



CAUTION

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Thank you for your assistance.

Archives and Records Staff

F290710

UNION PACIFIC RESOURCES

-M-
F
0
9
4
3
9
8

Unit acres 7.71

Highway Right of Way M-94398

COUNTY (CODE) : Brazos
SURVEY : James Curtis, Jr.
BLOCK : _____
TOWNSHIP : _____
SECTION : _____
PART : _____
ACRES : ~~7.59~~ 7.71 per Unit Agreement
DEPTH LIMITS : _____
BASE FILE (S) : _____
CONTROL NO. (S) : 56-02997-3
LESSEE : Union Pacific Resources
DATE : 9-3-91
PRIMARY TERM : 3 years
BONUS : \$2049.30
ROYALTY : 1/5
RENTALS : Paid-Up

Pass To: Legal PLH
Rental NS
Min. A/c
Min. Map

- ① lease ltr 9-25-91 mc
- ② lease 9-3-91 mc
- ③ ltr from Ray Sloan 9-10-91 mc
- ④ ltr to Ray Sloan 9-3-91 mc
- ⑤ memo to SIB 9-3-91 mc
- ⑥ ltr from Dewey Dept 8-19-91 mc
- ⑦ memo from Donnelly 7-30-91 mc
- ⑧ application 7-22-91 mc

⑨ ^{Item #9} See M-94389 for Unit 9-14-92

ASSIGNMENT FILED IN MF-94389#11. 10/19/06

scanned Pt 11-6-13

(See MF 091332 #41, Affisr #10629

Aradarko (A) Admiral 7-28-18

scanned A 8-15-2018

Garry Mauro
Commissioner
General Land Office



925-91mc

Mr. Ray Sloan
Jones & Zweiner, Inc.
P.O. Box 716
Caldwell, Texas 77836-0716

Re: Oil and Gas Lease No. M-94398
7.59 acres of land, situated in the James Curits, Jr.
Survey, Abstract No. 12 of Brazos County, Texas.

Dear Mr. Sloan:

Pursuant to your application on behalf of Union Pacific Resources to lease the captioned acre highway tract, we are enclosing a lease covering such land. The lease will serve as a receipt for the amount of the bonus.

The lease requires operators to submit certain information relative to production and related activities. In addition, when the lessee files various forms with the Texas Railroad Commission and the Department of Energy, he is requested to submit copies of these forms to the General Land Office. Examples of these forms are:

- o W-1 Application to Drill, Deepen, or Plug Back with Plat;
- o W-2 Oil Well Potential Test, Completion or Recompletion Report and Log;
- o W-3 Plugging Record;
- o G-1 Gas Well Back Pressure Test Completion/Recompletion Report and Log;
- o G-5 Gas Well Classification Report;
- o G-10 Gas Well Status Report;
- o W-10 Oil and Well Status Report;
- o W-12 Inclination Report;
- o W-15 Cementing Affidavit;
- o L-1 Electrical Logs (any scale and within fifteen days after they are made);
- o W-12 Directional Surveys;
- o P-12 Certificate of Pooling Authority
- o F-1 NGPA Supplemental Application; and
- o FERC-121 Application for Determination.

Furthermore, if this land and/or lease is included in a unit, please furnish us with a copy of the written designation of unit filed in the county records.

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701
(512) 463-5256

The State of Texas



Austin, Texas

PAID-UP

OIL AND GAS LEASE NO. M-94398
GENERAL LAND OFFICE
AUSTIN, TEXAS

THIS AGREEMENT made and entered into by and between the Commissioner of the General Land Office of the State of Texas, whose address is Stephen F. Austin Building, 1700 North Congress, Austin, Texas, 78701, hereinafter called "Lessor", hereunto authorized by the School Land Board, pursuant to the provisions of Chapters 32, 34 and 52 of the Natural Resources Code (hereinafter called N.R.C.), and amendments thereto, and all applicable rules promulgated by the School Land Board, and Union Pacific Resources Company, whose address is P.O. Box 7, Fort Worth, Texas 76101-0007, hereinafter called "Lessee". #17307399737

1. Lessor, in consideration of Two Thousand Forty Nine and 30/100 Dollars (\$2049.30), receipt of which is hereby acknowledged, and of the covenants and agreements of Lessee hereinafter contained, does hereby grant, lease, and let unto Lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil, gas, and all other hydrocarbons, produced from the land covered hereby. The land covered hereby, herein called "said land" is located in the County of Brazos, State of Texas, and is described as follows:

7.59 acres of land, more or less, situated in the James Curtis, Jr. Survey, Abstract Number 12 in Brazos County, Texas, more particularly described in Exhibit "A"

attached hereto and made a part hereof together with a plat, attached hereto as Exhibit "B", depicting said right-of-way and surrounding area for purposes of illustration only.

For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain 7.59 acres, whether actually containing more or less, and the above recital of acreage shall be deemed to be the true acreage thereof. Lessor accepts the bonus as lump sum consideration for this lease and all rights and options hereunder.

2. PRIMARY TERM: This lease, which is a "paid up" lease requiring no rentals, shall remain in force for a term of three years (3) years from September 3, 1991, hereinafter called "primary term", and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than ninety (90) consecutive days.

3. ROYALTIES: As royalty Lessee covenants and agrees:

(a) To deliver to the credit of Lessor, in the pipe line to which Lessee may connect its well, the equal one-fifth (1/5) part of all oil produced and saved by Lessee from said land, or from time to time, at the option of Lessee, to pay Lessor the average posted market price of such one-fifth (1/5) part of such oil at the wells as of the day it is run to the pipe line or storage tanks, Lessor's interest, in either case, to bear one-fifth (1/5) of the cost of treating oil to render it marketable pipe line oil;

(b) To pay Lessor on gas and casinghead gas produced from said land (1) when sold by lessee, one-fifth (1/5) of the amount realized by Lessee, computed at the mouth of the well, or (2) when used by Lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-fifth (1/5) of such gas and casinghead gas.

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

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

labor trouble or to market gas upon terms unacceptable to Lessee.

(e) If at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, lessee shall pay or tender, by check of lessee, as royalty, the sum of \$75.90. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In the event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as to acreage owned by each.

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

Royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager, or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. In all cases the authority of a manager or agent to act for the Lessee herein must be filed in the General Land Office. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid on each lease. If Lessee pays his royalty on or before thirty (30) days after the royalty payment was due, the Lessee owes a penalty of 5% on the royalty or \$25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or \$25.00, whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue.

Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value. The State shall have first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State hereunder.

