

TRADEMARK ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT		
NATURE OF CONVEYANCE:	SECURITY INTEREST		
CONVEYING PARTY DATA			
Name	Formerly	Execution Date	Entity Type
Pierce Energy Corporation		06/22/2007	CORPORATION: TEXAS
RECEIVING PARTY DATA			
Name:	First National Bank		
Street Address:	205 W. Oak St.		
City:	Ft. Collins		
State/Country:	COLORADO		
Postal Code:	80521		
Entity Type:	National Banking Association: UNITED STATES		
PROPERTY NUMBERS Total: 1			
Property Type	Number	Word Mark	
Registration Number:	3019319	AIREAL	
CORRESPONDENCE DATA			
Fax Number:	(303)893-1379		
	<i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>		
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ATTORNEY DOCKET NUMBER:	060728-9999		
NAME OF SUBMITTER:	Pantea Garroussi		
Signature:	/Pantea Garroussi/		
Date:	07/11/2007		

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Total Attachments: 18

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SECURITY AGREEMENT AND ASSIGNMENT

THIS SECURITY AGREEMENT AND ASSIGNMENT is entered into as of June 22, 2007 by and between **PIERCE ENERGY CORPORATION**, a Texas corporation (the "**Debtor**") and **FIRST NATIONAL BANK**, a national banking association (the "**Secured Party**").

ARTICLE I

DEFINITIONS

1.1 Specific Definitions. The following terms shall mean:

"Debtor's Notes" shall mean any promissory note made by Debtor in favor of Secured Party, including, without limitation

(a) Debtor's promissory note dated June 22, 2007 in the original principal amount of \$2,650,000.00; and

(b) Debtor's promissory note dated June 22, 2007 in the original principal amount of \$250,000.00; and

(c) Any and all modifications, extensions and renewals of any of the foregoing and any and all future advances or readvances to Debtor whether pursuant to any of the foregoing promissory notes or otherwise;

"Debtor's Obligations" shall mean the full and prompt payment and performance of all of the indebtedness, obligations, covenants, agreements and liabilities of Debtor to Secured Party, together with all interest and other charges thereon, whether direct or indirect, existing, future, contingent or otherwise, due or to become due, under or arising out of or in connection with (i) Debtor's Notes; (ii) any Loan Instrument; and (iii) any and all modifications, extensions and renewals of any of the foregoing, *provided, however*, that all Debtor's Obligations are non recourse.

"Code" shall mean the Uniform Commercial Code of the State of Colorado.

"Debtor's Books" means all of Debtor's books and records including, but not limited to: minute books; ledgers; records indicating, summarizing, or evidencing Debtor's assets, liabilities, and the Accounts; all information relating to Debtor's business operations or financial condition; and all computer programs, disk or tape files, printouts, runs, and other computer-prepared information and the equipment containing such information.

"General Intangibles" shall have the meaning set forth at Section 2.1.

"Lien" means any security interest, mortgage, pledge, assignment, lien, or other encumbrance of any kind, including any interest of a vendor under a conditional sale contract or consignment and any interest of a lessor under a lease.

“Loan Instruments” means the Debtor’s Notes, this Security Agreement and Assignment the Assignments of Lease, and the various other deeds of trust, mortgages, assignments, instruments and other documents creating or evidencing the Secured Party’s interest in any collateral securing or intended to secure anyone’s obligations under any of the foregoing, and all waivers, consents, agreements, representations and warranties, reports, statements, certificates, schedules and other documents executed by the requisite Person(s) pursuant to or in connection with any of the foregoing and accepted or delivered by the Secured Party (whether prior to, on or from time to time after the date of this Security agreement and Assignment), as each may be supplemented, modified, amended or restated from time to time in the manner provided therein.

“Patents” means the patents identified in Section 2.1 (as the same may be amended pursuant hereto from time to time).

“Patent Collateral” All of the Debtor's right, title and interest in and to all of the Patents, the Patent License Rights, and all other Patent Rights, and all additions, improvements, and accessions to, all substitutions for and replacements of, and all products and Proceeds (including insurance proceeds) of any and all of the foregoing, and all books and records and technical information and data describing or used in connection with any and all such rights, interests, assets or property.

“Patent License Rights” Any and all past, present or future rights and interests of the Debtor pursuant to any and all past, present and future licensing agreements in favor of the Debtor, or to which the Debtor is a party, pertaining to any Patents, or Patent Rights, owned or used by third parties in the past, present or future, including the right in the name of the Debtor or the Bank to enforce, and sue and recover for, any past, present or future breach or violation of any such agreement.

