



CAUTION

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Thank you for your assistance.

Archives and Records Staff

MF114763

#6434

State Lease

MF114763

Control

56-030328

Base File

County

LEE

POU EXPIRED ~~ML~~
ML

Survey

HIGHWAYS & PUBLIC TRANSPORTATION DE

Block

Block Name

Township

Section/Tract

Land Part

US-77

Part Description

HIGHWAY RIGHT-OF-WAY

Acres

4.162498

Depth Below

Depth Above

Depth Other

See Lease

Leasing: _____

Name

VENADO OIL & GAS, I.L.C

Analyst: _____

Lease Date

2/5/2013

Maps: ~~ML~~

Primary Term

3 yrs

GIS: 76

Bonus (\$)

\$4,759.03

DocuShare: _____

Rental (\$)

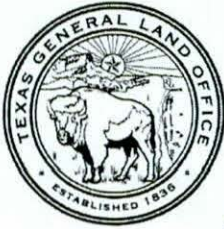
\$0.00

Lease Royalty

0.2500

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Scanned sm 7/2/13	
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(See MF 114627 #7, Assign # 10435	
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GLO USE ONLY
STATE LEASE
MF-_____

RECEIVED
1/14/13

APPLICATION & CHECKLIST FOR HIGHWAY RIGHT OF WAY LEASE

Revised Sept 2011

LESSEE Venado Oil & Gas, LLC

ADDRESS 12600 Hill Country Blvd., Building R, Suite 250, Austin, TX 78738

[Lessee name and address must be written as they will appear on the Lease.]

HIGHEST ADJACENT BONUS PER ACRE PAID \$ 436.28 NET ACRES ~~150.42~~ 11.00

TOTAL CONSIDERATION TO COMMISSIONER OF GENERAL LAND OFFICE

\$ 4,799.08 Paid 1/9/2013 \$ 71.99 Paid 1/9/2013
[bonus amount] [date] [sales fee] [date]

TERM [General Land Office will determine the Term based on remaining term of adjacent leases] ~~4 years~~ 3 years

HIGHEST ADJACENT LEASE ROYALTY RATE 1/4th

HIGHEST ADJACENT LEASE SHUT-IN ROYALTY ~~\$50.00 per net mineral acre~~ \$1200/well
[Note: Shut-in royalty will be highest in adjacent leases with a minimum of \$1200/well.]

TOTAL GROSS ACRES IN PROPOSED LEASE 11.00 TOTAL NET ACRES IN PROPOSED LEASE 11.00

COUNTY Lee

ALL NAMES OF ROAD/HIGHWAY/STREET BEING LEASED:

U.S. Highway 77 US-77

FULL DESCRIPTION [Abstract, Block, Township, Section]

11.00 acres of U.S. Highway 77 out of A. Kuykendall Sur., A-14 & R. Stoelke Sur., A-281, Lee County, Texas

Do you control all minerals or leasehold adjacent to the highway/roadway? Yes ☒ No ☐

If no, what percent of minerals or leasehold adjacent to the roadway do you control? _____

Is the highway/roadway on Relinquishment Act Lands? Yes ☐ No ☒

The second page of this Application is a Checklist that must be filled out and all items furnished before a Highway Right of Way Lease will be prepared.

For questions:
George Martin
Texas General Land Office
1700 N Congress
Austin TX 78701
512-475-1512
george.martin@glo.texas.gov

A. Kuykendall Survey,
A-14, and the R.
Stoelke Survey, A-281



APPLICATION & CHECKLIST FOR HIGHWAY RIGHT OF WAY LEASE

Revised Sept 2011

CHECKLIST

- ☒ 1. Cover letter
- ☒ 2. Application for Highway Right of Way (HROW) Lease
- ☒ 3. Plat showing boundaries and dimensions of right of way tract with highway/roadway labeled. [This will be used to prepare an exhibit to the lease.]
- ☒ 4. Processing fee – check attached
- ☒ 5. Check to Commissioner of General Land Office for total consideration.
- ☒ 6. Check to Commissioner of General Land Office for 1-1/2% sales fee.
- ☐ 7. Executed Waivers of Preferential Right to Lease, if necessary. *CN(A)*
- ☒ 8. Executed Affidavit of Consideration
- ☒ 9. Copies of all highway deeds, clipped together
- ☒ 10. Copies of adjacent leases, clipped together.
Put tabs on the leases with the highest bonus per acre, highest royalty, highest shut-in royalty and highlight those items on the tabbed page.
- ☒ 11. Exhibit "A" to be attached to the lease describing the area being leased (see Guidelines 8.)

Include all the above information in one package and mail or deliver to:

George Martin
 Texas General Land Office
 1700 N Congress, Suite 840
 Austin TX 78701

If you are pooling or unitizing at any time after the State lease has been issued, the following must be provided to the GLO: *CN(A)*

- ☐ 1. Filled out Information for Highway Right-of-Way Unit Declaration
- ☐ 2. Copy of recorded unit designation
- ☐ 3. Copy of unit plat

For questions about pooling:

Beverly Boyd
 Texas General Land Office
 512-463-6521
beverly.boyd@glo.texas.gov

File No. MF 114763
Application + Checklist

Date Filed: 8/14/13

Jerry E. Patterson, Commissioner

By M.A.

The State of Texas



Austin, Texas

PAID-UP
OIL AND GAS LEASE NO. (MF 114763)
GENERAL LAND OFFICE
AUSTIN, TEXAS

THIS AGREEMENT made and entered into by and between the Commissioner of the General Land Office of the State of Texas, whose address is Stephen F. Austin Building, 1700 North Congress, Austin, Texas, 78701, hereinafter called "Lessor", hereunto authorized by the School Land Board, pursuant to the provisions of Chapters 32 and 52 of the Natural Resources Code (hereinafter called N.R.C.), and amendments thereto, and all applicable rules promulgated by the School Land Board and **Venado Oil & Gas, LLC**, whose address is **12600 Hill Country Blvd., Bldg. R, Suite 250, Austin, TX 78738** hereinafter called "Lessee".

1. Lessor, in consideration of **Four Thousand Seven Hundred Ninety Nine and 08/100 (\$ 4,799.08)**, receipt of which is hereby acknowledged, and of the covenants and agreements of Lessee hereinafter contained, does hereby grant, lease, and let unto Lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil, gas, and all other hydrocarbons, produced from the land covered hereby. The land covered hereby, herein called "said land" is located in the County of **Lee**, State of Texas, and is described as follows:

11.00 acres of land, more or less, known as, situated in said **Lee** County, Texas, more particularly described in Exhibit "A" attached hereto and made a part hereof together with a plat, attached hereto as Exhibit "B", depicting said right-of-way and surrounding area for purposes of illustration only.

For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain **11.00 acres**, whether actually containing more or less, and the above recital of acreage shall be deemed to be the true acreage thereof. Lessor accepts the bonus as lump sum consideration for this lease and all rights and options hereunder.

2. PRIMARY TERM: This lease, which is a "paid up" lease requiring no rentals, shall remain in force for a term of **three years**, from **February 5th, 2013** hereinafter called "primary term", and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than ninety (90) consecutive days.

3. ROYALTIES: As royalty Lessee covenants and agrees:

(a) To deliver to the credit of Lessor, in the pipe line to which Lessee may connect its well, the equal **1/4** part of all oil produced and saved by Lessee from said land, or from time to time, at the option of Lessee, to pay Lessor the average posted market price of such **1/4** part of such oil at the wells as of the day it is run to the pipe line or storage tanks, Lessor's interest, in either case, to bear none of the cost of treating oil to render it marketable pipe line oil;

(b) To pay Lessor on gas and casing head gas produced from said land (1) when sold by lessee $\frac{1}{4}$ of the amount realized by Lessee, computed at the mouth of the well, or (2) when used by Lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of $\frac{1}{4}$ of such gas and casing head gas.

(c) If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred

(d) Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, Lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to Lessee.

(e) If at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, lessee shall pay or tender, by check of lessee, as royalty, the sum of **\$ 1,200.00 per well**. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In the event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as to acreage owned by each.

(f) All royalties not taken in kind shall be paid to the Commissioner of the General Land Office at Austin, Texas, in the following manner:

Royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager, or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. In all cases the authority of a manager or agent to act for the Lessee herein must be filed in the General Land Office. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid on each lease. If Lessee pays his royalty on or before thirty (30) days after the royalty payment was due, the Lessee owes a penalty of 5% on the royalty or \$25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or \$25.00, whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value. The State shall have first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State hereunder.

4. POOLING: (a) Lessee is hereby granted the right, at its option, to pool or unitize any land covered by this lease with any other land covered by this lease, and/or with any other land, lease, or leases, as to any or all minerals or horizons. Units pooled for oil hereunder shall not exceed 160 acres each in area, and units pooled for gas hereunder shall not exceed in area 640 acres each plus a tolerance often percent (10%) thereof, unless oil or gas units of a greater size are allowed under or prescribed by rules of the Railroad Commission of Texas. A unit established hereunder shall be valid

and effective for all purposes of this lease even though there may be mineral, royalty, or leasehold interests in lands within the unit, which are not effectively pooled or unitized. Any operations conducted on any part of such unitized land shall be considered, for all purposes, except the payment of royalty, as operations conducted upon said land under this lease. There shall be allocated to the land covered by this lease within each such unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) the proportion of the total production of unitized minerals from the unit, after deducting any used in lease or unit operations, which the number of surface acres in such land (or in each such separate tract) covered by this lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty, overriding royalty and any other payments out of production, to be the entire production of unitized minerals from the land to which allocated in the same manner as though produced there from under the terms of this lease. The owner of the reversionary estate of any term royalty or mineral estate agrees that the accrual of royalties pursuant to this paragraph or of shut-in royalties from a well on the unit shall satisfy any limitation of term requiring production of oil or gas. The formation of any unit hereunder which includes land not covered by this lease shall not have the effect of exchanging or transferring any interest under this lease (including, without limitation, any shut-in royalty which may become payable under this lease) between parties owning interests in land covered by this lease and parties owning interests in land not covered by this lease. Neither shall it impair the right of Lessee to release as provided in paragraph 5 hereof, except that Lessee may not so release as to lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. At any time while this lease is in force Lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit once established hereunder shall remain in force for so long as any lease subject thereto shall remain in force. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but Lessee shall nevertheless have the right to pool or unitize as provided in this paragraph 4 with consequent allocation of production as herein provided. As used in this paragraph 4, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

(b) Neither unit production of oil or gas, nor unit operations, nor payment of shut-in royalties from a unit gas well, shall serve to hold the lease in force as to any area outside the unit, regardless of whether the production, maintenance of a shut-in gas well, or operations are actually located on the State tract or not.

(c) Lessee agrees to file with the General Land Office a copy of any unit designation, which this lease is included within ninety (90) days of such designation.

5. RELEASE: Lessee may relinquish the rights granted hereunder to the State at any time by recording the relinquishment in the county where this area is situated and filing the recorded relinquishment or certified copy of same in the General Land Office within ninety (90) days after its execution accompanied by the prescribed filing fee. Such relinquishment will not have the effect of releasing Lessee from any liability theretofore accrued in favor of the State.

6. REWORK: If at any time or times during the primary term operations are conducted on said land and if all operations are discontinued, this lease shall thereafter terminate at the end of the primary term or on the ninetieth day after discontinuance of all operations, whichever is the later date, unless on such later date either (1) Lessee is conducting operations or (2) the shut-in well provisions of paragraph 3 or the provisions of paragraph 9 are applicable. Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil or gas, or production of oil or gas in paying quantities.

7. MINERAL USE: Lessee shall have the use, free from royalty, of oil and gas produced from said land in all operations hereunder.

8. NOTICE: In the event Lessor considers that Lessee has not complied with all its obligations hereunder, both express and implied, Lessor shall notify Lessee in writing, setting out specifically in what respects Lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all

or any part of the breaches alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on Lessee. Neither the service of said notice nor the doing of any acts by Lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all its obligations hereunder. If this lease is canceled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations, (but in no event less than forty acres), such acreage to be designated by Lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are operations.

9. FORCE MAJEURE: If, while this lease is in force, at, or after the expiration of the primary term hereof, it is not being continued in force by reason of the shut-in well provisions of paragraph 3 hereof, and Lessee is not conducting operations on said land by reason of (1) any law, order, rule or regulation, (whether or not subsequently determined to be invalid) or (2) any other cause, whether similar or dissimilar, (except financial) beyond the reasonable control of Lessee, the primary term shall be extended until the first anniversary date hereof occurring ninety (90) or more days following the removal of such delaying cause, and this lease may be extended thereafter by operations as if such delay had not occurred.

10. LESSER ESTATE CLAUSE: If this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessors interest is herein specified or not), or no interest therein, then the royalties, and other monies accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease bears to the whole and undivided fee simple estate therein.

11. ASSIGNMENTS: This lease may be transferred at any time. All transfers must reference the lease by file number and must be recorded in the county where the land covered hereby is located, and the recorded transfer or a copy certified to by the County Clerk of the county where the transfer is recorded must be filed in the General Land Office within ninety (90) days of the execution date, as provided by N.R.C. Section 52.026, accompanied by the prescribed filing fee. Every transferee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original Lessee or any prior transferee of the lease, including any liabilities to the State for unpaid royalties.

12. WELL INFORMATION: Lessee agrees to forthwith furnish Lessor, upon written request, with copies of all drilling logs, electrical logs, cores and core records and other information pertaining to all wells drilled by lessee either on the leased premises or acreage pooled therewith, when requested to do so. Said information shall remain confidential as required by statute.

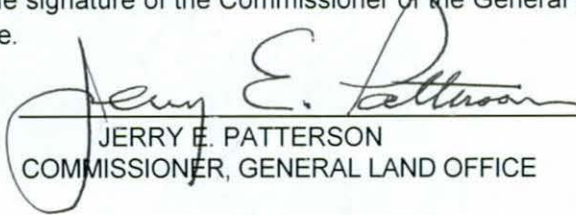
13. SURFACE: Notwithstanding anything herein to the contrary, it is agreed that Lessee will not conduct any exploration or drilling on the surface of the leased premises or use the surface in the exercise of any rights herein granted. Any development of said land shall be by means of a directional well located off the leased premises, or by pooling of said land with other land, lease or leases as hereinabove provided.

14. COMPENSATORY ROYALTY: Lessee shall pay a compensatory royalty if this lease is not being held by production on the leased premises, by production from a pooled unit, or by payment of shut-in royalties in accordance with the terms of this lease, and if oil or gas is sold or delivered in paying quantities from a well located within 2,500 feet of the leased premises and completed in a producible reservoir underlying the area leased hereunder or in any case in which drainage is occurring. Such compensatory royalty shall be paid at the royalty rate provided in this lease based on the value of production from the well as provided in the lease on which such well is located. The compensatory royalty shall be paid in the same proportion that the acreage of this lease has to the acreage of the proration unit surrounding the draining well plus the acreage of this lease. The compensatory royalty shall be paid monthly to the Commissioner of the General Land Office on or before the last day of the month after the month in which the oil or gas is sold and delivered from the well causing the drainage or from the well located within 2500 feet of the leased premises and completed in a producible reservoir under this lease. Notwithstanding anything herein to the contrary, compensatory royalty payable hereunder shall

be no less than an amount equal to double the shut-in, and shall maintain this lease in effect for so long as such payments are made as provided herein.

15. FORFEITURE: If Lessee shall fail or refuse to make payment of any sum within thirty (30) days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, or refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if this lease is pooled or assigned and the unit designation or assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease. However, nothing herein shall be construed as waiving the automatic termination of this lease by operations of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights there under reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

IN TESTIMONY WHEREOF, witness the signature of the Commissioner of the General Land Office of the State of Texas under the seal of the General Land Office.


 JERRY E. PATTERSON
 COMMISSIONER, GENERAL LAND OFFICE

Approved:

ML: 

DC: 

CC: 

EXHIBIT "A"

Attached to and made a part of Affidavit of Highest Consideration Paid For Highway Right of Way Leases from Robert Fulkerson, Affiant, covering the following described land in Lee County, Texas:

11.00 acres of land, more or less, out of the Abner Kuykendall Survey, Abstract Number 14, and the R. Stoelke Survey, Abstract Number 281, in Lee County, Texas, and consisting of all of the following U.S. Highway 77 right of way described as:

Beginning on the west or northwest side of U.S. Highway 77 at the southeast corner of the present-day Adeline Kieschnick tract (identified by the Lee County Central Appraisal District as Property ID Number 13551) which also is the southeast corner of the 54.88 acre FIRST TRACT described in the Warranty Deed executed January 11, 1964, recorded in Volume 153, Page 112, Deed Records of Lee County, Texas, from Herman Kieschnick, Sr. and wife, Martha Kieschnick to Herman F. Kieschnick, Jr. and wife, Adeline M. Kieschnick:

Thence, continuing in a west or northwest direction along the western or northwestern boundary line of the U.S. Highway 77 right of way approximately 3,500 feet to the north or northeast corner of the present-day Carroll Meadows tract (identified by the Lee County Appraisal District as Property ID Number 18040) which also is the north or northeast corner of the 11.753 acre tract described in the Deed dated August 25, 1998, recorded in Volume 825, Page 692, Official Public Records of Lee County, Texas, from Dorothy Zschech, et al, to Carroll Meadows;

Thence, continuing in a northeasterly direction and crossing the entire width of the right of way of U.S. Highway 77 to the west corner of the present-day Patricia Ball tract (identified by the Lee County Central Appraisal District as Property ID Number 10251), same being the west corner of the THIRD TRACT described as 160.00 acres of land, more or less, in the Executor's Deed dated November 23, 1988, recorded in Volume 603, Page 520, Deed Records of Lee County, Texas, from the Co-Executors of the Last Will and Testament of Raymond R. Ball to Patrick Ball and Patricia Ball;

Thence, continuing in a south or southeast direction along the eastern or southeastern boundary of the U.S. Highway 77 right of way a distance of approximately 3,500 feet to the southwestern corner of the present-day Patricia Ball tract (identified by the Lee County Central Appraisal District as Property ID Number 13551), said point also being the northwestern corner of the present-day Patricia Ball tract (identified by the Lee County Central Appraisal District as Property ID Number 10253) and the Point of Beginning of the SIXTH TRACT described as 15.26 acres of land, more or less, in the Executor's Deed dated November 23, 1988, recorded in Volume 603, Page 520, Deed Records of Lee County, Texas, from the Co-Executors of the Last Will and Testament of Raymond R. Ball to Patrick Ball and Patricia Ball;

Thence, continuing in a west or southwest direction and crossing the entire width of the right of way of U.S. Highway 77 to the POINT OF BEGINNING.

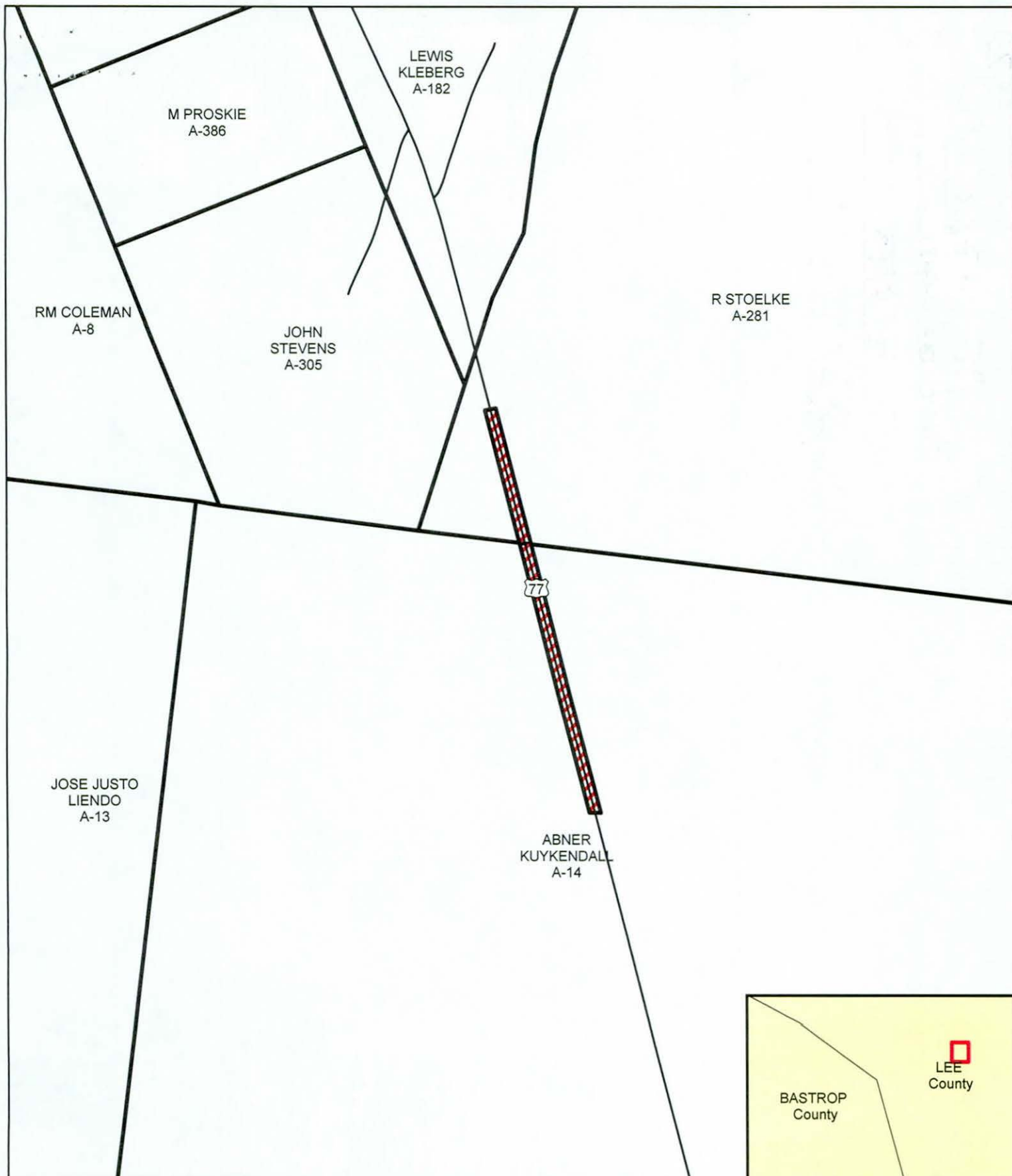
And comprising 11.00 acres, of land, more or less, of U.S. Highway 77 right of way to include all of the right of way whether accurately described.

Said 11.00 acres of land, more or less, contains, but is not limited to, all of the 10.94 acres of land, more or less, described in the following Right-Of-Way Deeds:

8.35 acres of land, more or less, out of the Abner Kuykendall League No. 14, Lee County, Texas, conveyed in a Right-of-Way Deed dated November 6, 1933, recorded in Volume 64, Page 93, Deed Records of Lee County, Texas, from Herman Kieschnick and wife, Martha Kieschnick to the State of Texas, acting through the State Highway Commission; and

2.59 acres of land, more or less, out of the R. Stoelke Survey, Abstract Number 281, Lee County, Texas, conveyed in a Right-of-Way Deed dated November 23, 1933, recorded in Volume 64, Page 123, Deed Records of Lee County, Texas, from Mrs. H.B. Krenek and husband H.B. Krenek to the State of Texas, acting through the State Highway Commission.

Worddocs/Venado/Horse Shoe/State Highway 77 Leases/Work/11.00 Ac. - Aff of Lease Considerations



Highway Right-of-Way Plat of
US 77
MF114763
11.00 acres
Lee County, Texas

1,000 500 0 1,000 Feet



The Texas General Land Office makes no representations or warranties regarding the accuracy or completeness of the information depicted on this map or the data from which it was produced. This map IS NOT suitable for navigational purposes and does not purport to depict or establish boundaries between private and public land.



Map Generated by:
Zeke Guillen
IS/BAS/GIS
February 2013

File No. MF 114763
Oil & Gas Lease

Date Filed: 2/5/13

Jerry E. Patterson, Commissioner
By M.A.

THOMAS W. SCHLEIER & ASSOCIATES
INDEPENDENT PETROLEUM LANDMEN
101 EAST NOLTE, SUITE 209
SEGUIN, TEXAS 78155
FAX: (830) 372-2842
(830) 379-6454

January 9, 2013

George Martin
Texas General Land Office
1700 N. Congress Ave., Suite 840
Austin, TX 78701

Re: Highway Right of Way Lease (HROW):
Cover Letter of Application for an Oil and Gas Lease covering
11.00 acres, more or less, of U.S. Highway 77 right of way in
A. Kuykendall Survey, A-14, and R. Stoelke Survey, A-281,
in Lee County, Texas

Dear Mr. Martin:

I am sending you this Letter of Application because our client requests an Oil and Gas Lease covering 11.00 acres of U.S. Highway 77 right of way in Lee County, Texas. Our client is:

Venado Oil & Gas, LLC
12600 Hill Country Blvd.
Building R, Suite 250
Austin, TX 78738
Attn: J.D. Braddock
Phone: 512-735-9010

Our research indicates that this entire right of way is available for the negotiation of a new Oil and Gas Lease. Also, none of this 11.00 acre tract is either on or a part of any Relinquishment Act Land.

In connection with this Letter of Application, I submit the following attached information as shown in the Application & Checklist for Highway Right Of Way Lease Checklist:

1. This is the required cover letter.
2. Completed Application & Checklist for Highway Right-Of-Way Lease with attached and filled-out Application & Check List.

3. A plat of the 11.00 acres ("the subject tract") of U.S. Highway 77 right-of-way (colored in red and labeled) which my client proposes to lease. This plat shows the approximate dimensions of the right of way to be leased.

This plat also shows Oil & Gas Leases covering tracts of adjacent mineral owners which abut this right-of-way including: lessor names, original lessee names, lease expiration dates, royalty amounts and the gross acreage covered. These abutting tracts have been assigned individual numbers and the subject tract to be leased is labeled Tract #1.

Also attached is a spreadsheet entitled "Schedule of Leases" listing information about the Leases covering tracts of adjacent mineral owners which abut the subject tract that Venado Oil & Gas & its partner EOG Resources, Inc. presently own. The assigned tract numbers are the same as shown on the map. This spreadsheet also lists each mineral owner's name and contact information, lessee's name and contact information, tract gross acres, bonus paid per net mineral acre for the primary term, bonus being paid per net mineral acre for any applicable Lessee's option term, lease royalty, term and recording information.

4. Processing fee: Attached is Thomas W. Schleier & Associates Check #51896 in the amount of \$500.00 payable to the Commissioner of the General Land Office, as the processing fee.

5. Total Consideration: According to the attached Affidavit of Lease Consideration, the highest bonus paid for an abutting Oil and Gas Lease is \$436.28 per net mineral acre. As a result, the Total Consideration for this Lease is estimated to be:

ACRES IN LEASE	X	BONUS PER ACRE	=	TOTAL CONSIDERATION
11.00 acres	X	\$436.28	=	\$4,799.08

Attached is Thomas W. Schleier & Associates Check #51897 in the amount of \$4,799.08 payable to the Commissioner of the General Land Office as the Total Consideration.

6. Sales Fee of 1 1/2%: The Sales Fee for this Lease will be:

TOTAL CONSIDERATION	X	PER CENT	=	SALES FEE
\$4,799.08	X	1 1/2%	=	\$71.99

Attached is Thomas W. Schleier & Associates Check #51898 in the amount of \$71.99 payable to the Commissioner of the General Land Office as the Sales Fee.

7. Executed Waivers of Preferential Right to Lease: All mineral interests in the six (6) tracts abutting the 11.00 acres of highway right of way to be covered by the proposed Oil and Gas Lease presently are under lease to Venado Oil & Gas, LP and its partner EOG Resources, Inc. who now are considered the adjacent mineral owners. As a result, no abutting tracts are unleased and the Preferential Right to Lease provision of this application process does not apply. As a result, executed Waivers of Preferential Right to Lease are unnecessary.

8. Affidavit of Lease Considerations: An executed notarized Affidavit of Lease Consideration Paid is attached. This Affidavit gives details about the bonus and royalty amounts paid by the Lessees to obtain the abutting leases which now are owned by Venado Oil & Gas, LP - 50.00% and EOG Resources - 50.00%.

9. Copies of All Highway Deeds: Copies of the highway deeds filed in the Lee County Courthouse covering the right of way to be leased are attached and clipped together. Our search of the Lee County public records found only these attached deeds which cover the right of way to be leased. It is possible that the State Highway Department did not file all of the deeds so we have rounded upward the total acres to be covered by the proposed Oil, Gas and Mineral Lease.

10. Copies of all Oil & Gas Leases covering lands abutting the subject tract. I have attached the recorded Memorandums evidencing the individual Oil & Gas Lease to the unrecorded executed lease form itself. I have attached tabs on the appropriate leases with the (a) highest bonus per acre and (b) highest royalty. All Leases are paid-up and there are no delay rentals to be paid.

Please note that Venado Oil & Gas has paid Lessor Texas Osage Royalty Pool, Inc. the bonus to extend the primary term of Lease #2d until January 21, 2014.

Please note that Venado Oil & Gas has paid Lessors Patricia Ball and Patrick Ball the bonuses to extend the primary term of Lease #4a & #4b until October 6, 2014.

11. Exhibit "A" to be attached to this proposed Oil & Gas Lease showing the description of the right-of-way to be leased. This description includes the highway name, survey name, abstract numbers, and other pertinent information.

Texas General Land Office

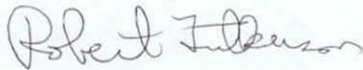
Proposed U.S. Highway 77 OGML - 11.00 acres

Page 4

If you require additional information, please call me at 830-379-6454 or contact me by e-mail at the below address.

Thank you very much for your assistance.

Sincerely,



Robert Fulkerson

Landman

paultex@thomaswschleier.com

enc:

/rpf

Worddocs/Venado/Horse Shoe/Hwy ROW Leases/11.00 ac. Kieschnick Hwy 77 ROW OGML/GLO - 11.00 ac. Lse Hwy 77 Ltr of App 01-09-13

Thomas W. Schleier & Assoc.

Texas General Land Office
Lease Bonus Expense

11 Acre, Hwy. 77 ROW, Lee Co., Tx. - Total Consideration
1/9/2013

51897
4,799.08



New Draft Account 11 Acre, Hwy. 77 ROW, Lee Co., Tx. 4,799.08

Thomas W. Schleier & Assoc.

Texas General Land Office
Lease Bonus Expense

11 Acre, Hwy. 77 ROW, Lee Co., Tx. - Total Consideration
1/9/2013

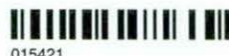
51897
+ 4,799.08

121

PAYMENT
RECORD

13705233

New Draft Account 11 Acre, Hwy. 77 ROW, Lee Co., Tx. 4,799.08



Thomas W. Schleier & Assoc.

101 E. Nolte 209
Seguin, TX 78155-5834

WELLS FARGO BANK, NA

13705233

51897

1/9/2013

PAY TO THE ORDER OF Texas General Land Office

\$ **4,799.08

Four Thousand Seven Hundred Ninety-Nine and 08/100*****

DOLLARS

Texas General Land Office
Stephen F. Austin Building
1700 North Congress Avenue
Austin, TX 78701-1495

▲ TAMPER RESISTANT TONER AREA ▲

Void After 90 Days

MEMO 11 Acre, Hwy. 77 ROW, Lee Co., Tx.

⑈051897⑈

Thomas W. Schleier & Assoc.

Texas General Land Office
Lease Bonus Expense

1/9/2013

11 Acre, Hwy. 77 ROW, Lee Co., Tx. - Total Consideration

4,799.08

51897

New Draft Account 11 Acre, Hwy. 77 ROW, Lee Co., Tx.

4,799.08

Thomas W. Schleier & Assoc.

Texas General Land Office
Lease Bonus Expense

1/9/2013

11 Acre, Hwy. 77 ROW, Lee Co., Tx. - Total Consideration

4,799.08

51897

New Draft Account 11 Acre, Hwy. 77 ROW, Lee Co., Tx.

4,799.08

PAYMENT
RECORD

13705233

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

Receiver Payment Form

Date: 1/14/13

Mail Code: 121

Check: ✓

Cash: _____

Amount of Payment 4,799.08

Account Holder Name Schleier

For HROW Bonus

Return Distribution Slip To _____

Received By: [Signature]

Stephen F. Austin Building • 1700 North Congress Avenue • Austin, Texas 78701-1495

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

13705233

Thomas W. Schleier & Assoc.

Texas General Land Office
Lease Bonus Expense

11 Acre, Hwy. 77 ROW, Lee Co., Tx. - Sales Fee

1/9/2013

51898

71.99



New Draft Account 11 Acre, Hwy. 77 ROW, Lee Co., Tx.

71.99

Thomas W. Schleier & Assoc.

Texas General Land Office
Lease Bonus Expense

11 Acre, Hwy. 77 ROW, Lee Co., Tx. - Sales Fee

1/9/2013

51898

71.99

121

13705234

PAYMENT
RECORD

New Draft Account 11 Acre, Hwy. 77 ROW, Lee Co., Tx.

71.99



Thomas W. Schleier & Assoc.

101 E. Nolte 209
Seguin, TX 78155-5834

WELLS FARGO BANK, NA

13705234

51898

1/9/2013

PAY TO THE ORDER OF Texas General Land Office

\$ **71.99

Seventy-One and 99/100*****

DOLLARS

Texas General Land Office
Stephen F. Austin Building
1700 North Congress Avenue
Austin, TX 78701-1495

▲ TAMPER RESISTANT TONER AREA ▲

Void After 90 Days

MEMO 11 Acre, Hwy. 77 ROW, Lee Co., Tx.

⑈051898⑈

Thomas W. Schleier & Assoc.

Texas General Land Office
Lease Bonus Expense

1/9/2013

51898

11 Acre, Hwy. 77 ROW, Lee Co., Tx. - Sales Fee

71.99

New Draft Account 11 Acre, Hwy. 77 ROW, Lee Co., Tx.

71.99

Thomas W. Schleier & Assoc.

Texas General Land Office
Lease Bonus Expense

1/9/2013

51898

11 Acre, Hwy. 77 ROW, Lee Co., Tx. - Sales Fee

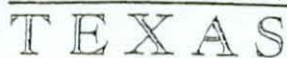
71.99

New Draft Account 11 Acre, Hwy. 77 ROW, Lee Co., Tx.

71.99

PAYMENT
RECORD

13705234



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

Receiver Payment Form

Date: 1/14/13

Mail Code: 121

Check: ☒

Cash: .

Amount of Payment \$ 71.99

Account Holder Name Schleier

For HOW Sales Fee

Return Distribution Slip To _____

Received By: Lucy H

Stephen F. Austin Building • 1700 North Congress Avenue • Austin, Texas 78701-1495

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

UNIVERSITY MICRO FILMS INTL

Thomas W. Schleier & Assoc.

Texas General Land Office
Lease Bonus Expense

11 Acre, Hwy. 77 ROW, Lee Co., Tx. - Application Fe

1/9/2013

51896

500.00

New Draft Account 11 Acre, Hwy. 77 ROW, Lee Co., Tx.

500.00

Thomas W. Schleier & Assoc.

Texas General Land Office
Lease Bonus Expense

11 Acre, Hwy. 77 ROW, Lee Co., Tx. - Application Fe

1/9/2013

51896

500.00

PAYMENT
RECORD

121
13705232

New Draft Account 11 Acre, Hwy. 77 ROW, Lee Co., Tx.

500.00



Thomas W. Schleier & Assoc.

101 E. Nolte 209
Seguin, TX 78155-5834

WELLS FARGO BANK, NA

13705232

51896

1/9/2013

PAY TO THE ORDER OF Texas General Land Office

\$ **500.00

Five Hundred and 00/100*****

DOLLARS

Texas General Land Office
Stephen F. Austin Building
1700 North Congress Avenue
Austin, TX 78701-1495

▲ TAMPER RESISTANT TONER AREA ▲

Void After 90 Days

MEMO 11 Acre, Hwy. 77 ROW, Lee Co., Tx.

⑈051896⑈

Thomas W. Schleier & Assoc.

Texas General Land Office
Lease Bonus Expense

1/9/2013

51896

11 Acre, Hwy. 77 ROW, Lee Co., Tx. - Application Fe

500.00

New Draft Account 11 Acre, Hwy. 77 ROW, Lee Co., Tx.

500.00

Thomas W. Schleier & Assoc.

Texas General Land Office
Lease Bonus Expense

1/9/2013

51896

11 Acre, Hwy. 77 ROW, Lee Co., Tx. - Application Fe

500.00

New Draft Account 11 Acre, Hwy. 77 ROW, Lee Co., Tx.

500.00

PAYMENT
RECORD

13705232

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

Receiver Payment Form

Date: 1/14/13

Mail Code: 1218

Check: ☒

Cash: ☐

Amount of Payment \$ 500.00

Account Holder Name Schleier

For HROW Fee

Return Distribution Slip To _____

Received By: [Signature]

13705232

Stephen F. Austin Building • 1700 North Congress Avenue • Austin, Texas 78701-1495

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

File No. MF 114763
Cover letter, bows, &
fees
Date Filed: 1/14/13
Jerry E. Patterson, Commissioner
By M. A.

114763

Date to GIS 2-8-13

SLB Date 2-5-13

Approx due date 2/12

Lease Number MF114763

County Lee

Road Name US-27

Acreage 11.00

Abstract 1. A. Kuykendall A-14
2. R STOREKE A-281
3. _____
4. _____

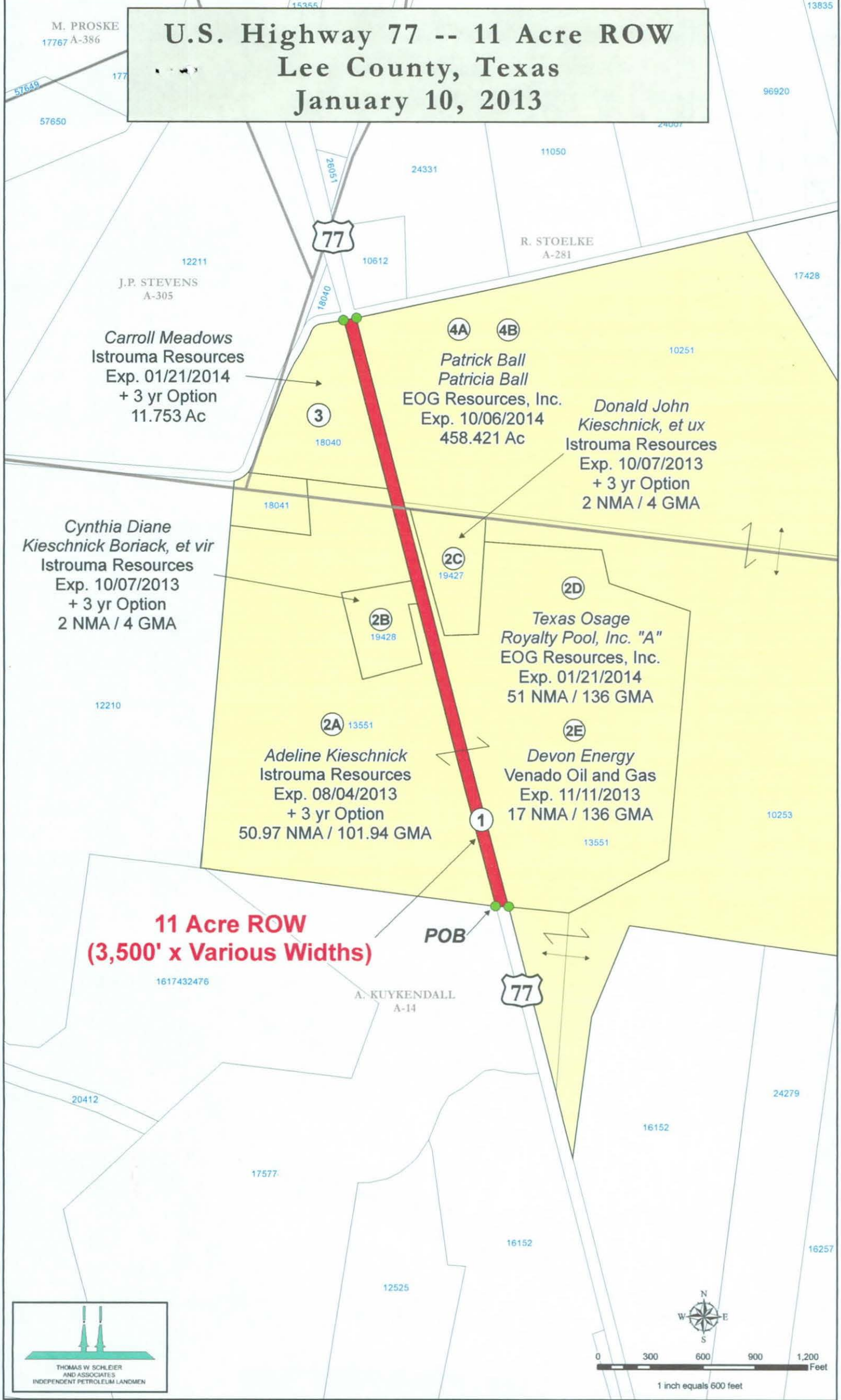
Completed by _____

T Drive date _____

Proofed by GIS 26

Proofed by Energy _____

U.S. Highway 77 -- 11 Acre ROW
Lee County, Texas
January 10, 2013



File No. MF 114763

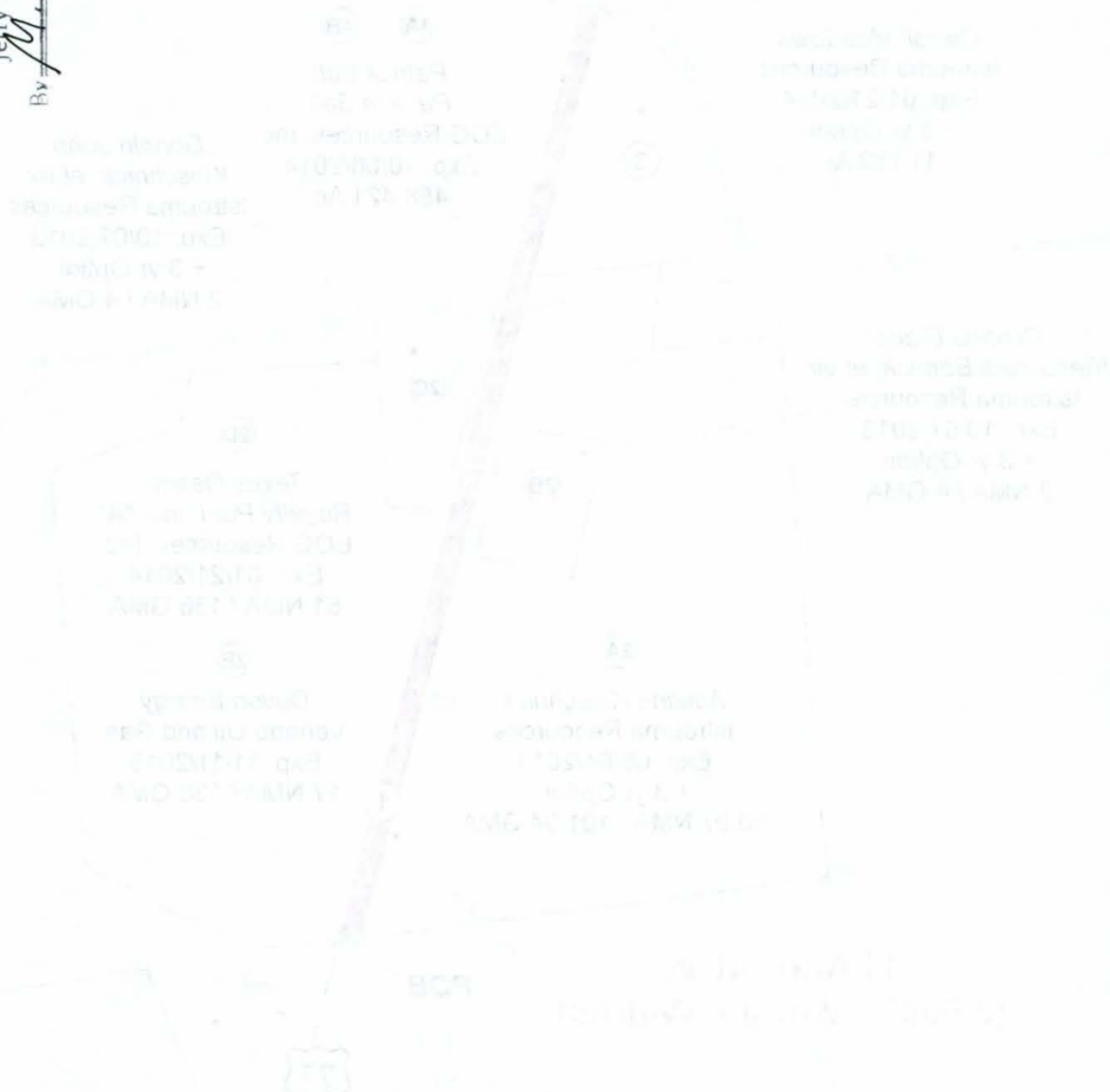
Plat

Date Filed: 1/14/13

Jerry E. Patterson, Commissioner

By: M.A.