4. POOLING: (a) Lessee is hereby granted the right, at its option, to pool or unitize any land covered by this lease with any other land covered by this lease, and/or with any other land, lease, or leases, as to any or all minerals or horizons. Units pooled for oil hereunder shall not exceed 160 acres each in area, and units pooled for gas hereunder shall not exceed in area 640 acres each plus a tolerance of ten percent (10%) thereof, unless oil or gas units of a greater size are allowed under or prescribed by rules of the Railroad Commission of Texas. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be mineral, royalty, or leasehold interests in lands within the unit which are not effectively pooled or unitized. Any operations conducted on any part of such unitized land shall be considered, for all purposes, except the payment of royalty, as operations conducted upon said land under this lease. There shall be allocated to the land covered by this lease within each such unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) the proportion of the total production of unitized minerals from the unit, after deducting any used in lease or unit operations, which the number of surface acres in such land (or in each such separate tract) covered by this lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty, overriding royalty and any other payments out of production, to be the entire production of unitized minerals from the land to which allocated in the same manner as though produced therefrom under the terms of this lease. The owner of the reversionary estate of any term royalty or mineral estate agrees that the accrual of royalties pursuant to this paragraph or of shut-in royalties from a well on the unit shall satisfy any limitation of term requiring production of oil or gas. The formation of any unit hereunder which includes land not covered by this lease shall not have the effect of exchanging or transferring any interest under this lease (including, without limitation, any shut-in royalty which may become payable under this lease) between

parties owning interests in land covered by this lease and parties owning interests in land not covered by this lease. Neither shall it impair the right of Lessee to release as provided in paragraph 5 hereof, except that Lessee may not so release as to lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. At any time while this lease is in force Lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit once established hereunder shall remain in force for so long as any lease subject thereto shall remain in force. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but Lessee shall nevertheless have the right to pool or unitize as provided in this paragraph 4 with consequent allocation of production as herein provided. As used in this paragraph 4, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

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

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

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

6. REWORK: If at any time or times during the primary term operations are conducted on said land and if all operations are discontinued, this lease shall thereafter terminate at the end of the primary term or on the ninetieth day after discontinuance of all operations, whichever is the later date, unless on such later date either (1) Lessee is conducting operations or (2) the shut-in well provisions of paragraph 3 or the provisions of paragraph 9 are applicable. Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling,

testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil or gas, or production of oil or gas in paying quantities.

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

8. NOTICE: In the event Lessor considers that Lessee has not complied with all its obligations hereunder, both express and implied, Lessor shall notify Lessee in writing, setting out specifically in what respects Lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on Lessee. Neither the service of said notice nor the doing of any acts by Lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all its obligations hereunder. If this lease is canceled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations, (but in no event less than forty acres), such acreage to be designated by Lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have such easements on said land as are necessary to operations on the acreage so retained.

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

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

which the interest therein, if any, covered by this lease bears to the whole and undivided fee simple estate therein.

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

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

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

14. COMPENSATORY ROYALTY: Lessee shall pay a compensatory royalty if this lease is not being held by production on the leased premises, by production from a pooled unit, or by payment of shut-in royalties in accordance with the terms of this lease, and if oil or gas is sold or delivered in paying quantities from a well located within 2500 feet of the leased premises and completed in a producible reservoir underlying the area leased hereunder or in any case in which drainage is occurring. Such compensatory royalty shall be paid at the royalty rate provided in this lease based on the value of production from the well as provided in the lease on which such well is located. The compensatory royalty shall be paid in the same proportion that the acreage of this lease has to the acreage of the proration unit surrounding the draining well plus the acreage of this lease. The compensatory royalty shall be paid monthly to the Commissioner of the General Land Office on or before the last day of the month after the month in which the oil or gas is sold and delivered from the well causing the drainage or from the well located within 2500 feet of the leased premises and completed in a producible reservoir under this lease. Notwithstanding anything herein to the contrary, compensatory royalty payable hereunder shall be no less than an amount equal to

\$151.80, and shall maintain this lease in effect for so long as such payments are made as provided herein.

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

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

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

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

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

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

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

(f) no person who resides in this state and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs; provided, however, after notice and hearing as provided in Title 3 of the N.R.C., the Railroad Commission of Texas may grant exceptions to these provisions of Subchapter H of Chapter 52 of the N.R.C. if it finds and determines that enforcement of such provisions:

(1) would cause physical waste as defined in Title 3 of the N.R.C.; or

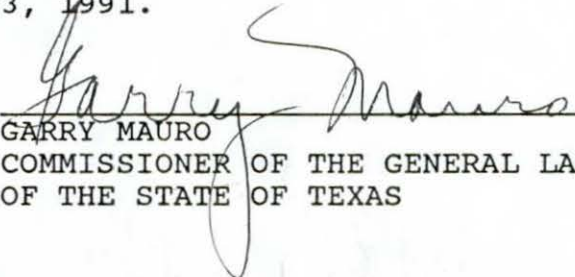
(2) would unreasonably deny to the Lessee an opportunity to produce economically hydrocarbons from the land subject to this lease.

17. SHUT-IN LIMITATION: It is understood and provided this lease cannot be held, maintained nor extended by virtue of the shut-in gas well provision of this lease for a longer term than the primary term and two (2) years immediately thereafter, or for shorter terms of different periods not to exceed two (2) years in the aggregate. Within thirty (30) days after the end of a year for which shut-in royalties have been prepaid, the Lessee must account to the Lessor for any months in which actual production occurred to receive credit for those months. The Lessee loses any credit for the months prepaid yet produced by failing to so account.

18. NO DEDUCTIONS: Lessors' royalty shall never bear, either directly or indirectly, any part of the costs or expenses of production, gathering, dehydration, compression, transportation, processing, treating or marketing of the oil or gas from the premises, nor any part of the costs of construction, operation or depreciation of any plant, pipeline or other facilities or equipment for processing, transporting or treating said oil or gas produced from the herein leased premises.

19. HORIZONTAL SEVERANCE: If this lease is in force and effect five (5) years from the date hereof as to all or any part of the land covered hereby, it shall thereupon terminate only insofar as it covers depths below the stratigraphic equivalent of one hundred (100) feet below the deepest depth drilled on the leased premises or land pooled therewith. The Lessor shall have the right thereafter to grant leases for the purpose of exploring for and producing oil, gas and minerals from the depths as to which this lease has terminated

IN TESTIMONY WHEREOF, witness the signature of the Commissioner of the General Land Office, under the seal of the General Land Office, effective as of September 3, 1991.



