

MF089947

~~UNIT # 2203~~

|                    |                |                  |               |
|--------------------|----------------|------------------|---------------|
| <i>State Lease</i> | <i>Control</i> | <i>Base File</i> | <i>County</i> |
| MF089947           | 31-000238      |                  | BRAZOS        |

TERMINATION  
 DATE 11/01/2022  
 LEASING (initials)  
 MAPS RCL  
 GIS mc

|                         |                    |                    |
|-------------------------|--------------------|--------------------|
| <i>Survey</i>           | SCOTT JOSEPH E     |                    |
| <i>Block</i>            |                    |                    |
| <i>Block Name</i>       |                    |                    |
| <i>Township</i>         |                    |                    |
| <i>Section/Tract</i>    | 6                  |                    |
| <i>Land Part</i>        | PT                 |                    |
| <i>Part Description</i> | LEAGUE             |                    |
| <i>Acres</i>            | 176                |                    |
| <i>Depth Below</i>      | <i>Depth Above</i> | <i>Depth Other</i> |
| 0                       | 0                  | See Lease          |
| <i>Name</i>             | JVR PETROLEUM INC  |                    |
| <i>Lease Date</i>       | 3/28/1984          |                    |
| <i>Primary Term</i>     | 2 yrs              |                    |
| <i>Bonus (\$)</i>       | \$52,800.00        |                    |
| <i>Rental (\$)</i>      | \$10.00            |                    |
| <i>Lease Royalty</i>    | 0.2500             |                    |

*Leasing:* \_\_\_\_\_  
*Analyst:* \_\_\_\_\_  
*Maps:* (initials)  
*GIS:* \_\_\_\_\_



**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

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# THE TEXAS A&M UNIVERSITY SYSTEM

COLLEGE STATION, TEXAS 77843-1122

March 28, 1984

Office of the  
Chancellor



JVR Petroleum, Inc.  
c/o James H. Berry, Jr.  
Suite 1202  
First City National Bank Bldg.  
Houston, Texas 77002

Dear Mr. Berry:

This letter is written with reference to an Oil, Gas, and Sulphur Lease entered into between your company and The Texas A&M University System of even date herewith. Due to the vital nature of the surface use directly above the required bottomhole location, it is agreed that a surface drilling location other than that site shall be utilized. Both parties agree that a certain tract commonly known as "the Wheatfield" as depicted on the attached map, shall be used for the conduct of all surface drilling operations.

It is recognized and agreed that the use of such surface location necessitates the use of directional drilling techniques. Such techniques will result in higher drilling costs for the Lessee. In light of this fact, as well as the Board of Regents' concern for the surface use of campus property, it is agreed that "payout", as used in the above mentioned lease agreement, shall be raised to the sum of \$850,000.00 from \$750,000.00. All other provisions of the lease relating to payout shall not be affected by this change.

In addition, Paragraph I.-E. of the lease requires the Lessee to obtain permission from the Board prior to drilling within 300 hundred feet of any building or research area. This letter shall constitute permission from the Board to Lessee to conduct its operations within the Wheatfield even though such operations may lie within 300 feet of a building or research



STATE OF TEXAS X

COUNTY OF HARRIS X

BEFORE ME, the undersigned authority, on this day personally appeared James V. Riner, President, 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, in the capacity therein stated and as the act and deed of said Corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 6TH day of APRIL, A.D. 1984.

Carolyn B. McDonald  
Notary Public in and for  
HARRIS County



WHEAT FIELD

353.93'

S 39° 49' 25" W

920.44'

S 37° 32' 33" W

131.57'

S 37° 32' 33" W

660'

660'

660'

N 38° 27' 22" W

2361.31'

## OIL AND GAS LEASE

### I. STATUTORY REQUIREMENTS

Ed. Code  
85.58(a)

**A.** THE BOARD OF REGENTS OF THE TEXAS A&M UNIVERSITY SYSTEM, Lessor, in consideration of the payment by Lessee of the sum of \$52,800.00, the receipt of which is hereby acknowledged and of the royalties, covenants, stipulations, and conditions contained herein, and hereby agreed to be paid, observed, and performed by Lessee, DOES HEREBY GRANT, LEASE, AND LET unto JVR PETROLEUM, INCORPORATED, Lessee, for the sole and only purpose of prospecting, drilling for, and producing oil, gas, casinghead gas, distillate, and associated hydrocarbons, and constituent elements (including sulphur), not including coal, lignite, gravel, iron ore, caliche, sand, fissionable minerals and any other minerals, the following described land in Brazos County, Texas, which land was acquired by the State of Texas for the use and benefit of The Texas A&M University System:

All that certain tract or parcel of land lying and being situated in Brazos County, Texas, and being out of the J. E. Scott League, A-50, and being out of the tract conveyed to the Agricultural and Mechanical College of Texas by H. Mitchell on June 21, 1871 in the Deed recorded in Volume M, Page 142 of the Deed Records of Brazos County, Texas and also being part of the tract conveyed to the Agricultural and Mechanical College of Texas by W. C. Boyett on August 9, 1926 in the Deed recorded in Volume 80, Page 139, of the Deed Records of Brazos County, Texas, containing 176.00 acres, more or less.

#### Depth Limitation

All rights granted by this lease as to the above described land are limited to a depth no greater than one hundred feet (100 ft.) below the Georgetown formation.

#### Site Reservation

There is, however, expressly reserved unto Lessor, (in addition to all surface rights and use thereof) the right to select drill site locations on the above described property for use by Lessor or any third party selected by Lessor in drilling for oil and gas lying under other tracts of land not subject to this lease and whether or not owned by Lessor. Such sites may be selected by Lessor at any time during the term of this lease, (primary or extended) at such locations deemed appropriate by Lessor provided such locations are not in direct conflict with Lessee's own drill sites. Lessor shall provide Lessee with a plat of selected surface acreage, not to exceed five (5) acres

per location, prior to making use of such locations for drilling purposes. Lessor is entitled, under this reservation, to sell or lease to other drilling contractors or producers the right to utilize such location(s) as a drill site for off-property directional drilling.

Said land shall be deemed for the purposes of bonus and rental payments to contain 176.00 acres, whether it actually contains more or less.

Ed. Code  
85.59(a)

**B. EXPLORATORY TERM**

The primary term of this lease shall be for a term of two (2) years from the date hereof (subject to the drilling requirement in General Provision II-C) and said lease shall terminate at the expiration of its primary term unless oil, gas, or distillate is being produced in paying quantities; provided, however, the term or life of this lease may be extended under the following conditions:

if the Board finds that Lessee has proceeded with diligence to protect the interest of the State, and that there is a likelihood that oil, gas, or distillate will be discovered on the leased premises, the Board may by unanimous vote extend this lease for a period not to exceed three (3) years, conditioned upon Lessee continuing to pay the yearly rentals provided herein, and upon any additional terms the Board may see fit and proper to demand. No such extension may be granted until the last thirty (30) days of the original term of the lease.

Ed. Code  
85.55(c)  
and  
85.61

**C. ANNUAL RENTALS**

One (1) year from the date hereof, and on the same date of each of the following years during the exploratory term of this lease, Lessee shall pay to Lessor an annual rental of \$10.00 per acre. Provided, however, that if Lessee is engaged in actual drilling operations for the discovery of oil and/or gas on the leased premises on the anniversary date of this lease, no annual rental shall be payable as to the acreage contained in that tract on which said operations are being conducted as long as such are proceeding in good faith; and if oil and/or gas are discovered in paying quantities on any tract covered by this lease, then as to that tract this lease shall remain in force so long as production is obtained in paying quantities from said tract. When royalties, as provided herein, amount to as much as the yearly payment set out above, said annual rental may be discontinued.

Ed. Code  
85.66(1)

**D. PAYMENTS AND RECORDS TO GENERAL LAND OFFICE**

All royalties, as provided herein, shall be paid to the Commissioner of the General Land Office at Austin, Texas, on or before the last day of each month for the preceding month during the term of this lease. Notice is hereby given that Lessor is not subject to windfall profits tax on royalties paid but is exempt therefrom. Said payment shall be accom-

panied by a sworn statement of Lessee's owner, manager, or other authorized agent, showing the gross amount of oil and/or gas produced and saved since the last report, the amount of oil and/or gas produced and sold off the premises, and the market value of same, together with a copy of all daily gauges, or vats, tanks, gas meter readings, pipeline receipts, gas line receipts and other checks and memoranda of the amounts produced and put into pipelines, tanks, vats, or pool and gas lines, gas storage, other places of storage, and other means of transportation. Lessee shall simultaneously provide Lessor with photocopies of all papers filed with the General Land Office.

Ed. Code  
85.66(b)

#### **E. INSPECTION OF RECORDS**

Lessee's books and accounts, receipts and discharges of all wells, tanks, vats, pools, meters, pipelines, and all contracts and other records pertaining to the production, transportation, sale, and marketing of oil and/or gas shall at all times be subject to inspection and examination by any Member of the Board of Regents of The Texas A&M University System, or any duly authorized representative of said Board.

Ed. Code  
85.63

#### **F. SURFACE OPERATIONS**

Drilling for oil and/or gas within less than three hundred (300) feet of any building or research area is prohibited, unless written consent of the Board is first obtained. Operations for oil and/or gas shall not in any way interfere with the use of the leased premises for educational, recreational, experimental, and any other purposes to which it has or may be put, and shall not cause the abandonment of the leased premises. Lessee shall drill, mine, and carry on operations in such a way as not to cause the abandonment of the property for experimental farm purposes and the leased premises shall be subject to use by the State of Texas for all experimental purposes.

1. The bottom hole location for the well to be drilled on this tract shall be 660 ft. from the northeast line and 660 ft. from the northwest line of this lease as depicted on the attached plat which is made a part of this Agreement. It is specifically understood and agreed that the surface location shall differ from the bottom hole location and must have prior approval by the Lessor. Any other bottom hole location or any other well which may be drilled on this tract must be approved by the Lessor in advance of operations.

Ed. Code  
85.67(a)

#### **G. FORFEITURE**

This lease shall be subject to forfeiture by the Board by an order entered upon the minutes of the Board reciting the facts constituting a default, for any of one or more of the following reasons:

1. Lessee fails or refuses to make the payment of any sum due, either as rental, royalty on production, or other payment, within thirty (30) days after the same becomes due.

2. Lessee's owner or authorized agent makes any false return or false report concerning production, royalty, drilling, or mining.

3. Lessee fails or refuses to drill any offset well or wells in good faith, as required by this lease.

4. Lessee or its agent refuses the proper authority access to the records and other data pertaining to operations under this lease.

5. Lessee or its authorized agent fails or refuses to give correct information to the proper authorities.

6. Lessee or its authorized agent fails or refuses to furnish the log of any well within thirty (30) days after production is found in paying quantities.

7. Any material terms of this lease are violated.

The Board may have suit instituted for forfeiture through the Attorney General.

Ed. Code  
85.67(c)

#### **H. REINSTATEMENT AFTER FORFEITURE**

Upon proper showing by Lessee, within thirty (30) days after the declaration of forfeiture, this lease may be reinstated at the discretion of the Board on such terms as it may prescribe.

Ed. Code  
85.67(d)

#### **I. REMEDIES OF LESSOR**

In case of violation by Lessee, the remedy of the State by forfeiture is not the exclusive remedy. Suit for damages or specific performance, or both may be instituted.

Ed. Code  
85.67(e)

#### **J. FIRST LIEN**

The State shall have a first lien upon all oil and/or gas produced upon the leased premises and upon all rigs, tanks, vats, pipelines, telephone lines, machinery, and appliances used in the production and handling of oil and/or gas produced therefrom, to secure any amount due from Lessee.

Ed. Code  
85.65(b)

#### **K. ASSIGNMENTS**

All rights acquired under this lease may be assigned. All assignments shall be filed in the General Land Office within one hundred (100) days after the first acknowledgement thereof, accompanied by ten cents (\$.10) per acre assigned, and if not so filed and payment made, the assignment shall not be effective. (See also Board of Regents' approval, General Provisions II.-Q.).

Ed. Code  
85.65(c)

#### **L. RELINQUISHMENTS**

All rights to any whole tract or to any assigned portion thereof may be relinquished to the State at any time by having an instrument of relinquishment recorded in the counties in which the area may be situated, and filed with the Board of Regents, accompanied by One and No/100 Dollar (\$1.00) for each acre relinquished. Such relinquishment shall not relieve the Lessee of any past due obligations theretofore accrued thereon.

Ed. Code  
85.66(d)

**M. ROYALTY IN-KIND**

The Lessor may, at its discretion, require that payment of royalty, as stipulated herein, be in-kind.

Ed. Code  
85.61

**N. PROTECTION FROM DRAINAGE**

The Lessee shall adequately protect the oil and gas under the above described land from drainage from adjacent lands or leases, including land owned by Lessor leased at a lesser royalty. Neither the bonus, annual rentals, nor royalties paid or to be paid hereunder shall relieve Lessee from the obligation expressed herein or by statute.

Natural  
Res. Code  
52.293

**O. SALE OF GAS FOR USE OUTSIDE STATE OF TEXAS**

This agreement is subject to the provisions of Senate Bill No. 3, Acts of the 64th Legislature, Regular Session, 1975, Section 1 of which requires the following to be included in this lease form:

"From and after the effective date of this Act, it shall be unlawful for any one of the persons, agencies, or entities set forth in Section 2 of this Act to execute an oil, gas and mineral lease on any lands on which they are otherwise authorized and empowered by law to execute such a lease unless such lease shall include the following terms and conditions:

None of the natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease shall be sold or contracted for sale to any person, corporation, or other entity for ultimate use outside of the State of Texas unless and until the Railroad Commission of Texas shall find, after notice and hearing pursuant to Title 102 of the Revised Civil Statutes of Texas, 1925, as amended, that:

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

(c) no public or private school in this State, of elementary, secondary, or higher education level, requires said natural gas or casinghead gas to meet its existing needs for fuel;

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

(e) no producer of food and fiber requires said 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 the State of Texas and who relies on natural gas or casinghead gas to provide in whole or in part his existing needs for fuel or raw material requires said natural gas or casinghead gas to meet such needs."

## II. GENERAL PROVISIONS

### A. ROYALTY

Lessee agrees to pay or cause to be paid during the term hereof:

(1) as a royalty on oil, which is defined as including hydrocarbons produced in a liquid form at the mouth of the well, and also all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, the following shall be payable:

a. thirty percent (30%) of the value of the gross production until such time as Lessee shall have obtained "payout", as hereinafter defined, whether from oil or gas revenues, or both, said sum, as defined, to represent an agreed "payout" amount for each well from which production is obtained; and

b. seventy-five percent (75%) of the value of the gross production after such time as the agreed "payout" amount shall have been recovered by Lessee.

Such value shall be the highest posted price, plus premium, if any, offered or paid for oil of like grade and gravity in the general area, or the prevailing market price thereof in the general area, or the proceeds of the sale thereof, whichever is the greatest;

(2) as a royalty on all gas, which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph A(1), above, produced from any well and sold by Lessee, or used by Lessee, the following shall be payable:

a. thirty percent (30%) of the value of the gross production until such time as Lessee shall have obtained "payout" as hereinafter defined, whether from oil or gas revenues, or both, said sum, as defined, to represent an agreed "payout" amount for each well from which production is obtained; and,

b. seventy-five percent (75%) of the value of the gross production after such time as the agreed "payout" amount shall have been recovered by Lessee.

Such value shall be determined on the basis of the highest price paid for gas of a similar quantity in the general area or the amount accruing to the producer from all hydrocarbons or other products produced from said gas, whichever is greater.

"Payout" as used in the foregoing paragraphs is defined as the recovery by the Lessee of Seven Hundred Fifty Thousand and No/100 Dollars (\$750,000.00) from production revenues, exclusive of lifting expenses, windfall profits taxes, production taxes, ad valorem taxes, and unitization expenses, if any.

(3) on Sulphur, one-fourth (1/4) of the value of the gross production thereof from the leased premises, such value to be the highest price offered or paid therefor in the general area, the price received by Lessee, or Three and 50/100 Dollars (\$3.50) per long ton, whichever is greater.

(4) on all production sold by Lessee for benefit of Lessor pursuant to its royalty interest, Lessee, its agents and/or assigns, shall be and remain jointly and severally liable to Lessor for all payment due Lessor from such sale to purchasers pending actual payment to Lessee. Non-payment by any such purchaser of production will not relieve Lessee of its obligation to pay Lessor for its royalty interest in production sold.

(5) 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 shall pay as royalty One Thousand Two Hundred and No/100 Dollars (\$1,200.00) for each well capable of producing gas in paying quantities; such payment shall be made 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 two (2) 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.

(6) Lessee agrees that all royalties accruing to Lessor under this lease 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.

#### **B. LIQUID HYDROCARBON RECOVERY**

Lessee agrees that before any gas produced from the leased premises, containing liquid hydrocarbons, recoverable in commercial quantities by separator on the lease, is sold, used, or processed in a plant, it will be

run 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 Lessor, the requirement that such gas be run through such a separator or other equipment may be waived upon such terms and conditions as provided by Lessor.

#### **C. DRILLING REQUIREMENT**

Notwithstanding anything to the contrary contained herein, this lease shall terminate and be rendered void unless Lessee has commenced drilling operations on the leased premises within one hundred twenty (120) days of the execution of this lease by the Lessee. The term "commenced drilling operations" as used in this lease includes, but is not limited to the moving of machinery and equipment onto the premises preparatory to the beginning of actual drilling with the intent to proceed thereafter with diligence toward the completion of a producing well. Such drilling operations, if commenced within said one hundred twenty (120) day period, shall serve to keep this lease in force and effect as to the entire leased premises, subject to the continuous drilling clause. In accordance with the provisions of Paragraph I.-C., above, Lessee shall be excused from paying delay rentals upon acreage contained in the well unit, but shall be liable for such rentals on any acreage not dedicated to a well or wells on the first anniversary of this lease. Failure to pay rentals on the non-dedicated acreage shall work an immediate termination of this lease as to the entire leased premises.

#### **D. CONTINUOUS DRILLING CLAUSE**

Lessee shall conduct continuous drilling operation and shall within thirty (30) days after setting casing on the initial producer begin drilling a second well. Upon completion of such second well, as a producer or dry hole, Lessee shall within thirty (30) days thereof begin the drilling of the next well and on like periods to succeeding wells until the land is fully developed to allowable density. Failure to so drill and continue drilling will constitute a breach and forfeiture of this lease. This continuous drilling clause shall not apply on any tract covered by this lease of insufficient acreage to permit additional wells under field rules established by the Texas Railroad Commission.

#### **E. REWORKING EXTENSION**

In the event production of oil, or gas on the leased premises after once having been obtained shall cease for any cause after the expiration of the exploratory term, this lease shall not terminate if Lessee commences additional drilling or reworking operations within ninety (90) days thereafter, and such lease shall remain in full force and effect so long as such operations continue in good faith and in a workmanlike manner, without interruptions totaling more than ninety (90) days during any one such operation; and if such drilling or reworking operations result in the production of oil or gas, this lease shall remain in full force and effect so long as oil or gas is produced therefrom in paying quantities or payment of shut-in gas well royalties is made in accordance with Paragraph II.-A.-(5) hereof.

#### **F. DEVELOPMENT**

This lease contemplates the full prospecting and developing of the land hereby leased for oil and/or gas, including the putting down of as many

wells as a reasonably prudent operator would do under the same or similar circumstances. The Lessee shall adequately protect the oil and gas under the above described land from drainage to adjacent lands or leases. Neither the bonus, annual payments, nor royalties paid or to be paid hereunder, nor the commencement of drilling operations within the one hundred twenty (120) day period above described, shall relieve Lessee from the obligation herein expressed.

#### **G. WATER-BEARING STRATA**

In drilling wells, all water-bearing strata shall be noted by Lessee in the log, and the Lessor reserves the right to require that all or any part of the casing shall be left in any non-productive well when Lessor deems it necessary or desirable to preserve or maintain said well or wells for water.

#### **H. LOGS AND PLATS**

Lessee shall file at the General Land Office, for the Board of Regents of The Texas A&M University System, the logs of all wells drilled upon the above described premises, within thirty (30) days after completion in the case of producing wells, and within thirty (30) days after abandonment in the case of dry holes. Whenever the Lessee commences the drilling of any well or wells upon the above described premises, written notice thereof shall be filed at the General Land Office, for the Board of Regents of The Texas A&M University System, accompanied by a plat of said premises showing the location of such well or wells.

#### **I. AUTHORITY OF AGENTS**

In all cases the authority of a manager or agent to act for the Lessee herein must be filed at the General Land Office for the Board.

#### **J. INDEMNIFICATION**

Lessee hereby agrees to pay Lessor for all damages to crops, trees, buildings, streets, fixtures, utility lines (above and below ground), personal property, productivity of soil, livestock, and any and all other things damaged as a result of Lessee's or its agents' actions in carrying out any operations under the terms of this lease. Lessee further agrees to indemnify and hold Lessor harmless for any and all damages to third persons and the property of third persons resulting from such operations.

#### **K. FORCE MAJEURE**

Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or State law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

**L. CASING, EQUIPMENT, AND LESSOR'S RIGHTS ON PRODUCING WELLS**

If this lease shall terminate or be forfeited for any cause, or should Lessee elect to abandon a well or wells, the Lessee shall in no event be permitted to remove the casing or any part of the equipment of any such producing well or wells located upon the premises, and Lessor shall be entitled to take over the operation thereof at no cost.

**M. UNDERGROUND STORAGE**

It is expressly agreed and understood that Lessee shall not use the herein leased premises for underground storage of natural gas, crude petroleum or other hydrocarbons without the express advance written consent of Lessor.

**N. BINDING EFFECT**

The covenants, conditions, and agreements contained herein shall extend to and be binding upon the heirs, executors, administrators, successors, or assigns of the Lessee herein.

**O. STATUTORY AUTHORITY**

This agreement is subject to the provisions of Subchapter D of Chapter 85, Subtitle D, Title 3, Texas Education Code, and all amendments thereof whether heretofore or hereafter enacted, and subject to all valid rules, regulations, and orders of any duly constituted State or federal regulatory agency having jurisdiction hereof.

**P. PROPORTIONATE REDUCTION**

In the event Lessor owns an interest in the oil and/or gas on, in or under the above described lands less than the entire fee simple estate, whether or not this lease purports to cover the whole or fractional interest therein, then the royalties to be paid Lessor shall be reduced in the proportion that Lessor's interest bears to the whole and undivided fee and in accordance with the nature of the estate with which Lessor is seized.

**Q. ASSIGNMENT - BOARD OF REGENTS' APPROVAL**

Lessee may assign the rights acquired under this lease only with approval of the Board, or its duly appointed officer. All necessary filings with the General Land Office required by Paragraph I.-K. of this lease shall be the responsibility of Lessee. Lessee shall also be responsible for paying any fees or charges assessed by the General Land Office for such filing. Lessee acknowledges that the responsibility for obtaining consent and filing assignments in a timely manner is solely that of Lessee.

**R. ACCESS AND INFORMATION**

Lessee agrees to give any authorized representative of the Board access to all wells drilled on the leased premises at all reasonable hours, and upon request of Lessor, to furnish Lessor or its authorized representative with, or allow said representative to take from such wells, formation samples of cores and cuttings consecutively taken, and also to furnish any records, memoranda, reports or other information relative to the operation of the leased premises. Copies of title opinions, abstracts, instruments relating to the determination of title, and executed copies of all oil or gas purchase contracts or agreements shall be provided to the Board's said representative upon request.

### III. SPECIAL PROVISIONS

#### A. SITE APPROVAL

Locations of all wells, structures, roads, tank batteries, pipelines, telephone lines, and all other facilities erected or moved onto a site by Lessee must be approved in advance by Lessor or its authorized representative. Such request for approval shall be in writing setting out the precise location of any proposed facility and including diagrammatic descriptions of the facility and the surrounding area. Upon request by Lessor, Lessee shall provide any additional drawings or other data Lessor requires to assess a location. Approval shall not be unreasonably withheld and approval, rejection or requirement for changes must be provided within three (3) working days from date all requested data have been submitted.

#### B. PIPELINES

Lessor requires that all pipelines be buried below plow depth (deemed to be 36 inches), and that Lessee pay for damages caused by its operations to any surface structure or use of the property.

#### C. REMOVAL OF STRUCTURES AND EQUIPMENT

In the event drilling upon the leased premises shall result in production, Lessee, at its own expense, shall immediately remove all temporary structures and place all permanent equipment in such manner as will not interfere with or introduce hazard to any activity of Lessor. Should drilling result in a dry hole or holes, Lessee shall, at its own expense, immediately remove all temporary structures from the land and restore the land to its state as it existed as of that date of this lease, or to such state as is compatible with the use then being made of said premises, at the option of the Lessor.

#### D. DESIGNATION OF PRODUCTION UNITS

Within ninety (90) days after completion of any well on the leased premises which is not pooled under the provisions of Paragraph III.-E., Lessee shall designate in writing, and file same of record with the County Clerk of Brazos County, Texas, a description of that part of the leased premises to be allotted to such well for production purposes, according to the following formula:

1. For a well classified as an oil well by the Railroad Commission of Texas, no more than 160 acres plus 10% tolerance.
2. For a well classified as a gas well by the Railroad Commission of Texas, no more than 320 acres plus 10% tolerance.

Production, drilling or reworking operations on said allotted area by Lessee shall maintain this lease in effect only with regard to the land within the described area.

#### E. POOLING

Pooling of all or any part of the leased premises with outside acreage is

not permitted without the consent of the Board or its authorized representative.

#### **F. SEISMIC SURVEYING**

All seismic activities shall be approved in advance by the Board's authorized representative, and any changes or requirements which he demands must be complied with by the Lessee. Failure to so comply will result in immediate revocation of the permit. Lessee shall be responsible for all damages to property, real and personal, and injuries to persons and livestock resulting from any operations or activities conducted on the property. The Lessor may designate routes to be utilized in all seismic surveying. Deviation from said routes by a Lessee shall result in immediate revocation of the permit.

#### **G. ROADS AND ACCESS ROUTES**

The Lessor may designate specific streets as access routes for use by operators. Costs of additional reinforcements and repairs made necessary by the activities of operators shall be borne by the Lessee. Such reinforcement and repairs shall conform to standards set by the Lessor in advance. Permanent access roads constructed by Lessee must be built according to standards accepted in writing by the Board's authorized representative. Lessor may prohibit the use of its streets during designated hours on specified days. Notice of such prohibition shall be given to the Lessee in advance.

#### **H. WELL LOCATION**

No well shall be drilled at any surface location which is nearer than three hundred (300) feet from any building on the land without the consent of the Board's authorized representative.

A directional well may have a surface location in one tract designated for a particular well and be bottomed under another tract designated for a particular well provided that the bottom hole location meets the requirements of the Railroad Commission.

#### **I. DRILLING AND PRODUCTION OPERATIONS**

Any violation of any valid law or of any valid rule, regulation or requirement of any state or federal regulatory body having jurisdiction with reference to drilling, completing, equipping, operating, producing, maintaining, or abandoning oil or gas wells or related appurtenances, equipment or facilities, or with reference to firewalls, fire protection, blow-out protection or safety of persons or property shall be a violation of the lease agreement.

The use of earthen pits for reserve mud or waste materials such as drilling mud, contaminated mud, drill stem test returns and the like are not permitted. Steel pits shall be required.

A single tank battery location shall be identified and approved by the Board's authorized representative where all tank batteries shall be concentrated to serve all wells developed on the property. When one or more wells are connected to the concentrated tank battery, whether by individual flow line connections direct to the tank or tanks or by use of a multiple header system, each line between each well and such tank or header shall be buried below plow depth and be legibly identified at all

times, either by a firmly attached tag or plate or an identification properly printed on each line at a distance not to exceed three (3) feet from such tank or header connection.

No operator shall use or operate in connection with the drilling or reworking of any well, any wooden derrick or steam powered rig, or permit any drilling rig or derrick to remain on the premises or drill site for a period longer than thirty (30) days after completion or abandonment of any well.

Within thirty (30) days after completion of any well, Lessee shall file with Lessor a final report which shall be a copy of the appropriate Railroad Commission form(s).

In the event of the loss of control of any well the operator shall immediately take all reasonable steps to regain control of such well, and shall notify Lessor as soon as practicable. All wells and production facilities shall be completely enclosed by a six (6) foot high chain link fence with three (3) turned out barbed wire strands at the top.

Only electric prime movers shall be permitted for the purpose of pumping wells unless a waiver of this provision is obtained from the Lessor.

Notwithstanding any other requirements promulgated by the Railroad Commission of Texas, burning of excess gas shall be avoided and allowed only for a period of two (2) months following completion of the well to enable construction of transmission lines. Discharge of burned gas into the atmosphere shall occur at a point twenty-five (25) feet above the surface of the ground, and no less than ten (10) feet above the top of tank batteries.

All operators shall make adequate provisions for the disposal of salt water or other impurities which may be produced along with the oil or gas in a manner which prevents the contamination of the surface or subsurface water supply or the destruction of vegetation. No operator or any person engaged in the operation of any loading rack, storage or other facility or equipment used in the production, storage, transportation, sale or shipment of crude oil or other flammable petroleum product shall allow any such substance to spill over, overflow, leak, drain out, escape or accumulate in any sewer or about the premises, or on any surface, or in any open surface ditch or any other exposed surface conduit, in any manner or amount which creates a potential fire hazard, or which may pollute any surface or subsurface water or damage any publicly owned land.

All surface areas utilized by an operator shall be kept clear of high grass, weeds and combustible trash or other rubbish or debris that would, if allowed to accumulate, result in a fire hazard.

Printed signs with at least five (5) inch letters reading, "DANGER, NO SMOKING OR OPEN FLAMES ALLOWED" or similar words shall be posted in conspicuous places on each well, storage tank or battery of tanks. The signs shall include the production unit number and emergency notification telephone number of the College Station fire department. Well and lease designations required by the Railroad Commission of Texas or any other governmental authority having jurisdiction shall also be displayed.

Whenever any well is permanently abandoned, it shall be the obligation of the operator to plug such well in accordance with the laws of the State of Texas, the rules of the Railroad Commission of Texas, and/or any other agency having jurisdiction in connection with the plugging operation and to provide Lessor with a notice of intent to plug and abandon which will include the abandonment program and request for release of permit.

Any expense incurred by Lessor due to a request for an exception under this section shall be paid by the operator requesting such exception.

#### **J. INSURANCE AND BONDS**

All operators shall maintain or cause to be maintained public liability insurance and insurance coverage on their employees, agents and contractors (or require such insurance to be maintained), in addition to required worker's compensation insurance, in at least the following amounts:

##### Comprehensive General Liability Insurance:

Public Liability (Bodily Injury). Insurance with limits of not less than Three Hundred Thousand and No/100 Dollars (\$300,000.00) for each person, and Five Hundred Thousand and No/100 Dollars (\$500,000.00) for each occurrence and Five Hundred Thousand and No/100 Dollars (\$500,000.00) in the aggregate;

Public Liability (Property Damage). Insurance with limits of not less than Three Hundred Thousand and No/100 Dollars (\$300,000.00) for each occurrence and Five Hundred Thousand and No/100 Dollars (\$500,000.00) in the aggregate.