“Patent Rights” Any and all past, present or future rights in, to and associated with the Patents throughout the world, whether arising under federal law, state law, common law, foreign law, or otherwise, including but not limited to the following: all such rights arising out of or associated with the Patents; the right (but not the obligation) to register claims under any federal, state or foreign patent law or regulation; the right (but not the obligation) to sue or bring opposition or bring cancellation proceedings in the name of the Debtor or the Bank for any and all past, present and future infringements of or any other damages or injury to the Patents or the Patent Rights, and the rights to damages or profits due or accrued arising out of or in connection with any such past, present or future infringement, damage or injury; and the Patent License Rights.

“Proceeds” shall have the meaning set forth in Section 2.1.

“Secured Obligations” shall mean Debtor's Obligations and Secured Party Expenses.

“Secured Party Expenses” means: (i) all costs and expenses (including, without limitation, taxes and insurance premiums) required to be paid by Debtor under this Security Agreement and Assignment or under any of the other Loan Instruments that are paid or advanced

by Secured Party; (ii) filing, recording, publication, and search fees paid or incurred by Secured Party in connection with Secured Party's transactions with Debtor, (iii) costs and expenses incurred by Secured Party to correct any default or enforce any provision of the Loan Instruments or in gaining possession of, maintaining, handling, preserving, storing, shipping, selling, and preparing for sale and/or advertising to sell the Collateral, whether or not a sale is consummated (including reasonable counsel, consultant and appraiser fees and expenses); (iv) costs and expenses of suit incurred by Secured Party in enforcing or defending the Loan Instruments or any portion thereof, and (v) Secured Party's reasonable attorney fees and expenses incurred (before or after execution of this Security Agreement and Assignment) in advising Secured Party with respect to enforcing the Loan Instruments or any portion thereof, irrespective of whether suit is brought. *provided, however*, that all Debtor's Obligations are non recourse.

"Trademark" means the trademark identified in Section 2.1.

1.2 Uniform Commercial Code Terms. Terms used in this Security Agreement and Assignment, other than those defined in this Section 1.1, have the meanings accorded to them in the Uniform Commercial Code.

1.3 Construction. Unless the context of this Security Agreement and Assignment clearly requires otherwise, the plural includes the singular, the singular includes the plural, the part includes the whole, "including" is not limited, and "or" has the inclusive meaning of the phrase "and/or." The words "hereof," "herein," "hereunder," and other similar terms in this Security Agreement and Assignment refer to this Security Agreement and Assignment as a whole and not exclusively to any particular provision of this Security Agreement and Assignment.

ARTICLE II

SECURITY INTEREST

2.1 Grant of Security Interest. In order to secure prompt payment and performance of Debtor's Obligations, Debtor hereby grants to Secured Party a present continuing first-priority pledge and security interest in the following property of Debtor (the "*Collateral*"), whether now owned or existing or hereafter acquired or arising and regardless of where located:

(a) The following Patents and related Patent Rights and Patent License Rights:

**Patents Issued by U.S. Patent
and Trademark Office**

<u>Patent No.</u>	<u>Issue Date</u>	<u>Inventor(s)</u>	<u>Title</u>
4955296	09-11-1990	Barlow, James L.	Incinerator Grate Assembly
6655304	12-02-2003	Barlow, James L.	Mass Fuel Combustion System
5044288	09-03-1991	Barlow, James L.	Method and Apparatus for the Efficient Combustion of Mass Fuel

And the patents and patent applications identified on the attached Exhibit A.

(b)

**Trademark Registrations Issued by U.S. Patents
And Trademark Office**

<u>Trademark or Service Mark</u>	<u>Registration No.</u>	<u>Registration Date</u>
Aireal Drawing Type: Words, Letters, or Numbers in Block Form	3019319	11-29-2005

(c) All General Intangibles, including, without limitation: (i) all inventions, processes, production methods, proprietary information, know-how and trade secrets used or used with respect to the Patents and Trademarks, (ii) all trade names, trademarks, and service marks related to the Patents and Trademark; all trademark and service mark registrations and applications for trademark and service mark registrations and all renewals of trademark and service mark registrations, all rights relating thereto, including without limitation, the right to recover for all past, present and future infringements thereof, and all other rights of any kind whatsoever accruing thereunder or pertaining thereto, together with the goodwill of the business connected with the use of, and symbolized by, each such trade name, trademark, and service mark, (iii) all licenses or other agreements relating to any of the Patents and Trademark, (iv) all information, data, plans, blueprints, specifications, designs, drawings, recorded knowledge, surveys, engineering reports, test reports, manuals, materials standards, processing standards, performance standards, catalogs, computer and automatic machinery software and programs, and the like pertaining to the Patents and Trademark, (v) all field repair data, sales data and other information relating to sales or service of all present or future products related to the Patents, (vi) all accounting information and all media in which or on which any of the information or knowledge or data or records which pertain to the Patents and Trademark may be recorded or stored and all computer programs used for the compilation or printout of such information, knowledge, records or data, (vii) all licenses, franchises, permits or other rights to use any processes, production methods, proprietary information, know-how, trade secrets and software in

connection with the Patents, (viii) all causes of action, claims and warranties relating to any of the foregoing.