GARRY MAURO
COMMISSIONER OF THE GENERAL LAND OFFICE
OF THE STATE OF TEXAS

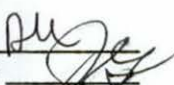

Approved: _____
Legal: 
Executive: 

EXHIBIT "A"

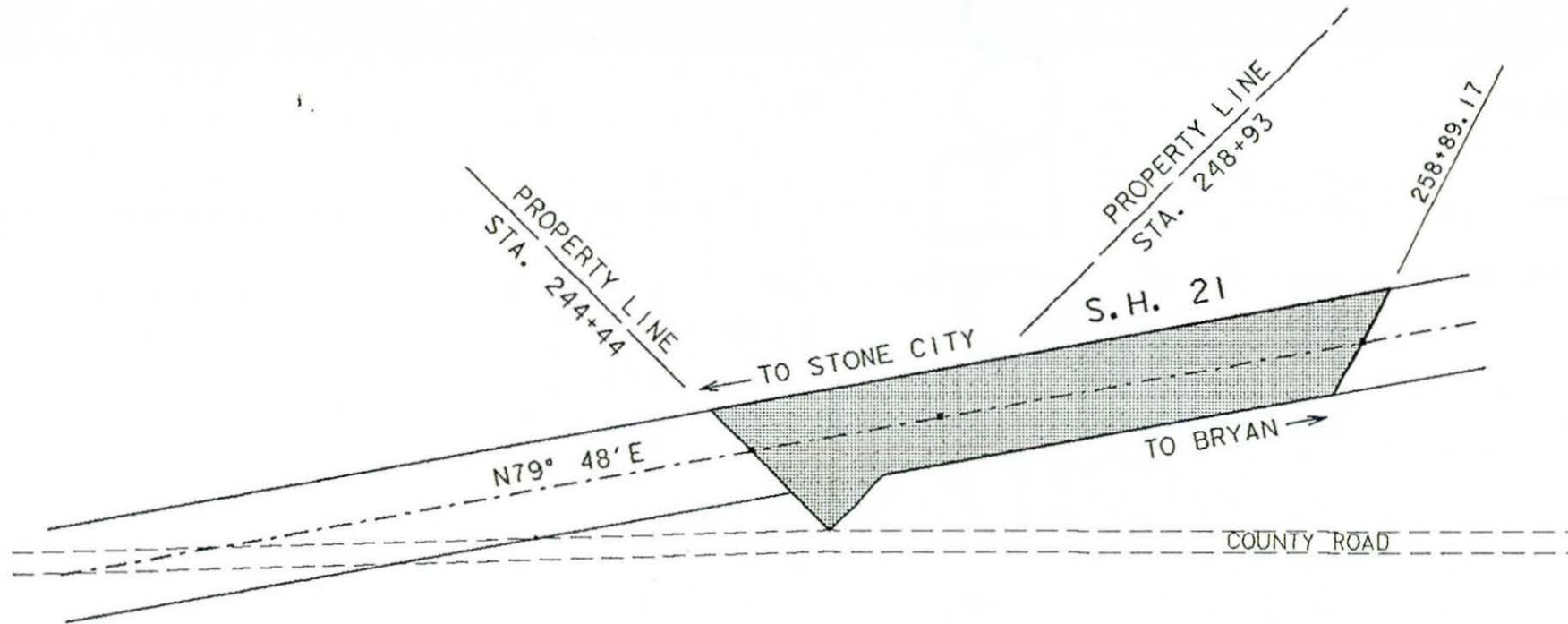
Being 7.59 acres of land, more or less, situated in the James Curtis, Jr., Survey, Abstract Number 12. Said 7.59 Acres being all of and the same land (2.63 Acs.) conveyed to the State of Texas, by J.F. Turek, et ux as recorded in Volume 79, Page 307 of the Deed Records of Brazos County, Texas and being the westerly 4.96 Acres of land out of a 11.72 Acre tract of land acquired by the State, through condemnation proceedings, from Henry Reymund, et al as recorded in Volume 4, Page 200, of the Commissioners' Court Minutes of Brazos County, Texas. Said 7.59 Acs. of land being a strip of S.H. 21 of variable width 110.00 feet on the north side of the centerline and 110.00 feet to an approximate width of 205.00 feet on the south side of the centerline and is more particularly described by the following centerline description to-wit:

Beginning at a point on the Centerline of S.H. 21 where it intersects the southwest property line of the said J.F. Turek tract. Said point being identified as Engineer's Centerline Station Number 244+44.00;

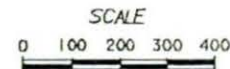
Thence, N79°48'E along the said highway centerline, a distance of 449.00 feet crossing the southeast property line of said J.F. Turek tract at Engineer's Station No. 248+93 and continuing on for a total distance of 1495.17 feet to a point being identified as Engineer's Centerline Station Number 258+89.17. Said point also being the end of the described centerline.

The above described tract contains 7.59 acres of land, more or less, and is indicated on the official right of way map which is on file with the Department of Highways and Public Transportation and identified under Control 116-4-2,4 & 5.

JAMES CURTIS, JR. SURVEY ABST. 12



"Exhibit B"



LEASE AREA - 7.59 ACRES

OIL AND GAS LEASE MAP
 S.H. 21
 RIGHT OF WAY
 STA. 244+44 TO STA. 258+89.17
 BRAZOS COUNTY TEXAS

M 94398 (2)

lease

File dated 9-3-91

Garry Mauro, Commissioner

JONES & ZWIENER, INC.

Professional Land Services

1300 MAIN STREET, SUITE 1720

HOUSTON, TEXAS 77002

TEL. (713) 650-0903

FAX (713) 650-3547

September 10, 1991

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

ATTN: Mr. Daryl Morgan
Oil & Gas Section
Legal Services Division

X2,049.30

92002150

Re: Application to lease highway right-of-way
7.59 acres of land, more or less, situated in the James
Curtis, Jr. Survey, Abstract No. 12 of Brazos County,
Texas

X 316.88

92002151

Dear Mr. Morgan:

Pursuant to your letter dated September 3, 1991, regarding
the above referenced application, please find enclosed the
following:

1. A sight draft in the amount of \$2,049.30 which
represents the \$250.00 per acre bonus and the
\$10.00 per acre delay rentals **paid-up**.
2. A check in the amount of \$28.46 which represents
the 1-1/2 % sales fee.

It is our understanding that this meets the conditions as
set forth in your letter.

