

RELINQUISHMENT ACT LEASE M-85860

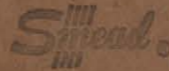
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COUNTY: Brewster
TRACT : Sec. 6, 8, 16 & 20, Blk. 231
PART : T&STL Ry. Co. Survey
ACRES : 2,597.5

LESSEE : Atlantic Richfield Company
DATE : May 11, 1981
TERM : 5 Years
BONUS : \$23,052.82
RENTAL: \$1,298.75
FILE : 142294, 142295, 140713 & 139371

TERMINATED For failure to pay delay rental

Date. 05-11-85
Accounting. 7-25-85 RW
L.g. l. 07-02-85 AH
Exploration. L.F.
Execution.....



HASTINGS, MN
LOS ANGELES, CHICAGO, LOSAN, OH
McGREGOR, TX, LOCUST GROVE, GA
U.S.A.
11 SPSSMA



CAUTION

Documents in this file have been placed in Table of Contents order and scanned.

Please help keep documents in content order and let the ScanLab know when new documents are added to this file.

Thank you for your assistance.

Archives and Records Staff

BC
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MF 085860

CONTENTS OF FILE NO. M-85860

1. Lease 6-13-81 E.U.

See Letter Dated 6-13-81 in M 85850 ② "

See Letter Dated 6-26-81 in M 85850 ③ "

2 Rental Payment in M-85857 4-20-82

3 Rental Payment in M-85857 4-27-83

4 Rental Payment in M-85857 11-12-84

5 Ouel's Memo 7-18-85

6 Letter to Atlantic Rich 7-18-85

scanned *A* 10-2-2019

Mineral Classified Land
Lease Consideration Comparison

5

County BREWSTER

Area SEC 6, 8, 16 & 20

BIK 231, T4 S1 W

M. F.	Acres	Lease Date	Term	Total Bonus	B/Ac	Rental	Comparison
New	2597 ⁵	5-11-81	5yrs	46105 ⁶²	17 ⁷⁵	1 ⁰⁰	1/12
82065	1268	4-7-80	5yrs	12680 ⁰⁰	10 ⁰⁰	1 ⁰⁰	24min 1/12
82067	640	4-7-80	5yrs	6400 ⁰⁰	10 ⁰⁰	1 ⁰⁰	" " " 1/12
* 80791	64287 ⁵¹	9-1-79	5yrs	64287 ⁸²	1 ⁰⁰	etc	Adj W etc

* Lykes Bros trade
6-142294, 16-140713
8-142295, 20-139371

Remarks: No nearby production

contiguous

Consideration _____
Recommended _____
Not Recommended _____

OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this 11th day of

May, 19 81, by and between _____

JACK POPE and wife, ALLENE POPE,
of 2803 Stratford, Austin, Texas 78746,
(Give Permanent Address)

herein referred to as the owner of the soil (whether one or more),
individually and as agent for the State of Texas, and _____

ATLANTIC RICHFIELD COMPANY,
of P. O. Box 1610, Midland, Texas 79702,
(Give Permanent Address)

hereinafter called Lessee, WITNESSETH:

1. The owner of the soil in the capacities aforesaid, for and in
consideration of One Hundred Seventy-One Thousand Three Hundred
Ninety-Three and 24/100ths-----Dollars (\$23,052.82) (\$171,393.24), cash
in hand paid, as his individual property and estate, receipt of which is
hereby acknowledged, and a like amount paid to the STATE OF TEXAS, and of the
covenants and agreements hereinafter contained on the part of the Lessee to
be paid, kept and performed, hereby grants, leases and lets unto Lessee, for
the sole and only purpose of prospecting and drilling for and producing oil
and gas, laying pipe lines, building tanks, storing oil and building power
stations, telephone lines and other structures thereon, to produce, save, take
care of, treat and transport said products of the lease, the following lands
situated in Brewster County, State of Texas, to-wit:

M-85860
ALL THAT CERTAIN LAND DESCRIBED IN
EXHIBIT A ATTACHED HERETO AND MADE
A PART HEREOF.

containing 2597.5 acres, more or less.

2. Subject to the other provisions herein contained, this lease
shall be for a term of five (5) years from this date (herein called "primary
term") and as long thereafter as oil and gas, or either of them, is produced
in paying quantities from said land.

*3. When production of oil and/or gas is secured, Lessee agrees to
pay or cause to be paid one-half (1/2) to the Commissioner of the General
Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) to the
owner of the soil, during the term hereof:

(a) As a royalty on oil, which is defined as including all hydro-
carbons produced in a liquid form at the mouth of the well and also all con-
densate, distillate, and other liquid hydrocarbons recovered from oil or gas
run through a separator or other equipment, as hereinafter provided,

one-sixth (1/6th) part of the gross

*NOTE: The total royalty payable under the lease should be inserted in para-
graphs 3(a), 3(b), 3(c) and 3(d).

production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity for the field where produced and when run, or 2) the highest market price thereof offered or paid for the field where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is greater. Lessee agrees that before any gas produced from the land hereby leased is sold, used or processed in a plant, it will be run free of cost to the parties entitled to royalties through an adequate oil and gas separator of conventional type or other equipment at least as efficient to the end that all liquid hydrocarbons recoverable from the gas by such means will be recovered. Upon written consent of the royalty owners, the requirement that such gas be run through a separator or other equipment may be waived upon such terms and conditions as prescribed by them.