##### Excess Liability Insurance:

An Excess Liability policy with a limit of liability of at least One Million and No/100 Dollars (\$1,000,000.00) coverage in excess of the above required general liability policy.

##### Certificate of Insurance:

As proof of compliance with this section a certificate of insurance shall be filed with the Lessor setting out the insurance coverage required under this section. Such certificate shall state that ten (10) days prior written notice of cancellation or material change shall be submitted to the Lessor by the insurance carrier. Such certificate shall also show the coverage for property damage liability for damages arising from blasting or explosion; collapse or structural injury; underground property damage; damage to underground resources and equipment; and hazard and blowout or cratering of any well.

**K. DESIGNATION OF AUTHORIZED REPRESENTATIVE OF BOARD OF REGENTS**

For purposes of this lease, the Board of Regents hereby appoints the Chancellor or his designee as the authorized representative of the Board and/or Lessor as same is referred to herein.

IN TESTIMONY WHEREOF, witness the signatures of the parties hereto, Lessor acting by and through the Chancellor of The Texas A&M University System, duly authorized thereunto by the Board of Regents of The Texas A&M University System, this 28th day of March, A.D., 1984.

LESSOR:

THE TEXAS A&M UNIVERSITY SYSTEM

*WAW  
JMS*

*Arthur G. Hansen*

Dr. Arthur G. Hansen  
Chancellor  
The Texas A&M University System  
State of Texas

LESSEE:

JVR PETROLEUM, INCORPORATED

ATTEST:

4-6-84

*James R. ...*

PRESIDENT

JVR Petroleum, Incorporated

THE STATE OF TEXAS

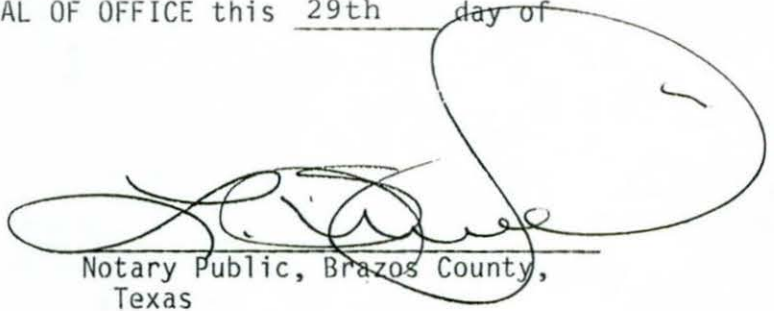
¶

COUNTY OF BRAZOS

¶

BEFORE ME, the undersigned authority, a Notary Public in and for Brazos County, Texas, on this day personally appeared Arthur G. Hansen, Chancellor of The Texas A&M University System, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same as the act and deed of the Board of regents of The Texas A&M University System for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 29th day of March, 1984.

  
Notary Public, Brazos County,  
Texas

L. Smith

STATE OF TEXAS

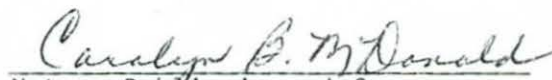
¶

COUNTY OF HARRIS

¶

BEFORE ME, the undersigned authority, on this day personally appeared James V. Riner, President, 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, in the capacity therein stated and as the act and deed of said Corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 6TH day of APRIL, A.D. 1984.

  
Notary Public in and for  
HARRIS County

85

Field notes of a 176.00 acre tract or parcel of land lying and being situated in the J. E. Scott League, A-50 Brazos County, Texas, and being part of the tract conveyed to the Agricultural and Mechanical College of Texas by H. Mitchell on June 21, 1871 in the Deed recorded in Volume M, Page 142 of the Deed Records of Brazos County, Texas and also being part of the tract conveyed to the Agricultural and Mechanical College of Texas by W. C. Boyett on August 9, 1926 in the Deed recorded in Volume 80, Page 139, of the Deed Records of Brazos County, Texas, and being more particularly described as follows:

Beginning at the eastmost corner of The Texas A&M University System - Tract B, Oil Unit II lease, from which point the point where the centerline of the Southern Pacific Transportation Company railroad mainline crosses the northwest league line of the J. E. Scott League bears N 38°27'22" W a distance of 3153.73 feet,

Thence S 37°32'33" W across the right-of-way of the Southern Pacific Railroad and Finfeather Road a distance of 131.57 feet to a point for angle, said point being located at the point of intersection of the southwest right-of-way line of Finfeather Road and the northwest right-of-way line of F & B Road;

Thence along the northwest right-of-way line of F & B Road for the following calls:

S 37°32'33" W for a distance of 920.44 feet to a point for angle point;

S 39°49'25" W for a distance 353.93 feet to a point for angle point;

S 42°02'21" W for a distance of 107.76 feet to a point for angle point;

S 43°27'03" W for a distance of 322.95 feet to a point for angle point;

S 43°02'02" W for a distance of 138.18 feet to a point for angle point;

S 43°34'18" W for a distance of 1378.45 feet to a point for angle point;

S 43°29'39" W for a distance of 115.51 feet to a point for corner;

Thence S 38°27'22" E for a distance of 2221.31 feet to a point for corner;

Thence N 43°34'18" E for a distance of 3442.75 feet to a point in the centerline of the Southern Pacific Railroad for corner;

Thence N 38°27'22" W along the centerline of said railroad a distance of 2361.31 feet to the Point of Beginning, and containing 176.00 acres of land, more or less.

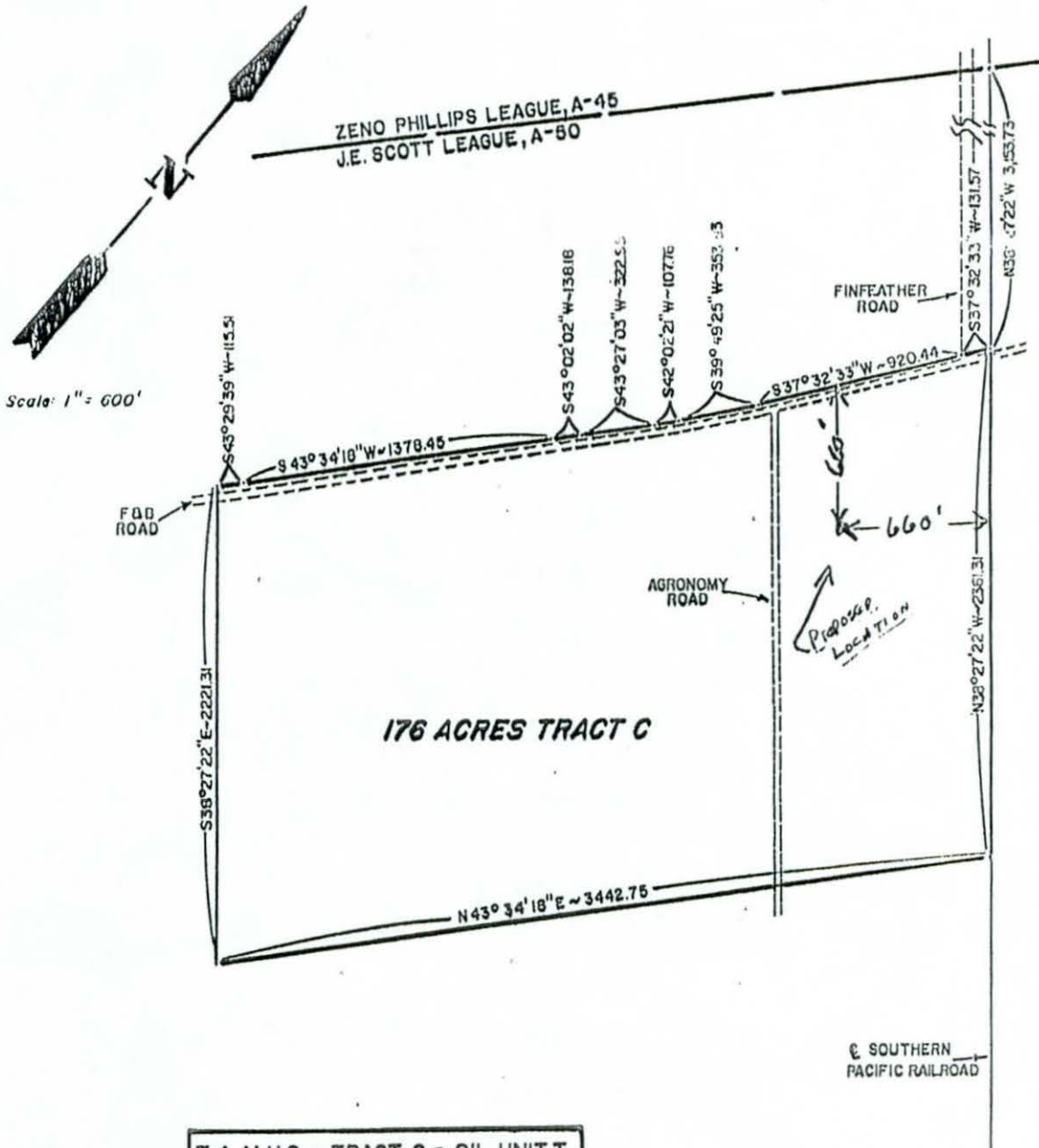


Date: August 1983

Prepared by:

*Gary B. Neill*

Gary B. Neill, R.P.S. #3964



T.A.M.U.S - TRACT C - OIL UNIT I  
 176 ACRES  
 J.E. SCOTT LEAGUE, A-50  
 BRAZOS COUNTY, TEXAS  
 AUG. 1983

CERTIFICATION: I hereby Certify this survey as true and correct to the best of my knowledge and belief this 15<sup>th</sup> day of AUGUST, 1983.

*Gary B. Neill*

PREPARED BY GARY B. NEILL, R.R.S. NO 3964  
 U.M.S. BOX 219 COLLEGE STATION, TEXAS 77843



FACILITIES PLANNING & CONSTRUCTION DEPARTMENT  
 THE TEXAS A&M UNIVERSITY SYSTEM

①

M 89947

Lease

File dated 3-28-84

Garry Mauro, Commissioner

RECEIVED AS STATED  
52,800.00

DATE 4-24-84  
Reg. No. 95965

GENERAL LAND OFFICE

THE TEXAS A&M UNIVERSITY SYSTEM

COLLEGE STATION, TEXAS 77843-1118

April 10, 1984

Office of the  
SYSTEM COMPTROLLER

Mr. V. C. Morelle, Attorney  
Oil and Gas Section  
Legal Division  
General Land Office  
Stephen F. Austin Building  
1700 North Congress Avenue  
Austin, Texas 78701

~~X~~ 52,800.<sup>00</sup> 95465


Re: Oil, Gas and Sulphur Lease  
Brazos County, Texas

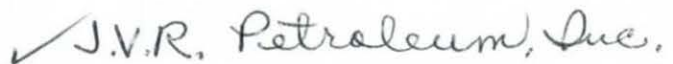
Dear Mr. Morelle:

We are enclosing check no. 304 in the amount of \$52,800.00 from J. V. R. Petroleum, Inc. which represents the purchase money for the referenced mineral lease.

We are also enclosing a copy of the lease document with the request that you please acknowledge receipt of the enclosed check and deposit the \$52,800.00 to The Texas A&M University System-Special Mineral Fund No. 95.

Yours very truly,

  
L. J. Valigura  
Director of Finance



LJV/lh

Enclosures

171

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No. 89997

CORRESPONDENCE FILE

To J. A. M. Law.  
FROM

Dated 4-10-84

**Garry Mauro**  
Commissioner  
General Land Office



April 24, 1984

Mr. L. J. Valigura  
The Texas A&M University System  
College Station, Texas 77843-1118

Re: Texas A&M University Lease M-89947  
J. E. Scott League, A-50,  
100 feet below the Georgetown formation  
Brazos County, Texas

Dear Mr. Vaigura:

The copy of an oil and gas lease covering the captioned tract has been approved and filed in our records under the captioned mineral file number. Please refer to this file number in all future correspondence concerning this lease.

Your remittance of \$52,800.00 has been applied as the state's portion of the cash bonus. A receipt for this amount is enclosed.

Sincerely,

V. C. Morelle, Attorney  
Oil and Gas Section  
Legal Services  
512 475-4246

/dd

(13)

M. F. 89947

CORRESPONDENCE FILE

To 2x Arm Univ.  
~~FROM~~

Dated 4-24-84

RECEIVED AS STATED

DATE \_\_\_\_\_  
REG. No. \_\_\_\_\_

GENERAL LAND OFFICE

Garry Mauro  
Commissioner  
General Land Office



August 22, 1984

Chisos Operating, Inc.  
P. O. Box 10865  
Midland, Texas 79702

Attention: Ms. Trina Shoemaker

Dear Ms. Shoemaker:

Per your request, the Texas A & M University System Lease covering the J.E. Scott League, A-50, Brazos County, Texas, Containing 176 acres has been assigned State Lease number M-89947.

Sincerely,

Christopher K. Price, Attorney  
Oil and Gas Division  
Legal Department  
Phone: 512-475-6740

CKP/mow

4

M. F. 89947  
CORRESPONDENCE FILE

To Chicoos Operating

From

Dated 8-22-84

M-89947

# Chisos Operating, Inc.

Post Office Box 10865

Midland, Texas 79702

(915) 685-6200

August 16, 1984

General Land Office  
1700 N. Congress Ave.  
Austin, Texas 78701



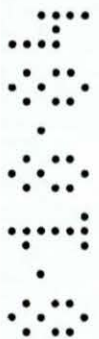
171

Gentlemen:

Enclosed you will find a copy of the lease agreement for the T.A.M.U.S. Tract C #1 located in Brazos County, Texas. Chisos Operating, Inc. is the operator of this well. We will be filing the producer reports with the General Land Office for Texas A & M University. Please forward your assigned lease number to us as soon as it is available so that we can file our reports under that number. Thank you for your cooperation in this matter.

Sincerely,

*Trina Shoemaker*  
Trina Shoemaker  
Oil & Gas Analyst



# OIL AND GAS LEASE

## I. STATUTORY REQUIREMENTS

Ed. Code  
85.58(a)

A. THE BOARD OF REGENTS OF THE TEXAS A&M UNIVERSITY SYSTEM, Lessor, in consideration of the payment by Lessee of the sum of \$52,800.00, the receipt of which is hereby acknowledged and of the royalties, covenants, stipulations, and conditions contained herein, and hereby agreed to be paid, observed, and performed by Lessee, DOES HEREBY GRANT, LEASE, AND LET unto JVR PETROLEUM, INCORPORATED, Lessee, for the sole and only purpose of prospecting, drilling for, and producing oil, gas, casinghead gas, distillate, and associated hydrocarbons, and constituent elements (including sulphur), not including coal, lignite, gravel, iron ore, caliche, sand, fissionable minerals and any other minerals, the following described land in Brazos County, Texas, which land was acquired by the State of Texas for the use and benefit of The Texas A&M University System:

All that certain tract or parcel of land lying and being situated in Brazos County, Texas, and being out of the J. E. Scott League, A-50, and being out of the tract conveyed to the Agricultural and Mechanical College of Texas by H. Mitchell on June 21, 1871 in the Deed recorded in Volume M, Page 142 of the Deed Records of Brazos County, Texas and also being part of the tract conveyed to the Agricultural and Mechanical College of Texas by W. C. Boyett on August 9, 1926 in the Deed recorded in Volume 80, Page 139, of the Deed Records of Brazos County, Texas, containing 176.00 acres, more or less. 147x

### Depth Limitation

All rights granted by this lease as to the above described land are limited to a depth no greater than one hundred feet (100 ft.) below the Georgetown formation.

### Site Reservation

There is, however, expressly reserved unto Lessor, (in addition to all surface rights and use thereof) the right to select drill site locations on the above described property for use by Lessor or any third party selected by Lessor in drilling for oil and gas lying under other tracts of land not subject to this lease and whether or not owned by Lessor. Such sites may be selected by Lessor at any time during the term of this lease, (primary or extended) at such locations deemed appropriate by Lessor provided such locations are not in direct conflict with Lessee's own drill sites. Lessor shall provide Lessee with a plat of selected surface acreage, not to exceed five (5) acres

per location, prior to making use of such locations for drilling purposes. Lessor is entitled, under this reservation, to sell or lease to other drilling contractors or producers the right to utilize such location(s) as a drill site for off-property directional drilling.

Said land shall be deemed for the purposes of bonus and rental payments to contain 176.00 acres, whether it actually contains more or less.

Ed. Code  
85.59(a)

**B. EXPLORATORY TERM**

The primary term of this lease shall be for a term of two (2) years from the date hereof (subject to the drilling requirement in General Provision II-C) and said lease shall terminate at the expiration of its primary term unless oil, gas, or distillate is being produced in paying quantities; provided, however, the term or life of this lease may be extended under the following conditions:

if the Board finds that Lessee has proceeded with diligence to protect the interest of the State, and that there is a likelihood that oil, gas, or distillate will be discovered on the leased premises, the Board may by unanimous vote extend this lease for a period not to exceed three (3) years, conditioned upon Lessee continuing to pay the yearly rentals provided herein, and upon any additional terms the Board may see fit and proper to demand. No such extension may be granted until the last thirty (30) days of the original term of the lease.

Ed. Code  
85.55(c)  
and  
85.61

**C. ANNUAL RENTALS**

One (1) year from the date hereof, and on the same date of each of the following years during the exploratory term of this lease, Lessee shall pay to Lessor an annual rental of \$10.00 per acre. Provided, however, that if Lessee is engaged in actual drilling operations for the discovery of oil and/or gas on the leased premises on the anniversary date of this lease, no annual rental shall be payable as to the acreage contained in that tract on which said operations are being conducted as long as such are proceeding in good faith; and if oil and/or gas are discovered in paying quantities on any tract covered by this lease, then as to that tract this lease shall remain in force so long as production is obtained in paying quantities from said tract. When royalties, as provided herein, amount to as much as the yearly payment set out above, said annual rental may be discontinued.

Ed. Code  
85.66(1)

**D. PAYMENTS AND RECORDS TO GENERAL LAND OFFICE**

All royalties, as provided herein, shall be paid to the Commissioner of the General Land Office at Austin, Texas, on or before the last day of each month for the preceding month during the term of this lease.

Notice is hereby given that Lessor is not subject to windfall profits tax on royalties paid but is exempt therefrom. Said payment shall be accom-

panied by a sworn statement of Lessee's owner, manager, or other authorized agent, showing the gross amount of oil and/or gas produced and saved since the last report, the amount of oil and/or gas produced and sold off the premises, and the market value of same, together with a copy of all daily gauges, or vats, tanks, gas meter readings, pipeline receipts, gas line receipts and other checks and memoranda of the amounts produced and put into pipelines, tanks, vats, or pool and gas lines, gas storage, other places of storage, and other means of transportation. Lessee shall simultaneously provide Lessor with photocopies of all papers filed with the General Land Office.

Ed. Code  
85.66(b)

#### **E. INSPECTION OF RECORDS**

Lessee's books and accounts, receipts and discharges of all wells, tanks, vats, pools, meters, pipelines, and all contracts and other records pertaining to the production, transportation, sale, and marketing of oil and/or gas shall at all times be subject to inspection and examination by any Member of the Board of Regents of The Texas A&M University System, or any duly authorized representative of said Board.

Ed. Code  
85.63

#### **F. SURFACE OPERATIONS**

Drilling for oil and/or gas within less than three hundred (300) feet of any building or research area is prohibited, unless written consent of the Board is first obtained. Operations for oil and/or gas shall not in any way interfere with the use of the leased premises for educational, recreational, experimental, and any other purposes to which it has or may be put, and shall not cause the abandonment of the leased premises. Lessee shall drill, mine, and carry on operations in such a way as not to cause the abandonment of the property for experimental farm purposes and the leased premises shall be subject to use by the State of Texas for all experimental purposes.

1. The bottom hole location for the well to be drilled on this tract shall be 660 ft. from the northeast line and 660 ft. from the northwest line of this lease as depicted on the attached plat which is made a part of this Agreement. It is specifically understood and agreed that the surface location shall differ from the bottom hole location and must have prior approval by the Lessor. Any other bottom hole location or any other well which may be drilled on this tract must be approved by the Lessor in advance of operations.

Ed. Code  
85.67(a)

#### **G. FORFEITURE**

This lease shall be subject to forfeiture by the Board by an order entered upon the minutes of the Board reciting the facts constituting a default, for any of one or more of the following reasons:

1. Lessee fails or refuses to make the payment of any sum due, either as rental, royalty on production, or other payment, within thirty (30) days after the same becomes due.

2. Lessee's owner or authorized agent makes any false return or false report concerning production, royalty, drilling, or mining.

3. Lessee fails or refuses to drill any offset well or wells in good faith, as required by this lease.

4. Lessee or its agent refuses the proper authority access to the records and other data pertaining to operations under this lease.

5. Lessee or its authorized agent fails or refuses to give correct information to the proper authorities.

6. Lessee or its authorized agent fails or refuses to furnish the log of any well within thirty (30) days after production is found in paying quantities.

7. Any material terms of this lease are violated.

The Board may have suit instituted for forfeiture through the Attorney General.

Ed. Code

85.67(c)

#### **H. REINSTATEMENT AFTER FORFEITURE**

Upon proper showing by Lessee, within thirty (30) days after the declaration of forfeiture, this lease may be reinstated at the discretion of the Board on such terms as it may prescribe.

Ed. Code

85.67(d)

#### **I. REMEDIES OF LESSOR**

In case of violation by Lessee, the remedy of the State by forfeiture is not the exclusive remedy. Suit for damages or specific performance, or both may be instituted.

Ed. Code

85.67(e)

#### **J. FIRST LIEN**

The State shall have a first lien upon all oil and/or gas produced upon the leased premises and upon all rigs, tanks, vats, pipelines, telephone lines, machinery, and appliances used in the production and handling of oil and/or gas produced therefrom, to secure any amount due from Lessee.

Ed. Code

85.65(b)

#### **K. ASSIGNMENTS**

All rights acquired under this lease may be assigned. All assignments shall be filed in the General Land Office within one hundred (100) days after the first acknowledgement thereof, accompanied by ten cents (\$.10) per acre assigned, and if not so filed and payment made, the assignment shall not be effective. (See also Board of Regents' approval, General Provisions II.-Q.).

Ed. Code

85.65(c)

#### **L. RELINQUISHMENTS**

All rights to any whole tract or to any assigned portion thereof may be relinquished to the State at any time by having an instrument of relinquishment recorded in the counties in which the area may be situated, and filed with the Board of Regents, accompanied by One and No/100 Dollar (\$1.00) for each acre relinquished. Such relinquishment shall not relieve the Lessee of any past due obligations theretofore accrued thereon.

Ed. Code  
85.66(d)

**M. ROYALTY IN-KIND**

The Lessor may, at its discretion, require that payment of royalty, as stipulated herein, be in-kind.

Ed. Code  
85.61

**N. PROTECTION FROM DRAINAGE**

The Lessee shall adequately protect the oil and gas under the above described land from drainage from adjacent lands or leases, including land owned by Lessor leased at a lesser royalty. Neither the bonus, annual rentals, nor royalties paid or to be paid hereunder shall relieve Lessee from the obligation expressed herein or by statute.

Natural  
Res. Code  
52.293

**O. SALE OF GAS FOR USE OUTSIDE STATE OF TEXAS**

This agreement is subject to the provisions of Senate Bill No. 3, Acts of the 64th Legislature, Regular Session, 1975, Section 1 of which requires the following to be included in this lease form:

"From and after the effective date of this Act, it shall be unlawful for any one of the persons, agencies, or entities set forth in Section 2 of this Act to execute an oil, gas and mineral lease on any lands on which they are otherwise authorized and empowered by law to execute such a lease unless such lease shall include the following terms and conditions:

None of the natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease shall be sold or contracted for sale to any person, corporation, or other entity for ultimate use outside of the State of Texas unless and until the Railroad Commission of Texas shall find, after notice and hearing pursuant to Title 102 of the Revised Civil Statutes of Texas, 1925, as amended, that:

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

(c) no public or private school in this State, of elementary, secondary, or higher education level, requires said natural gas or casinghead gas to meet its existing needs for fuel;

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

(e) no producer of food and fiber requires said 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 the State of Texas and who relies on natural gas or casinghead gas to provide in whole or in part his existing needs for fuel or raw material requires said natural gas or casinghead gas to meet such needs."

## II. GENERAL PROVISIONS

### A. ROYALTY

Lessee agrees to pay or cause to be paid during the term hereof:

(1) as a royalty on oil, which is defined as including hydrocarbons produced in a liquid form at the mouth of the well, and also all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, the following shall be payable:

- a. thirty percent (30%) of the value of the gross production until such time as Lessee shall have obtained "payout", as hereinafter defined, whether from oil or gas revenues, or both, said sum, as defined, to represent an agreed "payout" amount for each well from which production is obtained; and
- b. seventy-five percent (75%) of the value of the gross production after such time as the agreed "payout" amount shall have been recovered by Lessee.

Such value shall be the highest posted price, plus premium, if any, offered or paid for oil of like grade and gravity in the general area, or the prevailing market price thereof in the general area, or the proceeds of the sale thereof, whichever is the greatest;

(2) as a royalty on all gas, which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph A(1), above, produced from any well and sold by Lessee, or used by Lessee, the following shall be payable:

- a. thirty percent (30%) of the value of the gross production until such time as Lessee shall have obtained "payout" as hereinafter defined, whether from oil or gas revenues, or both, said sum, as defined, to represent an agreed "payout" amount for each well from which production is obtained; and,
- b. seventy-five percent (75%) of the value of the gross production after such time as the agreed "payout" amount shall have been recovered by Lessee.

Such value shall be determined on the basis of the highest price paid for gas of a similar quantity in the general area or the amount accruing to the producer from all hydrocarbons or other products produced from said gas, whichever is greater.

"Payout" as used in the foregoing paragraphs is defined as the recovery by the Lessee of Seven Hundred Fifty Thousand and No/100 Dollars (\$750,000.00) from production revenues, exclusive of lifting expenses, windfall profits taxes, production taxes, ad valorem taxes, and unitization expenses, if any.

(3) on Sulphur, one-fourth (1/4) of the value of the gross production thereof from the leased premises, such value to be the highest price offered or paid therefor in the general area, the price received by Lessee, or Three and 50/100 Dollars (\$3.50) per long ton, whichever is greater.

(4) on all production sold by Lessee for benefit of Lessor pursuant to its royalty interest, Lessee, its agents and/or assigns, shall be and remain jointly and severally liable to Lessor for all payment due Lessor from such sale to purchasers pending actual payment to Lessee. Non-payment by any such purchaser of production will not relieve Lessee of its obligation to pay Lessor for its royalty interest in production sold.

(5) 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 shall pay as royalty One Thousand Two Hundred and No/100 Dollars (\$1,200.00) for each well capable of producing gas in paying quantities; such payment shall be made 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 two (2) 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.

(6) Lessee agrees that all royalties accruing to Lessor under this lease 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.

#### **B. LIQUID HYDROCARBON RECOVERY**

Lessee agrees that before any gas produced from the leased premises, containing liquid hydrocarbons, recoverable in commercial quantities by separator on the lease, is sold, used, or processed in a plant, it will be

run 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 Lessor, the requirement that such gas be run through such a separator or other equipment may be waived upon such terms and conditions as provided by Lessor.

#### **C. DRILLING REQUIREMENT**

Notwithstanding anything to the contrary contained herein, this lease shall terminate and be rendered void unless Lessee has commenced drilling operations on the leased premises within one hundred twenty (120) days of the execution of this lease by the Lessee. The term "commenced drilling operations" as used in this lease includes, but is not limited to the moving of machinery and equipment onto the premises preparatory to the beginning of actual drilling with the intent to proceed thereafter with diligence toward the completion of a producing well. Such drilling operations, if commenced within said one hundred twenty (120) day period, shall serve to keep this lease in force and effect as to the entire leased premises, subject to the continuous drilling clause. In accordance with the provisions of Paragraph I.-C., above, Lessee shall be excused from paying delay rentals upon acreage contained in the well unit, but shall be liable for such rentals on any acreage not dedicated to a well or wells on the first anniversary of this lease. Failure to pay rentals on the non-dedicated acreage shall work an immediate termination of this lease as to the entire leased premises.

#### **D. CONTINUOUS DRILLING CLAUSE**

Lessee shall conduct continuous drilling operation and shall within thirty (30) days after setting casing on the initial producer begin drilling a second well. Upon completion of such second well, as a producer or dry hole, Lessee shall within thirty (30) days thereof begin the drilling of the next well and on like periods to succeeding wells until the land is fully developed to allowable density. Failure to so drill and continue drilling will constitute a breach and forfeiture of this lease. This continuous drilling clause shall not apply on any tract covered by this lease of insufficient acreage to permit additional wells under field rules established by the Texas Railroad Commission.

#### **E. REWORKING EXTENSION**

In the event production of oil, or gas on the leased premises after once having been obtained shall cease for any cause after the expiration of the exploratory term, this lease shall not terminate if Lessee commences additional drilling or reworking operations within ninety (90) days thereafter, and such lease shall remain in full force and effect so long as such operations continue in good faith and in a workmanlike manner, without interruptions totaling more than ninety (90) days during any one such operation; and if such drilling or reworking operations result in the production of oil or gas, this lease shall remain in full force and effect so long as oil or gas is produced therefrom in paying quantities or payment of shut-in gas well royalties is made in accordance with Paragraph II.-A.-(5) hereof.

#### **F. DEVELOPMENT**

This lease contemplates the full prospecting and developing of the land hereby leased for oil and/or gas, including the putting down of as many

wells as a reasonably prudent operator would do under the same or similar circumstances. The Lessee shall adequately protect the oil and gas under the above described land from drainage to adjacent lands or leases. Neither the bonus, annual payments, nor royalties paid or to be paid hereunder, nor the commencement of drilling operations within the one hundred twenty (120) day period above described, shall relieve Lessee from the obligation herein expressed.

**G. WATER-BEARING STRATA**

In drilling wells, all water-bearing strata shall be noted by Lessee in the log, and the Lessor reserves the right to require that all or any part of the casing shall be left in any non-productive well when Lessor deems it necessary or desirable to preserve or maintain said well or wells for water.

**H. LOGS AND PLATS**

Lessee shall file at the General Land Office, for the Board of Regents of The Texas A&M University System, the logs of all wells drilled upon the above described premises, within thirty (30) days after completion in the case of producing wells, and within thirty (30) days after abandonment in the case of dry holes. Whenever the Lessee commences the drilling of any well or wells upon the above described premises, written notice thereof shall be filed at the General Land Office, for the Board of Regents of The Texas A&M University System, accompanied by a plat of said premises showing the location of such well or wells.

**I. AUTHORITY OF AGENTS**

In all cases the authority of a manager or agent to act for the Lessee herein must be filed at the General Land Office for the Board.

**J. INDEMNIFICATION**

Lessee hereby agrees to pay Lessor for all damages to crops, trees, buildings, streets, fixtures, utility lines (above and below ground), personal property, productivity of soil, livestock, and any and all other things damaged as a result of Lessee's or its agents' actions in carrying out any operations under the terms of this lease. Lessee further agrees to indemnify and hold Lessor harmless for any and all damages to third persons and the property of third persons resulting from such operations.

