Delaware	100% owned (direct or indirect) by Noble Affiliates, Inc.
Pelto Oil Company, Inc.	New Jersey	100% owned (direct or indirect) by Noble Affiliates, Inc.
EDC (UK) Ltd.	Delaware	100% owned (direct or indirect) by Noble Affiliates, Inc.
Brabant Petroleum, Ltd.	CFC	100% owned (direct or indirect) by Noble Affiliates, Inc.
Industrial Scotland Energy Ltd.	CFC	100% owned (direct or indirect) by Noble Affiliates, Inc.
Brabant Oil Ltd.	CFC	100% owned (direct or indirect) by Noble Affiliates, Inc.
Brabant Oilex Ltd.	CFC	100% owned (direct or indirect) by Noble Affiliates, Inc.
Brabant Petroleum USA Company	Kansas	100% owned (direct or indirect) by Noble Affiliates, Inc.
Burnside Overseas Exploration Limited	CFC	100% owned (direct or indirect) by Noble Affiliates, Inc.
Norman	CFC	100% owned (direct or indirect) by Noble Affiliates, Inc.
EDC Marketing Company	Delaware	100% owned (direct or indirect) by Noble Affiliates, Inc.

ITEM 6.10 Employee Benefit Plans. Noble Affiliates, Inc. and Samedan Oil Corporation provide subsidized health care and life insurance benefits to their early retirees (retirees who have completed at least twenty years of service or retirees who have attained age 55 and completed at least five years of service) for the period of their retirement prior to attaining age 65.

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SCHEDULE IIA

SCHEDULE OF COMMITMENTS

NAME OF LENDER -----	COMMITMENT \$ MILLIONS -----	COMMITMENT PERCENTAGE -----
Union Bank of Switzerland, Houston Agency	\$33.0000	11.00000%

NationsBank of Texas, N.A.	\$27.5000	9.16667%
Texas Commerce Bank National Association	\$27.5000	9.16667%
Bank of America	\$21.8750	7.29167%
Bank of Montreal	\$21.8750	7.29167%
The Bank of New York	\$21.8750	7.29167%
Banque Paribas	\$21.8750	7.29167%
CIBC Inc.	\$21.8750	7.29167%
The First National Bank of Chicago	\$21.8750	7.29167%
Royal Bank of Canada	\$21.8750	7.29167%
Societe Generale, Southwest Agency	\$21.8750	7.29167%
First Union National Bank	\$15.1250	5.04167%
Liberty Bank and Trust Company of Oklahoma City, N.A.	\$12.5000	4.16667%
Mellon Bank, N.A.	\$ 9.3750	3.12500%
	-----	-----
TOTAL	\$300.000	100.000000%
	=====	=====

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SCHEDULE IIB

SCHEDULE OF OUTSTANDINGS AND COMMITMENTS

NAME OF LENDER	EXISTING FACILITY		REVISED FACILITY			BALANCE TO BE FUNDED/ (RECEIVED)
	COMMITMENT PERCENTAGE	OUTSTANDINGS \$ MILLIONS	COMMITMENT \$ MILLIONS	COMMITMENT PERCENTAGE	OUTSTANDINGS \$ MILLIONS	
Union Bank of Switzerland, Houston Agency	9.37500%	18.7500	37.5000	11.00000%	22.0000	3.2500
NationsBank of Texas, N.A.	7.81250%	15.6250	31.2500	9.16667%	18.3333	2.7083
Texas Commerce Bank National Association	7.81250%	15.6250	31.2500	9.16667%	18.3333	2.7083
Bank of America	6.25000%	12.5000	25.0000	7.29167%	14.5833	2.0833
Bank of Montreal	6.25000%	12.5000	25.0000	7.29167%	14.5833	2.0833
The Bank of New York	6.25000%	12.5000	25.0000	7.29167%	14.5833	2.0833
Banque Paribas	6.25000%	12.5000	25.0000	7.29167%	14.5833	2.0833
CIBC Inc.	6.25000%	12.5000	25.0000	7.29167%	14.5833	2.0833
The First National Bank of Chicago	6.25000%	12.5000	25.0000	7.29167%	14.5833	2.0833
Royal Bank of Canada	6.25000%	12.5000	25.0000	7.29167%	14.5833	2.0833
Societe Generale, Southwest Agency	6.25000%	12.5000	25.0000	7.29167%	14.5833	2.0833
First Union National Bank	4.37500%	8.7500	17.5000	5.04167%	10.0833	1.3333
Liberty Bank and Trust Company of Oklahoma City, N.A.	1.87500%	3.7500	7.5000	4.16667%	8.3333	4.5833
Mellon Bank N.A.	3.12500%	6.2500	12.5000	3.12500%	6.2500	0.0000
Credit Lyonnais New York Branch	3.12500%	6.2500	12.5000	0.00000%	0.0000	(6.2500)
The Fuji Bank, Limited - Houston Agency	6.25000%	12.5000	25.0000	0.00000%	0.0000	(12.5000)
The Sanwa Bank Ltd., Dallas Agency	3.12500%	6.2500	12.5000	0.00000%	0.0000	(6.2500)
The Sumitomo Bank, Limited, Houston Agency	3.12500%	6.2500	12.5000	0.00000%	0.0000	(6.2500)
Totals	100.00000%	200.0000	400.0000	100.00000%	200.0000	300.0000
	=====	=====	=====	=====	=====	=====