(b) As a royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) _____

one-sixth (1/6th) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality for the field where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease contract shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to test made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

For the purposes of this lease "field" means the general area in which the land covered by this lease is located.

(c) As a royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons,

one-sixth (1/6th) part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%) or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arms' length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is greater.

(d) As a royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead", "dry" or any other gas, by fractionating, burning or any other processing, one-sixth (1/6th) part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows:

- (1) on the basis of the highest market price of each product for the same month in which such product is produced, or
- (2) on the basis of the average gross sale price of each product for the same month in which such product is sold, whichever is greater.

4. Notwithstanding anything contained herein to the contrary, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, at any time or from time to time, upon not less than sixty (60) days notice to the holder of the lease, require the payment of any royalties accruing to such royalty owner under this lease be made in kind.

5. Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products produced hereunder ready for sale or use.

6. No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding anything contained herein to the contrary, and subject to the consent in writing of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed and no royalties shall be payable on the gas so recycled until such time as the same may thereafter be produced and sold or used by Lessee in such manner as to entitle the royalty owners to a royalty thereon under the provisions of this lease.

7. All royalties which are required to be paid hereunder to the Commissioner of the General Land Office shall be due and payable in the following manner: Royalty on oil shall be due and payable on or before the 5th day of the second month succeeding the month of production, and royalty on gas shall be due and payable on or before the 15th day of the second month succeeding the month of production, accompanied by an affidavit 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 supporting documents and records required by law to confirm the gross production, disposition and market value. A copy of all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts shall be filed with the General Land Office within thirty (30) days after entering into or making such contracts, agreements or amendments. The books, accounts and all other records pertaining to production, transportation, sale and marketing shall at any time be subject to inspection and examination by the Land Commissioner. 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. Any royalty not paid or affidavits and supporting documents not filed when due shall be come delinquent and shall have added to the sum owing a delinquency penalty of one percent (1%) of such sum for each thirty (30) day period of delinquency or a fractional period thereof; provided, however, that each such penalty shall never be less than Five Dollars (\$5.00). 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. The State shall have a 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.

8. If no well be commenced on said land on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the _____

First National Bank in Alpine Bank, at Alpine, Texas
_____, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the sum of AS HEREINAFTER SET FORTH
_____ Dollars

(~~\$~~ _____), and in addition shall pay to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date, which shall operate as a rental and cover the privilege of deferring the commencement of a well for one (1) year from said date. In like manner and upon like payments or tenders annually, the commencement of a well may be further deferred for successive periods of one (1) year each during the primary term.

9. All payments or tenders of rental to the owner of the soil may be made by check or draft of Lessee, or any assignee hereof, and delivered on or before the rental paying date. If said bank (or any successor bank) should cease to exist, suspend business, liquidate, fail or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payments or tenders of rental until thirty (30) days after the owner of the soil shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders.

10. During any year beginning with the anniversary date of this lease, if this lease is maintained by production, the royalties paid hereunder in no event shall be less than an amount equal to the total annual delay rental herein provided; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of this lease a sum equal to the total annual delay rental less the amount of royalties paid during the preceding year. If no amount of delay rental is specified in this lease, then for the purpose of this paragraph and paragraph 28, rental shall be construed to be one dollar (\$1.00) per acre which shall be in addition to the statutory minimum rental provided in paragraph 11 hereof.

11. It is understood and agreed that notwithstanding the fact that development may be in progress or production secured and royalty being paid hereunder the owner or operator of the leased premises shall continue to make annual rental payments to the State which, under such conditions, shall be the minimum of ten cents (10¢) per acre as provided by Section 52.172 of the Natural Resources Code (hereinafter called N.R.C.).

12. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if, after discovery and production of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay

rental in the same manner as provided in Paragraph Number 8 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in gas well within the primary term hereof, Lessee may resume payment of annual rental in the same manner as provided in Paragraph Number 8 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in gas well and upon the failure to make such annual rental payment, this lease shall ipso facto terminate. If at the expiration of the primary term or at any time thereafter a shut-in gas well is located on the leased premises, payments may be made in accordance with the provisions of Paragraph Number 28 hereof.

13. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, or if, after the expiration of the primary term, production of oil or gas on the leased premises after once obtained should cease from any cause, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than sixty (60) consecutive days, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in gas well royalties or compensatory royalties is made as hereinafter provided.

14. Lessee shall adequately protect the oil and gas under the above described land from drainage from the adjacent lands or leases. Neither the bonus, delay rentals, nor royalties paid or to be paid hereunder shall relieve Lessee from the obligations herein expressed, and for such purpose Lessee shall be required to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage by other wells on adjacent lands or leases.

15. Written notice of operations hereunder shall be submitted to the Commissioner of the General Land Office by Lessee within five (5) days of spud date, cessation of production, workover, re-entry, temporary abandonment or abandonment of any well and shall include copies of Railroad Commission forms for application to drill, completion tests and plugging reports. The Commissioner of the General Land Office reserves the right to require Lessee to furnish logs on all wells drilled on said land and to annually furnish the said Commissioner with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease.

16. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling operations thereon, or from producing oil or gas therefrom, after effort made in good faith, by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended; and this lease shall be extended while and so long as Lessee is prevented, by any such cause, from drilling, reworking operations or producing oil or gas from the leased premises; provided, however, that nothing herein shall be construed to suspend the payment of delay rentals in order to maintain this lease in effect during the primary or extended term in the absence of such drilling or reworking operations or production of oil or gas.

17. The owner of the soil hereby warrants and agrees to defend the title to the land herein described, and agrees that Lessee shall have the right at any time to redeem for said owner of the soil, by payment, any mortgage, taxes or other liens on the above described land, in the event of default of payment by said owner of the soil, and be subrogated to the rights of the holder thereof, to the extent that Lessee may apply any rental or royalty due the owner of the soil from Lessee until any obligation thus incurred by the owner of the soil is discharged.

If the owner of the soil owns a less interest in the above described land than the entire and undivided surface estate therein (or a greater or lesser interest than the recited interest therein) then the royalties and rental herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the whole and undivided surface estate and the royalties and rental herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to all of the undivided interest not covered by any lease, less the proportionate development and production costs allocable to such undivided interest, but in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production. Provided, however, before any adjustment of royalty or rental due the Commissioner of the General Land Office, Lessee shall furnish the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, a statement in writing executed by Lessee, or its duly authorized representative, setting forth the facts relative to the interest of the owner of the soil and the interest which Lessee claims under this lease.

18. Lessee shall have the right to use water produced on said land necessary for operations hereunder except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for water-flood operations without the prior consent of the owner of the soil.

19. When requested by the owner of the soil, Lessee shall bury its pipe lines below plow depth.

20. No well shall be drilled nearer than two hundred (200) feet to the house or barn now on said premises without the written consent of the owner of the soil.

21. Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving waste oil that flows down the creeks, ravines and across the land embraced in the lease, whether said oil is produced from said land covered by this lease or other lands, provided the royalties herein specified are paid on said oil at the same rate under the same conditions provided for oil regularly produced.

22. Lessee shall pay the owner of the soil for damages caused by its operations to all personal property, improvements, livestock and crops on said land.

23. Lessee shall have the right at any time until one hundred twenty (120) days after the expiration or termination of this lease to remove all machinery and fixtures placed by Lessee on said premises, including the right to draw and remove all casing; provided, however, that casing shall not be drawn and removed until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil and, provided further, that Lessee shall not remove casing with respect to any well thereon capable of producing oil and/or gas in paying quantities. Any machinery, fixtures and casing subject to removal as above set forth, which are allowed to remain on the premises, shall become the property of the owner of the soil on expiration of said one hundred twenty (120) day period, or such extension thereof as may be granted by the owner of the soil.

24. The rights and estates of either party hereto may be assigned, in whole or in part, and the provisions hereof shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns; but no change or division in the ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations, nor to diminish

the rights, privileges and estates of Lessee, nor to impair the effectiveness of any payment made by, nor of any act performed by, Lessee hereunder. And no such change or division in the ownership of said land, the rentals or royalties, however accomplished, shall ever be binding upon Lessee for any purpose until thirty (30) days after Lessee has been furnished by the owner of the soil, or by his heirs, devisees, legal representatives or assigns, with satisfactory written evidence thereof, including (if such change is effected by conveyance) the original recorded muniments of title or certified copies thereof. An assignment of this lease, in whole or in part, shall, as to the extent of such assignment, relieve and discharge Lessee of all subsequent obligations hereunder. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the surface area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered, unless the assignor or assignee shall fail to file a certified copy of such assignment in the General Land Office prior to the next rental paying date, in which event the entire lease shall terminate for failure to pay the entire rental due as provided in Paragraph Number 8 hereof.

25. Lessee may at any time, and from time to time, execute and deliver to the owner of the soil or place of record, a release or releases covering any portion or portions of the above described premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. In the event any part of this lease is surrendered, as above provided, the delay rental then payable hereunder shall thereupon be reduced in the proportion that the acreage surrendered bears to the acreage which was covered by this lease immediately prior to such surrender, provided such release shall not thereby relieve the Lessee of any liabilities which may have accrued in connection with the lease prior to the surrender of such acreage.

26. Provided further that if all or any part of this lease is assigned or released, such assignment or release shall be recorded in the county where the land is situated and the recorded instrument, or a copy of the recorded instrument certified to by the County Clerk of the County in which the instrument is recorded, shall be filed in the GENERAL LAND OFFICE accompanied by a filing fee of Five Dollars (\$5.00). If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture by the Commissioner of the General Land Office.

27. It is recognized that before this lease is effective a certified copy thereof (which is construed as meaning a certified copy made by the County Clerk from his records) shall be filed in the General Land Office in accordance with Section 52.183, N. R. C., and this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised therefor. The bonus due the State and a filing fee of Five Dollars (\$5.00) shall accompany such certified copy to the General Land Office.