Upon completion of the Oil and Gas Lease in favor of Union
Pacific Resources Company, P. O. Box 7, Fort Worth, Texas
76101-0007, please present the Lease along with the Sight
Draft to the Collection Department of your bank.

Should you have any questions, please call me collect at
409/567-4661, Ext. 140.

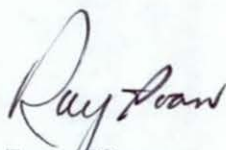
Union Pacific Resources Co.

*171
161*

General Land Office
Mr. Daryl Morgan
September 10, 1991
Page 2

Please address all correspondence regarding this matter to
Ray Sloan, P. O. Box 716, Caldwell, Texas 77836-0716.

Sincerely,


Ray Sloan

RS:gm

Enclosures

cc: Mr. Buck Driggers
Union Pacific Resources Company
(with enclosures)



M. F. 94398
CORRESPONDENCE FILE

(3)

TO _____
From Ray Sloan
Dated 9-10-91

177 P. O. BOX 187
SOUTHAMPTON, ILL. 62453
25% COTTON FIBER

0.11.01

Garry Mauro
Commissioner
General Land Office



September 3, 1991

Mr. Ray Sloan
Jones & Zweiner, Inc.
P.O. Box 716
Caldwell, Texas 77836-0716

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Texas.

Dear Mr. Sloan:

The application by you on behalf of Union Pacific Resources Company to lease highway right-of-way for oil and gas was approved by the School Land Board on September 3, 1991, with the following conditions:

- o \$250.00 per acre bonus
- o 1/5 royalty
- o primary term of 3 years
- o \$10.00 per acre delay rentals

Upon receipt of a check made payable to the General Land Office for \$1,925.96, representing the bonus consideration of \$1,897.50 and the 1 1/2% sales fee of \$28.46, the lease will be forwarded to you upon completion.

Sincerely,

A handwritten signature in cursive script, appearing to read "Daryl Morgan".

Daryl Morgan
Oil & Gas Section
Legal Services Division
(512) 463-5311

DM/mc

cc: Mr. Jimmy Perry
State Dept. of Highways & Public Transportation
P.O. Box 5075, West Austin Station
Austin, Texas 78763-5075

4

94398

M. F.

CORRESPONDENCE FILE

TO Ray Sloan

From

9-3-91

Dated

GENERAL LAND OFFICE

GARRY MAURO
COMMISSIONER

MEMORANDUM

DATE: September 3, 1991

TO: SCHOOL LAND BOARD
FROM: PETROLEUM & MINERALS
SUBJECT: APPLICATION TO LEASE HIGHWAY RIGHT-OF-WAY

APPLICANT: Union Pacific Resources Company

REFERENCE: Being 7.59 acres of land, more or less, situated in the James Curtis, Jr. Survey, Abstract No. 12 of Brazos County, Texas.

The following terms were provided for in adjacent leases:

	High	Low
Bonus/Acre:	\$250.00	\$80.00
Royalty:	1/5	1/6
Delay Rental:	\$10.00	\$5.00
Primary Term:	3 years	5 years

The application has been reviewed by the Petroleum and Minerals Division and the State Department of Highways and Public Transportation. Subchapter F, chapter 32 of the Texas Natural Resources Code requires the approval of the application to lease upon the following terms:

Bonus/Acre:	\$250.00
Royalty:	1/5
Delay Rental:	\$10.00
Primary Term:	3 years

Union Pacific Resources Company holds mineral interest in the leases adjoining the above captioned highway right-of-way and, thus, the applicant is entitled to a lease of the entire referenced 7.59 acres. The applicant has submitted a title opinion showing the state owns the entire mineral estate in the highway right-of-way and has submitted all other pertinent information required by the School Land Board rules.

M. F. 04398 (5)
CORRESPONDENCE FILE
TO Memo SLB
From
Dated 9-3-91



COMMISSION

RAY STOKER, JR., CHAIRMAN
ROBERT H. DEDMAN
WAYNE B. DUDDLESTEN

**STATE DEPARTMENT OF HIGHWAYS
AND PUBLIC TRANSPORTATION**

P.O. BOX 5075
AUSTIN, TEXAS 78763-5075

ENGINEER-DIRECTOR
ARNOLD W. OLIVER, P.E.

August 19, 1991

CONTACT: D-15

Mr. Garry Mauro
Commissioner
General Land Office
Petroleum and Mineral Division
1700 North Congress Avenue
Austin, Texas

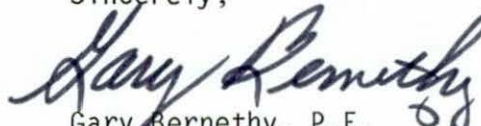
Dear Commissioner Mauro:

We have reviewed the proposed oil and gas leases and the following requests for preferential leases are considered sufficiently documented to be presented to the Public School Land Board for approval:

<u>County</u>	<u>Nominator</u>	<u>Bonus</u>	<u>Royalty</u>	<u>Primary Term</u>	<u>Delay Rental</u>
Brazos	U.P.R., Co.	\$250.00	1/5	3 years	\$10.00
Brazos	Keith D. Graham	100.00	3/16	3 years	Paid up
Burleson	U.P.R., Co.	75.00	1/6	3 years	\$5.00

Attached are three copies of the field notes and sketches for the proposed leases. If additional information is needed, please contact Jimmy Perry at (512) 835-0803.

Sincerely,


Gary Bernethy, P.E.
Right of Way Engineer

Attachments

EXHIBIT "A"