U.S. Highway 77 - 11 Acre ROW
Lee County, Texas
January 10, 2013



AFFIDAVIT OF HIGHEST CONSIDERATION PAID
FOR HIGHWAY RIGHT OF WAY LEASES

THE STATE OF TEXAS

COUNTY OF GUADALUPE

BEFORE ME, the undersigned authority, on this day personally appeared Robert Fulkerson, Affiant, known to me to be a creditable person and of lawful age, who being by me first duly sworn deposes and says:

My name is Robert Fulkerson and my office address is 101 E. Nolte, Suite 209, Seguin, Texas 78155. I am personally familiar with and knowledgeable of the terms and conditions of the oil and gas leases which adjoin 11.00 acres of land, more or less, consisting of U.S. Highway 77 right of way out of the Abner Kuykendall Survey, Abstract Number 14, and out of the R. Stoelke Survey, Abstract Number 281, in Lee County, Texas, more fully described on the EXHIBIT A" attached hereto and made a part hereof. And that the highest and best terms for any lease adjoining lands described in EXHIBIT "A" are as follows:

Bonus Consideration Paid (Per Acre): \$436.28

Primary Term: Four (4) Years

Royalty Rate: One-Fourth (1/4th)

Delay Rentals: None - All Leases are Paid-Up

The above statements are within my personal knowledge and are true and correct.

Further, Affiant sayeth not.

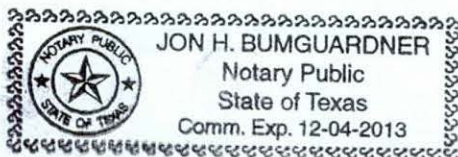


Robert Fulkerson

THE STATE OF TEXAS

COUNTY OF GUADALUPE

Sworn to and subscribed before me on the 9th day of January, 2013, by Robert Fulkerson.





Notary Public, State of Texas

Page 1

MAP TR.	MINERAL OWNER/ LESSOR'S NAME	LESSEE'S NAME	GROSS ACRES	LSE. BONUS PER ACRE	OPT. BONUS PER ACRE	LEASE ROYALTY	TERM/ YEARS	EXP. DATE	VOL/ PAGE	COMMENTS
1	School Land Board C/O Commissioner of GLO State of Texas Stephen F. Austin Bldg. 1700 North Congress Austin, TX 78701	Not Leased at Present Time	11.000	N/A	N/A	N/A	N/A	N/A	N/A	This is the subject tract to be leased. Located in Abner Kuykendall Survey, A-14, & R. Stoelke Survey, A-281.
2a	Adeline Kieschnick 1058 Private Road 3271 Lincoln, TX 78948-6403 979-542-2173	Venado Oil & Gas, LLC 12600 Hill Country Blvd. Building R, Suite 250 Austin, TX 78738 512-735-9010 (J.D. Braddock)	101.9400	\$200.00	\$200.00	3/16th	4/3*	8/4/2013	1049/415	Lessee Istrouma Resources, Inc. assigned 100% of this Lease to EOG Resources, Inc. EOG has assigned 50% of this Lease to Venado Oil & Gas.
2b	Cynthia Kieschnick Boriack and husband, Leonard Boriack 5163 N. Highway 77 Lincoln, TX 78948-6403 Unlisted Telephone Number	Venado Oil & Gas, LLC 12600 Hill Country Blvd. Building R, Suite 250 Austin, TX 78738 512-735-9010 (J.D. Braddock)	4.0000	\$400.00	\$400.00	3/16th	4/3*	10/7/2013	1051/935	Lessee Istrouma Resources, Inc. assigned 100% of this Lease to EOG Resources, Inc. EOG has assigned 50% of this Lease to Venado Oil & Gas.
2c	Donald John Kieschnick and wife, Holly Kieschnick 5196 N. Highway 77 Lincoln, TX 78948 979-542-1391	Venado Oil & Gas, LLC 12600 Hill Country Blvd. Building R, Suite 250 Austin, TX 78738 512-735-9010 (J.D. Braddock)	4.0000	\$400.00	\$400.00	3/16th	4/3*	10/7/2013	1051/937	Lessee Istrouma Resources, Inc. assigned 100% of this Lease to EOG Resources, Inc. EOG has assigned 50% of this Lease to Venado Oil & Gas.
2d	Texas Osage Royalty Pool, Inc. 8602 Crownhill Blvd. San Antonio, TX 78209-1121 210-223-6278	Venado Oil & Gas, LLC 12600 Hill Country Blvd. Building R, Suite 250 Austin, TX 78738 512-735-9010 (J.D. Braddock)	136.0000	\$275.00	\$275.00	1/4th	3/1*	1/21/2014	1055/596	Lessee EOG Resources, Inc. assigned 50% of this Lease to Venado Oil & Gas. The Lease covers all of Tracts 2a, 2b, 2c, 2e and other lands.

Page 2

[illegible]

5

MF 114763
File No. Affidavit of Highest
Consideration
Date Filed: 1/9/13
Jerry E. Patterson, Commissioner
By M.A.

to her, she the said Anna Weiser, acknowledged such instrument to be her act and deed, and declared that she had willingly signed the same for the purposes and consideration therein expressed and that she did not wish to retract it.

Given under my hand and seal of office, this the 8th day of November A. D. 1933.

(L.S.)

H. F. Schlosshan.

Notary Public, Lee County, Texas.

Filed for record the 15th, day of November A. D. 1933 at 1:09 o'clock P. M. and duly recorded the 16th, day of November A. D. 1933 at 2 o'clock P. M.

Mrs. I. J. Miertschin.

County Clerk, Lee County, Texas.

By H. E. Marburger Deputy

RIGHT-OF-WAY DEED

STATE OF TEXAS,
COUNTY OF LEE.

KNOW ALL MEN BY THESE PRESENTS: THAT Herman Kieschnick and wife, Martha Kieschnick, of the County of Lee in the State of Texas, for and in consideration of the sum of Fifteen Hundred DOLLARS, to me in hand paid by the State of Texas, acting through the State Highway Commission, receipt of which is hereby acknowledged, have this day sold, and do by these presents grant, bargain, sell and convey unto the State of Texas all that certain tract or parcel of land situated in the County of Lee, State of Texas, and being part of a survey originally granted to____, by Patent No.____ Vol.____ Abstract No.____, and being a part of a tract of____ acres conveyed by____ to____ by deed dated the____ day of____ 19____, and recorded in Volume No.____ page No.____ of the Deed Records of Lee County, Texas; said tract or parcel of land herein conveyed, being more particularly described as follows: A strip of land out of the Herman Kieschnick Tract in the Abner Kuykendall League. Said strip of land is that part of the Herman Kieschnick Tract that lies within an hundred and sixty-five foot right-of-way, eighty-five feet left and eighty feet right of, parallel and adjacent to, the surveyed center line of State Highway No. 44. Said right-of-way begins at the South line of said tract, Station 1479/94, on the surveyed center line of State Highway No. 44, and bears North 12 degrees 46' West for a distance of one thousand eight hundred and six feet to Station 1493/00. Thence North 12 degrees 46' West an one hundred and twenty foot right-of-way, seventy feet to the left and fifty feet to the right, parallel and adjacent to the said center line, and to continue on the aforementioned bearing for a distance of five hundred feet to Station 1503/00. Thence North 12 degrees 46' West an one hundred four right-of-way fifty feet on each side, parallel and adjacent to the said center line, to the North line of said tract Station 1503/56 on said center line. Said strip of land contains 8.35 acres. And it is further agreed that the said Herman Kieschnick, in consideration of the benefits above set out, will remove from the property above described such fences, buildings and other obstructions as may be found upon said property. TO HAVE AND TO HOLD the above described premises, together with all and singular the rights and hereditaments thereunto in anywise belonging unto the said State of Texas and its assigns: And Herman Kieschnick hereby binds his heirs, executors and administrators to forever warrant and defend the rights and title to said premises unto the said State of Texas against every person whomever lawfully claiming or to claim the same or any part thereof.

Witness our hands, this the 6th, day of November A. D. 1933.

Herman Kieschnick.

Martha Kieschnick.

STATE OF TEXAS,
COUNTY OF LEE.

Before me, H. F. Schlosshan, a notary public in and for said county and State, on this day personally appeared Herman Kieschnick, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed. Given under my hand and seal of office, this the 6th, day of November A. D. 1933.

(L.S.)

H. F. Schlosshan.

Notary Public, Lee County, Texas.

STATE OF TEXAS,
COUNTY OF LEE.

Before me, H. F. Schlosshan, a notary public in and for said county and State, on this day personally appeared Martha Kieschnick wife of Herman Kieschnick, known to me to be the person whose name is subscribed to the foregoing instrument, and having been examined by me privily and apart from her husband and having the same fully explained to her, she the said Martha Kieschnick, acknowledged such instrument to be her act and deed, and declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it. Given under my hand and seal of office, this the 6th, day of November A. D. 1933.

(L.S.)

H. F. Schlosshan.

Notary Public, Lee County, Texas.

Filed for record the 15th, day of November A. D. 1933 at 1:10 o'clock P. M. and duly recorded the 16th, day of November A. D. 1933 at 2:30 o'clock P. M.

Mrs. L. J. Miertschin.

County Clerk, Lee County, Texas.

H. B. Harburger
Deputy.

RIGHT-OF-WAY DEED

STATE OF TEXAS,
COUNTY OF LEE.

KNOW ALL MEN BY THESE PRESENTS: THAT W. H. Cherry, Sr of Lee County in consideration of the sum of One Dollar and other good and valuable consideration in hand paid by the State of Texas, acting through the State Highway Commission, receipt of which is hereby acknowledged, do by these presents grant, bargain, sell and convey unto the State of Texas, the free and uninterrupted use, liberty and privilege of the passage in, along, upon and across the following lands in Lee County, Texas, owned by us, to-wit: A tract of land out of the W. H. Cherry Sr. tract in the Silas H. Walker Survey. This tract to begin at a point fifty feet to the left of and perpendicular to Station 1350+83 on the surveyed center line of Highway No. 44. Thence North 77 degrees 14' West for a distance of one hundred and fifty feet, more or less, to a point opposite Station 1350+83. Thence South 12 degrees 46' East for a distance of fifty four feet, more or less, to a point two hundred feet to the left of, and perpendicular to, the aforementioned center line of Highway No. 44. Thence South 77 degrees 14' East for a distance of one hundred and

that he executed the same for the purposes and consideration therein expressed. Also, before me, on this day personally appeared L. S. Mundino, wife of Charles Mundino, known to me to be the person whose name is subscribed to the foregoing instrument, and having been examined by me privily and apart from her husband, and having the same by me fully explained to her, she, the said L. S. Mundino, acknowledged such instrument to be her act and deed, and declared that she had willingly signed the same for the purposes and consideration therein expressed and that she did not wish to retract it. Given under my hand and seal of office, this the 6th, day of November A. D. 1933.

(L.S.)

J. H. Watson.

Notary Public in and for Bastrop County, Texas.

Filed for record the 22nd, day of November A. D. 1933 at 4:17 o'clock P. M. and duly recorded the 23rd, day of November A. D. 1933 at 8:45 o'clock A. M.

Mrs. L. J. Mertschin.

County Clerk, Lee County, Texas.

B. J. Harburgel, Deputy.

RIGHT-OF-WAY DEED

STATE OF TEXAS,
COUNTY OF LEE.

KNOW ALL MEN BY THESE PRESENTS: THAT Mrs. H. B. Krenek, of the County of Lee, in the State of Texas, for and in consideration of the sum of \$206.00 paid on taxes and \$110.00 in cash paid to Federal Land Bank of Houston and \$40.00 for fence Mrs. H. B. Krenek in hand paid by the State of Texas, acting through the State Highway Commission, receipt of which is hereby acknowledged have this day sold, and do by these presents grant, bargain, sell and convey unto the State of Texas all that certain tract or parcel of land situated in the County of Lee, State of Texas and being part of a survey originally granted to ____, by Patent No. ____, Vol. ____, Abstract No. ____, and being a part of a tract of __ acres conveyed by __ to __, by deed dated the __ day of __ 19 __, and recorded in Volume No. __, page No. __ of the Deed Records of __ County, Texas; said tract or parcel of land herein conveyed, being more particularly described as follows: A strip of land out of the Mrs. H. B. Krenek Tract in the 2,078 acres tract of land covered by Abstract No. 281, and sometimes referred to in the Deed Records of Lee County as the A. Stoolke Survey and at other times referred to in the Deed Records of Lee County as the R. Stoolke Survey. Said strip of land is that part of the Mrs. H. B. Krenek Tract that lies within an hundred feet right-of-way, fifty feet on each side of parallel and adjacent to the surveyed center line of said Highway No. 44. Said center line lies eight hundred ninety one feet South eighty degrees East from the South West corner of said survey and in the boundary line between said survey and the Abner Maykondall Survey. Said surveyed center line begins at the South line of said tract Station 1503/56, and bears North twelve degrees forty-six minutes and thirty seconds West to the north line of said tract Station 1514/83.7. Said strip contains 2.59 acres. And it is further agreed that the said Mrs. H. B. Krenek in consideration of the benefits above set out, will remove from the property above described such fences, buildings and other obstructions as may be found upon said property. TO HAVE AND TO HOLD the above described premises, together with all and singular the rights and hereditaments thereunto in anywise belonging unto the said State of Texas and its

assigns; And Mrs. H. B. Krenek hereby binds her heirs, executors and administrators to forever warrant and defend the rights and title to said premises unto the said State of Texas against every person whomsoever lawfully claiming or to claim the same or any part thereof.

Witness our hands, this the 23rd, day of November A. D. 1933.

Mrs. H. B. Krenek.

H. B. Krenek.

STATE OF TEXAS,
COUNTY OF LEE.

Before me, J. Alton York, a notary public in and for said county and State, on this day personally appeared H. B. Krenek, known to me (or proved to me on the oath of _____) to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office, this the 23rd, day of November A. D. 1933.

(L.S.)

J. Alton York.

Notary Public, Lee County, Texas.

STATE OF TEXAS,
COUNTY OF LEE.

Before me, J. Alton York, a notary public in and for said county and State, on this day personally appeared Mrs. H. B. Krenek wife of H. B. Krenek, known to me to be the person whose name is subscribed to the foregoing instrument, and having been examined by me privily and apart from her husband and having the same fully explained to her, she the said Mrs. H. B. Krenek, acknowledged such instrument to be her act and deed, and declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

Given under my hand and seal of office, this the 23rd, day of November A. D. 1933.

(L.S.)

J. Alton York.

Notary Public, Lee County, Texas.

Filed for record the 23rd, day of November A. D. 1933 at 3:15 o'clock P. M. and duly recorded the 23rd, day of November A. D. 1933 at 4:00 o'clock P. M.

Mrs. L. J. Mertschin.

County Clerk, Lee County, Texas.

L. J. Mertschin Deputy.

EXTENSION OF LIEN

THE STATE OF TEXAS,
COUNTY OF FAYETTE.

Whereas, one certain Vendor's lien note dated Nov. 19, 1929, executed by P. H. Storch, payable to the order of John Schulz, which is fully described in a certain W. deed, duly recorded in Record of Deeds in Book _____ Page _____ of the County of Lee Texas. Said note having been executed as a Vendor's Lien, on the following described lot or parcel of land situated in the County of Lee, Texas: Lots Number 8, 9, 10 in Block No. 197, in the Town of Giddings, in said Lee Co., Tex. Whereas, \$250.00 was also advanced by said John Schulz to said P.H. Storch on said Nov. 19, 1929, as evidenced by promissory note of that date, due on Nov. 19, 1930, for the purpose of building barns, sheds, and

6
File No. ME 114763
Source Deed Records

Date Filed: 1/14/13

Jerry E. Patterson, Commissioner

By M.A.

2a

MEMORANDUM OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF LEE §

WHEREAS, **Adeline Kieschnick** dealing in her sole and separate property, as Lessor, whose address is 1058 Private Road 3271, Lincoln, Texas, 78948-6403 and **Istrouma Resources, Inc.**, as Lessee, whose address is P. O. Box 2047, Cleburne, TX 76033, entered into an Oil and Gas Lease dated August 5, 2009, covering the following described land situated in Lee County, State of Texas, to wit:

201.94 acres of land, more or less, out of the Abner Kuykendall League, Abstract 14; J. J. Liendo Survey, Abstract 13; and the J. Brown Survey, Abstract 35, Lee County, Texas, described in two tracts as follows:

Tract 1: 100 acres of land, more or less, out of the J. J. Liendo Survey, Abstract 13, and the J. Brown Survey, Abstract 35, Lee County, Texas, more particularly described in a Warranty Deed dated January 17, 1969 from Martha Kieschnick, a feme sole, to Herman Kieschnick Jr. recorded in Volume 181, at Page 216 of the Official Public Records of Lee County, Texas.

Tract 2: 101.94 acre of land, more or less, out of the Abner Kuykendall League, Abstract 14, Lee County, Texas being 109.94 acres of land, more or less, described in a Warranty Deed dated January 11, 1964 from Herman Kieschnick, Sr. and wife, Martha Kieschnick to Herman F. Kieschnick, Jr. and wife, Adeline M. Kieschnick recorded in Volume 153, at Page 112 of the Official Public Records of Lee County, Texas, LESS AND EXCEPT 4.0 acres of land, more or less, out of the Abner Kukendall League, Abstract 14, Lee County Texas more particularly described in a Warranty Deed dated July 10, 1979 from Herman Kieschnick, Jr. and wife, Adeline Kieschnick to Cynthia Diane Kieschnick recorded in Volume 320, at Page 169 of the Official Public Records of Lee County, Texas, ALSO LESS AND EXCEPT 4.0 acres of land, more or less, out of the Abner Kukendall League, Abstract 14, Lee County Texas more particularly described in a Warranty Deed dated July 10, 1979 from Herman Kieschnick, Jr. and wife, Adeline Kieschnick to Donald John Kieschnick recorded in Volume 320, at Page 163 of the Official Public Records of Lee County, Texas.

WHEREAS, Lessor and Lessee desire to give public notice of the execution and delivery of said Lease by the recordation of this Memorandum of Oil and Gas Lease:

NOW, THEREFORE, for the purposes aforesaid, Lessor and Lessee hereby state as follows:

1. The Lease provides for a Four (4) year primary term and an option to extend the primary term for an additional period of Three (3) years.
2. The lease contains special provisions as more particularly set forth therein, a copy of which is in the possession of both the Lessor and Lessee.

IN WITNESS WHEREOF, this instrument is executed effective for all purposes as of the lease date.

LESSOR:

Adeline Kieschnick
Adeline Kieschnick

LESSEE:

Istrouma Resources, Inc.

By: TE Hodges Jr
Thomas E. Hodges, Jr.

Its: President

ACKNOWLEDGEMENTS

STATE OF TEXAS §

COUNTY OF LEE §

This instrument was acknowledged before me on this 6 day of August, 2009
by Adeline Kieschnick.

My Commission Expires:



Mike H Roberts
Notary Public, State of Texas

STATE OF TEXAS §

COUNTY OF JOHNSON §

This instrument was acknowledged before me on this 6 day of August, 2009 by
Thomas E. Hodges, Jr., President of Istrouma Resources, Inc. on behalf of said corporation.

My Commission Expires:



Mike H Roberts
Notary Public, State of Texas

09/25/2009 at 11:59 AM
2009-03016
FILED FOR RECORD
SHARON BLASIG
COUNTY CLERK
LEE COUNTY, TX

DO NOT RECORD

8972
PROD 88
(1994-10/03)

PAID UP OIL AND GAS LEASE

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVERS LICENSE NUMBER

THIS LEASE AGREEMENT is made as of the 5th day of August, 2009 between Adeline Kieschnick, dealing in her sole and separate property, 1058 Private Road 3271, Lincoln, Texas, 78948-3271, as Lessor, and Istrouma Resources, Inc, P. O. Box 2047, Cleburne, TX, 76033 as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. Description. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

201.94 acres of land, more or less, out of the Abner Kuykendall League, Abstract 14; J. J. Liendo Survey, Abstract 13; and the J. Brown Survey, Abstract 35, Lee County, Texas, described in two tracts as follows:

Tract 1: 100 acres of land, more or less, out of the J. J. Liendo Survey, Abstract 13, and the J. Brown Survey, Abstract 35, Lee County, Texas, more particularly described in a Warranty Deed dated January 17, 1969 from Martha Kieschnick, a feme sole, to Herman Kieschnick Jr. recorded in Volume 181, at Page 216 of the Official Public Records of Lee County, Texas.

Tract 2: 101.94 acre of land, more or less, out of the Abner Kuykendall League, Abstract 14, Lee County, Texas being 109.94 acres of land, more or less, described in a Warranty Deed dated January 11, 1964 from Herman Kieschnick, Sr. and wife, Martha Kieschnick to Herman F. Kieschnick, Jr. and wife, Adeline M. Kieschnick recorded in Volume 153, at Page 212 of the Official Public Records of Lee County, Texas, LESS AND EXCEPT 4.0 acres of land, more or less, out of the Abner Kuykendall League, Abstract 14, Lee County Texas more particularly described in a Warranty Deed dated July 10, 1979 from Herman Kieschnick, Jr. and wife, Adeline Kieschnick to Cynthia Diane Kieschnick recorded in Volume 320, at Page 169 of the Official Public Records of Lee County, Texas, ALSO LESS AND EXCEPT 4.0 acres of land, more or less, out of the Abner Kuykendall League, Abstract 14, Lee County Texas more particularly described in a Warranty Deed dated July 10, 1979 from Herman Kieschnick, Jr. and wife, Adeline Kieschnick to Donald John Kieschnick recorded in Volume 320, at Page 163 of the Official Public Records of Lee County, Texas.

See Addendum attached hereto and made a part hereof.

in the County of Lee, State of Texas, containing 201.94 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide, gaseous sulfur compounds, coalbed methane and other commercial gases, as well as normal hydrocarbon gases. In addition to the above-described land, this lease and the term "leased premises" also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described land, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalty payments based on acreage hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. Term of Lease. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of four (4) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalty Payment. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be Three-Sixteenths (3/16) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be Three-Sixteenths (3/16) of the proceeds realized by Lessee from the sale thereof, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase arrangements entered into on the same or nearest preceding date as the date on which Lessee or its affiliate commences its purchases hereunder; and (c) in calculating royalties on production hereunder, Lessee may deduct Lessor's proportionate part of any ad valorem, production and excise taxes, and any costs incurred by Lessee in treating, processing, delivering and otherwise marketing such production. If at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay an aggregate shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. Shut-in Payment. All shut-in royalty payments under this lease shall be paid or tendered directly to Lessor at the above address, or its successors, regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor by deposit in the U.S. Mails in a stamped envelope addressed to the Lessor at the last address known to Lessee shall constitute proper payment.

5. Operations. If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a reversion of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no interruption of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under

the same or similar circumstances to (a) develop the leased premises as to reservoirs then capable of producing in paying quantities on the leased premises or land pooled therewith, or (b) protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. **Pooling.** Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of drilling or production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The creation of a unit by such pooling shall be based on the following criteria (hereinafter called "pooling criteria"): A unit for an oil well (other than a horizontal completion) shall not exceed 40 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil or gas well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. In the event a unit is formed hereunder before the unit well is drilled and completed, so that the applicable pooling criteria are not yet known, the unit shall be based on the pooling criteria Lessee expects in good faith to apply upon completion of the well; provided that within a reasonable time after completion of the well, the unit shall be revised if necessary to conform to the pooling criteria that actually exist. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. To revise a unit hereunder, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. **Payment Reductions.** If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises. To the extent any royalty or other payment attributable to the mineral estate covered by this lease is payable to someone other than Lessor, such royalty or other payment shall be deducted from the corresponding amount otherwise payable to Lessor hereunder.

8. **Ownership Changes.** The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate at the address designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. **Release of Lease.** Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases less than all of the interest or area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. **Ancillary Rights.** In exploring for developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled or unitized therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands of Lessor used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. **Regulation and Delay.** Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells, and regulation of the price or transportation of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and, at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any provisions or implied covenants of this lease when drilling, production or other operations are so prevented or delayed.

12. **Breach or Default.** No litigation shall be initiated by Lessor for damages, forfeiture or cancellation with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or cancelled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

13. **Warranty of Title.** Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

LESSOR:

600 ft
X
Adeline Kieschnick
Adeline Kieschnick

ACKNOWLEDGMENTS

STATE OF TEXAS §
 §
COUNTY OF LEE §

This instrument was acknowledged before me on this 16 day of August, 2009 by Adeline Kieschnick

Mike H. Roberts
Notary Public

My Commission Expires:



ADDENDUM

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL AND GAS LEASE DATED AUGUST 5, 2009, BETWEEN ADELINE KIESCHNICK, DEALING IN HER SOLE AND SEPARATE PROPERTY AS LESSORS, AND ISTROUMA RESOURCES, INC., AS LESSEE, COVERING 201.94 ACRES, MORE OR LESS, IN THE ABNER KUYKENDALL LEAGUE, A-14, THE J. J. LIENDO SURVEY, A-13, AND THE J. BROWN SURVEY, A-35, LEE COUNTY, TEXAS.

Notwithstanding anything to the contrary in the foregoing thirteen (13) paragraphs of this Oil and Gas lease, it is agreed and understood that the following provisions shall supplement or modify the foregoing as applicable. Provided, however, in recognition of the interplay between various provisions of this lease, every reasonable effort shall be made to harmonize same; and only when that cannot reasonably be done and should a conflict be found to exist then the provisions of this exhibit shall be deemed controlling.

14. OIL AND GAS ONLY: This lease covers and includes only Oil and/or Gas, which for all purposes of this lease are defined as, and are limited to, oil, gas, casinghead gas and other liquid or liquefiable or gaseous substances, distillate, condensate and associated hydrocarbon substances and all by-products of the foregoing and such sulphur and other elements or minerals as are produced through the well bore, necessarily with and incidental to the production of any of the foregoing. Wherever there appears in this lease the phrases oil, gas and other minerals, 'oil, gas or other mineral' or words of like import, such phrases are hereby deleted from this lease and there is substituted therefore the hereinabove defined phrase "Oil and/or Gas". All other minerals and substances of every kind or character not included in the above definition of Oil and/or Gas, together with all rights pertaining thereto are expressly excepted from this lease.

15. LOCATION: Lessee agrees to consult with Lessor in good faith regarding the location and conduct of such operations prior to the commencement thereof; and Lessee agrees to keep in good repair any of Lessor's roads and terraces used or effected by Lessee's operations, at Lessee's sole cost and expense.

16. DAMAGE AND SURFACE RESTORATION: At the end of each drilling operation, or at the cessation of production from a well or wells on the leased premises (including the removal of facilities in connection with production), Lessee shall proceed with reasonable diligence to restore the surface contour of the leased premises to as near its original condition as is reasonably practicable. Lessee shall also level all pits or excavations made by its operations hereunder promptly after the need of its use thereof ceases and shall, when necessary, and requested by Lessor, construct and maintain fences surrounding such pits or excavations to turn livestock until such time as said pits or excavations are leveled. Lessee shall pay for all injury or damage done or caused by Lessee in its operations hereunder to any building, fences, roads, culverts, trees, livestock, growing crops, personal property, or other improvements on said land. Also, it is expressly agreed and provided that if any salt water or other deleterious substances shall come from or in any manner be extracted or produced from any well, or result from

any drilling operations, then Lessee, its successors or assigns, shall use diligence so as not to permit the same to flow on or over Lessor's land, but shall contain the same in pits or excavations adjacent to the drilling site.

17. FENCES: In the event it becomes necessary or convenient for Lessee to cut any fences in Lessee's operations hereunder, Lessee shall adequately brace any such fence on both sides of such cut so as to prevent slackening of the wires. Lessee shall, at Lessee's option, promptly install either a gate of substantial quality for such purposes or cattle guard in any such opening and when such opening is no longer needed or desired by Lessee, Lessee shall at Lessor's election, either remove any such gate or cattle guard and permanently close any such opening with the same type of fence material as the fence adjoining any such opening and to a condition not less than the existing fence or leave same in place and in which event such gate or cattle guard will become, free of expense, the property of Lessor upon the termination of this lease.

18. PIPELINES: Any permanent pipeline constructed hereunder shall be buried at least 36 inches beneath the surface of the land when measured from the normal surface of the land to the top of any such pipeline.

19. HUNTING: Neither Lessee nor its agents, servants, invitees, employees or independent contractors shall have any right to fish or hunt or carry a firearm upon the leased premises.

20. PUGH CLAUSE: In the event a portion or portions of the land herein leased is pooled or unitized with other land(s) or lease(s) so as to form a pooled unit or units, operations on, completion of a well upon, or production from such unit or units will not maintain this lease in force and effect as to that portion of the leased premises not included in such pooled unit or units. The lease may be maintained in force and effect as to any portion of the leased premises covered hereby and not included in such unit or units in any manner provided for herein; provided however, if at the end of the primary term or after the expiration of the primary term, Lessee is engaged in drilling or reworking operations on the leased premises or if Lessee has completed a well as a producer or a dry hole anywhere on the leased premises or lands pooled therewith within 120 days prior to the expiration of the primary term, this lease shall remain in full force and effect as to all non-unitized premises so long as Lessee commences drilling operations on the non-unitized portion of the leased premises or on acreage pooled therewith within 120 days of the completion of such well as a producer or a dry hole and conducts continuous operation thereon with no cessation of longer than 120 days between the completion of drilling or reworking operations on a well and the commencement of such operations for the next succeeding well. Notwithstanding the termination of this lease as to a portion of the lands, Lessee shall nevertheless continue to have the right of ingress and egress from the lands still subject to this lease for all purposes allowed under the terms of this lease, together with easements and rights of way for roads, pipelines and other facilities on, over, and across all of the lands originally covered by this Lease, for access to and from the lands still subject to this lease, for gathering or transportation of oil, gas and other minerals produced from the retained lands.

21. WATER WELL PROVISION: Lessee agrees after cessation of use of any water well drilled by Lessee on the leased premises, and prior to plugging or removing the casing there from, to notify and tender such water well to Lessor. In the event Lessor shall elect to accept such water well, such election shall be in writing to Lessee within five (5) days after notice from Lessee, and that Lessor shall: (a) accept full responsibility for the water well and indemnify and hold Lessee harmless from and against any and all claims, actions or demands for injuries or damages of whatever kind or character resulting from ownership and operation of the water well by Lessor, and (b) comply with all applicable obligations and liability concerning said water well.

22. OPTION TO EXTEND PRIMARY TERM: Notwithstanding anything contained herein to the contrary, Lessee is hereby given the option to extend the primary term of this lease for an additional Three (3) years from the expiration of the original primary term. This option may be exercised by Lessee at any time during the last year of the original primary term by paying to Lessor herein, or their heirs, successors or assigns, an additional bonus equal to the bonus dollars originally paid for this lease. Lessee shall exercise such option by placing written notice of such action in the U.S. Mail, postage prepaid, to Lessor at the above address, or by delivery of such notice to Lessor, in either case, prior to the end of the primary term hereof, or if operations are being conducted on such lease or lands pooled therewith at the expiration of the primary term in such manner as to maintain this lease in force, within thirty (30) days after the completion of a dry hole resulting from such operations. The bonus to be paid for the said additional Three (3) year option shall apply only to the acreage not included within a producing or pooled unit at the end of the original Four (4) year primary term.

End of Exhibit.

Signed for Identification:



Adeline Kieschnick

26

MEMORANDUM OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF LEE §

WHEREAS, **Cynthia Diane Kieschnick Boriack, joined hererin by her husband, Leonard Boriack**, as Lessor, whose address is 5163 N.Hwy.77, Lincoln, Texas, 78948 and **Istrouma Resources, Inc.**, as Lessee, whose address is P. O. Box 2047, Cleburne, TX 76033, entered into an Oil and Gas Lease dated August 5, 2009, covering the following described land situated in Lee County, State of Texas, to wit:

4.0 acres of land, more or less, out of the Abner Kukendall League, Abstract 14, Lee County Texas more particularly described in a Warranty Deed dated July 10, 1979 from Herman Kieschnick, Jr. and wife, Adeline Kieschnick to Cynthia Diane Kieschnick recorded in Volume 320, at Page 169 of the Official Public Records of Lee County, Texas,

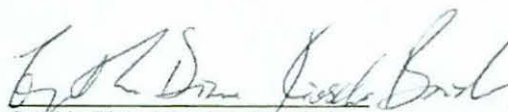
WHEREAS, Lessor and Lessee desire to give public notice of the execution and delivery of said Lease by the recordation of this Memorandum of Oil and Gas Lease:

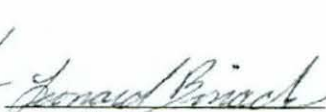
NOW, THEREFORE, for the purposes aforesaid, Lessor and Lessee hereby state as follows:

1. The Lease provides for a Four (4) year primary term and an option to extend the primary term for an additional period of Three (3) years.
2. The lease contains special provisions as more particularly set forth therein, a copy of which is in the possession of both the Lessor and Lessee.

IN WITNESS WHEREOF, this instrument is executed effective for all purposes as of the lease date.

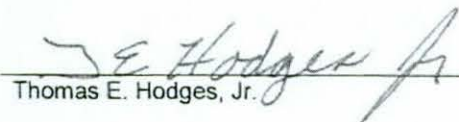
LESSOR:


Cynthia Diane Kirschnick Boriack


Leonard Boriack

LESSEE:

Istrouma Resources, Inc.

By: 
Thomas E. Hodges, Jr.

Its: President

VOL 1051 PG 935

Horseshoe

175949-001

ACKNOWLEDGEMENTS

STATE OF TEXAS §

COUNTY OF LEE §

This instrument was acknowledged before me on this 13 day of Oct., 2009
by Cynthia Diane Kieschnick Boriack and Leonard Boriack.

My Commission Expires:



Mike Roberts

Notary Public, State of Texas

STATE OF TEXAS §

COUNTY OF LEE §

This instrument was acknowledged before me on this 14th day of Nov., 2009 by
Thomas E. Hodges, Jr., President of Istrouma Resources, Inc. on behalf of said corporation.

My Commission Expires:



Mike Roberts

Notary Public, State of Texas

11/20/2009 at 10:49 AM
2009-03584
FILED FOR RECORD
SHARON BLASIG
COUNTY CLERK
LEE COUNTY, TX

DO NOT RECORD

6972
PROD 88
(1994-10/03)

PAID UP OIL AND GAS LEASE

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVERS LICENSE NUMBER

THIS LEASE AGREEMENT is made as of the 8th day of October, 2009 between, Cynthia Diane Kieschnick Boriack, joined herein by her husband, Leonard Boriack, 5163 N. Hwy. 77, Lincoln, Texas, 78948, as Lessor, and Istrouina Resources, Inc, P. O. Box 2047, Cleburne, TX, 76033 as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. Description. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

4.0 acres of land, more or less, out of the Abner Kukendall League, Abstract 14, Lee County, Texas more particularly described in a Warranty Deed dated July 10, 1979 from Herman Kieschnick, Jr. and wife, Adeline Kieschnick to Cynthia Diane Kieschnick, and recorded in Volume 320, at Page 169 of the Official Public Records of Lee County, Texas,

SEE ADDENDUM ATTACHED HERETO AND MADE A PART HEREOF

In the County of Lee, State of Texas, containing 4.00 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide, gaseous sulfur compounds, coalbed methane and other commercial gases, as well as normal hydrocarbon gases. In addition to the above-described land, this lease and the term "leased premises" also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described land, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalty payments based on acreage hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. **Term of Lease.** This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of **four (4)** years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. **Royalty Payment.** Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be **Three-Sixteenths (3/16)** of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be **Three-Sixteenths (3/16)** of the proceeds realized by Lessee from the sale thereof, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase arrangements entered into on the same or nearest preceding date as the date on which Lessee or its affiliate commences its purchases hereunder; and (c) in calculating royalties on production hereunder, Lessee may deduct Lessor's proportionate part of any ad valorem, production and excise taxes, and any costs incurred by Lessee in treating, processing, delivering and otherwise marketing such production. If at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay an aggregate shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. **Shut-in Payment.** All shut-in royalty payments under this lease shall be paid or tendered directly to Lessor at the above address, or its successors, regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor by deposit in the U.S. Mails in a stamped envelope addressed to the Lessor at the last address known to Lessee shall constitute proper payment.

5. **Operations.** If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no interruption of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to reservoirs then capable of producing in paying quantities on the leased premises or land pooled therewith, or (b) protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. **Pooling.** Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of drilling or production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The creation of a unit by such pooling shall be based on the following criteria (hereinafter called "pooling criteria"): A unit for an oil well (other than a horizontal completion) shall not exceed 40 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil or gas well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. In the event a unit is formed hereunder before the unit well is drilled and completed, so that the applicable pooling criteria are not yet known, the unit shall be based on the pooling criteria Lessee expects in good faith to apply upon completion of the well; provided that within a reasonable time after completion of the well, the unit shall be revised if necessary to conform to the pooling criteria that actually exist. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. To revise a unit hereunder, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof,

Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. **Payment Reductions.** If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises. To the extent any royalty or other payment attributable to the mineral estate covered by this lease is payable to someone other than Lessor, such royalty or other payment shall be deducted from the corresponding amount otherwise payable to Lessor hereunder.

8. **Ownership Changes.** The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate at the address designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons, either jointly, or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. **Release of Lease.** Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases less than all of the interest or area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. **Ancillary Rights.** In exploring for developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled or unitized therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands of Lessor used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

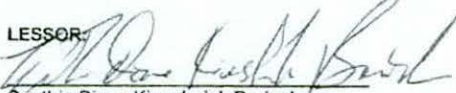
11. **Regulation and Delay.** Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells, and regulation of the price or transportation of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and, at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any provisions or implied covenants of this lease when drilling, production or other operations are so prevented or delayed.

12. **Breach or Default.** No litigation shall be initiated by Lessor for damages, forfeiture or cancellation with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or cancelled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

13. **Warranty of Title.** Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

LESSOR:


Cynthia Diane Kieschnick Boriack


Leonard Boriack

ACKNOWLEDGMENTS

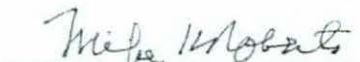
STATE OF TEXAS §

COUNTY OF Lee §

This instrument was acknowledged before me on this 12 day of Oct., 2009 by Cynthia Diane Kieschnick Boriack and Leonard Boriack.

My Commission Expires:




Notary Public

ADDENDUM

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL AND GAS LEASE DATED OCTOBER 8, 2009, BETWEEN CYNTHIA DIANE KIESCHNICK, BORJACK, JOINED BY HER HUSBAND, LEONARD BORJACK, LESSORS, AND ISTROUMA RESOURCES, INC., AS LESSEE, COVERING 4.00 ACRES, MORE OR LESS, IN THE ABNER KUYKENDALL LEAGUE, A-14, LEE COUNTY, TEXAS.

Notwithstanding anything to the contrary in the foregoing thirteen (13) paragraphs of this Oil and Gas lease, it is agreed and understood that the following provisions shall supplement or modify the foregoing as applicable. Provided, however, in recognition of the interplay between various provisions of this lease, every reasonable effort shall be made to harmonize same; and only when that cannot reasonably be done and should a conflict be found to exist then the provisions of this exhibit shall be deemed controlling.