28. If, at the expiration of the primary term or at any time thereafter, there is located on the leased premises a well or wells capable of producing gas in paying quantities and such gas is not otherwise produced for lack of a suitable market and this lease is not otherwise being maintained in force and effect, Lessee may pay as royalty a sum of money equal to double the annual rental provided for in this lease, but in no event to be less than Twelve Hundred Dollars (\$1,200.00) per annum for each well capable of producing gas in paying quantities; such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil prior to the expiration of the primary term of this lease or, if the primary term has expired, within sixty (60) days after Lessee shuts in such well or ceases to produce gas therefrom or within sixty (60) days after this lease ceases to be otherwise maintained in force and effect; and if such payment is made, this lease shall be considered to be a producing lease and such shut-in gas well royalty payment shall extend the term of this lease for a period of

one (1) year from the end of the primary term or, if after the primary term, from the first day of the month next succeeding the month in which such well was shut in or production ceased or this lease ceased to be otherwise maintained in force and effect; and thereafter, if no suitable market for such gas exists, Lessee may extend this lease for four (4) additional and successive periods of one (1) year each by the payment of a like sum of money each year as above provided, on or before the expiration of the extended term. Provided, however, that if, while this lease is being maintained in force and effect by payment of such shut-in gas well royalty, gas should be sold and delivered in paying quantities from a well situated within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir, or in any case where drainage is occurring, the right to further extend this lease by such shut-in gas well royalty payments shall cease and this lease shall remain in force and effect for the remainder of the current one-year period for which the shut-in gas well royalty has been paid and for an additional period not to exceed five (5) years from the expiration of the primary term by payment by Lessee of compensatory royalty at the royalty rate provided for herein, of the value at the well of production from the well completed in the same producing reservoir from which gas is being sold and delivered and which is situated within one thousand (1000) feet of or draining the leased premises on which such shut-in gas well is situated, such compensatory royalty to be paid monthly one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil beginning on or before the last day of the month next succeeding the month in which such gas is sold and delivered from the well situated within one thousand (1,000) feet of or draining the leased premises and completed in the same producing reservoir, provided further that in the event such compensatory royalties paid in any twelve-month period are in an amount less than the annual shut-in gas well royalties provided for herein, Lessee shall pay an additional sum of money equal to the difference between such compensatory royalties paid and such shut-in gas well royalties within thirty (30) days from the end of such twelve-month period; provided further that nothing herein shall relieve Lessee of the obligation of reasonable development, nor of the obligation to drill off-set wells as required by law.

29. No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission of Texas, after notice and hearing as provided in Title 3 of the N.R.C., finds that:

(a) the person, agency, or entity that executed the lease in question does not require the natural gas or casinghead gas to meet its own existing needs for fuel;

(b) no private or public hospital, nursing home, or other similar health-care facility in this state requires the natural gas or casinghead gas to meet its existing needs for fuel;

(c) no public or private school in this state that provides elementary, secondary, or higher education requires the natural gas or casinghead gas to meet its existing needs for fuel;

(d) no facility of the state or of any county, municipality, or other political subdivision in this state requires the natural gas or casinghead gas to meet its existing needs for fuel;

(e) no producer of food and fiber requires the natural gas or casinghead gas necessary to meet the existing needs of irrigation pumps and other machinery directly related to this production; and

(f) no person who resides in this state and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs;

provided, however, after notice and hearing as provided in Title 3 of the N.R.C., the Railroad Commission of Texas may grant exceptions to these provisions if it finds and determines that enforcement of such provisions:

- (1) would cause physical waste as defined in Title 3 of the N.R.C.; or
- (2) would unreasonably deny to the lessee an opportunity to produce economically hydrocarbons from the land subject to this lease.

30. This lease is issued under the provisions of Sections 52.171 through 52.182, N.R.C., commonly known as the Relinquishment Act, Sections 52.183 and 52.184, N.R.C., and other applicable statutes and amendments thereto, and should there be any provision herein not in conformity with said statutes, the law is recognized and understood to prevail notwithstanding anything in this lease to the contrary.

31. Notwithstanding any provision hereinabove to the contrary, it is agreed that:

(a) Except as to the original cash consideration paid to the OWNER OF THE SOIL and to the STATE OF TEXAS as above specified each of the separately numbered tracts of land described in Exhibit A attached hereto shall be deemed for all purposes to be covered by a separate lease as if a separate lease had been executed as to each said separately numbered tract and with the aggregate delay rentals to the OWNER OF THE SOIL and to the COMMISSIONER OF THE GENERAL LAND OFFICE specified for each said separately numbered tract in the amount equivalent to ONE DOLLAR (\$1.00) per acre per annum for the specified number of acres contained in said tract. Pursuant to the provisions of paragraph 17, if the OWNER OF THE SOIL owns an interest in the surface estate in the land less than the entire fee simple estate, said specified delay rentals shall be reduced proportionately to accord with the interest actually owned by the OWNER OF THE SOIL. Said delay rentals shall be payable and are to be paid one-half (1/2) to the OWNER OF THE SOIL or their credit in the depository bank designated in Paragraph 8 above, and one-half (1/2) to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS in Austin, Texas, as further specified in Paragraph 8, above.