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EXHIBIT 2.2.1

COMPETITIVE BID NOTE

\$300,000,000

December 24, 1997

FOR VALUE RECEIVED, the undersigned, NOBLE AFFILIATES, INC., a Delaware corporation (the "Borrower"), promises to pay to the order of _____ (the "Lender") on _____, 2002, the aggregate unpaid principal amount of all Competitive Bid Loans shown on the schedule attached hereto (and any continuation thereof) made by the Lender to the Borrower pursuant to Section 2.2 of the Amended and Restated Credit Agreement, dated as of December 24, 1997 (as may be amended, supplemented, restated or otherwise modified from time to time, the "Credit Agreement"), among Noble Affiliates, Inc., a Delaware corporation (the "Borrower"), Union Bank of Switzerland,

COMPETITIVE BID QUOTE REQUEST

_____, 19__

To: Union Bank of Switzerland, Houston Agency, (the "Agent")

From: Noble Affiliates, Inc. (the "Borrower")

Re: Amended and Restated Credit Agreement, dated as of December 24, 1997 (as may be amended, supplemented, restated or otherwise modified from time to time, the "Credit Agreement"), among Noble Affiliates, Inc., a Delaware corporation (the "Borrower"), Union Bank of Switzerland, Houston Agency ("UBS"), as administrative agent (UBS in such capacity, together with any successor(s) thereto in such capacity, the "Agent"), NationsBank of Texas, N.A. ("NB") and Texas Commerce Bank National Association ("TCB"), as managing agents (NB and TCB in such capacities, together with any successor(s) thereto in such capacities, collectively called the "Managing Agents"), Bank of Montreal ("BOM"), CIBC Inc. ("CIBC"), the First National Bank of Chicago ("First Chicago"), Royal Bank of Canada ("RBC") and Societe Generale, Southwest Agency ("SocGen"), as co-agents (BOM, CIBC, First Chicago, RBC and SocGen in such capacities, together with any successor(s) thereto in such capacities, collectively called the "Co-Agents"), and certain commercial lending institutions as are or may become parties hereto (collectively, the "Lenders")

We hereby give notice pursuant to Section 2.2.2 of the Credit Agreement that we request Competitive Bid Quotes for the following proposed Competitive Bid Advance(s):

Borrowing Date: _____, 19__

Principal Amount(1)	Interest Period(2)
-----	-----
\$	

Such Competitive Bid Quotes should offer [a Competitive Bid Margin] [an Absolute Rate].

Upon acceptance by the undersigned of any or all of the Competitive Bid Advances offered by Lenders in response to this request, the undersigned shall be deemed to affirm as of the Borrowing Date thereof the representations and warranties made in the Credit Agreement to the extent specified in Article V thereof. Capitalized terms used herein have the meanings assigned to them in the Credit Agreement.

NOBLE AFFILIATES, INC.

By: _____
 Title: _____

(1) Amount must be at least \$10,000,000 and an integral multiple of \$1,000,000.

(2) One, two, three or six months (Eurodollar Auction) or at least 14 and up to 90 days (Absolute Rate Auction), subject to the provisions of

the definition of Interest Period.

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EXHIBIT 2.2.3

INVITATION FOR COMPETITIVE BID QUOTES

_____, 19__

To: [Name of Lender]

Re: Invitation for Competitive Bid Quotes to Noble Affiliates, Inc. (the "Borrower")

Pursuant to Section 2.2.3 of the Amended and Restated Credit Agreement, dated as of December 24, 1997 (as may be amended, supplemented, restated or otherwise modified from time to time, the "Credit Agreement"), among Noble Affiliates, Inc., a Delaware corporation (the "Borrower"), Union Bank of Switzerland, Houston Agency ("UBS"), as administrative agent (UBS in such capacity, together with any successor(s) thereto in such capacity, the "Agent"), NationsBank of Texas, N.A. ("NB") and Texas Commerce Bank National Association ("TCB"), as managing agents (NB and TCB in such capacities, together with any successor(s) thereto in such capacities, collectively called the "Managing Agents"), Bank of Montreal ("BOM"), CIBC Inc. ("CIBC"), the First National Bank of Chicago ("First Chicago"), Royal Bank of Canada ("RBC") and Societe Generale, Southwest Agency ("SocGen"), as co-agents (BOM, CIBC, First Chicago, RBC and SocGen in such capacities, together with any successor(s) thereto in such capacities, collectively called the "Co- Agents"), and certain commercial lending institutions as are or may become parties hereto (collectively, the "Lenders"), we are pleased on behalf of the Borrower to invite you to submit Competitive Bid Quotes to the Borrower for the following proposed Competitive Bid Advance(s):

Borrowing Date: _____, 19__

Principal Amount Interest Period
- -----

\$

Such Competitive Bid Quotes should offer [a Competitive Bid Margin] [an Absolute Rate]. Your Competitive Bid Quote must comply with Section 2.2.4 of the Credit Agreement and the foregoing. Capitalized terms used herein have the meanings assigned to them in the Credit Agreement.