14. SURFACE USE: It is understood and agreed that Lessee is prohibited from using the surface of the Land described above, for any purpose, but may engage in directional drilling activities beneath the Land that are conducted on the surface of other Land

15.. OIL AND GAS ONLY: This lease covers and includes only Oil and/or Gas, which for all purposes of this lease are defined as, and are limited to, oil, gas, casinghead gas and other liquid or liquefiable or gaseous substances, distillate, condensate and associated hydrocarbon substances and all by-products of the foregoing and such sulphur and other elements or minerals as are produced through the well bore, necessarily with and incidental to the production of any of the foregoing. Wherever there appears in this lease the phrases oil, gas and other minerals, 'oil, gas or other mineral' or words of like import, such phrases are hereby deleted from this lease and there is substituted therefore the hereinabove defined phrase "Oil and/or Gas". All other minerals and substances of every kind or character not included in the above definition of Oil and/or Gas, together with all rights pertaining thereto are expressly excepted from this lease.

16. HUNTING: Neither Lessee nor its agents, servants, invitees, employees or independent contractors shall have any right to fish or hunt or carry a firearm upon the leased premises.

17. PUGH CLAUSE: In the event a portion or portions of the land herein leased is pooled or unitized with other land(s) or lease(s) so as to form a pooled unit or units, operations on, completion of a well upon, or production from such unit or units will not maintain this lease in force and effect as to that portion of the leased premises not included in such pooled unit or units. The lease may be maintained in force and effect as to any portion of the leased premises covered hereby and not included in such unit or units in any manner provided for herein; provided however, if at the end of the primary term or after the expiration of the primary term, Lessee is engaged in drilling or reworking operations on the leased premises or if Lessee has completed a well as a producer or a dry hole anywhere on the leased premises or lands pooled therewith within 120 days prior to the expiration of the primary term, this lease shall remain in full force

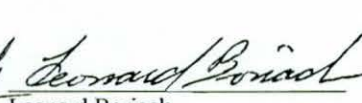
and effect as to all non-unitized premises so long as Lessee commences drilling operations on the non-unitized portion of the leased premises or on acreage pooled therewith within 120 days of the completion of such well as a producer or a dry hole and conducts continuous operation thereon with no cessation of longer than 120 days between the completion of drilling or reworking operations on a well and the commencement of such operations for the next succeeding well. Notwithstanding the termination of this lease as to a portion of the lands, Lessee shall nevertheless continue to have the right of ingress and egress from the lands still subject to this lease for all purposes allowed under the terms of this lease, together with easements and rights of way for roads, pipelines and other facilities on, over, and across all of the lands originally covered by this Lease, for access to and from the lands still subject to this lease, for gathering or transportation of oil, gas and other minerals produced from the retained lands.

18 OPTION TO EXTEND PRIMARY TERM: Notwithstanding anything contained herein to the contrary, Lessee is hereby given the option to extend the primary term of this lease for an additional Three (3) years from the expiration of the original primary term. This option may be exercised by Lessee at any time during the last year of the original primary term by paying to Lessor herein, or their heirs, successors or assigns, an additional bonus equal to the bonus dollars originally paid for this lease. Lessee shall exercise such option by placing written notice of such action in the U.S. Mail, postage prepaid, to Lessor at the above address, or by delivery of such notice to Lessor, in either case, prior to the end of the primary term hereof, or if operations are being conducted on such lease or lands pooled therewith at the expiration of the primary term in such manner as to maintain this lease in force, within thirty (30) days after the completion of a dry hole resulting from such operations. The bonus to be paid for the said additional Three (3) year option shall apply only to the acreage not included within a producing or pooled unit at the end of the original Four (4) year primary term.

End of Exhibit.

Signed for Identification:


Cynthia Diane Kieschnick Boriack


Leonard Boriack

2c

MEMORANDUM OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF LEE §

WHEREAS, **Donald John Kieschnick and wife, Holly Kieschnick**, as Lessor, whose address is 5196 N.Hwy.77, Lincoln, Texas, 78948 and **Istrouma Resources, Inc.**, as Lessee, whose address is P. O. Box 2047, Cleburne, TX 76033, entered into an Oil and Gas Lease dated October 8, 2009, covering the following described land situated in Lee County, State of Texas, to wit:

4.0 acres of land, more or less, out of the Abner Kukendall League, Abstract 14, Lee County Texas more particularly described in a Warranty Deed dated July 10, 1979 from Herman Kieschnick, Jr. and wife, Adeline Kieschnick to Donald John Kieschnick, and recorded in Volume 320, at Page 163 of the Official Public Records of Lee County, Texas,

WHEREAS, Lessor and Lessee desire to give public notice of the execution and delivery of said Lease by the recordation of this Memorandum of Oil and Gas Lease:

NOW, THEREFORE, for the purposes aforesaid, Lessor and Lessee hereby state as follows:

1. The Lease provides for a Four (4) year primary term and an option to extend the primary term for an additional period of Three (3) years.
2. The lease contains special provisions as more particularly set forth therein, a copy of which is in the possession of both the Lessor and Lessee.

IN WITNESS WHEREOF, this instrument is executed effective for all purposes as of the lease date.

LESSOR:

Donald John Kieschnick
Donald John Kieschnick

Holly Kieschnick
Holly Kieschnick

LESSEE:

Istrouma Resources, Inc.

By: Thomas E. Hodges, Jr.
Thomas E. Hodges, Jr.

Its: President

ACKNOWLEDGEMENTS

STATE OF TEXAS §

COUNTY OF LEE §

This instrument was acknowledged before me on this 13 day of Oct., 2009
by Donald John Kieschnick and Holly Kieschnick.

My Commission Expires:



Mike H. Roberts
Notary Public, State of Texas

STATE OF TEXAS §

LEE
COUNTY OF ~~JOHNSON~~ §

This instrument was acknowledged before me on this 14th day of Nov., 2009 by
Thomas E. Hodges, Jr., President of Istrouma Resources, Inc. on behalf of said corporation.

My Commission Expires:



Mike H. Roberts
Notary Public, State of Texas

11/20/2009 at 10:49 AM
2009-03585
FILED FOR RECORD
SHARON BLASIG
COUNTY CLERK
LEE COUNTY, TX

DO NOT RECORD

6972
PROD 88
(1994-10/03)

PAID UP OIL AND GAS LEASE

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVERS LICENSE NUMBER

THIS LEASE AGREEMENT is made as of the 8th day of October, 2009 between, Donald John Kieschnick and wife, Holly Kieschnick, 5196 N. Hwy. 77, Lincoln, Texas, 78948, as Lessor, and Istrouma Resources, Inc., P. O. Box 2047, Cleburne, TX, 76033 as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. Description. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

4.0 acres of land, more or less, out of the Abner Kukendall League, Abstract 14, Lee County Texas more particularly described in a Warranty Deed dated July 10, 1979 from Herman Kieschnick, Jr. and wife, Adeline Kieschnick to Donald John Kieschnick, and recorded in Volume 320, at Page 163 of the Official Public Records of Lee County, Texas,

SEE ADDENDUM ATTACHED HERETO AND MADE A PART HEREOF

In the County of Lee, State of Texas, containing 4.00 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide, gaseous sulfur compounds, coalbed methane and other commercial gases, as well as normal hydrocarbon gases. In addition to the above-described land, this lease and the term "leased premises" also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described land, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalty payments based on acreage hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. **Term of Lease.** This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of four (4) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. **Royalty Payment.** Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be Three-Sixteenths (3/16) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be Three-Sixteenths (3/16) of the proceeds realized by Lessee from the sale thereof, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase arrangements entered into on the same or nearest preceding date as the date on which Lessee or its affiliate commences its purchases hereunder; and (c) in calculating royalties on production hereunder, Lessee may deduct Lessor's proportionate part of any ad valorem, production and excise taxes, and any costs incurred by Lessee in treating, processing, delivering and otherwise marketing such production. If at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay an aggregate shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. **Shut-In Payment.** All shut-in royalty payments under this lease shall be paid or tendered directly to Lessor at the above address, or its successors, regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor by deposit in the U.S. Mails in a stamped envelope addressed to the Lessor at the last address known to Lessee shall constitute proper payment.

5. **Operations.** If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no interruption of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to reservoirs then capable of producing in paying quantities on the leased premises or land pooled therewith, or (b) protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. **Pooling.** Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of drilling or production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The creation of a unit by such pooling shall be based on the following criteria (hereinafter called "pooling criteria"): A unit for an oil well (other than a horizontal completion) shall not exceed 40 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil or gas well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. In the event a unit is formed hereunder before the unit well is drilled and completed, so that the applicable pooling criteria are not yet known, the unit shall be based on the pooling criteria Lessee expects in good faith to apply upon completion of the well, provided that within a reasonable time after completion of the well, the unit shall be revised if necessary to conform to the pooling criteria that actually exist. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. To revise a unit hereunder, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable

hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. **Payment Reductions.** If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises. To the extent any royalty or other payment attributable to the mineral estate covered by this lease is payable to someone other than Lessor, such royalty or other payment shall be deducted from the corresponding amount otherwise payable to Lessor hereunder.

8. **Ownership Changes.** The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate at the address designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons, either jointly, or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. **Release of Lease.** Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases less than all of the interest or area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. **Ancillary Rights.** In exploring for developing, producing or marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled or unitized therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands of Lessor used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. **Regulation and Delay.** Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells, and regulation of the price or transportation of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and, at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any provisions or implied covenants of this lease when drilling, production or other operations are so prevented or delayed.

12. **Breach or Default.** No litigation shall be initiated by Lessor for damages, forfeiture or cancellation with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or cancelled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

13. **Warranty of Title.** Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

LESSOR:

Donald John Kieschnick
Donald John Kieschnick

Holly Kieschnick
Holly Kieschnick

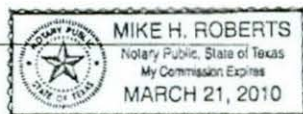
ACKNOWLEDGMENTS

STATE OF TEXAS §

COUNTY OF LEE §

This instrument was acknowledged before me on this 13 day of OCT, 2009 by Donald John Kieschnick and Holly Kieschnick.

My Commission Expires:



Mike H. Roberts
Notary Public

ADDENDUM

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL AND GAS LEASE DATED OCTOBER 8, 2009, BETWEEN DONALD JOHN KIESCHNICK, AND WIFE, HOLLY KIESCHNICK, LESSORS, AND ISTROUMA RESOURCES, INC., AS LESSEE, COVERING 4.00 ACRES, MORE OR LESS, IN THE ABNER KUYKENDALL LEAGUE, A-14, LEE COUNTY, TEXAS.

Notwithstanding anything to the contrary in the foregoing thirteen (13) paragraphs of this Oil and Gas lease, it is agreed and understood that the following provisions shall supplement or modify the foregoing as applicable. Provided, however, in recognition of the interplay between various provisions of this lease, every reasonable effort shall be made to harmonize same; and only when that cannot reasonably be done and should a conflict be found to exist then the provisions of this exhibit shall be deemed controlling.

14. SURFACE USE: It is understood and agreed that Lessee is prohibited from using the surface of the Land described above, for any purpose, but may engage in directional drilling activities beneath the Land that are conducted on the surface of other Land

15.. OIL AND GAS ONLY: This lease covers and includes only Oil and/or Gas, which for all purposes of this lease are defined as, and are limited to, oil, gas, casinghead gas and other liquid or liquefiable or gaseous substances, distillate, condensate and associated hydrocarbon substances and all by-products of the foregoing and such sulphur and other elements or minerals as are produced through the well bore, necessarily with and incidental to the production of any of the foregoing. Wherever there appears in this lease the phrases oil, gas and other minerals, 'oil, gas or other mineral' or words of like import, such phrases are hereby deleted from this lease and there is substituted therefore the hereinabove defined phrase "Oil and/or Gas". All other minerals and substances of every kind or character not included in the above definition of Oil and/or Gas, together with all rights pertaining thereto are expressly excepted from this lease.

16. HUNTING: Neither Lessee nor its agents, servants, invitees, employees or independent contractors shall have any right to fish or hunt or carry a firearm upon the leased premises.

17. PUGH CLAUSE: In the event a portion or portions of the land herein leased is pooled or unitized with other land(s) or lease(s) so as to form a pooled unit or units, operations on, completion of a well upon, or production from such unit or units will not maintain this lease in force and effect as to that portion of the leased premises not included in such pooled unit or units. The lease may be maintained in force and effect as to any portion of the leased premises covered hereby and not included in such unit or units in any manner provided for herein; provided however, if at the end of the primary term or after the expiration of the primary term, Lessee is engaged in drilling or reworking operations on the leased premises or if Lessee has completed a well as a producer or a dry hole anywhere on the leased premises or lands pooled therewith within 120 days prior to the expiration of the primary term, this lease shall remain in full force

and effect as to all non-unitized premises so long as Lessee commences drilling operations on the non-unitized portion of the leased premises or on acreage pooled therewith within 120 days of the completion of such well as a producer or a dry hole and conducts continuous operation thereon with no cessation of longer than 120 days between the completion of drilling or reworking operations on a well and the commencement of such operations for the next succeeding well. Notwithstanding the termination of this lease as to a portion of the lands, Lessee shall nevertheless continue to have the right of ingress and egress from the lands still subject to this lease for all purposes allowed under the terms of this lease, together with easements and rights of way for roads, pipelines and other facilities on, over, and across all of the lands originally covered by this Lease, for access to and from the lands still subject to this lease, for gathering or transportation of oil, gas and other minerals produced from the retained lands.

18 OPTION TO EXTEND PRIMARY TERM: Notwithstanding anything contained herein to the contrary, Lessee is hereby given the option to extend the primary term of this lease for an additional Three (3) years from the expiration of the original primary term. This option may be exercised by Lessee at any time during the last year of the original primary term by paying to Lessor herein, or their heirs, successors or assigns, an additional bonus equal to the bonus dollars originally paid for this lease. Lessee shall exercise such option by placing written notice of such action in the U.S. Mail, postage prepaid, to Lessor at the above address, or by delivery of such notice to Lessor, in either case, prior to the end of the primary term hereof, or if operations are being conducted on such lease or lands pooled therewith at the expiration of the primary term in such manner as to maintain this lease in force, within thirty (30) days after the completion of a dry hole resulting from such operations. The bonus to be paid for the said additional Three (3) year option shall apply only to the acreage not included within a producing or pooled unit at the end of the original Four (4) year primary term.

End of Exhibit.

Signed for Identification:


Donald John Kieschnick


Holly Kieschnick

2d

REAL PROPERTY RECORDS
LEE COUNTY, TX
2010-00419 02/18/2010 at 11:22:00 AM

MEMORANDUM OF OIL AND GAS LEASE

THE STATE OF TEXAS §
 § KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF LEE §

TEXAS OSAGE ROYALTY POOL, INC., as "Lessor", whose address is 8602 Crownhill Blvd., San Antonio, Texas 78209-1121, and EOG RESOURCES, INC., as "Lessee", whose address is 6101 South Broadway, Suite 200, Tyler, Texas 75703, hereby acknowledge and give notice that Lessor has executed and delivered to Lessee an Oil and Gas Lease dated January 22, 2010, (hereinafter referred to as the "Lease"), under the terms of which Lessor has granted, leased and let unto Lessee (subject to each and all of the terms and provisions thereof), for the purpose of investigating, exploring, drilling and operating for and producing oil and gas only (for purposes of the Lease, references to "oil and gas" include oil, gas, casinghead gas and the by-products thereof, and such other hydrocarbon substances and sulfur as are necessarily produced with, incidental to and as a part of the production of oil or gas), laying pipelines, building roads, tanks, power stations, electric lines and other structures thereon to produce, save, take care of, treat, store, transport and own oil and gas, all of Lessor's interest in 4,301.26 acres, more or less, situated in Lee County, Texas, being more particularly described in Exhibit "A" attached hereto and made a part hereof for all pertinent purposes.

Subject to the other terms and provisions thereof, the Lease provides for a primary term of three (3) years from and after the date thereof.

Lessor and Lessee hereby refer to the Lease for all of its terms and provisions and incorporate the same herein by reference as fully as if it were copied at length herein. Both Lessor and Lessee have possession of a fully executed copy of the Lease.

This Memorandum of Oil and Gas Lease shall not be deemed to enlarge, restrict or change the rights of any of the parties to the Lease but is for the purpose of giving record notice of the existence of the Lease in lieu of recording it at length in the county records. In the event of any conflict, the terms and provisions contained in the Lease shall control and prevail over the terms and provisions of this Memorandum of Oil and Gas Lease.

IN WITNESS WHEREOF, this Memorandum of Oil and Gas Lease is executed this 1ST day of February, 2010.

ATTEST:

TEXAS OSAGE ROYALTY POOL, INC.

By: Angelica Rios
Angelica Rios, Assistant Secretary

By: James A. Cauthorn
James A. Cauthorn, President

"LESSOR"

EOG RESOURCES, INC.

By: Ernest J. LaFlore
Ernest J. LaFlore, Vice President and
General Manager

"LESSEE"

VOL 1055 PG 596

175909-001

THE STATE OF TEXAS

COUNTY OF BEXAR

This instrument was acknowledged before me on the 1st day of February, 2010, by James A. Cauthorn, President of **TEXAS OSAGE ROYALTY POOL, INC.**, a Texas corporation, on behalf of said corporation.



Angela J. Ramirez
Notary Public, State of Texas

THE STATE OF TEXAS

COUNTY OF Smith

This instrument was acknowledged before me on the 28th day of January, 2010, by Ernest J. LaFlure, Vice President and General Manager of **EOG RESOURCES, INC.**, a Texas corporation, on behalf of said corporation.



Judy Pond
Notary Public, State of Texas

EXHIBIT "A"

(Attached to and made a part of that certain Memorandum of Oil and Gas Lease dated January 22, 2010, by and between Texas Osage Royalty Pool, Inc., as Lessor, and EOG Resources, Inc., as Lessee)

4,301.26 acres, more or less, in Lee County, Texas, described in twenty-seven (27) tracts as follows:

Tract 1: 75 acres, more or less, out the B. B. & C. R. R. Survey, A-52, Lee County, Texas, more particularly described in that certain Mineral Deed dated October 1, 1930, from Ernst Berger and wife, Clara Berger, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 487, Deed Records, Lee County, Texas (**Texas Osage File 2044**).

Tract 2: 50 acres, more or less, out the J. B. Duprey Survey, A-97, Lee County, Texas, more particularly described in that certain Mineral Deed dated October 18, 1930, from J. J. Wainright and wife, M. M. Wainright, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 59, Page 192, Deed Records, Lee County, Texas (**Texas Osage File 2092**).

Tract 3: 193.71 acres, more or less, out of the B. R. Thomas Survey, A-319, Lee County, Texas, more particularly described in that certain Mineral Deed dated November 3, 1930, from Clemens Unger and wife, Lena Unger, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 504, Deed Records, Lee County, Texas, **BUT ONLY INsofar** as said Lease covers rights below the depth of 12, 282 feet beneath the surface as reflected in Partial Release of Oil and Gas Lease dated September 29, 1994, executed by Union Pacific Resources Company, recorded in Volume 391, Page 42, Deed Records, Lee County, Texas (**Texas Osage File 2136**).

Tract 4: 178 acres, more or less, out of the James Price Survey, A-16, Lee County, Texas, more particularly described in that certain Mineral Deed dated November 6, 1930, from Emil Gerlach and wife, Ida Gerlach, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 59, Page 196, Deed Records, Lee County, Texas (**Texas Osage File 2137**).

Tract 5: 163.7 acres, more or less, out of the James Price Survey, A-16, Lee County, Texas, more particularly described in that certain Mineral Deed dated November 6, 1930, from Ben Kieschnick and wife, Bertha Kieschnick, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 59, Page 198, Deed Records, Lee County, Texas (**Texas Osage File 2138**).

Tract 6: 136 acres, more or less, out of the B. Kuykendall Survey, A-185, Lee County, Texas, more particularly described in that certain Mineral Deed dated November 25, 1930, from Otto A. Tonn and wife, Emma Tonn, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 514, Deed Records, Lee County, Texas (**Texas Osage File 2167**).

Tract 7: 202 acres, more or less, out of the B. Kuykendall Survey, A-185, Lee County, Texas, more particularly described in that certain Mineral Deed dated November 25, 1930, from Hugo Horn, Sr. and wife, Emma Horn, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 59, Page 165, Deed Records, Lee County, Texas (**Texas Osage File 2168**).

Tract 8: 401.2 acres, more or less, out of the B. Kuykendall Survey, A-185, and the James Price Survey, A-16, Lee County, Texas, more particularly described in that certain Mineral Deed dated November 20, 1930, from August Mutschink and wife, Emma Mutschink, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 399, Deed Records, Lee County, Texas (**Texas Osage File 2179**).

Tract 9: 121 acres, more or less, out of the B. Kuykendall Survey, A-185, Lee County, Texas, more particularly described in that certain Mineral Deed dated November 19, 1930, from Robert Biebas and wife, Martha Biebas, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative

Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 401, Deed Records, Lee County, Texas (Texas Osage File 2180).

Tract 10: 261 acres, more or less, out of the B. Kuykendall Survey, A-185, J. L. McCrocklin Survey, A-209, and James Price Survey, A-16, Lee County, Texas, more particularly described in that certain Mineral Deed dated November 6, 1930, from Otto Aschenbeck and wife, Hulda Aschenbeck, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 403, Deed Records, Lee County, Texas (Texas Osage File 2182).

Tract 11: 97 acres, more or less, out of the B. Kuykendall Survey, A-185, Lee County, Texas, more particularly described in that certain Mineral Deed dated November 19, 1930, from F. W. Berger and wife, Elenora Berger, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 377, Deed Records, Lee County, Texas (Texas Osage File 2192).

Tract 12: 98.4 acres, more or less, out of the S. G. Kuykendall Survey, A-187, the Von Rosenberg Survey, A-389, the B.B.B & C. R. R. Survey, A-53, the W. Norcross Survey, A-248 and the J. E. Kerby Survey, Lee County, Texas, more particularly described in that certain Mineral Deed dated November 18, 1930, from Tom Carothers and wife, Ellen Carothers, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 375, Deed Records, Lee County, Texas, **BUT ONLY INsofar** as said Lease covers rights below the depth of 7, 852 feet beneath the surface as reflected in Release of Oil and Gas Lease dated June 30, 1999, executed by Union Pacific Resources Company, recorded in Volume 841, Page 680, Deed Records, Lee County, Texas (Texas Osage File 2193).

Tract 13: 277 acres, more or less, out of the T. P. Kuykendall Survey, A-184, and the S. Woods Survey, A-340, Lee County, Texas, more particularly described in that certain Mineral Deed dated November 19, 1930, from John Schmidt and wife, Bertha Schmidt, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 374, Deed Records, Lee County, Texas (Texas Osage File 2195).

Tract 14: 201 acres, more or less, known as Block K & L out of the Lewis Kleberg Survey, A-182, Lee County, Texas, more particularly described in that certain Mineral Deed dated December 5, 1930, from Walter Zwerneman and wife, Minna Zwerneman, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 453, Deed Records, Lee County, Texas (Texas Osage File 2197).

Tract 15: 94 acres, more or less, out of the Abner Kuykendall Survey, A-14, Lee County, Texas, more particularly described in that certain Mineral Deed dated December 3, 1930, from F. Alwin Fichte and wife, Ernestine Fichte, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 451, Deed Records, Lee County, Texas (Texas Osage File 2198).

Tract 16: 100 acres, more or less, out of the J. Brown Survey, A-55, Lee County, Texas, more particularly described in that certain Mineral Deed dated December 2, 1930, from Gerhard O. Market and wife, Estella Market, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 450, Deed Records, Lee County, Texas (Texas Osage File 2199).

Tract 17: 309.5 acres, more or less, out of the Lewis Kleberg Survey, A-182, Lee County, Texas, more particularly described in that certain Mineral Deed dated December 9, 1930, from Max Meschke and wife, Ida Meschke, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 438, Deed Records, Lee County, Texas (Texas Osage File 2202).

Tract 18: 125 acres, more or less, out of the G. W. Grimes Survey, A-137, Lee County, Texas, more particularly described in that certain Mineral Deed dated December 10, 1930, from Alma Seelke to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 433, Deed Records, Lee County, Texas (Texas Osage File 2205).

Tract 19: 50 acres, more or less, out of the G. W. Grimes Survey, A-137, Lee County, Texas, more particularly described in that certain Mineral Deed dated December 11, 1930, from F. M. Zwernemann and wife, Louise Zwernemann, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 432, Deed Records, Lee County, Texas (**Texas Osage File 2206**).

Tract 20: 266 acres, more or less, out of the Lewis Kleberg Survey, A-182, Lee County, Texas, more particularly described in that certain Mineral Deed dated December 9, 1930, from Henry Lechmann and wife, Mary Lechmann, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 426, Deed Records, Lee County, Texas (**Texas Osage File 2209**).

Tract 21: 303 acres, more or less, out of the G. W. Grimes Survey, A-137, and the Robert McNutt Survey, A-239, Lee County, Texas, more particularly described in that certain Mineral Deed dated December 10, 1930, from William Reuther and wife, Augusta Reuther, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 424, Deed Records, Lee County, Texas (**Texas Osage File 2210**).

Tract 22: 117.75 acres, more or less, out of the Silas Woods Survey, A-340, Lee County, Texas, more particularly described in that certain Mineral Deed dated December 19, 1930, from Albert Arldt and wife, Mathilde Arldt, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 419, Deed Records, Lee County, Texas (**Texas Osage File 2217**).

Tract 23: 195 acres, more or less, out of the John Henderson Survey, A-154 and the William Head Survey, A-156, Lee County, Texas, more particularly described in that certain Mineral Deed dated January 20, 1931, from M. C. Cooper and wife, Alice Cooper, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 457, Deed Records, Lee County, Texas (**Texas Osage File 2258**).

Tract 24: 50 acres, more or less, out of the J. B. Duprey Survey, A-97, Lee County, Texas, more particularly described in that certain Mineral Deed dated January 20, 1931, from M. C. Cooper and wife, Alice Cooper, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 59, Page 169, Deed Records, Lee County, Texas (**Texas Osage File 2259**).

Tract 25: 70 acres, more or less, out of the T. Morrow Survey, A-223, Lee County, Texas, more particularly described in that certain Mineral Deed dated January 20, 1931, from M. C. Cooper and wife, Alice Cooper, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 458, Deed Records, Lee County, Texas (**Texas Osage File 2260**).

Tract 26: 30 acres, more or less, out of the R. S. Teal Survey, A-318, Lee County, Texas, more particularly described in that certain Mineral Deed dated January 21, 1931, from Ollie Roberson, Will Roberson, Katie Roberson, Ollie Roberson and, Lula Roberson to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 59, Page 168, Deed Records, Lee County, Texas (**Texas Osage File 2261**).

Tract 27: 136 acres, more or less, out of the A. Kuykendall Survey, A-14, Lee County, Texas, more particularly described in that certain Mineral Deed dated January 22, 1931, from Herman Kieschnick and wife, Martha Kieschnick, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 59, Page 166, Deed Records, Lee County, Texas (**Texas Osage File 2274**).

02/18/2010 at 11:22 AM
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COUNTY CLERK
LEE COUNTY, TX

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Rev. 6/03 Pooling

**OIL AND GAS LEASE
(Paid-Up)**

THIS AGREEMENT is made this 22nd day of January, 2010, between **TEXAS OSAGE ROYALTY POOL, INC.**, acting by and through its duly authorized President, as Lessor, whose mailing address is 8602 Crownhill Boulevard, San Antonio, Texas 78209-1121, and **EOG RESOURCES, INC.**, as Lessee, whose mailing address is 6101 South Broadway, Suite 200, Tyler, Texas 75703.

WITNESSETH:

1. **(a) Granting Clause:** For and in consideration of Ten Dollars (\$10.00) in hand paid, of the royalties herein provided, and the agreements of Lessee herein contained, Lessor hereby GRANTS, LEASES AND LETS exclusively unto Lessee for the purpose of investigating, exploring, drilling and operating for and producing oil and gas only (for the purposes of this lease, "oil and gas" shall include oil, gas, casinghead gas and the byproducts thereof, and such other hydrocarbon substances and sulfur as are necessarily produced with, incidental to and as a part of the production of oil or gas), conducting geophysical surveys, laying pipe lines, building roads, tanks, power stations, electric lines and other structures thereon to produce, save, take care of, treat, store, transport and own said products, all of Lessor's interest in 4,301.26 acres, more or less, in Lee County, Texas (hereinafter sometimes referred to as the "leased premises" or "said lands"), being more particularly described in Exhibit "A" attached hereto and made a part hereof for all pertinent purposes.

(b) Exceptions and Reservations: Lessor expressly EXCEPTS from this lease and RESERVES all minerals of every kind and character in, on and under the lands above described, except only the oil and gas as hereinabove defined and, in addition, Lessor EXCEPTS and RESERVES unto itself the concurrent right to use said lands and the surface thereof for the purpose of investigating, exploring, prospecting, drilling or mining for and producing all such other minerals, laying pipelines, building roads, tanks, electric lines, power stations and other structures thereon, to produce, save, take care of, treat, store, transport and own such other minerals: provided, however, that both Lessor and Lessee shall attempt to accommodate the mineral activities of the other and each shall attempt to avoid activities that unreasonably interfere with the other's operations and use of said lands.

(c) Subject to Recorded Instruments: This lease is expressly made subject to any and all instruments affecting said lands reflected by the records of Lee County, Texas, as of the date hereof.

2. **(a) Term:** Subject to the other provisions herein contained, this lease shall be for a term of three (3) years from the date hereof (called "primary term") and as long thereafter as oil or gas are produced from said lands, or from lands pooled therewith, in paying quantities or this lease is maintained in force by virtue of some other provision hereof. If within ninety (90) days prior to the expiration of the primary term, or at any time or from time to time after the expiration of the primary term hereof, oil or gas is being produced from said lands, or from lands pooled therewith, and all such production ceases and this lease is not otherwise continued in force, this lease shall not terminate if additional drilling or reworking operations are commenced or resumed on said lands, or on lands pooled therewith, within ninety (90) days after such cessation of production, and this lease shall continue in force so long as any such operation on the same or successive wells are prosecuted in good faith and in a workmanlike manner with no cessation of more than sixty (60) consecutive days; and, if such operations result in production of oil or gas, then this lease shall, subject to the other provisions hereof, continue in force as long thereafter as oil or gas is produced from said lands, or from lands pooled therewith, in paying quantities. If at the expiration of the primary term hereof oil or gas is not being produced in paying quantities from the leased premises, or from lands pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon or Lessee shall have completed a well thereon within ninety (90) days prior to the end of the primary term (and whether such well be a dry hole, a well producing oil or gas in paying quantities, or a well capable of producing gas but shut-in), this lease shall remain in force so long as operations on said well or the drilling or

reworking of any additional well are prosecuted in good faith and in a workmanlike manner with no cessation of more than sixty (60) consecutive days; and if such operations result in the production of oil or gas, so long thereafter as oil or gas is produced from said lands, or from lands pooled therewith, in paying quantities, subject, however, to the other provisions hereof.

2. (b) **Continuous Drilling Following Primary Term:** Notwithstanding any of the provisions of Paragraph 2(a) above to the contrary, in order to maintain this lease in force and effect after the primary term as to such of said lands not then ascribed to a producing well or shut-in well pursuant to the provisions of Paragraph 2(c) below, Lessee shall be required to continuously drill wells on said lands, with no cessation of more than one hundred twenty (120) consecutive days between the completion of one well and the commencement of a subsequent well, so that Lessee maintains a continuous development program on said lands after the end of the primary term. Commencement of the first well in the continuous development program shall be on or before the last to occur of (i) the expiration of the primary term, or (ii) one hundred twenty (120) days after completion of the last well drilled within the primary term. Upon Lessee's failure to continuously drill wells after the primary term in accordance with the above time schedule, the provisions of Paragraph 2(a) above shall control the time for commencement of subsequent drilling and reworking operations on any of said lands on which a producing well or shut-in well may be located and acreage retained by Lessee under the terms of this lease.

2. (c) **Partial Termination:** At the end of the primary term, or at the end of continuous development provided above, whichever later occurs, this lease shall automatically terminate as to all of said lands, SAVE AND EXCEPT the interval from the surface down to one hundred feet (100') below the stratigraphic equivalent of the deepest subsurface interval which reasonably appears productive of oil, gas or other hydrocarbons in paying quantities as depicted on the electric log of:

(1) each vertical, non-pooled well situated on said lands producing oil in paying quantities, together with forty (40) contiguous acres,

(2) each vertical, non-pooled well situated on said lands producing gas in paying quantities, or capable of producing gas in paying quantities with all shut-in royalties having been paid thereon, together with one hundred forty (140) contiguous acres, if such well is completed from a depth from the surface and 6,000 feet; three hundred twenty (320) acres if such well is completed at a depth between 6,000 feet and 10,000 feet, and six hundred forty (640) acres if such well is completed at a depth below 10,000 feet,

(3) each horizontal, non-pooled well situated on said lands producing oil or gas in paying quantities, or capable of producing gas in paying quantities if a gas well, together with the number of acres calculated according to the following formula: $A \text{ (acreage)} = [L \text{ (actual lateral length drilled)} \times .11488 + 160] \times 1.5$; then A is rounded up to the nearest number evenly divisible by 40. EXAMPLE: $A = [2,000' \times .11488 + 160] \times 1.5 = 584.64 \text{ acres}$ (rounded up to the nearest number evenly divisible by 40 = 600 acres),

(4) each vertical or horizontal well producing oil or gas in paying quantities from a pooled unit which encompasses some or all of the leased premises (if a gas well, the well may be producing or capable of producing gas in paying quantities with all shut-in royalties having been paid thereon), together with such of the leased premises as are included within a pooled unit formed pursuant to the provisions of Paragraph 4 of this lease.

2. (d) **Reservations Upon Partial Termination:** Upon the occurrence of any partial termination of this lease under the foregoing provisions, Lessor shall have, and expressly reserves, an easement through all retained intervals in order to enable the exploration and/or production of oil, gas and/or other minerals in and from any depths which are not then subject to this lease. Lessor shall not have the right to use any wellbores drilled by Lessee or any equipment installed by Lessee in connection with any such drilling or production operations unless such equipment and/or wellbore has been abandoned by Lessee or has been assigned to Lessor. The easement reserved herein shall be fully assignable by Lessor to any party, including any oil, gas or mineral lessee of depths or lands not then subject to this lease; in the event Lessor assigns such easement to any third party, Lessee herein shall look only to such third party, and

not to Lessor, for any claims, costs, expenses or damages occasioned by such third party's use of the easement herein reserved, specifically including but not limited to, any claims that such third party's activities interfered with or damaged Lessee's wells, reserves, equipment, operations or other interests.

2. (e) **Lessee's Use of Existing Wells:** In conducting any drilling, testing, producing, or reworking operation authorized herein, Lessee shall not, without express written consent of Lessor, use any abandoned wells and wellbores located on the leased premises which were drilled by a third party for the purpose of exploring for and producing oil, gas or other minerals.

2. (f) **Drilling and Completion Operations:** Drilling operations shall be deemed to have commenced under this lease on the date the drill bit enters the earth for the drilling of a validly permitted well being drilled under power of a drilling rig capable of drilling to the permitted depth. A vertical well shall be deemed to be completed under the provisions of this lease (1) three (3) days after the well reaches total depth in the event no attempt is made to complete the well as a producer of oil and/or gas by the running of production casing (a dry hole) or (2) thirty (30) days after the date production casing is cemented in the well (as reflected by the cementing affidavit filed with the Railroad Commission of Texas) in the event an attempt is made to complete the well as a producer of oil and/or gas. A horizontal well or a horizontal drainhole, which for purposes of this lease is defined as any well in which the horizontal component of the gross completion interval is at least one hundred feet (100') in length, shall be deemed to be completed the earlier of the date the drilling rig is released from a well which is not completed as a producer of oil or gas, or thirty (30) days after the date a horizontal well completed as a producer of oil or gas reaches the total length of its drainhole(s).

3. **Royalties:** All royalties to which Lessor is entitled under this lease shall be calculated and paid, or delivered in kind, as provided in this Paragraph 3, with all royalties not delivered in kind to be paid to Lessor at 8602 Crownhill Boulevard, San Antonio, Texas 78209-1121.

3. (a) **Oil Royalty:** On all oil, including all liquid hydrocarbons extracted from gas under the provisions of this Paragraph 3, Lessor shall have and be entitled to a royalty of one-fourth (1/4) of all such oil production or one-fourth (1/4) of the market value thereof at the point of sale by Lessee to a purchaser that is not an affiliate of Lessee. If Lessor does not make arrangements to receive and separately sell Lessor's royalty oil, such oil shall be sold with Lessee's oil at the same price received by Lessee, but in no event for less than the market value thereof as defined in Paragraph 3(b)(5) hereof or, at Lessor's option, Lessor's share of oil shall be delivered to Lessor in kind at the well or lease separator or other point of separation into tanks or other receptacles furnished by Lessor. Lessor's right and option to take royalty oil in kind may be exercised from time to time by Lessor giving sixty (60) days advance written notice to Lessee. In the event no written notice is received by Lessee or Lessor fails to make arrangements to receive royalty oil in kind, it will be conclusively presumed that Lessor has authorized Lessee to account to Lessor for royalty on oil as a reasonable and prudent operator as provided above.

3. (b) **Gas Royalty:** On all gas, including casinghead gas and residue gas sold at the tailgate of a gas plant, Lessor shall have and be entitled to royalty as follows:

3. (b)(1) **Gas Processed by Lessee or An Affiliate:** On all gas produced from the leased premises and processed in a gas plant or plants owned or controlled in whole or in part by Lessee, or by an affiliate of Lessee, for the recovery of liquid or liquefiable hydrocarbons, Lessor shall have and be entitled to a royalty of one-fourth (1/4) of fifty percent (50%) or the highest percentage paid to any third party processing gas through such plant under an arms' length processing agreement, whichever is greater, of all plant products including, but not limited to, all condensate, distillate, natural gasoline, kerosene, methane, ethane, propane, butane (iso and normal), pentane and all other hydrocarbons products extracted, absorbed, separated or saved from such gas, the same to be delivered free of costs, at Lessor's election, either in kind at the plant or plants or to the credit of Lessor into the pipeline to which the plant or plants may be connected; and, in addition thereto, Lessor shall be paid as royalty the market value of one-fourth (1/4) of all residue gas, as herein defined, at the place of use or sale to a purchaser that is not an affiliate of Lessee. The term "residue gas" means gas attributable to the leased premises sold at the tailgate of a gas plant or plants for the extraction of liquid and liquefiable

hydrocarbons. It is further provided that, as used in this Paragraph 3(b)(1) and in Paragraphs 3(b)(2) and 3(b)(3), the term "plant" means any absorption, cycling, recycling or extraction plant or other plant or plants used for processing gas. No royalty shall be paid on gas volumes used or consumed as plant fuel or attributable to shrinkage during the processing cycle; provided, however, in no event shall the total royalty to be paid to Lessor on gas and gas products produced from the leased premises and processed by Lessee, or on behalf of Lessee, ever be less than the total royalty which would have been paid to Lessor on all gas produced from the premises if the gas stream had been sold without being processed.

3. (b)(2) **Gas Processed Under An Arms Length Arrangement:** If Lessee shall enter into a bona fide contract or arrangement with any person, firm, corporation or other business entity which is not owned or controlled in whole or in part by Lessee, nor by an affiliate of Lessee, for the sale or delivery of gas produced from the leased premises for processing in a gas plant or plants for the recovery of liquids or liquefiable hydrocarbons therefrom, Lessor shall have and be entitled to a royalty of one-fourth (1/4) of all consideration received by Lessee or to which Lessee is entitled under such contract or arrangement for the liquid and liquefiable hydrocarbons and products so extracted, absorbed, separated or saved and attributable to gas produced from the leased premises, and, in addition to the royalty on said plant products, Lessor shall be paid as royalty the market value of one-fourth (1/4) of all residue gas at the place of use or sale to a purchaser that is not an affiliate of Lessee.

3. (b)(3) **Gas Not Processed, Liquids Separation:** Lessee agrees that all gas produced from the leased premises and not processed in a plant or plants as provided in Paragraphs 3(b)(1) or 3(b)(2) above, shall, before the same is sold or used or transported from the leased premises, be passed through a field-type separator or other comparable lease equipment ordinarily used in the industry for the purpose of separating, extracting and saving liquid and liquefiable hydrocarbons recoverable from the wet stream gas. The separating system for gas separated on the leased premises shall be designed and operated to effect the maximum economical recovery of liquid and liquefiable hydrocarbons; provided, however, Lessee shall not be required to run gas through a field type separator or other comparable lease equipment if the liquid hydrocarbon content of the gas is so small as to make the installation and operation of such equipment unprofitable, or if the pressure of the gas is such that running the gas through separators or comparable equipment would diminish the ability to sell and deliver the separated gas against existing gathering system or pipeline pressures. On all condensate, distillate, natural gasoline, kerosene, and all other hydrocarbons and products and any mixture of liquid and liquefiable hydrocarbons produced with the gas from the leased premises and saved by being condensed, absorbed from or separated from such gas by means of such separation equipment or system, or by any other method, Lessor shall have and be entitled to a royalty of one-fourth (1/4) payable in the manner provided for in Paragraph 3(a) above. If such gas is not thereafter processed, and the same is sold or used, Lessor shall be paid as royalty one-fourth (1/4) of the market value of all such gas at the place of use or sale to a purchaser that is not an affiliate of Lessee; but if such gas, after having passed through such separation equipment or other facilities above mentioned, is thereafter processed, the applicable royalty provisions of this lease shall apply to all liquid hydrocarbons and residue gas resulting from such processing in accordance with such applicable royalty provisions.

3. (b)(4) **All Other Gas Sales Arrangements:** On all gas produced from the leased premises and sold or used but for which royalty is not otherwise specified in this lease, Lessor shall be paid as royalty the market value of one-fourth (1/4) of all such gas at the place of use or sale to a purchaser that is not an affiliate of Lessee.