(b) The total royalties to be paid one-half to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS and one-half to the OWNER OF THE SOIL, in the event of production of oil or gas, as provided in paragraph 3, 3(a), 3(b), 3(c) and 3(d), above, shall be not less than a guaranteed annual minimum royalty of the total of \$4.00 per acre for the number of acres contained in each proration unit established for each producing well regardless of the production attributable to each well but in no event shall such guaranteed annual minimum royalty be less than \$1.00 per acre for the number of acres then held under the particular lease involved; and the anniversary date for such annual minimum royalty shall be the anniversary date of this lease next following the date of completion of the initial well as a producer. If for any such annual period the amount of royalties accruing from production from this lease is less than the guaranteed minimum amount above specified, LESSEE agrees that within sixty (60) days after termination of the particular annual period, it will pay that amount in cash, which when added to the royalty accruing and paid from production for the particular annual period, will total the minimum guaranteed annual royalty payment above fixed and specified. For purposes of this paragraph, royalty taken in kind shall be calculated at the market value of such production as above defined. In the event any acreage embraced in this lease is released at any time, or the lease is otherwise terminated, the aforesaid guaranteed annual minimum royalty shall be reduced by the amount thereof apportioned to the acreage released or otherwise terminated. In the event of assignment of this lease, insofar as it covers por-

tions of the land above described, each party holding under this lease as original LESSEE, or by assignment, shall be responsible only for the payment of the guaranteed annual minimum royalty apportioned to the acreage owned by the particular party, and shall be in no manner responsible for the part of the guaranteed annual minimum royalty apportioned to the lease acreage owned by others. The guaranteed minimum royalty provisions of this paragraph shall apply separately as to the one-half thereof to be paid to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS and to the one-half thereof to be paid to the OWNER OF THE SOIL.

(c) Except as to the State's right of forfeiture as provided by law and the State's first lien rights as provided in paragraph 7, above, all of the provisions of said paragraph 7 relating to the time and manner of payment of royalties, accounting for same, access to contracts, agreements, books, and accounts relating to royalties, and agreed penalties for delinquency in payment of royalties, shall, insofar as reasonably applicable, apply to and for the benefit of the OWNER OF THE SOIL in like manner as such provisions apply to and for the benefit of the STATE OF TEXAS.

(d) After the expiration of the primary term of this lease, provided said lease is being maintained by other provisions hereof, LESSEE shall have the right, but not the obligation, to commence operations for the drilling of a well or wells on land leased hereunder which is not contained within or already committed to a proration unit for a producing well. Should LESSEE so elect, said operations on the first said well must commence on or before four (4) calendar months after either (1) the end of the primary term or (2) the completion of any well being drilled at the end of the primary term, whichever is the later date and continue with reasonable diligence with no cessation of more than sixty (60) consecutive days until such well is either physically completed and capable of production (either producing or shut-in) or plugged and abandoned. Thereafter LESSEE may continue drilling operations on other portions of the land covered by this lease with not more than four (4) calendar months elapsing between the completion of any well, with said completion meaning either a well capable of production or a well that is finally plugged and abandoned as a dry hole, and the commencement of the drilling of a new well. Should LESSEE elect not to undertake the aforementioned drilling program or should LESSEE cease operations for a period greater than four (4) calendar months between the completion of one well and the commencement of another well said lease shall ipso facto terminate and shall be released of legal records by LESSEE as to all depths greater than 100 feet below the base of the deepest formation from which a well has been completed and then remains capable of producing oil or gas in paying quantities, and as to all acreage outside of the minimum proration unit properly assigned to each such well or wells under existing governmental regulations for the purpose of obtaining maximum allowable production for each of such well or wells; provided, however, that in the event of any change in applicable governmental regulations during the last year of such period that LESSEE is engaged in the aforementioned drilling operations which reduces or decreases the minimum acreage which may be assigned to a well to obtain maximum allowable production, said lease shall continue in force in accordance with its other terms and provisions for an additional period

of one (1) year from the end of such period allowed for the aforementioned drilling operations. LESSEE may, at its option, during such additional one (1) year period drill and complete any additional wells which may be required to obtain maximum allowable production from the lease premises. In such event and at the end of such additional one (1) year period, said lease shall ipso facto terminate and shall be released of legal record by LESSEE as to all depths greater than 100 feet below the base of the deepest formation from which a well has been completed and then remains capable of producing oil or gas in paying quantities, and as to all acreage outside of the minimum proration unit properly assigned to each such well or wells under existing governmental regulations for the purpose of obtaining maximum allowable production for each such well or wells. In the event there are then no applicable existing special governmental regulations (as distinguished from statewide field rules) providing for the acreage to be assigned to each well for the purpose of obtaining maximum allowable production for each well, the foregoing provisions of this paragraph 31(d) shall be construed and given like effect as if there were then existing applicable such special governmental regulations providing for proration units as nearly in the form of a square or rectangle as practicable and containing 40 acres for each oil well capable of producing in paying quantities, 320 acres for each gas well completed capable of producing gas in paying quantities from depths no greater than 8,000 feet below the surface of the ground, or 640 acres for each gas well completed capable of producing gas in paying quantities from depths greater than 8,000 feet below the surface of the ground.

(e) Upon specific written request by the OWNER OF THE SOIL, the entitlements provided under Paragraph 15 of this lease shall also be available to the OWNER OF THE SOIL. The OWNER OF THE SOIL agrees to make a diligent effort to keep logs and other well data received hereunder confidential until the particular information received by the OWNER OF THE SOIL becomes common knowledge, this lease is terminated, or written authorization is given by LESSEE releasing from confidentiality such information, whichever shall occur first.