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Please respond to this invitation by no later than [10:00 a.m.] [1:00 p.m.] New York time on _____, 19__.

UNION BANK OF SWITZERLAND, HOUSTON AGENCY, as Agent

By: _____
Authorized Officer

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EXHIBIT 2.2.4

COMPETITIVE BID QUOTE

_____, 19__

To: Union Bank of Switzerland, Houston Agency, as Agent
Attn: _____

Re: Competitive Bid Quote to Noble Affiliates, Inc. (the "Borrower")

In response to your invitation on behalf of the Borrower dated _____, 199_, we hereby make the following Competitive Bid Quote pursuant to Section 2.2.4 of the Credit Agreement hereinafter referred to and on the following terms:

- 1. Quoting Lender: _____
- 2. Person to contact at Quoting Lender: _____
- 3. Borrowing Date: _____, 19__ (1)
- 4. We hereby offer to make Competitive Bid Loan(s) in the following principal amounts, for the following Interest Periods and at the following rates:

Principal Amount(2)	Interest Period(3)	[Competitive Bid Margin(4)]	[Absolute Rate(5)]	Minimum Amount(6)
-----	-----	-----	-----	-----

\$

- (1) As specified in the related Invitation For Competitive Bid Quotes.
- (2) Principal amount bid for each Interest Period may not exceed the principal amount requested. Bids must be made for at least \$10,000,000 and an integral multiple of \$1,000,000.
- (3) One, two, three or six months or at least 14 and up to 90 days, as specified in the related Invitation For Competitive Bid Quotes.
- (4) Competitive Bid Margin over or under the Eurodollar Rate determined for the applicable Interest Period. Specify percentage (rounded to the nearest 1/100 of 1%) and specify whether "PLUS" or "MINUS".
- (5) Specify rate of interest per annum (rounded to the nearest 1/100 of 1%).
- (6) Specify minimum or maximum amount, if any, which the Borrower may accept and/or the limit, if any, as to the aggregate principal amount of the Competitive Bid Loans of the quoting Lender which the Borrower may accept (see Section 2.2.4(b) (iv)).

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We understand and agree that the offer(s) set forth above, subject to the satisfaction of the applicable conditions set forth in the Amended and Restated Credit Agreement, dated as of December 24, 1997 (as may be amended, supplemented, restated or otherwise modified from time to time, the "Credit Agreement"), among Noble Affiliates, Inc., a Delaware corporation (the "Borrower"), Union Bank of Switzerland, Houston Agency ("UBS"), as administrative agent (UBS in such capacity, together with any successor(s) thereto in such capacity, the "Agent"), NationsBank of Texas, N.A. ("NB") and Texas Commerce Bank National Association ("TCB"), as managing agents (NB and TCB in such capacities, together with any successor(s) thereto in such capacities, collectively called the "Managing Agents"), Bank of Montreal ("BOM"), CIBC Inc. ("CIBC"), the First National Bank of Chicago ("First Chicago"), Royal Bank of Canada ("RBC") and Societe Generale, Southwest Agency ("SocGen"), as co-agents (BOM, CIBC, First Chicago, RBC and SocGen in such capacities, together with any successor(s) thereto in such capacities, collectively called the "Co-Agents"), and certain commercial lending institutions as are or may become parties hereto (collectively, the "Lenders"), irrevocably obligates us to make the Competitive Bid Loan(s) for which any offer(s) are accepted, in whole or in part. Capitalized terms used herein and not otherwise defined herein shall have their meanings as defined in the Credit Agreement.

Very truly yours,

[NAME OF BANK]

Dated: _____, 19 _____

By: _____

BORROWING REQUEST

Union Bank of Switzerland, Houston Agency
1100 Louisiana St., Suite 4500
Houston, Texas 77002

Attention: [Name]
[Title]

NOBLE AFFILIATES, INC.