3. (b)(5) **Market Value:** It is expressly agreed that for the purpose of this lease the term "market value," as used in Paragraphs 3(a), 3(b)(1), 3(b)(2), 3(b)(3) and 3(b)(4) above, is defined as the greater of: (1) the value for like kind, quality, quantity and availability of marketing outlets for oil or gas at the time and place at which custody and risk of loss of the oil or gas is transferred to an unaffiliated purchaser (or, in the case of an exchange transaction, at the time and place at which custody and risk of loss of the exchange volume is transferred to a purchaser that is not an affiliate of Lessee) or at the time and place of use by Lessee, or (2) the amount received by Lessee or by an affiliate by reason of the sale of such oil or gas; provided that if sold by Lessee to an affiliate, in no event shall the value for gas be less than the quoted index price per MMBtu as reported in the first issue for the month of production of the Inside F.E.R.C. Gas Market Report or equivalent publication for the point of sale nearest the field from which the gas was produced, less seven (7) cents per MMBtu. The term "market value" shall not

mean or be deemed modified by the definition of market value in the Texas Natural Resources Code 91.402. The "amount received by Lessee" shall include all "consideration," as hereinafter defined, received by Lessee or by an affiliate for the sale of oil or gas produced from the leased premises, without deduction for any costs or expenses of marketing, producing, gathering, transporting, separating, processing (except as provided in Paragraphs 3(b)(1) and (2) above), dehydrating, treating, compressing, amortization of investment charges, depreciation of equipment and facilities, manufacturing or other post-production costs, including any costs involved in making the oil or gas ready for sale or use; and, if Lessee or any affiliate or third party makes any deduction of any such costs or expenses, then any such deduction shall be added to the price received by Lessee for the oil or gas in calculating payments of royalties, so that Lessor's royalty shall not bear, directly or indirectly, any such costs or expenses. Consideration is defined as including, but not limited to, cash, take or pay payments, releases of existing obligations, take or pay settlements, awards or payments, dedication payments, advance payments, contract adjustments, reservations charges, storage charges, gas or oil exchange consideration, contract buyout/buydown payments or any other valuable consideration, including the cash value of any non-monetary consideration, received for or relating to oil or gas produced or that may or could be produced from the leased premises.

3. (c) **Royalty on Sulfur and Other Associated Minerals:** This lease is intended to cover only oil and gas, but it is contemplated that some sulfur (which term includes sulfur and associated minerals and sulfur in hydrogen sulfide gas) may be produced necessarily with and incidental to the production of oil or gas and, in such event, this lease shall also cover such sulfur so produced. On all such sulfur so produced under and by virtue of the terms of this lease, Lessor shall have and be entitled to a royalty of one-fourth (1/4) of all such sulfur so produced and saved, same to be delivered to Lessor free of all costs or, at Lessor's election, such one-fourth (1/4) royalty sulfur shall be sold by Lessee with Lessee's portion of such sulfur produced and saved from said lands, and at the same price received for Lessee's portion of such sulfur produced and saved from said lands.

3. (d) **Sales to An Affiliate:** Should Lessee transfer the oil or gas to itself, or sell the oil or gas to any affiliate of Lessee, it shall so notify Lessor thirty (30) days in advance and provide detailed pricing terms associated with an intra-corporate transfer or contract terms associated with the sale to Lessee's affiliate. Thereafter, Lessee shall be subject to the provisions of this Paragraph 3(d). Lessee agrees that if any oil or gas is to be transferred in an intra-corporate transaction or if any oil or gas sales contract is to be entered into with an affiliate, then Lessor shall have the right to approve the arrangement or contract before it occurs or is binding on Lessee. Lessee shall provide monthly detailed crude oil run statements, which shall give the run dates, the gravity and quality specifications, the price per barrel, plus any additional bonuses or other compensation accruing to Lessee or its affiliate, total gross value, severance and other production taxes and total net value. Monthly gas statements shall provide the metered or allocated volume by well, the BTU content of the wet stream or "raw gas," the volume delivered to the sales meter, the price paid, the total gross value, severance and other production taxes, and total net value. If the gas is processed for the removal of natural gas liquids, the statement provided by Lessee to Lessor shall, in addition to the information stated for the wet gas stream, include by well the residue gas allocated to each well, the fuel and shrinkage, the natural gas liquids by component attributable to each well, the price received for residue and the price received for natural gas liquids by component.

3. (e) **Lessee's Marketing Responsibilities:** Lessee shall be solely responsible for ensuring that all consideration received for oil and gas is received in accordance with all applicable laws and regulations. In the event Lessor does not elect to take its royalty oil or gas in kind, as provided for herein, Lessee shall act as a reasonable and prudent operator in negotiating, implementing sales arrangements for and accounting to Lessor for royalty oil or gas in accordance with the provisions of this lease; provided that no contract negotiated by Lessee for the sale of oil or gas produced from said lands under this lease and providing for price redetermination at intervals in excess of one (1) year shall be valid and effective without Lessor's written consent to such contract. Lessee shall not be authorized to enter into any contract which would result in Lessor receiving less than Lessor's royalty share of the market value, as defined above, of the oil or gas produced from the leased premises at the time it is produced. Irrespective of any contract which Lessee may enter into, Lessee's royalty obligation shall never be based on a price which is less than the market value of the gas produced from the leased premises, as defined above, unless Lessor has approved such contract.

3. **(f) Taking Gas in Kind:** Lessor shall have the right at any time and from time to time (subject to the limitations set forth below) to take its royalty gas in-kind. In such case Lessor shall at its own expense, and in accordance with sound engineering practices so as not to unreasonably interfere with Lessee's production and marketing activities, install such facilities and meters as are necessary to accept and measure the royalty gas. In the event Lessor intends to take royalty gas in-kind, Lessor shall provide sixty (60) days prior written notice of such intention to Lessee, and the parties shall enter into a gas balancing agreement in a form satisfactory to both parties. Lessor's right and option hereunder may be exercised from time to time.

3. **(g) Division Orders:** It is expressly agreed and understood that the execution of division orders shall never be required as a prerequisite for payment of Lessor's royalty. It is agreed that if division orders or transfer orders are executed for the convenience of the parties, that neither this lease nor any terms or provisions hereof shall be altered, amended, extended or ratified by any division order or transfer order executed by Lessor, but that any division orders or transfer orders shall be solely for the purpose of confirming the extent of Lessor's interest in production of oil and gas from said lands. A division order shall never serve as an acceptance, approval or ratification of any sales or marketing agreement or arrangement entered into by Lessee; any request by Lessee for approval or ratification of any such agreement or arrangement shall instead be made only by separate agreement or ratification clearly denominated as such. Any amendment, alteration, extension or ratification of this lease or of any term or provision of this lease shall be made by an instrument in writing clearly denominated as to its purpose and effect, describing the specific terms or provisions of the lease affected and the proposed change or modification thereof, and executed by the party against whom any such amendment, alteration, extension or ratification is sought to be enforced, and any purported amendment, alteration, extension or ratification not so drafted and executed shall be of no force or effect.

3. **(h)(1) Obligation to Pay Royalty and Due Dates for Payments:** Lessee shall be unconditionally obligated to Lessor to make, and shall be liable for the payment of, royalties pursuant to the terms of this lease irrespective of the failure or bankruptcy of Lessee or any third party crude oil or gas purchaser, and irrespective of the execution by Lessor of a stipulation of interest or any similar agreement in favor of any such third party purchaser. All royalties that may become due hereunder shall be paid to Lessor at 8602 Crownhill Boulevard, San Antonio, Texas 78209-1121, and commence to be paid on each well by the earlier to occur of the following dates: (i) sixty (60) days after Lessor has executed and delivered to Lessee a stipulation of interest which identifies the well and confirms the interest in production therefrom owned by Lessor; or (ii) within thirty (30) days after Lessee has received the initial payment of Lessee's share of the proceeds of production from the purchaser of production of such well. Thereafter, all royalties shall be paid to Lessor on or before the last day of the second month following the month of production. All royalties to be paid under the terms of this lease which are not paid when due shall bear interest at the prime rate of interest of The Frost National Bank, San Antonio, Texas, plus two percent (2%) (not to exceed legal Texas interest rate) from their due date until paid. If Lessee shall not timely pay the royalties on production of oil or gas due under this lease, Lessor may notify Lessee of such default by sending duplicate written notices thereof by certified mail, return receipt requested addressed to: (a) Division Land Manager, EOG Resources, Inc., 6101 South Broadway, Suite 200, Tyler, Texas 75703; and (b) Land Administration Department, EOG Resources, Inc., 1111 Bagby Street, Houston, Texas 77002. If such default is not remedied within sixty (60) days of receipt by Lessee of such written notice, Lessor may send to Lessee a second duplicate written notice of such default by certified mail, return receipt requested, addressed to the same recipients as named above. If Lessee does not remedy such default within thirty (30) days after such second notice of default has been sent by Lessor to Lessee, then Lessor shall have the option to terminate this lease; provided, however, that if Lessee shall assert by written notice to Lessor prior to sixty (60) days after such first notice of default that a good faith, bona fide dispute exists, based on an attorney's written opinion which is included with Lessee's notice, as to the entitlement of Lessor to payment of such royalties or the calculation of royalty due under this Lease, Lessee may then satisfy its obligations to pay such disputed royalties hereunder and avoid termination by paying such disputed royalties in trust to a trustee in Bexar County, Texas, acceptable to both parties, which trustee shall retain and invest such disputed royalties in interest bearing accounts approved by Lessor pending resolution of the royalty entitlement dispute, with accrued interest to belong to the party determined to be the rightful owner of the disputed royalties. If Lessor and Lessee cannot agree on a trustee to hold and invest the disputed royalties within fifteen (15) days after

Lessee's notice, or if the royalty entitlement dispute has not been settled and resolved within sixty (60) days after Lessee's notice, then Lessee, upon request by Lessor, at its own, sole expense, shall institute an interpleader action in a State District Court sitting in Bexar County, Texas, and tender the disputed royalties plus any interest accrued thereon into a court of competent jurisdiction to be held and invested under the direction of the court. Acceptance by Lessor of royalties which are insufficient or past due shall not act as a waiver or estoppel of Lessor's right to exercise any remedy provided herein, including the right to receive or recover any and all interest due thereon under the provisions hereof, unless the written acceptance or acknowledgment by Lessor to Lessee expressly so provides. Any tender or payment to Lessor of a sum less than the total amount due Lessor hereunder which is made or intended to be made as an offer of settlement or an accord and satisfaction by or on behalf of Lessee, must be accompanied by a Notice of Settlement Offer, so denominated, addressed to Lessor. Any such offer of settlement submitted solely by the tender of a check containing language of settlement or accord and satisfaction printed or otherwise inserted thereon shall not be deemed an offer of settlement or accord and satisfaction unless accompanied by such a Notice of Settlement Offer. The prevailing party may recover all costs of litigation, including reasonable attorney's fees, expert witness and consultation fees incurred in connection with any lawsuit brought to recover any royalties or interest or in terminate this lease due to Lessee's failure to pay royalties within the period set forth herein.

3. (h)(2) **Lien to Secure Payment and Performance:** In addition to any statutory lien in Lessor's favor, Lessor shall have and Lessee hereby grants to Lessor, a lien and perfected security interest on Lessee's leasehold estate created by this lease and in all property, including oil and gas which has been produced but not yet removed from the leased premises to secure payment of all amounts due to Lessor under the terms of this lease, and as security for the performance by Lessee of Lessee's covenants under this lease. This lien may be enforced against any such property in like manner as liens conferred by chattel mortgages, or as any other lien security may be enforced under the laws of the State of Texas. Lessor, in addition to the rights prescribed in this lease, shall have all of the rights, titles, liens and interest in and to Lessee's property, now or hereafter located upon the leased premises, which may be granted to a secured party (as that term is defined under the Uniform Commercial Code, as adopted in Texas and as the same may be amended from time to time, the "Code"), under this lease. Lessee hereby irrevocably authorizes Lessor to file a financing statement (or continuation statement) or a memorandum of this lease as a financing statement, for the purpose of providing notice of or perfecting Lessor's security interest under this lease, that (a) indicates the secured property as all assets of Lessee located on or in the leased premises or words of similar effect, regardless of whether any particular asset comprised in such property falls within the scope of Article 9 of the Code, or as being of an equal or lesser scope or with greater detail, and (b) provides any other information required by Article 9 of the Code for the sufficiency or filing office acceptance of any financing statement or amendment. Lessee agrees to furnish to Lessor any information required for purposes of preparing any documentation necessary for perfection and providing public notice of such security interest promptly upon Lessor's request. In the event of a default under this lease, Lessor shall have, in addition to any other remedies provided herein or by law, all rights and remedies under the Code, including without limitation the right to sell the property described in this Section 3(h)(2) at public or private sale. Unless otherwise provided by law and for the purpose of exercising any right pursuant to this Section 3(h)(2), Lessor and Lessee agree that reasonable notice shall be satisfied if such notice is given by five (5) days written notice, certified mail, return receipt requested, by Lessor to Lessee at the address specified herein. Nothing herein contained, however, is intended or shall be construed to prevent the sale, shipment and removal of any production from said lands in the usual course of business, nor to prevent the removal of tools, machinery, equipment or other property at any time when Lessee is not in default. This lien is supplemental to, and not in substitution for any other right or remedy provided by the Code and the terms of this lease; and the express lien created by this Paragraph shall not apply to production sold to third parties when payment to Lessor has or is being made pursuant to the provisions of this lease.

3. (i) **Taxes:** Lessor's share of state severance taxes may be deducted from Lessor's royalties, provided that Lessee shall cause the amount of such taxes withheld to be separately stated on all royalty disbursements. If Lessor elects to take its share of production in kind, Lessor shall be liable for all state severance taxes imposed on its proportionate part of production from the leased premises. If the price received by Lessee for oil or gas produced from the leased premises includes reimbursement for all or any part of state severance taxes

owing with respect to such production, then for purposes of calculating the royalties due hereunder the "amount received" by Lessee for such production shall include such tax reimbursement, and Lessor shall be entitled to its royalty share of such tax reimbursement.

3. (j) **Split-stream Deliveries:** In the event that the leasehold estate created hereby is jointly owned in common by more than one leasehold estate owner and one or more co-owners desire to separately meter and market their gas from the other co-owners (commonly referred to as split-streaming), then it is agreed that: (1) for the purpose of calculating Lessor's royalties, the value for all gas produced from said lands shall never be less than the highest price received by any of the co-owners of this leasehold estate, (2) the co-owners of said leasehold estate shall agree that there will be only one gathering system and one metering system on said lands and all split-streaming and separate transporting and metering of gas shall take place off said lands, and (3) in the event one or more co-owners of said leasehold estate elect not to sell their share or portion of gas under this lease, and other co-owners do sell gas from said lands, Lessor shall nevertheless be entitled to Lessor's one hundred percent (100%) royalty share of revenues from the production, distribution and sale of such gas computed under the terms called for in Paragraph 3.

3. (k) **Right to Inspect Records:** Lessor shall have the right at all reasonable times, personally or by representative, to inspect, copy and audit the books, accounts, contracts, records and data of Lessee pertaining to the development, production, saving, transportation, processing, sale and marketing of the oil and gas produced from or attributable to the leased premises. Upon request by Lessor, Lessee shall be required to furnish Lessor with a true copy of any oil or gas sales contract or gas processing contract covering the sale or processing of oil or gas from the leased premises, and copies of oil or gas run statements. Oil run statements shall give the run dates, gravity and quality specifications, price extensions, total gross value, severance and other production taxes, and total net value; and gas run statements shall provide the volume and BTU content of wet stream or "raw" gas and the price paid. If the gas is processed in a plant, the volumes of the various components so extracted and the volume of the residue gas and the price extensions of each component, total gross value, severance and other production taxes and total net value shall be reflected in the run statements.

3. (l) **Shut-in Royalty:** In the event, after the expiration of the primary term, gas from any well situated on said lands, or on lands pooled therewith, capable of producing gas in paying quantities and classified as a gas well by the Railroad Commission of Texas is not being sold or used because of the lack of a suitable market, Lessee may pay as royalty on or before the expiration of ninety (90) days after the date on which each such well is shut-in, the sum of Fifty Dollars (\$50.00) for each net mineral acre covered by this lease and ascribed to the well pursuant to Paragraph 2(c), and if such payment is timely made this lease shall continue in force and effect for the full ensuing year after the date such well is shut-in as to the shut-in well and the acreage ascribed to such well. The intermittent production of gas from a shut-in gas well during the year for which a shut-in payment is made shall not render necessary any new or additional payments with respect to such well, but Lessee shall account to Lessor for royalty on any gas actually produced from the well in accordance with the provisions of this Paragraph 3. Notwithstanding the foregoing, the provisions of this Paragraph 3(l) shall not be effective to continue this lease in force and effect as to a shut-in well and the acreage ascribed to such well, for any continuous period of more than two (2) consecutive years after the date the well is shut-in, or for shorter periods of time from time to time after the date of shut-in which aggregate two (2) years in all. It is provided that the aforesaid two (2) year shut-in period shall be extended for such length of time, if any, as may elapse because of Lessor's failure to consent to a gas contract negotiated by Lessee and submitted to Lessor as provided in Paragraphs 3(d) and 3(e) hereof. It is expressly understood and agreed that payment of shut-in royalty shall not relieve Lessee of any requirement Lessee may have under this lease to continue this lease in force and effect by continuous drilling operations or to diligently develop said lands for the production of oil and gas.

3. (m) **Minimum Royalty:** If in any lease year after production of oil or gas is established on the leased premises, or on lands pooled therewith, payments actually received by Lessor as royalty for a producing well do not exceed the sum of Fifty Dollars (\$50.00) for each net mineral acre covered by this lease and ascribed to such well pursuant to Paragraph 2(c), then within sixty (60) days after the expiration of the lease year Lessee shall pay or tender to Lessor at 8602 Crownhill Boulevard, San Antonio, Texas 78209-1121, a sum equal to the difference

between the royalties actually received by Lessor during such lease year and Fifty Dollars (\$50.00) for each such net mineral acre. If Lessee shall fail to make such payment, such unpaid amounts shall bear interest at the rate of 12% per annum but in no event greater than the highest rate legally permitted. Lessee shall accompany the payment of any additional sums so owing with clear documentation setting forth the total sum actually received by Lessor during the lease year and the sum that may be due Lessor for Minimum Royalty under the formula set out above. It is expressly provided, however, that the payment of the amount above specified shall not be, nor construed to be, as a substitute for production in paying quantities from such well, and the continuation of this lease in force as to the well and acreage ascribed to such well shall always be dependent upon production in paying quantities from the well thereon. For purposes of this Paragraph 3(m), a lease year shall mean any successive annual period after the date of this lease.

3. **(n) Definition of "affiliate":** For purposes of this lease, the term "affiliate" shall mean and refer to any subsidiary of Lessee, any parent, or subsidiary of any parent of Lessee, any company or entity owning a thirty-five percent (35%) or greater equity interest in Lessee, or any company that, by reason of contractual control, partnership or other business arrangement (including a debtor/creditor relationship), corporate relation or governance or equity or stock ownership, has the right to participate in the management of or assert control over Lessee in connection with its business affairs. Lessor and Lessee each recognize and agree that the term affiliate is intended to have broad application and encompass entities that have a substantial economic or other business relationship to Lessee such that transactions between Lessee and parties with whom Lessee has substantial business involvement or economic connection are subject to the more stringent standards set out in this lease that by their terms are applicable to "affiliate" transactions.

4. **Pooling:** Subject to the limitations herein contained, Lessee, at its option, is hereby given the right and power to pool or combine Lessor's interest in said lands or any portion thereof (and only Lessor's interest in said lands or any portion thereof as Lessor recognizes and acknowledges that Lessor does not have the right, power or authority to permit the interest of any third party in said lands, or any portion thereof, to be pooled or combined) as to oil and gas, or either of them, with other land, lease or leases in the immediate vicinity thereof, when in Lessee's judgment it is necessary or advisable to do so in order to properly explore, develop and operate said lands in compliance with the spacing and density rules of the Railroad Commission of Texas, or other lawful authority, or when to do so would, in the judgment of Lessee, promote the conservation of the oil and/or gas in and under and that may be produced from said lands; provided, however, Lessee's right, power and authority to pool or combine the interests of Lessor as to oil or gas are subject to the following terms and conditions:

4. **(a) Exercise of the Right to Pool:** In the event Lessee exercises the right to pool or combine Lessor's interest in said lands, any unit formed for the exploration and production of oil from a vertical well shall not exceed forty (40) acres, and any unit formed for the exploration and production of gas from a vertical well shall not exceed one hundred sixty (160) acres for gas at a depth between the surface and 6,000 feet, three hundred twenty (320) acres for gas at a depth between 6,000 feet and 10,000 feet, and six hundred forty (640) acres for gas at a depth below 10,000 feet, and any unit formed for a horizontal well (either oil or gas) an amount of acreage calculated according to the following formula: $A \text{ (acreage)} = [L \text{ (actual lateral length drilled)} \times .11488 + 160] \times 1.5$; then A is rounded up to the nearest number evenly divisible by 40. EXAMPLE: $A = [2,000' \times .11488 + 160] \times 1.5 = 584.64$ acres (rounded up to the nearest number evenly divisible by 40 = 600 acres) but in no event greater than 640 acres, and in any case the acreage around each well shall be in as near the form of a square or rectangle as is practicable. Lessee shall execute in writing an instrument identifying and describing the pooled acreage, the leases or interests so pooled, the zones, formations and depths covered by the pooled unit and the substance (either oil, gas or both) and file said instrument for record in the county or counties in which the pooled land is situated. A copy of such recorded instrument, and all amendments thereof, shall be furnished to Lessor within thirty (30) days from their respective dates. Production, drilling or reworking operations anywhere on any such unit shall be treated as production, drilling or reworking operations on land covered by this lease. Unless otherwise stated herein, there shall be allocated to this lease the proportion of the pooled production from any unit that the number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit; and royalties shall be paid hereunder only upon that portion of such production so allocated. Notwithstanding anything to the contrary hereinabove contained, production, drilling or reworking operations on any unit or units

established under the provisions of this Paragraph shall not be treated as production, drilling or reworking operations on any acreage covered by this lease not included within such unit. This lease may be continued in force as to acreage not included in any such unit as provided in this lease. Any pooled unit designated by Lessee in accordance with the provision hereof shall automatically terminate upon the completion of a dry hole on said unit or upon the cessation of production in paying quantities from said unit unless Lessee commences additional operations or restores production on the unit within the applicable time period required for operations provided for in Paragraph 2 of this lease. Further, Lessee may dissolve any pooled unit designated in accordance with the provisions hereof at any time after the completion of a dry hole or cessation of production in paying quantities from such unit.

4. **(b) Additional Limitations on Pooling:** Notwithstanding the pooling authority contained in this Paragraph 4, it is expressly understood and agreed that: (1) no strata or stratum underlying the leased premises shall be included within any unit formed pursuant to this Paragraph 4 unless the entire unit so formed shall include the same strata or stratum throughout, and operations conducted on any such unit shall not maintain this lease in effect as to any other strata or stratum covered by this lease that is not included within that unit, (2) Lessee shall not have the right to pool any of the leased premises for oil produced from a vertical well located on the leased premises unless the particular strata or stratum to be pooled has otherwise been fully developed in accordance with applicable spacing and density rules, and (3) with respect to a pooled unit for a vertical or horizontal well (whether an oil well or a gas well), if any portion of the leased premises is penetrated by the vertical well or by the horizontal drainhole, then no less than fifty percent (50%) of the total acreage comprising the pooled unit shall consist of acreage covered by this lease.

4. **(c) Non-communitization:** If this lease now or hereafter covers separate tracts, no pooling, unitization or communitization of mineral or royalty interests as between any such separate tracts is intended or shall be implied or result from the inclusion of such separate tracts within this lease, and the rule of non-apportionment shall be applicable to this lease and to all lands covered by this lease, but Lessee shall nevertheless have the right to pool Lessor's interest in any separate tract or tracts, to the extent and as provided in this Subparagraph 4(a) above, with consequent allocation of production as therein provided. The inclusion of Lessor's interest in any separate tract within this lease shall not constitute an offer on the part of Lessor to any party who may now or hereafter have an ownership interest in the minerals or royalties in any such separate tract to pool, unitize or communitize any such interest with other interests covered by this lease, and with respect to Lessor's interests in said lands, or in any separate tract, and any other party's interest in said lands, or in any separate tract, such interests shall remain separate ownerships with neither party having any rights, interests or ownership whatsoever in the rights, interests or ownership of the other. Any attempt by an owner of any mineral or royalty interest under a separate tract, now or hereafter, to ratify, adopt or confirm this lease, or any provision herein contained, by any means and thereby effect a pooling, unitization or communitization of any separate tract covered by this lease with any other interests shall by such action specifically ratify, adopt and confirm the entire contents of this Paragraph and such attempt to effect a pooling, unitization or communitization shall be ineffective, null and void for all purposes. As used in this Paragraph, the words "separate tract" means any tract with mineral or royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the lands covered by this lease.

5. **Protection from Drainage and Offset Wells:** If after the date of this lease any well producing oil or gas in paying quantities is completed on lands adjacent to lands covered by this lease or on lands adjacent to a pooled unit containing lands covered by this lease (a "draining well") but (a) Lessor does not own an interest in such adjacent lands or (b) Lessor owns an interest in such adjacent lands but such adjacent lands are being developed for oil or gas by a third party or by Lessee under a different lease, and the draining well is within six hundred sixty feet (660') of said lands, or is an oil or gas well draining said lands, Lessee agrees to drill on said lands (or attempt to complete for production any existing offset well or wells drilled by Lessee on said lands) as a reasonably prudent operator would drill under the same or similar circumstances; provided, however, Lessee shall not be required to offset a gas well on adjacent lands unless the gas therefrom is being marketed. It is provided, however, that in lieu of drilling an offset to a draining well, Lessee shall have the option of either paying Lessor, as compensatory royalty, a sum equal to the royalties which would be payable under this lease on the production from such draining well had same been drilled and produced under this lease, and, as long as Lessee elects to pay such royalty in lieu of drilling an offset well, it will be considered

that oil or gas is being produced from said lands, or deliver to Lessor a release of this lease of the acreage adjacent to the draining well that would be ascribed to a well within the meaning of Paragraph 2(c) hereof, had same been drilled and produced under this lease. To be in compliance with the provisions of this Paragraph 5, Lessee shall either commence the drilling of an offset well on said lands within one hundred twenty (120) days from the date of first production from the draining well or within said one hundred twenty (120) day period deliver to Lessor a release of acreage as herein provided; and Lessee's failure to timely commence such offset well or deliver a release shall constitute an election by Lessee to pay compensatory royalty in lieu of drilling a well on said lands. Compensatory royalty shall be calculated and paid to Lessor based on production from the draining well commencing with production on the first day of the third calendar month after first production from such well and continue thereafter until production from such well ceases or an offset well is completed on said lands by Lessee. Should Lessee drill an offset well on said lands pursuant to the provisions of this Paragraph, whether completed as a dry hole or a producer of oil or gas, Lessee's obligations under the provisions of this Paragraph shall be deemed fulfilled. In the event Lessor believes a well located more than six hundred sixty feet (660') from the said lands is draining said land, Lessor shall notify Lessee in writing, enclosing a determination of offset drainage by a registered professional engineer; conversely, should Lessee believe that a well located within six hundred sixty feet (660') from any boundary of the leased premises is not draining the leased premises, Lessee may provide to Lessor geologic, geophysical or engineering data to demonstrate that no significant drainage is occurring.

6. **Assignments:** The rights of either party hereto may be assigned in whole or in part (except that oil rights shall never be severed from gas rights) and the provisions hereof shall extend to their respective heirs, successors and assigns, but no change or division in the ownership of said lands or royalties or other payments hereunder or the right to receive same, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. It is provided, however, that Lessee may not assign this lease, or any portion thereof, without the prior written consent to such assignment by Lessor, and no attempted assignment by Lessee shall be effective without the written consent of Lessor. It is further provided that Lessee shall not have the right to assign to any third party, nor permit any third party other than Lessee's geophysical contractors or providers, the right to conduct any type of geophysical survey over or upon said lands without the prior written consent of Lessor. Lessor may refuse to consent to an assignment hereunder if, in Lessor's opinion, the proposed assignee is not a prudent operator, is not financially responsible, is inexperienced or has previously claimed or held a leasehold interest in lands owned by Lessor and Lessor considers such party to have been an unsatisfactory Lessee. If Lessor refuses to consent on any basis other than those specified above, such refusal must be reasonable. Any consent by Lessor to assign shall not become binding on Lessor unless and until the assignee under such assignment shall have agreed in writing to accept and assume all of the terms and conditions hereof and shall have provided Lessor with a true and complete copy of said assignment or transfer and the addresses of all assignees. If an assignment is made in part, Lessee shall specify a single party to whom notices shall be given by Lessor, and that party shall be responsible for notifying any other parties owning an interest in this lease. Notwithstanding the foregoing, Lessee may make assignments to any person or entity classified as an associate, affiliate, partner, investor with Lessee, subsidiary, managed company or related company without the prior written consent of Lessor; however, in such cases Lessee shall provide Lessor with notice of such assignment, a brief explanation of the assignee's relationship to Lessor and the name and address of the party to whom Lessor is to give notices under the terms hereof. Any assignment by Lessee not made in accordance with this Paragraph shall be null and void, and any interest attempted to be assigned shall automatically reassign to the assignor.

7. (a) **Duty to Release:** Lessee binds itself to execute and place of record in the county or counties in which the leased premises lie and deliver to Lessor a release of the appropriate acreage or depths within thirty (30) calendar days following the expiration of this lease as to all or any portion of said lands either by lapse of term, the failure to pay rental or shut-in royalty, the cessation of production or the failure to continue development as provided herein. If Lessee or its assigns fails or refuses for any reason within thirty (30) days after receiving notice to provide Lessor with a release, Lessor shall, at Lessor's election, be deemed as agent for Lessee or its assigns with the specific authority to execute and place of record a release for such purposes.

7. **(b) Partial Release:** Subject to the other provisions hereof, including but not limited to Paragraphs 5, 7(a), and 8 hereof, Lessee may at any time execute and deliver to Lessor a recorded release or releases covering any portion or portions of said lands and thereby surrender this lease as to such portion or portions except that Lessee shall not be relieved from liability accruing prior to such surrender, or from liability from damages for injuries accruing before or after surrender resulting from breach of its obligations under this lease.

8. **Force Majeure:** All express or implied covenants of this lease shall be subject to all valid and irremediable federal and state laws, executive orders, rules or regulations of any governmental agency, state or Federal, having jurisdiction, and this lease shall not be terminated in whole or in part, nor shall Lessee be held liable in damages for failure to comply therewith if compliance is prevented as a result of any such valid and irremediable law, order, rule or regulation, or if prevented by storm, flood or other act of God or of the public enemy. "Irremediable" means that Lessee has sought with reasonable diligence to have the law, order, rule or regulation set aside, modified or held inapplicable insofar as necessary to enable Lessee to fulfill its obligations to Lessor. If oil or gas is discovered on said land, or on lands pooled therewith, but production is prevented by any of the causes in this Paragraph, this lease shall be considered to be producing and shall continue in full force and effect until Lessee is permitted to produce the oil or gas; provided, however, that Lessee, as an express condition for the extension of this lease without production shall pay to Lessor the sum of Fifty Dollars (\$50.00) per annum for each acre of said lands subject to this lease at the time such well was commenced by actual drilling, the first such payment to be made within ninety (90) days after the date that production is prevented and annually thereafter on or before the anniversary of such payment date until production is commenced or resumed. Surrender of any part of the leased premises after such well is commenced shall not operate to reduce the amount of the aforesaid payment. In addition, Lessee agrees to use its best efforts to cure the cause of any delay so as to commence or recommence operations or production as soon as practicable and to promptly inform Lessor as to causes of delay and efforts to cure same.

9. **INDEMNITY:** IT IS UNDERSTOOD THAT LESSOR DOES NOT OWN ANY INTEREST IN THE SURFACE ESTATE OF SAID LANDS, BUT ONLY SUCH RIGHTS AS ARE INCIDENTAL TO ITS MINERAL OWNERSHIP COVERED BY THIS LEASE, AND THE RIGHTS GRANTED TO LESSEE HEREUNDER FOR THE USE OF THE SURFACE ARE ONLY SUCH AS ARE INCIDENTAL TO LESSOR'S OWNERSHIP OF AN INTEREST IN THE MINERAL ESTATE. LESSEE EXPRESSLY AGREES TO DEFEND, INDEMNIFY, PROTECT AND HOLD LESSOR HARMLESS OF AND FROM ANY AND ALL CLAIMS, DEMANDS, COSTS INCLUDING BUT NOT LIMITED TO REASONABLE ATTORNEY'S FEES, EXPENSES, DAMAGES, LOSSES AND CAUSES OF ACTION OR SUITS FOR DAMAGES TO PERSONS (INCLUDING DEATH) OR PROPERTY CAUSED BY OR RESULTING FROM LESSEE'S OPERATIONS ON SAID LANDS OR LESSEE'S MARKETING OF PRODUCTION THEREFROM OR LESSEE'S VIOLATION OF ANY ENVIRONMENTAL REQUIREMENT. LESSOR AND LESSEE STIPULATE AND AGREE THAT THE FOREGOING INDEMNITY PROVISION IS CONSPICUOUS WITHIN THE MEANING AND CONTEMPLATION OF TEXAS LAW. EACH OWNER OF ANY INTEREST IN THIS LEASE, BY ACCEPTANCE OF AN INTEREST IN THE ESTATE GRANTED HEREBY, AGREES TO BECOME AND REMAIN JOINTLY AND SEVERALLY LIABLE TO LESSOR FOR PERFORMANCE OF THE FOREGOING INDEMNITY OBLIGATION.

10. **Lessor's Right To Information:** Upon written request from Lessor, Lessee shall deliver promptly to a designated representative of Lessor without cost of demand, to the extent that same pertains to the leased premises, or lands pooled therewith, and is available to Lessee, a copy of all daily drilling reports, well logs or surveys, core records and analyses, production analyses, formation test results, well completion reports, well workover reports, gas-oil ratio reports, well history and performance reports, production reports, sales records, application and reports made to any governmental agency or authority, and orders, rules or permits issued by any such agency or authority affecting the leased premises, or lands pooled therewith. Lessor shall have the right to inspect the operations of Lessee on or pertaining to the leased premises, or lands pooled therewith, and, upon written request, Lessor shall be furnished with copies of all run tickets, meter runs, sales information and such other information as may be appropriate to the settlement of accounts between Lessor and Lessee, or to determine the respective rights and obligations of said parties, or to enable Lessor to comply with applicable laws, rules or regulations of governmental authorities.

11. **Development Following Discovery:** After the discovery of oil or gas in paying quantities from the leased premises, or from lands pooled therewith, Lessee shall develop the leased premises then retained under this lease as a prudent operator.

12. **Negation of Warranty; Proportionate Reduction Clause:** This lease is executed without warranty by Lessor either express or implied and without any recourse against Lessor in the event of any failure of title. Further, it is agreed and understood that this lease covers only Lessor's present interest in oil and gas in and under the leased premises. If Lessor owns an interest in the oil and gas in and under said lands less than the entire fee simple estate therein, then the royalties herein provided to be paid to Lessor (but not the shut-in royalties or minimum royalties which are already provided herein to be calculated on a net mineral basis) shall be reduced in the proportion that Lessor's interest bears to the whole and undivided fee interest in oil and gas.

13. **Effect of Express Obligations of Lessee:** No express obligation assumed by Lessee herein shall relieve Lessee of any duty recognized under the law of this State as an implied covenant or otherwise resting upon Lessee to explore, develop, operate, save, transport or market production from and under this lease, except to the extent of direct conflict with such express obligation, and all such express obligations shall be construed as providing minimum standards only.

14. **Notices:** All notices hereunder shall be in writing and shall be mailed by certified or registered mail, postage prepaid, or delivered as follows:

TO LESSOR:

Texas Osage Royalty Pool, Inc.
Attn: Land Manager
8602 Crownhill Boulevard
San Antonio, Texas 78209-1121

TO LESSEE:

EOG Resources, Inc.
Attn: Land Department
6101 South Broadway, Suite 200
Tyler, Texas 75703

Either party hereto may elect from time to time to give notice of a different address for the giving of any notice hereunder, or, with respect to Lessor, for payment of any sums due hereunder. In the event Lessor attempts to give notice to Lessee in the manner hereinabove specified and Lessee declines to accept such notice, Lessor may send such notice to Lessee's registered agent for service, and receipt by such registered agent for service shall be deemed to be delivery to Lessee.

15. **Title Opinions and Surveys:** Should Lessee have title to said lands, or any portion thereof, examined and have a title opinion(s) rendered, Lessee shall furnish to Lessor at the above address, a copy of each such title opinion and any supplements thereto. A copy of each such opinion rendered shall be mailed to Lessor at the above address within thirty (30) days after the date of each opinion. Lessee shall not be liable in any way for the contents of any such opinion rendered and delivered to Lessor. In the event Lessee shall cause a survey to be made of the leased premises, or any portion thereof, or if Lessee shall otherwise acquire same, Lessee shall promptly furnish Lessor with a copy of the field notes and plat resulting therefrom.

16. **Venue:** This lease has been entered into by Lessor and Lessee in Bexar County, Texas, and venue for any suit brought in connection with the enforcement of any provision of this lease shall, at the exclusive election of Lessor, be in either Bexar County, Texas, or the county in which the leased premises is located.

17. **Proceedings and Litigation:** In the event Lessee becomes a party to any proceeding before the Railroad Commission of Texas (including applications for exceptions to Rules 37 or 38 with respect to any lands covered by this lease) or any other agency having jurisdiction over the exploration, development and production of oil and gas from the leased premises, or in the event Lessee becomes a party to any litigation affecting the leased premises, Lessee shall notify Lessor in writing within ten (10) days of Lessee becoming a party to such proceedings or litigation, and with such written notice furnish Lessor with copies of all papers and documents filed to date by all parties in such proceedings or litigation.

18. **Discovery:** Except where Lessor shall have received actual notice of facts giving rise to any claim under this lease, the discovery rule shall apply to any cause of action relating to

or arising out of this lease, regardless of whether the facts giving rise thereto are "inherently discoverable." Except where Lessor shall have received actual notice of facts giving rise to any claim under this lease, all causes of action relating to or arising out of this lease shall be tolled during the existence of this lease as to any portion of said lands.

19. **"Lessee" Includes Successors and Assigns:** It is expressly agreed that all references to "Lessee" in this lease shall mean, include and apply to the named Lessee and all parties owning or claiming any interest or interests in this lease under such named Lessee.

20. **Headings:** The Paragraph headings contained herein are inserted for convenience only and shall not control or affect the meaning or construction of any provision.

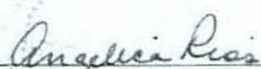
21. **Memorandum of Lease:** This lease shall not be recorded by Lessee except with the written consent of Lessor. Contemporaneously with the execution and delivery of this Lease, Lessor and Lessee have executed a Memorandum of Oil and Gas Lease which Lessee agrees to place of record in the offices of the County Clerk of the county or counties in which the leased premises lie, in lieu of recording this lease. The recording of said Memorandum shall be binding upon Lessor and Lessee, and their respective heirs, successors, legal representatives and assigns, the same as if this lease was filed of record in its complete text. Lessee shall furnish Lessor a copy of said recorded Memorandum within thirty (30) days after recording.

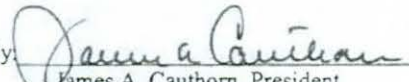
22. **Option to Extend Primary Term:** At any time during the three (3) year primary term of this lease, Lessee shall have the right, but not the obligation, to extend the primary term for one (1) additional year. To timely exercise such right, Lessee shall notify Lessor in writing of its intention to extend and shall pay to Lessor an additional bonus consideration calculated at Two Hundred and Seventy-Five Dollars (\$275.00) per net mineral acre then covered by this lease, less acreage then included within a pooled unit for a producing oil or gas well or for a shut-in gas well. Such extension shall be accomplished by Lessor's timely receipt of such consideration and the execution of an appropriate Amendment to Oil and Gas Lease amending the primary term from three (3) years to four (4) years.

IN WITNESS WHEREOF, this instrument is executed in duplicate on the date first above written.

ATTEST:

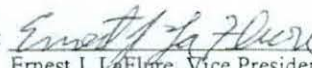
TEXAS OSAGE ROYALTY POOL, INC.


Angelica Rios, Assistant Secretary

By: 
James A. Cauthorn, President

"LESSOR"

EOG RESOURCES, INC.

By: 
Ernest J. LaFlure, Vice President and General Manager

"LESSEE"

EXHIBIT "A"

(Attached to and made a part of that certain Oil and Gas Lease dated January 22,
2010, by and between Texas Osage Royalty Pool, Inc., as Lessor, and EOG
Resources, Inc., as Lessee)

4,301.26 acres, more or less, in Lee County, Texas, described in twenty-seven (27) tracts as follows:

Tract 1: 75 acres, more or less, out the B. B. & C. R. R. Survey, A-52, Lee County, Texas, more particularly described in that certain Mineral Deed dated October 1, 1930, from Ernst Berger and wife, Clara Berger, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 487, Deed Records, Lee County, Texas (**Texas Osage File 2044**).

Tract 2: 50 acres, more or less, out the J. B. Duprey Survey, A-97, Lee County, Texas, more particularly described in that certain Mineral Deed dated October 18, 1930, from J. J. Wainright and wife, M. M. Wainright, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 59, Page 192, Deed Records, Lee County, Texas (**Texas Osage File 2092**).

Tract 3: 193.71 acres, more or less, out of the B. R. Thomas Survey, A-319, Lee County, Texas, more particularly described in that certain Mineral Deed dated November 3, 1930, from Clemens Unger and wife, Lena Unger, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 504, Deed Records, Lee County, Texas, **BUT ONLY INsofar** as said Lease covers rights below the depth of 12, 282 feet beneath the surface as reflected in Partial Release of Oil and Gas Lease dated September 29, 1994, executed by Union Pacific Resources Company, recorded in Volume 391, Page 42, Deed Records, Lee County, Texas (**Texas Osage File 2136**).

Tract 4: 178 acres, more or less, out of the James Price Survey, A-16, Lee County, Texas, more particularly described in that certain Mineral Deed dated November 6, 1930, from Emil Gerlach and wife, Ida Gerlach, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 59, Page 196, Deed Records, Lee County, Texas (**Texas Osage File 2137**).