**K. FORCE MAJEURE**

Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or State law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

**L. CASING, EQUIPMENT, AND LESSOR'S RIGHTS ON PRODUCING WELLS**

If this lease shall terminate or be forfeited for any cause, or should Lessee elect to abandon a well or wells, the Lessee shall in no event be permitted to remove the casing or any part of the equipment of any such producing well or wells located upon the premises, and Lessor shall be entitled to take over the operation thereof at no cost.

**M. UNDERGROUND STORAGE**

It is expressly agreed and understood that Lessee shall not use the herein leased premises for underground storage of natural gas, crude petroleum or other hydrocarbons without the express advance written consent of Lessor.

**N. BINDING EFFECT**

The covenants, conditions, and agreements contained herein shall extend to and be binding upon the heirs, executors, administrators, successors, or assigns of the Lessee herein.

**O. STATUTORY AUTHORITY**

This agreement is subject to the provisions of Subchapter D of Chapter 85, Subtitle D, Title 3, Texas Education Code, and all amendments thereof whether heretofore or hereafter enacted, and subject to all valid rules, regulations, and orders of any duly constituted State or federal regulatory agency having jurisdiction hereof.

**P. PROPORTIONATE REDUCTION**

In the event Lessor owns an interest in the oil and/or gas on, in or under the above described lands less than the entire fee simple estate, whether or not this lease purports to cover the whole or fractional interest therein, then the royalties to be paid Lessor shall be reduced in the proportion that Lessor's interest bears to the whole and undivided fee and in accordance with the nature of the estate with which Lessor is seized.

**Q. ASSIGNMENT - BOARD OF REGENTS' APPROVAL**

Lessee may assign the rights acquired under this lease only with approval of the Board, or its duly appointed officer. All necessary filings with the General Land Office required by Paragraph I.-K. of this lease shall be the responsibility of Lessee. Lessee shall also be responsible for paying any fees or charges assessed by the General Land Office for such filing. Lessee acknowledges that the responsibility for obtaining consent and filing assignments in a timely manner is solely that of Lessee.

**R. ACCESS AND INFORMATION**

Lessee agrees to give any authorized representative of the Board access to all wells drilled on the leased premises at all reasonable hours, and upon request of Lessor, to furnish Lessor or its authorized representative with, or allow said representative to take from such wells, formation samples of cores and cuttings consecutively taken, and also to furnish any records, memoranda, reports or other information relative to the operation of the leased premises. Copies of title opinions, abstracts, instruments relating to the determination of title, and executed copies of all oil or gas purchase contracts or agreements shall be provided to the Board's said representative upon request.

### III. SPECIAL PROVISIONS

#### A. SITE APPROVAL

Locations of all wells, structures, roads, tank batteries, pipelines, telephone lines, and all other facilities erected or moved onto a site by Lessee must be approved in advance by Lessor or its authorized representative. Such request for approval shall be in writing setting out the precise location of any proposed facility and including diagrammatic descriptions of the facility and the surrounding area. Upon request by Lessor, Lessee shall provide any additional drawings or other data Lessor requires to assess a location. Approval shall not be unreasonably withheld and approval, rejection or requirement for changes must be provided within three (3) working days from date all requested data have been submitted.

#### B. PIPELINES

Lessor requires that all pipelines be buried below plow depth (deemed to be 36 inches), and that Lessee pay for damages caused by its operations to any surface structure or use of the property.

#### C. REMOVAL OF STRUCTURES AND EQUIPMENT

In the event drilling upon the leased premises shall result in production, Lessee, at its own expense, shall immediately remove all temporary structures and place all permanent equipment in such manner as will not interfere with or introduce hazard to any activity of Lessor. Should drilling result in a dry hole or holes, Lessee shall, at its own expense, immediately remove all temporary structures from the land and restore the land to its state as it existed as of that date of this lease, or to such state as is compatible with the use then being made of said premises, at the option of the Lessor.

#### D. DESIGNATION OF PRODUCTION UNITS

Within ninety (90) days after completion of any well on the leased premises which is not pooled under the provisions of Paragraph III.-E., Lessee shall designate in writing, and file same of record with the County Clerk of Brazos County, Texas, a description of that part of the leased premises to be allotted to such well for production purposes, according to the following formula:

1. For a well classified as an oil well by the Railroad Commission of Texas, no more than 160 acres plus 10% tolerance.
2. For a well classified as a gas well by the Railroad Commission of Texas, no more than 320 acres plus 10% tolerance.

Production, drilling or reworking operations on said allotted area by Lessee shall maintain this lease in effect only with regard to the land within the described area.

#### E. POOLING

Pooling of all or any part of the leased premises with outside acreage is

not permitted without the consent of the Board or its authorized representative.

#### **F. SEISMIC SURVEYING**

All seismic activities shall be approved in advance by the Board's authorized representative, and any changes or requirements which he demands must be complied with by the Lessee. Failure to so comply will result in immediate revocation of the permit. Lessee shall be responsible for all damages to property, real and personal, and injuries to persons and livestock resulting from any operations or activities conducted on the property. The Lessor may designate routes to be utilized in all seismic surveying. Deviation from said routes by a Lessee shall result in immediate revocation of the permit.

#### **G. ROADS AND ACCESS ROUTES**

The Lessor may designate specific streets as access routes for use by operators. Costs of additional reinforcements and repairs made necessary by the activities of operators shall be borne by the Lessee. Such reinforcement and repairs shall conform to standards set by the Lessor in advance. Permanent access roads constructed by Lessee must be built according to standards accepted in writing by the Board's authorized representative. Lessor may prohibit the use of its streets during designated hours on specified days. Notice of such prohibition shall be given to the Lessee in advance.

#### **H. WELL LOCATION**

No well shall be drilled at any surface location which is nearer than three hundred (300) feet from any building on the land without the consent of the Board's authorized representative.

A directional well may have a surface location in one tract designated for a particular well and be bottomed under another tract designated for a particular well provided that the bottom hole location meets the requirements of the Railroad Commission.

#### **I. DRILLING AND PRODUCTION OPERATIONS**

Any violation of any valid law or of any valid rule, regulation or requirement of any state or federal regulatory body having jurisdiction with reference to drilling, completing, equipping, operating, producing, maintaining, or abandoning oil or gas wells or related appurtenances, equipment or facilities, or with reference to firewalls, fire protection, blow-out protection or safety of persons or property shall be a violation of the lease agreement.

The use of earthen pits for reserve mud or waste materials such as drilling mud, contaminated mud, drill stem test returns and the like are not permitted. Steel pits shall be required.

A single tank battery location shall be identified and approved by the Board's authorized representative where all tank batteries shall be concentrated to serve all wells developed on the property. When one or more wells are connected to the concentrated tank battery, whether by individual flow line connections direct to the tank or tanks or by use of a multiple header system, each line between each well and such tank or header shall be buried below plow depth and be legibly identified at all

times, either by a firmly attached tag or plate or an identification properly printed on each line at a distance not to exceed three (3) feet from such tank or header connection.

No operator shall use or operate in connection with the drilling or reworking of any well, any wooden derrick or steam powered rig, or permit any drilling rig or derrick to remain on the premises or drill site for a period longer than thirty (30) days after completion or abandonment of any well.

Within thirty (30) days after completion of any well, Lessee shall file with Lessor a final report which shall be a copy of the appropriate Railroad Commission form(s).

In the event of the loss of control of any well the operator shall immediately take all reasonable steps to regain control of such well, and shall notify Lessor as soon as practicable. All wells and production facilities shall be completely enclosed by a six (6) foot high chain link fence with three (3) turned out barbed wire strands at the top.

Only electric prime movers shall be permitted for the purpose of pumping wells unless a waiver of this provision is obtained from the Lessor.

Notwithstanding any other requirements promulgated by the Railroad Commission of Texas, burning of excess gas shall be avoided and allowed only for a period of two (2) months following completion of the well to enable construction of transmission lines. Discharge of burned gas into the atmosphere shall occur at a point twenty-five (25) feet above the surface of the ground, and no less than ten (10) feet above the top of tank batteries.

All operators shall make adequate provisions for the disposal of salt water or other impurities which may be produced along with the oil or gas in a manner which prevents the contamination of the surface or subsurface water supply or the destruction of vegetation. No operator or any person engaged in the operation of any loading rack, storage or other facility or equipment used in the production, storage, transportation, sale or shipment of crude oil or other flammable petroleum product shall allow any such substance to spill over, overflow, leak, drain out, escape or accumulate in any sewer or about the premises, or on any surface, or in any open surface ditch or any other exposed surface conduit, in any manner or amount which creates a potential fire hazard, or which may pollute any surface or subsurface water or damage any publicly owned land.

All surface areas utilized by an operator shall be kept clear of high grass, weeds and combustible trash or other rubbish or debris that would, if allowed to accumulate, result in a fire hazard.

Printed signs with at least five (5) inch letters reading, "DANGER, NO SMOKING OR OPEN FLAMES ALLOWED" or similar words shall be posted in conspicuous places on each well, storage tank or battery of tanks. The signs shall include the production unit number and emergency notification telephone number of the College Station fire department. Well and lease designations required by the Railroad Commission of Texas or any other governmental authority having jurisdiction shall also be displayed.

Whenever any well is permanently abandoned, it shall be the obligation of the operator to plug such well in accordance with the laws of the State of Texas, the rules of the Railroad Commission of Texas, and/or any other agency having jurisdiction in connection with the plugging operation and to provide Lessor with a notice of intent to plug and abandon which will include the abandonment program and request for release of permit.

Any expense incurred by Lessor due to a request for an exception under this section shall be paid by the operator requesting such exception.

#### **J. INSURANCE AND BONDS**

All operators shall maintain or cause to be maintained public liability insurance and insurance coverage on their employees, agents and contractors (or require such insurance to be maintained), in addition to required worker's compensation insurance, in at least the following amounts:

##### Comprehensive General Liability Insurance:

Public Liability (Bodily Injury). Insurance with limits of not less than Three Hundred Thousand and No/100 Dollars (\$300,000.00) for each person, and Five Hundred Thousand and No/100 Dollars (\$500,000.00) for each occurrence and Five Hundred Thousand and No/100 Dollars (\$500,000.00) in the aggregate;

Public Liability (Property Damage). Insurance with limits of not less than Three Hundred Thousand and No/100 Dollars (\$300,000.00) for each occurrence and Five Hundred Thousand and No/100 Dollars (\$500,000.00) in the aggregate.

##### Excess Liability Insurance:

An Excess Liability policy with a limit of liability of at least One Million and No/100 Dollars (\$1,000,000.00) coverage in excess of the above required general liability policy.

##### Certificate of Insurance:

As proof of compliance with this section a certificate of insurance shall be filed with the Lessor setting out the insurance coverage required under this section. Such certificate shall state that ten (10) days prior written notice of cancellation or material change shall be submitted to the Lessor by the insurance carrier. Such certificate shall also show the coverage for property damage liability for damages arising from blasting or explosion; collapse or structural injury; underground property damage; damage to underground resources and equipment; and hazard and blowout or cratering of any well.

**K. DESIGNATION OF AUTHORIZED REPRESENTATIVE OF BOARD OF REGENTS**

For purposes of this lease, the Board of Regents hereby appoints the Chancellor or his designee as the authorized representative of the Board and/or Lessor as same is referred to herein.

IN TESTIMONY WHEREOF, witness the signatures of the parties hereto, Lessor acting by and through the Chancellor of The Texas A&M University System, duly authorized thereunto by the Board of Regents of The Texas A&M University System, this 28th day of March, A.D., 1984.

LESSOR:

THE TEXAS A&M UNIVERSITY SYSTEM

*aww*  
*ms*  


Dr. Arthur G. Hansen  
Chancellor  
The Texas A&M University System  
State of Texas

LESSEE:

JVR PETROLEUM, INCORPORATED

ATTEST:

4-6-84



PRESIDENT

JVR Petroleum, Incorporated



Field notes of a 176.00 acre tract or parcel of land lying and being situated in the J. E. Scott League, A-50 Brazos County, Texas, and being part of the tract conveyed to the Agricultural and Mechanical College of Texas by H. Mitchell on June 21, 1871 in the Deed recorded in Volume M, Page 142 of the Deed Records of Brazos County, Texas and also being part of the tract conveyed to the Agricultural and Mechanical College of Texas by W. C. Boyett on August 9, 1926 in the Deed recorded in Volume 80, Page 139, of the Deed Records of Brazos County, Texas, and being more particularly described as follows:

Beginning at the eastmost corner of The Texas A&M University System - Tract B, Oil Unit II lease, from which point the point where the centerline of the Southern Pacific Transportation Company railroad mainline crosses the northwest league line of the J. E. Scott League bears N 38°27'22" W a distance of 3153.73 feet,

Thence S 37°32'33" W across the right-of-way of the Southern Pacific Railroad and Finfeather Road a distance of 131.57 feet to a point for angle, said point being located at the point of intersection of the southwest right-of-way line of Finfeather Road and the northwest right-of-way line of F & B Road;

Thence along the northwest right-of-way line of F & B Road for the following calls:

S 37°32'33" W for a distance of 920.44 feet to a point for angle point;

S 39°49'25" W for a distance 353.93 feet to a point for angle point;

S 42°02'21" W for a distance of 107.76 feet to a point for angle point;

S 43°27'03" W for a distance of 322.95 feet to a point for angle point;

S 43°02'02" W for a distance of 138.18 feet to a point for angle point;

S 43°34'18" W for a distance of 1378.45 feet to a point for angle point;

S 43°29'39" W for a distance of 115.51 feet to a point for corner;

Thence S 38°27'22" E for a distance of 2221.31 feet to a point for corner;

Thence N 43°34'18" E for a distance of 3442.75 feet to a point in the centerline of the Southern Pacific Railroad for corner;

Thence N 38°27'22" W along the centerline of said railroad a distance of 2361.31 feet to the Point of Beginning, and containing 176.00 acres of land, more or less.

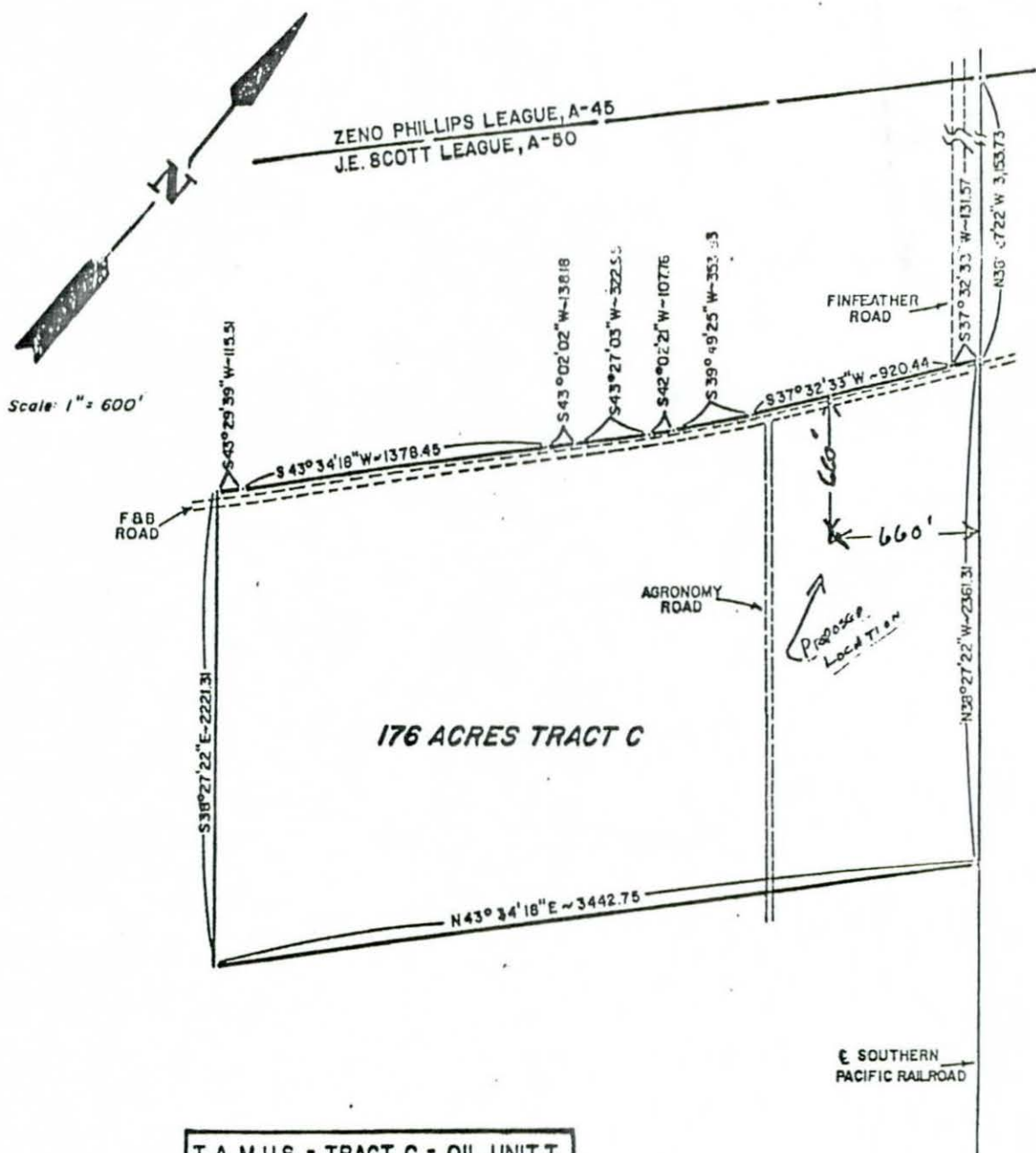


Date: August 1983

Prepared by:

*Gary B Neill*

Gary B. Neill, R.P.S. #3964



T.A.M.U.S. - TRACT C - OIL UNIT I  
 176 ACRES  
 J.E. SCOTT LEAGUE, A-50  
 BRAZOS COUNTY, TEXAS  
 AUG. 1983

CERTIFICATION: I hereby Certify this survey as true and correct to the best of my knowledge and belief this 15<sup>th</sup> day of AUGUST, 1983.

*Gary B. Neill*

PREPARED BY GARY B. NEILL, R.P.S. N<sup>o</sup> 3964  
 U.S.S. BOX 219 COLLEGE STATION, TEXAS 77843



FACILITIES PLANNING & CONSTRUCTION DEPARTMENT  
 THE TEXAS A&M UNIVERSITY SYSTEM

89947

M. F. CORRESPONDENCE FILE

To Chison Operating

From

Dated 8-20-84

89947

M-89947

RAILROAD COMMISSION OF TEXAS  
Oil and Gas DivisionForm W-2  
Rev. 4/1/83  
453-046

Type or print only

|   |  |                            |   |                          |
|---|--|----------------------------|---|--------------------------|
| Oil Well Potential Test, Completion or Recompletion Report, and Log   |  |                            | API No. 42- 041-31147   | 7. RRC District No.<br>3 |
| 1. FIELD NAME (as per RRC Records or Wildcat)<br>Bryan (Woodbine)   |  |                            | 2. LEASE NAME<br>T.A.M.U.S. Tract C   | 8. RRC Lease No.         |
| 3. OPERATOR'S NAME (Exactly as shown on Form P-5, Organization Report)<br>Chisos Operating, Inc.              |  | RRC Operator No.<br>149441 |   | 9. Well No.<br>1         |
| 4. ADDRESS<br>P. O. Box 10865 Midland, Texas 79702  |  |                            | 10. County of well site<br>Brazos   |                          |
| 5. If Operator has changed within last 60 days, name former operator  |  |                            | 11. Purpose of filing   |                          |
| 6a. Location (Section, Block, and Survey)<br>E. Scott League A-50   |  |                            | 6b. Distance and direction to nearest town in this county.<br>1 mile from College Station |                          |
| 12. If workover or reclass, give former field (with reservoir) & gas ID or oil lease no.<br>FIELD & RESERVOIR |  | GAS ID or OIL LEASE #      | Oil - O<br>Gas - G  | WELL NO.                 |
| 13. Type of electric or other log run<br>GR-CNL and CR-CBL  |  |                            | 14. Completion or recompletion date<br>July 13, 1984                                      |                          |
| Initial Potential <input checked="" type="checkbox"/>   |  |                            |   |                          |
| Retest <input type="checkbox"/>   |  |                            |   |                          |
| Reclass <input type="checkbox"/>  |  |                            |   |                          |
| Well record only (explain in Remarks) <input type="checkbox"/>  |  |                            |   |                          |

## SECTION I: POTENTIAL TEST DATA IMPORTANT: Test should be for 24 hours unless otherwise specified in field rules

|  |                               |  |                   |                                |
|--|-------------------------------|--|-------------------|--------------------------------|
| 15. Date of test<br>7/28/84  | 16. No. of hours tested<br>24 | 17. Production method (Flowing, Gas Lift, Jetting, Pumping—<br>Size & Type of pump)<br>Flowing |                   | 18. Choke size<br>20/64"       |
| 19. Production during<br>Test Period   | Oil - BBLs<br>229.5           | Gas - MCF<br>328   | Water - BBLs<br>0 | Gas - Oil Ratio<br>1429        |
| 20. Calculated 24-<br>Hour Rate  | Oil - BBLs<br>229.5           | Gas - MCF<br>328   | Water - BBLs<br>0 | Oil Gravity—API—60°<br>39.5    |
| 21. Was swab used during this test?<br>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |                               | 22. Oil produced prior to test (New & Reworked wells)<br>2,028 barrels                         |                   | 23. Injection Gas—Oil<br>Ratio |

REMARKS:

INSTRUCTIONS: File an original and one copy of the completed Form W-2 in the appropriate RRC District Office within 30 days after completing a well and within 10 days after a potential test. If an operator does not properly report the results of a potential test within the 10-day period, the effective date of the allowable assigned to the well will not extend back more than 10 days before the W-2 was received in the District Office. (Statewide Rules 16 and 51) To report a completion or recompletion, fill in both sides of this form. To report a retest, fill in only the front side.

## WELL TESTER'S CERTIFICATION

I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I conducted or supervised this test by observation of (a) meter readings or (b) the top and bottom gauges of each tank into which production was run during the test. I further certify that the potential test data shown above is true, correct, and complete, to the best of my knowledge.

*David K. Braswell*  
Signature: Well Tester

Milton Cook Co.

Name of Company

RRC Representative

## OPERATOR'S CERTIFICATION

I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that data and facts stated therein are true, correct, and complete, to the best of my knowledge.

Trina Shoemaker

Typed or printed name of operator's representative

915-685-6260

Telephone. Area Code Number

Date: 7 / 30 / 84

mo. day year

Oil &amp; Gas Analyst

Title of Person

Signature

*Trina Shoemaker*

SECTION II DATA ON WELL COMPLETION AND LOG (Not Required on Retest)

1. Type of Completion: New Well  Deepening  Plug Back  Other

25. Permit to Drill, Plug Back or Deepen DATE 5/22/84 PERMIT NO. 239671  
 Rule 37 CASE NO.  
 Exception  
 Water Injection PERMIT NO.  
 Permit  
 Salt Water Disposal PERMIT NO.  
 Permit  
 Other PERMIT NO.

3. Notice of Intention to Drill this well was filed in Name of Chisos Operating, Inc.

7. Number of producing wells on this lease in this field (reservoir) including this well 1  
 28. Total number of acres in this lease 176

9. Date Plug Back, Deepening, WorkOver or Drilling Operations: Commenced 6/12/84 Completed 7/13/84  
 30. Distance to nearest well, Same Lease & Reservoir

1. Location of well, relative to nearest lease boundaries of lease on which this well is located 706 Feet From East Line and 1,025 Feet from North Line of the T.A.M.U.S. Tract C Lease

2. Elevation (DF, RKB, RT, GR, ETC.) 375' KB  
 33. Was directional survey made other than inclination (Form W-12)?  Yes  No

4. Top of Pay 9,173' 35. Total Depth 9,952' 36. P. B. Depth 37. Surface Casing Determined by: Field  Rules Recommendation of T.D.W.R.  Railroad Commission (Special)   
 Dt. of Letter 5/17/84  
 Dt. of Letter

8. Is well multiple completion? No  
 39. If multiple completion, list all reservoir names (completions in this well) and Oil Lease or Gas ID No. FIELD & RESERVOIR  
 40. Intervals Drilled by: Rotary Tools  Cable Tools

11. Name of Drilling Contractor Spartan  
 42. Is Cementing Affidavit Attached?  Yes  No

13. CASING RECORD (Report All Strings Set in Well)

| CASING SIZE | WT #/FT. | DEPTH SET | MULTISTAGE TOOL DEPTH | TYPE & AMOUNT CEMENT (sacks) | HOLE SIZE    | TOP OF CEMENT | SLURRY VOL. cu. ft. |
|-------------|----------|-----------|-----------------------|------------------------------|--------------|---------------|---------------------|
| 9-5/8"      | 36#      | 1,578'    |                       | 325 sx HOWCO                 | Lite 12 1/4" | Surface       | 817                 |
|             |          |           |                       | 150 sx Class H               |              |               |                     |
| 5-1/2"      | 17#      | 9,952'    |                       | 100 sx lite                  | 8-3/4"       |               | 970                 |
|             |          |           |                       | 667 sx Maxi-seal             |              |               |                     |

14. LINER RECORD

| Size | TOP | Bottom | Sacks Cement | Screen |
|------|-----|--------|--------------|--------|
|      |     |        |              |        |

45. TUBING RECORD

| Size   | Depth Set | Packer Set | From   | To     |
|--------|-----------|------------|--------|--------|
| 2-3/8" | 9,099'    | 9,067'     | 9,173' | 9,179' |
|        |           |            |        |        |
|        |           |            |        |        |

46. Producing Interval (this completion) Indicate depth of perforation or open hole

47. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.

| Depth Interval | Amount and Kind of Material Used |
|----------------|----------------------------------|
|                |                                  |

48. FORMATION RECORD (LIST DEPTHS OF PRINCIPAL GEOLOGICAL MARKERS AND FORMATION TOPS)

| Formations   | Depth  | Formations | Depth  |
|--------------|--------|------------|--------|
| Austin Chalk | 8,820' | Georgetown | 9,803' |
| Woodbine     | 9,184  |            |        |
| Buda         | 9,662  |            |        |

REMARKS

STATEMENT OF PRODUCTIVITY OF ACREAGE  
ASSIGNED TO PRORATION UNITS

The undersigned states that he is authorized to make this statement; that he has knowledge of the facts concerning the Chisos Operating, Inc. OPERATOR of the T.A.M.U.S. Tract C LEASE No. 1 WELL; that such well is completed in the Bryan (Woodbine) Field, Brazos County, Texas and that the acreage claimed, and assigned to such well for proration purposes as authorized by special rule and as shown on the attached certified plat embraces 176 acres which can reasonably be considered to be productive of hydrocarbons.

- CERTIFICATE -

*I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that data and facts stated therein are true, correct, and complete, to the best of my knowledge.*

Date July 27, 1984 Signature Lina Shoemaker

Telephone 915-685-6260 AREA CODE Title Oil & Gas Analyst

Cementier: Fill in shaded areas  
Operator: Fill in other items.

RAILROAD COMMISSION OF TEXAS  
Oil and Gas Division

|   |                                      |   |   |
|---|--------------------------------------|---|---|
| 1. Operator's Name (As shown on Form P-5, Organization Report)<br><b>Chisos Operating, Inc.</b> | 2. RRC Operator No.<br><b>149441</b> | 3. RRC District No.<br><b>3</b>         | 4. County of Well Site<br><b>BRAZOS</b> |
| 5. Field Name (Wildcat or exactly as shown on RRC records)<br><b>Bryan (Woodbine)</b>           | 6. API No.<br><b>42-041-31147</b>    | 7. Drilling Permit No.<br><b>239671</b> |   |
| 8. Lease Name<br><b>T.A.M.U.S. Tract C</b>  | 9. Rule 37 Case No.                  | 10. Oil Lease/Gas ID No.                | 11. Well No.<br><b>#1</b>               |

| Casing      | CEMENTING DATA:   | SURFACE CASING | INTER-MEDIATE CASING | PRODUCTION CASING               |                           | MULTI-STAGE CEMENTING PROCESS |      |
|-------------|---|----------------|----------------------|---------------------------------|---------------------------|-------------------------------|------|
|             |   |                |                      | Single String                   | Multiple Parallel Strings | Tool                          | Shoe |
|             | 12. Cementing Date  |                |                      | 7/6/84                          |                           |                               |      |
|             | 13. Drilled hole size   |                |                      | 8 3/4                           |                           |                               |      |
|             | *Est. % wash or hole enlargement  |                |                      |                                 |                           |                               |      |
|             | 14. Size of casing (in. O.D.)   |                |                      | 5 1/2                           |                           |                               |      |
|             | 15. Top of liner (ft.)  |                |                      |                                 |                           |                               |      |
|             | 16. Setting depth (ft.)   |                |                      | 9952                            |                           |                               |      |
|             | 17. Number of centralizers used   |                |                      |                                 |                           |                               |      |
|             | 18. Hrs. waiting on cement before drill-out                                       |                |                      |                                 |                           |                               |      |
| 1st Slurry  | 19. API cement used: No. of sacks ▼   |                |                      | 100                             |                           |                               |      |
|             | Class ▼   |                |                      | Lightweight                     |                           |                               |      |
|             | Additives ▼   |                |                      | .75% TF-4 + .35% WR-15 + 2 #/sk |                           | Perma Check                   |      |
| 2nd Slurry  | No. of sacks ▼  |                |                      | 667                             |                           |                               |      |
|             | Class ▼   |                |                      | Maxi Seal                       | 125                       |                               |      |
|             | Additives ▼   |                |                      | .1% WR-10                       |                           |                               |      |
| 3rd Slurry  | No. of sacks ▼  |                |                      |                                 |                           |                               |      |
|             | Class ▼   |                |                      |                                 |                           |                               |      |
|             | Additives ▼   |                |                      |                                 |                           |                               |      |
| 1st         | 20. Slurry pumped: Volume (cu. ft.) ▼   |                |                      | 183                             |                           |                               |      |
|             | Height (ft.) ▼  |                |                      | 724.5                           |                           |                               |      |
| 2nd         | Volume (cu. ft.) ▼  |                |                      | 787.1                           |                           |                               |      |
|             | Height (ft.) ▼  |                |                      | 2868.3                          |                           |                               |      |
| 3rd         | Volume (cu. ft.) ▼  |                |                      |                                 |                           |                               |      |
|             | Height (ft.) ▼  |                |                      |                                 |                           |                               |      |
| Total       | Volume (cu. ft.) ▼  |                |                      | 970.1                           |                           |                               |      |
|             | Height (ft.) ▼  |                |                      | 3592.8                          |                           |                               |      |
|             | 21. Was cement circulated to ground surface (or bottom of cellar) outside casing? |                |                      | NO                              |                           |                               |      |
| 22. Remarks |   |                |                      |                                 |                           |                               |      |

| CEMENTING TO PLUG AND ABANDON                     | PLUG # 1 | PLUG # 2 | PLUG # 3 | PLUG # 4 | PLUG # 5 | PLUG # 6 | PLUG # 7 | PLUG # 8 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|
| 23. Cementing date                                |          |          |          |          |          |          |          |          |
| 24. Size of hole or pipe plugged (in.)            |          |          |          |          |          |          |          |          |
| 25. Depth to bottom of tubing or drill pipe (ft.) |          |          |          |          |          |          |          |          |
| 26. Sacks of cement used (each plug)              |          |          |          |          |          |          |          |          |
| 27. Slurry volume pumped (cu. ft.)                |          |          |          |          |          |          |          |          |
| 28. Calculated top of plug (ft.)                  |          |          |          |          |          |          |          |          |
| 29. Measured top of plug, if tagged (ft.)         |          |          |          |          |          |          |          |          |
| 30. Slurry wt. (lbs./gal)                         |          |          |          |          |          |          |          |          |
| 31. Type cement                                   |          |          |          |          |          |          |          |          |

CEMENTER'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that the cementing of casing and/or the placing of cement plugs in this well as shown in the report was performed by me or under my supervision, and that the cementing data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers cementing data only.