(f) If this lease is being maintained in force solely by drilling or reworking operations and without there existing a well or wells thereon capable of producing oil or gas in paying quantities, either before or after the end of the primary term hereof, LESSEE shall pay to the OWNER OF THE SOIL and to the COMMISSIONER OF THE GENERAL LAND OFFICE on each anniversary date of said lease, in the manner provided for payment of delay rentals, aggregate rentals of \$1.00 per acre for each acre of land covered hereby. Said payments shall be made one-half (1/2) to the OWNER OF THE SOIL or their credit in the depository bank designated in Paragraph 8, above, and one-half (1/2) to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS in Austin, Texas, as further specified in Paragraph 8, above.

(g) LESSEE shall take reasonable steps to prevent its operations from (i) causing or contributing to soil erosion or to the injury of terraces or other soil-conserving structures on said premises; (ii) polluting or depleting the waters of reservoirs, springs, streams or wells upon the lease premises; (iii) damaging crops, timber, plants or

pastures, consistent with the purpose of this lease; or (iv) harming or injuring the animals or livestock on the premises, which such reasonable steps shall include the erection or maintenance of fences, gates and cattleguards sufficient to contain cattle, sheep and goats where necessary for such purposes. LESSEE shall promptly restore all fences and water pipelines damaged in the process of exploration to as good condition as same were in before such exploration was undertaken. Whenever any fence upon the premises is required to be opened, such opening shall not be left unattended unless a good and sufficient gate capable of turning cattle, sheep and goats of ordinary disposition shall be installed on such opening so as fully to protect the same. LESSEE shall build and maintain fences around slush pits; and, upon abandonment of any well, shall clean the area and level and restore the surface as nearly as practicable to its original condition. No one exercising any of LESSEE'S rights of ingress and egress, or subject to the control of LESSEE or its contractors, shall hunt wildlife or carry a firearm on the lease premises or gather plants or rocks on the lease premises without the written consent of the record owner of the surface estate. LESSEE shall not make any opening or install any gate or gap in any division fence between the land of the OWNER OF THE SOIL and any other land without prior written consent of the OWNER OF THE SOIL, which consent shall not unreasonably be withheld.

(h) LESSEE shall not construct or maintain, or cause to be constructed or maintained, on the lease premises, any building for dwelling, storage or office purposes other than usual and customary facilities for use temporarily during actual drilling operations or as may be required to protect all equipment necessary to compress and deliver gas produced hereunder, without the express written consent of the OWNER OF THE SOIL. LESSEE shall not store or authorize storage of any machinery, material or equipment outside of a 300 foot square well site or well sites except as may reasonably be required in connection with its other operations on the lease premises.

(i) The provisions of Paragraph 23 are expanded and further clarified to provide as follows:

Within one hundred eighty (180) days after abandonment of any well, LESSEE shall, whenever possible, remove all machinery, material and structures used in connection with said well and not used in other operations on the lease premises and shall, whenever possible, fill in and level off all excavations, pits or other alterations in the surface of the land caused in connection with said well, and generally shall restore the surrounding land so that it will support the natural range vegetation thereon, and the means of ingress and egress, to their condition as of the date hereof so far as reasonably possible, including the replacing or repairing of all fences which may have been removed or damaged by LESSEE'S operations. Within one hundred twenty (120) days after expiration of this lease, LESSEE shall have the right to perform specifically all the above obligations which have not been performed. The written notice provided in Paragraph 23 of this lease shall apply to any casing drawn and removed under the terms of this paragraph.

(j) LESSEE shall construct and maintain on the lease premises such spreader dams and other soil conservation devices as may reasonably be required to prevent LESSEE'S operations from causing soil erosion.

(k) LESSEE shall, insofar as practicable in its operations, use existing ranch roads and so long as LESSEE shall use same shall regularly grade such roads so as to maintain them in good passable condition; but LESSEE shall not have any vested interest in such existing roads. Before moving any drilling, production or storage machinery or equipment onto the leased premises, LESSEE shall, when necessary, first improve or construct all required roads so as to provide a compacted caliche surface or its equivalent adequate to support heavy truck traffic during wet weather without any substantial bogging or damage to the road surface. All roads being regularly used by LESSEE or its contractors in connection with any drilling operations shall be sprinkled with water of a quality not unreasonably injurious to plant or animal life at sufficiently frequent intervals as reasonably required to prevent excessive dust.

(l) Any pipelines (gathering, transmission or flowlines), new roads, power lines and telephone lines constructed pursuant to this lease shall be at such reasonable locations and routes as mutually agreed upon between the OWNER OF THE SOIL and LESSEE; and pipelines shall be on the surface or buried, as provided in paragraph 19 hereof.

(m) For purposes of using and constructing roads, pipelines, power lines, and telephone lines reasonably required for LESSEE'S operations, the surface estate of all of the land described in Exhibit A to this lease instrument shall be deemed covered by each separate lease.

(n) LESSEE shall indemnify and save the STATE OF TEXAS and the OWNER OF THE SOIL harmless from any and all claims or causes of action which may result from or arise out of the operations on the lease premises by LESSEE, its employees, contractors and invitees.