Tract 5: 163.7 acres, more or less, out of the James Price Survey, A-16, Lee County, Texas, more particularly described in that certain Mineral Deed dated November 6, 1930, from Ben Kieschnick and wife, Bertha Kieschnick, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 59, Page 198, Deed Records, Lee County, Texas (**Texas Osage File 2138**).

Tract 6: 136 acres, more or less, out of the B. Kuykendall Survey, A-185, Lee County, Texas, more particularly described in that certain Mineral Deed dated November 25, 1930, from Otto A. Tonn and wife, Emma Tonn, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 514, Deed Records, Lee County, Texas (**Texas Osage File 2167**).

Tract 7: 202 acres, more or less, out of the B. Kuykendall Survey, A-185, Lee County, Texas, more particularly described in that certain Mineral Deed dated November 25, 1930, from Hugo Horn, Sr. and wife, Emma Horn, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 59, Page 165, Deed Records, Lee County, Texas (**Texas Osage File 2168**).

Tract 8: 401.2 acres, more or less, out of the B. Kuykendall Survey, A-185, and the James Price Survey, A-16, Lee County, Texas, more particularly described in that certain Mineral Deed dated November 20, 1930, from August Mutschink and wife, Emma Mutschink, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 399, Deed Records, Lee County, Texas (**Texas Osage File 2179**).

Tract 9: 121 acres, more or less, out of the B. Kuykendall Survey, A-185, Lee County, Texas, more particularly described in that certain Mineral Deed dated November 19, 1930, from Robert Biebas and wife, Martha Biebas, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative

Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 401, Deed Records, Lee County, Texas (**Texas Osage File 2180**).

Tract 10: 261 acres, more or less, out of the B. Kuykendall Survey, A-185, J. L. McCrocklin Survey, A-209, and James Price Survey, A-16, Lee County, Texas, more particularly described in that certain Mineral Deed dated November 6, 1930, from Otto Aschenbeck and wife, Hulda Aschenbeck, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 403, Deed Records, Lee County, Texas (**Texas Osage File 2182**).

Tract 11: 97 acres, more or less, out of the B. Kuykendall Survey, A-185, Lee County, Texas, more particularly described in that certain Mineral Deed dated November 19, 1930, from F. W. Berger and wife, Elenora Berger, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 377, Deed Records, Lee County, Texas (**Texas Osage File 2192**).

Tract 12: 98.4 acres, more or less, out of the S. G. Kuykendall Survey, A-187, the Von Rosenberg Survey, A-389, the B.B.B. & C. R. R. Survey, A-53, the W. Norcross Survey, A-248 and the J. E. Kerby Survey, Lee County, Texas, more particularly described in that certain Mineral Deed dated November 18, 1930, from Tom Carothers and wife, Ellen Carothers, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 375, Deed Records, Lee County, Texas, **BUT ONLY INsofar** as said Lease covers rights below the depth of 7, 852 feet beneath the surface as reflected in Release of Oil and Gas Lease dated June 30, 1999, executed by Union Pacific Resources Company, recorded in Volume 841, Page 680, Deed Records, Lee County, Texas (**Texas Osage File 2193**).

Tract 13: 277 acres, more or less, out of the T. P. Kuykendall Survey, A-184, and the S. Woods Survey, A-340, Lee County, Texas, more particularly described in that certain Mineral Deed dated November 19, 1930, from John Schmidt and wife, Bertha Schmidt, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 374, Deed Records, Lee County, Texas (**Texas Osage File 2195**).

Tract 14: 201 acres, more or less, known as Block K & L out of the Lewis Kleberg Survey, A-182, Lee County, Texas, more particularly described in that certain Mineral Deed dated December 5, 1930, from Walter Zwerneman and wife, Minna Zwerneman, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 453, Deed Records, Lee County, Texas (**Texas Osage File 2197**).

Tract 15: 94 acres, more or less, out of the Abner Kuykendall Survey, A-14, Lee County, Texas, more particularly described in that certain Mineral Deed dated December 3, 1930, from F. Alwin Fichte and wife, Ernestine Fichte, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 451, Deed Records, Lee County, Texas (**Texas Osage File 2198**).

Tract 16: 100 acres, more or less, out of the J. Brown Survey, A-55, Lee County, Texas, more particularly described in that certain Mineral Deed dated December 2, 1930, from Gerhard O. Market and wife, Estella Market, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 450, Deed Records, Lee County, Texas (**Texas Osage File 2199**).

Tract 17: 309.5 acres, more or less, out of the Lewis Kleberg Survey, A-182, Lee County, Texas, more particularly described in that certain Mineral Deed dated December 9, 1930, from Max Meschke and wife, Ida Meschke, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 438, Deed Records, Lee County, Texas (**Texas Osage File 2202**).

Tract 18: 125 acres, more or less, out of the G. W. Grimes Survey, A-137, Lee County, Texas, more particularly described in that certain Mineral Deed dated December 10, 1930, from Alma Seelke to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 433, Deed Records, Lee County, Texas (**Texas Osage File 2205**).

Tract 19: 50 acres, more or less, out of the G. W. Grimes Survey, A-137, Lee County, Texas, more particularly described in that certain Mineral Deed dated December 11, 1930, from F. M. Zwernemann and wife, Louise Zwernemann, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 432, Deed Records, Lee County, Texas (**Texas Osage File 2206**).

Tract 20: 266 acres, more or less, out of the Lewis Kleberg Survey, A-182, Lee County, Texas, more particularly described in that certain Mineral Deed dated December 9, 1930, from Henry Lechmann and wife, Mary Lechmann, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 426, Deed Records, Lee County, Texas (**Texas Osage File 2209**).

Tract 21: 303 acres, more or less, out of the G. W. Grimes Survey, A-137, and the Robert McNutt Survey, A-239, Lee County, Texas, more particularly described in that certain Mineral Deed dated December 10, 1930, from William Reuther and wife, Augusta Reuther, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 424, Deed Records, Lee County, Texas (**Texas Osage File 2210**).

Tract 22: 117.75 acres, more or less, out of the Silas Woods Survey, A-340, Lee County, Texas, more particularly described in that certain Mineral Deed dated December 19, 1930, from Albert Arldt and wife, Mathilde Arldt, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 419, Deed Records, Lee County, Texas (**Texas Osage File 2217**).

Tract 23: 195 acres, more or less, out of the John Henderson Survey, A-154 and the William Head Survey, A-156, Lee County, Texas, more particularly described in that certain Mineral Deed dated January 20, 1931, from M. C. Cooper and wife, Alice Cooper, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 457, Deed Records, Lee County, Texas (**Texas Osage File 2258**).

Tract 24: 50 acres, more or less, out of the J. B. Duprey Survey, A-97, Lee County, Texas, more particularly described in that certain Mineral Deed dated January 20, 1931, from M. C. Cooper and wife, Alice Cooper, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 59, Page 169, Deed Records, Lee County, Texas (**Texas Osage File 2259**).

Tract 25: 70 acres, more or less, out of the T. Morrow Survey, A-223, Lee County, Texas, more particularly described in that certain Mineral Deed dated January 20, 1931, from M. C. Cooper and wife, Alice Cooper, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 458, Deed Records, Lee County, Texas (**Texas Osage File 2260**).

Tract 26: 30 acres, more or less, out of the R. S. Teal Survey, A-318, Lee County, Texas, more particularly described in that certain Mineral Deed dated January 21, 1931, from Ollie Roberson, Will Roberson, Katie Roberson, Ollie Roberson and, Lula Roberson to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 59, Page 168, Deed Records, Lee County, Texas (**Texas Osage File 2261**).

Tract 27: 136 acres, more or less, out of the A. Kuykendall Survey, A-14, Lee County, Texas, more particularly described in that certain Mineral Deed dated January 22, 1931, from Herman Kieschnick and wife, Martha Kieschnick, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 59, Page 166, Deed Records, Lee County, Texas (**Texas Osage File 2274**).

Notice of Confidentiality Rights: If you are a natural person, you may remove or strike any or all of the following information from any instrument that transfers an interest in real property before it is filed for record in the public records: your social security number or your driver's license number.

AMENDMENT TO OIL AND GAS LEASE

THE STATE OF TEXAS §
 § KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF LEE §

WHEREAS, under date of January 22, 2010, an Oil and Gas Lease (the "Lease") was made and entered into by and between TEXAS OSAGE ROYALTY POOL, INC., as Lessor, and EOG RESOURCES, INC., as Lessee, covering 4,301.26 acres, more or less, in Lee County, Texas, a Memorandum of Oil and Gas Lease having been recorded in Volume 1055, page 596, Real Property Records, Lee County, Texas, reference being hereby made to the Lease and its Memorandum for all pertinent purposes; and

WHEREAS, Lessor and Lessee mutually desire to add to the Lease an additional tract containing 109 acres, more or less, same to become "Tract 28" on Exhibit "A" attached to the Lease:

NOW, THEREFORE, for and in consideration of TEN AND NO/100 DOLLARS (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which being hereby acknowledged, the undersigned parties do hereby amend the Lease as follows:

1. Paragraph 1(a) of the Lease is hereby amended to modify "4,301.26 acres" to "4,410.26 acres."
2. Exhibit "A" attached to the Lease is hereby amended to modify "4,301.26 acres," appearing at the top of page 1 of Exhibit "A," to "4,410.26 acres," and to add the following to the end of page 3 of said Exhibit "A":

Tract 28: 109 acres, more or less, out of the Jose Justo Liendo Survey, A-13, and the A. Kuykendall Survey, A-14, Lee County, Texas, more particularly described in that certain Mineral Deed dated November 26, 1930, from Ernst Hoffmann and wife, Martha Hoffmann, to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 58, Page 439, Deed Records, Lee County, Texas (Texas Osage File 2201).

Except as hereby amended, the terms and provisions of the Lease remain unchanged.

ATTEST:

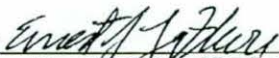
TEXAS OSAGE ROYALTY POOL, INC.


Angelica Rios, Assistant Secretary

By: 
James A. Cauthorn, President

"LESSOR"

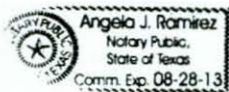
EOG RESOURCES, INC.

By: 
Ernest V. LaFlure, Vice President and
General Manager

"LESSEE"

STATE OF TEXAS §
 §
COUNTY OF BEXAR §

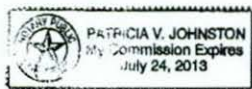
This instrument was acknowledged before me on the 4th day of March, 2010, by James A. Cauthorn, President of **TEXAS OSAGE ROYALTY POOL, INC.**, a Texas corporation, on behalf of said corporation.



Angela J. Ramirez
Notary Public, State of Texas

STATE OF TEXAS §
 §
COUNTY OF SMITH §

This instrument was acknowledged before me on the 25th day of February, 2010, by Ernest J. LaFlure, Vice President and General Manager of **EOG RESOURCES, INC.**, a ~~Texas~~ ^{Delaware} corporation, on behalf of said corporation.



Patricia V. Johnston
Notary Public, State of Texas

03/29/2010 at 10:46 AM
2010-00910
FILED FOR RECORD
SHARON BLASIG
COUNTY CLERK
LEE COUNTY, TX

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

2e

MEMORANDUM OF PAID UP OIL AND GAS LEASE

THE STATE OF TEXAS §

COUNTY OF LEE §

KNOW ALL MEN BY THESE PRESENTS: That a Paid Up Oil and Gas Lease dated effective November 12, 2012, has been entered into by and between Devon Energy Production Company, L.P., an Oklahoma limited partnership, whose address is 1200 Smith, Suite 2500, Houston, Texas 77002, as "Lessor", and Venado Oil & Gas, LLC, a Texas limited liability company, whose address is 12600 Hill Country Blvd., Suite 250, Austin, Texas 78733, as "Lessee", (hereinafter referred to as the "Lease").

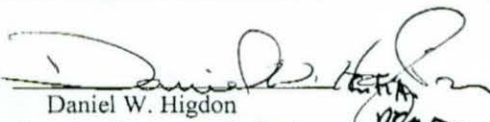
The primary term of said Lease is for twelve (12) months ending November 12, 2013, and covers 136 acres of land, more or less, being described as, and comprised of, the following land, to wit:

136 acres out of the A. Kuykendall Survey, A-14, Lee County, Texas, more particularly described in that certain Mineral Deed dated January 22, 1931, from Herman Kieschnick and wife, Martha Kieschnick to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 59, Page 166, Deed Records, Lee County, Texas.

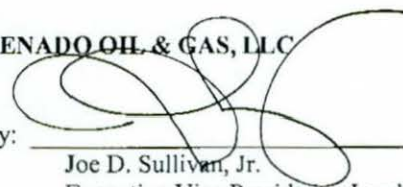
This instrument is executed and recorded solely for the purpose of affording notice of the existence of the above described Lease and shall not amend, alter, or otherwise affect the terms, provisions, or conditions of said Lease.

IN WITNESS WHEREOF, this instrument is executed on this 15th day of November, 2012, but effective November 12, 2012.

DEVON ENERGY PRODUCTION COMPANY, L. P.

By: 
Daniel W. Higdon
Agent and Attorney-in-Fact

VENADO OIL & GAS, LLC

By: 
Joe D. Sullivan, Jr.
Executive Vice President - Land

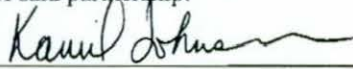
JOE

ACKNOWLEDGMENTS

THE STATE OF TEXAS §

COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me this 15th day of November, 2012, by Daniel W. Higdon, Agent and Attorney-in-Fact of **DEVON ENERGY PRODUCTION COMPANY, L.P.**, an Oklahoma limited partnership, on behalf of said partnership.



Notary Public

My commission expires:

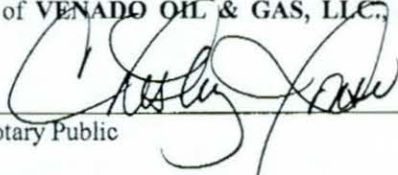
09/09/13



STATE OF TEXAS §

COUNTY OF TRAVIS §

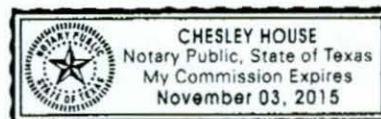
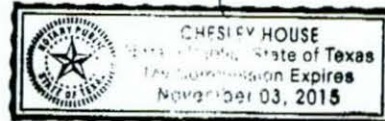
The foregoing instrument was acknowledged before me this 6 day of ~~November~~ ^{December}, 2012 by Joe D. Sullivan, Jr., Executive Vice President- Land of **VENADO OIL & GAS, LLC**, a Texas limited liability company, on behalf of said company.



Notary Public

My commission expires:

Nov 3, 2015



12/10/2012 at 01:41 PM
2012-04065
FILED FOR RECORD
SHARON BLASIG
COUNTY CLERK
LEE COUNTY, TX

**PAID UP
OIL AND GAS LEASE**

THIS OIL AND GAS LEASE is dated effective as of the 12th day of November, 2012, between **DEVON ENERGY PRODUCTION COMPANY, LP**, an Oklahoma limited partnership, whose address is 1200 Smith, Suite 2500, Houston, Texas 77002, as Lessor, and **VENADO OIL & GAS, LLC**, a Texas limited liability company, whose address is 12600 Hill Country Blvd., Suite 250, Austin, TX 78733, as Lessee.

1. **DESCRIPTION.** In consideration of the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called "Leased Premises":

136 acres out of the A. Kuykendall Survey, A-14, Lee County, Texas, more particularly described in that certain Mineral Deed dated January 22, 1931, from Herman Kieschnick and wife, Martha Kieschnick to T. Fred Evins, et al., Trustees of Texas Osage Co-operative Royalty Pool and to Flag Oil Company of Texas, recorded in Volume 59, Page 166, Deed Records, Lee County, Texas,

for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith. The term "gas" shall mean hydrocarbon gases only and shall not include helium, carbon dioxide or other commercial gases. For all purposes hereunder, the number of acres above specified shall be deemed correct, whether actually more or less.

2. **TERM OF LEASE.** This lease shall be for a primary term of one (1) year from the date hereof and for as long thereafter as oil or gas are produced in paying quantities from the Leased Premises or this lease is otherwise maintained in effect pursuant to the provisions hereof. For purposes hereof "paying quantities" is defined as revenue from the sale of production from a well or wells situated on the Leased Premises (or on lands pooled or unitized therewith) sufficient to return a profit, after deduction of royalties and production taxes, over and above all direct operating costs, but not including capital costs or district office overhead not directly attributable to the Leased Premises, for any consecutive twelve (12) month period, without regard to whether a reasonably prudent lessee would continue to operate such well or wells.

3. **ROYALTY PAYMENT.** Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows:

(a) Twenty-five percent (25%) of all oil and other liquid hydrocarbons produced and saved from the Leased Premises, to be delivered at Lessor's option at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities on the lease, all free of all costs and expenses. All oil and liquid hydrocarbons (including those referred to in Paragraph (c) below) shall be measured in separate tanks of Lessee or by accurate liquid meters approved by Lessor.

(b) Twenty-five percent (25%) of the value at the point of final delivery to the first purchaser and not at the well, of all gas (including casinghead gas) and all other substances covered hereby, free of all costs and expenses. For purposes hereof "value" is defined as the price actually received by Lessee for the sale of gas and all other substances produced and saved hereunder, provided the same is sold under an arms length competitively negotiated contract for the sale of such product. If such product is not sold under such an arms length competitively negotiated contract, then the value of such product shall not be less than the highest current market price reasonably obtainable in the same or nearest field for such product of like quantity and quality on the date same is sold, used or otherwise disposed of, provided, however, that in no event shall value be less than the quoted index price per MMBTU, as reported in the first issue for the month of production of the Inside F.E.R.C. Gas Market Report or equivalent publication for the comparable point of sale nearest the field from which the gas was produced, plus any premium. Lessor shall be entitled to Lessor's fractional royalty share of all condensate, distillate and natural gasoline and all other liquefiable hydrocarbons extracted by or for Lessee from gas produced from the leased premises by any method.

(c) With respect to gas produced and saved hereunder, it shall be the duty of Lessee to market production on Lessor's behalf, and Lessee agrees to bear 100% of all costs and expenses incurred in rendering such production marketable and delivering the same into the purchaser's pipeline for immediate transportation to an end user or storage facility. Lessor's royalty shall never bear, either directly or indirectly, any portion of (A) the costs or expenses to save, store, gather, dehydrate, compress, pipe, truck, transport, treat, separate, process, refine, manufacture or market hydrocarbons on or from the leased premises, (B) the costs or expenses (including depreciation) to construct, repair, renovate or operate any plant or other facilities or equipment used in connection with the treating, separation, extraction, processing, refining, manufacture or marketing of hydrocarbons produced from the leased premises or lands pooled therewith (C) any other costs or expenses whatsoever, except, Lessor's royalty shall bear its proportionate part of all ad valorem, excise, state severance taxes, windfall profits taxes, or like and similar tax imposed on such hydrocarbons or on the value thereof that is attributable to Lessor's royalty, if any, paid by Lessee, which proportionate part may be deducted from Lessor's royalty interest before payment to Lessor. However, no royalty shall be payable on gas used for reasonable lease operations hereunder.

(d) If there is on the Leased Premises a well capable of producing gas in paying quantities but gas is not being marketed therefrom for a period of sixty (60) consecutive days and this lease is not then being maintained by other production or operations, then this lease shall terminate unless on or before thirty (30) days following the end of such sixty (60) day period, Lessee tenders or pays as royalty hereunder the sum of Twenty-Five and No/100 Dollars (\$25.00) per acre for each acre or part thereof being held hereunder, which payment shall maintain this lease in full force and effect for a period of one (1) year from

the date such well is shut-in, and it will be considered that gas is being produced hereunder in paying quantities. Lessee may exercise its right to make shut-in royalty payments as provided for herein from time to time; however, this lease may be maintained by such shut-in payments only if Lessee is exercising reasonable diligence in attempting to market and sell gas producible hereunder.

(e) Lessor shall have a continuing right and option, but not the obligation, to be exercised by Lessor at any time and from time to time, to take its royalty in kind.

(f) Lessor shall have the right to audit the accounts and records of Lessee, its successors and assigns, relating to the Leased Premises and to its operations under this lease. Such right shall be exercised by Lessor by giving Lessor reasonable notice and such audit shall be conducted only during normal business hours.

(g) All royalty payments shall be due within sixty (60) days after the end of the month in which the production occurred or from date of first sales, whichever is later. Should Lessee fail to pay such royalty within such time, then Lessee shall pay to Lessor interest on said accrued royalties at the rate of one percent (1%) per month, from the end of the next ensuing month following the end of the month in which the production occurred until the date of payment hereof. The rights of Lessor under this Paragraph shall be in addition to, and not in lieu of all rights Lessor may have as to payment of royalty under V.T.C.A. Natural Resources Code, 91.401 through 91.405.

(h) As a covenant of this lease, during each year while this lease is being maintained in force and effect by production of oil, gas, casinghead, a gaseous substances or other minerals from the land covered hereby in commercial paying quantities, Lessee agrees that the royalties provided for herein will amount to not less than Twenty-five and No/100 Dollars (\$25.00) per net mineral acre for each net mineral acre then covered by this lease, herein referred to as minimum royalty. If during any lease year the royalties payable to Lessor do not amount to said sum, Lessee agrees to pay to Lessor the difference between the amount of royalties accrued or paid during such lease year and minimum royalty, such payment of the difference to be made by Lessee to Lessor within sixty (60) days after the end of each lease year. Royalty payments made to Lessor during any such lease year in excess of minimum royalty cannot be used to apply against royalty payments of less than minimum royalty during any other lease year, and each lease year will be separate and computed on the basis of its own figures for minimum royalty payment. Lessee's obligations herein contained with reference to minimum royalties shall in no way alter, limit, lessen, restrict, change or impair the obligations which the Lessee herein assumes to develop said property reasonably, and with due diligence, for oil, gas and other minerals, even though such obligation should exceed the amount of the annual minimum royalties.

(i) If gas is produced from the leased premises, and if (either because this lease covers less than all of the oil and gas in and under the leased premises or because of assignments by Lessee of undivided interest in this lease) more than one party owns the working interest share of the gas produced, and if any or all of such co-owners elect to take and market their share of such gas separately, resulting in "split-stream" deliveries of such gas to different purchasers, then the following provisions shall apply:

(ii) Lessor shall be entitled to Lessor's royalty share (proportionately reduced, as herein provided, if Lessor owns less than all the oil and gas under the leased premises) of the proceeds of the sale of the entire production of gas produced from the leased premises, regardless of how such gas is allocated among the working interest owners or to whom such gas is sold, and regardless of any agreements to the contrary among the working interest owners.

(iii) Lessee, its successors and assigns shall be liable for Lessor's entire royalty on such gas production, regardless of whether Lessee actually is allocated or receives any proceeds of sale of any such production. Lessee shall account to Lessor for all of Lessor's royalty share of such gas production, so that Lessor shall not be required to receive royalties from more than one purchaser or working interest owner, and Lessee shall provide production statements from all purchasers of such gas showing the volumes sold and the price paid therefor, and any applicable adjustments.

(iv) For purposes of calculating the Lessor's royalty, the value of production for any given month shall be the highest current market price received by any working interest owner for gas or other substances produced from or attributable to the Leased Premises during such month or any portion thereof.

(i) Lessor hereby retains a security interest in twenty-five percent (25%) of all (a) oil and gas produced and saved from the leased premises or lands pooled therewith, under and pursuant to this lease, and (b) proceeds of sale of such oil and gas and all accounts arising therefrom (the "Collateral"), to secure Lessee's payment of royalties and compliance with the other terms and provisions of this lease. In addition to any other remedies provided in this lease, Lessor, as a secured party, may in the event of Lessee's default hereunder, proceed under the Texas Uniform Commercial Code as to the Collateral, in any manner permitted by said Code. In the event of default by Lessee, Lessor shall have the right to take possession of the Collateral, and to receive the proceeds attributable thereto and to hold same as security for Lessee's obligations or to apply it on the amounts owing to Lessor hereunder. The Collateral includes minerals to be financed at the wellhead of the wells and accounts from the sale thereof, and this lease shall be deemed a financing statement under the Code. The addresses of Lessor, as Security Party, and Lessee, as Debtor, are as set forth at the beginning of this lease.

(j) In the event the Lessee determines that a bona fide question of title or ownership exists as to any interest covered hereby, Lessee shall deposit such disputed royalties or revenue therefrom into an escrow account in the depository bank designated herein by the interest owners whose interest is in dispute, which shall act as the Depository Bank until such dispute is resolved. Lessee shall instruct the Bank to place such funds into interest bearing accounts as to each Lessor whose interest is in dispute at the highest rate allowable for such sums. Lessee shall also promptly notify the affected party or parties whose title is the subject of such title question and advise said party or parties of what steps will be necessary to satisfy said title questions. Upon Lessee being satisfied as to said title question, all sums and interest shall be promptly paid to the rightful owner thereof. Lessors individually reserve the right to change by written notice to Lessee their Depository Bank for all purposes of this Paragraph.

(k) The Lessee agrees and obligates itself to pay or cause to be paid the royalties provided for herein. All sums due as royalty shall be secured by a lien on said lease, all equipment thereon and all unsold oil and gas and oil and gas products on the leased premises. If the Lessee shall fail to make or cause to be made the payment of royalties within the time specified in subparagraph 3(g) above, this lease may be forfeited by the Lessor, to the extent of the interest of the Lessor to whom Lessee failed to make such payment which forfeiture may be invoked sixty (60) days after receipt of written notice, by certified mail, of such default by the Lessee, unless (i) such default has been eliminated within the sixty (60) day period by paying the party entitled thereto, (ii) a bona fide question of title or ownership exists and Lessee deposits such royalties in the Depository Bank pursuant to subparagraph 3(k) above and continues to pay such to the Depository Bank until such dispute is resolved or (iii) royalties are being paid out but there is a good faith dispute as to the amount of royalty payable hereunder based upon the "value" or the amount actually received by Lessee as determined hereunder. In order to invoke such forfeiture, Lessor shall give written notice of such forfeiture, by certified mail, to Lessee enclosing a copy of Lessor's original notice of default as provided for above and setting forth that the royalty payments in question have not been paid within the sixty (60) day period provided for above and that no condition exists which would excuse such non-payment as provided for herein. Lessee shall then have thirty (30) days from receipt of said notice of forfeiture to make payment of the subject royalties or to provide Lessor with the factual basis excusing payment as provided for herein. If Lessee fails to make such payment or provide such factual basis, excusing payment within said thirty (30) day period, this lease shall be deemed forfeited to the extent of the interest of the Lessor to whom Lessee failed to make such payment. Such remedy of default shall be in addition to Lessee their other remedies as the Lessor may have under the terms of this lease or by law.

4. **OPERATIONS.** If, at the expiration of the primary term oil, gas or associated liquid or gaseous hydrocarbons is not being produced in paying quantities from the Leased Premises or lands pooled therewith, but on or before that date (or on or before the end of sixty (60) days following cessation of production or abandonment of a well, if a well be abandoned or production should cease within sixty (60) days prior to the expiration of the primary term) Lessee commences actual drilling or rework operations on the Leased Premises or lands pooled therewith, in an effort to produce oil or gas in paying quantities, then this lease shall continue in force so long as such operations are being diligently conducted in good faith without lapse of more than sixty (60) consecutive days whether on the same well or on different wells. If at any time or times after the expiration of the primary term production hereunder should for any reason cease or terminate, this lease shall continue in force, subject to the provisions of Paragraph 8 below, so long as Lessee shall within sixty (60) days from the date of cessation of production either resume production or commence actual drilling or reworking operations in an effort to produce oil or gas in paying quantities. If as a result of any operations conducted in accordance with this Paragraph, oil, gas or associated liquid or gaseous hydrocarbons be found and produced or the production of any of them be restored, this lease shall continue in force, subject to the provisions of Paragraph 8 below, so long as oil, gas or liquid or gaseous hydrocarbons is produced hereunder in paying quantities or this lease is otherwise being maintained as herein provided.

5. **POOLING.** Lessee may not pool or combine the leased premises with lands owned by others except as hereinafter provided without the prior written consent of lessor. Lessee is hereby granted the right, at its option, to pool or unitize Lessor's interest in all land covered by this lease with any other land, lease, or leases in the immediate vicinity and contiguous with the Leased Premises, as to any or all minerals or horizons, so as to establish units for the production of oil and gas containing not more than the surface acres provided for in Paragraph 8 hereof; provided, however, units may be established as to any one or more horizons. If units larger than any of those herein permitted are prescribed under any special field rules promulgated by governmental rule or order, for the drilling or operation of a well at a legal location, or for obtaining maximum allowable from any well to be drilled, drilling or already drilled, such unit may be established or enlarged to conform to the size prescribed by governmental order or rule. Lessee shall exercise said option as to each desired unit by executing an instrument identifying such unit and filing it for record in the public office in which this lease is recorded. Any such instrument shall be effective on the date of its recordation. Lessee shall promptly furnish a certified copy of each such unit declaration and revision or modification thereof to Lessor. Each of said options may be exercised by Lessee at any time and from time to time while this lease is in force, and whether before or after production has been established either on said land, or on the portion of said land included in the unit, or on other land unitized therewith. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be mineral, royalty, or leasehold interests in lands within the unit which are not effectively pooled or unitized. Any operations conducted in compliance with the provisions of this lease on any part of such unitized land shall be considered, for all purposes, except the payment of royalty, operations conducted upon that portion of the Leased Premises included in such unit. There shall be allocated to the land covered by this lease within each such unit (or to each separate tract within the unit if this lease covers separate tracts within the unit), that proportion of the total production of unitized minerals from the unit, after deducting any used in lease or unit operations, which the number of surface acres in such land (or in each such separate tract) covered by this lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty, overriding royalty and any other payments out of production to be the entire production of unitized minerals from the land to which allocated in the same manner as though produced therefrom under the terms of this lease. The formation of

any unit hereunder which includes land not covered by this lease shall not have the effect of exchanging or transferring any interest under this lease (including, without limitation, any delay rental and any shut-in royalty which may become payable under this lease) between parties owning interests in land covered by this lease and parties owning interests in land not covered by this lease. Neither shall it impair the right of Lessee to release as, provided in Paragraph 10 hereof, except that Lessee may not so release as to lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. At any time while this lease is in force Lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals. Lessee shall promptly furnish a certified copy of each such declaration to Lessor. Subject to the provisions of this Paragraph 5, a unit once established hereunder shall remain in force so long as any lease subject thereto shall remain in force. If this lease now or here covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts is intended or shall be implied or result from the inclusion of such separate tracts within this lease but Lessee shall nevertheless have the right to pool or unitize Lessor's interest as provided in this Paragraph 5, with consequent allocation of production as herein provided. As used in this Paragraph 5, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the Leased Premises. Notwithstanding anything contained herein to the contrary, Lessor does not purport to grant, and Lessee agrees it does not hereby obtain, the right to pool any interest in the Leased Premises other than Lessor's interest therein.

6. **NET MINERAL ACRES.** Notwithstanding anything herein contained to the contrary, if Lessee creates a pooled unit including all of the Leased Premises, and if Lessee owns and commits to the unit oil and gas interests representing less than all of the oil and gas in and under the lands within the boundaries of the unit, then, notwithstanding anything contained herein to the contrary, Lessor's royalty on production from the pooled unit shall be calculated on the number of net mineral acres committed to the unit; that, there shall be allocated to net mineral acres covered by this lease and included within the pooled unit that pro rata portion of the oil and gas produced from the pooled unit which the number of net mineral acres covered by this lease and included in the unit bears to the total number of net mineral acres included in the pooled unit. For purposes of this lease, the term "net mineral acres" means, with respect to any tract, the product of (a) the number of acres in the tract, and (b) the fraction of the oil and gas estate committed to the unit. If any non-unitized mineral interest in a tract included in the pooled unit is later added to the unit, by ratification or otherwise, then the allocation provided herein and the royalties payable hereunder shall be adjusted, effective as of the date of amendment or ratification of the unit.

7. **OUTSTANDING ROYALTY INTERESTS.** If there are royalty interests in oil and gas in the leased premises now owned by parties other than Lessor, Lessor makes no warranty or representation that this lease grants Lessee the power or authority to pool such royalty interests, but in the event of pooling hereunder Lessor's royalty on production from the pooled unit shall be calculated and paid as if Lessee had the power, and had exercised the power, to pool such royalty interests, whether or not Lessee in fact has such authority.

8. **UNIT OPERATIONS.** If at the expiration of the primary term Lessee is not engaged in actual drilling operations on the leased premises or lands pooled therewith or if at the expiration of the primary term or within ninety (90) days prior to the expiration of the primary term Lessee is engaged in actual drilling operations on the leased premises or lands pooled therewith, and thereafter there shall have elapsed a period of one hundred twenty (120) days without any drilling operations on the leased premises or lands pooled therewith, then in either of such events this lease shall terminate except as to the depths and as to the producing oil and gas wells and the acreage surrounding same as hereinafter provided, which event is hereinafter called "partial termination" of this lease. Within the meaning of the foregoing sentence, drilling operations shall also include, without limitation, reworking operations on the well last drilled on the leased premises if such reworking is begun within one hundred twenty (120) days after the cessation of actual drilling on such well last drilled. In the event of any such partial termination the Lessee shall be entitled to retain all sands and horizons from the surface down to 100 feet below the stratigraphic equivalent of the perforated interval from which oil or gas is being produced in commercial or paying quantities upon the land herein leased, or lands upon which the leased premises or a portion thereof is pooled or unitized, but only in spacing units which do not exceed the minimum number of acres prescribed by the Texas Railroad Commission pursuant to special field rules (if applicable) to allow Lessee to obtain the maximum allowable, or, in the absence of special field rules, the spacing units to be formed shall not exceed the following:

- (a) 40 acres, plus ten percent (10%) acreage tolerance, around each vertical oil well producing from those depths below the surface of the ground down to a subsurface depth of 6,000 feet;
- (b) 80 acres, plus ten percent (10%) acreage tolerance, around each vertical oil well producing from a depth at or below 6,000 feet beneath the surface;
- (c) 40 acres, plus ten percent (10%) acreage tolerance, around each gas well producing from those depths below the surface of the ground down to a depth of 3,000 feet beneath the surface;
- (d) 80 acres, plus ten percent (10%) acreage tolerance, around each gas well production from those depths at or below 3,001 feet beneath the surface to 5,000 feet beneath the surface; or
- (e) 160 acres, plus ten percent (10%) acreage tolerance, around each gas well producing from a depth of 5,001 feet subsurface down to a depth of 6,000 feet beneath the surface;
- (f) 320 acres, plus ten percent (10%) acreage tolerance, around each gas well producing from a depth at or below 6,001 feet beneath the surface to 10,500 feet beneath the surface; or

- (g) 640 acres, plus ten percent (10%) acreage tolerance, around each gas well producing from a depth at or below the depth of 10,500 feet beneath the surface.
- (h) The lands included within a pooled unit formed in accordance with Paragraph 5 above.

Notwithstanding anything to the contrary stated herein, the following calculation shall be utilized in determining the maximum size of a unit for a horizontal well, regardless of any special field rules adopted by the Texas Railroad Commission applicable to such well that might permit or require smaller proration units:

$A \text{ (acreage)} = [L \text{ (lateral length)} \times .11488 + 160] \times 1.5$; then A is rounded up to the nearest number divisible by 40. Example: $A = [2000' \times .11488 + 160] \times 1.5 = 584.64$ acres (rounded up to the nearest number divisible by 40 = 600 acres); however, in the event the Texas Railroad Commission (or other governmental authority having jurisdiction) requires, as opposed to permits, pursuant to Special Field Rules, the allocation of larger tracts of land or units to any such producing horizontal well in order to obtain the maximum production allowable, then the Retained Unit for such producing horizontal well shall contain the minimum amount of acreage surrounding such producing horizontal well which is required under such Special Field Rules to obtain such maximum production allowable.

Within thirty (30) days following any such event of partial termination, Lessee shall file of record a release or releases covering that portion of the leased premises reverting to Lessor and shall promptly furnish to Lessor a certified copy of any such release. Any such release(s) shall contain an accurate metes and bounds description of the land and depths retained by the Lessee, with plat attached.

As used in this lease, commencement of drilling operations shall be the date Lessee commences actual drilling with rotary drilling tools of a suitable size necessary to reach the objected depth. The date of completion of a well shall be as to dry holes the date Lessee releases the drilling rig used to drill such well or the date such rig is moved off of the location, whichever date first occurs, and as to producing wells, the date Lessee has run casing and production casing or tubing and has perforated and/or tested the well.

After such partial termination, the lease on each spacing unit held by a producing well shall for the purpose of determining its maintenance in force by production or operations, be treated as if it were a separate lease from the lease covering the spacing unit allocable to each other well, so that this lease shall, thereafter, as to each such spacing unit, remain in force as to each such spacing unit only so long as oil or gas is produced from such spacing unit or the lease is maintained under some of the other provisions of this lease as to each such spacing unit, this lease being treated as if it covered only such spacing unit.

Notwithstanding the termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress to and egress from the lands still subject to this lease for all purposes described in Paragraph 1 hereof free of cost to Lessee, together with easements and rights-of-way for roads, pipelines, and other facilities on, over, through and across all the lands described in Paragraph 1 hereof for access to and from the lands still subject to this lease and for the gathering or transportation of oil and/or gas produced from the retained lands.

Subsequent to the event of partial termination, if the deepest perforated interval from which oil or gas is being produced in commercial paying quantities at the event of partial termination ceases to produce oil or gas in commercial paying quantities, and Lessee obtains production of oil or gas in commercial paying quantities from a perforated interval which is closer to the surface than said deepest perforated interval, all depths below 100 feet below the stratigraphic equivalent of such perforated interval which is closer to the surface shall be released from this lease, it being intended that after partial termination, this lease shall never cover any depths below 100 feet below the stratigraphic equivalent of the perforated interval from which oil or gas is then being produced in commercial or paying quantities.

9. **PREVENT DRAINAGE.** If oil and/or gas should be produced in commercial paying quantities from a well which is completed subsequent to the date of this lease, which is draining the leased premises, or a portion thereof, Lessee shall, within ninety (90) days after the date of first sales from the production from the draining well begin in good faith and prosecute diligently the drilling of an offset well on the leased premises, as would a reasonably prudent operator under the same or similar circumstances and such offset well shall be drilled to such depth as may be necessary to prevent the undue drainage of the area covered by this lease, and the Lessee shall use all means necessary in a good faith effort to make such offset well produce oil and/or gas in commercial paying quantities. In the event Lessee fails to drill such offset well, Lessee shall execute a release as to all depths from the surface down to 100 feet below the stratigraphic equivalent of the deepest formation or horizon producing oil and/or gas from the draining well covering the amount of acreage identified below, such acreage to be in the form of a square as is reasonably practicable which is closest to the draining well:

- (a) 40 acres, plus ten percent (10%) acreage tolerance, around each vertical oil well producing from those depths below the surface of the ground down to a subsurface depth of 6,000 feet;
- (b) 80 acres, plus ten percent (10%) acreage tolerance, around each vertical oil well producing from a depth at or below 6,000 feet beneath the surface;
- (c) 40 acres, plus ten percent (10%) acreage tolerance, around each gas well producing from those depths below the surface of the ground down to a depth of 3,000 feet beneath the surface;

- (d) 80 acres, plus ten percent (10%) acreage tolerance, around each gas well production from those depths at or below 3,001 feet beneath the surface to 5,000 feet beneath the surface; or
- (e) 320 acres, plus ten percent (10%) acreage tolerance, around each gas well producing from a depth of 5,001 feet subsurface down to a depth of 6,000 feet beneath the surface;
- (f) 640 acres, plus ten percent (10%) acreage tolerance, around each gas well or horizontal oil well producing from a depth at or below the depth of 6,001 feet beneath the surface.

However, in the event there is a well producing or capable of producing oil and/or gas in commercial paying quantities on the acreage to be released, said release shall exclude the stratigraphic equivalent of the zones which are then producing in paying quantities from the wellbore of such existing well.

10. **RELEASE OF LEASE.** Except as provided in Paragraph 5 above, Lessee may, at any time and from time to time, file of record a written release of this lease as to depths in all or any portion of the Leased Premises, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. Upon making any release or upon termination of this lease as to all or any portion of the Leased Premises or depths thereunder, Lessee shall, within thirty (30) days, file of record a release of this lease as to all lands and depths save and except the acreage and depths allocated to each producing spacing, proration or pooled unit in accordance with the terms hereof and shall promptly furnish to Lessor a certified copy of any such release. All releases shall be free and clear of any encumbrances created by, through or under Lessee.

11. **ASSIGNMENTS.** Lessee may not assign or otherwise transfer this lease in whole or in part without the prior written consent of Lessor, which consent shall not be unreasonably withheld, and without such consent, any instrument purporting to assign or otherwise transfer this lease shall be voidable at the sole discretion of Lessor. Any assignment or notice of sale shall be invalid unless it provides the name, address, telephone number, and domicile of the assignees together with an effective date of sale and adequate legal description of property sold. The interest of Lessor hereunder may be assigned or transferred in whole or in part, but no change or division in ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder. No change in ownership permitted hereunder shall be binding on either party hereto until thirty (30) days after the other party has been furnished the original or certified or duly authenticated copies of the documents evidencing such change of ownership. The rights and obligations of the parties hereunder shall extend to their respective heirs, successors and assigns.

12. **ANCILLARY RIGHTS.** In exploring for, developing, producing and marketing substances covered hereby on the Leased Premises or lands pooled or unitized therewith, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the Leased Premises as may be reasonably necessary for such purposes. Lessee shall have the right at any time within ninety (90) days after the termination of this lease for any cause to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing from wells not capable of producing oil or gas in paying quantities. Lessee will bury all pipelines below ordinary plow depth at the request of the surface owner, and no well shall be drilled with three hundred (300) feet of any residence or barn now on said land without the surface owners consent. Within ninety (90) days after the termination of this lease for any cause, as to all or any portion of the Leased Premises, Lessee shall remove from that portion of the Leased Premises upon which this lease has terminated any and all surface equipment which Lessee may have placed thereon and shall restore the Leased Premises as near as reasonably possible to the condition existing on the date of this lease. All wells drilled by Lessee hereunder not capable of producing oil or gas in paying quantities shall be plugged and abandoned within ninety (90) days after the termination of this lease in accordance with the rules and regulations of any governmental or regulatory body having jurisdiction thereof.