JOE PROCTOR SERV. SUPER.  
Name and title of cementer's representative

THE WESTERN COMPANY  
Cementing Company

Signature

820 INDUSTRIAL BLVD. BRYAN, TEXAS 77803 409-779-9307 7/9/84  
Address City, State, Zip Code Tel.: Area Code Number Date: mo. day yr.

OPERATOR'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that I have knowledge of the well data and information presented in this report, and that data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers all well data.

Trina Shoemaker  
Typed or printed name of operator's representative

Oil & Gas Analyst  
Title

Signature

P. O. Box 10865 Midland, Texas 79702 915-685-6260 July 24, 1984  
Address City, State, Zip Code Tel.: Area Code Number Date: mo. day yr.

### Instructions to Form W-15, Cementing Report

**IMPORTANT:** Operators and cementing companies must comply with the requirements of the Commission's Statewide Rules 8 (Water Protection), 13 (Casing, Cementing, Drilling, and Completion), and 14 (Well Plugging). For offshore operations, see the requirements of Rule 13 (c).

**A. What to file.** An operator should file an original and one copy of the completed Form W-15 for each cementing company used on a well. The cementing of different casing strings on a well by one cementing company may be reported on one form. Form W-15 should be filed with the following:

- An initial oil or gas completion report, Form W-2 or G-1, as required by Statewide or special field rules;
- Form W-4, Application for Multiple Completion, if the well is a multiple parallel casing completion; and
- Form W-3, Plugging Record, unless the W-3 is signed by the cementing company representative. When reporting dry holes, operators must complete Form W-15, in addition to Form W-3, to show any casing cemented in the hole.

**B. Where to file.** The appropriate Commission District Office for the county in which the well is located.

**C. Surface casing.** An operator must set and cement sufficient surface casing to protect all usable-quality water strata, as defined by the Texas Department of Water Resources, Austin. Before drilling a well in any field or area in which no field rules are in effect or in which surface casing requirements are not specified in the applicable rules, an operator must obtain a letter from the Department of Water Resources stating the protection depth. Surface casing should not be set deeper than 200 feet below the specified depth without prior approval from the Commission.

**D. Centralizers.** Surface casing must be centralized at the shoe, above and below a stage collar or diverting tool, if run, and through usable-quality water zones. In nondeviated holes, a centralizer must be placed every fourth joint from the cement shoe to the ground surface or to the bottom of the cellar. All centralizers must meet API specifications.

**E. Exceptions and alternative casing programs.** The District Director may grant an exception to the requirements of Statewide Rule 13. In a written application, an operator must state the reason for the requested exception and outline an alternate program for casing and cementing through the protection depth for strata containing usable-quality water. The District Director may approve, modify, or reject a proposed program. An operator must obtain approval of any exception before beginning casing and cementing operations.

**F. Intermediate and production casing.** For specific technical requirements, operators should consult Statewide Rule 13 (b) (3) and (4).

**G. Plugging and abandoning.** Cement plugs must be placed in the wellbore as required by Statewide Rule 14. The District Director may require additional cement plugs. For onshore or inland wells, a 10-foot cement plug must be placed in the top of the well, and the casing must be cut off three feet below the ground surface. All cement plugs, except the top plug, must have sufficient slurry volume to fill 100 feet of hole, plus ten percent for each 1,000 feet of depth from the ground surface to the bottom of the plug.

To plug and abandon a well, operators must use only cementers approved by the Director of Field Operations. Cementing companies, service companies, or operators can qualify as approved cementers by demonstrating that they are able to mix and pump cement in compliance with Commission rules and regulations.

Cementor: Fill in shaded areas  
Operator: Fill in other items.

RAILROAD COMMISSION OF TEXAS  
Oil and Gas Division

|  |                               |                             |                                  |
|--|-------------------------------|-----------------------------|----------------------------------|
| 1. Operator's Name (As shown on Form P-5, Organization Report)<br>Chisos Operating, Inc. | 2. RRC Operator No.<br>149441 | 3. RRC District No.<br>3    | 4. County of Well Site<br>Brazos |
| 5. Field Name (Wildcat or exactly as shown on RRC records)<br>Bryan ( Woodbine )         |                               | 6. API No.<br>42- 041 31147 | 7. Drilling Permit No.<br>239671 |
| 8. Lease Name<br>T.A.M.U.S. Tract C  | 9. Rule 37 Case No.           | 10. Oil Lease/Gas ID No.    | 11. Well No.<br>1                |

| CASING CEMENTING DATA:  | SURFACE CASING                        | INTER-MEDIATE CASING      | PRODUCTION CASING |                           | MULTI-STAGE CEMENTING PROCESS |      |
|---|---------------------------------------|---------------------------|-------------------|---------------------------|-------------------------------|------|
|   |                                       |                           | Single String     | Multiple Parallel Strings | Tool                          | Shoe |
| 2. Cementing Date   | 6-13-84                               |                           |                   |                           |                               |      |
| 3. Drilled hole size  |                                       |                           |                   |                           |                               |      |
| *Est. % wash or hole enlargement  |                                       |                           |                   |                           |                               |      |
| 4. Size of casing (in. O.D.)  |                                       |                           |                   |                           |                               |      |
| 15. Top of liner (ft.)  |                                       |                           |                   |                           |                               |      |
| 16. Setting depth (ft.)   |                                       |                           |                   |                           |                               |      |
| 17. Number of centralizers used   |                                       |                           |                   |                           |                               |      |
| 18. Hrs. waiting on cement before drill-out                                       |                                       |                           |                   |                           |                               |      |
| 1st Slurry  | 19. API cement used: No. of sacks ▶   | 325                       |                   |                           |                               |      |
|   | Class ▶                               | HLC                       |                   |                           |                               |      |
|   | Additives ▶                           | 3% Salt, 1/2#/sk. Flocele |                   |                           |                               |      |
| 2nd Slurry  | No. of sacks ▶                        | 150                       |                   |                           |                               |      |
|   | Class ▶                               | A                         |                   |                           |                               |      |
|   | Additives ▶                           | 2% Calcuin Chloride       |                   |                           |                               |      |
| 3rd Slurry  | No. of sacks ▶                        |                           |                   |                           |                               |      |
|   | Class ▶                               |                           |                   |                           |                               |      |
|   | Additives ▶                           |                           |                   |                           |                               |      |
| 1st   | 20. Slurry pumped: Volume (cu. ft.) ▶ | 640.25                    |                   |                           |                               |      |
|   | Height (ft.) ▶                        | 2044.3                    |                   |                           |                               |      |
| 2nd   | Volume (cu. ft.) ▶                    | 177                       |                   |                           |                               |      |
|   | Height (ft.) ▶                        | 507.68                    |                   |                           |                               |      |
| 3rd   | Volume (cu. ft.) ▶                    |                           |                   |                           |                               |      |
|   | Height (ft.) ▶                        |                           |                   |                           |                               |      |
| Total   | Volume (cu. ft.) ▶                    | 817.25                    |                   |                           |                               |      |
|   | Height (ft.) ▶                        | 2551.9                    |                   |                           |                               |      |
| 21. Was cement circulated to ground surface (or bottom of cellar) outside casing? |                                       | Yes                       |                   |                           |                               |      |
| 22. Remarks   |                                       |                           |                   |                           |                               |      |

| CEMENTING TO PLUG AND ABANDON                     | PLUG # 1 | PLUG # 2 | PLUG # 3 | PLUG # 4 | PLUG # 5 | PLUG # 6 | PLUG # 7 | PLUG # 8 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|
| 23. Cementing date                                |          |          |          |          |          |          |          |          |
| 24. Size of hole or pipe plugged (in.)            |          |          |          |          |          |          |          |          |
| 25. Depth to bottom of tubing or drill pipe (ft.) |          |          |          |          |          |          |          |          |
| 26. Sacks of cement used (each plug)              |          |          |          |          |          |          |          |          |
| 27. Slurry volume pumped (cu. ft.)                |          |          |          |          |          |          |          |          |
| 28. Calculated top of plug (ft.)                  |          |          |          |          |          |          |          | .....    |
| 29. Measured top of plug, if tagged (ft.)         |          |          |          |          |          |          |          | .....    |
| 30. Slurry wt. (lbs/gal)                          |          |          |          |          |          |          |          | .....    |
| 31. Type cement                                   |          |          |          |          |          |          |          | .....    |

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Donald Johnson, Cementer  
Name and title of cementer's representative

Halliburton Services  
Cementing Company

Donald Johnson  
Signature

P.O. Box 579  
Address

Caldwell, Texas 77836  
City, State, Zip Code

409/567-4674  
Tel.: Area Code Number

June 20, 1984  
Date: mo. day yr.

OPERATOR'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that I have knowledge of the well data and information presented in this report, and that data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers all well data.

Trina Shoemaker  
Typed or printed name of operator's representative

Oil & Gas Analyst  
Title

Trina Shoemaker  
Signature

P. O. Box 10865  
Address

Midland, Texas 79702  
City, State, Zip Code

915-685-6260  
Tel.: Area Code Number

July 24, 1984  
Date: mo. day yr.

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# Chisos Operating, Inc.

Post Office Box 10865

Midland, Texas 79702

(915) 685-6200



The explanation for the deviated hole was due to the fact that Texas A & M University had a cotton field that they were experimenting with an insect infestation and to drill at the surface location would have interfered with their experiment. They therefore asked that the surface location be moved and a directional hole be drilled.

RAILROAD COMMISSION OF TEXAS  
Oil and Gas Division  
Request for Clearance of Storage Tanks  
Prior to Potential Test

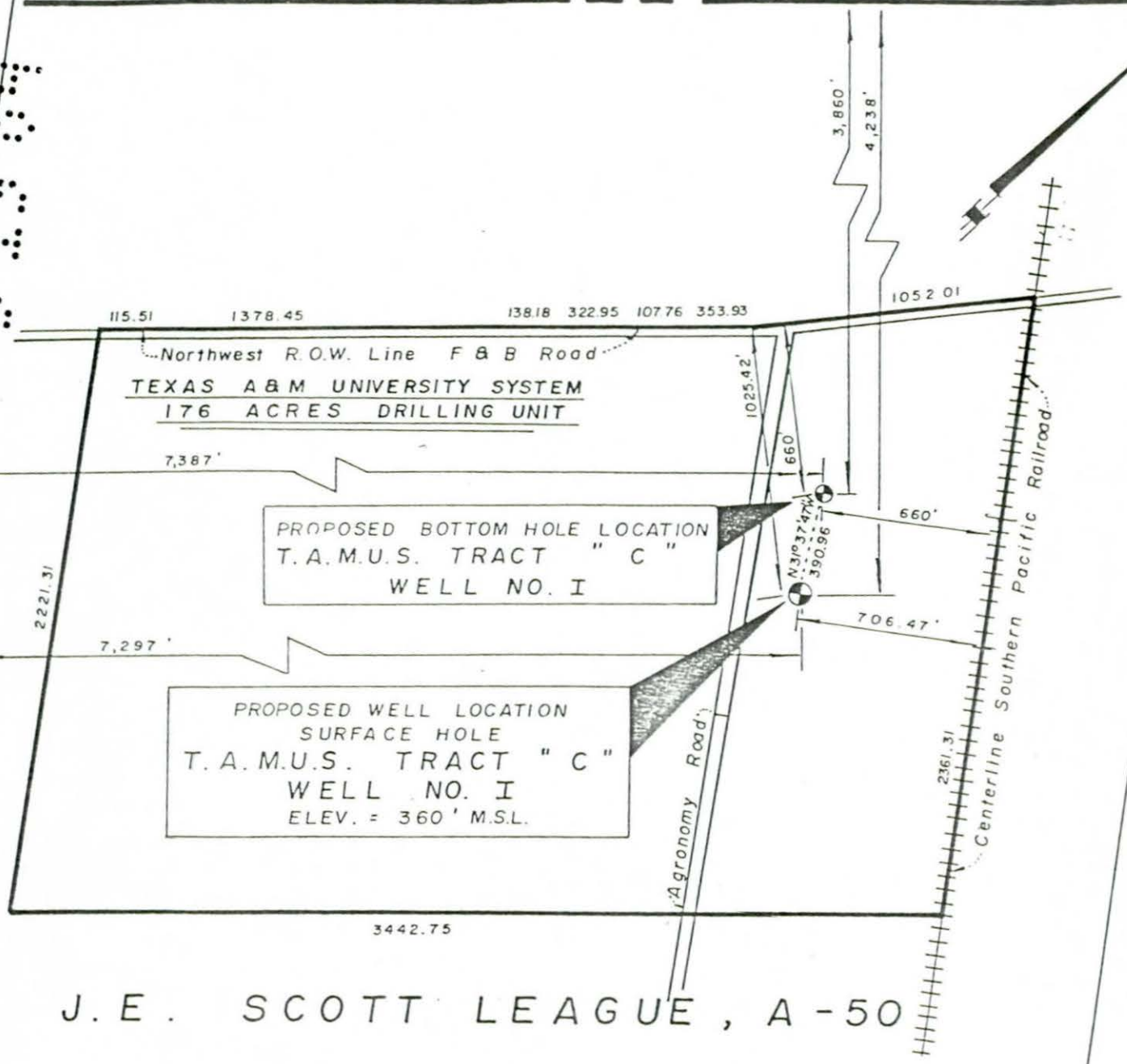
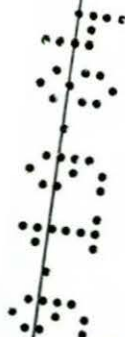
Form P-8  
Rev. 12/1/82  
483-021

Read Instructions on Back

Type or print only

|   |  |  |                     |
|---|--|--|---------------------|
| 1. Operator's Name and Address (Exactly as shown on Form P-5. Organization Report)<br>CHISOS OPERATING, INC.<br>P. O. BOX 10865<br>MIDLAND, TEXAS 79702               |  | 3. RRC District No.<br>3   |                     |
| 2. RRC Operator Number <u>149441</u>  |  | 4. County of Well Site<br>BRAZOS   |                     |
| 6. Field Name (Wildcat or exactly as shown on RRC records)<br>Bryan (Woodbine)  |  | 7. Drilling Permit No.<br>239671   | 8. Rule 37 Case No. |
| 9. Lease Name<br>T.A.M.U.S. Tract C   |  | 10. Oil Lease No.  | 11. Well No.<br>1   |
| 12. Drilling completed on <u>7 / 6 / 84</u><br>mo. day year   | 13. Completion report—Form W-2 or G-1—will be filed on ___/___/___<br>mo. day year |  |                     |
| 14. Oil or condensate gatherer's name and address<br>Mesa Pipe Line Company<br>1200 Smith Street<br>Houston, Texas 77002<br><br>Telephone: Area Code ( ) Number _____ |  | 15. Authorization to transport oil or condensate (mark one)<br><input checked="" type="checkbox"/> Form P-4 attached<br><br><input type="checkbox"/> Form P-4 filed on ___/___/___<br>mo. day year |                     |
| 16. This request is for<br><u>3000</u> barrels of <input checked="" type="checkbox"/> crude oil OR <input type="checkbox"/> condensate                                |  | 17. Amount of oil/condensate in tanks<br><u>100</u> barrels on <u>7 / 13 / 84</u><br>mo. day year  |                     |
| 18. Storage capacity in bbls. Tank battery _____ test tanks <u>1,000</u> Total _____  |  |  |                     |
| 19. Previous request for clearance. Amount <u>None</u> barrels granted on ___/___/___<br>mo. day year   |  |  |                     |
| 20. Reason for current request for clearance (explain briefly)<br><br>Testing of well and clean-up.   |  |  |                     |
| Ronnie R. Gilbreath   |  | Vice President - Operations  |                     |
| Typed or printed name of operator's representative  |  | Title of person  |                     |
| <u>915-685-6200</u>   |  | <u>Ronnie R. Gilbreath</u>   |                     |
| Telephone: Area Code Number   |  | Signature  |                     |
| Date: <u>7 / 13 / 84 /</u>  |  | mo. day year   |                     |
| RRC District Office Action  |  |  |                     |
| Barrels recommended _____   |  | District Director _____ Date _____   |                     |

ZENO PHILLIPS LEAGUE, A-45



J.H. JONES LEAGUE, A-26

J.E. SCOTT LEAGUE, A-50

PLAT OF  
PROPOSED WELL LOCATION  
CHISOS OPERATING, INC.  
T.A.M.U.S. TRACT "C"  
WELL NO. I  
J.E. SCOTT LEAGUE, A-50  
COLLEGE STATION, BRAZOS COUNTY, TEXAS  
MAY 10, 1984

PREPARED FROM A SURVEY MADE ON THE GROUND UNDER  
SUPERVISION ON MAY 9, 1984

*Martin L. Riley, Jr.*  
MARTIN L. RILEY, JR. R.P.S. NO. 4089



RILEY ENGINEERING COMPANY / Route 3, Box 457 / Bryan, Texas 77802 / (409) 589-2457  
J.C. ROD

M-89947

16/R

# Chisos Operating, Inc.

Post Office Box 10865

Midland, Texas 79702

(915) 685-6200

September 17, 1984

General Land Office  
1700 N. Congress Ave.  
Austin, Texas 78701

Gentlemen:

Enclosed you will find the completion reports and the log for the Texas A & M University System Tract C #1 Well located in Brazos County, Texas. If you need additional information regarding this well, please contact me.

Sincerely,



Trina Shoemaker  
Oil & Gas Analyst

6

M. F. 89947  
WELL # 1 COMPLETION REPORT  
GARRISON, TEXAS, COMMISSIONER  
FILED 11-0-16 84 BY *AB*

69947

FILED

309467

1994 SEP 17 AM 9:31

JVR PETROLEUM, INCORPORATED TO L. D. SIPES, JR., ET AL

Frank Smith COUNTY CLERK  
BRAZOS COUNTY COURTHOUSE  
BRYAN, TEXAS  
BY *jo gillan* DEPUTY

PARTIAL ASSIGNMENT OF OIL AND GAS LEASE

THE STATE OF TEXAS    I  
                                  I  
COUNTY OF BRAZOS     I

KNOW ALL MEN BY THESE PRESENTS:

THAT JVR PETROLEUM, INCORPORATED, hereinafter called "Assignor", for and in consideration of the sum of TEN AND NO/100 (\$10.00) DOLLARS to it in hand paid by the Assignees hereinafter named, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, has and by these presents does hereby BARGAIN, SELL, TRANSFER, ASSIGN and CONVEY unto the said Assignees, to-wit:

| <u>NAME OF ASSIGNEE</u>   | <u>INTEREST CONVEYED</u>        |
|---|---------------------------------|
| L. D. Sipes, Jr.<br>c/o Chisos Operating, Inc.<br>P.O. Box 10849<br>Midland, Texas 79701                    | 0.1150 (Eleven and 1/2 Percent) |
| Sipes Properties, Inc.<br>P.O. Box 10849<br>Midland, Texas 79701  | 0.0100 (One Percent)            |
| Roy C. Williamson, Jr.<br>P.O. Box 10849<br>Midland, Texas 79701  | 0.1250 (Twelve and 1/2 Percent) |
| Natura Energy Corporation<br>P.O. Box 10849<br>Midland, Texas 79701   | 0.1250 (Twelve and 1/2 Percent) |
| SAKCO, Ltd.<br>Box 844<br>Houston, Texas 77001<br>Attn: J.B. Lassiter                                       | 0.2500 (Twenty-Five Percent)    |
| Thagard Trust<br>60 Linda Isle<br>Newport Beach, California 92660<br>Attn: Mr. George Thagard, Jr., Trustee | 0.0625 (Six and 1/4 Percent)    |
| George Thagard, Jr.<br>60 Linda Isle<br>Newport Beach, California 92660                                     | 0.0625 (Six and 1/4 Percent)    |
| James H. Berry, Jr.<br>1202 First City National Bank Bldg.<br>Houston, Texas 77022                          | 0.0833 (Eight and 1/3 Percent)  |
| A. G. Gueymard<br>1004 First City National Bank Bldg.<br>Houston, Texas 77002                               | 0.0833 (Eight and 1/3 Percent)  |
| J.V. Riner<br>1905C Potomac<br>Houston, Texas 77057   | 0.0834 (Eight and 1/3 Percent)  |

the undivided interest set forth opposite each such Assignee's name in and to the following described Oil and Gas Lease covering lands situated in Brazos

County, Texas, to-wit:

Oil and Gas Lease dated March 28, 1984, from the Board of Regents of the Texas A&M University System to JVR Petroleum, Incorporated, recorded in Volume 672, Page 419, of the Official Records of Brazos County, Texas, covering 176.00 acres of land out of the J.E. Scott Survey, A-50, in Brazos County, Texas, said tract known as the T.A.M.U.S. Tract "C" Oil Unit I.

to which lease and the record thereof reference is here made for all purposes.

Said lease is subject to the Lessor's royalty reserved therein of 30% before payout and 75% after payout, the interest herein assigned being a net revenue interest of 70% before payout and 25% after payout.

This assignment is made expressly subject to the terms of the abovesaid Oil and Gas Lease, and each Assignee hereby expressly agrees to assume all obligations express or implied imposed upon lessee under the terms and provisions of the subject.

It is understood and agreed that Chisos Operating, Inc., located in Midland, Texas, is the operator of the abovesaid Oil and Gas Lease.

TO HAVE AND TO HOLD unto the said Assignees, their successors and assigns forever, in accordance with the terms hereof, the terms of the above described oil and gas lease and any other applicable state and federal regulations. And for the same consideration, Assignor does hereby agree to WARRANT AND DEFEND the interest herein assigned against the lawful claims and demands of all persons whomsoever, claiming or to claim the same or any part thereof, by, through or under it, but not otherwise.

EXECUTED this the 7<sup>th</sup> day of August, 1984.

JVR PETROLEUM, INCORPORATED

By: James V. Riner  
J.V. Riner, President  
J. V. Riner - Pres.

APPROVED:

THE TEXAS A&M UNIVERSITY SYSTEM

By: W. A. Wasson  
W. A. Wasson  
Associate Vice Chancellor  
and System Comptroller

ACCEPTED:

L.D. Sipes, Jr.  
L.D. Sipes, Jr.  
President  
Chisos Operating, Inc.

ACCEPTED:  
R.C. Williams, Sr.  
R.C. Williams, Sr.

ACCEPTED:

SIPES PROPERTIES, INC.

By: [Signature]  
L.D. Sipes, President

ACCEPTED:

NATURA ENERGY CORPORATION

By: [Signature]  
LARRY A. STAPP, PRESIDENT

ACCEPTED:

SAKCO, Ltd.

By: [Signature]

ACCEPTED:

THAGARD TRUST

By: [Signature]  
George Thagard, Jr., Trustee

ACCEPTED:

GEORGE THAGARD, JR.

[Signature]

ACCEPTED:

JAMES H. BERRY, JR.

[Signature]

ACCEPTED:

A. G. GUEYMARD

[Signature]

ACCEPTED:

J. V. RINER

[Signature]  
J. V. Riner

The State of Texas I

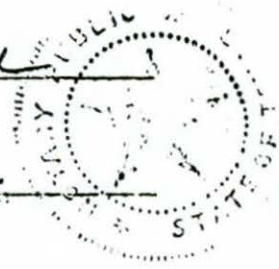
County of Harris I

This instrument was acknowledged before me on August 7, 1984, by J. V. Riner, President of JVR Petroleum, Incorporated.

My Commission Expires: 5-25-85

[Signature]  
Notary Public in and for  
THE STATE OF TEXAS

[Signature]  
(Notary's Printed Name)



The State of Texas I

County of Brazos I

This instrument was acknowledged before me on July 27, 1984, by W. A. Wasson, Associate Vice Chancellor & System Comptroller, The Texas A&M University System.

My Commission Expires: 8-6-86

[Signature]  
Notary Public in and for  
THE STATE OF TEXAS

[Signature]  
(Notary's Printed Name)



The State of Texas

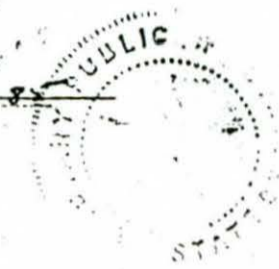
County of HARRIS

This instrument was acknowledged before me on August 7, 1984, by L. D. Sipes, Jr., President, Chisos Operating, Inc.

My Commission Expires: 5-25-85

Carolyn B. McDonald  
Notary Public in and for  
THE STATE OF TEXAS

Notary's Printed Name



The State of Texas

County of Midland

This instrument was acknowledged before me on September 7, 1984, by R. G. Williams, Jr.  
Roy C. Williamson

My Commission Expires: 5-3-86

Teresa Allen  
Notary Public in and for  
THE STATE OF TEXAS

TERESA I ALLEN  
Notary's Printed Name



The State of Texas

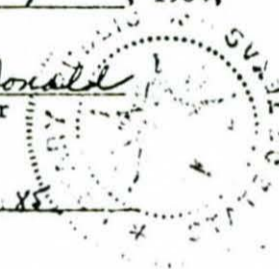
County of HARRIS

This instrument was acknowledged before me on August 7, 1984, by L. D. Sipes, Jr., President of Sipes Properties, Inc.

My Commission Expires: 5-25-85

Carolyn B. McDonald  
Notary Public in and for  
THE STATE OF TEXAS

Notary's Printed Name



The State of Texas

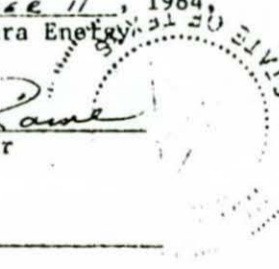
County of MIDLAND

This instrument was acknowledged before me on SEPTEMBER 11, 1984, by LARRY A. STAPP, PRESIDENT of Natura Energy Corporation.

My Commission Expires: 3/25/87

Dorothy Rowe  
Notary Public in and for  
THE STATE OF TEXAS

DOROTHY ROWE  
Notary's Printed Name



The State of Texas

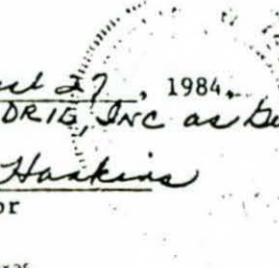
County of Harris

This instrument was acknowledged before me on August 27, 1984, by W.R. Seifield, Vice President of Saksco, Ltd. as General Partner of Saksco, Ltd., a Partnership.

My Commission Expires: July 21, 1985

Maureen D. Harkins  
Notary Public in and for  
THE STATE OF TEXAS

MAUREEN D. HARKINS  
Notary Public, Harris County, Texas  
My Commission Expires: \_\_\_\_\_  
Notary's Printed Name



The State of ~~TEXAS~~ CALIFORNIA

County of ORANGE

This instrument was acknowledged before me on AUGUST 20, 1984,  
by George Thagard, Jr., Trustee of the THAGARD TRUST.

My Commission Expires:  
MARCH 1, 1988

Genevieve Thomas  
Notary Public in and for  
THE STATE OF ~~TEXAS~~ CALIFORNIA



The State of ~~TEXAS~~ CALIFORNIA

County of ORANGE

This instrument was acknowledged before me on AUGUST 20, 1984,  
by George Thagard, Jr.

My Commission Expires:  
MARCH 1, 1988

Genevieve Thomas  
Notary Public in and for  
THE STATE OF ~~TEXAS~~ CALIFORNIA



The State of Texas

County of HARRIS

This instrument was acknowledged before me on AUGUST 7, 1984,  
by James H. Berry, Jr.

My Commission Expires:  
5-25-85

Carolyn B. McDonald  
Notary Public in and for  
THE STATE OF TEXAS

Notary's Printed Name

The State of Texas

County of HARRIS

This instrument was acknowledged before me on AUGUST 7, 1984,  
by A. G. Gueymard.

My Commission Expires:  
5-25-85

Carolyn B. McDonald  
Notary Public in and for  
THE STATE OF TEXAS

Notary's Printed Name

The State of Texas

County of HARRIS

This instrument was acknowledged before me on AUGUST 7, 1984,  
by J. V. Riner.

My Commission Expires:  
5-25-85

Carolyn B. McDonald  
Notary Public in and for  
THE STATE OF TEXAS

Notary's Printed Name



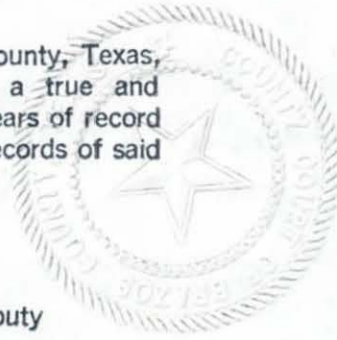
THE STATE OF TEXAS )  
COUNTY OF BRAZOS )

I, Frank Boriskie, County Clerk of Brazos County, Texas, do hereby certify that the foregoing is a true and correct copy of the original as the same appears of record in Vol. 724, Page 179 in Official Records of said County on file in my office.

ATTEST: 10-9-84

Frank Boriskie, County Clerk  
Brazos County, Texas

By Karen Murphy, Deputy



⑧ M 59947  
Assignment  
File dated 10-17-84  
Garry Mauro, Commissioner

RECEIVED AS STATED

\$25.00

DATE

11-19-84

Reg. No. 22711

GENERAL LAND OFFICE

CHISOS OPERATING, INC. ✓ 1200 BLANKS BUILDING MIDLAND, TEXAS 79701 915 - 685-6171

| INVOICE DATE | INVOICE NO. | Vendor No. | DESCRIPTION   | NET AMOUNT                           |
|--------------|-------------|------------|---|--------------------------------------|
| 10-12-84     | OCTOBER ST  | 35450      | 1450-155000-105<br><br>Filing fee for the assignment from<br>JVR Petroleum, Inc. to L.D. Sipes, Jr.<br>et al on the T.A.M.U.S. Tract C Lease<br>in Brazos County, Texas.<br>Mineral File Number M-89947 | <del>\$25.00**</del><br><b>15527</b> |



171  
182



CHISOS OPERATING, INC. 1200 BLANKS BUILDING MIDLAND, TEXAS 79701 915 - 685-6171

| INVOICE DATE | INVOICE NO. | Vendor No. | DESCRIPTION  | NET AMOUNT                           |
|--------------|-------------|------------|--|--------------------------------------|
| 10-29-84     | 2287        | 35450      | Transfer fee on the assignment from JVR Petroleum, Inc. to L.D. Sipes, Jr., et al for the T.A.M.U.S. Tract C Lease (M-89947) | <del>\$17.60**</del><br><b>22711</b> |

~~171~~

Garry Mauro  
Commissioner  
General Land Office



October 23, 1984

Chisos Operating, Inc.  
1200 Blanks Bldg.  
Midland, Texas 79701

Re: Partial Assignment of Texas A&M University System  
JVR Petroleum, Inc. to L. D. Sipes, Jr., et al  
M-89947  
Brazos County, Texas

Gentlemen:

We are in receipt of a partial assignment covering the captioned oil and gas lease. Paragraph "K" of the lease requires that all assignments be filed in the General Land Office within one hundred days after the first acknowledgement and accompanied by a ten cents per acre assigned transfer fee. If the assignment is not filed and payment made, the assignment shall not be effective, therefore, it will be necessary that you submit the required transfer fee.