(d) Proceeds, which shall mean all proceeds and products of Collateral and all additions and accessions to, replacements of, insurance or condemnation proceeds of, and instruments covering Collateral; all property received wholly or partly in trade or exchange for Collateral; all claims against third parties arising out of damage, destruction, or decrease in value of the Collateral; all leases of Collateral; and all rents, revenues, issues, profits, and proceeds, arising from the sale, lease, license, encumbrance, collection, or any other temporary or permanent disposition of the Collateral or any interest therein.

ARTICLE III

PROVISIONS CONCERNING GENERAL INTANGIBLES

3.1 Leases and Licenses.

(a) Schedule 3.1 is a true and complete list of all leases and licenses of the Collateral to which Debtor is a party. Debtor represents and warrants that each of the leases and licenses listed on such Schedule is in full force and effect; that neither Debtor nor, to Debtor's knowledge, any other party thereto is in default under or in breach of the terms or conditions of any such lease or license; and that there has not occurred any event of default or event that, after the giving of notice or the lapse of time or both, would constitute a default under or breach of any such lease or license.

(b) Debtor shall not amend, modify or supplement any lease, license, contract, or agreement included in the Collateral or waive any provision thereof, without the prior written consent of Secured Party.

(c) Debtor shall remain liable to perform all of its duties and obligations under any leases, licenses, contracts, and agreements included in the Collateral to the same extent as if this Security Agreement and Assignment had not been executed, and Secured Party shall not have any obligation or liability under such leases, licenses, contracts, and agreements by reason of this Security Agreement and Assignment or otherwise.

ARTICLE IV

OTHER PROVISIONS CONCERNING COLLATERAL

4.1 Title. Debtor has good and marketable title to the Collateral, and the Liens granted to Secured Party pursuant to this Security Agreement and Assignment are fully perfected first-priority Liens in and to the Collateral with priority over the rights of every person in the Collateral other than the rights of Debtor, and the Collateral is free, clear, and unencumbered by any Liens in favor of any person other than Secured Party.

4.2 Further Assurances. Debtor shall execute and deliver to Secured Party, concurrent with Debtor's execution of this Security Agreement and Assignment and at any time or times hereafter at the request of Secured Party, all financing statements, continuation financing statements, fixture filing, security agreements, chattel mortgages, assignments, endorsements of certificates of title, applications for titles, affidavits, reports, notices, schedules of accounts, letters of authority, and all other instruments Secured Party may reasonably request, in form satisfactory to Secured Party, to perfect and maintain perfected Secured Party's Liens in the Collateral and in order to consummate fully all of the transactions contemplated under the Loan Instruments. Debtor hereby irrevocably makes, constitutes, and appoints Secured Party (and any of Secured Party's officers, employees, or agents designated by Secured Party) as Debtor's true and lawful attorney with power to sign the name of Debtor on any of the above-described instruments or on any other similar instruments that need to be executed, recorded, and/or filed in order to perfect or continue perfected Secured Party's Liens in the Collateral. The appointment of Secured Party as Debtor's attorney is irrevocable as long as any Secured Obligations are outstanding. Any person dealing with Secured Party shall be entitled to rely conclusively on any written or oral statement of Secured Party that this power of attorney is in effect.

4.3 Transfer of Collateral. Debtor shall not sell, lease, license, transfer, or otherwise dispose of any interest in any Collateral except for sales and leases of the Patents and Trademark that are

- (a) consented to by the Secured Party, and
- (b) are subject to the Secured Party's security interest in the Collateral.

4.4 Secured Party's Duty of Care. Secured Party shall have no duty of care with respect to the Collateral.

4.5 Debtor's Obligations. Debtor shall remain liable to perform its obligations under any leases, contracts and agreements included in the Collateral to the same extent as though this Security Agreement and Assignment had not been entered into, and Secured Party shall not have any obligation or liability under such leases, contracts and agreements by reason of this Security Agreement and Assignment or otherwise.

4.6 Debtor's Contracts. If at any time after payment in full of all Secured Obligations and termination of Secured Party's Liens, any payment on Secured Obligations previously made must be disgorged by Secured Party for any reason whatsoever (including, without limitation, the insolvency, bankruptcy, or reorganization of Debtor), this Security Agreement and Assignment and Secured Party's Liens granted hereunder shall be reinstated as to all disgorged payments as though such payments had not been made, and Debtor shall sign and deliver to Secured Party all Instruments and things necessary to reperfect all terminated Liens.