13. **PERFORMANCE STANDARDS.** All operations by Lessee hereunder shall be conducted in a diligent and workmanlike manner and in accordance with the standards of the best industry practices in like operations and in accordance with all applicable federal, state and local laws, regulations and orders. Lessee shall act at all times as a reasonable prudent operator under the same or similar circumstances to (a) develop the Leased Premises, and (b) protect the Leased Premises from drainage.

14. **INDEMNIFICATION OF LESSOR.** Lessee shall indemnify, defend and hold harmless Lessor from any and all liability, liens, demands, judgments, suits and claims of any kind or character arising out of, in connection with or relating to any operation conducted by Lessee, or its agents, contractors, employees, licensees or invitees, on the Leased Premises under the terms of this lease, including, but not limited to, claims for injury or death of any persons, or damage, loss or destruction of any property, real or personal, under any theory of tort, including, contract or strict liability and expressly including Lessor's own negligence. Lessee further covenants and agrees to defend any suits brought against Lessor on account of said claims and to pay any judgments against Lessor resulting from any such suit or suits together with all costs and expenses relative to any such claims, including attorney's fees. Lessor shall have the right to participate in the defense of any suit or claim in which it may be a party without relieving Lessee of its obligations hereunder. Lessee expressly assumes all of Lessor's duties, if any, with respect to owners of non-executive interests, if any, in the Leased Premises, and agrees to indemnify and hold harmless Lessor from and against any and all claims and losses resulting from the breach of such duties, if any.

15. **TITLE.** Lessee shall provide Lessor with a copy of any abstract, title runsheet and title opinion covering any of the leased premises, if same is obtained by Lessee; however, Lessee shall not be in any manner whatsoever responsible or liable for the contents thereof.

16. **WELL INFORMATION.** Lessee shall deliver promptly to Lessor, without cost or demand, to the extent that same pertains to the Leased Premises or lands pooled therewith and is available to Lessee, a copy of all shot point maps and land surveys and title opinions, daily drilling reports, well logs or surveys, core records and

analyses, production analyses, formation test results, well completion reports, well workover reports, gas-oil ratio reports, well history and performance reports, production reports, sales records, applications and reports made to any governmental agency or authority, and orders, rules or permits issued by any such agency or authority affecting the Leased Premises. Lessor shall have the right to inspect at its sole risk the operations of Lessee on or pertaining to the Leased Premises, and, upon written request, Lessor shall be furnished with copies of all run tickets, meter runs, sales information and such other information as may be appropriate to the settlement of accounts between Lessor and Lessee, or to determine the respective rights and obligations of said parties, or to enable Lessor to comply with applicable laws, rules or regulations of governmental authorities. For a period of one (1) year from the date of this Lease, Lessor agrees not to disclose to others any confidential or proprietary information of Lessee. The confidential or proprietary information in this context and for the purpose of this Paragraph includes but is not limited to the following: (i) any drilling, production or other reports and copies of Lessee's records pertaining to this Lease (including information about depths drilled or stratigraphic formations tested); (ii) the results of any core analysis and drillstem and/or other tests made; (iii) all electric, radioactive, sonic or other well logs taken at wells drilled on the leased premises; and (iv) title opinions and title work that Lessee has performed or receives with respect to the leased premises or interests therein, including without limitation, division order title opinions. Notwithstanding the foregoing, confidential or proprietary information shall not include information in the public domain, that already in Lessor's possession prior to its receipt from Lessee, that given to Lessor by a third party with no obligation of confidentiality to Lessee or independently developed by Lessor without use of confidential information of Lessee. Lessor acknowledges that any such premature disclosure would be harmful to Lessee, causing it significant and irreparable economic harm which shall entitle Lessee to injunctive relief and damages as its remedy.

17. **FORCE MAJEURE.** Should Lessee be prevented or delayed in performing any obligation hereunder, other than the timely making of any payments provided herein, by any law, rule, regulation, order, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and the period of such prevention or delay, not to exceed one (1) year, shall be added to the term hereof. For purposes of the Paragraph 13, no period of force majeure shall commence until Lessee has provided Lessor written notice as provided below describing the particular event or circumstance which Lessee contends constitutes force majeure.

18. **WARRANTY.** This lease is made by Lessor without any warranties or representations of title, ownership or control of the Leased Premises, either express or implied and without recourse against Lessor. However, if Lessor owns less than the full mineral estate in all or any part of the Leased Premises, the royalty payments and any other payments herein provided for may be reduced proportionately to the interest of Lessor. In the event Lessor acquires any additional interest in the Leased Premises subsequent to the date hereof, such interest shall not *ipso facto* be covered by or included in this lease, but may be made subject hereto by Lessor's express written ratification hereof. If the lease interest covered hereby is subject to an outstanding non-participating royalty, such royalty shall be deducted from the royalties payable to Lessor and/or royalty owners hereunder, whether such royalty was created prior to or after the date of this agreement.

19. **TERMINATION.** In the event Lessor considers that any expressed or implied obligations of Lessee are not being complied with, Lessor shall notify Lessee in writing of the facts constituting a breach of this lease and Lessee shall have sixty (60) days after receipt of such notice in which to commence compliance with its obligations hereunder. If such breach is not timely cured and Lessor obtains a final judgment finding that Lessee has breached this lease, then it is agreed that Lessor shall be entitled to a decree providing for cancellation or forfeiture of the lease in the event such breach is not rectified or commenced to be rectified within sixty (60) days from date such decree becomes final; provided, however, that failure on the part of the Lessee to cure any default of this lease shall not result in Lessee forfeiting any oil or gas well or wells or shut-in gas well or wells and acreage allocated thereto in accordance with the formula set out in Paragraph 8 above and which is not then subject to breach or default. Failure of Lessee to (1) produce oil, gas or other leased substances in paying or commercial quantities; (2) to timely and properly pay shut-in royalties; (3) and/or timely commence drilling or reworking operations, and the breach of other special limitations of this lease shall not constitute an obligation for purposes of this Paragraph, as failure of Lessee to timely comply with such special limitations shall result in termination of all or if applicable, certain portions of the rights under this lease.

20. **TIME OF THE ESSENCE.** Time is of the essence with respect to the performance by either party of the duties and obligations set forth herein.

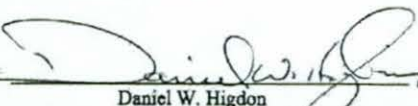
21. **NOTICES.** All notices, payments or other correspondence to be given hereunder shall be furnished to the parties at the address provided above and shall be effective when received. Lessor or Lessee may change their address at any time by furnishing a written notice of change of address to the other party. Notices may be given by mail, courier, personal delivery or facsimile transmission.

22. **PAID UP LEASE.** This lease is a "Paid Up Lease" meaning that delay rentals ordinarily required to be paid to perpetuate a lease from year to year in lieu of drilling operations have been paid in advance. Therefore, Lessee shall not be required to make any shut-in royalty payments, annual delay rental payments or conduct drilling or reworking operations in order to perpetuate this lease to the end of the primary term. Further, irrespective of whether drilling operations, reworking operations and/or actual production has commenced and/or ceased during the primary term, this lease shall be perpetuated to the end of the term.

23. **HEADINGS.** Headings of Paragraphs are included in this instrument for convenience of reference and shall in no way define, limit, extend or describe the scope or intent of any provision hereof.

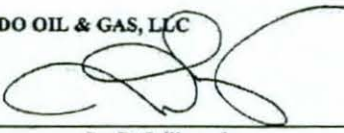
IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above.
LESSOR:

DEVON ENERGY PRODUCTION COMPANY, L.P.

By:  C.F.A.
Daniel W. Higdon
Agent and Attorney-in-Fact PRM

LESSEE:

VENADO OIL & GAS, LLC

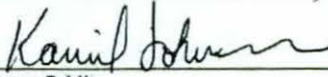
By:  JDB
Joe D. Sullivan, Jr.
Executive Vice President - Land

ACKNOWLEDGMENTS

STATE OF TEXAS §

COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me this 15th day of November, 2012, by Daniel W. Higdon, Agent and Attorney-in-Fact of DEVON ENERGY PRODUCTION COMPANY, L.P., an Oklahoma limited partnership, on behalf of said partnership.


Notary Public

My commission expires:

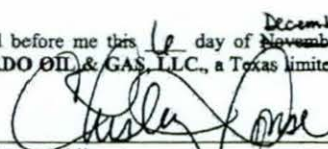
09/09/13



STATE OF TEXAS §

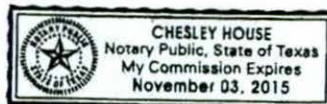
COUNTY OF TRAVIS §

The foregoing instrument was acknowledged before me this 1st day of ~~November~~ ^{December}, 2012 by Joe D. Sullivan, Jr., Executive Vice President- Land of VENADO OIL & GAS, LLC., a Texas limited liability company, on behalf of said company.


Notary Public

My commission expires:

Nov 3, 2015



3

MEMORANDUM OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF LEE §

WHEREAS, Carroll Meadows, dealing in her sole and separate property, as Lessor, whose address is 1305 Fieldcrest, New Braunfels, TX 78130-3516 and Istrouma Resources, Inc., as Lessee, whose address is P. O. Box 2047, Cleburne, TX 76033, entered into an Oil and Gas Lease dated January 22, 2010, covering the following described land situated in Lee County, State of Texas, to wit:

11.753 acres of land, more or less, being a part of the R. Stoelke Survey, A-281, Lee County, Texas and being more fully described by metes and bounds in that certain Deed dated August 25, 1998, by Dorothy Zschech, E. Stephen Zschech, Individually and as Custodian for Lindsay Zschech, Aaron Zschech and Travis Miller Zschech under the Texas Uniform Transfers to Minors Act, Carroll Meadows, as Independent Executrix of the Estate of Arnold L. Zschech, Deceased and as Custodian for Joyce Bernice Meadows and Arnold Landis Meadows under the Texas Uniform Transfers to Minor Act, and Joyce Bernice Meadows, Grantors to Carroll Meadows, Grantee, recorded in Volume 825 Page 692 of the Official Public Records of Lee County, Texas.

WHEREAS, Lessor and Lessee desire to give public notice of the execution and delivery of said Lease by the recordation of this Memorandum of Oil and Gas Lease:

NOW, THEREFORE, for the purposes aforesaid, Lessor and Lessee hereby state as follows:

1. The Lease provides for a Four (4) year primary term and an option to extend the primary term for an additional period of Three(3) years.
2. The lease contains special provisions as more particularly set forth therein, a copy of which is in the possession of both the Lessor and Lessee.

IN WITNESS WHEREOF, this instrument is executed effective for all purposes as of the lease date.

LESSOR:

Carroll Meadows
Carroll Meadows

LESSEE:

Istrouma Resources, Inc.

By: Thomas E. Hodges, Jr.
Thomas E. Hodges, Jr.
Its: President

ACKNOWLEDGEMENTS

STATE OF TEXAS §

COUNTY OF LEE §

This instrument was acknowledged before me on this 12th day of February, 2010 by Carroll Meadows.

My Commission Expires: 7-16-2010

STATE OF TEXAS §

COUNTY OF LEE §



This instrument was acknowledged before me on this 15 day of MARCH, 2010 by Thomas E. Hodges, Jr., President of Istrouma Resources, Inc. on behalf of said corporation.

My Commission Expires:



Emile Newchurch
Notary Public, State of Texas

04/28/2010 at 11:12 AM
2010-01178
FILED FOR RECORD
SHARON BLASIG
COUNTY CLERK
LEE COUNTY, TX

VOL 1058 PG 989

Hodges

17610900

8972
PROD 88
(1994-10/03)

PAID UP OIL AND GAS LEASE

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVERS LICENSE NUMBER

THIS LEASE AGREEMENT is made as of the 22nd day of January, 2010 between **Carroll Meadows**, dealing in her sole and separate property, whose address is 1305 Fieldcrest, New Braunfels, Texas 78130-3516, as Lessor, and Istrouma Resources, Inc., P. O. Box 2047, Cleburne, TX 76033 as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1.0 Description. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

11.753 acres of land, more or less, being a part of the R. Stoelke Survey, A-281, Lee County, Texas and being more fully described by metes and bounds in that certain Deed dated August 25, 1998, by Dorothy Zscheck, E. Stephen Zscheck, Individually and as Custodian for Lindsay Zscheck, Aaron Zscheck and Travis Miller Zscheck under the Texas Uniform Transfers to Minors Act, Carroll Meadows, as Independent Executrix of the Estate of Arnold L. Zscheck, Deceased and as Custodian for Joyce Bernice Meadows and Arnold Landis Meadows under the Texas Uniform Transfers to Minor Act, and Joyce Bernice Meadows, Grantors to Carroll Meadows, Grantee, recorded in Volume 825 Page 692 of the Official Public Records of Lee County, Texas.

See Exhibit A attached hereto and made a part hereof for additional paragraphs.

In the County of Lee, State of Texas, containing 11.753 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide, gaseous sulfur compounds, coalbed methane and other commercial gases, as well as normal hydrocarbon gases. In addition to the above-described land, this lease and the term "leased premises" also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described land, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalty payments based on acreage hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. Term of Lease. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of Four (4) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalty Payment. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be Three Sixteenths (3/16) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be Three Sixteenths (3/16) of the proceeds realized by Lessee from the sale thereof, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase arrangements entered into on the same or nearest preceding date as the date on which Lessee or its affiliate commences its purchases hereunder; and (c) in calculating royalties on production hereunder, Lessee may deduct Lessor's proportionate part of any ad valorem, production and excise taxes, and any costs incurred by Lessee in treating, processing, delivering and otherwise marketing such production. If at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay an aggregate shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. Shut-in Payment. All shut-in royalty payments under this lease shall be paid or tendered directly to Lessor at the above address, or its successors, regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor by deposit in the U.S. Mails in a stamped envelope addressed to the Lessor at the last address known to Lessee shall constitute proper payment.

5. Operations. If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no interruption of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to reservoirs then capable of producing in paying quantities on the leased premises or land pooled therewith, or (b) protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Pooling. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of drilling or production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The creation of a unit by such pooling shall be based on the following criteria (hereinafter called "pooling criteria"): A unit for an oil well (other than a horizontal completion) shall not exceed 40 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil or gas well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. In the event a unit is formed hereunder before the unit well is drilled and completed, so that the applicable pooling criteria are not yet known, the unit shall be based on the pooling criteria Lessee expects in good faith to apply upon completion of the well; provided that within a reasonable time after completion of the well, the unit shall be revised if necessary to conform to the pooling criteria that actually exist. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made

by such governmental authority. To revise a unit hereunder, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. **Payment Reductions.** If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises. To the extent any royalty or other payment attributable to the mineral estate covered by this lease is payable to someone other than Lessor, such royalty or other payment shall be deducted from the corresponding amount otherwise payable to Lessor hereunder.

8. **Ownership Changes.** The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate at the address designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons, either jointly, or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. **Release of Lease.** Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases less than all of the interest or area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. **Ancillary Rights.** In exploring for developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled or unitized therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands of Lessor used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. **Regulation and Delay.** Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells, and regulation of the price or transportation of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and, at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any provisions or implied covenants of this lease when drilling, production or other operations are so prevented or delayed.

12. **Breach or Default.** No litigation shall be initiated by Lessor for damages, forfeiture or cancellation with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or cancelled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

13. **Warranty of Title.** Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

LESSOR (WHETHER ONE OR MORE)

Carroll Meadows
Carroll Meadows

ACKNOWLEDGEMENT

STATE OF TEXAS

COUNTY OF Loe

This instrument was acknowledged before me on this 12th day of February, 2010 by Carroll Meadows.



Eunice Dunk
Notary Public

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL, GAS AND MINERAL LEASE DATED JANUARY 22, 2010, BETWEEN CARROLL MEADOWS, AS HER SOLE AND SEPARATE PROPERTY, AS LESSOR, AND ISTROUMA RESOURCES, INC., AS LESSEE, COVERING 11.753 ACRES OF LAND, MORE OR LESS, IN THE R. STOELKE SURVEY, A-281 LEE COUNTY, TEXAS.

Notwithstanding anything to the contrary in the foregoing thirteen (13) paragraphs of this Oil and Gas lease, it is agreed and understood that the following provisions shall supplement or modify the foregoing as applicable. Provided, however, in recognition of the interplay between various provisions of this lease, every reasonable effort shall be made to harmonize same; and only when that cannot reasonably be done and should a conflict be found to exist then the provisions of this exhibit shall be deemed controlling.

NON-SURFACE USE AGREEMENT:

14. It is hereby agreed and understood that this is a non-surface use lease agreement and that Lessee does not receive by virtue of execution of this lease any rights of ingress and egress to the surface of the leased premises nor any rights to come upon or use the surface of the leased premises (or any portion thereof) in any manner without the separate written consent of the owner or owners of the surface.

However, it is further agreed and understood that Lessee shall have the right to drill, operate and produce directional and horizontal wells, the surface location of which is situated on non-lease acreage, irrespective of the bottom hole locations of said wells or the location of any applicable and necessary subsurface rights and easements for all purposes associated with the drilling, operating and producing of any such directional and horizontal wells. Lessor and Lessee further agree that any such subsurface rights and easements shall commence and continue below a depth of Three Hundred feet (300') below the surface of the herein lease lands.

OIL & GAS ONLY/EXCLUDED MINERALS:

15. Notwithstanding anything herein to the contrary, this Lease covers only oil and gas, including other liquid and gaseous hydrocarbons, as well as such other minerals or substances as may be produced incidental to and as a part of or mixed with oil, gas and other liquid or gaseous hydrocarbons, but this lease does not cover gravel, uranium, fissionable materials, coal, lignite, or water, or any hard minerals or substances of any type which shall be produced from the leased premises separate and apart from, or independently of, oil, gas or other liquid and gaseous hydrocarbons.

POOLING RESTRICTION:

16. In the event that the Lessee elects to exercise the pooling rights and privileges extended under this lease, Lessee shall be required to pool all of the lease premises into the anticipated pooled unit.

SHUT-IN ROYALTY PROVISIONS:

17. Notwithstanding anything to the contrary herein, and especially in Paragraph 3 or 4 of this Lease, it is agreed and understood that after the end of the primary term, this Lease may be maintained in effect for one (1) calendar year as to any well unit which is shut-in solely by reason of a shut-in royalty payment by Lessee to Lessor of \$50.00 per each net lease acre which is included in such shut-in well unit ("the shut-in royalty"). For a like payment, Lessee may extend this Lease as to the acreage included in such shut-in well unit for up to two (2) additional one (1) year terms provided that Lessee shall have no authority for utilizing shut-in royalties to maintain any shut-in unit for more than three (3) years in the aggregate. Each shut-in royalty payment may be made by either check or bank draft which, if mailed or delivered on or before the 60th day following the date on which such well unit is shut-in, shall be deemed a timely tender of such shut-in royalty payment.

OPTION TO EXTEND PRIMARY TERM:

18. Notwithstanding anything contained herein to the contrary, Lessee is hereby given the option to extend the primary term of this lease for an additional three (3) years from the expiration of the original primary term. This option may be exercised by Lessee at any time during the last year of the original primary term by paying to Lessor herein, or their heirs, successors or assigns, an additional bonus equal to the bonus dollars originally paid for this lease. Lessee shall exercise such option by placing written notice of such action in the U.S. Mail, postage prepaid, to Lessor at the above address, or by delivery of such notice to Lessor, in either case, prior to the end of the primary term hereof, or if operations are being conducted on such lease or lands pooled therewith at the expiration of the primary term in such manner as to maintain this lease in force, within thirty (30) days after the completion of a dry hole resulting from such operations. The bonus to be paid for the said additional three (3) year option shall apply only to the acreage not included within a producing or pooled unit at the end of the original four year primary term.

SIGNED FOR IDENTIFICATION:



CARROLL MEADOWS

4a

REAL PROPERTY RECORDS
LEE COUNTY, TX
2009-03337 10/27/2009 at 02:39:00 PM

MEMORANDUM OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF LEE §

WHEREAS, Patricia Ball, a single person, as Lessor, whose address is P. O. Box 788, Kaufman, Texas, 75142, and EOG Resources, Inc, as Lessee, whose address is 6101 S. Broadway, Suite 200, Tyler, TX 75703 entered into an Oil and Gas Lease dated October 7, 2009, covering the following described land situated in Lee County, State of Texas, to wit:

458.421 acres of land, more or less, in the A. Kuykendall League, Abstract 14, and in the R. Stoelke Survey, Abstract 281, Lee County, Texas, and being the same land described in a Executor's Deed dated November 23, 1988, between Patrick Ball and Patricia Ball, Co-Executors of the Last Will and Testament of Raymond R. Ball, deceased, party of the first part and Patrick Ball and Patricia Ball, party of the second part, and recorded in Volume 603, Page 520, Real Property Records, Lee County, Texas.

WHEREAS, Lessor and Lessee desire to give public notice of the execution and delivery of said Lease by the recordation of this Memorandum of Oil and Gas Lease:

NOW, THEREFORE, for the purposes aforesaid, Lessor and Lessee hereby state as follows:

1. The Lease provides for a three (3) year primary term and an option to extend the primary term for an additional period of Two (2) years.
2. The lease contains special provisions as more particularly set forth therein, a copy of which is in the possession of both the Lessor and Lessee.

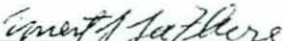
IN WITNESS WHEREOF, this instrument is executed effective for all purposes as of the lease date.

LESSOR:


Patricia Ball

LESSEE:

EOG Resources, Inc.

By: 
Ernest J. LaFlure



Its: Vice President & General Manager

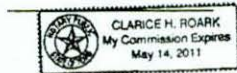
ACKNOWLEDGEMENTS

STATE OF TEXAS §

COUNTY OF Kaufman §

This instrument was acknowledged before me on this 8th day of October, 2009 by Patricia Ball.

My Commission Expires:



Clarice H. Roark
Notary Public, State of Texas

STATE OF TEXAS §

COUNTY OF Smith §

This instrument was acknowledged before me on this 19th day of October, 2009 by Ernest J. LaFlure, Vice President & General Manager of EOG Resources, Inc. on behalf of said corporation.

My Commission Expires:

3-13-2011



Jacqueline A. Sides
Notary Public, State of Texas

10/27/2009 at 02:39 PM
2009-03337
FILED FOR RECORD
SHARON BLASIG
COUNTY CLERK
LEE COUNTY, TX

VDL1050PG 855

DO NOT RECORD

6972
PROD 88
(1994-10/03)

PAID UP OIL AND GAS LEASE

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVERS LICENSE NUMBER

THIS LEASE AGREEMENT is made as of the 7th day of October, 2009 between, Patricia Ball, a single person, P.O. Box 788, Kaufman, Texas, 75142, as Lessor, and EOG Resources, Inc, 6101 S. Broadway, Suite 200, Tyler, TX, 75703 as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. Description. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

458.421 acres of land, more or less, in the A. Kuykendall League, Abstract A-14, and in the R. Stoelke Survey, Abstract 281, Lee County, Texas, and being the same land described in a Executor's Deed dated November 23, 1988, between Patrick Ball and Patricia Ball, Co-Executors of the Last Will and Testament of Raymond R. Ball, deceased, party of the first part and Patrick Ball and Patricia Ball, party of the second part, and recorded in Volume 603, Page 520, Real Property Records, Lee County, Texas.

See Addendum attached hereto and made a part hereof.

In the County of Lee, State of Texas, containing 458.421 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide, gaseous sulfur compounds, coalbed methane and other commercial gases, as well as normal hydrocarbon gases. In addition to the above-described land, this lease and the term "leased premises" also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described land, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalty payments based on acreage hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. Term of Lease. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of three (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalty Payment. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be One-Fifth (1/5) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be One-Fifth (1/5) of the proceeds realized by Lessee from the sale thereof, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase arrangements entered into on the same or nearest preceding date as the date on which Lessee or its affiliate commences its purchases hereunder; and (c) in calculating royalties on production hereunder, Lessee may deduct Lessor's proportionate part of any ad valorem, production and excise taxes, and any costs incurred by Lessee in treating, processing, delivering and otherwise marketing such production. If at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay an aggregate shut-in royalty of Ten (\$10.00) dollars per acre then covered by this lease, such payment to be made to Lessor, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. Shut-in Payment. All shut-in royalty payments under this lease shall be paid or tendered directly to Lessor at the above address, or its successors, regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor by deposit in the U.S. Mails in a stamped envelope addressed to the Lessor at the last address known to Lessee shall constitute proper payment.

5. Operations. If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no interruption of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to reservoirs then capable of producing in paying quantities on the leased premises or land pooled therewith, or (b) protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Pooling. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of drilling or production whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The creation of a unit by such pooling shall be based on the following criteria (hereinafter called "pooling criteria"): A unit for an oil well (other than a horizontal completion) shall not exceed 40 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment, and the term "horizontal completion" means an oil or gas well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. In the event a unit is formed hereunder before the unit well is drilled and completed, so that the applicable pooling criteria are not yet known, the unit shall be based on the pooling criteria Lessee expects in good faith to apply upon completion of the well, provided that within a reasonable time after completion of the well, the unit shall be revised if necessary to conform to the pooling criteria that actually exist. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. To revise a unit hereunder, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion

of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. **Payment Reductions.** If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises. To the extent any royalty or other payment attributable to the mineral estate covered by this lease is payable to someone other than Lessor, such royalty or other payment shall be deducted from the corresponding amount otherwise payable to Lessor hereunder.

8. **Ownership Changes.** The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate at the address designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons, either jointly, or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. **Release of Lease.** Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases less than all of the interest or area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. **Ancillary Rights.** In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled or unitized therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands of Lessor used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. **Regulation and Delay.** Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells, and regulation of the price or transportation of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and, at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any provisions or implied covenants of this lease when drilling, production or other operations are so prevented or delayed.

12. **Breach or Default.** No litigation shall be initiated by Lessor for damages, forfeiture or cancellation with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or cancelled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

13. **Warranty of Title.** Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises, if Lessee exercises such option. Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

LESSOR:


Patricia Ball

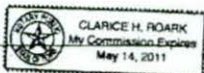
ACKNOWLEDGMENTS

STATE OF TEXAS §

COUNTY OF Harris §

This instrument was acknowledged before me on this 8th day of October, 2009 by Patricia Ball.

My Commission Expires:




Clarence H. Roark
Notary Public

ADDENDUM

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL AND GAS LEASE DATED OCTOBER 7, 2009, BETWEEN PATRICIA BALL, A SINGLE PERSON, AS LESSOR(S), AND EOG RESOURCES, INC., AS LESSEE, COVERING 458.421 ACRES, MORE OR LESS, IN THE A. KUYKENDALL LEAGUE, A-14, AND THE R. STOELKE SURVEY, A-281, LEE COUNTY, TEXAS.

Notwithstanding anything to the contrary in the foregoing thirteen (13) paragraphs of this Oil and Gas lease, it is agreed and understood that the following provisions shall supplement or modify the foregoing as applicable. Provided, however, in recognition of the interplay between various provisions of this lease, every reasonable effort shall be made to harmonize same; and only when that cannot reasonably be done and should a conflict be found to exist then the provisions of this exhibit shall be deemed controlling.

14. OIL AND GAS ONLY: This lease covers and includes only Oil and/or Gas, which for all purposes of this lease are defined as, and are limited to, oil, gas, casinghead gas and other liquid or liquefiable or gaseous substances, distillate, condensate and associated hydrocarbon substances and all by-products of the foregoing. Wherever there appears in this lease the phrases oil, gas and other minerals, 'oil, gas or other mineral' or words of like import, such phrases are hereby deleted from this lease and there is substituted therefore the hereinabove defined phrase "Oil and/or Gas". All other minerals (including, without limitation, sulphur, coal and lignite) and substances of every kind or character not included in the above definition of Oil and/or Gas, together with all rights pertaining thereto are expressly excepted from this lease. Lessor's royalties shall be determined and delivered to Lessor free of any development, production, separation, storage, dehydration at the well site, exploration, transportation, treatment, compression, gathering, operating, marketing or other like costs incurred, whether direct or indirect, except, however taxes applicable to Lessor's share of production. On the first month's actual production, the royalty payment shall be due within ninety (90) days after the end of the first month's production. Thereafter all royalty payments on actual production shall be due within sixty (60) days after the end of the month in which the production occurred. Should Lessee default in such payment, if Lessee does not remedy the default within fifteen (15) days after Lessor notifies Lessee of the default in writing, Lessee must pay interest on said unpaid royalty to the Lessor beginning at the end of the fifteen (15) day period at the current interest rate per annum.

15. LOCATION: Lessee agrees to consult with Lessor in good faith regarding the location and conduct of such operations prior to the commencement thereof; and shall consult with Lessor concerning the location and installation of such roads as may be necessary to service any well drilled and located on Lessor's premises. Lessee agrees to keep in good repair any of Lessor's roads and terraces used or effected by Lessee's operations, at Lessee's sole cost and expense and maintain all well site areas in a clean and orderly condition during the term hereof. Lessee agrees not to dig, remove or use any gravel or rock from leased property without written permission from Lessors and agreed upon compensation.

16. DAMAGE AND SURFACE RESTORATION: At the end of each drilling operation, or at the cessation of production from a well or wells on the leased premises (including the removal of facilities in connection with production), Lessee shall proceed with reasonable diligence to restore the surface contour of the leased premises to as near its original condition as is reasonably practicable. Lessee shall also level all pits or excavations made by its operations hereunder promptly after the need of its use thereof ceases and shall, when necessary, and requested by Lessor, construct and maintain fences surrounding such pits or excavations to turn livestock until such time as said pits or excavations are leveled. Lessee agrees that they will not cut any tree in excess of nine (9) inches or larger in diameter without the express written consent of Lessor, nor damage any of the pecan trees on the premises, nor harvest any pecans and Lessee further agrees to pay for all injury or damage done or caused by Lessee in its operations hereunder to any building, fences, roads, culverts, trees, livestock, growing crops, personal property, or other improvements on said land. Also, it is expressly agreed and provided that if any salt water or other deleterious substances shall come from or in any manner be extracted

or produced from any well, or result from any drilling operations, then Lessee, its successors or assigns, shall use diligence so as not to permit the same to flow on or over Lessor's land, but shall contain the same in pits or excavations adjacent to the drilling site.

17. FENCES: In the event it becomes necessary or convenient for Lessee to cut any fences in Lessee's operations hereunder, Lessee shall install adequate H-braces in any such fence on both sides of such cut so as to prevent slackening of the wires. Lessee shall, at Lessee's option, promptly install either a gate of substantial quality for such purposes or cattle guard in any such opening and when such opening is no longer needed or desired by Lessee, Lessee shall at Lessor's election, either remove any such gate or cattle guard and permanently close any such opening with the same type of fence material as the fence adjoining any such opening and to a condition not less than the existing fence or leave same in place and in which event such gate or cattle guard will become, free of expense, the property of Lessor upon the termination of this lease. It is agreed and understood that in the event production is established, Lessee will fence operations on the above described premises sufficient to turn any and all livestock and that at all times keep gates on the leased premises closed and shall repair all damages to fences, roads, irrigation systems and bridges inflicted by its operations hereunder.

18. PIPELINES: Any permanent pipeline constructed hereunder shall be buried at least 36 inches beneath the surface of the land when measured from the normal surface of the land to the top of any such pipeline.

19. HUNTING: Neither Lessee nor its agents, servants, invitees, employees or independent contractors shall have any right to fish or hunt or carry a firearm upon the leased premises.

20. PUGH CLAUSE: It is understood and agreed that in the event a pooled or proration unit is formed, then a minimum of (1/2) of the herein above described lease acreage will be included in the first unit so drilled. In the event a portion or portions of the land herein leased is pooled or unitized with other land(s) or lease(s) so as to form a pooled unit or units, operations on, completion of a well upon, or production from such unit or units will not maintain this lease in force and effect as to that portion of the leased premises not included in such pooled unit or units. The lease may be maintained in force and effect as to any portion of the leased premises covered hereby and not included in such unit or units in any manner provided for herein; provided however, if at the end of the primary term or after the expiration of the primary term, Lessee is engaged in drilling or reworking operations on the leased premises or if Lessee has completed a well as a producer or a dry hole anywhere on the leased premises or lands pooled therewith within 120 days prior to the expiration of the primary term, this lease shall remain in full force and effect as to all non-unitized premises so long as Lessee commences drilling operations on the non-unitized portion of the leased premises or on acreage pooled therewith within 120 days of the completion of such well as a producer or a dry hole and conducts continuous operation thereon with no cessation of longer than 120 days between the completion of drilling or reworking operations on a well and the commencement of such operations for the next succeeding well. Notwithstanding the termination of this lease as to a portion of the lands, Lessee shall nevertheless continue to have the right of ingress and egress from the lands still subject to this lease for all purposes allowed under the terms of this lease, together with easements and rights of way for roads, pipelines and other facilities on, over, and across all of the lands originally covered by this Lease, for access to and from the lands still subject to this lease, for gathering or transportation of oil, gas and other minerals produced from the retained lands.

21. WATER AND WATER WELL PROVISION: Lessee may not use water from Lessor's existing water well and/or stock ponds, stock tanks and creeks. Nor shall Lessee have the right to use water produced from said land for the purpose of water flooding or pressure maintenance without the consent of the Lessor. Should Lessee require water in connection with its drilling operations, Lessee may, at its option, drill a water well on Lessor's land to provide the water necessary to conduct drilling operations on Lessor's land. Lessee agrees after cessation of use of any water well drilled by Lessee on the leased premises, and prior to plugging or removing the casing there from, to notify and

tender such water well to Lessor. In the event Lessor shall elect to accept such water well, such election shall be in writing to Lessee within five (5) days after notice from Lessee, and that Lessor shall: (a) accept full responsibility for the water well and indemnify and hold Lessee harmless from and against any and all claims, actions or demands for injuries or damages of whatever kind or character resulting from ownership and operation of the water well by Lessor, and (b) comply with all applicable obligations and liability concerning said water well.

22. **CLEAN UP AND REMOVAL:** All debris, including cut brush, broken or discarded lumber, or machinery shall be removed from the lease premises within six (6) months of the cessation of drilling. Subsequent to the termination of this lease as to any portion of the lease premises, all well equipment situated on the acreage on which the lease has expired shall be removed by Lessee within six (6) months of the date on which the lease has expired as to such acreage. All equipment not removed within this time period shall be deemed to be abandoned in favor of Lessor.

23. **OPTION TO EXTEND PRIMARY TERM:** Notwithstanding anything contained herein to the contrary, Lessee is hereby given the option to extend the primary term of this lease for an additional Two (2) years from the expiration of the original primary term. This option may be exercised by Lessee at any time during the last year of the original primary term by paying to Lessor herein, or their heirs, successors or assigns, an additional bonus equal to \$325.00 per net mineral acre. Lessee shall exercise such option by placing written notice of such action in the U.S. Mail, postage prepaid, to Lessor at the above address, or by delivery of such notice to Lessor, in either case, prior to the end of the primary term hereof, or if operations are being conducted on such lease or lands pooled therewith at the expiration of the primary term in such manner as to maintain this lease in force, within thirty (30) days after the completion of a dry hole resulting from such operations. The bonus to be paid for the said additional Two (2) year option shall apply only to the acreage not included within a producing or pooled unit at the end of the original Three year primary term.

24. Lessee hereby covenants and agrees to indemnify, protect, defend and hold Lessor harmless from and against any and all damages or claims for damages for any injury to persons or property occasioned by, arising out of, or resulting from operations on the leased premises, or in connection therewith, by Lessee, its agents, servants, employees, independent contractors, successors or assigns. Legal dispute(s) which arise in regard to this lease shall be determined exclusively under the legal jurisdiction of the county where the land is located.

End of Exhibit.

Signed for Identification:


Patricia Ball

46

REAL PROPERTY RECORDS
LEE COUNTY, TX
2009-03338 10/27/2009 at 02:39:00 PM

MEMORANDUM OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF LEE §

WHEREAS, Patrick Ball, a single person, as Lessor, whose address is P. O. Box 163, Houston, Texas, 77001, and EOG Resources, Inc, as Lessee, whose address is 6101 S. Broadway, Suite 200, Tyler, TX 75703 entered into an Oil and Gas Lease dated OCTOBER 7, 2009, covering the following described land situated in Lee County, State of Texas, to wit:

458.421 acres of land, more or less, in the A. Kuykendall League, Abstract 14, and in the R. Stoelke Survey, Abstract 281, Lee County, Texas, and being the same land described in a Executor's Deed dated November 23, 1988, between Patrick Ball and Patricia Ball, Co-Executors of the Last Will and Testament of Raymond R. Ball, deceased, party of the first part and Patrick Ball and Patricia Ball, party of the second part, and recorded in Volume 603, Page 520, Real Property Records, Lee County, Texas.

WHEREAS, Lessor and Lessee desire to give public notice of the execution and delivery of said Lease by the recordation of this Memorandum of Oil and Gas Lease:

NOW, THEREFORE, for the purposes aforesaid, Lessor and Lessee hereby state as follows:

1. The Lease provides for a three (3) year primary term and an option to extend the primary term for an additional period of Two (2) years.
2. The lease contains special provisions as more particularly set forth therein, a copy of which is in the possession of both the Lessor and Lessee.

IN WITNESS WHEREOF, this instrument is executed effective for all purposes as of the lease date.

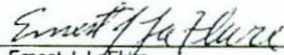
LESSOR:



Patrick Ball

LESSEE:

EOG Resources, Inc.

By: 
Ernest J. LaFlure

Its: Vice President & General Manager

10105076 856

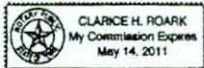
ACKNOWLEDGEMENTS

STATE OF TEXAS §

COUNTY OF Kaufman §

This instrument was acknowledged before me on this 9th day of October, 2009 by Patrick Ball.

My Commission Expires:



Clarice H. Roark
Notary Public, State of Texas

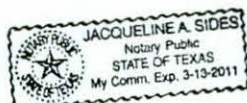
STATE OF TEXAS §

COUNTY OF Smith §

This instrument was acknowledged before me on this 19th day of October, 2009 by Ernest J. LaFlure, Vice President & General Manager of EOG Resources, Inc. on behalf of said corporation.

My Commission Expires:

3-13-2011



Jacqueline A. Sides
Notary Public, State of Texas

10/27/2009 at 02:39 PM
2009-03338
FILED FOR RECORD
SHARON BLASIG
COUNTY CLERK
LEE COUNTY, TX

101050 PG 857

DO NOT RECORD

6972
PROD 88
(1994-1003)

PAID UP OIL AND GAS LEASE

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVERS LICENSE NUMBER

THIS LEASE AGREEMENT is made as of the 7th day of October, 2009 between, Patrick Ball, a single person, P.O. Box 163, Houston, Texas, 77001, as Lessor, and EOG Resources, Inc., 6101 S. Broadway, Suite 200, Tyler, TX, 75703 as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. Description. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

458.421 acres of land, more or less, in the A. Kuykendall League, Abstract A-14, and in the R. Stoelke Survey, Abstract 281, Lee County, Texas, and being the same land described in an Executor's Deed dated November 23, 1988, between Patrick Ball and Patricia Ball, Co-Executors of the Last Will and Testament of Raymond R. Ball, deceased, party of the first part and Patrick Ball and Patricia Ball, party of the second part, and recorded in Volume 603, Page 520, Real Property Records, Lee County, Texas.

See Addendum attached hereto and made a part hereof.

In the County of Lee, State of Texas, containing 458.421 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide, gaseous sulfur compounds, coalbed methane and other commercial gases, as well as normal hydrocarbon gases. In addition to the above-described land, this lease and the term "leased premises" also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described land, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalty payments based on acreage hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. Term of Lease. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of three (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalty Payment. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be One-Fifth (1/5) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be One-Fifth (1/5) of the proceeds realized by Lessee from the sale thereof, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase arrangements entered into on the same or nearest preceding date as the date on which Lessee or its affiliate commences its purchases hereunder; and (c) in calculating royalties on production hereunder, Lessee may deduct Lessor's proportionate part of any ad valorem, production and excise taxes, and any costs incurred by Lessee in treating, processing, delivering and otherwise marketing such production. If at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay an aggregate shut-in royalty of Ten (\$10.00) dollars per acre then covered by this lease, such payment to be made to Lessor, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. Shut-in Payment. All shut-in royalty payments under this lease shall be paid or tendered directly to Lessor at the above address, or its successors, regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor by deposit in the U.S. Mails in a stamped envelope addressed to the Lessor at the last address known to Lessee shall constitute proper payment.

5. Operations. If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no interruption of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to reservoirs then capable of producing in paying quantities on the leased premises or land pooled therewith, or (b) protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Pooling. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of drilling or production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The creation of a unit by such pooling shall be based on the following criteria (hereinafter called "pooling criteria"): A unit for an oil well (other than a horizontal completion) shall not exceed 40 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil or gas well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. In the event a unit is formed hereunder before the unit well is drilled and completed, so that the applicable pooling criteria are not yet known, the unit shall be based on the pooling criteria Lessee expects in good faith to apply upon completion of the well; provided that within a reasonable time after completion of the well, the unit shall be revised if necessary to conform to the pooling criteria that actually exist. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. To revise a unit hereunder, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable

hereunder shall thereafter be adjusted accordingly in the absence of production in paying quantities from a unit, or upon permanent cessation thereof. Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. **Payment Reductions.** If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises. To the extent any royalty or other payment attributable to the mineral estate covered by this lease is payable to someone other than Lessor, such royalty or other payment shall be deducted from the corresponding amount otherwise payable to Lessor hereunder.

8. **Ownership Changes.** The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate at the address designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. **Release of Lessee.** Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases less than all of the interest or area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. **Ancillary Rights.** In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled or unitized therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands of Lessor used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. **Regulation and Delay.** Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells, and regulation of the price or transportation of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and, at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any provisions or implied covenants of this lease when drilling, production or other operations are so prevented or delayed.