Pending receipt of the transfer fee we will hold your materials and \$25.00 filing fee in our suspense file. If you have any questions, please call.

Sincerely,

Diana Dickson, Assistant  
Oil and Gas Division  
Legal Department  
512 475-4246

/dd  
10/17/84

Garry Mauro  
Commissioner  
General Land Office



November 7, 1984

Chisos Operating, Inc.  
1200 Blanks Bldg.  
Midland, Texas 79701

Re: Partial Assignment of Texas A&M University System  
JVR Petroleum, Inc. to L. D. Sipes, Jr., et al  
M-89947  
Brazos County, Texas

Gentlemen:

The certified copy of an assignment covering the captioned oil and gas lease has been filed in our records.

Your remittance of \$25.00 has been applied as the required filing fee(s) and your \$17.60 remittance has been applied as the transfer fee.

Sincerely,

Diana Dickson, Assistant  
Oil and Gas Division  
Legal Department  
512 475-4246

/dd  
11/2/84

9

M. F. 89917

CORRESPONDENCE FILE

To G. S. G. Co.  
From

Dated 11.23.88



SETTLEMENTS: Settlements shall be made monthly by your check mailed to the respective parties and interests as set out above; however, if the proceeds from any one month amount to less than \$5.00 you may defer settlements until the accruals total that sum, provided that if no payment has been made during the calendar year, payment of the accumulated amounts shall be made in the month of December of that year.

DETERMINATION OF INTEREST: You are hereby relieved of any responsibility for determining when any interest set forth has been increased, decreased, terminated, transferred, assigned or reverted to another party. The undersigned agrees to give you written notice of any such change and to hold you harmless from all loss or expense that may result from any incorrect payment in the absence or delay of such written notice.

ADVERSE CLAIMS: In the case of an adverse claim or dispute which affects the title of any credited ownership, the parties credited with such affected ownership authorize you to withhold payment accruing to the affected ownership. This shall be done without any obligation to pay interest and without any liability on the amount withheld, until a corporate indemnity bond acceptable to you shall be furnished, or until the claim or dispute is settled to your satisfaction.

NOTICES: All notices provided herein shall be given in writing to the parties, both addressee and addressor, at the addresses listed above.

COUNTERPARTS: This division order may be executed in counterparts and shall, upon execution, become separately valid and binding on each owner, their heirs, successors and assigns, regardless whether or not it is executed by all owners named in it.

WITNESSES:

OWNERS SIGNATURE

SSN# OR TAX I.D.#

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

ADDRESS:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

EXHIBIT "B"

Attached to and made a part of Division Order Number 10276 covering Texas A & M University System (TAMUS) Tract "C" Oil Unit No. 1 in Brazos County, Texas.

ROYALTY INTEREST

Texas A & M University  
System  
c/o General Land Office  
1700 N. Congress Avenue  
Austin, TX 78701

1% of 30%  
1% of 75%

BEFORE PAYOUT

.300000

AFTER PAYOUT

.750000

WORKING INTEREST

L. D. Sipes, Jr.  
c/o Chisos Operating, Inc.  
P. O. Box 10849  
Midland, TX 79701

.1150 of 70%  
.1150 of 25%

.080500

.028750

Sipes Properties, Inc.  
P. O. Box 10849  
Midland, TX 79701

.0100 of 70%  
.0100 of 25%

.007000

.002500

Roy C. Williams, Jr.  
P. O. Box 10849  
Midland, TX 79701

.1250 of 70%  
.1250 of 25%

.087500

.031250

Natura Energy Coporation  
P. O. Box 10849  
Midland, TX 79701

.1250 of 70%  
.0250 of 25%

.087500

.031250

SAKCO, Ltd.  
P. O. Box 844  
Houston, TX 77001

.2500 of 70%  
.2500 of 25%

.175000

.062500

Thagard Trust  
60 Linda Isle  
Newport Beach, CA 92610  
Attention: Mr. George Thagard, Jr.

.0625 of 70%  
.0625 of 25%

.043750

.015625

George Thagard, Jr.  
60 Linda Isle  
Newport Beach, CA 92660

.0625 of 70%  
.0625 of 25%

.043750

.015625

James H. Berry, Jr.  
1202 First City Nat'l Bank Bldg.  
Houston, TX 77002

.0833 of 70%  
.0833 of 25%

.058310

.020825

A. G. Gueymard  
1004 First City Nat'l Bank Bldg.  
Houston, TX 77002

.0833 of 70%  
.0833 of 25%

.058310

.020825

J. V. Riner  
1905 C Potomac  
Houston, TX 77057

.0834 of 70%  
.0834 of 25%

.058380

.020850

TOTAL

1.000000

1.000000

CHISOS OPERATING, INC.  
Division Order  
Lease No. 155000

TO: CHISOS OPERATING, INC.  
Post Office Box 10865  
Midland, Texas 79702

Date: January 15, 1985  
Effective 7:00 a.m. Date of First  
Production 19    

Each of the undersigned represents and warrants that he is the owner of the interest set out below opposite his name in the oil and gas (defined herein to include all substances contained in such oil and gas) produced from or allocated to the land described below; and until further written notice, hereby authorizes you or your designated agent to receive and measure such production in accordance with applicable governmental rules and regulations, giving credit as directed on Exhibit "A" attached hereto. The land is located in Brazos County,                     , is known as Texas A & M University System Tract C, and is described as follows:

As Described on Exhibit "A"

The following covenants are also a part of this division order and shall be binding upon each signor hereof and their respective heirs, successors, assigns and legal representatives.

FIRST: The oil purchased by you shall become your property when run from the lease tanks or through other lease measuring facilities by you or any carrier or agency designated by you and settlements thereof shall be based on your posted per barrel (42 U.S. Gallons) price for similar oil for the field where produced in effect on the date of each respective run. In the event oil is sold to another purchaser at the lease or at a designated marketing point in or near the field, settlements shall be based on the same net per barrel price realized at the wells by you. For settlement purposes, the term "oil" shall include condensate. Where oil is sold subject to regulation by the Department of Energy or other governmental authority, the price applicable to such sale as approved by order of such authority shall be the price upon which settlements are made hereunder.

SECOND: Settlements for gas sold at wells or at a central point in or near the field where produced shall be based on the net proceeds at the wells. If the gas is processed in or near the field where produced, settlements shall be based on net value at the wells with such net value being determined as provided in the agreement between the producer and the processor, or in the absence of such an agreement, on the same basis as settlements to other producers of gas of like kind and quality processed at the same plant. Where gas is sold subject to regulation by the Federal Energy Regulatory Commission or other governmental authority, the price applicable to such sale as approved by order of such authority shall be used as a basis for determining the net proceeds at the wells or the net value at the wells.

THIRD: If at any time a refund of a portion of the proceeds of oil and/or gas previously paid to an owner hereunder is required by an order, rule or regulation of the Department of Energy, the Federal Energy Regulatory Commission, or any other governmental authority, such owner agrees to pay his proportionate part of such refund and any interest thereon, penalties and reasonably necessary expenses and fees incurred by you in making such refund; and further agrees that you may recover each owner's proportionate share of such refunds, penalties, expenses and fees by deducting same from such owner's future payments hereunder or, at your option, by demanding reimbursement of same from such owner within thirty (30) days after such owner's receipt of written demand for same from you.

FOURTH: Settlements shall be made monthly by your check mailed to the respective parties set out on Exhibit "A" however, if the proceeds for any one month amount to less than \$10.00, you may defer settlement until the accruals total that sum, provided that if no payment has been made during the calendar year, payment of accumulated amounts shall be made during the month of December of that year. All settlements shall have deducted therefrom reasonable trucking and handling charges where necessary.

FIFTH: You are hereby relieved of any responsibility for determining when any interest herein set forth has been increased, decreased, terminated, or transferred and the undersigned agree to give written notice to you of any change and to hold you harmless from all loss or expense that may result from any incorrect payment in the absence of your receipt of such written notice. All such changes shall be made effective on the first day of the calendar month following the month in which notice is received by you.

SIXTH: In case of an adverse claim or dispute which affects the title of any ownership credited hereunder, the parties credited hereon with such affected ownership severally authorize you to withhold payments accruing to such affected ownership without obligation to pay interest on the amount so withheld until corporate indemnity bond is acceptable to you shall be furnished or until the claim or dispute is settled.

SEVENTH: In the event all or any portion of the land described herein or any formation underlying same be included in one or more units now or hereafter formed or revised by order of any appropriate governmental authority or in one or more duly authorized voluntary units now or hereafter formed or revised, it is agreed that this division order shall be subject to such unit or units so formed or revised, and that settlements shall be made in accordance with the production allocated to said tract or formation without requiring the execution of additional division orders.

EIGHTH: The undersigned hereby adopt, ratify and confirm each oil and gas lease, unit designation or agreement, and gas sales or processing agreement, and all amendments thereof, under which the production covered hereby is produced, processed and sold.

NINTH: You are authorized at your election, to withhold from the proceeds of production the amount of any tax placed thereon, or on the production thereof, by any governmental authority, and to pay the same on behalf of the undersigned.

TENTH: This division order may be executed in counterparts and shall be binding on and shall inure to the benefit of all signers hereto, their heirs, successors and assigns whether or not it is executed by all parties named herein, and all of the provisions herein contained shall apply to each of the undersigned separately and not jointly.

WITNESSES:

SIGNATURE OF OWNERS:

Texas A & M University System  
c/o General Land Office

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
ID/SS #: \_\_\_\_\_

CHISOS OPERATING, INC.

LEASE NO. 155000

DATE: January 15, 1985

EFFECTIVE DATE: Date of First Production

EXHIBIT "A" - PAGE 1

EXHIBIT "A"

DESCRIPTION:

All of that certain tract or parcel of land lying and being situated in the J. E. Scott League, A-50, and being out of the tract conveyed to the Agricultural and Mechanical College of Texas by H. Mitchell on June 21, 1871, in the Deed recorded in Volume M, Page 142, of the Deed Records of Brazos County, Texas and also being part of the tract conveyed to the Agricultural and Mechanical College of Texas by W. C. Boyett on August 9, 1926, in the Deed recorded in Volume 80, Page 139, of the Deed Records of Brazos County, Texas, containing 176 acres, more or less.

CHISOS OPERATING, INC.  
 LEASE NO. 155000  
 DATE: January 15, 1985  
 EFFECTIVE DATE: Date of First Production  
 EXHIBIT "A" - PAGE 2

OWNERSHIP OF PRODUCTION:

| <u>ROYALTY INTEREST</u>  | <u>BPO</u> | <u>APO</u> |
|--|------------|------------|
| Texas A & M University System<br>General Land Office<br>1700 N. Congress Ave.<br>Austin, Texas 78701 | .300000    | .750000    |
| <u>WORKING INTEREST</u>  |            |            |
| L. D. Sipes, Jr.<br>P. O. Box 10849<br>Midland, Texas 79702  | .080500    | .028750    |
| Sipes Properties, Inc.<br>P. O. Box 10849<br>Midland, Texas 79702                                    | .007000    | .002500    |
| Roy C. Williamson, Jr.<br>P. O. Box 10849<br>Midland, Texas 79702                                    | .087500    | .031250    |
| Natura Energy Corporation<br>600 W. Illinois Suite 702<br>Midland, Texas 79702                       | .087500    | .031250    |
| SAKCO, Limited<br>P. O. Box 844<br>Houston, Texas 77001  | .175000    | .062500    |
| Thagard Trust<br>c/o Mr. George Thagard, Jr.<br>60 Linda Isle<br>Newport Beach, California 92660     | .043750    | .015625    |
| George Thagard, Jr.<br>60 Linda Isle<br>Newport Beach, California 92660                              | .043750    | .015625    |
| James H. Berry, Jr.<br>First City National Bank Bldg.<br>Suite 1202<br>Houston, Texas 77002          | .058310    | .020825    |
| A. G. Gueymard<br>First City National Bank Bldg.<br>Suite 1004<br>Houston, Texas 77002               | .058310    | .020825    |
| J. V. Riner<br>One Allen Center, Suite 2700<br>500 Dallas Street<br>Houston, Texas 77002             | .029190    | .010425    |
| JVR Petroleum, Inc.<br>One Allen Center, Suite 2700<br>500 Dallas Street<br>Houston, Texas 77002     | .029190    | .010425    |

121  
Cay

# Chisos Operating, Inc.

Post Office Box 10865  
Midland, Texas 79702

99947

January 15, 1985

Interest Owners  
Texas A & M University System Tract C

Gentlemen:

Enclosed you will find division orders for the T.A.M.U.S. Tract C. These division orders cover payment on the gas from the above referenced well. Please sign one copy and have your signature witnessed. The copy should be returned to me at the above address. The other copy is for your files. Thank you for your cooperation in this matter.

Sincerely,

*Trina Shoemaker*

Trina Shoemaker  
Oil & Gas Analyst

11

11

Garry Mauro  
Commissioner  
General Land Office



July 26, 1985

Ada Crude Oil Company  
P.O. Box 844  
Houston, Texas 77001

Attention: Accounting Manager

RE: State Lease M-89947  
TAMUS Tract C Lease  
Bryan (Woodbine) Field  
Brazos County, Texas

Dear Gentlemen:

Examination of Chisos Operating Incorporated's Oil and Condensate Reports (Form MA-1) and your royalty payments received for the subject lease indicates oil royalty has been underpaid \$13,598.72 for the period July, 1984 through May, 1985 (see attached schedule).

Our records show that royalty was not paid on production taxes for the entire period and that Windfall Profit Taxes were deducted for July through October, 1984. This is to advise that the State's royalty interest is not subject to taxes and royalty must be computed on gross value prior to deductions for taxes.

If your records show this royalty has been paid, please advise the total amount of the check and the approximate date it was mailed. If royalty has not been paid, please pay \$14,466.72 which includes \$13,598.72 additional royalty and the required statutory delinquent penalty of \$868.00. Failure to submit royalties when due subjects the amount owed to a statutory penalty of 1% of the amount owed for each thirty day period or fractional part thereof as provided by Section 52.131, Texas Natural Resources Code. However, no penalty may be less than Five Dollars (\$5.00).

Ada Crude Oil Company

Page two

Payment should be received in this office no later than August 26, 1985. If you have any questions please feel free to contact me or Mike Nicklaus at (512) 475-2858.

Sincerely,

*Deborah Shaw by tjs*

Deborah Shaw, CPA  
Division Director  
Royalty Management Division

DS/MN/jlw

Attachment

CC: Chisos Operating, Incorporated  
P.O. Box 10865  
Midland, Texas 79702

Attention: Accounting Manager



DUE

M.F. # 89947

**CORRESPONDENCE FILE**

TO Ada Brude Oil Co.

FROM OS/MD

DATED July 26, 1985

INDEX # (2)

OPERATOR  
 STATE LEASE  
 ADDITIONAL  
 ROYALTY  
 ROYALTY  
 DUE  
 GROSS  
 VALUE  
 NORTH

122

# Chisos Operating, Inc.

Post Office Box 10865  
Midland, Texas 79702  
(915) 685-6200

July 31, 1985

Ms. Pam Terry  
ADA Crude Oil Company  
P. O. Box 844  
Houston, Texas 77001

M-89947

Dear Ms. Terry,

Enclosed you will find a copy of the letter Chisos Operating, Inc. received from the General Land Office concerning underpayment on the T.A.M.U.S. Tract C Lease (M-89947). Per our phone conversation of this date you will make payment of \$14,466.72 directly to the General Land Office. If for any reason you cannot make payment by the August 26, 1985, deadline please inform Chisos Operating, Inc. immediately. Thank you for your cooperation in this matter.

Sincerely,

*Trina Shoemaker*

Trina Shoemaker  
Oil & Gas Analyst

cc: General Land Office

121

REF. # 89947

**CORRESPONDENCE FILE**

TO cc: GLO

FROM Chicago Operating div.

DATED 7-31-85

INDEX # 13



Garry Mauro  
Commissioner  
General Land Office



March 31, 1987

Mr. Will Porter  
ClayDesta National Bank  
P.O. Box 3090  
Midland, Texas 79702

Re: Assignments of Texas A&M Lease M-88932,  
M-88933 and M-8997447  
Release of Alabama-Coushetta Lease

Dear Mr. Porter:

Enclosed you will find copies of the Oil & Gas Lease of the Texas A&M Lease, (1) M-88932 and M-88933 and (1) Partial Assignment of the Texas A&M Lease.

Per our conversation on 3-30-87, we will need to have the following:

- (1) Certified copy of a Deed of Trust and Assignment mentioning the Texas A&M Lease.
- (2) Certified copy of Substitute Trustee's Deed mentioning the same as above.
- (3) Everything you send Texas A&M, we will need Certified copies of the same to file in our records.
- (4) Release on the Alabama-Coushetta Lease for our records.
- (5) Filing Fees, which is \$25.00 per lease, per instrument, it will be late if not receive in our office within 90 days of the execution date.

If you have any questions, please call.

Sincerely,

*Jeannie R. Budd*  
Jeannie R. Budd  
Oil & Gas Section  
Legal Division  
512/463-5160

A red handwritten mark, possibly a signature or initials, is located to the right of the typed name and address of Jeannie R. Budd.

(14)

M. P.

89947  
83355

CORRESPONDENCE FILE

To  
From

C. Ray Buster

Dated

3-31-87

FILED

1986 AUG 21 PM 2:01

SUBSTITUTE TRUSTEE'S DEED

THE STATE OF TEXAS §  
COUNTY OF FAYETTE §  
BURLESON, POLK and §  
BRAZOS §

KNOW ALL MEN BY THESE PRESENTS

369320

CLAY COUNTY CLERK  
BY *Jana McQueen*

WHEREAS, by a certain Deed of Trust dated April 22, 1985, recorded in Volume 683, Page 851 of the Deed of Trust Records of Fayette County, Texas, in Volume 785, Page 115 of the Deed of Trust Records of Brazos County, Texas, and in Volume 492, Page 16 of the Deed of Trust Records of Polk County, Texas, NATURA ENERGY CORPORATION, as Grantor, conveyed to DAVID N. JONES, as Trustee, certain property hereinafter described, for the purposes of securing and enforcing payment of a certain note described in the said Deed of Trust, of even date therewith; and,

WHEREAS, by a certain Deed of Trust dated August 28, 1985, recorded in Volume 106, Page 252 of the Deed of Trust Records of Burleson County, Texas NATURA ENERGY CORPORATION, as Grantor conveyed to DAVID N. JONES, as Trustee, certain property herein after described, for the purposes of securing and enforcing payment of a certain note described in the said Deed of Trust, of even date therewith; and

WHEREAS, the holder of said notes and Deeds of Trust as authorized by and provided in said Deed of Trust, appointed the undersigned to serve as Substitute Trustee and to enforce the Trust, the said NATURA ENERGY CORPORATION having made default in the payment of said notes when due and there being due and owed thereon the unpaid principal sum, plus interest and attorney's fees, as provided in said notes; and

WHEREAS, DAVID N. JONES has resigned as Trustee, according to the terms of the aforementioned Deed of Trust, and CLAYDESTA NATIONAL BANK of Midland, Texas, the holder of said notes and Deeds of Trust, as authorized by and provided in said Deeds of Trust, did appoint W. CLARK LEA, as Substitute Trustee on the 1st day of JULY 1986, and

WHEREAS, I, as Substitute Trustee, did on the 1st day of July, 1986, after written notice had posted of time, place and terms of a public sale of the hereinafter described property, which written notice was posted at the Courthouse door of Fayette, Polk, Brazos and Burleson Counties, Texas, the Counties in which the real estate is situated, and which notices were posted for at least twenty-one (21) days preceding the date of the sale, sell the hereinafter described property at public vendue, at the courthouse door of Burleson County, Texas, to CLAYDESTA NATIONAL BANK of Midland, Texas, it being the highest bidder for the sum of \$33,000.00 for the properties in Polk, Brazos and Burleson Counties, Texas, and \$1,000.00 for the properties in Fayette County, Texas; and

WHEREAS, from the affidavit hereto attached and made a part hereof, it appears that the beneficiary and holder of the indebtedness above described has served notice of such Substitute Trustee Sale by certified mail at least twenty-one (21) days preceding the date of sale on each person obligated to pay such indebtedness according to the records of the beneficiary and as required by law, and further has posted the same three (3) places in Fayette, Polk, Brazos and Burleson Counties, Texas including the Courthouse doors of said counties;

NOW, THEREFORE, in consideration of the premises and of the payment to me of the sum aforementioned, by the said CLAYDESTA NATIONAL BANK of Midland, Texas, I, the Substitute Trustee, by virtue of the authority confirmed upon me in writing by the said beneficiary of said Deeds of Trust have GRANTED, SOLD and CONVEYED and by these presents do GRANT, SELL, and CONVEY unto the said CLAYDESTA NATIONAL BANK of Midland, Texas and its successors and assigns, all of the following property described herein and situated in Fayette, Polk, Brazos, and Burleson Counties, Texas:

DEED OF TRUST DATED April 22, 1985:

Notwithstanding anything herein to the contrary, this Mortgage shall cover the interest of Grantor specifically described herein and shall not cover any other interest of Grantor in and to such leases, whether now owned or hereafter acquired by Grantor, unless such interest is specifically made subject to the

Deed of Trust by instrument hereafter executed by Grantor. "BPO" means before payout, "APO" means after payout, and "NRI" as used herein means net revenue interest in production of oil and gas; but such designations shall not be deemed a limitation on the interest covered hereby and are shown for information purposes only.

In Brazos County, Texas

TAMU C#1:

Oil and Gas Lease dated March 28, 1984, recorded 672 DR 419, Brazos County, Texas, from the Board of Regents of Texas A & M University, as Lessor, to JVR Petroleum Incorporated, as Lessee, covering the following-described lands in Brazos County, Texas, to-wit:

All that certain tract in J. E. Scott League A-50, and being out of tract conveyed to Agricultural and mechanical College of Texas by H. Mitchell by Deed dated June 21, 1871, recorded M DR 142, Brazos County, Texas, also being a part of tract conveyed to Agricultural and Mechanical College of Texas by W. C. Bayette by Deed dated August 9, 1926, recorded 80 DR 139, Brazos County, Texas, as more particularly described by metes and bounds in said lease.

|                       | <u>BPO</u> | <u>APO</u> |
|-----------------------|------------|------------|
| Operating Interest:   | 12.50%     | 12.500%    |
| Net Revenue Interest: | 8.75%      | 3.125%     |

In Polk County, Texas

Alabama Coushatta

Oil and Gas Lease dated May 7, 1982, recorded 134 OGLR 40 Polk County, Texas, from the State of Texas and Texas Commission of Indiana Affairs, as Lessor, to Natura Energy Corporation, as Lessee, covering the following described lands in Polk County, Texas, to-wit:

263 acre survey made by John B. Johnson, County Surveyor of Polk County, Texas, now on file in Liberty Scrip 765 in the General Land Office of Texas, including a portion of I. & G.N. R.R. Co. Survey 17 described in Boundary Agreement dated February 1, 1982, between Atlantic Richfield Company and Alabama and Coushatta Tribes of Texas and now of record in Polk County, Texas under Clerk's File No. 796, as to depths below the base of the Austin Chalk formation.

|                              |          |
|------------------------------|----------|
| Operating Interest:          | 2.87500% |
| Net Revenue Interest:        | 2.01250% |
| Overriding Royalty Interest: | 0.41662% |

In Fayette County, Texas

State of Texas Well

1. Oil, Gas and Mineral Lease dated April 4, 1979, from Margaret C. Peters and husband, John H. Peters, as Lessor, to Humble Exploration Company, Inc., as Lessee, recorded 131 OGLR 382, Fayette County, Texas;

2. Oil, Gas and Mineral Lease dated April 4, 1979, from Margaret C. Peters et al, as Lessor, and Humble Exploration Company, Inc., as Lessee, recorded 131 OGLR 24, Fayette County, Texas,

3. Oil, gas and Mineral Lease dated October 7, 1980, from The State of Texas, as Lessor, and Natura Energy Corporation, as Lessee, recorded 156 OGLR 18, Fayette County, Texas;

insofar and only insofar as Lease Nos. 1,2 and 3 above cover the following-described lands in Fayette County, Texas, to-wit:

Tract 1

The southernmost 40 acres out of Tract 5-A of the Colorado River, said Tract 5-A being 135 acres, more or less, of the Colorado River bed, said Tract 5A being bound on the Northwest by a Northerly extension of the West line of the Sylvanus Castleman Survey, A032, and is bound on the Southeast by a line across the river perpendicular to its centerline from the Southeast corner of the aforementioned survey, said River Tract 5-A having been leased under State of Texas lease No. 83355 to Natura Energy Corporation on October 7, 1980.

Tract 2

A tract of 40.0 acres of land situated in William Rabb Survey, A-86, Fayette County, Texas. Same being a part of a 209.8 acre tract described in a deed dated March 19, 1976, recorded in Volume 490, Page 150, of the Deed Records of Fayette County, Texas.

BEGINNING at a point in the East bank of the Colorado River; being the Southwest corner of this tract. From which point the Southeast corner of the S. Castleman Survey, A-32, bears S 08° 34' 08" E, a distance of 1227.4 feet and the most southerly corner of the said 209.8 acre tract bears S 38° 51' 48" E, a distance of 2743.50 feet;

THENCE with the Meanders of the East bank of the Colorado River as follows:

N 19° 30' 00" W, a distance of 174.24 feet,  
N 14° 00' 00" W, a distance of 333.33 feet,  
N 12° 00' 00" W, a distance of 652.78 feet,  
N 06° 00' 00" W, a distance of 161.31 feet,

to a point in the East bank of the Colorado River, being the Northwest corner of this tract;

THENCE N 75° 00' 46" E, a distance of 485.82 feet to an angle point in the North line of this tract;

THENCE N. 90° 00' 00" E, a distance of 899.30 feet to the Northeast corner of this tract;

THENCE S 00° 00' 00" E, a distance of 1412.25 feet to the Southeast corner of this tract;

THENCE N. 90° 00' 00" W., a distance of 1077.21 feet to the point of beginning and containing within these metes and bounds 40.00 acres, more or less.

and, then only insofar as to the leasehold interest conveyed to Natura Energy Corporation by the following described Partial Assignments of Oil and Gas Lease:

|                     |                    |
|---------------------|--------------------|
| Dated               | March 8, 1984      |
| Recorded:           | 216 ORG 707        |
| Assignor:           | Canyon Energy Inc. |
| Operating Interest: | .11484375          |

Dated: March 8, 1984  
Recorded: 216 ORG 701  
Assignor: Doug Forshagen, Sr.  
Operating Interest: .00185938

Dated: March 8, 1984  
Recorded: 216 ORG 703  
Assignor: Doug Forshagen, Jr.  
Operating Interest: .00185937

Dated: March 8, 1984  
Recorded: 216 OGR 709  
Assignor: HLG Minerals  
Operating Interest: .0223125

Dated: March 8, 1984  
Recorded: 216 OGR 699  
Assignor: McMillan Investments  
Operating Interest: .014875

Dated: March 8, 1984  
Recorded: 216 OGR 705  
Assignor: W. B. Browder  
Operating Interest: .0014875

Dated: March 8, 1984  
Recorded: 216 OGR 717  
Assignor: Gerald L. Hill, M.D. Association  
Profit Sharing Trust  
Operating Interest: .00371875

Dated: March 8, 1984  
Recorded: 216 OGR 711  
Assignor: Dan Linebarger  
Operating Interest: .00185938

Dated: March 8, 1984  
Recorded: 216 OGR 713  
Assignor: Charlie Linebarger  
Operating Interest: .00185938

Dated: March 8, 1984  
Recorded: 216 OGR 715  
Assignor: Malcolm McPhail  
Operating Interest: .00743750

Dated: December 19, 1984  
Recorded: OGR  
Assignor: Daryl Faris  
Operating Interest: .00185938

Dated: December 19, 1984  
Recorded: OGR  
Assignor: Bob Faris  
Operating Interest: .00185937

Natura Energy Operating Interest .17583121  
Natura Energy Net Revenue Interest: .12706800

with the properties in Fayette County, Texas conveyed herein subject to that certain Deed of Trust dated November 21, 1983, executed by NATURA ENERGY CORPORATION to ROBERT J. MOSES, Trustee for the use and benefit of AMERICAN ENERGY INVESTMENT CORP. and CLAYDESTA NATIONAL BANK of Midland, Texas, with the conveyance

herein subject to and without assumption of the liabilities under such Deed of Trust.

DEED OF TRUST DATED August 28, 1985

Notwithstanding anything herein to the contrary, this Deed of Trust shall cover the interest of Grantor specifically described herein and shall not cover any other interest of Grantor in and to such leases, whether now owned or hereafter acquired by Grantor, unless such interest is specifically made subject to the Deed of Trust by instrument hereafter executed by Grantor. "BPO" means before payout, "APO" means after payout, and "NRI" as used herein means net revenue interest in production of oil and gas; but such designations shall not be deemed a limitation on the interest covered hereby and are shown for information purposes only.

In Burleson County, Texas

Pinter No. 1 Well

43.10 Acres of land out of the Jacob Reed Survey, Abstract No. 48, Burleson County, Texas, and being 43.10 acres of land out of a 60.0 acre tract of land described in Deed to John Pinter, et ux, recorded in Volume 66, Page 51 of the Deed Records of Burleson County, Texas and same being 43.10 Acres of land out of a 60.0 acre tract of land described by Field Notes of John Pinter recorded in Volume 63, Page 632 of the Deed Records of Burleson County, Texas.

BEGINNING at a point for the North corner of this tract, same being the North corner of said 60.0 acre tract of land.