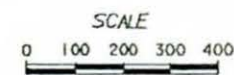
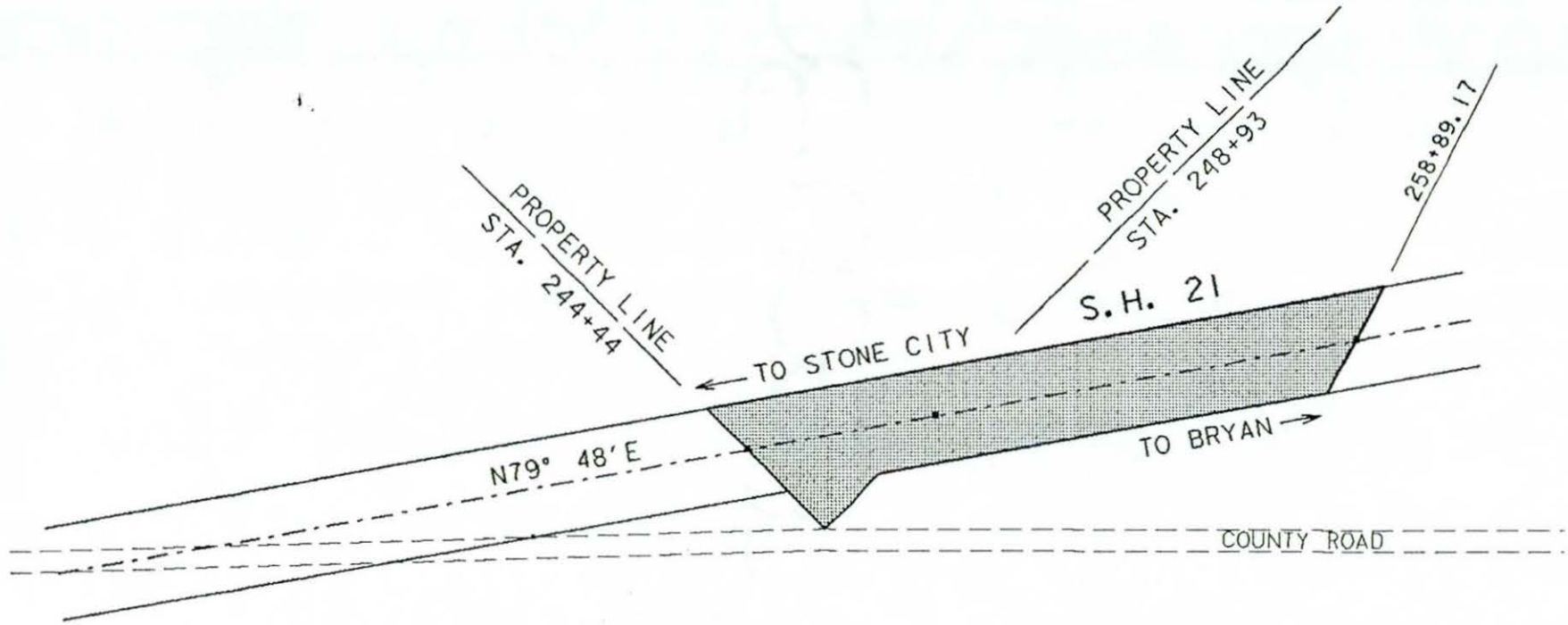
Being 7.59 acres of land, more or less, situated in the James Curtis, Jr., Survey, Abstract Number 12. Said 7.59 Acres being all of and the same land (2.63 Acs.) conveyed to the State of Texas, by J.F. Turek, et ux as recorded in Volume 79, Page 307 of the Deed Records of Brazos County, Texas and being the westerly 4.96 Acres of land out of a 11.72 Acre tract of land acquired by the State, through condemnation proceedings, from Henry Reymund, et al as recorded in Volume 4, Page 200, of the Commissioners' Court Minutes of Brazos County, Texas. Said 7.59 Acs. of land being a strip of S.H. 21 of variable width 110.00 feet on the north side of the centerline and 110.00 feet to an approximate width of 205.00 feet on the south side of the centerline and is more particularly described by the following centerline description to-wit:

Beginning at a point on the Centerline of S.H. 21 where it intersects the southwest property line of the said J.F. Turek tract. Said point being identified as Engineer's Centerline Station Number 244+44.00;

Thence, N79°48'E along the said highway centerline, a distance of 449.00 feet crossing the southeast property line of said J.F. Turek tract at Engineer's Station No. 248+93 and continuing on for a total distance of 1495.17 feet to a point being identified as Engineer's Centerline Station Number 258+89.17. Said point also being the end of the described centerline.

The above described tract contains 7.59 acres of land, more or less, and is indicated on the official right of way map which is on file with the Department of Highways and Public Transportation and identified under Control 116-4-2,4 & 5.

JAMES CURTIS, JR. SURVEY ABST. 12



 LEASE AREA - 7.59 ACRES

OIL AND GAS LEASE MAP
S.H. 21
RIGHT OF WAY
STA. 244+44 TO STA. 258+89.17
BRAZOS COUNTY TEXAS

M. F. 94398 (6)

CORRESPONDENCE FILE

TO

From Navy Dept

Dated 8-19-91

65-300

GENERAL LAND OFFICE

GARRY MAURO
COMMISSIONER

MEMORANDUM

DATE: July 30, 1991

TO: Walt Rosenbusch
FROM: Don Petty
SUBJECT: Union Pacific Resources Company
Fazzino-Penicka Well #1, Brazos County
Highway Right-of-Way - State Hwy. 21, 7.39 acres

Please note the following facts concerning Garry's request:

- UPRC leased 5.46 ac. of the subject Hwy. at the June 4, 1991 SLB meeting. This was all they could lease under the existing law, due to the balance of the Highway (7.39 ac.) being within a 2,500' radius of a producing well.
- UPRC filed an application to lease the 7.39 ac. on July 23, 1991, and is currently being processed for lease under SB 1106, which passed on May 24, 1991. According to Stroud Kelley, the new law will not be effective until August 27, 1991. Therefore, the earliest SLB date the tract can be leased at is the September 3, 1991. This is the meeting the application originally scheduled for.

I have attached a plat of the area for your perusal.