12. **Breach or Default.** No litigation shall be initiated by Lessor for damages, forfeiture or cancellation with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, the lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

13. **Warranty of Title.** Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

LESSOR:

Patrick Ball

Patrick Ball

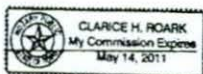
ACKNOWLEDGMENTS

STATE OF TEXAS §

COUNTY OF *Kaufman* §

This instrument was acknowledged before me on this *8th* day of October, 2009 by Patrick Ball.

My Commission Expires:



Clarice H. Roark
Notary Public

ADDENDUM

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL AND GAS LEASE DATED OCTOBER 7, 2009, BETWEEN PATRICK BALL, A SINGLE PERSON, AS LESSOR(S), AND EOG RESOURCES, INC., AS LESSEE, COVERING 458.421 ACRES, MORE OR LESS, IN THE A. KUYKENDALL LEAGUE, A-14, AND THE R. STOELKE SURVEY, A-281, LEE COUNTY, TEXAS.

Notwithstanding anything to the contrary in the foregoing thirteen (13) paragraphs of this Oil and Gas lease, it is agreed and understood that the following provisions shall supplement or modify the foregoing as applicable. Provided, however, in recognition of the interplay between various provisions of this lease, every reasonable effort shall be made to harmonize same; and only when that cannot reasonably be done and should a conflict be found to exist then the provisions of this exhibit shall be deemed controlling.

14. OIL AND GAS ONLY: This lease covers and includes only Oil and/or Gas, which for all purposes of this lease are defined as, and are limited to, oil, gas, casinghead gas and other liquid or liquefiable or gaseous substances, distillate, condensate and associated hydrocarbon substances and all by-products of the foregoing. Wherever there appears in this lease the phrases oil, gas and other minerals, 'oil, gas or other mineral' or words of like import, such phrases are hereby deleted from this lease and there is substituted therefore the hereinabove defined phrase "Oil and/or Gas". All other minerals (including, without limitation, sulphur, coal and lignite) and substances of every kind or character not included in the above definition of Oil and/or Gas, together with all rights pertaining thereto are expressly excepted from this lease. Lessor's royalties shall be determined and delivered to Lessor free of any development, production, separation, storage, dehydration at the well site, exploration, transportation, treatment, compression, gathering, operating, marketing or other like costs incurred, whether direct or indirect, except, however taxes applicable to Lessor's share of production. On the first month's actual production, the royalty payment shall be due within ninety (90) days after the end of the first month's production. Thereafter all royalty payments on actual production shall be due within sixty (60) days after the end of the month in which the production occurred. Should Lessee default in such payment, if Lessee does not remedy the default within fifteen (15) days after Lessor notifies Lessee of the default in writing, Lessee must pay interest on said unpaid royalty to the Lessor beginning at the end of the fifteen (15) day period at the current interest rate per annum.

15. LOCATION: Lessee agrees to consult with Lessor in good faith regarding the location and conduct of such operations prior to the commencement thereof; and shall consult with Lessor concerning the location and installation of such roads as may be necessary to service any well drilled and located on Lessor's premises. Lessee agrees to keep in good repair any of Lessor's roads and terraces used or effected by Lessee's operations, at Lessee's sole cost and expense and maintain all well site areas in a clean and orderly condition during the term hereof. Lessee agrees not to dig, remove or use any gravel or rock from leased property without written permission from Lessors and agreed upon compensation.

16. DAMAGE AND SURFACE RESTORATION: At the end of each drilling operation, or at the cessation of production from a well or wells on the leased premises (including the removal of facilities in connection with production), Lessee shall proceed with reasonable diligence to restore the surface contour of the leased premises to as near its original condition as is reasonably practicable. Lessee shall also level all pits or excavations made by its operations hereunder promptly after the need of its use thereof ceases and shall, when necessary, and requested by Lessor, construct and maintain fences surrounding such pits or excavations to turn livestock until such time as said pits or excavations are leveled. Lessee agrees that they will not cut any tree in excess of nine (9) inches or larger in diameter without the express written consent of Lessor, nor damage any of the pecan trees on the premises, nor harvest any pecans and Lessee further agrees to pay for all injury or damage done or caused by Lessee in its operations hereunder to any building, fences, roads, culverts, trees, livestock, growing crops, personal property, or other improvements on said land. Also, it is expressly agreed and provided that if any salt water or other deleterious substances shall come from or in any manner be extracted

or produced from any well, or result from any drilling operations, then Lessee, its successors or assigns, shall use diligence so as not to permit the same to flow on or over Lessor's land, but shall contain the same in pits or excavations adjacent to the drilling site.

17. FENCES: In the event it becomes necessary or convenient for Lessee to cut any fences in Lessee's operations hereunder, Lessee shall install adequate H-braces in any such fence on both sides of such cut so as to prevent slackening of the wires. Lessee shall, at Lessee's option, promptly install either a gate of substantial quality for such purposes or cattle guard in any such opening and when such opening is no longer needed or desired by Lessee, Lessee shall at Lessor's election, either remove any such gate or cattle guard and permanently close any such opening with the same type of fence material as the fence adjoining any such opening and to a condition not less than the existing fence or leave same in place and in which event such gate or cattle guard will become, free of expense, the property of Lessor upon the termination of this lease. It is agreed and understood that in the event production is established, Lessee will fence operations on the above described premises sufficient to turn any and all livestock and that at all times keep gates on the leased premises closed and shall repair all damages to fences, roads, irrigation systems and bridges inflicted by its operations hereunder.

18. PIPELINES: Any permanent pipeline constructed hereunder shall be buried at least 36 inches beneath the surface of the land when measured from the normal surface of the land to the top of any such pipeline.

19. HUNTING: Neither Lessee nor its agents, servants, invitees, employees or independent contractors shall have any right to fish or hunt or carry a firearm upon the leased premises.

20. PUGH CLAUSE: It is understood and agreed that in the event a pooled or proration unit is formed, then a minimum of (1/2) of the herein above described lease acreage will be included in the first unit so drilled. In the event a portion or portions of the land herein leased is pooled or unitized with other land(s) or lease(s) so as to form a pooled unit or units, operations on, completion of a well upon, or production from such unit or units will not maintain this lease in force and effect as to that portion of the leased premises not included in such pooled unit or units. The lease may be maintained in force and effect as to any portion of the leased premises covered hereby and not included in such unit or units in any manner provided for herein; provided however, if at the end of the primary term or after the expiration of the primary term, Lessee is engaged in drilling or reworking operations on the leased premises or if Lessee has completed a well as a producer or a dry hole anywhere on the leased premises or lands pooled therewith within 120 days prior to the expiration of the primary term, this lease shall remain in full force and effect as to all non-unitized premises so long as Lessee commences drilling operations on the non-unitized portion of the leased premises or on acreage pooled therewith within 120 days of the completion of such well as a producer or a dry hole and conducts continuous operation thereon with no cessation of longer than 120 days between the completion of drilling or reworking operations on a well and the commencement of such operations for the next succeeding well. Notwithstanding the termination of this lease as to a portion of the lands, Lessee shall nevertheless continue to have the right of ingress and egress from the lands still subject to this lease for all purposes allowed under the terms of this lease, together with easements and rights of way for roads, pipelines and other facilities on, over, and across all of the lands originally covered by this Lease, for access to and from the lands still subject to this lease, for gathering or transportation of oil, gas and other minerals produced from the retained lands.

21. WATER AND WATER WELL PROVISION: Lessee may not use water from Lessor's existing water well and/or stock ponds, stock tanks and creeks. Nor shall Lessee have the right to use water produced from said land for the purpose of water flooding or pressure maintenance without the consent of the Lessor. Should Lessee require water in connection with its drilling operations, Lessee may, at its option, drill a water well on Lessor's land to provide the water necessary to conduct drilling operations on Lessor's land. Lessee agrees after cessation of use of any water well drilled by Lessee on the leased premises, and prior to plugging or removing the casing there from, to notify and

tender such water well to Lessor. In the event Lessor shall elect to accept such water well, such election shall be in writing to Lessee within five (5) days after notice from Lessee, and that Lessor shall: (a) accept full responsibility for the water well and indemnify and hold Lessee harmless from and against any and all claims, actions or demands for injuries or damages of whatever kind or character resulting from ownership and operation of the water well by Lessor, and (b) comply with all applicable obligations and liability concerning said water well.

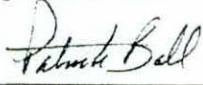
22. CLEAN UP AND REMOVAL: All debris, including cut brush, broken or discarded lumber, or machinery shall be removed from the lease premises within six (6) months of the cessation of drilling. Subsequent to the termination of this lease as to any portion of the lease premises, all well equipment situated on the acreage on which the lease has expired shall be removed by Lessee within six (6) months of the date on which the lease has expired as to such acreage. All equipment not removed within this time period shall be deemed to be abandoned in favor of Lessor.

23. OPTION TO EXTEND PRIMARY TERM: Notwithstanding anything contained herein to the contrary, Lessee is hereby given the option to extend the primary term of this lease for an additional Two (2) years from the expiration of the original primary term. This option may be exercised by Lessee at any time during the last year of the original primary term by paying to Lessor herein, or their heirs, successors or assigns, an additional bonus equal to \$325.00 per net mineral acre. Lessee shall exercise such option by placing written notice of such action in the U.S. Mail, postage prepaid, to Lessor at the above address, or by delivery of such notice to Lessor, in either case, prior to the end of the primary term hereof, or if operations are being conducted on such lease or lands pooled therewith at the expiration of the primary term in such manner as to maintain this lease in force, within thirty (30) days after the completion of a dry hole resulting from such operations. The bonus to be paid for the said additional Two (2) year option shall apply only to the acreage not included within a producing or pooled unit at the end of the original Three year primary term.

24. Lessee hereby covenants and agrees to indemnify, protect, defend and hold Lessor harmless from and against any and all damages or claims for damages for any injury to persons or property occasioned by, arising out of, or resulting from operations on the leased premises, or in connection therewith, by Lessee, its agents, servants, employees, independent contractors, successors or assigns. Legal dispute(s) which arise in regard to this lease shall be determined exclusively under the legal jurisdiction of the county where the land is located.

End of Exhibit.

Signed for Identification:



Patrick Ball

File No. MF 114763
Adjunct case schedule

Date Filed: 1/14/13
Jerry E. Patterson, Commissioner
By M.A.

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

February 26, 2013

Mr. Robert Fulkerson
Thomas W. Schleier & Associates
Agent for Venado Oil & Gas, LLC
101 East Nolte Suite 209
Seguin, TX 78155

Dear Mr. Fulkerson,

Re: State of Texas HROW Lease # MF 114763

Enclosed you will find an original executed Highway Right-of-Way lease in Lee County.

Please proof read the lease before filing of record and refer to this lease number with all correspondence.

Please have your client provide the GLO with a copy of the Unit Designation after this lease has been added and the unit designation has been recorded.

If you have any questions please feel free to contact my direct phone number, or email address listed below, or contact George Martin at his direct number (512) 475-1512.

Best regards,

Beverly Boyd
Energy Resources
Mineral Leasing
512-463-6521
beverly.boyd@glo.state.tx.us

Stephen F. Austin Building • 1700 North Congress Avenue • Austin, Texas 78701-1495

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

File No. MF 114763
Final letter

Date Filed: 2/26/13
Jerry E. Patterson, Commissioner
By M.A.

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

October 28, 2013

Creel & Associates, Inc.
1400 Broadfield, Suite 325
Houston, Texas 77084
Attention: Mr. Barry Creel, President

RE: MF114763 Highway Right of Way Lease (Venado Lease)

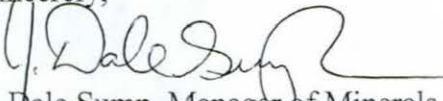
Dear Mr. Creel:

Thank you for your e-mail on September 20, 2013, requesting the Texas General Land Office (GLO) Mineral Audits input with regards to potential audit questions with one of your clients' leases. We have deliberated your questions among other divisions here with the Texas General Land Office and arrived with responses below:

- 1) Oil, can we deduct transportation charges, since the lease form is silent on costs other than duty to market? According to the terms in the subject HROW lease, reasonable transportation charges may be deducted at the point of sale where the oil volumes are ready for sale or use.
- 2) Gas, what about stock tank flash gas, vent gas, flare gas, are these gas items royalty bearing to the GLO, since. According to the terms in the subject HROW lease, royalty is not due if the dispositions referenced above occur on the lease. Royalty is due on gas when sold or when used off the lease, according to Paragraph 3b of the lease agreement. Gas produced from the lease and used for operations on the lease is not royalty bearing according to Paragraph 7 of the lease agreement.
- 3) States that gas used in operations is NOT royalty bearing to the GLO. According to the terms in the subject HROW lease, gas produced from the lease and used or operations on the lease is not royalty bearing according to Paragraph 7 of the lease agreement.

If you have any other questions, please contact Brian B. Raygon at 512-463-0154 or via e-mail at brian.raygon@glo.texas.gov.

Sincerely,


J. Dale Sump, Manager of Minerals Audit
Texas General Land Office
(512) 463-2921 / dale.sump@glo.texas.gov

Attachments
Ltr Log #0089

Stephen F. Austin Building • 1700 North Congress Avenue • Austin, Texas 78701-1495

P.O. Box 12873 • Austin, Texas 78711-2873

512.463.5001 • 800.998.4GLO

glo.texas.gov

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MF114763

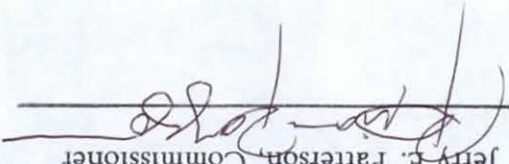
File No.

H26W - Audit Questions

Date Filed: 10/29/2013

Jerry E. Patterson, Commissioner

By



DO NOT DESTROY



Texas General Land Office
UNIT AGREEMENT MEMO

PA13-375

Unit Number 6434
Operator Name VENADO OIL & GAS, LLC Effective Date 5/1/2013
Customer ID C000060774 Unitized For Oil
Unit Name Eight Ball Unit Unit Term 0 Months
County1 Lee
County2 0
County3 0
RRC District: 03 0
Unit Type: Permanent 0
State Royalty Interest: 0.0063247138 0
State Part in Unit: 0.0279254270
Unit Depth All Well:
Below Depth 0 Formation: Eagle Ford
Above Depth 0 Participation Basis: Surface Acreage
[If Exclusions Apply: See Remarks]

MF Number MF114763 Tract Number 1
Lease Acres 4.1625 / Total Unit Acres 697.411 =
Tract Participation: 0.0059685 X
Lease Royalty 0.25 = Manual Tract Participation:
Tract Royalty Participation 0.0014921 Manual Tract Royalty:

See Remark

Tract Royalty Reduction No
Tract Royalty Rate 0
Tract On-Line Date:

56-030328

MF Number	MF114627	Tract Number	2
Lease Acres	9.159	Total Unit Acres	697.411 =
Tract Participation:	0.0131329	X	
Lease Royalty	0.2	=	
Tract Royalty Participation	0.0026266	Manual Tract Participation:	0 See Remark
		Manual Tract Royalty:	0

Tract Royalty Reduction No
Tract Royalty Rate 0
Tract On-Line Date:

56-030328

MF Number	MF114854	Tract Number	3
Lease Acres	6.154	Total Unit Acres	697.411 =
Tract Participation:	0.0088241	X	
Lease Royalty	0.25	=	
Tract Royalty Participation	0.0022060	Manual Tract Participation:	0 See Remark
		Manual Tract Royalty:	0

Tract Royalty Reduction No
Tract Royalty Rate 0
Tract On-Line Date:

56-030328

API Number	RRC Number
422873260300	10516

Remarks:

HROW Unit - Eagle Ford

Prepared By:

REW

Prepared Date:

8/22/13

GLO Base Updated By:

REW

GLOBase Date:

8/22/13

RAM Approval By:

EW

RAM Approval Date:

9-11-13

GIS By:

GIS Date:

Pooling Committee Report

To: School Land Board

PA13-375

Date of Board Meeting:

Unit Number: 6434

Effective Date: 5/1/2013

Unit Expiration Date: Permanent

Applicant:

Attorney Rep:

Operator: VENADO OIL & GAS, LLC

County 1: Lee

County 2:

County 3:

Unit Name: Eight Ball Unit

Field Name: EAGLEVILLE (EAGLE FORD-2)

<u>Lease Type</u>	<u>MF Number</u>	<u>Lease Royalty</u>	<u>Expiration Date</u>	<u>Lease Term</u>	<u>Lease Acres</u>	<u>Lease Acres in Unit</u>	<u>Royalty Participation</u>
HRW	MF114627	0.2	11/6/2015	3 years	26	9.159	0.0026266
HRW	MF114763	0.25	2/5/2016	3 years	11	4.1625	0.0014921
HRW	MF114854	0.25	4/2/2016	3 years	5.555	6.154	0.0022060

SF = State Fee RAL = Relinquishment Act FR = Free Royalty UR = Unleased River

Private Acres:	677.9355
State Acres:	19.4755
Total Unit Acres:	697.411

Participation Basis:

Surface Acreage

State Acreage: 2.79%

State Unit Royalty: 0.63%

<u>Unit Type:</u>	<u>Unitized for:</u>
Permanent	Oil
<u>Term:</u>	0 Months

<u>Well Location:</u>
Private Land

<u>RRC Rules:</u>	<u>Spacing Acres:</u>
--------------------------	------------------------------

DECLARATION OF POOLED UNIT
EIGHT BALL UNIT

STATE OF TEXAS §
 § KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF LEE §

WHEREAS, the undersigned Working Interest Owners are the present owners of the oil, gas and mineral leases and all amendments, ratifications, extensions or agreements pertaining to said leases described and identified in Exhibit "A", which is attached hereto and made a part hereof for all purposes, insofar as said leases cover the lands included within the hereinafter described unit; and

WHEREAS, each of the leases originally executed, or as amended, or as agreed to hereunder provides that the Lessee shall have the right and power to pool or combine, as to the oil and associated hydrocarbon rights therein and thereunder, the acreage covered thereby, or portions thereof, with other land, lease or leases in the immediate vicinity thereof in order to form an oil unit or units of the size and type hereinafter described, provided that the Lessee shall execute an instrument in writing identifying and describing such pooled acreage; and

WHEREAS, in the judgment of the undersigned, it is necessary and advisable to pool and combine the lands included within the hereinafter described unit and the leases described in Exhibit "A", attached hereto and made a part hereof for all purposes, insofar as said leases cover the lands included in the said unit, in order to properly develop and operate the premises for the production of oil and associated hydrocarbons and in order to promote the conservation of oil and associated hydrocarbons in, under and that may be produced from said unitized premises:

NOW, THEREFORE, the undersigned, acting under and by virtue of the power and authority conferred and granted by the provisions of the oil, gas and mineral leases described in said Exhibit "A", or the amendments thereto, do hereby pool and unitize the lands covered by the leases described and identified in Exhibit "A", together with the leases covering said lands, insofar, and only insofar as said lands and leases are included within the boundaries of the lands outlined on the plat attached hereto as Exhibit "B", which metes and bounds description thereof and accompanying plat is made a part hereof for all purposes, and to form a pooled and unitized area designated as the **EIGHT BALL UNIT**, containing not more than 697.411 acres, for the purposes of developing and operating the pooled acreage for the production, storage, processing and marketing of oil and associated hydrocarbons, all as provided for in and authorized by said leases, and amendments if applicable.

The undersigned reserves the right to amend this Designation from time to time, and at any time.

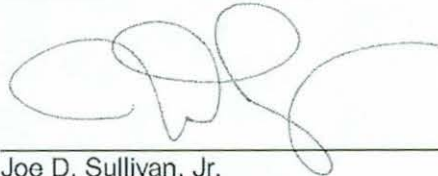
This Declaration of Pooled unit may be executed in multiple original counterparts which when taken together, shall constitute one and the same instrument.

This agreement shall become effective upon the date signed, or from the date production of any of the pooled minerals is first obtained, whichever date is sooner.

EXECUTED on this the 1st day of May, 2013.

WORKING INTEREST OWNERS:

VENADO OIL & GAS, LLC



Joe D. Sullivan, Jr.
Executive Vice President - Land

JDS

Elephant Oil & Gas, LLC



By: Grant Henderson
Its: President

Liberty Energy, Inc.

By: Sean P. O'Neil
Its: Vice President

The undersigned reserves the right to amend this Designation from time to time, and at any time.

This Declaration of Pooled unit may be executed in multiple original counterparts which when taken together, shall constitute one and the same instrument.

This agreement shall become effective upon the date signed, or from the date production of any of the pooled minerals is first obtained, whichever date is sooner.

EXECUTED on this the 1st day of May, 2013.

WORKING INTEREST OWNERS:

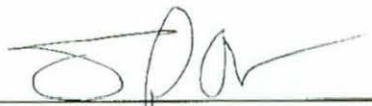
VENADO OIL & GAS, LLC

Joe D. Sullivan, Jr.
Executive Vice President - Land

Elephant Oil & Gas, LLC

By: Grant Henderson
Its: President

Liberty Energy, Inc.



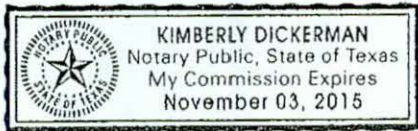
By: Sean P. O'Neil
Its: Vice President

ACKNOWLEDGMENTS

STATE OF TEXAS

COUNTY OF TRAVIS

This instrument was acknowledged before me on May 9th 2013, by Joe D. Sullivan^{Jr.}, Executive Vice President of **Venado Oil & Gas, LLC** on behalf of said corporation.




Notary Public in and for the State of Texas

My Commission Expires:

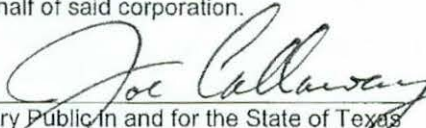
11-3-2015

STATE OF TEXAS

COUNTY OF DALLAS

This instrument was acknowledged before me on MAY 8, 2013, by Grant Henderson, as President of **Elephant Oil & Gas, LLC** on behalf of said corporation.




Notary Public in and for the State of Texas

My Commission Expires:

August 17, 2016

STATE OF _____

COUNTY OF _____

This instrument was acknowledged before me on _____, by Sean P. O'Neil, as Vice President of **Liberty Energy, Inc.** on behalf of said corporation.

Notary Public in and for the State of Texas

My Commission Expires:

ACKNOWLEDGMENTS

STATE OF TEXAS

COUNTY OF TRAVIS

This instrument was acknowledged before me on _____, by Joe D. Sullivan^{Jr.}, Executive Vice President of **Venado Oil & Gas, LLC** on behalf of said corporation.

Notary Public in and for the State of Texas

My Commission Expires:

STATE OF _____

COUNTY OF _____

This instrument was acknowledged before me on _____, by Grant Henderson, as President of **Elephant Oil & Gas, LLC** on behalf of said corporation.

Notary Public in and for the State of Texas

My Commission Expires:

STATE OF MASSACHUSETTS

COUNTY OF SUFFOLK

This instrument was acknowledged before me on MAY 8, 2013, by Sean P. O'Neil, as Vice President of **Liberty Energy, Inc.** on behalf of said corporation.

Carol D. Williams
Notary Public
Commonwealth of Massachusetts
My commission Expires
April 8, 2016

Carol D. Williams
Notary Public in and for the State of ~~Texas~~ MASSACHUSETTS

My Commission Expires:

APRIL 8, 2016



EXHIBIT "A"

**DECLARATION OF POOLED UNIT
EIGHT BALL UNIT
LEE COUNTY, TEXAS**

Tract 1A:

Lease No: TX-HSE-000058-000
Acres: 35.902 acres
Lessor: Milton E. Frosch and wife, Violet R. Frosch
Lessee: Istrouma Resources, Inc.
Lease Date: July 7, 2009
Recording Data: Book, 1047; Page, 334 (Memorandum of Oil and Gas Lease)

Tract 1B:

Lease No: TX-HSE-000058-000
Acres: 2.235 acres
Lessor: Milton E. Frosch and wife, Violet R. Frosch
Lessee: Istrouma Resources, Inc.
Lease Date: July 7, 2009
Recording Data: Book, 1047; Page, 334 (Memorandum of Oil and Gas Lease)

Tract 1C:

Lease No: TX-HSE-000058-000
Acres: 0.110 acres
Lessor: Milton E. Frosch and wife, Violet R. Frosch
Lessee: Istrouma Resources, Inc.
Lease Date: July 7, 2009
Recording Data: Book, 1047; Page, 334 (Memorandum of Oil and Gas Lease)

Tract 2:

Lease No: TX-HSE-000203-001
Acres: 2.475 acres
Lessor: Chris Boriack, a/k/a Christopher G. Boriack, and wife, Gabriele Boriack
Lessee: Istrouma Resources, Inc.
Lease Date: January 14, 2010
Recording Data: Book, 1057; Page, 998 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-001493-001
Acres: 2.475 acres
Lessor: Devon Energy Production Company, LP
Lessee: Venado Oil & Gas, LLC
Lease Date: November 12, 2012
Recording Data: Book, 1103; Page, 922 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000145-001
Acres: 2.475 acres
Lessor: Texas Osage Royalty Pool, Inc.
Lessee: EOG Resources, Inc.
Lease Date: January 22, 2010
Recording Data: Book, 1055; Page, 596 (Memorandum of Oil and Gas Lease)

Tract 3A:

Lease No: TX-HSE-000065-001
Acres: 50.209 acres
Lessor: Adeline Kieschnick
Lessee: Istrouma Resources, Inc.
Lease Date: August 5, 2009
Recording Data: Book, 1049; Page, 415 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-001493-001
Acres: 50.209 acres
Lessor: Devon Energy Production Company, LP
Lessee: Venado Oil & Gas, LLC
Lease Date: November 12, 2012
Recording Data: Book, 1103; Page, 922 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000145-001
Acres: 50.209 acres
Lessor: Texas Osage Royalty Pool, Inc.
Lessee: EOG Resources, Inc.
Lease Date: January 22, 2010
Recording Data: Book, 1055; Page, 596 (Memorandum of Oil and Gas Lease)

Tract 3B:

Lease No: TX-HSE-000065-001
Acres: 50.962 acres
Lessor: Adeline Kieschnick
Lessee: Istrouma Resources, Inc.
Lease Date: August 5, 2009
Recording Data: Book, 1049; Page, 415 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-001493-001
Acres: 50.962 acres
Lessor: Devon Energy Production Company, LP
Lessee: Venado Oil & Gas, LLC
Lease Date: November 12, 2012
Recording Data: Book, 1103; Page, 922 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000145-001
Acres: 50.962 acres
Lessor: Texas Osage Royalty Pool, Inc.
Lessee: EOG Resources, Inc.
Lease Date: January 22, 2010
Recording Data: Book, 1055; Page, 596 (Memorandum of Oil and Gas Lease)

Tract 3C:

Lease No: TX-HSE-000065-001
Acres: 4.598 acres
Lessor: Adeline Kieschnick
Lessee: Istrouma Resources, Inc.
Lease Date: August 5, 2009
Recording Data: Book, 1049; Page, 415 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-001493-001
Acres: 4.598 acres
Lessor: Devon Energy Production Company, LP
Lessee: Venado Oil & Gas, LLC
Lease Date: November 12, 2012
Recording Data: Book, 1103; Page, 922 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000145-001
Acres: 4.598 acres
Lessor: Texas Osage Royalty Pool, Inc.
Lessee: EOG Resources, Inc.
Lease Date: January 22, 2010
Recording Data: Book, 1055; Page, 596 (Memorandum of Oil and Gas Lease)

Tract 4:

Lease No: TX-HSE-000114-001
Acres: 3.998 acres
Lessor: Cynthia Diane Kieschnick, et vir
Lessee: Istrouma Resources, Inc.
Lease Date: October 8, 2009
Recording Data: Book, 1051; Page, 935 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-001493-001
Acres: 3.998 acres
Lessor: Devon Energy Production Company, LP
Lessee: Venado Oil & Gas, LLC
Lease Date: November 12, 2012
Recording Data: Book, 1103; Page, 922 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000145-001
Acres: 3.998 acres
Lessor: Texas Osage Royalty Pool, Inc.
Lessee: EOG Resources, Inc.
Lease Date: January 22, 2010
Recording Data: Book, 1055; Page, 596 (Memorandum of Oil and Gas Lease)

Tract 5:

Lease No: TX-HSE-000113-001
Acres: 4.020 acres
Lessor: Donald John Kieschnick, et ux
Lessee: Istrouma Resources, Inc.
Lease Date: October 8, 2009
Recording Data: Book, 1051; Page, 937 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-001493-001
Acres: 4.020 acres
Lessor: Devon Energy Production Company, LP
Lessee: Venado Oil & Gas, LLC
Lease Date: November 12, 2012
Recording Data: Book, 1103; Page, 922 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000145-001
Acres: 4.020 acres
Lessor: Texas Osage Royalty Pool, Inc.
Lessee: EOG Resources, Inc.
Lease Date: January 22, 2010
Recording Data: Book, 1055; Page, 596 (Memorandum of Oil and Gas Lease)

Tract 6A:

Lease No: TX-HSE-000003-001
Acres: 6.386 acres
Lessor: Patricia Ball
Lessee: EOG Resources, Inc.
Lease Date: October 7, 2009
Recording Data: Book, 1050; Page, 854 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000003-002
Acres: 6.386 acres
Lessor: Patrick Ball
Lessee: EOG Resources, Inc.
Lease Date: October 7, 2009
Recording Data: Book, 1050; Page, 856 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-001493-001
Acres: 6.386 acres
Lessor: Devon Energy Production Company, LP
Lessee: Venado Oil & Gas, LLC
Lease Date: November 12, 2012
Recording Data: Book, 1103; Page, 922 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000145-001
Acres: 6.386 acres
Lessor: Texas Osage Royalty Pool, Inc.
Lessee: EOG Resources, Inc.
Lease Date: January 22, 2010
Recording Data: Book, 1055; Page, 596 (Memorandum of Oil and Gas Lease)

Tract 6B:

Lease No: TX-HSE-000003-001
Acres: 2.407 acres
Lessor: Patricia Ball
Lessee: EOG Resources, Inc.
Lease Date: October 7, 2009
Recording Data: Book, 1050; Page, 854 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000003-002
Acres: 2.407 acres
Lessor: Patrick Ball
Lessee: EOG Resources, Inc.
Lease Date: October 7, 2009
Recording Data: Book, 1050; Page, 856 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-001493-001
Acres: 2.407 acres
Lessor: Devon Energy Production Company, LP
Lessee: Venado Oil & Gas, LLC
Lease Date: November 12, 2012
Recording Data: Book, 1103; Page, 922 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000145-001
Acres: 2.407 acres
Lessor: Texas Osage Royalty Pool, Inc.
Lessee: EOG Resources, Inc.
Lease Date: January 22, 2010
Recording Data: Book, 1055; Page, 596 (Memorandum of Oil and Gas Lease)

Tract 6C:

Lease No: TX-HSE-000003-001
Acres: 0.878 acres
Lessor: Patricia Ball
Lessee: EOG Resources, Inc.
Lease Date: October 7, 2009
Recording Data: Book, 1050; Page, 854 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000003-002
Acres: 0.878 acres
Lessor: Patrick Ball
Lessee: EOG Resources, Inc.
Lease Date: October 7, 2009
Recording Data: Book, 1050; Page, 856 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-001493-001
Acres: 0.878 acres
Lessor: Devon Energy Production Company, LP
Lessee: Venado Oil & Gas, LLC
Lease Date: November 12, 2012
Recording Data: Book, 1103; Page, 922 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000145-001
Acres: 0.878 acres
Lessor: Texas Osage Royalty Pool, Inc.
Lessee: EOG Resources, Inc.
Lease Date: January 22, 2010
Recording Data: Book, 1055; Page, 596 (Memorandum of Oil and Gas Lease)

Tract 6D:

Lease No: TX-HSE-000003-001
Acres: 6.553 acres
Lessor: Patricia Ball
Lessee: EOG Resources, Inc.
Lease Date: October 7, 2009
Recording Data: Book, 1050; Page, 854 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000003-002
Acres: 6.553 acres
Lessor: Patrick Ball
Lessee: EOG Resources, Inc.
Lease Date: October 7, 2009
Recording Data: Book, 1050; Page, 856 (Memorandum of Oil and Gas Lease)

Tract 6E:

Lease No: TX-HSE-000003-001
Acres: 41.775 acres
Lessor: Patricia Ball
Lessee: EOG Resources, Inc.
Lease Date: October 7, 2009
Recording Data: Book, 1050; Page, 854 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000003-002
Acres: 41.775 acres
Lessor: Patrick Ball
Lessee: EOG Resources, Inc.
Lease Date: October 7, 2009
Recording Data: Book, 1050; Page, 856 (Memorandum of Oil and Gas Lease)

Tract 6F:

Lease No: TX-HSE-000003-001
Acres: 16.534 acres
Lessor: Patricia Ball
Lessee: EOG Resources, Inc.
Lease Date: October 7, 2009
Recording Data: Book, 1050; Page, 854 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000003-002
Acres: 16.534 acres
Lessor: Patrick Ball
Lessee: EOG Resources, Inc.
Lease Date: October 7, 2009
Recording Data: Book, 1050; Page, 856 (Memorandum of Oil and Gas Lease)

Tract 6G:

Lease No: TX-HSE-000003-001
Acres: 2.333 acres
Lessor: Patricia Ball
Lessee: EOG Resources, Inc.
Lease Date: October 7, 2009
Recording Data: Book, 1050; Page, 854 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000003-002
Acres: 2.333 acres
Lessor: Patrick Ball
Lessee: EOG Resources, Inc.
Lease Date: October 7, 2009
Recording Data: Book, 1050; Page, 856 (Memorandum of Oil and Gas Lease)

Tract 6H:

Lease No: TX-HSE-000003-001
Acres: 30.577 acres
Lessor: Patricia Ball
Lessee: EOG Resources, Inc.
Lease Date: October 7, 2009
Recording Data: Book, 1050; Page, 854 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000003-002
Acres: 30.577 acres
Lessor: Patrick Ball
Lessee: EOG Resources, Inc.
Lease Date: October 7, 2009
Recording Data: Book, 1050; Page, 856 (Memorandum of Oil and Gas Lease)

Tract 6I:

Lease No: TX-HSE-000003-001
Acres: 0.874 acres
Lessor: Patricia Ball
Lessee: EOG Resources, Inc.
Lease Date: October 7, 2009
Recording Data: Book, 1050; Page, 854 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000003-002
Acres: 0.874 acres
Lessor: Patrick Ball
Lessee: EOG Resources, Inc.
Lease Date: October 7, 2009
Recording Data: Book, 1050; Page, 856 (Memorandum of Oil and Gas Lease)

Tract 6J:

Lease No: TX-HSE-000003-001
Acres: 2.266 acres
Lessor: Patricia Ball
Lessee: EOG Resources, Inc.
Lease Date: October 7, 2009
Recording Data: Book, 1050; Page, 854 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000003-002
Acres: 2.266 acres
Lessor: Patrick Ball
Lessee: EOG Resources, Inc.
Lease Date: October 7, 2009
Recording Data: Book, 1050; Page, 856 (Memorandum of Oil and Gas Lease)

Tract 7A:

Lease No: TX-HSE-000136-001
Acres: 0.607 acres
Lessor: Thomas Boes, et ux
Lessee: Istrouma Resources, Inc.
Lease Date: November 4, 2009
Recording Data: Book, 1054; Page, 263 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000136-002
Acres: 0.607 acres
Lessor: Robert Boes
Lessee: Istrouma Resources, Inc.
Lease Date: November 12, 2009
Recording Data: Book, 1054; Page, 261 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000136-003
Acres: 0.607 acres
Lessor: Charlotte Ballard
Lessee: Istrouma Resources, Inc.
Lease Date: November 11, 2009
Recording Data: Book, 1054; Page, 257 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000136-004
Acres: 0.607 acres
Lessor: Jennifer Torabi
Lessee: Istrouma Resources, Inc.
Lease Date: November 16, 2009
Recording Data: Book, 1054; Page, 259

Lease No: TX-HSE-000136-005
Acres: 0.607 acres
Lessor: Clifford J. Saegert
Lessee: Istrouma Resources, Inc.
Lease Date: December 30, 2009
Recording Data: Book, 1066; Page, 271 (Affidavit and Notice of Oil and Gas Lease)

Lease No: TX-HSE-000136-006
Acres: 0.607 acres
Lessor: Laurene Boes
Lessee: Istrouma Resources, Inc.
Lease Date: November 4, 2009
Recording Data: Book, 1056; Page, 22 (Memorandum of Oil and Gas Lease)

Tract 7B:

Lease No: TX-HSE-000136-001
Acres: 29.658 acres
Lessor: Thomas Boes, et ux
Lessee: Istrouma Resources, Inc.
Lease Date: November 4, 2009
Recording Data: Book, 1054; Page, 263 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000136-002
Acres: 29.658 acres
Lessor: Robert Boes
Lessee: Istrouma Resources, Inc.
Lease Date: November 12, 2009
Recording Data: Book, 1054; Page, 261 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000136-003
Acres: 29.658 acres
Lessor: Charlotte Ballard
Lessee: Istrouma Resources, Inc.
Lease Date: November 11, 2009
Recording Data: Book, 1054; Page, 257 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000136-004
Acres: 29.658 acres
Lessor: Jennifer Torabi
Lessee: Istrouma Resources, Inc.
Lease Date: November 16, 2009
Recording Data: Book, 1054; Page, 259

Lease No: TX-HSE-000136-005
Acres: 29.658 acres
Lessor: Clifford J. Saegert
Lessee: Istrouma Resources, Inc.
Lease Date: December 30, 2009
Recording Data: Book, 1066; Page, 271 (Affidavit and Notice of Oil and Gas Lease)

Lease No: TX-HSE-000136-006
Acres: 29.658 acres
Lessor: Laurene Boes
Lessee: Istrouma Resources, Inc.
Lease Date: November 4, 2009
Recording Data: Book, 1056; Page, 22 (Memorandum of Oil and Gas Lease)

Tract 8:

Lease No: TX-HSE-000067-000
Acres: 39.709 acres
Lessor: Olivia D. Weiser Mize
Lessee: Istrouma Resources, Inc.
Lease Date: August 4, 2009
Recording Data: Book, 1049; Page, 419 (Memorandum of Oil and Gas Lease)

Tract 9A:

Lease No: TX-HSE-000061-000
Acres: 27.431 acres
Lessor: Edwin H. Schmidt and wife, Gertrud Schmidt
Lessee: Istrouma Resources, Inc.
Lease Date: July 21, 2009
Recording Data: Book, 1047; Page, 350 (Memorandum of Oil and Gas Lease)

Tract 9B:

Lease No: TX-HSE-000061-000
Acres: 48.405 acres
Lessor: Edwin H. Schmidt and wife, Gertrud Schmidt
Lessee: Istrouma Resources, Inc.
Lease Date: July 21, 2009
Recording Data: Book, 1047; Page, 350 (Memorandum of Oil and Gas Lease)

Tract 10:

Lease No: TX-HSE-000137-000
Acres: 36.202 acres
Lessor: Rosemary E. Kallinen, Individually and as Independent Executrix of the Estate of George Albert Richter
Lessee: Istrouma Resources, Inc.
Lease Date: October 29, 2009
Recording Data: Book, 1054; Page, 254 (Memorandum of Oil and Gas Lease)

Tract 11A:

Lease No: TX-HSE-000057-000
Acres: 33.417 acres
Lessor: Gertrude Schlabach, Individually and as Independent Executrix of the Estate of LeRoy Schlabach, deceased.
Lessee: Istrouma Resources, Inc.
Lease Date: June 23, 2009
Recording Data: Book, 1047; Page, 336 (Memorandum of Oil and Gas Lease)
Book, 1106; Page, 646 (Amendment and Ratification of Oil and Gas Lease)

Tract 11B:

Lease No: TX-HSE-000057-000
Acres: 1.951 acres
Lessor: Gertrude Schlabach, Individually and as Independent Executrix of the Estate of LeRoy Schlabach, deceased.
Lessee: Istrouma Resources, Inc.
Lease Date: June 23, 2009
Recording Data: Book, 1047; Page, 336 (Memorandum of Oil and Gas Lease)
Book, 1106; Page, 646 (Amendment and Ratification of Oil and Gas Lease)

Tract 11C:

Lease No: TX-HSE-000057-000
Acres: 0.393 acres
Lessor: Gertrude Schlabach, Individually and as Independent Executrix of the Estate of LeRoy Schlabach, deceased.
Lessee: Istrouma Resources, Inc.
Lease Date: June 23, 2009
Recording Data: Book, 1047; Page, 336 (Memorandum of Oil and Gas Lease)
Book, 1106; Page, 646 (Amendment and Ratification of Oil and Gas Lease)

Tract 12:

Lease No: TX-HSE-001231-000
Acres: 160.712 acres
Lessor: Dennis Walch, et ux
Lessee: Clayton Williams Energy, Inc.
Lease Date: September 17, 2008
Recording Data: Book, 1032; Page, 1054 (Oil, Gas and Mineral Lease)

Tract 13A:

Lease No: TX-HSE-000069-000
Acres: 4.980 acres
Lessor: Inez B. Gruetzner
Lessee: Istrouma Resources, Inc.
Lease Date: July 30, 2009
Recording Data: Book, 1049; Page, 425 (Memorandum of Oil and Gas Lease)

Tract 13B:

Lease No: TX-HSE-000069-000
Acres: 0.010 acres
Lessor: Inez B. Gruetzner
Lessee: Istrouma Resources, Inc.
Lease Date: July 30, 2009
Recording Data: Book, 1049; Page, 425 (Memorandum of Oil and Gas Lease)

Tract 13C:

Lease No: TX-HSE-000069-000
Acres: 1.147 acres
Lessor: Inez B. Gruetzner
Lessee: Istrouma Resources, Inc.
Lease Date: July 30, 2009
Recording Data: Book, 1049; Page, 425 (Memorandum of Oil and Gas Lease)

Tract 14A:

Lease No: TX-HSE-000077-000
Acres: 21.125 acres
Lessor: Larry Reue and wife, Laura Geraldine Reue
Lessee: Istrouma Resources, Inc.
Lease Date: August 31, 2009
Recording Data: Book, 1049; Page, 712 (Memorandum of Oil and Gas Lease)