Gentlemen and Ladies:

This Borrowing Request is delivered to you pursuant to Section 2.5 of the Amended and Restated Credit Agreement, dated as of December 24, 1997 (as may be amended, supplemented, restated or otherwise modified from time to time, the "Credit Agreement"), among Noble Affiliates, Inc., a Delaware corporation (the "Borrower"), Union Bank of Switzerland, Houston Agency ("UBS"), as administrative agent (UBS in such capacity, together with any successor(s) thereto in such capacity, the "Agent"), NationsBank of Texas, N.A. ("NB") and Texas Commerce Bank National Association ("TCB"), as managing agents (NB and TCB in such capacities, together with any successor(s) thereto in such capacities, collectively called the "Managing Agents"), Bank of Montreal ("BOM"), CIBC Inc. ("CIBC"), the First National Bank of Chicago ("First Chicago"), Royal Bank of Canada ("RBC") and Societe Generale, Southwest Agency ("SocGen"), as co-agents (BOM, CIBC, First Chicago, RBC and SocGen in such capacities, together with any successor(s) thereto in such capacities, collectively called the "Co-Agents"), and certain commercial lending institutions as are or may become parties hereto (collectively, the "Lenders"). Unless otherwise defined herein or the context otherwise requires, terms used herein have the meanings provided in the Credit Agreement.

The Borrower hereby requests that a Revolving Loan be made in the aggregate principal amount of \$ _____ on _____, 19__ as a [Eurodollar Loan having an Interest Period of _____ months] [Base Rate Loan].

The Borrower hereby acknowledges that, pursuant to Section 5.2.2 of the Credit Agreement, each of the delivery of this Borrowing Request and the acceptance by the Borrower of the proceeds of the Loans requested hereby constitute a representation and warranty by the Borrower that, on the date of such Loans, and before and after giving effect thereto and to the application of the proceeds therefrom, all statements set forth in Section 5.2.1 are true and correct in all material respects.

The Borrower agrees that if prior to the time of the Borrowing requested hereby any matter certified to herein by it will not be true and correct at such time as if then made, it will immediately so notify the Agent. Except to the extent, if any, that prior to the time of the Borrowing requested hereby the Agent shall receive written notice to the contrary from the Borrower, each matter certified to herein shall be deemed once again to be certified as true and correct at the date of such Borrowing as if then made.

Please wire transfer the proceeds of the Borrowing to the accounts of the following persons at the financial institutions indicated respectively:

Amount to be Transferred	Person to be Paid		Name, Address, etc. of Transferee Lender
	Name	Account No.	
- - - - -	-----	-----	-----

\$ _____

Attention: _____

\$ _____

Attention: _____

Balance of The Borrower

such proceeds _____

Attention: _____

The Borrower has caused this Borrowing Request to be executed and delivered, and the certification and warranties contained herein to be made, by its duly Authorized Officer this ____ day of _____, 19__.

NOBLE AFFILIATES, INC.

By _____

Title: _____

CONTINUATION/CONVERSION NOTICE

Union Bank of Switzerland, Houston Agency
 1100 Louisiana St., Suite 4500
 Houston, Texas 77002

Attention: [Name]
 [Title]

NOBLE AFFILIATES, INC.

Gentlemen and Ladies:

This Continuation/Conversion Notice is delivered to you pursuant to Section 2.6 of the Amended and Restated Credit Agreement, dated as of December 24, 1997 (as may be amended, supplemented, restated or otherwise modified from time to time, the "Credit Agreement"), among Noble Affiliates, Inc., a Delaware corporation (the "Borrower"), Union Bank of Switzerland, Houston Agency ("UBS"), as administrative agent (UBS in such capacity, together with any successor(s) thereto in such capacity, the "Agent"), NationsBank of Texas, N.A. ("NB") and Texas Commerce Bank National Association ("TCB"), as managing agents (NB and TCB in such capacities, together with any successor(s) thereto in such capacities, collectively called the "Managing Agents"), Bank of Montreal ("BOM"), CIBC Inc. ("CIBC"), the First National Bank of Chicago ("First Chicago"), Royal Bank of Canada ("RBC") and Societe Generale, Southwest Agency ("SocGen"), as co-agents (BOM, CIBC, First Chicago, RBC and SocGen in such capacities, together with any successor(s) thereto in such capacities, collectively called the "Co-Agents"), and certain commercial lending

institutions as are or may become parties hereto (collectively, the "Lenders"). Unless otherwise defined herein or the context otherwise requires, terms used herein have the meanings provided in the Credit Agreement.

The Borrower hereby requests that on _____, 19____,

(1) \$_____ of the presently outstanding principal amount of the Revolving Loans originally made on _____, 19____ [and \$_____ of the presently outstanding principal amount of the Revolving Loans originally made on _____, 19____],

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(2) and all presently being maintained as (*) [Base Rate Loans] [Eurodollar Loans],

(3) be [converted into] [continued as],

(4) (**) [Eurodollar Loans having an Interest Period of _____ months] [Base Rate Loans].

The Borrower hereby:

(a) certifies and warrants that no Default or Event of Default has occurred and is continuing; and

(b) agrees that if prior to the time of such continuation or conversion any matter certified to herein by it will not be true and correct at such time as if then made, it will immediately so notify the Agent.