THENCE with the Northeast line of said 60.0 acre tract of land, S 46° 42' 48" E, 1318.73 feet to a point for the East corner of this tract;

THENCE through said 60.0 acre tract of land, S 40° 57' 30" W, 1246.26 feet to a point for the most Easterly South corner of this tract;

THENCE with the most Easterly Southwest line of said 60.0 acre tract of land, N 47° 38' 57" W, 148.21 to a point for a reentrant corner of this tract and a reentrant corner of said 60.0 acre tract of land;

THENCE with the most Northerly Southeast line of said 60.0 acre tract of land, S 43° 18' 35" W, 456.54 feet to a point in the center of branch for the most Westerly South corner of this tract and the most Westerly South corner of said 60.0 acre tract of land;

THENCE up said branch with its meanders as follows:

N 32° 33' 23" W, 229.30 feet;  
N 20° 05' 58" W, 371.51 feet;  
N 24° 54' 46" W, 154.224 feet;  
N 14° 20' 05" W, 136.49 feet;  
N 00° 33' 05" W, 416.20 feet; and  
N 08° 32' 09" W, 143.50 feet to a point for the West corner of tract an the West corner of said 60.0 acre tract of land;

THENCE with the Northwest line of said 60.0 acre tract of land N 42° 52' 47" E, 962.59 feet to the PLACE OF BEGINNING:

and then only insofar as the leasehold interest conveyed to Natura Energy Corporation by the following described Conveyances and Bills of Sale:

|                                     |  |
|-------------------------------------|--|
| Dated:                              | February 21, 1985  |
| Recorded:                           | 129 OGLR 68, Burleson County, Texas                            |
| Grantor:                            | Texas Dominion, Inc.:  |
| Operating Interest:                 | .03613873  |
| Net Revenue Interest:               | .02529710  |
|                                     |  |
| Dated:                              | February 21, 1985  |
| Recorded:                           | 129 OGLR 71, Burleson County, Texas                            |
| Grantor:                            | Bodden Company.;   |
| Operating Interest:                 | .10841619  |
| Net Revenue Interest:               | .07589140  |
|                                     |  |
| Dated:                              | February 21, 1985  |
| Recorded:                           | 131 OGLR 76, Burleson County, Texas                            |
| Grantor:                            | Ameracrude International, Inc.<br>a/k/a Canadian Games Network |
| Operating Interest:                 | .05485334  |
| Net Revenue Interest:               | .03839760  |
|                                     |  |
| Dated:                              | February 21, 1985  |
| Recorded:                           | 131 OGLR 73, Burleson County, Texas                            |
| Grantor:                            | Douglas C. Stillwagon  |
| Overriding Royalty Interest:        | .02066410  |
|                                     |  |
| Dated:                              | March 8, 1984  |
| Recorded:                           | 2216 OGR 711   |
| Assignor:                           | Dan Linebarger   |
| Operating Interest:                 | .00185938  |
|                                     |  |
| Dated:                              | March 8, 1984  |
| Recorded:                           | 216 OGR 713  |
| Assignor:                           | Charlie Linebarger   |
| Operating Interest:                 | .00185938  |
|                                     |  |
| Dated:                              | March 8, 1984  |
| Recorded:                           | 216 OGR 715  |
| Assignor:                           | Malcolm McPhail  |
| Operating Interest:                 | .00743750  |
|                                     |  |
| Dated:                              | December 19, 1984  |
| Recorded:                           | OGR  |
| Assignor:                           | Daryl Faris  |
| Operating Interest:                 | .00185938  |
|                                     |  |
| Dated:                              | December 19, 1984  |
| Recorded:                           | OGR  |
| Assignor:                           | Bob Faris  |
| Operating Interest:                 | .00185937  |
|                                     |  |
| Natura Energy Operating Interest:   | .17583121  |
| Natura Energy Net Revenue Interest: | .12706800  |

TO HAVE AND HOLD the above described premises and property, together with the rights, privileges and appurtenances thereto belonging unto the said CLAYDESTA NATIONAL BANK of Midland, Texas, and its successors and assigns forever; and I, as Substitute

Trustee, do hereby bind the said NATURA ENERGY CORPORATION, and their successors and assigns to WARRANT AND FOREVER DEFEND the said premises unto the said CLAYDESTA NATIONAL BANK of Midland, Texas and its successors and assigns forever, against the claim or claims of all persons claiming or to claim the said or any part thereof.

EXECUTED on this 19<sup>th</sup> day of August, 19 86, but effective 10:00 a.m. July 1, 1986.

W. Clark Lea  
W. Clark Lea  
Substitute Trustee

THE STATE OF TEXAS X  
COUNTY OF MIDLAND X

BEFORE ME, the undersigned authority, on this day personally appeared W. Clark Lea, Substitute Trustee, known to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as Substitute Trustee, for the purposes and consideration therein expressed and in the capacity therein set forth.

GIVEN under my hand and seal of office on this 19<sup>th</sup> day of August, 19 86.

Debbie Favor  
Notary Public in and for  
The State of Texas  
Debbie Favor

My commission expires:  
1-13-90



15

89947

Sub. Audit Fee

5-2-87

M

File dated

Garry Mauro, Commissioner

RECEIVED AS STATED

25.00

DATE

5-2-87

Reg. No. 8704466

GENERAL LAND OFFICE

STATE OF TEXAS )  
 COUNTY OF BRAZOS )  
 I, Frank Boriskie, County Clerk of Brazos County, Texas,  
 do hereby certify that the foregoing is a true and  
 correct copy of the original as the same appears of record  
 in Vol. 909, Page 159 in Official Records of said  
 County on file in my office.  
 ATTEST: 3-27-1987  
 Frank Boriskie, County Clerk  
 Brazos County, Texas  
 Mary Ann Ward



325378

FILED

DEED OF TRUST AND ASSIGNMENT

1995 APR 25 PM 1:26

THE STATE OF TEXAS  
Counties OF BRAZOS, FAYETTE  
and POLK

Frank Connelley COUNTY CLERK  
BRAZOS COUNTY COURTHOUSE  
MIDLAND, TEXAS  
KNOW ALL MEN BY THESE PRESENTS  
BY Ben Murphy

That the undersigned NATURA ENERGY CORPORATION

whose address is Suite 702, 600 W. Illinois, Midland, Texas 79701

hereinafter sometimes referred to as "Grantor," whether one or more, for and in consideration of the sum of Ten Dollars (\$10.00) cash in hand paid by David N. Jones, P.O. Box 3090, Midland, TX Trustee, hereinafter called "Trustee," the receipt of which is hereby acknowledged, and for and in consideration of the debt and trusts hereinafter mentioned, does GRANT, BARGAIN, SELL, ASSIGN, TRANSFER and CONVEY unto Trustee, and to his successors in this trust, and to his or their respective successors and assigns hereunder forever, the oil, gas and mineral interests described on Schedule "A" attached hereto and made a part hereof for all purposes.

TO HAVE AND TO HOLD the aforesaid properties and interests, together with all and singular the rights, privileges, contracts, members, hereditaments, appurtenances and personal property and equipment, including but not limited to surface or subsurface physical equipment in all oil and gas wells, machinery, tanks, supplies, pipelines, water lines, casing, pumping equipment, structures, houses and improvements, now or hereafter at any time before the foreclosure or release hereof, in anywise appertaining or belonging thereto, unto the Trustee and to his successors hereunder and to his or their assigns, forever; and said Grantor hereby binds and obligates himself, his heirs, legal representatives, successors and assigns, to warrant and defend forever, all and singular, the said properties and interests unto the Trustee, his successors hereunder and to his or their assigns, forever, against the lawful claims of any and all persons whomsoever claiming or to claim the same or any part thereof.

This conveyance is made in trust, however, to secure payment of a promissory note of even date herewith, executed by Grantor, payable to ClayDesta National Bank, Midland, Midland County, Texas, hereinafter called "Mortgagee," or its order at the office of Mortgagee, as follows:

Promissory Note of even date herewith in the original principal sum of \$ 250,000.00, being due and payable as therein provided.

bearing interest at the rate recited in said note, upon the unpaid principal amount thereof from time to time remaining unpaid, which said note contains provisions for acceleration of maturity and the payment of reasonable attorney's fees upon contingencies therein stated.

Notwithstanding any provision contained in this deed of trust which might be construed to the contrary, it is hereby expressly understood and agreed that this deed of trust and the lien herein created shall secure payment, not only of the indebtedness specifically described in and evidenced by the above described note, but also shall secure payment of any and all other debts presently owned by Grantor to Mortgagee, as well as any and all additional loans or advances hereafter made by Mortgagee to Grantor, and any and all renewals, extensions and rearrangements of all or any part of the indebtedness anywhere described or referred to herein and secured hereby.

If the said Grantor shall well and truly pay off and discharge at maturity thereof, according to the tenor and effect thereof, the above described note, together with any and all renewals and extensions thereof, and shall well and truly pay any and all other indebtedness secured hereby (all of such obligations being hereinafter referred to as "indebtedness"), and the Grantor shall well and truly perform all of the covenants contained herein, then this conveyance shall become null and void and this instrument shall be released in due form at Grantor's expense, otherwise to remain and continue in full force and effect.

Should Grantor default or fail to promptly and punctually pay the indebtedness hereby secured or any part thereof, principal or interest, as the same shall become due and payable, or if Grantor should default in the observance or performance of any of the covenants hereof, then it shall be the duty of Trustee, or his successor, as herein provided, at the request of the legal holder of said indebtedness, to enforce this trust and to sell, as an entirety or in parcels, as the Trustee acting may elect (all rights to a marshaling of the assets and properties of Grantor, including the property herein conveyed, being expressly waived), the said properties, or any part thereof at the Courthouse door of the County where said property is situated, on the first Tuesday of any month between the hours of ten o'clock a.m. and four o'clock p.m. to the highest bidder for cash at public auction, first giving at least twenty-one (21) days notice of the time, place and terms of sale by publicly advertising the same by posting or causing to be posted, written or printed notices thereof at the county courthouse door in said county wherein said property is situated. In addition, Mortgagee shall, at least 21 days preceding the date of such sale, serve written notice of the proposed sale by Certified Mail on each debtor obligated to pay such debt

ording to the records of Mortgagee, Service of such notice shall be completed upon deposit of the written notice, enclosed in a postpaid wrapper, properly addressed to such debtor (or debtors) at the most recent address as shown by the records of Mortgagee, in a post office or official depository under the care and custody of the United States Postal Service. Said Trustee shall make due conveyance to the purchaser or purchasers, with a general warranty binding the Grantor, his heirs, legal representatives, successors and assigns. At any sale hereunder, whether by Trustee or under judicial foreclosure, the holder of the indebtedness secured hereby shall have the same right as any other person to bid and purchase, and may so purchase free of any claim of the Grantor to redeem or repurchase; and such holder of said indebtedness shall be entitled to have credited upon the purchase price of the property so purchased in lieu of cash payment, any and all sums properly payable out of the net proceeds of said sale to such holder of the indebtedness secured hereby, then owing and payable to such holder, upon giving appropriate credit therefor on the note or other evidence of such indebtedness so owing to such holder, but the balance, if any, of the bid or bids of such holder shall be payable by it in cash. Out of the proceeds arising from the sale as hereinabove provided, Trustee shall first pay all expenses of advertising, sale and conveyance, including a commission of five per cent (5%) to the Trustee acting, and shall then pay the full amount of said indebtedness to the legal holders of the same, together with any and all other charges and advances secured by this instrument, and the balance, if any, shall be paid to the Grantor herein, his heirs, legal representatives, successors or assigns.

See additional provision (1) set out on Schedule "A" attached hereto and made a part hereof.

In case of the inability, refusal or failure of Trustee herein named, or any acting substitute Trustee hereunder, to act after request by the holder of said indebtedness in person, or by letter addressed to the acting Trustee, or substitute Trustee at his last known address, or if Mortgagee should determine that its best interests would be served by the appointment of another person to act as Trustee hereunder, then, in any such contingencies, a successor or substitute Trustee may be named, constituted and appointed by the holder of said indebtedness without procuring the resignation of the former Trustee and without other formality than an appointment and designation in writing by the holder of said indebtedness; and this conveyance shall vest in the successor or substitute Trustee all of the title, powers and duties herein vested in Trustee; and the conveyance of the successor Trustee shall exist as often and whenever any of said contingencies should occur.

It is expressly agreed that the recitals in any conveyance made to the purchaser or purchasers at any foreclosure sale, either by Trustee, or any successor or substitute Trustee, shall be full proof and evidence of the matters therein recited, and no other proof shall be required of the performance of this trust; and all prerequisites of said sale, as to default, request to enforce this trust, advertising, resignation, failure or refusal of a Trustee to act, or appointment of a substitute Trustee, and any and all requirements herein contained shall be presumed to have been performed, and any recitals in any deed from the Trustee or any substitute Trustee may be taken and construed in any court as prima facie evidence of the facts recited. Any sale made upon the powers herein granted shall be a perpetual bar against the Grantor, his heirs, legal representatives, successors and assigns, and all persons claiming under him.

In consideration of the indebtedness hereinabove described, Grantor specifically covenants and agrees as follows:

- (a) The property interests above described are owned by Grantor free and clear of all encumbrances.
- (b) Grantor will pay and discharge all taxes or assessments which may be levied or assessed on said property or which might constitute a lien thereon before the same become delinquent; and in the event Grantor shall fail or refuse to pay or discharge the same, the holder of said indebtedness or the then acting Trustee hereunder shall have the right, but shall not be obligated to pay off said charges against said property and shall be subrogated to the rights, liens and equities thereof, and the amount so paid, together with interest at the rate which the principal of the indebtedness shall bear after default from the date of payment, shall be added to said indebtedness and shall be a part of the indebtedness secured by the lien hereby given.
- (c) Grantor, without the written consent of the holder of said note, or other indebtedness secured hereby, will not place any mortgage or other lien against said properties or permit any such lien to be placed thereon as security for any sum.
- (d) Grantor, during the exercise of the indebtedness secured hereby, will furnish, or cause to be furnished, to the holder of said note monthly reports of minerals produced and saved, acceptable and satisfactory to such holder, as may be required or requested from time to time by such holder.
- (e) Grantor, at the request of the holder of the indebtedness secured hereby will execute and deliver all other and further instruments in writing necessary to vest in the Trustee the full and unencumbered rights, titles, interests and equities which are purported to be covered hereby.
- (f) As to oil, gas and mineral leasehold estate working interests, if any, shown on attached Schedule "A", Grantor will cause said leasehold estates to be developed and continuously operated in a good and workmanlike manner and in accordance with applicable laws, rules and regulations, will not surrender, abandon or release same, in whole or in part, without the written consent of Mortgagee, and will cause to be promptly and currently paid all costs

and expenses hereafter incurred in connection with the development, operation and maintenance thereof.

As further security for the payment of the indebtedness secured hereby, Grantor does hereby transfer, assign and convey unto Mortgagee all proceeds of oil, gas and other minerals apportionable to the above described interests from and after the date of this deed of trust, and Grantor hereby authorizes and empowers Mortgagee to demand, collect, and receive said oil, gas and other minerals, and the proceeds therefrom, produced or mined, and to be produced or mined from the interests of Grantor in said properties, and to execute any release, receipt, division order, transfer order and relinquishment or other instrument that may be required or necessary to collect and receive such production or the proceeds therefrom; and the Grantor hereby authorizes and directs all pipeline companies, gathering companies, and others purchasing production from said properties above described or having in their possession any production from said properties, or the proceeds therefrom, to pay and deliver to Mortgagee all such production or proceeds therefrom accruing; and Grantor agrees that all division orders, transfer orders, receipts and other instruments which Mortgagee may from time to time execute and deliver for the purpose of collecting or receipting for such production or the proceeds therefrom may be relied upon in all respects and that the same shall be binding upon Grantor, his heirs, legal representatives, successors and assigns. Grantor agrees to execute and deliver all necessary, convenient and appropriate instruments, including transfer and division orders, which may be required by Mortgagee in connection with the receipt by Mortgagee of such production or the proceeds therefrom, and to indemnify and keep and hold Mortgagee free and harmless from all parties whomsoever having or claiming an adverse interest in said lease, properties and interests and the production and proceeds therefrom, and in this respect agree to pay all expenses, costs, charges and reasonable attorney's fees which may be incurred by Mortgagee or other holder of said indebtedness, as to any of said matters.

No pipeline company, gathering company or other person purchasing, handling, or receiving the production from said property above described, or the proceeds therefrom, shall ever be required to see to the proper application by Mortgagee of such production or the proceeds therefrom, upon the indebtedness secured hereby, but the payment of such proceeds to Mortgagee by such pipeline company, gathering company or other person receiving, handling or purchasing such production shall operate as a full and final discharge of all liability of such pipeline company, gathering company or other person in the premises.

It is further understood and agreed that the receipt by the holder of the indebtedness secured hereby of any moneys, including but not limited to moneys received as proceeds from oil, gas and other minerals produced or mined from the interests of Grantor in said properties, or other security for the indebtedness secured hereby, shall not in any manner change or alter in any respect the obligations of the makers thereof upon any note or other evidence of indebtedness secured hereby, and nothing herein contained shall be construed as limiting the holder of the indebtedness secured hereby to the collection of the indebtedness secured hereby out of the production or the proceeds of the production from said property; it being expressly understood and agreed that such indebtedness shall continue as the absolute and unconditional obligation of the makers thereof to pay, as provided in said note or notes or other instruments evidencing such indebtedness, the amounts therein specified at the respective maturity date thereof, whether by acceleration or otherwise.

If default shall be made in the observance or performance of any of the covenants herein contained, or if the makers thereof shall fail to pay any part of the indebtedness secured hereby, with interest thereon, when and as the same become due; or if the Mortgagee at any time in good faith believes that the prospect of payment of any indebtedness secured hereby is impaired; or if it shall be discovered after the execution and delivery hereof that there exists a lien or similar encumbrance on said properties or any part thereof, equal to or superior in rank to the lien created hereby, adverse to this deed of trust, mortgage and assignment, and which will or may substantially impair, in the opinion of the Mortgagee, the security provided hereby; or if proceedings, voluntary or involuntary, shall be instituted by or against Grantor for insolvency or bankruptcy or for the appointment of a receiver, or for readjustment, extension or composition of his debts, or for any other relief under any present or future provisions of the Bankruptcy Act of the United States, as now or hereafter amended and supplemented; or of any assignment for the benefit of creditors shall be made by Grantor, or if final money judgment (after appeal, if any, has been decided adversely to Grantor, or after the time to appeal therefrom shall have expired) shall be entered against Grantor, and the same shall remain unsatisfied for more than thirty (30) days; then, and in any of such event, the holders of the indebtedness hereby secured shall be entitled, without notice or demand, to declare all of the note and indebtedness secured hereby to be immediately due and payable.

No other or additional security now existing or hereafter taken to secure the payment of said indebtedness shall be impaired or affected in any manner by the execution of this instrument. Renewals or extensions of this instrument, and all additional security that may be taken as security for the payment of said indebtedness shall be considered and held as cumulative, and shall not in anywise release, diminish or impair any of the rights or security hereby granted.

Any security now given or which may hereafter be given to enforce the payment of said indebtedness, may at any time be released in whole or in part without in anywise altering, varying or diminishing the force, effect or lien of this instrument. Renewals or extensions of said indebtedness may be granted (with no obligation on the part of the holder or holders of said indebtedness to grant such renewal or extension), without in anywise altering, diminishing or affecting this instrument or the rights granted hereunder.

All remedies and rights existing in favor of the holder of said indebtedness or the acting Trustee hereunder whether existing at law or in equity or under the terms of this instrument, shall be considered as cumulative and not as exclusive, and the granting of additional rights shall not in anywise affect, impair, diminish or lessen any rights, privileges or interests herein granted and now existing.

It is expressly understood and agreed that, until such time as default is made in the payment of said indebtedness or any part thereof, or until the failure of Grantor to fulfill and perform any of the covenants and agreements herein contained, Grantor shall have the exclusive right to operate the Mortgaged Property and be and remain in possession thereof, subject to the right of the Bank to collect and receive production and the proceeds therefrom and profits thereof as provided hereinabove; but in case of default in the payment of any such indebtedness or the failure of Grantor to perform any of the covenants and conditions hereof, the holder of said indebtedness shall have the right (In addition to any other rights or remedies held by it), but shall not be required, to enter upon and take possession of the Mortgaged Property and operate the same in any manner deemed advisable by such holder, or designate some person, firm or corporation to operate the same, without being liable to Grantor, in connection with such operations, except as to the use of ordinary care in the operation thereof; and, in case of any default, said holder of said indebtedness or the person, firm or corporation designated to operate said properties shall have the right to exercise every power, right and privilege of the Grantor with respect to the Mortgaged Property, and in such event, when the expenses thereof have been paid and the indebtedness secured hereby and other charges hereunder have been paid, the Mortgaged Property shall be returned to Grantor.

Each and every provision, stipulation and covenant in this deed of trust, mortgage and assignment shall inure to the benefit of and be binding upon the respective heirs, legal representatives, successors, and assigns of Grantor, Trustee, and Mortgagee.

This Instrument may be executed in any number of counterparts and each such counterpart executed and delivered is to be considered as an original, but all to constitute one and the same instrument; and any such executed counterpart hereof may be filed with the County Clerk of the County wherein such properties or a part thereof are located as a chattel mortgage or as a chattel mortgage on realty to secure payment of the aforesaid indebtedness.

Pronouns in number and gender, and verbs in their number shall be construed to conform to the number and sex of the parties hereto wherever necessary in any particular clause or phrase hereof.

This instrument shall be deemed and considered to be and may be enforced from time to time as an assignment, deed of trust, real estate mortgage, chattel mortgage, security agreement or financing statement, and from time to time as any one or more such instruments, if appropriate under the laws of any state within which any property, real or personal, described in Schedule "A" hereto may be located. Specifically, but not by way of limitation, if any of said real property is located within the State of New Mexico, this instrument shall be deemed a Mortgage as to said real property, and the payee named in the note above described shall be the Mortgagee hereunder with all powers of foreclosure as provided by the laws of the State of New Mexico.

See additional provision (2) set out on Schedule "A" attached hereto and made a part hereof.

The term "oil, gas and mineral interests" as first used herein and the property which Grantor herein conveys to Trustee, means and is all interest owned by Grantor in and to the personal property, the oil and gas leases and oil, gas and mineral leases, sulphur leases or other mineral leases, subleases, farmout agreements, assignments, mineral interests, royalty interests, production payments, net profit interests and other such interests in oil, gas and other minerals, as described in Schedule "A" hereto.

IN WITNESS WHEREOF this instrument is executed this 22<sup>d</sup> day of April, 19 85

MORTGAGEE:

CLAYDESTA NATIONAL BANK, MIDLAND, TEXAS

By: [Signature]

Vice President

ATTEST: [Signature]

Mortgagee's Address:

P.O. Box 3090

Midland, Texas 79702

GRANTORS, NATURA ENERGY CORPORATION

[Signature]  
Larry A. Stapp, President

Grantor's Address:

Suite 702, 600 W. Illinois

Midland, Texas 79701

CORPORATE ACKNOWLEDGEMENT

THE STATE OF TEXAS

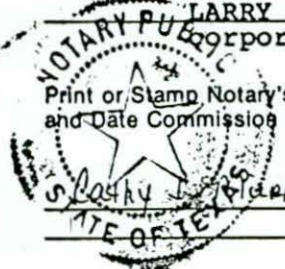
§

COUNTY OF MIDLAND

§

This instrument was acknowledge before me on April 22, 1985 by

LARRY A. STAPP, President of NATURA ENERGY CORPORATION, a  
corporation, on behalf of said corporation.



Print or Stamp Notary's Name  
and Date Commission Expires:

Cathy J. Murray 11-15-88

Cathy J. Murray  
Notary Public in and for the  
State of Texas

SINGLE ACKNOWLEDGEMENT

THE STATE OF TEXAS

§

COUNTY OF

§

This instrument was acknowledge before me on \_\_\_\_\_ by

Print or Stamp Notary's Name  
and Date Commission Expires:

\_\_\_\_\_  
Notary Public in and for the  
State of Texas

SINGLE ACKNOWLEDGEMENT

THE STATE OF TEXAS

§

COUNTY OF

§

This instrument was acknowledge before me on \_\_\_\_\_ by

Print or Stamp Notary's Name  
and Date Commission Expires:

\_\_\_\_\_  
Notary Public in and for the  
State of Texas

CORPORATE ACKNOWLEDGEMENT

THE STATE OF TEXAS

§

COUNTY OF MIDLAND

§

This instrument was acknowledge before me on April 22, 1985 by

Barre W. Sessions, V.P. of ClayDesta National Bank  
on behalf of said corporation

Print or Stamp Notary's Name  
and Date Commission Expires: 11-15-88

Cathy J. Murray  
Notary Public in and for the  
State of Texas

Cathy J. Murray  
Notary Public in and for the  
State of Texas

SCHEDULE "A"

Attached to and made a part of that certain Deed of Trust and Assignment dated April 22, 1985, by and between Natura Energy Corporation, Grantor, and David N. Jones, Trustee

A. Additional Provisions:

1. The oil, gas and mineral interests covered by this Deed of Trust and Assignment are situated in more than one county and the same may be sold in the event of foreclosure in either county, provided that notices required for foreclosure shall be given in all counties designating the county where the oil, gas and mineral interest covered by this Deed of Trust and Assignment will be sold.

2. Without, in any manner, limiting the generality of any of the foregoing provisions hereof, some portion of the goods described above to which reference is made herein are or are to become fixtures on the lands described or to which reference is made herein and hydrocarbons (minerals, including oil and gas) or accounts will be financed at the wellhead or minehead located on the lands described or to which reference is made herein.

B. Oil, Gas and Mineral Interests:

Notwithstanding anything herein to the contrary, this Mortgage shall only cover the interests of Grantor specifically described herein and shall not cover any other interest of Grantor in and to such leases, whether now owned or hereafter acquired by Grantor, unless such interest is specifically made subject to the Mortgage by instrument hereafter executed by Grantor. "BPO" means before payout, "APO" means after payout, and "NRI" as used herein means net revenue interest in production of oil and gas; but such designations shall not be deemed a limitation on the interest covered hereby and are shown for information purposes only.

BRAZOS COUNTY, TEXAS

TAMU C#1:

Oil and Gas Lease dated March 28, 1984, recorded 672 DR 419, Brazos County, Texas, from the Board of Regents of Texas A & M University, as Lessor, to JVR Petroleum Incorporated, as Lessee, covering the following-described lands in BRAZOS County, Texas, to-wit:

All that certain tract in J. E. Scott League A-50, and being out of tract conveyed to Agricultural and Mechanical College of Texas by H. Mitchell by Deed dated June 21, 1871, recorded M DR 142, Brazos County, Texas, also being a part of tract conveyed to Agricultural and Mechanical College of Texas by W. C. Bayette by Deed dated August 9, 1926, recorded 80 DR 139, Brazos County, Texas, as more particularly described by metes and bounds in said lease.

|                       | <u>BPO</u> | <u>APO</u> |
|-----------------------|------------|------------|
| Operating Interest:   | 12.50%     | 12.500%    |
| Net Revenue Interest: | 8.75%      | 3.125%     |

POLK COUNTY, TEXAS

Alabama Coushatta

Oil and Gas Lease dated May 7, 1982, recorded 134 OGLR 40, Polk County, Texas, from the State of Texas and Texas Commission of Indian Affairs, as Lessor, to Natura Energy Corporation, as Lessee, covering the following-described lands in POLK County, Texas, to-wit:

263-acre survey made by John B. Johnson, County Surveyor of Polk County, Texas, now on file in Liberty Scrip 765 in the General Land Office of Texas, including a portion of I.&G.N. R.R. Co. Survey 17 described in Boundary Agreement dated February 1, 1982, between Atlantic Richfield Company and Alabama and Coushatta Tribes of Texas and now of record in Polk County, Texas under Clerk's File No. 796, as to depths below the base of the Austin Chalk formation.

Operating Interest: 2.87500%  
Net Revenue Interest: 2.01250%  
Overriding Royalty Interest: 0.41662%

FAYETTE COUNTY, TEXAS

State of Texas Well

1. Oil, Gas and Mineral Lease dated April 4, 1979, from Margaret C. Peters and husband, John H. Peters, as Lessor, to Humble Exploration Company, Inc., as Lessee, recorded 131 OGLR 382, Fayette County, Texas;

2. Oil, Gas and Mineral Lease dated April 4, 1979, from Margaret C. Peters et al, as Lessor, and Humble Exploration Company, Inc., as Lessee, recorded 131 OGLR 24, Fayette County, Texas;

3. Oil, Gas and Mineral Lease dated October 7, 1980, from The State of Texas, as Lessor, and Natura Energy Corporation, as Lessee, recorded 156 OGLR 18, Fayette County, Texas;

insofar and only insofar as Lease Nos. 1, 2 and 3 above cover the following-described lands in FAYETTE County, Texas, to-wit:

Tract 1

The southernmost 40 acres out of Tract 5-A of the Colorado River, said Tract 5-A being 135 acres, more or less, of the Colorado River bed, said Tract 5-A being bound on the Northwest by a Northerly extension of the West line of the Sylvanus Castleman Survey, A-32, and is bound on the Southeast by a line across the river perpendicular to its centerline from the Southeast corner of the aforementioned survey, said River Tract 5-A having been leased under State of Texas lease No. 83355 to Natura Energy Corporation on October 7, 1980.

TRACT 2

A tract of 40.0 acres of land situated in William Rabb Survey, A-86, Fayette County, Texas. Same being a part of a 209.8 acre tract described in a deed dated March 19, 1976, recorded in Volume 490, Page 150 of the Deed Records of Fayette County, Texas.

BEGINNING at a point in the East bank of the Colorado River; being the Southwest corner of this tract. From which point the Southeast corner of the S. Castleman Survey, A-32, bears S 08° 34' 08" E, a distance of 1227.4 feet and the most southerly corner of the said 209.8 acre tract bears S 38° 51' 48" E, a distance of 2743.50 feet;

THENCE with the meanders of the East bank of the Colorado River as follows:

N 19° 30' 00" W, a distance of 174.24 feet,  
N 14° 00' 00" W, a distance of 333.33 feet,  
N 12° 00' 00" W, a distance of 652.78 feet,  
N 06° 00' 00" W, a distance of 161.31 feet,  
to a point in the East bank of the Colorado River, being the Northwest corner of this tract;

THENCE N 75° 00' 46" E, a distance of 485.82 feet to an angle point in the North line of this tract;

THENCE N 90° 00' 00" E, a distance of 899.30 feet to the Northeast corner of this tract;

THENCE S 00° 00' 00" E, a distance of 1412.25 feet to the Southeast corner of this tract;

THENCE N 90° 00' 00" W, a distance of 1077.21 feet to the point of beginning and containing within these metes and bounds 40.00 acres, more or less.

and, then only insofar as to the leasehold interest conveyed to Natura Energy Corporation by the following-described Partial Assignments of Oil and Gas Lease:

Dated: March 8, 1984  
Recorded: 216 OGR 707  
Assignor: Canyon Energy Inc.  
Operating Interest: .11484375

Dated: March 8, 1984  
Recorded: 216 OGR 701  
Assignor: Doug Forshagen, Sr.  
Operating Interest: .00185938

Dated: March 8, 1984  
Recorded: 216 OGR 703  
Assignor: Doug Forshagen, Jr.  
Operating Interest: .00185937

Dated: March 8, 1984  
Recorded: 216 OGR 709  
Assignor: HLG Minerals  
Operating Interest: .0223125

Dated: March 8, 1984  
Recorded: 216 OGR 699  
Assignor: McMillan Investments  
Operating Interest: .014875

Dated: March 8, 1984  
Recorded: 216 OGR 705  
Assignor: W. B. Browder  
Operating Interest: .0014875

Dated: March 8, 1984  
Recorded: 216 OGR 717  
Assignor: Gerald L. Hill, M.D. Association  
Profit Sharing Trust  
Operating Interest: .00371875

Dated: March 8, 1984  
Recorded: 216 OGR 711  
Assignor: Dan Linebarger  
Operating Interest: .00185938

Dated: March 8, 1984  
Recorded: 216 OGR 713  
Assignor: Charlie Linebarger  
Operating Interest: .00185938

Dated: March 8, 1984  
Recorded: 216 OGR 715  
Assignor: Malcolm McPhail  
Operating Interest: .00743750

Dated: December 19, 1984  
Recorded: OGR  
Assignor: Daryl Faris  
Operating Interest: .00185938

Dated: December 19, 1984  
Recorded: OGR  
Assignor: Bob Faris  
Operating Interest: .00185937

Natura Energy Operating Interest: .17583121  
Natura Energy Net Revenue Interest: .12706800

Signed for Identification:

NATURA ENERGY CORPORATION

By: *Larry A. Stapp*  
Larry A. Stapp, President

16

89947

*Deed of Trust*

5-2-87

M

File dated

Garry Mauro, Commissioner

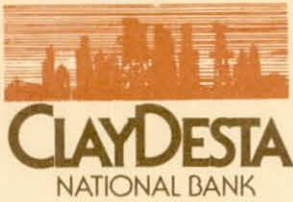
RECEIVED AS STATED  
25.00

DATE ..... 5-2-87  
Reg. No. 8701466

GENERAL LAND OFFICE

STATE OF TEXAS )  
 COUNTY OF BRAZOS )  
 I, Frank Boriskie, County Clerk of Brazos County, Texas  
 do hereby certify that the foregoing is a true and  
 correct copy of the original as the same appears of record  
 in Vol. 785, Page 115 in official Records of said  
 County on file in my office.  
 ATTEST: 3-27-1987  
 Frank Boriskie, County Clerk  
 Brazos County, Texas  
*Mary Ann Ward*





April 28, 1987

Ms. Jeannie R. Budd  
General Land Office  
Legal Division  
Stephen F. Austin Building  
1700 North Congress Ave.  
Austin, Texas 78701

*X 75.00*

87044466

Re: Natura Energy Corp.  
TAMU C-1 M-89974 89947  
Release of Alabama - Coushetta

Dear Ms. Budd:

I have enclosed a certified copy of our Deed of Trust dated April 22, 1985, which is filed in volume 785, page 115, Deed Records of Brazos County, Texas, a certified copy of the Substitute Trustee's Deed dated August 19, 1986, which is filed in volume 909, page 159 of the Deed Records of Brazos County, Texas.