(o) LESSEE agrees that any and all pits utilized by it in connection with any well or wells drilled by it on the lease premises shall be lined, constructed, maintained, and used in such manner as to prevent any damage to adjoining land by seepage, overflow, or escape of liquids; and LESSEE agrees to conduct all drilling, completion, and production operations so as to avoid the flowing or spraying from any such well or wells on to the land of the OWNER OF THE SOIL of any fluids from any such wells. LESSEE further agrees not to store or place in earthen pits any substantial quantities of salt water, radioactive or poisonous wastes or muds, or other deleterious substances, unless such pits are so constructed and lined that such substances cannot escape from same; and no earthen pit shall be used for disposal of same. Such substances shall be disposed of in accordance with all applicable laws, rules and regulations, and either with the prior consent of the OWNER OF THE SOIL (which consent shall not unreasonably be withheld) or off of the premises of the OWNER OF THE SOIL.

(p) In order to prevent LESSEE'S operations from infesting said land with bitterweed or other noxious plants, LESSEE shall steam clean or wash down to the reasonable satisfaction of the OWNER OF THE SOIL all vehicles, drilling rigs, or other machinery or equipment subsequent to their having been on any other farm land or grazing land and prior to their entry or re-entry upon the land of the OWNER OF THE


SOIL, to remove from the said vehicles, machinery or equipment all burr, horehound, bitterweed, thistles, and other noxious plants and the seeds thereof.

(q) LESSEE further agrees that all operations conducted by LESSEE, its employees or contractors shall be conducted in a prudent and reasonable manner with due regard to the interests of the OWNER OF THE SOIL and of the operator of the affected ranch. In the event any of LESSEE'S employees or contractors should fail to comply with such standards in the conduct of any operation on said ranch, LESSEE shall, upon notice thereof from the OWNER OF THE SOIL, promptly take appropriate corrective action.

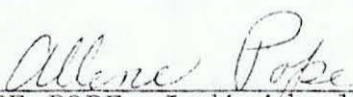
(r) If at any time no authorized person is reasonably available to LESSEE to give or grant any of the approvals or consents of the OWNER OF THE SOIL provided for herein LESSEE shall be authorized to conduct its operations under and by virtue of this Oil and Gas Lease without obtaining such approvals or consents.

This instrument shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, successors, legal representatives and assigns. The covenants hereof, both express and implied, shall be deemed covenants running with the land; but no assignment or release of any rights of LESSEE hereunder shall relieve LESSEE from primary responsibility for the performance and satisfaction by it, its successors and assigns, of its existing and accrued obligations hereunder at the time of any such assignment or release.

IN WITNESS WHEREOF, this instrument is executed as of the day and year first above written.



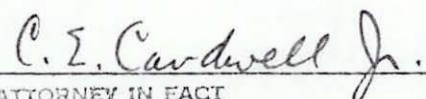
JACK POPE, Individually and as
Agent for the State of Texas



ALLENE POPE, Individually and
as Agent for the State of Texas

OWNER OF THE SOIL

ATLANTIC RICHFIELD COMPANY

By: 

ATTORNEY IN FACT

LESSEE



THE STATE OF TEXAS §

COUNTY OF TRAVIS §

BEFORE ME, the undersigned authority, on this day personally appeared JACK POPE and wife, ALLENE POPE, known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed and in the capacities therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 26th day of May, 1981.

Peggy Hodges
Notary Public in and for
The State of Texas

My Commission Expires:

10-9-84

Print or Stamp Notary's Name:

PEGGY HODGES

THE STATE OF TEXAS §

COUNTY OF MIDLAND §

BEFORE ME, the undersigned authority, on this day personally appeared C. E. Cardwell, Jr., known to me to be the person whose name is subscribed to the foregoing instrument as Attorney in Fact of Atlantic Richfield Company, a Pennsylvania corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 29th day of May, 1981.

Yvonne Brooks
Notary Public in and for
The State of Texas

My Commission Expires:

July 3, 1984

Print or Stamp Notary's Name:

Yvonne Brooks

EXHIBIT A
to
OIL AND GAS LEASE DOCUMENT FROM JACK POPE AND WIFE,
ALLENE POPE, INDIVIDUALLY AND AS AGENTS FOR THE
STATE OF TEXAS, TO ATLANTIC RICHFIELD COMPANY, AS
LESSEE, DATED THE 11TH DAY OF MAY, 1981