Tract 14B:

Lease No: TX-HSE-000126-000
Acres: 2.335 acres
Lessor: Larry Reue and wife, Laura Geraldine Reue
Lessee: Istrouma Resources, Inc.
Lease Date: August 31, 2009
Recording Data: Book, 1051; Page, 934 (Memorandum of Oil and Gas Lease)

Tract 15A:

Lease No: TX-HSE-001608-000
Acres: 8.325 acres
Lessor: General Land Office of the State of Texas
Lessee: Venado Oil & Gas, LLC
Lease Date: February 5, 2013
Recording Data: Book, 1113; Page, 495 (Paid-Up Oil and Gas Lease)

Lease No: TX-HSE-001493-001
Acres: 8.325 acres
Lessor: Devon Energy Production Company, LP
Lessee: Venado Oil & Gas, LLC
Lease Date: November 12, 2012
Recording Data: Book, 1103; Page, 922 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000145-001
Acres: 8.325 acres
Lessor: Texas Osage Royalty Pool, Inc.
Lessee: EOG Resources, Inc.
Lease Date: January 22, 2010
Recording Data: Book, 1055; Page, 596 (Memorandum of Oil and Gas Lease)

Tract 15B:

Lease No: TX-HSE-001530-000
Acres: 9.159 acres
Lessor: General Land Office of the State of Texas
Lessee: Venado Oil & Gas, LLC
Lease Date: November 6, 2012
Recording Data: Book, 1107; Page, 24 (Paid-Up Oil and Gas Lease)

Tract 16A:

Lease No: TX-HSE-001609-000
Acres: 5.555 acres
Lessor: General Land Office of the State of Texas
Lessee: Venado Oil & Gas, LLC
Lease Date: April 3, 2013
Recording Data: Book, 1113; Page, 480 (Paid-Up Oil and Gas Lease)

Tract 16B:

Lease No: TX-HSE-001609-000
Acres: 1.198 acres
Lessor: General Land Office of the State of Texas
Lessee: Venado Oil & Gas, LLC
Lease Date: April 3, 2013
Recording Data: Book, 1113; Page, 480 (Paid-Up Oil and Gas Lease)

Lease No: TX-HSE-001493-001
Acres: 1.198 acres
Lessor: Devon Energy Production Company, LP
Lessee: Venado Oil & Gas, LLC
Lease Date: November 12, 2012
Recording Data: Book, 1103; Page, 922 (Memorandum of Oil and Gas Lease)

Lease No: TX-HSE-000145-001
Acres: 1.198 acres
Lessor: Texas Osage Royalty Pool, Inc.
Lessee: EOG Resources, Inc.
Lease Date: January 22, 2010
Recording Data: Book, 1055; Page, 596 (Memorandum of Oil and Gas Lease)

END OF EXHIBIT A

EXHIBIT "B"
ATTACHED TO AND MADE A PART OF
DECLARATION OF POOLED UNIT
EIGHT BALL UNIT
PAGE 1 of 8

STATE OF TEXAS

COUNTY OF LEE

VENADO OIL AND GAS
EIGHT BALL UNIT
DESCRIPTION

BEING 697.411 acres of land, part of the Abner Kuykendall Survey, Abstract 14, Lee County, Texas, and consisting of the following tracts:

Tract 1A: 35.902 acres being part of a 107-1/3 acre tract conveyed to Milton E. Frosch and wife, Violet R. Frosch by deed recorded in volume 841, page 755 of the Real Property Records of Lee County, Texas;

Tract 1B: 2.235 acres being part of a 107-1/3 acre tract conveyed to Milton E. Frosch and wife, Violet R. Frosch by deed recorded in volume 841, page 755 of the Real Property Records of Lee County, Texas;

Tract 1C: 0.110 acres being part of a 107-1/3 acre tract conveyed to Milton E. Frosch and wife, Violet R. Frosch by deed recorded in volume 841, page 755 of the Real Property Records of Lee County, Texas;

Tract 2: 2.475 acres being all of a 2.995 acre tract conveyed to Chris Boriack by deed recorded in volume 885, page 192 of the Real Property Records of Lee County, Texas;

Tract 3A: 50.209 acres being all of a 54.88 acre First Tract conveyed to Herman Kieschnick, et ux by deed recorded in volume 153, page 112, LESS a 4.00 acre tract conveyed to Cynthia Kieschnick by deed recorded in volume 320, page 169 all of the Deed Records of Lee County, Texas;

Tract 3B: 50.962 acres being all of a 55.06 acre Second Tract conveyed to Herman Kieschnick, et ux by deed recorded in volume 153, page 112, LESS a 4.00 acre tract conveyed to Donald Kieschnick by deed recorded in volume 320, page 163 all of the Deed Records of Lee County, Texas;

Tract 3C: 4.598 acres being all of the residue from a 136-5/8 acre tract conveyed to Herman Kieschnick by deed recorded in volume 31, page 528 of the Deed Records of Lee County, Texas;

Tract 4: 3.998 acres being all of a 4.00 acre tract conveyed to Cynthia Diane Kieschnick by deed recorded in volume 320, page 169 of the Deed Records of Lee County, Texas;

Tract 5: 4.020 acres being all of a 4.00 acre tract conveyed to Donald John Kieschnick by deed recorded in volume 320, page 163 of the Deed Records of Lee County, Texas;

Tract 6A: 6.386 acres being all of a 6.2 acre Ninth Tract conveyed to Patrick Ball, et al by deed recorded in volume 603, page 520 of the Real Property Records of Lee County, Texas;

Tract 6B: 2.407 acres being all of a 2-18/100 acre Seventh Tract conveyed to Patrick Ball, et al by deed recorded in volume 603, page 520 of the Real Property Records of Lee County, Texas;

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EXHIBIT "B"
ATTACHED TO AND MADE A PART OF
DECLARATION OF POOLED UNIT
EIGHT BALL UNIT
PAGE 2 of 8

Tract 6C: 0.878 acres being a part of that 15.26 acre Sixth Tract conveyed to Patrick Ball, et al by deed Recorded in volume 603, page 520 of the Real Property Records of Lee County, Texas;

Tract 6D: 6.553 acres being a part of that 15.26 acre Sixth Tract conveyed to Patrick Ball, et al by deed Recorded in volume 603, page 520 of the Real Property Records of Lee County, Texas;

Tract 6E: 41.775 acres being a part of the residue from a 119.82 acre First Tract conveyed to Patrick Ball, et al by deed recorded in volume 603, page 320 of the Real Property Records of Lee County, Texas;

Tract 6F: 16.534 acres being a part of a 37.543 acre Eleventh Tract conveyed to Patrick Ball, et al by deed recorded in volume 603, page 320 of the Real Property Records of Lee County, Texas;

Tract 6G: 2.333 acres being all of a 2.299 acre Twelfth Tract conveyed to Patrick Ball, et al by deed recorded in volume 603, page 320 of the Real Property Records of Lee County, Texas;

Tract 6H: 30.577 acres being a part of a 126 acre Fifth Tract conveyed to Patrick Ball, et al by deed recorded in volume 603, page 320 of the Real Property Records of Lee County, Texas;

Tract 6I: 0.874 acres being a part of a 8-8/10 acre Eighth Tract conveyed to Patrick Ball, et al by deed recorded in volume 603, page 320 of the Real Property Records of Lee County, Texas;

Tract 6J: 2.266 acres being a part of a 6.269 acre Tenth Tract conveyed to Patrick Ball, et al by deed recorded in volume 603, page 320 of the Real Property Records of Lee County, Texas;

Tract 7A: 0.607 acres being a part of a 111 acre tract conveyed to Gladys Saegert, et al by deed recorded in volume 225, page 433 of the Deed Records of Lee County, Texas;

Tract 7B: 29.658 acres being a part of a 111 acre tract conveyed to Gladys Saegert, et al by deed recorded in volume 225, page 433 of the Deed Records of Lee County, Texas;

Tract 8: 39.709 acres being a part of an 85 acre tract conveyed to Olivia Weiser, et vir by deed recorded in volume 148, page 363 of the Deed Records of Lee County, Texas;

Tract 9A: 27.431 acres being a part of a 36.083 acre Tract One conveyed to Edwin Schmidt, et ux by deed recorded in volume 369, page 870 of the Deed Records of Lee County, Texas;

Tract 9B: 48.405 acres being all of a 48.478 acre Tract Two conveyed to Edwin Schmidt, et ux by deed recorded in volume 369, page 870 of the Deed Records of Lee County, Texas;

Tract 10: 36.202 acres being a part of a 40-1/4 acre tract partially conveyed to Ester Mae Zindler Richter by deed recorded in volume 622, page 525 of the Real Property Records of Lee County, Texas;

Tract 11A: 33.417 acres being a part of a 59-1/2 acre First Tract conveyed to Gertrude Schlabach by deed recorded in volume 126, page 440 of the Deed Records of Lee County, Texas;

EXHIBIT "B"
ATTACHED TO AND MADE A PART OF
DECLARATION OF POOLED UNIT
EIGHT BALL UNIT
PAGE 3 of 8

Tract 11B: 1.951 acres being all of a 2.00 acre tract conveyed to Getrude Schlabach by deed recorded in volume 852, page 619 of the Real Property Records of Lee County, Texas;

Tract 11C: 0.393 acres being a part of a 59-1/2 acre First Tract conveyed to Getrude Schlabach by deed recorded in volume 126, page 440 of the Deed Records of Lee County, Texas;

Tract 12: 160.712 acres being all of a 112.924 acre Tract One and part of a 32.285 acre Tract Three conveyed to Dennis Walch, et ux by deed recorded in volume 853, page 540, part of a 27.01 acre Tract One conveyed to Dennis Walch, et ux by deed recorded in volume 776, page 92 and a part of a 13.54 acre tract conveyed to Dennis Walch, et ux by deed recorded in volume 596, page 809 all of the Real Property Records of Lee County, Texas;

Tract 13A: 4.980 acres being a part of a 55 acre (LESS 2.06 acres) conveyed to Gilbert Gruetzner, et ux by deed recorded in volume 193, page 222 of the Deed Records of Lee County, Texas;

Tract 13B: 0.010 acres being a part of a 55 acre (LESS 2.06 acres) conveyed to Gilbert Gruetzner, et ux by deed recorded in volume 193, page 222 of the Deed Records of Lee County, Texas;

Tract 13C: 1.147 acres being a part of a 55 acre (LESS 2.06 acres) conveyed to Gilbert Gruetzner, et ux by deed recorded in volume 193, page 222 of the Deed Records of Lee County, Texas;

Tract 14A: 21.125 acres being all of a 21.127 acre tract conveyed to Laura Reuc by deed recorded in volume 861, page 508 of the Real Property Records of Lee County, Texas;

Tract 14B: 2.335 acres being all of a 2.328 acre tract conveyed to Larry Reuc, et ux by deed recorded in volume 543, page 589 of the Real Property Records of Lee County, Texas;

Tract 15A: 8.325 acres being all of a 8.35 acre tract conveyed to the State of Texas by deed recorded in volume 64, page 93 of the Deed Records of Lee County, Texas;

Tract 15B: 9.159 acres being all of a 3.28 acre tract conveyed to the State of Texas by deed recorded in volume 64, page 92, part of a 5.64 acre tract conveyed to the State of Texas by deed recorded in volume 64, page 90 and part of a 2.06 acre tract conveyed to the State of Texas by deed recorded in volume 64, page 89 all of the Deed Records of Lee County, Texas;

Tract 16A: 5.555 acres being part of a called 3.00 acre tract conveyed to the State Highway Commission by deed recorded in volume 61, page 611, part of a called 7.50 acre tract conveyed to the State Highway Commission by deed recorded in volume 62, page 57 and all of a called 1.76 acre tract conveyed to the State Highway Commission by deed recorded in volume 63, page 66 all of the Deed Records of Lee County, Texas;

Tract 16B: 1.198 acres being all of a called 1.30 acre tract conveyed to the State Highway Commission by deed recorded in volume 61, page 609 of the Deed Records of Lee County, Texas;

Said **697.411 acre** unit being more particularly described as follows:

BEGINNING at a 1/2 inch iron rod with cap marked "1815" found in the West line of said 119.82 acre Ball tract, for the Southerly Northeast corner of said 55.06 acre

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EXHIBIT "B"
ATTACHED TO AND MADE A PART OF
DECLARATION OF POOLED UNIT
EIGHT BALL UNIT
PAGE 4 of 8

Kieschnick tract, the Southeast corner of said 6.2 acre Ball tract and for an interior corner hereof;

THENCE across said 119.82 acre Ball tract, **South 39 deg. 33 min. 05 sec. East** at 2725.91 feet passing the Westerly North line of said 37.543 acre Ball tract, the South line of said 119.82 acre Ball tract and continuing across said 37.543 acre Ball tract a total distance of **3826.87 feet** to a ½ inch rebar with cap marked "1815" found for the Northerly Northeast corner of said 112.924 acre Walch tract, an interior corner of said 37.543 acre Ball tract and for an angle corner hereof;

THENCE with Southwesterly lines of said 37.543 acre Ball tract, Northeasterly lines of said 112.924 acre Walch tract as follows:

South 49 deg. 04 min. 17 sec. East 153.26 feet to a 3/8 inch rebar found;

South 33 deg. 35 min. 44 sec. East 277.78 feet to a ½ inch rebar with cap marked "1815" and

South 72 deg. 13 min. 40 sec. East 341.22 feet to a ¾ inch pipe found in the West line of said 126 acre Ball tract, for a Northeast corner of said 112.924 acre Walch tract, the Southeast corner of said 37.543 acre Ball tract and for a Northeast corner hereof;

THENCE with the West line of said 126 acre Ball tract, the Northerly East line of said 112.924 acre Walch tract, **South 08 deg. 33 min. 05 sec. West 169.01 feet** to a point for an interior corner hereof;

THENCE across said 126 acre Ball tract, **South 39 deg. 33 min. 05 sec. East 1340.38 feet** to a point in a Northwest line of a 167.336 acre tract conveyed to Freddie Drosche by deed recorded in volume 312, page 300, the Southeast line of said 126 acre Ball tract and for the Northerly East corner hereof;

THENCE with said Northwest line of said 167.336 acre Drosche tract, the Southeast line of said 126 acre Ball tract, **South 21 deg. 21 min. 24 sec. West 826.83 feet** to a ½ inch rebar found for the Northerly Northwest corner of said 8-8/10 acre Ball tract, the Northerly Southwest corner of said 167.336 acre Drosche tract and for an interior corner hereof;

THENCE with the Northerly South line of said 167.336 acre Drosche tract, the Northerly North line of said 8-8/10 acre Ball tract, **South 84 deg. 13 min. 31 sec. East 331.59 feet** to a point for a Northeast corner hereof; said point bears North 84 deg. 13 min. 31 sec. West 988.64 feet from a 1 inch pipe found for an interior corner of said 167.336 acre Drosche tract, the Northeast corner of said 8-8/10 acre Ball tract and for reference hereof;

THENCE across said 8-8/10 acre Ball tract, **South 05 deg. 46 min. 29 sec. West 109.51 feet** to a ½ inch rebar with cap marked "1815" found for the Northwest corner of a 1.904 acre tract conveyed to Karen Ray by deed recorded in volume 876, page 849, the Northeast corner of the West part of said 6.296 acre Ball tract and for an angle corner hereof;

THENCE with the West line of said 1.904 acre Ray tract, the East line of said West part of said 6.296 acre Ball tract, **South 17 deg. 44 min. 50 sec. West 274.64 feet** to a ½ inch rebar with cap marked "1815" found for the Northeast corner of a 11.735 acre tract conveyed to Michael Matthijetz by deed recorded in volume 853, page 474, an angle corner of said 1.904 acre Ray tract, the Southeast corner of said West part of said 6.296 acre Ball tract and for a Southeast corner hereof;

THENCE with the North line of said 11.735 acre Matthijetz tract, the South line of said West part of said 6.296 acre Ball tract, **North 83 deg. 33 min. 15 sec. West 226.15 feet** to a ½ inch rebar with cap marked "1815" found for the Northeast corner of said 21.127 acre Reue tract, the Northwest corner of said 11.715 acre Matthijetz tract and for an interior corner hereof;

EXHIBIT "B"
ATTACHED TO AND MADE A PART OF
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EIGHT BALL UNIT
PAGE 5 of 8

THENCE with the Northwest line of said 11.735 acre Matthijetz tract, the Northerly Southeast line of said 21.127 acre Reue tract, **South 28 deg. 39 min. 21 sec. West 401.50 feet** to a ½ inch rebar with cap marked "1815" found for an angle corner of said 21.127 acre Reue tract and said 11.735 acre Matthijetz tract and for an angle corner hereof;

THENCE with the West line of said 11.735 acre Matthijetz tract, an East line of said 21.127 acre Reue tract, **South 04 deg. 59 min. 56 sec. West 1091.48 feet** to a ½ inch rebar with cap marked "1815" found for the Westerly Southwest corner of said 11.735 acre Matthijetz tract, an interior corner of said 21.127 acre Reue tract and for an interior corner hereof;

THENCE with South lines of said 11.735 acre Matthijetz tract, Southerly North lines of said 21.127 acre Reue tract, **South 81 deg. 53 min. 58 sec. East 200.79 feet** to a ½ inch rebar with cap marked "1815" found and **South 34 deg. 56 min. 18 sec. East 19.87 feet** to a point within the margins of Lee County Road 135 for the Northwest corner of a 6.98 acre tract conveyed to Landis Lehmann, et ux by deed recorded in volume 895, page 138, the Southerly Southwest corner of said 11.735 acre Matthijetz tract, a Northeast corner 21.127 acre Reue tract and for a Northeast corner hereof;

THENCE within the margins of said Lee County Road 135, with the West line of said 6.98 acre Lehmann tract, the Southerly East line of said 21.127 acre Reue tract, **South 07 deg. 21 min. 23 sec. West 87.81 feet** to a point for the Northeast corner of a 2.00 acre tract conveyed to Mark Matthijetz, et ux by deed recorded in volume 853, page 817, the Southerly Southeast corner of said 21.127 acre Reue tract and for the Southerly Southeast corner hereof;

THENCE continuing within the margins of said Lee County Road 135, with the North line of said 2.00 acre Matthijetz tract, the Southerly South line of said 21.127 acre Reue tract, **North 82 deg. 38 min. 37 sec. West 9.03 feet** to a ½ inch rebar with cap marked "1815" found in the West margin of said Lee County Road 135 and continuing with said line, **North 84 deg. 41 min. 29 sec. West** at 617.30 feet passing a point for the Westerly Northeast corner of a 5.00 acre tract conveyed to Mark Matthijetz by deed recorded in volume 852, page 623, the Northwest corner of said 2.00 acre Matthijetz tract and continuing with the Northerly North line of said 5.00 acre Matthijetz tract a total distance of **933.77 feet** to a ½ inch rebar with cap marked "1815" found in the Southerly East line of said 32.285 acre Walch tract, for the Northwest corner of said 5.00 acre Matthijetz, the Southerly Southwest corner of said 21.127 acre Reue tract and for the Southerly Southwest corner hereof;

THENCE with the Southerly East line of said 32.285 acre Walch tract, the West line of said 21.127 acre Reue tract, **North 06 deg. 55 min. 07 sec. East 23.79 feet** to a point for an interior corner hereof;

THENCE across said 32.285 acre Walch tract, **North 50 deg. 00 min. 00 sec. West** at 812.78 feet passing a Southeast line of said 27.01 acre Walch tract, a Northwest line of said 32.285 acre Walch tract and continuing across said 27.01 acre Walch tract at 1098.36 feet passing the East line of said 13.54 acre Walch tract, the Southerly West line of said 27.01 acre Walch tract, at 1753.53 feet passing a South line of said 27.01 acre Walch tract, the North line of said 13.54 acre Walch tract, at 1898.45 feet passing the Southerly East line of said 59-1/2 acre Schlabach tract, a West line of said 27.01 acre Walch tract, said point bears **South 07 deg. 59 min. 19 sec. West 147.12 feet** from a ½ inch rebar found for an interior corner of said 27.01 acre Walch tract, the Southerly Northeast corner of said 59-1/2 acre Schlabach tract, and continuing across said 27.01 acre Walch tract at 2361.74 feet passing the Northerly East line of said 59-1/2 acre Schlabach tract, the Northerly West line of said 27.01 acre Walch tract, said point bears **North 07 deg. 40 min. 01 sec. East 101.10 feet** from 10 inch treated corner post and continuing across said 59-1/2 acre Schlabach tract at 2840.81 feet passing the East line of said 40-1/4 acre Richter tract,

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the Northerly West line of said 59-1/2 acre Schlabach tract and continuing across said 40-1/4 acre Richter tract at 3409.63 feet passing the Southerly East line of said 55 acre Gruetzner tract, the West line of said 40-1/4 acre Richter tract, said point bears North 06 deg. 36 min. 16 sec. West 461.63 feet from a 5 inch cedar corner post and continuing across said 55 acre Gruetzner tract at 3695.62 feet passing the Northeast margin of US Highway 77, the Northeast line of said 2.06 acre State of Texas Tract and continuing across said US Highway 77 and said 2.06 acre tract at 3867.95 feet passing the Southwest margin of US Highway 77, the Southwest line of said 2.06 acre tract and continuing across said 55 acre Gruetzner tract at 3917.51 feet passing the South margin of said US Highway 77, the South line of said 5.64 acre State of Texas Tract, the Easterly North line of said 55 acre Gruetzner tract, and continuing across said US Highway 77 and said 5.64 acre tract at 3936.88 feet passing the Southwest margin of said US Highway 77, the Southwest line of said 5.64 acre tract, the Southerly Northeast line of said 36.083 acre Schmidt tract, said point bears North 12 deg. 28 min. 11 sec. West 11.13 feet from a concrete right of way marker found and continuing across said Schmidt tract at 5207.57 feet passing an East line of said 55 acre Gruetzner tract, the Southerly West line of said Schmidt tract, said point bears South 06 deg. 20 min. 23 sec. West 130.74 feet from a cross tie corner post found for a Northeast corner of said 55 acre Gruetzner tract, an interior corner of said 36.083 acre Schmidt tract and continuing across said 55 acre Gruetzner tract at 5969.40 feet passing the Southerly East line of said 85 acre Weiser tract, the Northerly West line of said 55 acre Gruetzner tract, said point bears South 07 deg. 27 min. 30 sec. West 243.02 feet from a point in the approximate center of West Yegua for the Northwest corner of said 55 acre Gruetzner tract, an interior corner of said 85 acre Weiser tract and also bears South 07 deg. 27 min. 30 sec. West 182.17 feet from a 16 inch pecan tree and continuing across said 85 acre Weiser tract at 7060.29 feet passing a Southeast line of said 111 acre Boes tract, the Southerly Northwest line of said 85 acre Weiser tract, said point bears South 47 deg. 16 min. 47 sec. West 144.75 feet from a 42 inch pecan tree found for an interior corner of said 111 acre Boes tract, a Northwest corner of said 85 acre Weiser tract and continuing across said 111 acre Boes tract at 8009.57 feet passing the Southeast line of said 1.76 acre State Highway Commission tract, a Northwest line of said 111 acre Boes tract and continuing across said 1.76 acre tract at 8183.26 feet passing the Northwest line of said 1.76 acre tract, the Southeast line of said 107-1/3 acre Frosch tract a total distance of **9047.33 feet** to a point for the West corner hereof;

THENCE continuing across said 107-1/3 acre Frosch tract, **North 40 deg. 00 min. 00 sec. East** at 2685.34 feet passing the West line of said 3.00 acre State Highway Commission tract and continuing a total distance of **2730.58 feet** to a 1/2 inch rebar found in the South line of the R. Stoelke Survey, Abstract 281, the North line of said Kuykendall Survey, the North line of said 3.00 acre State Highway Commission tract, for the Northwest corner of said 1.30 acre State Highway Commission tract and for the Northwest corner hereof;

THENCE with the South line of said Stoelke Survey, the North line of said Kuykendall Survey, the North line of said 3.00 acre State Highway Commission tract, **South 82 deg. 59 min. 39 sec. East** at 78.15 feet passing a point for the Northeast corner of said 3.00 acre State Highway Commission tract, the Southwest corner of a 11.753 acre tract conveyed to Carol Meadows, et al by deed recorded in volume 825, page 692, the North line of said 2.996 acre Boriack tract and continuing with the South line of said 11.753 acre Meadows tract, the Northwest corner of said 2.996 acre Boriack tract at 377.74 feet passing a point for the Northwest corner of the residue from said 136-5/8 acre Kieschnick tract, the Northeast corner of said 2.996 acre Boriack tract, said point bears South 07 deg. 16 min. 50 sec. East 0.44 feet from a 5/8 inch rebar with cap marked "4428" found for reference and continuing with the North line of said 136-5/8 acre Kieschnick tract a total distance of **840.34 feet** to a 1/2 inch rebar found in the West margin of said US Highway 77, for the Southwest corner of a 2.59 acre tract conveyed to the State of Texas by deed recorded in volume 64, page 123, the Northwest corner of said 8.35 acre State of Texas tract and for an angle corner hereof;

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EIGHT BALL UNIT
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THENCE continuing with the South line of said Staelke Survey, the North line of said Kuykendall Survey, across said US Highway 77, with the South line of said 2.59 acre State of Texas tract, the North line of said 8.35 acre State of Texas tract, **South 85 deg. 08 min. 14 sec. East 106.01 feet** to a point in the East margin of said US Highway 77, for the Northwest corner of said 4.00 acre Donald Kieschnick tract, the Southwest corner of the residue from a 160 acre Third Tract conveyed to Patrick Ball, et al by deed recorded in volume 603, page 520, the Southeast corner of said 2.59 acre State of Texas tract, the Northeast corner of said 8.35 acre State of Texas tract and for an angle corner hereof;

THENCE continuing with the South line of said Staelke Survey, the North line of said Kuykendall Survey, with the South line of said 160 acre Ball tract, the North line of said 4.00 acre Donald Kieschnick tract, **South 82 deg. 34 min. 34 sec. East 456.33 feet** to a ½ inch rebar found for the Northwest corner of said 6.2 acre Ball tract, the Northeast corner of said 4.00 acre Donald Kieschnick tract and continuing with the North line of said 6.2 acre Ball tract, **South 83 deg. 22 min. 56 sec. East 1290.20 feet** to a point for the Northwest corner of said 119.82 acre Ball tract, the Northeast corner of said 6.2 acre Ball tract and for the Northerly Northeast corner hereof;

THENCE with the West line of said 119.82 acre Ball tract, the East line of said said 6.2 acre Ball tract, **South 06 deg. 13 min. 21 sec. West 394.44 feet** to the **PLACE OF BEGINNING** and containing **697.411** acres of land.

Bearings and distances are Grid, NAD 83, Texas State Plane Coordinate System, Central Zone. Reference is hereby made to a plat attached hereto and made a part hereof.

I hereby certify that this description is an accurate representation of an on the ground survey completed in January, 2013.




William E. Weiser
Professional Land Surveyor
Number 4428
Date of Signature: 5-9-2013

2 E 9 9 d E 1 1 1 7 0 A

05/10/2013 at 11:26 AM
2013-01790
FILED FOR RECORD
SHARON BLASIG
COUNTY CLERK
LEE COUNTY, TX

EXHIBIT "B"
ATTACHED TO AND MADE A PART OF
DECLARATION OF POOLED UNIT
Eight Ball Unit
PAGE 8 OF 8

Lee County, Texas

R. Stoelke A - 281
Abner Kuykendall A - 14

697.411
Acre Unit

The acreages shown above within the outlined unit are deed acres and do not reflect the actual surveyed unit acreages. The table below shows the actual surveyed unit acreages.

Tract	Lessor	Lease	Deed	Acreage
1A	Milton E. Frasch et ux	1047/334	841/755	35,902 Acres
1B	Milton E. Frasch et ux	1047/334	841/755	2,235 Acres
1C	Milton E. Frasch et ux	1047/334	841/755	0.110 Acres
2	Chris Barlock et ux	TO 1057/986	885/192	2,475 Acres
3A	Adeline Kleschnick	TO 1049/415	153/112	50,209 Acres
3B	Adeline Kleschnick	TO 1049/415	153/112	50,982 Acres
3C	Adeline Kleschnick	TO 31/528	31/528	4,598 Acres
4	Cynthia Kleschnick Barlock	TO 1051/935	320/169	3,998 Acres
5	Donald John Kleschnick et ux	TO 1051/937	320/163	4,020 Acres
5A	Patricia Ball	TO 1050/854	603/320	6,385 Acres
5B	Patricia Ball	TO 1050/854	603/320	2,407 Acres
5C	Patricia Ball	TO 1050/854	603/320	0,878 Acres
5D	Patricia Ball	TO 1050/854	603/320	8,553 Acres
5E	Patricia Ball	TO 1050/854	603/320	30,577 Acres
5F	Patricia Ball	TO 1050/854	603/320	16,534 Acres
5G	Patricia Ball	TO 1050/854	603/320	2,333 Acres
5H	Patricia Ball	TO 1050/854	603/320	0,874 Acres
5I	Patricia Ball	TO 1050/854	603/320	2,265 Acres
7A	Laurene Bore	1058/22	225/433	0,607 Acres
7B	Laurene Bore	1058/22	225/433	29,658 Acres
8	Olivia D. Welser Mize	1049/418	148/363	39,709 Acres
9A	Edwin H. Schmidt et ux	1047/350	369/870	27,431 Acres
9B	Edwin H. Schmidt et ux	1047/350	369/870	48,405 Acres
10	Rosamary E. Kallinen	1054/254	622/525	36,202 Acres
11A	Gertrude Schlabach	1047/335	126/440	33,417 Acres
11B	Gertrude Schlabach	1047/335	126/440	1,951 Acres
11C	Gertrude Schlabach	1047/335	126/440	0,393 Acres
12	Dennis Welch et ux	1032/1054	776/92	180,712 Acres
13A	Inez B. Gruetznier	1049/425	193/222	4,980 Acres
13B	Inez B. Gruetznier	1049/425	193/222	0,010 Acres
13C	Inez B. Gruetznier	1049/425	193/222	1,147 Acres
14A	Larry Reue et ux	1049/712	861/508	21,125 Acres
14B	Larry Reue et ux	1051/334	543/589	2,335 Acres
15A	State of Texas (US Hwy 77)	TO	64/93	8,325 Acres
15B	State of Texas (US Hwy 77)	TO	64/92, 64/90, 64/89	9,159 Acres
16A	State of Texas (SH 21)	TO	61/611	5,550 Acres
16B	State of Texas (SH 21)	TO	62/57, 63/88	1,198 Acres
16C	State of Texas (SH 21)	TO	61/609	1,198 Acres
			Total	697,411 Acres

GRAPHIC SCALE



(IN FEET)
1 inch = 1000 ft.



Staked in January 2013.

William E. Weiser
Professional Land Surveyor
Number 4428

1. Bearings are Grid, NAD 83.
2. Title information provided by Vanado Oil and Gas Austin, Texas

Venado Oil and Gas

Eight Ball Unit

697.411 Acre Unit

Prepared By Weiser Becker Surveyors, P.C.
P.O. Box 706 Giddings, Texas 78942 979-542-4444

Drawn By: kb Date: 1-29-13 Scale: 1" = 1000' Book: Rev: 2 Revised: 2-25-13 Cwg: # 6016 697 ac unit rev W.O. # 5015

LINE	BEARING	LENGTH
L1	S39°13'06"E	3825.87
L2	S49°04'17"E	153.25
L3	S33°16'44"E	277.78
L4	S72°13'40"E	341.22
L5	S08°13'05"W	169.01
L6	S39°13'05"E	1340.38
L7	S2°21'24"W	826.83
L8	S84°13'31"E	331.59
L9	S05°46'29"W	109.51
L10	S17°44'50"W	274.64
L11	N83°33'15"W	225.15
L12	S28°39'21"W	401.50
L13	S04°58'56"W	1091.48
L14	S81°53'58"E	200.79
L15	S34°56'18"E	19.87
L16	S07°21'23"W	87.81
L17	N82°38'37"W	9.03
L18	N84°41'29"W	933.77
L19	N06°55'07"E	23.79
L20	N50°00'00"W	9047.33
L21	N40°00'00"E	2730.58
L22	S82°59'39"E	840.34
L23	S85°08'14"E	106.01
L24	S82°34'34"E	456.33
L25	S83°22'56"E	1290.20
L26	S06°13'21"W	364.44

RECORDER'S NOTE

All or part of the text on this page was not clearly legible when presented for recordation



DIVISION ORDER

To: Venado Oil & Gas, LLC
Attn: Kimberly Dickerman
12600 Hill Country Blvd
Bldg R, Suite 250
Austin, TX 78738
512/7359000

Date: July 16, 2013
Effective Date: July 12, 2013

The undersigned severally and not jointly certifies it is the legal owner of the interest set out below of all the oil, gas, condensate, casinghead gas and other hydrocarbons produced from the property described below:

Owner Name/Address

State of Texas
1700 N. Congress
Austin TX 78701

Owner: TEX0003
Tax Id:

PROPERTY	PROPERTY NAME	COUNTY/PARISH	ST	LEGAL DESCRIPTION	REVENUE INTEREST	INT TYPE	PROD
100012-0002	Eight Ball Unit 2H OPERATOR: Venado Oil & Gas, LLC	LEE	TX	697.411 acre Unit as described in Dec of Pooled Unit, Vol. 1113 Pg 604	0.00632471	RI	ALL

THIS AGREEMENT DOES NOT AMEND ANY LEASE OR OPERATING AGREEMENT BETWEEN THE INTEREST OWNERS AND THE LESSEE OR OPERATOR OR ANY OTHER CONTRACTS FOR THE PURCHASE OF OIL OR GAS.

The following provisions apply to each interest owner ("owner") who executes this agreement:

The undersigned will be paid in accordance with the division of interests set out above. The payor shall pay all parties at the price agreed to by the operator for oil, gas, condensate, casinghead gas and other hydrocarbons to be sold pursuant to this division order. Purchaser shall compute quantity and make corrections for gravity and temperature and make deductions for impurities.

From the effective date, payment is to be made monthly by payor's check, based on this division of interest for oil during the preceding calendar month from the property listed above, less taxes required by law to be deducted and remitted by payor as purchaser. Payments of less than \$100 may be accrued before disbursement until the total amount equals \$100 or more, or until 12 months proceeds accumulate, whichever occurs first. Payee agrees to refund to payor any amounts attributable to an interest or part of an interest that payee does not own.

The owner agrees to indemnify and hold payor harmless from all liability resulting from payments made to the owner in accordance with such division of interest, including but not limited to attorney fees or judgments in connection with any suit that affects the owner's interest to which payor is made a party.

In the event of a claim or dispute that affects title to the division of interest credited herein, payor is authorized to withhold payments accruing to such interest, without interest unless otherwise required by applicable statute, until the claim or dispute is settled.

The owner agrees to notify payor in writing of any change in the division of interest, including changes of interest contingent on payment of money or expiration of time.

In addition to the legal rights provided by the terms and provisions of this division order, an owner may have certain statutory rights under the laws of this state.

IMPORTANT: TO AVOID DELAY IN PAYMENT, YOUR SOCIAL SECURITY NUMBER OR TAX IDENTIFICATION NUMBER MUST BE SHOWN BELOW. FAILURE TO FURNISH YOUR SOCIAL SECURITY OR TAX IDENTIFICATION NUMBER WILL RESULT IN 35% WITHHOLDING TAX IN ACCORDANCE WITH FEDERAL LAW AND ANY TAX WITHHELD WILL NOT BE REFUNDABLE BY PAYOR. BE SURE YOUR CORRECT ADDRESS IS SHOWN.

OWNERS SIGN HERE

TAX ID/SOCIAL SECURITY NO.

Daytime phone: _____ Email: _____

Fax: _____

INTEREST/FUNDS RELEASED FOR PAYMENT BY _____ DATE: _____ VERIFIED BY: _____ DATE: _____

From: Zak Coppinger <zcoppinger@vogllc.com>
To: "Beverly.Boyd@GLO.TEXAS.GOV" <Beverly.Boyd@GLO.TEXAS.GOV>
Date: 7/30/2013 9:08 AM
Subject: Eight Ball Unit- Venado Oil and Gas- Lee County, TX
Attachments: Eight Ball Unit- GLO division order sheet.pdf; Declaration of Pooled Unit - Eight Ball Unit Rec'd.pdf

Beverly,

You previously spoke to my co-worker Kimberly Dickerman about the Eight Ball Unit Division Order.

I have filled out and attached a copy of the GLO's form as well as the Declaration of Pooled Unit.

The Railroad Commission's leased number for the Eight Ball Unit is 10516, located in Lee County, Texas.

Please let me know if you need anything else!

Thanks,

--
Zak Coppinger, RPL

Landman
Venado Oil & Gas, LLC
12600 Hill Country Blvd.
Building R, Suite 250
Austin, TX 78738

(512) 735-9000<tel:%28512%29%20735-9000> Main
(512) 735-9024<tel:%28512%29%20735-9010> Direct
(512) 735-9010<tel:%28512%29%20735-9010> Fax
(512) 638-0579<tel:%28512%29%20735-9010> Cell
zcoppinger@vogllc.com<mailto:zcoppinger@vogllc.com>
[Description: Description: cid:image001.jpg@01CBD721.B8CA4F30]

*Susan, Please Add this
company to the Ban
Table*

*Thanks
Ron L*

NO Ban Table Entry for co.

8-15-13

16

File No: MF-13859
Writ Agreement

Date Filed: 10-22-13
Jerry E. Patterson, Commissioner

By JP



12600 Hill Country Blvd. • Building R, Suite 250 • Austin, TX 78738 • (512) 735-9000 Direct • (512) 735-9010 Fax

January 17, 2014

General Land Office of the State of Texas
1700 North Congress
Austin, TX 78701
TX-HSE-001608-000
TX-HSE-001530-000
TX-HSE-001609-000

RE: Eight Ball 697.411 Acre Unit; Eight Ball 3TH - Division Order
Horseshoe Prospect
Lee County, Texas

Dear Sir or Madam,

Venado Oil & Gas, LLC ("VOG") is currently operating a producing well on the Eight Ball 697.411 Acre Unit, as described by Declaration of Pooled Unit recorded in Volume 1113, Page 604 of the Real Property Records of Lee County, Texas. In order to distribute your portion of the proceeds from the sale of oil, gas and/or associated hydrocarbons, in the above referenced unit, VOG requests that you sign the enclosed Division Order form confirming your royalty interest in the Eight Ball Unit; and then return the signed original to the address in the letterhead to attention: Zak Coppinger.

If you have any questions, please contact me directly at 512-735-9024.

Best Regards,

VENADO OIL & GAS, LLC

Zak Coppinger
Landman

Enclosure

MF114763



DIVISION ORDER

To: Venado Oil & Gas, LLC
Attn: Zak Coppinger
12600 Hill Country Blvd
Bldg R, Suite 250
Austin, TX 78738
512/7359000

Date: January 15, 2014
Effective Date: May 2, 2013

The undersigned severally and not jointly certifies it is the legal owner of the interest set out below of all the oil, gas, condensate, casinghead gas and other hydrocarbons produced from the property described below:

Owner Name/Address

General Land Office of the
State of Texas
1700 North Congress
Austin TX 78701

Owner: TEX0009
Tax Id:

PROPERTY	PROPERTY NAME	COUNTY/PARISH	ST	LEGAL DESCRIPTION	REVENUE INTEREST	INT TYPE	PROD
10002-0003	Eight Ball Unit 3TH OPERATOR: Venado Oil & Gas, LLC	LEE	TX		0.00632471	RI	ALL

THIS AGREEMENT DOES NOT AMEND ANY LEASE OR OPERATING AGREEMENT BETWEEN THE INTEREST OWNERS AND THE LESSEE OR OPERATOR OR ANY OTHER CONTRACTS FOR THE PURCHASE OF OIL OR GAS.

The following provisions apply to each interest owner ("owner") who executes this agreement:

The undersigned will be paid in accordance with the division of interests set out above. The payor shall pay all parties at the price agreed to by the operator for oil, gas, condensate, casinghead gas and other hydrocarbons to be sold pursuant to this division order. Purchaser shall compute quantity and make corrections for gravity and temperature and make deductions for impurities.

From the effective date, payment is to be made monthly by payor's check, based on this division of interest for oil during the preceding calendar month from the property listed above, less taxes required by law to be deducted and remitted by payor as purchaser. Payments of less than \$100 may be accrued before disbursement until the total amount equals \$100 or more, or until 12 months proceeds accumulate, whichever occurs first. Payee agrees to refund to payor any amounts attributable to an interest or part of an interest that payee does not own.

The owner agrees to indemnify and hold payor harmless from all liability resulting from payments made to the owner in accordance with such division of interest, including but not limited to attorney fees or judgments in connection with any suit that affects the owner's interest to which payor is made a party.

In the event of a claim or dispute that affects title to the division of interest credited herein, payor is authorized to withhold payments accruing to such interest, without interest unless otherwise required by applicable statute, until the claim or dispute is settled.

The owner agrees to notify payor in writing of any change in the division of interest, including changes of interest contingent on payment of money or expiration of time.

In addition to the legal rights provided by the terms and provisions of this division order, an owner may have certain statutory rights under the laws of this state.

IMPORTANT: TO AVOID DELAY IN PAYMENT, YOUR SOCIAL SECURITY NUMBER OR TAX IDENTIFICATION NUMBER MUST BE SHOWN BELOW. FAILURE TO FURNISH YOUR SOCIAL SECURITY OR TAX IDENTIFICATION NUMBER WILL RESULT IN 35% WITHHOLDING TAX IN ACCORDANCE WITH FEDERAL LAW AND ANY TAX WITHHELD WILL NOT BE REFUNDABLE BY PAYOR. BE SURE YOUR CORRECT ADDRESS IS SHOWN.

OWNERS SIGN HERE

TAX ID/SOCIAL SECURITY NO.

_____	_____
_____	_____
_____	_____

Daytime phone: _____ Email: _____

Fax: _____

INTEREST/FUNDS RELEASED FOR PAYMENT BY _____ DATE: _____ VERIFIED BY: _____ DATE: _____

41721

File No. MF 114763
Division Order

Date Filed: 1/27/14
Jerry Patterson, Commissioner

By EA

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