7004

James Curtis, Jr. Survey Abst. 12

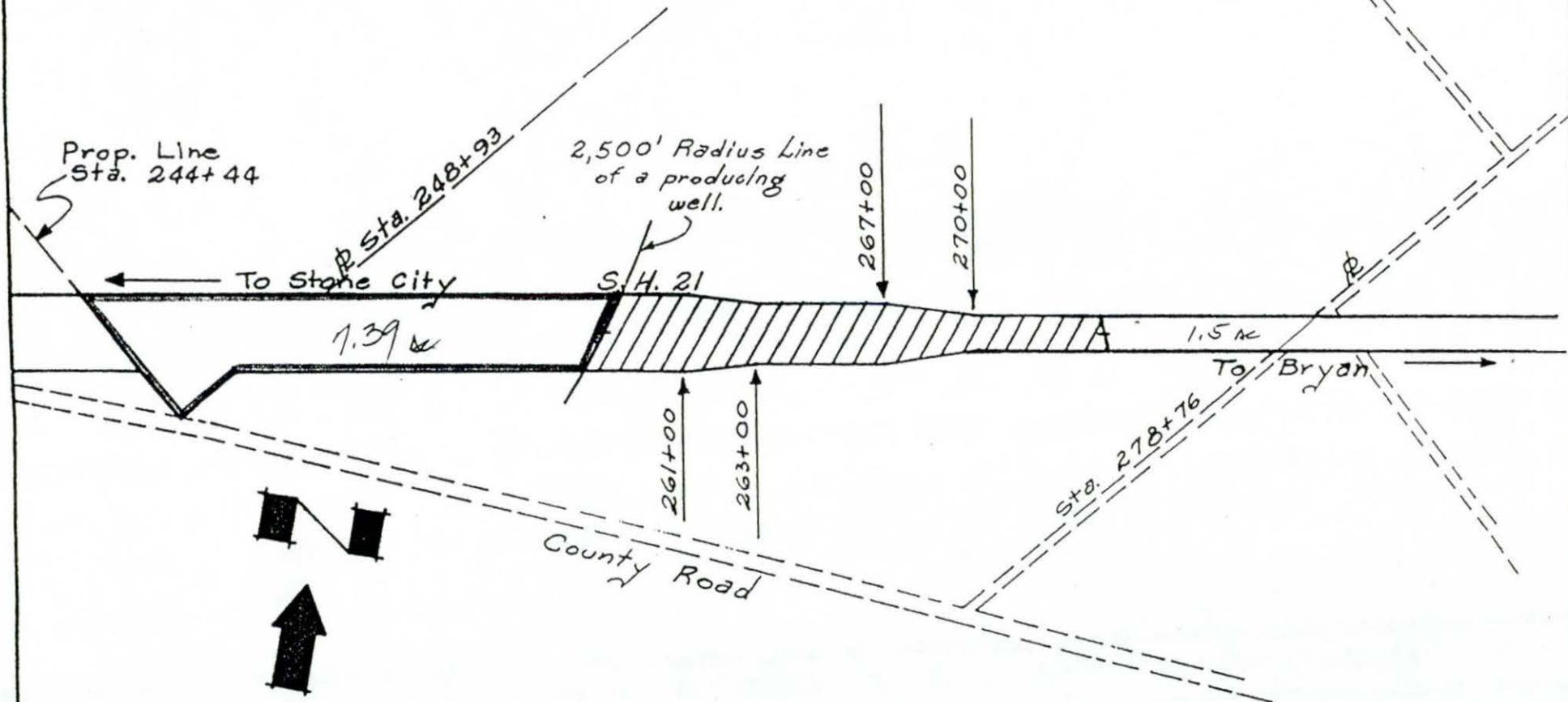


EXHIBIT 'B'

MAP SHOWING
PORTION OF S.H. 21 RIGHT
OF WAY
BRAZOS COUNTY

 AREA TO BE LEASED - 5.46 ACS.

(7)

M. F. 94398
CORRESPONDENCE FILE

TO _____
From Don R. B. B.
Dated 7-30-91

JONES & ZWIENER, INC.

Professional Land Services

1300 MAIN STREET, SUITE 1720
HOUSTON, TEXAS 77002

TEL. (713) 650-0903

FAX (713) 650-3547

July 22, 1991

Mrs. Tracey T. Yakints
Geologist
Petroleum & Minerals Division
Texas General Land Office
Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701

X 100.00

91059456

RE: Union Pacific Resources Company's Proposed
Fazzino-Penicka Unit
Application to Lease a portion of State Highway 21
7.39 Acres; James Curtis Survey, A-12
Brazos, Texas for horizontal drilling

171

161

Dear Mrs. Yakints:

By letter dated March 26, 1991, Union Pacific Resources Company made application to lease the above referenced State Highway Right-of-Way. By letter dated April 19, 1991 we submitted to you at your request the \$100.00 processing fee, affidavits and waivers required and acquired a lease dated June 4, 1991 covering 5.46 acres of the above referenced highway. We now make application to lease the remaining above referenced area. Please use the same waivers and affidavits previously submitted.

Please find enclosed a check in the amount of \$100.00 for processing.

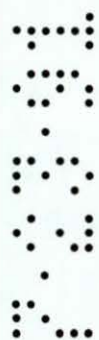
For your convenience I am also enclosing a photocopy of a map prepared by Texas Highway Department showing the 5.46 acres. On this map I have outlined the area in green we are now making application to lease, indicating the approximate acreage.

Should you require further information concerning this application, please contact me at 409/567-4661, Ext. 140.

RECEIVED

JUL 23 91

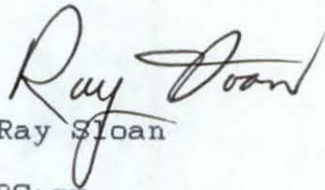
ENERGY RESOURCES



Mrs. Tracey T. Yakints
July 22, 1991
Page 2

As discussed with you by phone we would appreciate it if you could expedite this lease.

Sincerely,



Ray Sloan

RS:gm

Enclosures

cc: Mr. Buck Driggers
Union Pacific Resources Company
(w/enclosures)