- TRACT 1: All of Section 2, all of Section 4, the East part of Section 8 (being all of said Section 8 SAVE AND EXCEPT the portion thereof described in and conveyed by Deed from Jack Pope and wife to J. P. Bryan, Jr. and wife dated February 22, 1980, recorded in Volume 221 at page 706 of the Deed Records of Brewster County, Texas), and all of Section 10, all in Block 232, T&StL Ry. Co. Survey, comprising 2,133.95 acres, more or less.
- TRACT 2: All of Section 16, the Northeast part of Section 20 (being all of said Section 20 SAVE AND EXCEPT the portion thereof described in and conveyed by Deed from Jack Pope and wife to J. P. Bryan, Jr. and wife dated February 22, 1980, recorded in Volume 221 at page 706 of the Deed Records of Brewster County, Texas), all of Section 22, and all of Section 26, all in Block 232, T&StL Ry. Co. Survey, comprising 1,934.47 acres, more or less.
- TRACT 3: All of Section 12, all of Section 14, and all of Section 24, all in Block 232, T&StL Ry. Co. Survey, and all of Section 30, Block 231, T&StL Ry. Co. Survey, comprising 2,584.4 acres, more or less.
- M-85860 TRACT 4: All of Section 6, all of Section 8, all of Section 16 and all of Section 20, all in Block 231, T&StL Ry. Co. Survey, comprising 2,597.5 acres, more or less.
- TRACT 5: All of Section 4, all of Section 10, all of Section 14, and the Northeast Quarter (NE/4) of Section 22, all in Block 231, T&StL Ry. Co. Survey, comprising 2,111.425 acres, more or less.
- TRACT 6: All of Section 2, all of Section 12, and all of the East Half of the Southwest Quarter (E/2 of SW/4) of Section 24 and all of the Southeast Quarter (SE/4) of Section 24, all in Block 231, T&StL Ry. Co. Survey, and all of Section 18, Block 230, T&StL Ry. Co. Survey, comprising 2,167.47 acres, more or less.
- TRACT 7: All of Section 16, all of Section 20, and all of Section 22, all in Block 230, T&StL Ry. Co. Survey, comprising 1,931.8 acres, more or less.
- TRACT 8: All of Section 10, all of Section 12, and all of Section 14, all in Block 227, T&StL Ry. Co. Survey, comprising 1,923.6 acres, more or less.
- TRACT 9: All of Section 30, Block 228, T&StL Ry. Co. Survey, comprising 642.8 acres, more or less.

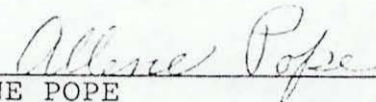
TRACT 10: All of Section 26, Block 229, T&StL Ry. Co.
Survey, comprising 644.5 acres, more or less.

TRACT 11: All of Section 6, Block 230, T&StL Ry. Co.
Survey, comprising 640 acres, more or less.

SIGNED FOR IDENTIFICATION ONLY:



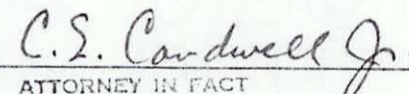
JACK POPE



ALLENE POPE

OWNERS OF THE SOIL

ATLANTIC RICHFIELD COMPANY

By 

ATTORNEY IN FACT

LESSEE



THE STATE OF TEXAS X
 X
COUNTY OF BREWSTER X

I, HELEN CRONE, Clerk of the County Court of
Brewster County, Texas, do hereby certify that the fore-
going instrument(~~S~~) of writing is/~~are~~ a true and correct
copy/~~copies~~ of the following:

Jack Pope and wife, Allene Pope

to

Atlantic Richfield Company

OIL AND GAS LEASE

Same appears of record as shown above, in the
Oil & Gas Lease Records of Brewster County, Texas.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this
the 2nd day of June, A. D. 19 81.

HELEN CRONE

HELEN CRONE, County Clerk
Brewster County, Texas.

By Betty Peters Deputy

①

M. 85860

Lease

File Dated 6-13-81

Bob Armstrong, Commissioner

RECEIVED AS STATED
\$23,052.82

Date 6-13-81
Reg No. 121398

GENERAL LAND OFFICE

RECEIVED AS STATED
\$5.00

Date 6-26-81
Reg No. FF-2419

GENERAL LAND OFFICE

MINERAL ACCOUNTING
MEMORANDUM

(File in "B" File)

RE: M- 85860
Operator _____
Lease _____
County _____

Split from M- _____
which is Producing
 Nonproducing

FROM: Mineral Accounting 6-11-85 Ray Waggoner
TO: Exploration & Development _____
TO: Legal _____

NONPRODUCING

* _____ Delay Rental Due On 5-11-85 Not Received
_____ Primary Term Expired _____

PRODUCING STATUS

OIL: No production reported from _____ through _____
mo./year mo./year
Oil Royalty Status: Due \$ _____ Royalty paid in full
Name _____

GAS: No production reported from _____ through _____
mo./year mo./year
Gas Royalty Status: Due \$ _____ Royalty paid in full
Name _____

RENTAL:

MAPS: No Location L.F. 6-17-85

X

(5)

m-85860

Caatig Yema
7-18-85

if possible please
re-write

DEPARTMENT OF HEALTH
BOSTON, MASS.

(Public Health Dept.)

Name

Address

City and State

Telephone Number

Occupation

Signature

Approved

Signature

Garry Mauro
Commissioner
General Land Office



July 18, 1985

Atlantic Richfield Company
P. O. Box 1610
Midland, Texas 79702

Re: Oil and Gas Lease M-85860
All of Sections 6, 8, 16 and 20, Block 231, T&StL Ry. Co.
Survey, comprising 2,597.5 acres, more or less, Brewster
County, Texas.
CERTIFIED ARTICLE NO. 000112

Dear Lessee:

Our records show that the above oil and gas lease has terminated for nonpayment of the annual delay rental which was due May 11, 1985.

By copy of this letter, the owners of the soil have been notified that the subject survey is available for leasing under the terms of the Relinquishment Act.

Yours very truly,

Rebecca Hagan

Rebecca Hagan, Attorney
Oil and Gas Section
Legal Services Division
(512) 475-3307

RH/mow

cc: The Honorable and Mrs. Jack Pope
2803 Stratford
Austin, Texas 78746

Return Receipt Requested

6

m-85860

Atlantic Rich

7-18-85