4.7 Secured Party Expenses. If Debtor fails to pay any moneys (whether taxes, assessments, insurance premiums, or otherwise) due to third persons or entities, fails to make any deposit or furnish any required proof of payment or deposit, or fails to discharge any Lien prohibited hereby, all as required under the terms of this Security Agreement and Assignment,

then Secured Party may, to the extent that it determines that such failure by Debtor could have a material adverse effect on Secured Party's interests in the Collateral, in its discretion and without prior notice to Debtor, make payment of the same or any part thereof. Any amounts paid or deposited by Secured Party shall constitute Secured Party Expenses, shall become part of the Secured Obligations and shall be secured by the Collateral. Any payments made by Secured Party shall not constitute (a) an agreement by Secured Party to make similar payments in the future or (b) a waiver by Secured Party of any Event of Default under this Security Agreement and Assignment. Secured Party need not inquire as to, or contest the validity of, any such expense, tax, or Lien, and the receipt of the usual official notice for the payment of moneys to a governmental entity shall be conclusive evidence that the same was validly due and owing.

Debtor hereby authorizes and approves all advances and payments by Secured Party for items constituting Secured Party Expenses.

4.8 Inspection of Collateral and Records. During Debtor's usual business hours, Secured Party may inspect and examine the Collateral and check and test the same as to quality, quantity, value and condition. Secured Party shall also have the right at any time or times hereafter, during Debtor's usual business hours or during the usual business hours of any third party having control over the records of Debtor, to inspect and verify Debtor's Books in order to verify the amount or condition of, or any other matter relating to, the Collateral and Debtor's financial condition and to copy and make extracts therefrom. Debtor waives the right to assert a confidential relationship, if any, it may have with any accounting firm and/or service bureau in connection with any information requested by Secured Party pursuant to this Security Agreement and Assignment and agrees that Secured Party may directly contact any such accounting firm and/or service bureau in order to obtain such information.

ARTICLE V

COVENANTS

Debtor shall not create, incur, assume, or permit to exist any Lien on any Collateral now owned or hereafter acquired by Debtor, except for Liens to Secured Party.

ARTICLE VI

EVENTS OF DEFAULT

Any of the following events shall be deemed an Event of Default or a default hereunder:

(a) if default shall be made in payment or performance of any Secured Obligations as and when the same shall become due and payable; or

(b) if Debtor fails to perform or observe any other term, provision, covenant or agreement in any of the Loan Instruments after the Bank has given notice of default to the Borrower and ten (10) days to cure such default, or

(c) if there occurs an Event of Default under any other Loan Instrument after the Bank has given notice of default to the Borrower and ten (10) days to cure such default; or

(d) if any warranty, representation, certification, financial statement or other information made or furnished at any time pursuant to the terms of this Security Agreement and Assignment or otherwise, by Debtor, shall prove to be materially false as of the date made and to have been made or furnished with knowledge of the false nature thereof ; or

(e) there is a material impairment of the value or priority of Secured Party's Liens on the Collateral or the enforceability of the collateral assignment of leases or licenses of the Collateral by the Debtor to the Secured Party after the Bank has given notice of default to the Borrower and ten (10) days to cure such default; or

(f) any Patent or Trademark is declared invalid or is declared to infringe on the rights of any other person, if such declaration is nonappealable or prevents the use of such patent, trademark, copyright, or other intellectual property right or process for a period in excess of five (5) days.

ARTICLE VII

REMEDIES

7.1 General Remedies. Upon the occurrence and during the continuation of any Event of Default, in addition to all other rights, powers and remedies conferred herein, in the Loan Instruments or by law, the Secured Party may declare the Secured Obligations immediately due, payable and performable, including all principal and interest remaining unpaid on the Notes and all other amounts secured hereby, all without demand, presentment or notice, all of which are expressly waived. The Secured Party shall also have, in addition to all other rights provided herein, or by law, the rights and remedies of a secured party under the Code and applicable common law (regardless of whether the Code is the law of the jurisdiction where the rights or remedies are asserted and regardless of whether the Code applies to the affected Collateral), and further, but not by way of limitation, the Secured Party may take (and/or may cause one or more of its designees to take) any or all of the following actions:

(a) Notify other parties with respect to or interested in any items of the Collateral of the Secured Party's interest therein or of any action proposed to be taken with respect thereto, and direct one or more of those parties to make all rents, payments, distributions and proceeds otherwise payable to the Debtor with respect thereto directly to the Secured Party or its order until notified by the Secured Party that all the Secured Obligations have been fully paid and satisfied.

(b) Receive and retain all payments, distributions and proceeds of any kind with respect to any and all of the Collateral.