7504

James Curtis, Jr. Survey Abst. 12

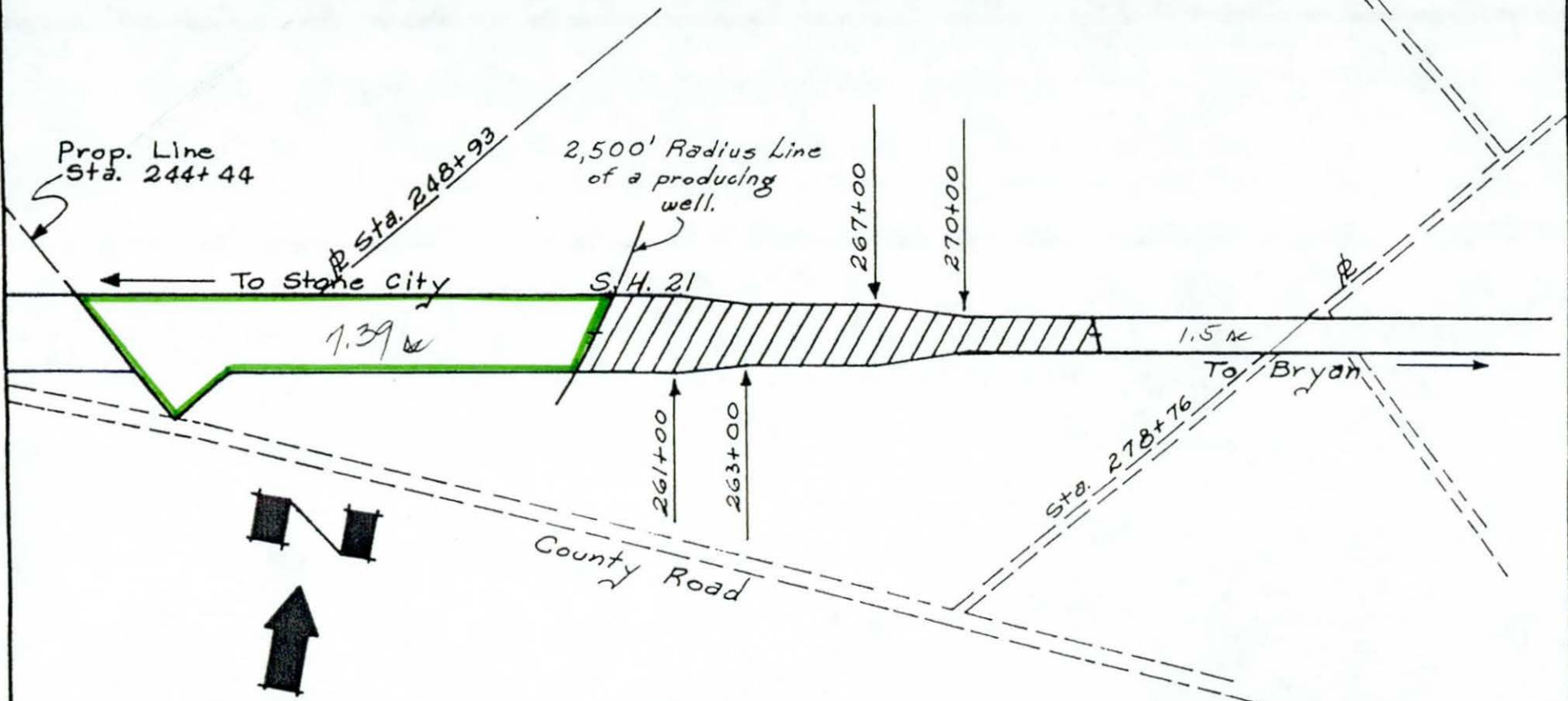


EXHIBIT 'B'

MAP SHOWING
 PORTION OF S.H. 21 RIGHT
 OF WAY
 BRAZOS COUNTY

 AREA TO BE LEASED - 5.46 ACS.

AND WHEREAS said Commissioner's Court by County Judge of said County appointed a special board of appraisers to appraise said land composing of M.F. Dansby M.W. Sims, and Jno. A. Boriskie,

AND WHEREAS said board of appraisers did view said property and cited said parties of interest to appear on the 16th day of March, A.D. 1931 at 10 o'clock a.m. and at the Court House in Bryan, County of Brazos for hearing as required by law,

AND WHEREAS, said parties and special Board of Commissioners did meet in a hearing at said appointed time and said Special Board of Commissioners by written ~~###~~ statement award to said Henry Regmund et al to sum of \$410.20 for damages and for payment of the said land.

NOW THEREFORE, I, A.S. McSwain, County Judge of said Brazos County, Texas hereby according to said award hand down my judgment of said court in favor of said Henry Regmund et als the amount of \$410.20 in payment of said land and damages said amount.

A.S. McSwain
County Judge Brazos County Texas.

The above is the original judgment of court in case of Commissioner Court for Highway Dept Henry Regmund et al, from which there was appeal all of which I certify *James M. Gentry* receive

Given under my hand and seal of office, this the 7th day of February A.D. 1931.

J. G. Minkert, Notary Public Brazos County

(SEAL)

Texas.

The foregoing is a true copy of the original instrument which was filed for record on the 6th day of Mar A.D. 1931 at 11:30 o'clock a.m. and duly recorded on the 10th day of Mar. A.D. 1931 at 1:45 o'clock p.m. to which I certify

Jess B. McGee, C. C. C. B. C.

Mrs. L. P. Houston Deputy

THE STATE OF TEXAS|

COUNTY OF BRAZOS | KNOW ALL MEN BY THESE PRESENTS: That we John F. Turek & Wife Lucy Turek of the County of Brazos State of Texas, for and in consideration of the sum of (\$10.00) and other valuable consideration to us in hand paid by the State of Texas, acting through the State Highway Commission, receipt of which is hereby acknowledged and confessed, have Granted, sold and conveyed, and do by these presents Grant, sell and convey unto the State of Texas the following described tract or parcel of land situated in the County of Brazos State of Texas, being more particularly described as follows:

A tract of land out of the James Curtis Survey to be used for right of way purposes and described as follows:

Beginning at a point on the Southeast boundry of the Turek property which point is 182 feet from the extreme Southern corner of the Turek property and 110 feet from the center of the proposed highway;

Thence N 45 degrees W a distance of 280 feet to a point which is 110 feet from the center of the proposed highway;

Thence N 79 - 48 E along a line parallel to and 110 feet from the center of the proposed highway a distance of 669 feet;

Thence S 45 degrees W a distance of 340 feet to the place of beginning.

Containing 2.27 acres.

Also a tract of land Beginning at the south corner of J. F. Turek 40 acre tract, thence N. 45 E. a distance of 200 ft to the South line of the proposed Highway No. 21; Thence in a westerly direction a distance of 240 ft and corner in the N. W. line of J.F. Turek 40 acre tract; Thence S. 45 East 160 ft to the place of beginning, containing .35 of an acre.

and it is further agreed that the said Brazos County in consideration of the benefits above set out, will remove from the property above described, such fences, buildings and other obstructions as may be found upon said property.

TO HAVE AND TO HOLD the above described premises, together with all and singular the rights and hereditaments thereunto in anywise belonging unto the said State of Texas and its assigns:

And we hereby binds ourselves, heirs, executors and administrators to forever warrant and defend the rights and title to said premises unto the said State of Texas against every person whomsoever lawfully claiming or to claim the same or any part thereof.

Witness our hands this the 7th day of February A.D. 1931.

Jno. F. Turek

Lucy Turek

and State, on this day personally appeared John F. Turek, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office, this the 7th day of February A.D. 1931.

J. G. Minkert, Notary Public Brazos County,
Texas.

(SEAL)

THE STATE OF TEXAS|

COUNTY - | BEFORE ME, J. G. Minkert a Notary Public in and for said county and State, on this day personally appeared Lucy Turek wife of John F. Turek known to me to be the person whose name is subscribed to the foregoing instrument, and having been examined by me privily and apart from her husband and having the same fully explained to her, she the said Mrs. Lucy Turek acknowledges such instrument to be her act and deed, and declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

Given under my hand and seal of office, this the 7th day of February A.D. 1931.