I have sent a release of oil and gas lease to Polk County, a copy of which is enclosed. Upon obtaining a certified copy of the release, I will forward it to you along with a check covering filing fees. Also, please find enclosed a check in the amount of \$75.00 to cover filing fees. If you should have any questions, please let me know.

Sincerely,

*Will Porter*

Will Porter  
Landman

WP/bjw  
Enclosures

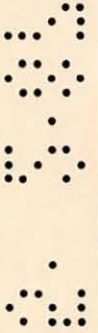
17

M. P. 89947

CORRESPONDENCE FILE

To Clayton  
From

Dated 5-2-87



Garry Mauro  
Commissioner  
General Land Office



May 6, 1987

ClayDesta National Bank  
Mr. Will Porter  
P.O. Box 3090  
Midland, Texas 79702-3090

Re: Release of Alabama-Coushetta Lease and TAMU C-1 M-89947  
Polk and Brazos Counties, Texas

Dear Mr. Porter:

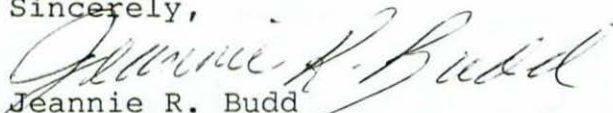
The certified copies of the instruments covering the captioned oil and gas leases has been filed in our records.

Your remittance of \$75.00 has been applied as the required filing fee.

The Release on the Alabama-Coushetta Lease was not a certified copy or recorded original, please forward the recorded document to us as soon as possible, we will hold this document in suspense and the filing fees (\$25.00) for this instrument.

Did you not receive a Ratification from Texa A&M? Please let us know of the findings on this matter.

Sincerely,

  
Jeannie R. Budd  
Oil & Gas Section  
Legal Division  
512/463-5160

18

M. P. 89947

CORRESPONDENCE FILE

To Chapman  
~~From~~

Dated 5-6-87

FILED

SUBSTITUTE TRUSTEE'S DEED

1986 AUG 21 PM 2:01

THE STATE OF TEXAS §  
COUNTY OF FAYETTE §  
BURLESON, POLK and §  
BRAZOS §

KNOW ALL MEN BY THESE PRESENTS

369320

CLAY COUNTY CLERK  
BY *Jane McQueen*

WHEREAS, by a certain Deed of Trust dated April 22, 1985, recorded in Volume 683, Page 851 of the Deed of Trust Records of Fayette County, Texas, in Volume 785, Page 115 of the Deed of Trust Records of Brazos County, Texas, and in Volume 492, Page 16 of the Deed of Trust Records of Polk County, Texas, NATURA ENERGY CORPORATION, as Grantor, conveyed to DAVID N. JONES, as Trustee, certain property hereinafter described, for the purposes of securing and enforcing payment of a certain note described in the said Deed of Trust, of even date therewith; and,

WHEREAS, by a certain Deed of Trust dated August 28, 1985, recorded in Volume 106, Page 252 of the Deed of Trust Records of Burleson County, Texas NATURA ENERGY CORPORATION, as Grantor conveyed to DAVID N. JONES, as Trustee, certain property herein after described, for the purposes of securing and enforcing payment of a certain note described in the said Deed of Trust, of even date therewith; and

WHEREAS, the holder of said notes and Deeds of Trust as authorized by and provided in said Deed of Trust, appointed the undersigned to serve as Substitute Trustee and to enforce the Trust, the said NATURA ENERGY CORPORATION having made default in the payment of said notes when due and there being due and owed thereon the unpaid principal sum, plus interest and attorney's fees, as provided in said notes; and

WHEREAS, DAVID N. JONES has resigned as Trustee, according to the terms of the aforementioned Deed of Trust, and CLAYDESTA NATIONAL BANK of Midland, Texas, the holder of said notes and Deeds of Trust, as authorized by and provided in said Deeds of Trust, did appoint W. CLARK LEA, as Substitute Trustee on the 1st day of JULY 1986, and

WHEREAS, I, as Substitute Trustee, did on the 1st day of July, 1986, after written notice had posted of time, place and terms of a public sale of the hereinafter described property, which written notice was posted at the Courthouse door of Fayette, Polk, Brazos and Burleson Counties, Texas, the Counties in which the real estate is situated, and which notices were posted for at least twenty-one (21) days preceding the date of the sale, sell the hereinafter described property at public vendue, at the courthouse door of Burleson County, Texas, to CLAYDESTA NATIONAL BANK of Midland, Texas, it being the highest bidder for the sum of \$33,000.00 for the properties in Polk, Brazos and Burleson Counties, Texas, and \$1,000.00 for the properties in Fayette County, Texas; and

WHEREAS, from the affidavit hereto attached and made a part hereof, it appears that the beneficiary and holder of the indebtedness above described has served notice of such Substitute Trustee Sale by certified mail at least twenty-one (21) days preceding the date of sale on each person obligated to pay such indebtedness according to the records of the beneficiary and as required by law, and further has posted the same three (3) places in Fayette, Polk, Brazos and Burleson Counties, Texas including the Courthouse doors of said counties;

NOW, THEREFORE, in consideration of the premises and of the payment to me of the sum aforementioned, by the said CLAYDESTA NATIONAL BANK of Midland, Texas, I, the Substitute Trustee, by virtue of the authority confirmed upon me in writing by the said beneficiary of said Deeds of Trust have GRANTED, SOLD and CONVEYED and by these presents do GRANT, SELL, and CONVEY unto the said CLAYDESTA NATIONAL BANK of Midland, Texas and its successors and assigns, all of the following property described herein and situated in Fayette, Polk, Brazos, and Burleson Counties, Texas:

DEED OF TRUST DATED April 22, 1985:

Notwithstanding anything herein to the contrary, this Mortgage shall cover the interest of Grantor specifically described herein and shall not cover any other interest of Grantor in and to such leases, whether now owned or hereafter acquired by Grantor, unless such interest is specifically made subject to the

Deed of Trust by instrument hereafter executed by Grantor. "BPO" means before payout, "APO" means after payout, and "NRI" as used herein means net revenue interest in production of oil and gas; but such designations shall not be deemed a limitation on the interest covered hereby and are shown for information purposes only.

In Brazos County, Texas

TAMU C#1:

Oil and Gas Lease dated March 28, 1984, recorded 672 DR 419, Brazos County, Texas, from the Board of Regents of Texas A & M University, as Lessor, to JVR Petroleum Incorporated, as Lessee, covering the following-described lands in Brazos County, Texas, to-wit:

All that certain tract in J. E. Scott League A-50, and being out of tract conveyed to Agricultural and mechanical College of Texas by H. Mitchell by Deed dated June 21, 1871, recorded M DR 142, Brazos County, Texas, also being a part of tract conveyed to Agricultural and Mechanical College of Texas by W. C. Bayette by Deed dated August 9, 1926, recorded 80 DR 139, Brazos County, Texas, as more particularly described by metes and bounds in said lease.

|                       | <u>BPO</u> | <u>APO</u> |
|-----------------------|------------|------------|
| Operating Interest:   | 12.50%     | 12.500%    |
| Net Revenue Interest: | 8.75%      | 3.125%     |

In Polk County, Texas

Alabama Coushatta

Oil and Gas Lease dated May 7, 1982, recorded 134 OGLR 40 Polk County, Texas, from the State of Texas and Texas Commission of Indiana Affairs, as Lessor, to Natura Energy Corporation, as Lessee, covering the following described lands in Polk County, Texas, to-wit:

263 acre survey made by John B. Johnson, County Surveyor of Polk County, Texas, now on file in Liberty Scrip 765 in the General Land Office of Texas, including a portion of I. & G.N. R.R. Co. Survey 17 described in Boundary Agreement dated February 1, 1982, between Atlantic Richfield Company and Alabama and Coushatta Tribes of Texas and now of record in Polk County, Texas under Clerk's File No. 796, as to depths below the base of the Austin Chalk formation.

|                              |          |
|------------------------------|----------|
| Operating Interest:          | 2.87500% |
| Net Revenue Interest:        | 2.01250% |
| Overriding Royalty Interest: | 0.41662% |

In Fayette County, Texas

State of Texas Well

1. Oil, Gas and Mineral Lease dated April 4, 1979, from Margaret C. Peters and husband, John H. Peters, as Lessor, to Humble Exploration Company, Inc., as Lessee, recorded 131 OGLR 382, Fayette County, Texas;

2. Oil, Gas and Mineral Lease dated April 4, 1979, from Margaret C. Peters et al, as Lessor, and Humble Exploration Company, Inc., as Lessee, recorded 131 OGLR 24, Fayette County, Texas,

3. Oil, gas and Mineral Lease dated October 7, 1980, from The State of Texas, as Lessor, and Natura Energy Corporation, as Lessee, recorded 156 OGLR 18, Fayette County, Texas;

insofar and only insofar as Lease Nos. 1,2 and 3 above cover the following-described lands in Fayette County, Texas, to-wit:

Tract 1

The southernmost 40 acres out of Tract 5-A of the Colorado River, said Tract 5-A being 135 acres, more or less, of the Colorado River bed, said Tract 5A being bound on the Northwest by a Northerly extension of the West line of the Sylvanus Castleman Survey, A032, and is bound on the Southeast by a line across the river perpendicular to its centerline from the Southeast corner of the aforementioned survey, said River Tract 5-A having been leased under State of Texas lease No. 83355 to Natura Energy Corporation on October 7, 1980.

Tract 2

A tract of 40.0 acres of land situated in William Rabb Survey, A-86, Fayette County, Texas. Same being a part of a 209.8 acre tract described in a deed dated March 19, 1976, recorded in Volume 490, Page 150, of the Deed Records of Fayette County, Texas.

BEGINNING at a point in the East bank of the Colorado River; being the Southwest corner of this tract. From which point the Southeast corner of the S. Castleman Survey, A-32, bears S 08° 34' 08" E, a distance of 1227.4 feet and the most southerly corner of the said 209.8 acre tract bears S 38° 51' 48" E, a distance of 2743.50 feet;

THENCE with the Meanders of the East bank of the Colorado River as follows:

N 19° 30' 00" W, a distance of 174.24 feet,  
N 14° 00' 00" W, a distance of 333.33 feet,  
N 12° 00' 00" W, a distance of 652.78 feet,  
N 06° 00' 00" W, a distance of 161.31 feet,

to a point in the East bank of the Colorado River, being the Northwest corner of this tract;

THENCE N 75° 00' 46" E, a distance of 485.82 feet to an angle point in the North line of this tract;

THENCE N. 90° 00' 00" E, a distance of 899.30 feet to the Northeast corner of this tract;

THENCE S 00° 00' 00" E, a distance of 1412.25 feet to the Southeast corner of this tract;

THENCE N. 90° 00' 00" W., a distance of 1077.21 feet to the point of beginning and containing within these metes and bounds 40.00 acres, more or less.

and, then only insofar as to the leasehold interest conveyed to Natura Energy Corporation by the following described Partial Assignments of Oil and Gas Lease:

|                     |                    |
|---------------------|--------------------|
| Dated               | March 8, 1984      |
| Recorded:           | 216 ORG 707        |
| Assignor:           | Canyon Energy Inc. |
| Operating Interest: | .11484375          |

Dated: March 8, 1984  
Recorded: 216 ORG 701  
Assignor: Doug Forshagen, Sr.  
Operating Interest: .00185938

Dated: March 8, 1984  
Recorded: 216 ORG 703  
Assignor: Doug Forshagen, Jr.  
Operating Interest: .00185937

Dated: March 8, 1984  
Recorded: 216 OGR 709  
Assignor: HLG Minerals  
Operating Interest: .0223125

Dated: March 8, 1984  
Recorded: 216 OGR 699  
Assignor: McMillan Investments  
Operating Interest: .014875

Dated: March 8, 1984  
Recorded: 216 OGR 705  
Assignor: W. B. Browder  
Operating Interest: .0014875

Dated: March 8, 1984  
Recorded: 216 OGR 717  
Assignor: Gerald L. Hill, M.D. Association  
Profit Sharing Trust  
Operating Interest: .00371875

Dated: March 8, 1984  
Recorded: 216 OGR 711  
Assignor: Dan Linebarger  
Operating Interest: .00185938

Dated: March 8, 1984  
Recorded: 216 OGR 713  
Assignor: Charlie Linebarger  
Operating Interest: .00185938

Dated: March 8, 1984  
Recorded: 216 OGR 715  
Assignor: Malcolm McPhail  
Operating Interest: .00743750

Dated: December 19, 1984  
Recorded: OGR  
Assignor: Daryl Faris  
Operating Interest: .00185938

Dated: December 19, 1984  
Recorded: OGR  
Assignor: Bob Faris  
Operating Interest: .00185937

Natura Energy Operating Interest .17583121  
Natura Energy Net Revenue Interest: .12706800

with the properties in Fayette County, Texas conveyed herein subject to that certain Deed of Trust dated November 21, 1983, executed by NATURA ENERGY CORPORATION to ROBERT J. MOSES, Trustee for the use and benefit of AMERICAN ENERGY INVESTMENT CORP. and CLAYDESTA NATIONAL BANK of Midland, Texas, with the conveyance

herein subject to and without assumption of the liabilities under such Deed of Trust.

DEED OF TRUST DATED August 28, 1985

Notwithstanding anything herein to the contrary, this Deed of Trust shall cover the interest of Grantor specifically described herein and shall not cover any other interest of Grantor in and to such leases, whether now owned or hereafter acquired by Grantor, unless such interest is specifically made subject to the Deed of Trust by instrument hereafter executed by Grantor. "BPO" means before payout, "APO" means after payout, and "NRI" as used herein means net revenue interest in production of oil and gas; but such designations shall not be deemed a limitation on the interest covered hereby and are shown for information purposes only.

In Burleson County, Texas

Pinter No. 1 Well

43.10 Acres of land out of the Jacob Reed Survey, Abstract No. 48, Burleson County, Texas, and being 43.10 acres of land out of a 60.0 acre tract of land described in Deed to John Pinter, et ux, recorded in Volume 66, Page 51 of the Deed Records of Burleson County, Texas and same being 43.10 Acres of land out of a 60.0 acre tract of land described by Field Notes of John Pinter recorded in Volume 63, Page 632 of the Deed Records of Burleson County, Texas.

BEGINNING at a point for the North corner of this tract, same being the North corner of said 60.0 acre tract of land.

THENCE with the Northeast line of said 60.0 acre tract of land, S 46° 42' 48" E, 1318.73 feet to a point for the East corner of this tract;

THENCE through said 60.0 acre tract of land, S 40° 57' 30" W, 1246.26 feet to a point for the most Easterly South corner of this tract;

THENCE with the most Easterly Southwest line of said 60.0 acre tract of land, N 47° 38' 57" W, 148.21 to a point for a reentrant corner of this tract and a reentrant corner of said 60.0 acre tract of land;

THENCE with the most Northerly Southeast line of said 60.0 acre tract of land, S 43° 18' 35" W, 456.54 feet to a point in the center of branch for the most Westerly South corner of this tract and the most Westerly South corner of said 60.0 acre tract of land;

THENCE up said branch with its meanders as follows:

N 32° 33' 23" W, 229.30 feet;  
N 20° 05' 58" W, 371.51 feet;  
N 24° 54' 46" W, 154.224 feet;  
N 14° 20' 05" W, 136.49 feet;  
N 00° 33' 05" W, 416.20 feet; and  
N 08° 32' 09" W, 143.50 feet to a point for the West corner of tract an the West corner of said 60.0 acre tract of land;

THENCE with the Northwest line of said 60.0 acre tract of land N 42° 52' 47" E, 962.59 feet to the PLACE OF BEGINNING:

and then only insofar as the leasehold interest conveyed to Natura Energy Corporation by the following described Conveyances and Bills of Sale:

Dated: February 21, 1985  
Recorded: 129 OGLR 68, Burleson County, Texas  
Grantor: Texas Dominion, Inc.;  
Operating Interest: .03613873  
Net Revenue Interest: .02529710

Dated: February 21, 1985  
Recorded: 129 OGLR 71, Burleson County, Texas  
Grantor: Bodden Company.;  
Operating Interest: .10841619  
Net Revenue Interest: .07589140

Dated: February 21, 1985  
Recorded: 131 OGLR 76, Burleson County, Texas  
Grantor: Ameracrude International, Inc.  
a/k/a Canadian Games Network  
Operating Interest: .05485334  
Net Revenue Interest: .03839760

Dated: February 21, 1985  
Recorded: 131 OGLR 73, Burleson County, Texas  
Grantor: Douglas C. Stillwagon  
Overriding Royalty Interest: .02066410

Dated: March 8, 1984  
Recorded: 2216 OGR 711  
Assignor: Dan Linebarger  
Operating Interest: .00185938

Dated: March 8, 1984  
Recorded: 216 OGR 713  
Assignor: Charlie Linebarger  
Operating Interest: .00185938

Dated: March 8, 1984  
Recorded: 216 OGR 715  
Assignor: Malcolm McPhail  
Operating Interest: .00743750

Dated: December 19, 1984  
Recorded: OGR  
Assignor: Daryl Faris  
Operating Interest: .00185938

Dated: December 19, 1984  
Recorded: OGR  
Assignor: Bob Faris  
Operating Interest: .00185937

Natura Energy Operating Interest: .17583121  
Natura Energy Net Revenue Interest: .12706800

TO HAVE AND HOLD the above described premises and property, together with the rights, privileges and appurtenances thereto belonging unto the said CLAYDESTA NATIONAL BANK of Midland, Texas, and its successors and assigns forever; and I, as Substitute





M

89947

Assignment to Clay Deata

File dated

11-12-87

Garry Mauro, Commissioner

(19)

THE STATE OF TEXAS )  
 COUNTY OF BRAZOS )  
 I, Frank Boriskie, County Clerk of Brazos County, Texas,  
 do hereby certify that the foregoing is a true and  
 correct copy of the original as the same appears of record  
 in Vol. 909, Page 159 in official records of said  
 County on file in my office.  
 ATTEST: 10/27/87  
 Frank Boriskie, County Clerk  
 Brazos County, Texas  
 By: Candy Cochran, Deputy

Garry Mauro  
Commissioner  
General Land Office



November 16, 1987

Mr. Will Porter  
Clay Desta National Bank  
P.O. Box 3090  
Midland, Texas 79702

RE: Trustee Deed of State Lease M-89947  
Brazos County, Texas

Dear Mr. Porter:

The certified copy of assignment regarding the above captioned lease has been filed in our records.

Your remittance of \$67.60 has been applied as the required filing fees; being \$17.60 for filing fees and \$50.00 as a late fee.

Sincerely,

A handwritten signature in cursive script that reads "Billy Lancaster".

Billy Lancaster  
Manager of Lease Compliance  
Energy Resources Division  
(512) 463-5042

BL/RH/dlb

(20)

M 89947

Letter to Claydon

File dated 11-16-87

Garry Mauro, Commissioner

620021

FILED

COPY  
AMENDMENT  
TO

56 DEC 15 PM 1:21  
Mary Ann [Signature]  
CLERK  
BRAZOS COUNTY COURTHOUSE  
BRYAN, TEXAS

OIL AND GAS LEASE # M-89947

BY \_\_\_\_\_  
DEPUTY  
This agreement is effective as of the 16 day of Dec, 1996, by

and between the **BOARD OF REGENTS, THE TEXAS A&M UNIVERSITY SYSTEM**, (hereafter referred to as "**TAMUS**"), and **SOMERSET ENERGY, INC., and B.W.O.C., INC.**, (hereafter referred to as "**SOMERSET/BWOC**"). **TAMUS** is the same party designated as "Lessor" and **SOMERSET/BWOC** is the successor in interest to **JVR Petroleum, Incorporated** who was designated as "Lessee" in a certain oil and gas lease covering 176.00 acres in Brazos County, Texas, which is recorded at Volume 672, Page 419, of the Official Records of Brazos County, Texas, a copy of which is attached to this Lease Amendment as attachment "A". In consideration of the mutual benefits to be derived by both parties, and in consideration of **TEN AND NO/100 DOLLARS (\$10.00)** in hand paid by **SOMERSET/BWOC** to **TAMUS**, the parties agree as follows:

Paragraph II is hereby amended by the addition of the Paragraph II.A.7 as follows:

II.A.7. It is expressly agreed the royalty percentage for all production from the Austin Chalk Geologic formation and all other formations except the Woodbine Geologic formation is twenty-five percent (25%) of the value of the gross production as defined in II.A.1 and II.A.2, above and such royalty amount will remain constant both before and after payout, subject to any future amendments which may be agreed upon by the parties and evidences in writing.


All other provisions of the original lease and the amendments to this Lease will remain in full force and effect.

Prepared by Assistant General Counsel  
h:/EDG/oil & gas-somerset2  
11/96-EDG



EXECUTED this 16<sup>th</sup> day of December, 1996.

"TAMUS"  
THE TEXAS A&M UNIVERSITY SYSTEM  
Barry B. Thompson, Chancellor


By:   
RICHARD LINDSAY  
Deputy Chancellor  
for Finance and Operations

**APPROVAL RECOMMENDED:**

  
TOM D. KALE  
Vice Chancellor for Business Services

  
DAN K. BUCHLY, Director  
System Real Estate Office

**APPROVED AS TO FORMS**

  
EDDIE D. GOSE, J.D.  
Assistant General Counsel



The terms and conditions of Amendment accepted this 16 day of  
December, 1996

"SOMERSET/BWOC"  
SOMERSET ENERGY, INC.

By:



**JOHN R. BARNES**  
President, B.W.O.C., INC.  
Chairman and CEO  
Somerset Energy, Inc.

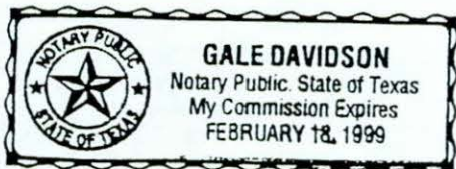


ACKNOWLEDGEMENTS

THE STATE OF TEXAS §  
§  
COUNTY OF BRAZOS §

BEFORE ME, the undersigned authority, a Notary Public for the State of Texas, on this day personally appeared **RICHARD LINDSAY**, Deputy Chancellor for Finance and Operations, The Texas A&M University System, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed it as the act and deed of the BOARD OF REGENTS, THE TEXAS A&M UNIVERSITY SYSTEM for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 16<sup>th</sup> day of December, A.D. 1996.

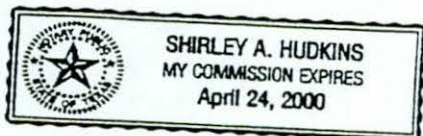


Gale Davidson  
Notary Public, State of Texas  
My Commission Expires: 2-18-99

THE STATE OF TEXAS §  
§  
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, a Notary Public for the State of Texas, on this day personally appeared **JOHN R. BARNES**, General Partner of Somerset/BW Limited Partnership, a limited partnership, and President, B.W.O.C., Inc., known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed it for the purposes and consideration therein expressed, and in the capacities therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 9<sup>th</sup> day of December, A.D. 1996.



Shirley A. Hudkins  
Notary Public, State of Texas  
My Commission Expires: 4-24-00

Prepared by Assistant General Counsel  
h:/EDG/oil & gas-somerset2  
11/96-EDG



After Recordation return to:

Somerset Energy Inc.  
920 One Energy Square  
4925 Greenville Ave.  
Dallas, Texas 75206



## OIL AND GAS LEASE

APR 16 1984

## I. STATUTORY REQUIREMENTS

FRANK BORISKIE  
County Clerk, Brazos County, Bryan, Texas  
BY *William M. [Signature]*Ed. Code  
85.58(a)

A. THE BOARD OF REGENTS OF THE TEXAS A&M UNIVERSITY SYSTEM, Lessor, in consideration of the payment by Lessee of the sum of \$52,800.00, the receipt of which is hereby acknowledged and of the royalties, covenants, stipulations, and conditions contained herein, and hereby agreed to be paid, observed, and performed by Lessee, DOES HEREBY GRANT, LEASE, AND LET unto JVR PETROLEUM, INCORPORATED, Lessee, for the sole and only purpose of prospecting, drilling for, and producing oil, gas, casinghead gas, distillate, and associated hydrocarbons, and constituent elements (including sulphur), not including coal, lignite, gravel, iron ore, caliche, sand, fissionable minerals and any other minerals, the following described land in Brazos County, Texas, which land was acquired by the State of Texas for the use and benefit of The Texas A&M University System:

All that certain tract or parcel of land lying and being situated in Brazos County, Texas, and being out of the J. E. Scott League, A-50, and being out of the tract conveyed to the Agricultural and Mechanical College of Texas by H. Mitchell on June 21, 1871 in the Deed recorded in Volume M, Page 142 of the Deed Records of Brazos County, Texas and also being part of the tract conveyed to the Agricultural and Mechanical College of Texas by W. C. Boyett on August 9, 1926 in the Deed recorded in Volume 80, Page 139, of the Deed Records of Brazos County, Texas, containing 176.00 acres, more or less.

Depth Limitation

All rights granted by this lease as to the above described land are limited to a depth no greater than one hundred feet (100 ft.) below the Georgetown formation.

Site Reservation

There is, however, expressly reserved unto Lessor, (in addition to all surface rights and use thereof) the right to select drill site locations on the above described property for use by Lessor or any third party selected by Lessor in drilling for oil and gas lying under other tracts of land not subject to this lease and whether or not owned by Lessor. Such sites may be selected by Lessor at any time during the term of this lease, (primary or extended) at such locations deemed appropriate by Lessor provided such locations are not in direct conflict with Lessee's own drill sites. Lessor shall provide Lessee with a plat of selected surface acreage, not to exceed five (5) acres

per location, prior to making use of such locations for drilling purposes. Lessor is entitled, under this reservation, to sell or lease to other drilling contractors or producers the right to utilize such location(s) as a drill site for off-property directional drilling.

Said land shall be deemed for the purposes of bonus and rental payments to contain 176.00 acres, whether it actually contains more or less.

Ed. Code  
85.59(a)

#### B. EXPLORATORY TERM

The primary term of this lease shall be for a term of two (2) years from the date hereof (subject to the drilling requirement in General Provision II-C) and said lease shall terminate at the expiration of its primary term unless oil, gas, or distillate is being produced in paying quantities; provided, however, the term or life of this lease may be extended under the following conditions:

if the Board finds that Lessee has proceeded with diligence to protect the interest of the State, and that there is a likelihood that oil, gas, or distillate will be discovered on the leased premises, the Board may by unanimous vote extend this lease for a period not to exceed three (3) years, conditioned upon Lessee continuing to pay the yearly rentals provided herein, and upon any additional terms the Board may see fit and proper to demand. No such extension may be granted until the last thirty (30) days of the original term of the lease.

Ed. Code  
85.55(c)  
and  
85.61

#### C. ANNUAL RENTALS

One (1) year from the date hereof, and on the same date of each of the following years during the exploratory term of this lease, Lessee shall pay to Lessor an annual rental of \$10.00 per acre. Provided, however, that if Lessee is engaged in actual drilling operations for the discovery of oil and/or gas on the leased premises on the anniversary date of this lease, no annual rental shall be payable as to the acreage contained in that tract on which said operations are being conducted as long as such are proceeding in good faith; and if oil and/or gas are discovered in paying quantities on any tract covered by this lease, then as to that tract this lease shall remain in force so long as production is obtained in paying quantities from said tract. When royalties, as provided herein, amount to as much as the yearly payment set out above, said annual rental may be discontinued.

Ed. Code  
85.66(1)

#### D. PAYMENTS AND RECORDS TO GENERAL LAND OFFICE

All royalties, as provided herein, shall be paid to the Commissioner of the General Land Office at Austin, Texas, on or before the last day of each month for the preceding month during the term of this lease. Notice is hereby given that Lessor is not subject to windfall profits tax on royalties paid but is exempt therefrom. Said payment shall be accom-



panied by a sworn statement of Lessee's owner, manager, or other authorized agent, showing the gross amount of oil and/or gas produced and saved since the last report, the amount of oil and/or gas produced and sold off the premises, and the market value of same, together with a copy of all daily gauges, or vats, tanks, gas meter readings, pipeline receipts, gas line receipts and other checks and memoranda of the amounts produced and put into pipelines, tanks, vats, or pool and gas lines, gas storage, other places of storage, and other means of transportation. Lessee shall simultaneously provide Lessor with photocopies of all papers filed with the General Land Office.

Ed. Code  
85.66(b)

#### E. INSPECTION OF RECORDS

Lessee's books and accounts, receipts and discharges of all wells, tanks, vats, pools, meters, pipelines, and all contracts and other records pertaining to the production, transportation, sale, and marketing of oil and/or gas shall at all times be subject to inspection and examination by any Member of the Board of Regents of The Texas A&M University System, or any duly authorized representative of said Board.

Ed. Code  
85.63

#### F. SURFACE OPERATIONS

Drilling for oil and/or gas within less than three hundred (300) feet of any building or research area is prohibited, unless written consent of the Board is first obtained. Operations for oil and/or gas shall not in any way interfere with the use of the leased premises for educational, recreational, experimental, and any other purposes to which it has or may be put, and shall not cause the abandonment of the leased premises. Lessee shall drill, mine, and carry on operations in such a way as not to cause the abandonment of the property for experimental farm purposes and the leased premises shall be subject to use by the State of Texas for all experimental purposes.