Except to the extent, if any, that prior to the time of the continuation or conversion requested hereby the Agent shall receive written notice to the contrary from the Borrower, each matter certified to herein shall be deemed to be certified at the date of such continuation or conversion as if then made.

The Borrower has caused this Continuation/Conversion Notice to be executed and delivered, and the certification and warranties contained herein to be made, by its Authorized Officer this ___ day of _____, 19____.

NOBLE AFFILIATES, INC.

By _____
Title:

* Select appropriate interest rate option.

** Insert appropriate interest rate option.

REVOLVING NOTE

\$_____

FOR VALUE RECEIVED, the undersigned, NOBLE AFFILIATES, INC., a Delaware corporation (the "Borrower"), promises to pay to the order of _____ (the "Lender") on _____, 2002 the principal sum of _____ DOLLARS (\$_____) or, if less, the aggregate unpaid principal amount of all Revolving Loans shown on the schedule attached hereto (and any continuation thereof) made by the Lender pursuant to that certain Amended and Restated Credit Agreement, dated as of December 24, 1997 (as may be

amended, supplemented, restated or otherwise modified from time to time, the "Credit Agreement"), among Noble Affiliates, Inc., a Delaware corporation (the "Borrower"), Union Bank of Switzerland, Houston Agency ("UBS"), as administrative agent (UBS in such capacity, together with any successor(s) thereto in such capacity, the "Agent"), NationsBank of Texas, N.A. ("NB") and Texas Commerce Bank National Association ("TCB"), as managing agents (NB and TCB in such capacities, together with any successor(s) thereto in such capacities, collectively called the "Managing Agents"), Bank of Montreal ("BOM"), CIBC Inc. ("CIBC"), the First National Bank of Chicago ("First Chicago"), Royal Bank of Canada ("RBC") and Societe Generale, Southwest Agency ("SocGen"), as co-agents (BOM, CIBC, First Chicago, RBC and SocGen in such capacities, together with any successor(s) thereto in such capacities, collectively called the "Co-Agents"), and certain commercial lending institutions as are or may become parties hereto (collectively, the "Lenders").

The Borrower also promises to pay interest on the unpaid principal amount hereof from time to time outstanding from the date hereof until maturity (whether by acceleration or otherwise) and, after maturity, until paid, at the rates per annum and on the dates specified in the Credit Agreement.

Payments of both principal and interest are to be made in lawful money of the United States of America in same day or immediately available funds to the account designated by the Agent pursuant to the Credit Agreement.

This Note is one of the Revolving Notes referred to in, and evidences Indebtedness incurred under, the Credit Agreement, to which reference is made for a description of the security for this Note and for a statement of the terms and conditions on which the Borrower is permitted and required to make prepayments and repayments of principal of the Indebtedness evidenced by this Note and on which such Indebtedness may be declared to be immediately due and payable. Unless otherwise defined, terms used herein have the meanings provided in the Credit Agreement.

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This Note represents an extension and renewal of the outstanding principal amount of, and a replacement and substitution for, a certain Revolving Note of the undersigned dated July 31, 1996, (the "Prior Note") payable to the order of the Lender. The indebtedness evidenced by the Prior Note is a continuing indebtedness and nothing contained herein shall be construed to constitute a novation of the Prior Note or to deem paid the Prior Note.

All parties hereto, whether as makers, endorsers, or otherwise, severally waive presentment for payment, demand, protest and notice of dishonor.

THIS NOTE SHALL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW.

NOBLE AFFILIATES, INC.

By _____
Title:

REVOLVING LOANS AND PRINCIPAL PAYMENTS

Date	Amount of Revolving Loan Made		Interest Period (if applicable)	Amount of Principal Repaid		Unpaid Principal Balance		Total	Notation Made By
	Base Rate	Eurodollar Rate		Base Rate	Eurodollar Rate	Base Rate	Eurodollar Rate		

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EXHIBIT 5.1.4

[Opinion of Counsel to the Borrower]

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EXHIBIT 10.11

LENDER ASSIGNMENT AGREEMENT

To: Noble Affiliates, Inc.,
as Borrower

To: Union Bank of Switzerland, Houston Agency,
as Agent

NOBLE AFFILIATES, INC.