(c) Enter any premises where any item of Collateral may be located, with or without permission or process of law but without breach of the peace, and seize and remove such Collateral or remain upon such premises and use or dispose of such Collateral as contemplated under this Security Agreement and Assignment.

(d) Request the judicial appointment of a receiver respecting the Collateral or any portion thereof in any action, suit or proceeding in which claims are asserted against the Collateral by the Secured Party or its designee, irrespective of the solvency of the Debtor or any other person or the adequacy of any Collateral, and without notice to or the approval of the Debtor, which receiver shall have the power to manufacture, operate, sell, lease or rent such items of Collateral pending the sale of all of the Collateral and to collect the rent, issues and profits therefrom, together with such other powers as may have been requested by the Secured Party and shall apply the amounts received (net of all proper charges and expenses) to the Secured Obligations as provided in this Security Agreement and Assignment. Such a receiver may serve without bond or under such minimal bond as may be required by applicable law.

(e) Reduce its claim to judgment or foreclose or otherwise enforce, in whole or in part, the security interest created hereby by any available judicial procedure.

(f) Take any action with respect to the offer, sale, lease, license or other disposition, and delivery of the whole of, or from time to time any one or more items of, the Collateral, including, without limitation to sell, assign, lease, license or otherwise dispose of the whole of, or from time to time any part of, the Collateral, or offer or agree to do so, in any established market or at any broker's board, private sale or public auction or sale (with or without demand on the Debtor or any advertisement or other notice of the time, place or terms of sale, except such reasonable notice of the time and place of any public sale or the time after which a private sale or other disposition may be made as may be required by the Code) for each, credit or any other asset or property, for immediate or future delivery, and for such consideration and upon such terms and subject to such conditions as the Secured Party in its sole and absolute discretion may determine the requirements of reasonable notice shall be set if such notice is mailed or delivered to the Debtor at the address designated at Section 8.4 at least ten (10) days before the time of the sale or disposition. The Secured Party may purchase (the consideration for which may consist in whole or in part of cancellation of indebtedness) or any other person may purchase the whole or any one or more items of the Collateral so sold free and clear of any and all rights, powers, privileges, remedies and interests of the Debtor (which the Debtor has expressly waived); to postpone or adjourn any such auction, sale or other disposition or cause the same to be postponed or adjourned from time to time to a subsequent time and place, or to abandon or cause the abandonment of the same, all without any advertisement or other notice thereof; and to carry out any agreement to sell any item or items of the Collateral in accordance with the terms and provisions of such agreement, notwithstanding that, after the Secured Party shall have entered into such an agreement, all the Secured Obligations may have been paid and satisfied in full Secured Party may dispose of the Collateral in its then existing condition or, at its election, may take such measures as it deems necessary or advisable to refurbish, repair, improve, process, finish, operate, demonstrate, and prepare for sale the Collateral and may store, ship, reclaim, recover, protect, advertise for sale or lease, and insure the Collateral.

(g) Pay, purchase, contest, or compromise any encumbrance, charge, or Lien that, in the opinion of Secured Party, appears to be prior or superior to its Lien and pay all expenses incurred in connection therewith.

(h) Take possession of and thereafter deal with or use from time to time all or any part of the Collateral in all respects as if the Secured Party were the outright owner thereof.

(i) At the Secured Party's sole and absolute discretion, retain the Collateral or any part thereof in satisfaction of the Secured Obligation.

(j) Transfer or cause the transfer of the ownership of all or any part of the Collateral to its own name and have such transfer recorded in any jurisdiction(s) and publicized in any manner deemed appropriate by the Secured Party.

7.2 Non-Judicial Remedies. In granting to the Secured Party the power to enforce its rights hereunder without prior judicial process or judicial hearing, the Debtor expressly waives, renounces and knowingly relinquishes any legal right which might otherwise require the Secured Party to enforce its rights by judicial process. In so providing for non-judicial remedies, the Debtor recognizes and concedes that such remedies are consistent with the usage of trade, are responsive to commercial necessity, and are the result of a bargain at arm's length. Nothing herein is intended to prevent the Secured Party from resorting to judicial process at its option.

7.3 Proceeds. The Secured Party shall collect the cash and non-cash proceeds received from any sale or other disposition or from any other source contemplated by Section 7.1, and, after deducting all costs and expenses incurred by the Secured Party and any person designated by the Secured Party to take any of the action enumerated in this Security Agreement and Assignment in connection with such collection and sale or disposition (including attorneys' disbursements, expenses and reasonable fees and the reasonable fees and expenses of any appraisers or consultants employed by Secured Party), the Secured Party in its discretion may retain the same as additional or substitute Collateral or may apply the same in accordance with the terms and provisions of this Security Agreement and Assignment. In the event any funds remain after satisfaction in full of the Secured Obligations, then the remainder shall be returned to the Debtor, subject, however, to any other rights or interests the Secured Party may have therein under any other instrument, agreement or document or applicable law.