1. The bottom hole location for the well to be drilled on this tract shall be 660 ft. from the northeast line and 660 ft. from the northwest line of this lease as depicted on the attached plat which is made a part of this Agreement. It is specifically understood and agreed that the surface location shall differ from the bottom hole location and must have prior approval by the Lessor. Any other bottom hole location or any other well which may be drilled on this tract must be approved by the Lessor in advance of operations.

Ed. Code  
85.67(a)

#### G. FORFEITURE

This lease shall be subject to forfeiture by the Board by an order entered upon the minutes of the Board reciting the facts constituting a default, for any of one or more of the following reasons:

1. Lessee fails or refuses to make the payment of any sum due, either as rental, royalty on production, or other payment, within thirty (30) days after the same becomes due.

2. Lessee's owner or authorized agent makes any false return or false report concerning production, royalty, drilling, or mining.

3. Lessee fails or refuses to drill any offset well or wells in good faith, as required by this lease.

4. Lessee or its agent refuses the proper authority access to the records and other data pertaining to operations under this lease.

5. Lessee or its authorized agent fails or refuses to give correct information to the proper authorities.

6. Lessee or its authorized agent fails or refuses to furnish the log of any well within thirty (30) days after production is found in paying quantities.

7. Any material terms of this lease are violated.

The Board may have suit instituted for forfeiture through the Attorney General.

Ed. Code  
85.67(c)

#### H. REINSTATEMENT AFTER FORFEITURE

Upon proper showing by Lessee, within thirty (30) days after the declaration of forfeiture, this lease may be reinstated at the discretion of the Board on such terms as it may prescribe.

Ed. Code  
85.67(d)

#### I. REMEDIES OF LESSOR

In case of violation by Lessee, the remedy of the State by forfeiture is not the exclusive remedy. Suit for damages or specific performance, or both may be instituted.

Ed. Code  
85.67(e)

#### J. FIRST LIEN

The State shall have a first lien upon all oil and/or gas produced upon the leased premises and upon all rigs, tanks, vats, pipelines, telephone lines, machinery, and appliances used in the production and handling of oil and/or gas produced therefrom, to secure any amount due from Lessee.

Ed. Code  
85.65(b)

#### K. ASSIGNMENTS

All rights acquired under this lease may be assigned. All assignments shall be filed in the General Land Office within one hundred (100) days after the first acknowledgement thereof, accompanied by ten cents (\$.10) per acre assigned, and if not so filed and payment made, the assignment shall not be effective. (See also Board of Regents' approval, General Provisions II.-Q.).

Ed. Code  
85.65(c)

#### L. RELINQUISHMENTS

All rights to any whole tract or to any assigned portion thereof may be relinquished to the State at any time by having an instrument of relinquishment recorded in the counties in which the area may be situated, and filed with the Board of Regents, accompanied by One and No/100 Dollar (\$1.00) for each acre relinquished. Such relinquishment shall not relieve the Lessee of any past due obligations theretofore accrued thereon.



Ed. Code  
85.66(d)

**M. ROYALTY IN-KIND**

The Lessor may, at its discretion, require that payment of royalty, as stipulated herein, be in-kind.

Ed. Code  
85.61

**N. PROTECTION FROM DRAINAGE**

The Lessee shall adequately protect the oil and gas under the above described land from drainage from adjacent lands or leases, including land owned by Lessor leased at a lesser royalty. Neither the bonus, annual rentals, nor royalties paid or to be paid hereunder shall relieve Lessee from the obligation expressed herein or by statute.

Natural  
Res. Code  
52.293

**O. SALE OF GAS FOR USE OUTSIDE STATE OF TEXAS**

This agreement is subject to the provisions of Senate Bill No. 3, Acts of the 64th Legislature, Regular Session, 1975, Section 1 of which requires the following to be included in this lease form:

"From and after the effective date of this Act, it shall be unlawful for any one of the persons, agencies, or entities set forth in Section 2 of this Act to execute an oil, gas and mineral lease on any lands on which they are otherwise authorized and empowered by law to execute such a lease unless such lease shall include the following terms and conditions:

None of the natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease shall be sold or contracted for sale to any person, corporation, or other entity for ultimate use outside of the State of Texas unless and until the Railroad Commission of Texas shall find, after notice and hearing pursuant to Title 102 of the Revised Civil Statutes of Texas, 1925, as amended, that:

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

(c) no public or private school in this State, of elementary, secondary, or higher education level, requires said natural gas or casinghead gas to meet its existing needs for fuel;

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

(e) no producer of food and fiber requires said 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 the State of Texas and who relies on natural gas or casinghead gas to provide in whole or in part his existing needs for fuel or raw material requires said natural gas or casinghead gas to meet such needs."

## II. GENERAL PROVISIONS

### A. ROYALTY

Lessee agrees to pay or cause to be paid during the term hereof:

(1) as a royalty on oil, which is defined as including hydrocarbons produced in a liquid form at the mouth of the well, and also all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, the following shall be payable:

a. thirty percent (30%) of the value of the gross production until such time as Lessee shall have obtained "payout", as hereinafter defined, whether from oil or gas revenues, or both, said sum, as defined, to represent an agreed "payout" amount for each well from which production is obtained; and

b. seventy-five percent (75%) of the value of the gross production after such time as the agreed "payout" amount shall have been recovered by Lessee.

Such value shall be the highest posted price, plus premium, if any, offered or paid for oil of like grade and gravity in the general area, or the prevailing market price thereof in the general area, or the proceeds of the sale thereof, whichever is the greatest;

(2) as a royalty on all gas, which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph A(1), above, produced from any well and sold by Lessee, or used by Lessee, the following shall be payable:

a. thirty percent (30%) of the value of the gross production until such time as Lessee shall have obtained "payout" as hereinafter defined, whether from oil or gas revenues, or both, said sum, as defined, to represent an agreed "payout" amount for each well from which production is obtained; and,

b. seventy-five percent (75%) of the value of the gross production after such time as the agreed "payout" amount shall have been recovered by Lessee.



Such value shall be determined on the basis of the highest price paid for gas of a similar quantity in the general area or the amount accruing to the producer from all hydrocarbons or other products produced from said gas, whichever is greater.

"Payout" as used in the foregoing paragraphs is defined as the recovery by the Lessee of Seven Hundred Fifty Thousand and No/100 Dollars (\$750,000.00) from production revenues, exclusive of lifting expenses, windfall profits taxes, production taxes, ad valorem taxes, and unitization expenses, if any.

(3) on Sulphur, one-fourth (1/4) of the value of the gross production thereof from the leased premises, such value to be the highest price offered or paid therefor in the general area, the price received by Lessee, or Three and 50/100 Dollars (\$3.50) per long ton, whichever is greater.

(4) on all production sold by Lessee for benefit of Lessor pursuant to its royalty interest, Lessee, its agents and/or assigns, shall be and remain jointly and severally liable to Lessor for all payment due Lessor from such sale to purchasers pending actual payment to Lessee. Non-payment by any such purchaser of production will not relieve Lessee of its obligation to pay Lessor for its royalty interest in production sold.

(5) 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 shall pay as royalty One Thousand Two Hundred and No/100 Dollars (\$1,200.00) for each well capable of producing gas in paying quantities; such payment shall be made 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 two (2) 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.

(6) Lessee agrees that all royalties accruing to Lessor under this lease 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.

#### B. LIQUID HYDROCARBON RECOVERY

Lessee agrees that before any gas produced from the leased premises, containing liquid hydrocarbons, recoverable in commercial quantities by separator on the lease, is sold, used, or processed in a plant, it will be

run 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 Lessor, the requirement that such gas be run through such a separator or other equipment may be waived upon such terms and conditions as provided by Lessor.

#### C. DRILLING REQUIREMENT

Notwithstanding anything to the contrary contained herein, this lease shall terminate and be rendered void unless Lessee has commenced drilling operations on the leased premises within one hundred twenty (120) days of the execution of this lease by the Lessee. The term "commenced drilling operations" as used in this lease includes, but is not limited to the moving of machinery and equipment onto the premises preparatory to the beginning of actual drilling with the intent to proceed thereafter with diligence toward the completion of a producing well. Such drilling operations, if commenced within said one hundred twenty (120) day period, shall serve to keep this lease in force and effect as to the entire leased premises, subject to the continuous drilling clause. In accordance with the provisions of Paragraph I.-C., above, Lessee shall be excused from paying delay rentals upon acreage contained in the well unit, but shall be liable for such rentals on any acreage not dedicated to a well or wells on the first anniversary of this lease. Failure to pay rentals on the non-dedicated acreage shall work an immediate termination of this lease as to the entire leased premises.

#### D. CONTINUOUS DRILLING CLAUSE

Lessee shall conduct continuous drilling operation and shall within thirty (30) days after setting casing on the initial producer begin drilling a second well. Upon completion of such second well, as a producer or dry hole, Lessee shall within thirty (30) days thereof begin the drilling of the next well and on like periods to succeeding wells until the land is fully developed to allowable density. Failure to so drill and continue drilling will constitute a breach and forfeiture of this lease. This continuous drilling clause shall not apply on any tract covered by this lease of insufficient acreage to permit additional wells under field rules established by the Texas Railroad Commission.

#### E. REWORKING EXTENSION

In the event production of oil, or gas on the leased premises after once having been obtained shall cease for any cause after the expiration of the exploratory term, this lease shall not terminate if Lessee commences additional drilling or reworking operations within ninety (90) days thereafter, and such lease shall remain in full force and effect so long as such operations continue in good faith and in a workmanlike manner, without interruptions totaling more than ninety (90) days during any one such operation; and if such drilling or reworking operations result in the production of oil or gas, this lease shall remain in full force and effect so long as oil or gas is produced therefrom in paying quantities or payment of shut-in gas well royalties is made in accordance with Paragraph II.-A.--(5) hereof.

#### F. DEVELOPMENT

This lease contemplates the full prospecting and developing of the land hereby leased for oil and/or gas, including the putting down of as many



wells as a reasonably prudent operator would do under the same or similar circumstances. The Lessee shall adequately protect the oil and gas under the above described land from drainage to adjacent lands or leases. Neither the bonus, annual payments, nor royalties paid or to be paid hereunder, nor the commencement of drilling operations within the one hundred twenty (120) day period above described, shall relieve Lessee from the obligation herein expressed.

#### G. WATER-BEARING STRATA

In drilling wells, all water-bearing strata shall be noted by Lessee in the log, and the Lessor reserves the right to require that all or any part of the casing shall be left in any non-productive well when Lessor deems it necessary or desirable to preserve or maintain said well or wells for water.

#### H. LOGS AND PLATS

Lessee shall file at the General Land Office, for the Board of Regents of The Texas A&M University System, the logs of all wells drilled upon the above described premises, within thirty (30) days after completion in the case of producing wells, and within thirty (30) days after abandonment in the case of dry holes. Whenever the Lessee commences the drilling of any well or wells upon the above described premises, written notice thereof shall be filed at the General Land Office, for the Board of Regents of The Texas A&M University System, accompanied by a plat of said premises showing the location of such well or wells.

#### I. AUTHORITY OF AGENTS

In all cases the authority of a manager or agent to act for the Lessee herein must be filed at the General Land Office for the Board.

#### J. INDEMNIFICATION

Lessee hereby agrees to pay Lessor for all damages to crops, trees, buildings, streets, fixtures, utility lines (above and below ground), personal property, productivity of soil, livestock, and any and all other things damaged as a result of Lessee's or its agents' actions in carrying out any operations under the terms of this lease. Lessee further agrees to indemnify and hold Lessor harmless for any and all damages to third persons and the property of third persons resulting from such operations.

#### K. FORCE MAJEURE

Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or State law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

**L. CASING, EQUIPMENT, AND LESSOR'S RIGHTS ON PRODUCING WELLS**

If this lease shall terminate or be forfeited for any cause, or should Lessee elect to abandon a well or wells, the Lessee shall in no event be permitted to remove the casing or any part of the equipment of any such producing well or wells located upon the premises, and Lessor shall be entitled to take over the operation thereof at no cost.

**M. UNDERGROUND STORAGE**

It is expressly agreed and understood that Lessee shall not use the herein leased premises for underground storage of natural gas, crude petroleum or other hydrocarbons without the express advance written consent of Lessor.

**N. BINDING EFFECT**

The covenants, conditions, and agreements contained herein shall extend to and be binding upon the heirs, executors, administrators, successors, or assigns of the Lessee herein.

**O. STATUTORY AUTHORITY**

This agreement is subject to the provisions of Subchapter D of Chapter 85, Subtitle D, Title 3, Texas Education Code, and all amendments thereof whether heretofore or hereafter enacted, and subject to all valid rules, regulations, and orders of any duly constituted State or federal regulatory agency having jurisdiction hereof.

**P. PROPORTIONATE REDUCTION**

In the event Lessor owns an interest in the oil and/or gas on, in or under the above described lands less than the entire fee simple estate, whether or not this lease purports to cover the whole or fractional interest therein, then the royalties to be paid Lessor shall be reduced in the proportion that Lessor's interest bears to the whole and undivided fee and in accordance with the nature of the estate with which Lessor is seized.

**Q. ASSIGNMENT - BOARD OF REGENTS' APPROVAL**

Lessee may assign the rights acquired under this lease only with approval of the Board, or its duly appointed officer. All necessary filings with the General Land Office required by Paragraph I.-K. of this lease shall be the responsibility of Lessee. Lessee shall also be responsible for paying any fees or charges assessed by the General Land Office for such filing. Lessee acknowledges that the responsibility for obtaining consent and filing assignments in a timely manner is solely that of Lessee.

**R. ACCESS AND INFORMATION**

Lessee agrees to give any authorized representative of the Board access to all wells drilled on the leased premises at all reasonable hours, and upon request of Lessor, to furnish Lessor or its authorized representative with, or allow said representative to take from such wells, formation samples of cores and cuttings consecutively taken, and also to furnish any records, memoranda, reports or other information relative to the operation of the leased premises. Copies of title opinions, abstracts, instruments relating to the determination of title, and executed copies of all oil or gas purchase contracts or agreements shall be provided to the Board's said representative upon request.

## III. SPECIAL PROVISIONS

## A. SITE APPROVAL

Locations of all wells, structures, roads, tank batteries, pipelines, telephone lines, and all other facilities erected or moved onto a site by Lessee must be approved in advance by Lessor or its authorized representative. Such request for approval shall be in writing setting out the precise location of any proposed facility and including diagrammatic descriptions of the facility and the surrounding area. Upon request by Lessor, Lessee shall provide any additional drawings or other data Lessor requires to assess a location. Approval shall not be unreasonably withheld and approval, rejection or requirement for changes must be provided within three (3) working days from date all requested data have been submitted.

## B. PIPELINES

Lessor requires that all pipelines be buried below plow depth (deemed to be 36 inches), and that Lessee pay for damages caused by its operations to any surface structure or use of the property.

## C. REMOVAL OF STRUCTURES AND EQUIPMENT

In the event drilling upon the leased premises shall result in production, Lessee, at its own expense, shall immediately remove all temporary structures and place all permanent equipment in such manner as will not interfere with or introduce hazard to any activity of Lessor. Should drilling result in a dry hole or holes, Lessee shall, at its own expense, immediately remove all temporary structures from the land and restore the land to its state as it existed as of that date of this lease, or to such state as is compatible with the use then being made of said premises, at the option of the Lessor.

## D. DESIGNATION OF PRODUCTION UNITS

Within ninety (90) days after completion of any well on the leased premises which is not pooled under the provisions of Paragraph III.-E., Lessee shall designate in writing, and file same of record with the County Clerk of Brazos County, Texas, a description of that part of the leased premises to be allotted to such well for production purposes, according to the following formula:

1. For a well classified as an oil well by the Railroad Commission of Texas, no more than 160 acres plus 10% tolerance.
2. For a well classified as a gas well by the Railroad Commission of Texas, no more than 320 acres plus 10% tolerance.

Production, drilling or reworking operations on said allotted area by Lessee shall maintain this lease in effect only with regard to the land within the described area.

## E. POOLING

Pooling of all or any part of the leased premises with outside acreage is

not permitted without the consent of the Board or its authorized representative.

#### F. SEISMIC SURVEYING

All seismic activities shall be approved in advance by the Board's authorized representative, and any changes or requirements which he demands must be complied with by the Lessee. Failure to so comply will result in immediate revocation of the permit. Lessee shall be responsible for all damages to property, real and personal, and injuries to persons and livestock resulting from any operations or activities conducted on the property. The Lessor may designate routes to be utilized in all seismic surveying. Deviation from said routes by a Lessee shall result in immediate revocation of the permit.

#### G. ROADS AND ACCESS ROUTES

The Lessor may designate specific streets as access routes for use by operators. Costs of additional reinforcements and repairs made necessary by the activities of operators shall be borne by the Lessee. Such reinforcement and repairs shall conform to standards set by the Lessor in advance. Permanent access roads constructed by Lessee must be built according to standards accepted in writing by the Board's authorized representative. Lessor may prohibit the use of its streets during designated hours on specified days. Notice of such prohibition shall be given to the Lessee in advance.

#### H. WELL LOCATION

No well shall be drilled at any surface location which is nearer than three hundred (300) feet from any building on the land without the consent of the Board's authorized representative.

A directional well may have a surface location in one tract designated for a particular well and be bottomed under another tract designated for a particular well provided that the bottom hole location meets the requirements of the Railroad Commission.

#### I. DRILLING AND PRODUCTION OPERATIONS

Any violation of any valid law or of any valid rule, regulation or requirement of any state or federal regulatory body having jurisdiction with reference to drilling, completing, equipping, operating, producing, maintaining, or abandoning oil or gas wells or related appurtenances, equipment or facilities, or with reference to firewalls, fire protection, blow-out protection or safety of persons or property shall be a violation of the lease agreement.

The use of earthen pits for reserve mud or waste materials such as drilling mud, contaminated mud, drill stem test returns and the like are not permitted. Steel pits shall be required.

A single tank battery location shall be identified and approved by the Board's authorized representative where all tank batteries shall be concentrated to serve all wells developed on the property. When one or more wells are connected to the concentrated tank battery, whether by individual flow line connections direct to the tank or tanks or by use of a multiple header system, each line between each well and such tank or header shall be buried below plow depth and be legibly identified at all



times, either by a firmly attached tag or plate or an identification properly printed on each line at a distance not to exceed three (3) feet from such tank or header connection.

No operator shall use or operate in connection with the drilling or reworking of any well, any wooden derrick or steam powered rig, or permit any drilling rig or derrick to remain on the premises or drill site for a period longer than thirty (30) days after completion or abandonment of any well.

Within thirty (30) days after completion of any well, Lessee shall file with Lessor a final report which shall be a copy of the appropriate Railroad Commission form(s).

In the event of the loss of control of any well the operator shall immediately take all reasonable steps to regain control of such well, and shall notify Lessor as soon as practicable. All wells and production facilities shall be completely enclosed by a six (6) foot high chain link fence with three (3) turned out barbed wire strands at the top.

Only electric prime movers shall be permitted for the purpose of pumping wells unless a waiver of this provision is obtained from the Lessor.

Notwithstanding any other requirements promulgated by the Railroad Commission of Texas, burning of excess gas shall be avoided and allowed only for a period of two (2) months following completion of the well to enable construction of transmission lines. Discharge of burned gas into the atmosphere shall occur at a point twenty-five (25) feet above the surface of the ground, and no less than ten (10) feet above the top of tank batteries.

All operators shall make adequate provisions for the disposal of salt water or other impurities which may be produced along with the oil or gas in a manner which prevents the contamination of the surface or subsurface water supply or the destruction of vegetation. No operator or any person engaged in the operation of any loading rack, storage or other facility or equipment used in the production, storage, transportation, sale or shipment of crude oil or other flammable petroleum product shall allow any such substance to spill over, overflow, leak, drain out, escape or accumulate in any sewer or about the premises, or on any surface, or in any open surface ditch or any other exposed surface conduit, in any manner or amount which creates a potential fire hazard, or which may pollute any surface or subsurface water or damage any publicly owned land.

All surface areas utilized by an operator shall be kept clear of high grass, weeds and combustible trash or other rubbish or debris that would, if allowed to accumulate, result in a fire hazard.

Printed signs with at least five (5) inch letters reading, "DANGER, NO SMOKING OR OPEN FLAMES ALLOWED" or similar words shall be posted in conspicuous places on each well, storage tank or battery of tanks. The signs shall include the production unit number and emergency notification telephone number of the College Station fire department. Well and lease designations required by the Railroad Commission of Texas or any other governmental authority having jurisdiction shall also be displayed.

Whenever any well is permanently abandoned, it shall be the obligation of the operator to plug such well in accordance with the laws of the State of Texas, the rules of the Railroad Commission of Texas, and/or any other agency having jurisdiction in connection with the plugging operation and to provide Lessor with a notice of intent to plug and abandon which will include the abandonment program and request for release of permit.

Any expense incurred by Lessor due to a request for an exception under this section shall be paid by the operator requesting such exception.

#### J. INSURANCE AND BONDS

All operators shall maintain or cause to be maintained public liability insurance and insurance coverage on their employees, agents and contractors (or require such insurance to be maintained), in addition to required worker's compensation insurance, in at least the following amounts:

##### Comprehensive General Liability Insurance:

Public Liability (Bodily Injury). Insurance with limits of not less than Three Hundred Thousand and No/100 Dollars (\$300,000.00) for each person, and Five Hundred Thousand and No/100 Dollars (\$500,000.00) for each occurrence and Five Hundred Thousand and No/100 Dollars (\$500,000.00) in the aggregate;

Public Liability (Property Damage). Insurance with limits of not less than Three Hundred Thousand and No/100 Dollars (\$300,000.00) for each occurrence and Five Hundred Thousand and No/100 Dollars (\$500,000.00) in the aggregate.

##### Excess Liability Insurance:

An Excess Liability policy with a limit of liability of at least One Million and No/100 Dollars (\$1,000,000.00) coverage in excess of the above required general liability policy.

##### Certificate of Insurance:

As proof of compliance with this section a certificate of insurance shall be filed with the Lessor setting out the insurance coverage required under this section. Such certificate shall state that ten (10) days prior written notice of cancellation or material change shall be submitted to the Lessor by the insurance carrier. Such certificate shall also show the coverage for property damage liability for damages arising from blasting or explosion; collapse or structural injury; underground property damage; damage to underground resources and equipment; and hazard and blowout or cratering of any well.



K. DESIGNATION OF AUTHORIZED REPRESENTATIVE OF BOARD OF REGENTS

For purposes of this lease, the Board of Regents hereby appoints the Chancellor or his designee as the authorized representative of the Board and/or Lessor as same is referred to herein.

IN TESTIMONY WHEREOF, witness the signatures of the parties hereto, Lessor acting by and through the Chancellor of The Texas A&M University System, duly authorized thereunto by the Board of Regents of The Texas A&M University System, this 28th day of March, A.D., 1984.

LESSOR:

THE TEXAS A&M UNIVERSITY SYSTEM

*copy  
JMS*  
Arthur G. Hansen

Dr. Arthur G. Hansen  
Chancellor  
The Texas A&M University System  
State of Texas

LESSEE:

JVR PETROLEUM, INCORPORATED

ATTEST:

4-6-84

James M. ...  
PRESIDENT

JVR Petroleum, Incorporated



ATTACHMENT "A"

THE STATE OF TEXAS

↓

COUNTY OF BRAZOS

↓

BEFORE ME, the undersigned authority, a Notary Public in and for Brazos County, Texas, on this day personally appeared Arthur G. Hansen, Chancellor of The Texas A&M University System, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same as the act and deed of the Board of regents of The Texas A&M University System for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 29th day of March, 1984.



*[Handwritten signature of L. Smith]*

Notary Public, Brazos County, Texas

L. Smith

STATE OF TEXAS

↓

COUNTY OF HARRIS

↓

BEFORE ME, the undersigned authority, on this day personally appeared James V. Riner, President, 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, in the capacity therein stated and as the act and deed of said Corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 6TH day of APRIL, A.D. 1984.



*[Handwritten signature of Carolyn B. McDonald]*  
Notary Public in and for HARRIS County

85



ATTACHMENT "A"

Field notes of a 176.00 acre tract or parcel of land lying and being situated in the J. E. Scott League, A-50 Brazos County, Texas, and being part of the tract conveyed to the Agricultural and Mechanical College of Texas by H. Mitchell on June 21, 1871 in the Deed recorded in Volume M, Page 142 of the Deed Records of Brazos County, Texas and also being part of the tract conveyed to the Agricultural and Mechanical College of Texas by W. C. Boyett on August 9, 1926 in the Deed recorded in Volume 80, Page 139, of the Deed Records of Brazos County, Texas, and being more particularly described as follows:

Beginning at the eastmost corner of The Texas A&M University System - Tract B, Oil Unit II lease, from which point the point where the centerline of the Southern Pacific Transportation Company railroad mainline crosses the northwest league line of the J. E. Scott League bears N 38°27'22" W a distance of 3153.73 feet,

Thence S 37°32'33" W across the right-of-way of the Southern Pacific Railroad and Finfeather Road a distance of 131.57 feet to a point for angle, said point being located at the point of intersection of the southwest right-of-way line of Finfeather Road and the northwest right-of-way line of F & B Road;

Thence along the northwest right-of-way line of F & B Road for the following calls:

S 37°32'33" W for a distance of 920.44 feet to a point for angle point;

S 39°49'25" W for a distance 353.93 feet to a point for angle point;

S 42°02'21" W for a distance of 107.76 feet to a point for angle point;

S 43°27'03" W for a distance of 322.95 feet to a point for angle point;

S 43°02'02" W for a distance of 138.18 feet to a point for angle point;

S 43°34'18" W for a distance of 1378.45 feet to a point for angle point;

S 43°29'39" W for a distance of 115.51 feet to a point for corner;

Thence S 38°27'22" E for a distance of 2221.31 feet to a point for corner;

Thence N 43°34'18" E for a distance of 3442.75 feet to a point in the centerline of the Southern Pacific Railroad for corner;

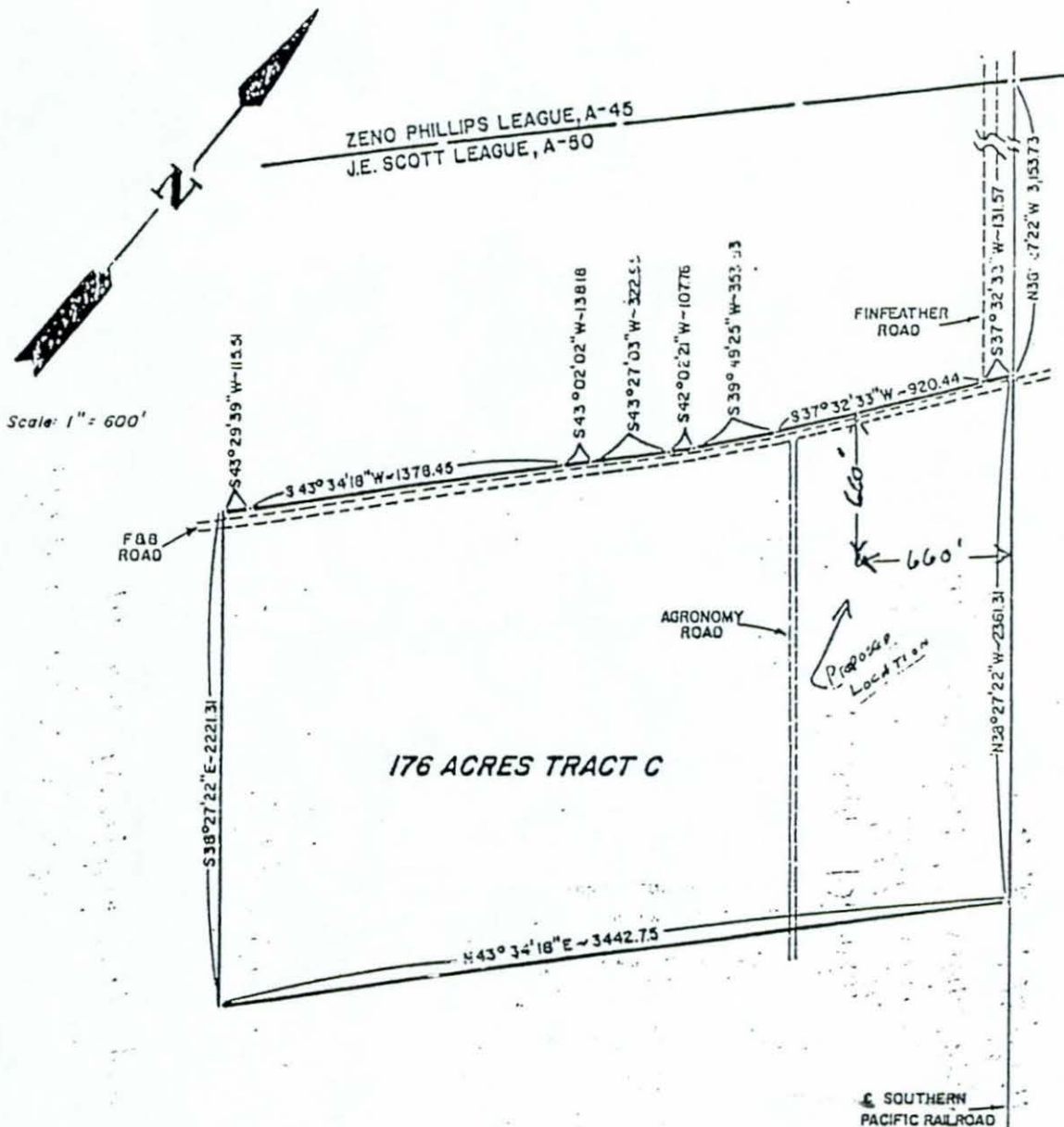
Thence N 38°27'22" W along the centerline of said railroad a distance of 2361.31 feet to the Point of Beginning, and containing 176.00 acres of land, more or less.



Date: August 1983

Prepared by: *Gary B. Neill*

Gary B. Neill, R.P.S. #3964



T.A.M.U.S. - TRACT C - OIL UNIT I  
176 ACRES  
J.E. SCOTT LEAGUE, A-50  
BRAZOS COUNTY, TEXAS  
AUG. 1983

CERTIFICATION: I hereby Certify this survey as true and correct to the best of my knowledge and belief this 15<sup>th</sup> day of August, 1983.

*Gary B. Neill*

PREPARED BY GARY B. NEILL, R.P.S. No 3964  
U.M.S. BOX 219 COLLEGE STATION, TEXAS 77843

NEW SURVEY

1983 AUG 15  
GARY B. NEILL  
SURVEYOR

FACILITIES PLANNING & CONSTRUCTION DEPARTMENT  
THE TEXAS A&M UNIVERSITY SYSTEM



Amendment to  
Oil and Gas lease

From: Board of Regents  
The Texas A&M University System

To: Somerset Energy, Inc. and  
B.W.O.E., Inc.

Return To:  
Dan K. Buckley, Director  
System Real Estate Office  
The Texas A&M University System  
College Station, TX 77843-1120

50

STATE OF TEXAS COUNTY OF BRAZOS

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Brazos County, Texas as stamped hereon by me.

DEC 31 1996



Mary Ann Beard

COUNTY CLERK, Brazos County Texas

RECEIVED

JAN 21 1997

SYSTEM REAL ESTATE OFFICE



21

M.F. 089947

Correspondence File

To \_\_\_\_\_

From \_\_\_\_\_

Dated Amendment to oil & Gas

lease 12-16-96