Gentlemen and Ladies:

We refer to clause (d) of Section 10.11.1 of the Amended and Restated Credit Agreement, dated as of December 24, 1997 (as may be amended, supplemented, restated or otherwise modified from time to time, the "Credit Agreement"), among Noble Affiliates, Inc., a Delaware corporation (the "Borrower"), Union Bank of Switzerland, Houston Agency ("UBS"), as administrative agent (UBS in such capacity, together with any successor(s) thereto in such capacity, the "Agent"), NationsBank of Texas, N.A. ("NB") and Texas Commerce Bank National Association ("TCB"), as managing agents (NB and TCB in such capacities, together with any successor(s) thereto in such capacities, collectively called the "Managing Agents"), Bank of Montreal ("BOM"), CIBC Inc. ("CIBC"), the First National Bank of Chicago ("First Chicago"), Royal Bank of Canada ("RBC") and Societe Generale, Southwest Agency ("SocGen"), as co-agents (BOM, CIBC, First Chicago, RBC and SocGen in such capacities, together with any successor(s) thereto in such capacities, collectively called the "Co- Agents"), and certain commercial lending institutions as are or may become parties hereto (collectively, the "Lenders") and Union Bank of Switzerland, Houston Agency, as agent (the "Agent") for the Lenders. Unless otherwise defined herein or the context otherwise requires, terms used herein have the meanings provided in the Credit Agreement.

This agreement is delivered to you pursuant to clause (d) of Section 10.11.1 of the Credit Agreement and also constitutes notice to each of you, pursuant to clause (c) of Section 10.11.1 of the Credit Agreement, of the assignment and delegation to _____ (the "Assignee") of ___% of the Loans and Commitments of _____ (the "Assignor") outstanding under the Credit Agreement on the date hereof. After giving effect to the foregoing

assignment and delegation, the Assignor's and the Assignee's Percentages for the purposes of the Credit Agreement are set forth opposite such Person's name on the signature pages hereof.

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[Add paragraph dealing with accrued interest and fees with respect to Loans assigned, if applicable.]

The Assignee hereby acknowledges and confirms that it has received a copy of the Credit Agreement and the exhibits related thereto, together with copies of the documents which were required to be delivered under the Credit Agreement as a condition to the making of the Loans thereunder. The Assignee further confirms and agrees that in becoming a Lender and in making its Commitments and Loans under the Credit Agreement, such actions have and will be made without recourse to, or representation or warranty by the Agent.

Except as otherwise provided in the Credit Agreement, effective as of the date of acceptance hereof by the Agent

(a) the Assignee (i) shall be deemed automatically to have become a party to the Credit Agreement, have all the rights and obligations of a "Lender" under the Credit Agreement and the other Loan Documents as if it were an original signatory thereto to the extent specified in the second paragraph hereof; and (ii) agrees to be bound by the terms and conditions set forth in the Credit Agreement and the other Loan Documents as if it were an original signatory thereto; and

(b) the Assignor shall be released from its obligations under the Credit Agreement and the other Loan Documents to the extent specified in the second paragraph hereof.

The Assignor and the Assignee hereby agree that the [Assignor] [Assignee] will pay to the Agent the processing fee referred to in Section 10.11.1 of the Credit Agreement upon the delivery hereof.

The Assignee hereby advises each of you of the following administrative details with respect to the assigned Loans and Commitments and requests the Agent to acknowledge receipt of this document:

- (A) Address for Notices:
Institution Name:
Attention:
Domestic Office:
Telephone:
Facsimile:
Telex (Answerback):
LIBOR Office:

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Telephone:
Facsimile:
Telex (Answerback):

- (B) Payment Instructions:

The Assignee agrees to furnish the tax form required by Section 4.6 (if so required) of the Credit Agreement no later than the date of acceptance hereof by the Agent.

This Agreement may be executed by the Assignor and Assignee in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

Adjusted Percentage

[ASSIGNOR]

Revolving Loan
Commitment
and

Revolving Loans: _____%

By: _____
Title:

Percentage [ASSIGNEE]

Revolving Loan
Commitment
and

Revolving Loans: _____%

By: _____
Title:

Accepted and Acknowledged
this __ day of _____, 19__

-----,
as Agent

By:-----
Title:

[T & K LETTERHEAD]

December 24, 1997

Union Bank of Switzerland
Houston Agency,
As Agent for the Several Lenders
NationsBank of Texas, N.A.,
Texas Commerce Bank National Association,
Bank of Montreal,
CIBC Inc.,
The First National Bank of Chicago,
Royal Bank of Canada,
Societe Generale, Southwest Agency,
and Certain Lending Institutions
c/o Union Bank of Switzerland
1100 Louisiana
Houston, Texas 77002

Ladies and Gentlemen:

We have acted as counsel to Noble Affiliates, Inc., a Delaware corporation ("Borrower"), in connection with the \$300,000,000 Amended and Restated Credit Agreement dated as of December 11, 1997 (the "Agreement") among Borrower and Union Bank of Switzerland, Houston Agency, as the Agent for the Lenders, NationsBank of Texas, N.A. and Texas Commerce Bank National Association, as Managing Agents, and Bank of Montreal, CIBC Inc., The First National Bank of Chicago, Royal Bank of Canada and Societe Generale, Southwest Agency, as Co-Agents, and certain additional Lenders named therein, providing for Borrower's issuance and delivery to you on this date of its Notes. This opinion letter is delivered to you pursuant to Section 5.1.3 of the Agreement. Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Agreement.