Proceeds shall be applied to the following items in such manner and order as the Secured Party may determine in its sole and absolute discretion.

(a) The payment to or reimbursement for any fees and expenses for which the Secured Party is entitled to be paid or reimbursed pursuant to any of the provisions of this Security Agreement and Assignment.

(b) The payment of accrued and unpaid interest on the Secured Obligations.

(c) The payment of the outstanding principal on the Secured Obligations.

(d) The payment in full of all other Obligations under this Security Agreement and Assignment.

All advances and payments made pursuant to this Security Agreement and Assignment may be recorded by the Secured Party on its books and records, and such books and records shall be conclusive absent manifest error as to the existence and amounts thereof.

7.4 Remedies Not Exclusive. All rights, powers and remedies conferred in this Section 7 are cumulative, and not exclusive, of: (i) any and all other rights and remedies herein

conferred or provided for; (ii) any and all other rights, powers and remedies conferred or provided for in any other Loan Instrument; and (iii) any and all rights, powers and remedies conferred, provided for or existing at law or in equity, and the Secured Party shall, in addition to the rights, powers and remedies herein conferred or provided for, be entitled to avail itself of all such other rights, powers and remedies as may now or hereafter exist at law or in equity for the collection of and enforcement of the Secured Obligations and the enforcement of the representations, warranties, agreements, covenants and indemnities contained in this Security Agreement and Assignment and in any other Loan Instrument. The Secured Party, in its sole discretion, may proceed to exercise or enforce any right, power, privilege, remedy or interest that the Secured Party may have under this Security Agreement and Assignment any other Loan Instrument, or applicable law; without notice except as otherwise expressly provided herein; without pursuing, exhausting or otherwise exercising or enforcing any other right, power, privilege, remedy or interest that the Secured Party may have against or in respect of the Debtor or the Collateral, or other person or thing; and without regard to any act or omission of the Secured Party or any other person. The Secured Party may institute separate proceedings with respect to this Security Agreement and Assignment in such order and at such times as the Secured Party may elect in its sole and absolute discretion. This Security Agreement and Assignment may be enforced without possession of any note or its production in any action, suit or proceeding. The foregoing notwithstanding, the Secured Party acknowledges that Secured Obligations are non recourse

7.5 Equitable Relief. The Debtor acknowledges that it will be impossible to measure in money the damage to the Secured Party in the event of a breach of any of the terms and provisions of this Security Agreement and Assignment, and the Debtor agrees that, in the event of any such breach, the Secured Party will not have an adequate remedy at law, although the foregoing shall not constitute a waiver of any of the Secured Party's rights, powers, privileges and remedies against or in respect of a breaching party, any Collateral or any other person or thing under this Security Agreement and Assignment or applicable law. It is therefore agreed that the Secured Party, in addition to all other such rights, powers, privileges and remedies that it may have, shall be entitled to injunctive relief, specific performance or such other equitable relief as the Secured Party may request to exercise or otherwise enforce any of the terms and provisions of this Security Agreement and Assignment and to enjoin or otherwise restrain any act prohibited thereby, and the Debtor will not urge and hereby waives any defense that there is an adequate remedy of law.

7.6 Expenses Secured. The Debtor agrees that the Secured Party may resort to the Collateral for all costs and expenses, if any (including reasonable counsel, consultant and appraiser fees and expenses), incurred by the Secured Party in connection with the exercise and enforcement (whether through negotiations, legal proceedings or otherwise) of Secured Party's rights and remedies provided by this Security Agreement and Assignment or any other Loan Instrument, or which by law shall be payable by the Debtor, expressly including all such costs and expenses incurred by the Secured Party in connection with or during the pendency of any bankruptcy or insolvency proceedings involving the Debtor. All such expenses shall be part of the Secured Obligations, and shall be secured by the Collateral.

7.7 Miscellaneous. The Debtor acknowledges and agrees that the rights, powers, privileges, remedies and interests conferred upon the Secured Party in respect of the Collateral

by this Security Agreement and Assignment and applicable law are solely to enable the Secured Party to protect and preserve the Collateral, as well as to realize upon it in accordance with this Security Agreement and Assignment, all in such manner as the Secured Party in its discretion may elect, and shall not impose upon the Secured Party any duty or other obligation to exercise or enforce any such right, power, privilege, remedy or interest. Any exercise or other enforcement of any such right, power, privilege, remedy or interest, if undertaken by the Secured Party in its discretion, may be delayed, discontinued or otherwise not pursued or exhausted for any reason whatsoever (whether intentionally or otherwise). Without limiting the generality of the foregoing, the Secured Party shall be under no duty or obligation to protect or preserve any of the Collateral, perform any obligation or duty of the Debtor under any of the Collateral, or take any action to mitigate or otherwise reduce any damage or other loss or to otherwise collect, exercise or enforce any claim, right or other interest arising under or with respect to the Collateral, except as specifically provided in this Security Agreement and Assignment.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

8.1 Delay and Waiver. No delay or omission to exercise any right shall impair any such right or be a waiver thereof, but any such right may be exercised from time to time and as often as may be deemed expedient. A waiver on one occasion shall be limited to that particular occasion.