In our capacity as counsel for Borrower, we have examined executed originals or teletypes of executed originals of the Agreement and the initial Notes under the Agreement (the "Loan Documents") and all other certificates, instruments or documents that have been executed and delivered to you by Borrower today in connection with the Agreement. We have also examined and relied upon originals or copies, certified or otherwise authenticated to our

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Union Bank of Switzerland

December 24, 1997

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satisfaction, of such corporate records of Borrower, certificates of officers of Borrower, certificates and letters of public officials, and other instruments and documents as we have deemed necessary to require as a basis for the opinions hereinafter expressed. In such examination, we have assumed the genuineness and authenticity of all documents submitted to us as originals (other than the Loan Documents), the conformity with genuine and authentic originals of all documents submitted to us as copies, and the genuineness of all signatures (other than the signatures on behalf of Borrower on the Loan Documents).

Where facts material to the opinions hereinafter expressed were not independently established by us, we have relied upon the representations and warranties made to you by Borrower in the Loan Documents and upon oral and written statements of and information furnished by officers of Borrower and its Subsidiaries, where we deemed such reliance appropriate under the circumstances. We have necessarily assumed the accuracy and completeness of such representations, warranties, statements and other information.

Based on the foregoing and on the assumptions hereinafter set forth, and subject to the exceptions, limitations and qualifications hereinafter expressed, it is our opinion that:

1. Borrower is a duly incorporated and validly existing corporation in good standing under the laws of the State of Delaware and has the corporate power and authority to own its property and assets and to transact the business in which it is engaged. Borrower is duly qualified and is authorized to do business and is in good standing as a foreign corporation in the State of Oklahoma. Borrower has the corporate power to execute, deliver and carry out the terms and provisions of each of the Loan Documents to which it is a party and has taken all necessary corporate action to authorize the execution, delivery and performance by it of each of such Loan Documents.

2. The execution, delivery and performance by Borrower of the Agreement and each other Loan Document executed by it are within its corporate powers, have been duly authorized by all necessary corporate action, and do not (i) contravene Borrower's Organic Documents; (ii) to the knowledge of the undersigned, contravene any contractual restriction, law or governmental regulation or court decree or order binding on or affecting Borrower; or (iii) to the knowledge of the undersigned, result in, or require the creation or imposition of, any Lien on any of Borrower's properties.

3. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body pursuant to any law or any rule or order of general application is required for the due execution, delivery or performance by Borrower of any Loan Document to which it is a party, except as has been obtained or made.

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December 24, 1997

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4. Neither Borrower nor any of its Subsidiaries is an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, as amended.

5. Each of the Loan Documents to which Borrower is a party has been duly executed and delivered by Borrower. Assuming solely for purposes of this opinion that the internal laws of the State of Texas were to govern the Loan Documents, the Loan Documents constitute the legal, valid and binding obligations of Borrower enforceable in accordance with their respective terms, except as enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and equitable principles of general applicability.

6. To the knowledge of the undersigned, there is no pending or threatened litigation, action, proceeding, or labor controversy affecting Borrower or any of its Subsidiaries, properties, businesses, assets or revenues, which purports to affect the legality, validity or enforceability of, or the rights and remedies of the Agent and the Lenders under, the Agreement or any other Loan Document.

The opinions expressed above are based in part upon the assumptions, and are subject to the exceptions, limitations and qualifications, set forth below:

(a) Whenever any opinion expressed herein with respect to any matter is qualified by the phrase "to the knowledge of the undersigned," such phrase (A) indicates that (i) no information has come to the attention of any attorney of this firm who has devoted substantive attention to the transactions contemplated in the Agreement that has given any such person actual knowledge concerning such matter different from that expressed in such opinion; (ii) except as otherwise stated herein, we have not undertaken any independent investigation with respect to such matter but have relied on representations made by Borrower in the Loan Documents and on information otherwise provided to us by it; and (iii) no inference that any such person has actual knowledge concerning such matters should be drawn from the fact of our representation of Borrower and its Subsidiaries or our expression of such opinion; and (B) does not encompass the actual knowledge of any attorney of this firm who obtained such knowledge in his capacity as a director of Borrower. We wish to advise you that Harold F. Kleinman, a shareholder of this firm, is a director of Borrower.

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December 24, 1997
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(b) Except as expressly set forth herein, we have made no independent investigation as to the accuracy or completeness of any representation, warranty, data or other information, written or oral, made or furnished in or in connection with the Loan Documents, or otherwise.

(c) We do not purport to be experts as to the laws of any jurisdiction other than the State of Texas and the United States of America, and we express no opinion herein with respect to the laws of any such other jurisdiction, except insofar as the matters covered by the foregoing opinions may involve or be governed by or construed under the General Corporation Law of the State of Delaware. Our opinion regarding the General Corporation Law of the State of Delaware is confined to our reading thereof without application of judicial or administration interpretations thereof. Insofar as the matters covered by the opinions expressed in paragraph 5 above may involve or be governed by or construed under the laws of any jurisdiction other than the State of Texas, we have necessarily assumed, without knowing, and without making any investigation to determine, that such laws are the same as those of the State of Texas and that the courts of any such other jurisdiction would construe and apply such laws in the same manner as would the courts of the State of Texas.

(d) In rendering certain of the opinions expressed above, we have assumed that you (i) are duly authorized to execute and deliver (or accept), and have duly executed and delivered (or accepted), the Loan Documents required to be executed and delivered (or accepted) by you and (ii) will fund the Loans to the extent required to be funded by you under the Agreement.

(e) We express no opinion concerning (i) any right of any Agent, Co-Agent or any Lender or any other person to be indemnified against (or released from the consequences of) its own negligence; (ii) the enforceability of any obligations of any party other than Borrower; (iii) the effectiveness or

enforceability of provisions regarding exclusive jurisdiction or venue; or (iv) the effectiveness or enforceability of any waiver of the right to trial by jury.

This opinion letter is to be limited in its use to reliance by you and your counsel in consummating the Agreement. No other person or entity (other than Assignee Lenders) may rely or claim reliance on any opinion expressed herein except with our express written consent.

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December 24, 1997
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We assume no obligation to supplement this opinion if, after the date hereof, any applicable law changes or we become aware of any facts that might change the opinions set forth herein.

Respectfully submitted,

THOMPSON & KNIGHT,
A Professional Corporation

By: /s/ Robert D. Campbell

Robert D. Campbell,
Attorney

SUBSIDIARIES

Name -----	State or Jurisdiction of ----- Organization -----	Ref ---
Samedan Oil Corporation	Delaware	(1)
Samedan Oil of Canada, Inc.	Delaware	(3)
Samedan of North Africa, Inc.	Delaware	(3)
Samedan North Sea, Inc.	Delaware	(3)
Samedan Oil of Indonesia, Inc.	Delaware	(3)
Samedan Pipe Line Corporation	Delaware	(3)
Samedan Royalty Corporation	Delaware	(3)
Samedan of Tunisia, Inc.	Delaware	(3)
Samedan of Papua New Guinea, Inc.	Delaware	(3)
Noble Gas Marketing, Inc.	Delaware	(1)
Noble Gas Pipeline, Inc.	Delaware	(2)
Noble Trading, Inc.	Delaware	(1)
NPM, Inc.	Delaware	(1)
Samedan LPG	CFC*	(4)
Samedan Methanol	CFC*	(5)
Energy Development Corporation	New Jersey	(3)
Energy Development Corporation (Argentina), Inc.	Delaware	(6)
Energy Development Corporation (China), Inc.	Delaware	(6)
Energy Development Corporation (HIPS), Inc.	Delaware	(6)
Energy Development Corporation (Peru), Inc.	Delaware	(6)
EDC (Tunisia), Inc.	Delaware	(6)
EDC Ecuador Ltd.	Delaware	(6)
EDC Senegal Ltd.	Delaware	(6)
EDC Australia Ltd.	Delaware	(6)
EDC Portugal Ltd.	Delaware	(6)
Gasdel Pipeline System Incorporated	New Jersey	(6)
Producers Services, Inc.	New Jersey	(6)
HGC, Inc.	Delaware	(6)
Pelto Oil Company, Inc.	New Jersey	(6)
EDC (UK) Ltd	Delaware	(6)
Brabant Petroleum Limited	CFC*	(6)
Industrial Scotland		
Energy Ltd.	CFC*	(6)
Brabant Oil Ltd.	CFC*	(6)
Brabant Oilex Ltd.	CFC*	(6)
Brabant Petroleum USA Company	Kansas	(6)
Burnside Overseas Exploration Limited	CFC*	(6)
EDC Marketing Company	CFC*	(6)

(1) 100% owned by Noble Affiliates, Inc. (Registrant)

(2) 100% owned by Noble Gas Marketing, Inc.

(3) 100% owned by Samedan Oil Corporation

(4) 100% owned by Samedan of North Africa, Inc.

(5) 100% owned by Samedan LPG.

(6) 100% owned by Energy Development Corporation

* Controlled Foreign Corporation

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated January 30, 1998 included on page 29 of the Company's 1997 Form 10-K, into the previously filed registration Statements on Form S-3 (File No. 333-18929) and on Form S-8 (File Nos. 333-39299, 2-64600, 2-81590, 33-32692, 2-66654 and 33-54084).

ARTHUR ANDERSEN LLP

Oklahoma City, Oklahoma
March 16, 1998

<ARTICLE> 5
<MULTIPLIER> 1,000

<PERIOD-TYPE>	12-MOS	
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<CHANGES>		0
<NET-INCOME>		99,278
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<EPS-DILUTED>		1.73