8.2 Severability; Headings. If any part of this Security Agreement and Assignment or the application thereof to any person or circumstance is held invalid, the remainder of this Security Agreement and Assignment shall not be affected thereby. The section headings herein are included for convenience only and shall not be deemed to be a part of this Security Agreement and Assignment.

8.3 Binding Effect. This Security Agreement and Assignment shall be binding upon and inure to the benefit of the respective legal representatives, successors, and assigns of the parties hereto; however, Debtor may not assign any of its rights or delegate any of its obligations hereunder. Secured Party (and any subsequent assignee) may transfer and assign this Security Agreement and Assignment and deliver the Collateral to the assignee, who shall thereupon have all of the rights of Secured Party; and Secured Party (or such subsequent assignee who in turn assigns as aforesaid) shall then be relieved and discharged of any responsibility or liability with respect to this Security Agreement and Assignment and said Collateral.

8.4 Notices. Any notices under or pursuant to this Security Agreement and Assignment shall be deemed duly sent when delivered in hand or when mailed by registered or certified mail, return receipt requested, or when delivered by courier or when transmitted by facsimile, telecopy, or similar electronic medium to the following addresses:

To Debtor: Pierce Energy Corporation
2805 W. 15th, Suite 101
Amarillo, Texas 79102
Attn: President
Telecopy: ()_____

To Secured Party: First National Bank
205 W. Oak Street
Fort Collins, Colorado 80521
Attention: President
Telecopy: ()_____

Either party may change such address by sending notice of the change to the other party; such change of address shall be effective only upon actual receipt of the notice by the other party.

8.5 Consent to Jurisdiction and Venue. Any legal action or other proceeding with respect to this Security Agreement and Assignment or any other Loan Instruments may be brought in the courts of the State of Colorado or of the United States located in the City and County of Denver (to the extent that such courts would otherwise have subject matter jurisdiction), and by execution and delivery of this Security Agreement and Assignment, each of the Debtor and the Secured Party consents, for itself and in respect of its property, to the jurisdiction of those courts. Each of the Debtor and the Secured Party irrevocably waives any objection, including any objection to the laying of venue or based on the grounds of *forum non conveniens*, which it may now or hereafter have to the bringing of any action or proceeding in such jurisdiction in respect of this Security Agreement and Assignment or any other Loan Instruments. The Debtor and the Secured Party each waive personal service of any summons, complaint or other process which may be made by any other means permitted by Colorado law.

8.6 Waiver of Jury Trial and Certain Damages. Each of the Debtor and the Secured Party hereby waives, to the extent permitted by applicable law, trial by jury in any litigation in any court with respect to, in connection with, or arising out of this Security Agreement and Assignment or any other Loan Document or the validity, protection, interpretation, collection or enforcement thereof; and the Debtor hereby waives, to the extent permitted by applicable law, the right to interpose any setoff or counterclaim or cross-claim in connection with any such litigation, irrespective of the nature of such setoff, counterclaim or cross-claim except to the extent that the failure so to assert any such setoff, counterclaim or cross-claim would permanently preclude the prosecution of or recovery upon the same. Notwithstanding anything contained in this Security Agreement and Assignment or any other Loan Instruments to the contrary, no claim may be made by the Debtor against the Secured Party for any lost profits or any special, indirect or consequential damages in respect of any breach or wrongful conduct (other than willful misconduct constituting actual fraud) in connection with, arising out of or in any way related to the transactions contemplated hereunder or under any other Loan Instruments, or any act, omission or event occurring in connection therewith; and the Debtor hereby waives, releases and agrees not to sue upon any such claim for any such damages. The

Debtor agrees that this Section 8.6 is a specific and material aspect of this Security Agreement and Assignment and acknowledges that the Secured Party would not extend credit to the Debtor if this Section 8.6 were not part of this Security Agreement and Assignment.

8.7 Governing Law. All acts and transactions hereunder and the rights and obligations of the parties hereto shall be governed, construed, and interpreted in accordance with the domestic laws of Colorado.

IN WITNESS WHEREOF, the Debtor and the Secured Party have executed this Security Agreement and Assignment by their duly authorized officers as of the date first above written.

PIERCE ENERGY CORPORATION,
A Texas corporation

By: *Barrett Pierce*
Barrett Pierce
President

FIRST NATIONAL BANK,
a national banking association

By: _____
Mark Driscoll
President

Debtor agrees that this Section 8.6 is a specific and material aspect of this Security Agreement and Assignment and acknowledges that the Secured Party would not extend credit to the Debtor if this Section 8.6 were not part of this Security Agreement and Assignment.

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PIERCE ENERGY CORPORATION,
A Texas corporation

By: _____
Barrett Pierce
President

FIRST NATIONAL BANK,
a national banking association

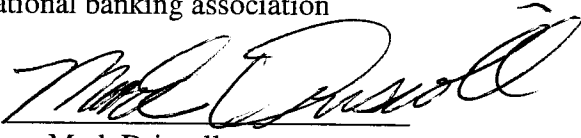
By: 
Mark Driscoll
President

Exhibit A

Patents

Description: **Barlow-Fluidized NP-US** **ISSUED**

Title: Improved Mass Fuel Combustion System
Filed: 11/21/2001
Appl. No: 09/979,694
Last Action: Issued 12/2/2003 as Patent No. 6,655,304 B1

Description: **Barlow – Grate US** **ISSUED**

Title: Incinerator Grate Assembly
Filed: 12/1/1988
Appl. No: 07/278,183
Last Action: Issued 9/11/1990 as Patent No. 4,955,296

Description: **Barlow - ***** US** **ISSUED**

Title: Method and Apparatus for the Efficient Combustion of a Mass Fuel
Filed: 4/13/1990
Appl. No: 07/508,929
Last Action: Issued 9/3/1991 as patent No. 5,044,288

Description: **Barlow-Fluidized-NP Argentina** **PENDING**

Title: An Oven and Method for Mass Fuel Combustion (per examiner)
Filed: 11/27/2001
Appl. No: P010105499
Last Action: Filed demand for examination 11/2004

Description: **Barlow-Fluidized-NP Australia (1)** **ISSUED**

Title: Improved Mass Fuel Combustion System
Filed: 5/20/2000
Appl. No: 51456
Last Action: Issued 9/2004 as Patent No. 776445

Description: **Barlow-Fluidized-NP Australia (2)** **PENDING**

Title: Improved Mass Fuel Combustion System
Filed:
Appl. No: 2004237886
Last Action: Office action issued 9/2006

Description: Barlow-Fluidized-NP Brazil PENDING

Title: Improved Mass Fuel Combustion System
Filed: 11/21/2001
Appl. No: PI00107816
Last Action: Demand for examination filed 5/2003

Description: Barlow-Fluidized-NP Canada PENDING

Title: Improved Mass Fuel Combustion System
Filed: 5/20/2000
Appl. No: 2374593
Last Action: Office action responded to 12/06

Description: Barlow-Fluidized-NP Chile PENDING

Title: Improved Mass Fuel Combustion System
Filed: 11/19/2001
Appl. No: 2809-2001
Last Action: Response to office action filed 12/2005

Description: Barlow-Fluidized-NP Costa Rica ISSUED

Title: Improved Mass Fuel Combustion System
Filed: 12/2001
Appl. No: 4-155-803
Last Action: Issued 6/2006 as Patent No. 2653

Description: Barlow-Fluidized-NP Europe PENDING

Title: Improved Mass Fuel Combustion System
Filed: 12/2001
Appl. No: 00 936 093.4
Last Action: Office action responded to 3/07

Description: Barlow-Fluidized-NP Eurasia ISSUED

Title: Improved Mass Fuel Combustion System
Filed: 12/20/2001
Appl. No: 200101218
Last Action: Granted as Patent No. 006188, 10/2005 (AM, AZ, BY, KG, KZ, MD, RU, TJ, TM)

Description: **Barlow-Fluidized-NP Japan** **ISSUED**

Title: Improved Mass Fuel Combustion System
Filed: 11/21/2001
Appl. No: 2000 620286
Last Action: Granted as Patent No. 3538384 – 3/2004

Description: **Barlow-Fluidized-NP Japan Divisional** **PENDING**

Title: Improved Mass Fuel Combustion System
Filed: 7/10/2003
Appl. No: 2003-273116
Last Action: Application published 3/2004

Description: **Barlow-Fluidized-NP Mexico** **PENDING**

Title: Improved Mass Fuel Combustion System
Filed: 11/19/2001
Appl. No: 001856
Last Action: Response filed to office action 7/2005

Trademark

Description: **Trademark – Aireal** **FEDERAL REGISTRATION**

Filed: 7/1/2004
Appl. No: 76/600,135
Last Action: Registered 11/29/2005