J. G. Minkert, Notary Public, notary County
Texas.

(SEAL)

The foregoing is a true copy of the original instrument which was filed for record on the 6th day of March A.D. 1931 at 11:30 o'clock a.m. and duly recorded on the 10th day of March A.D. 1931 at 2:30 o'clock p.m. to which I certify

Jess B. McGee, C. C. C. B. C.

Jess B. McGee Deputy

THE STATE OF TEXAS|

COUNTY OF BRAZOS | KNOW ALL MEN BY THESE PRESENTS: That we, Frank Sausares and wife Della Sausares of the County of Brazos State of Texas, for and in consideration of the sum of (\$10.00) and other valuable considerations, to us in hand paid by the State of Texas, acting through the State Highway Commission, receipt of which is hereby acknowledged and confessed, have Granted, sold and conveyed, and do by these presents Grant, sell and convey unto the state of Texas the following described tract or parcel of land situated in the County of Brazos State of Texas, being more particularly described as follows:

A tract of land out of the T. F. McKinney Survey to be used for right of way purposes and described as follows:

Beginning at a point on the South fence of the present Highway 21 said point being 460 feet East of a public lane which crosses the Railroad by Sourares Store and 50 feet from the center of the proposed highway at station 496 plus 38;

Thence due East along the South fence of the present highway/^adistance of 130 feet to a point which is 50 feet from the center of the proposed highway;

Thence S 39 - 52 W along a line parallel to and 50 feet from the center of the proposed highway a distance of 266 feet to a point on the North fence of the I.C.M. Railroad right of way; Thence due west along said right of way fence a distance of 130 feet to a point which is 50 feet from the center of the proposed highway; Thence N. 39 - 52 E along a line parallel to and 50 feet from the center of the proposed highway a distance of 266 feet to the place of beginning.

Containing 0.61. Acres

And it is further agreed that the said Brazos County will build fence in consideration of the benefits above set out, will remove from the property above described, such fences, buildings and other obstructions as may be found upon said property.

TO HAVE AND TO HOLD the above described premises, together with all and singular the

FILED

PROJECT: 8017-1-33

90 MAY - 8

PARCEL : 2 & 2E

NO. 290-CC

THE STATE OF TEXAS * CONDEMNATION PROCEEDING FILED
 V. * WITH THE JUDGE OF THE COUNTY
 * COURT AT LAW NO. 2 OF
 *
 *
 DOROTHY ANN PENICKA DLABAY * BRAZOS COUNTY, T E X A S

STATEMENT OR PETITION FOR CONDEMNATION

TO SAID HONORABLE JUDGE:

Now comes the State of Texas, herein called Plaintiff or Petitioner, acting by and through the State Highway and Public Transportation Commission of Texas, herein called State Highway and Public Transportation Commission, represented herein by the Attorney General of Texas who, at the request of the State Highway and Public Transportation Commission, brings this action and files this its original Statement or Petition for the condemnation of the land and interests or rights pertaining thereto as hereinafter described, and shows that the owners of said land and their residences are as follows: DOROTHY ANN PENICKA DLABAY, who may be served at Route 5, Box 570, Bryan, Texas 77801, hereinafter called Defendant (whether one or more) or called owner (whether one or more) and shows as follows:

1.

That Defendant is the owner of the following-described land situated in Brazos County, Texas:

Being 7.60 acres of land, more or less, out of a part of that certain 50.7 acre tract of land lying and being in the James Curtis Survey, Abstract No. 12, Brazos County, Texas; said 50.7 acre tract being the same land described in a deed from O.H. and Ethel Patterson to Frank Penicka in Volume 128, Page 311 of the Deed Records of Brazos County, Texas; said 7.60 acre tract being more particularly described by metes and bounds as follows:

COMMENCING at a railroad crosstie used as a fence post at the most easterly corner of a 1.0 acre tract being the same land described in a deed from Brazos A. Varisco to Madison Bradley dated May 4, 1963 as recorded by deed in Volume 227, Page 105 of the Deed Records of Brazos County, Texas, said railroad crosstie lying on the southwest right of way of Kuder Road; thence NORTH $18^{\circ}03'32''$ EAST across Kuder Road for a distance of 73.28 feet to a point lying on the northeast right of way of Kuder Road, said point being the PLACE OF BEGINNING;

- (1) THENCE NORTH $46^{\circ}40'29''$ WEST for a distance of 143.09 feet along the northeast right of way of Kuder Road to a point for corner lying on the existing south right of way of State Highway 21;
- (2) THENCE NORTH $42^{\circ}45'48''$ EAST along the existing south right of way of State Highway 21 and along the northwest property line of the aforementioned 50.7 acre tract for a distance of 127.24 feet to a point for corner;
- (3) THENCE NORTH $75^{\circ}47'51''$ EAST along the existing south right of way of State Highway 21 and along the north property line of the aforementioned Penicka 50.7 acre tract for a distance of 1365.65 feet to a point for angle point;
- (4) THENCE NORTH $70^{\circ}05'12''$ EAST along the existing south right of way of State Highway 21 and the north property line of the abovementioned 50.7 acre tract for a distance of 201.00 feet to a point for angle point;
- (5) THENCE NORTH $75^{\circ}47'50''$ EAST along the existing south right of way of State Highway 21 and the north property line of the 50.7 acre tract for a distance of 400.00 feet to a point for angle point;

- (6) THENCE NORTH $68^{\circ}12'13''$ EAST along the existing south right of way of State Highway 21 and the north property line of the 50.7 acre tract for a distance of 302.66 feet to a point for angle point;
- (7) THENCE NORTH $75^{\circ}50'35''$ EAST along the south right of way of State Highway 21 for a distance of 342.87 feet to a point for corner lying on the common line between the aforementioned 50.7 acre Penicka tract and a 1.56 acre tract being the same land described in a deed from Anton Regmund to Aline Kuder as recorded in Volume 442, Page 630 of the Deed Records of Brazos County, Texas;
- (8) THENCE along the abovementioned common line SOUTH $25^{\circ}10'38''$ EAST for a distance of 69.25 feet to a point for corner;
- (9) THENCE along the common line SOUTH $42^{\circ}33'08''$ WEST for a distance of 126.00 feet to a point for corner;
- (10) THENCE along the common line SOUTH $46^{\circ}37'04''$ EAST for a distance of 168.55 feet to a point for corner, said point being the most southerly corner of the abovementioned Kuder tract and lying on the proposed south right of way of State Highway 21;
- (11) THENCE NORTH $77^{\circ}42'15''$ WEST along the proposed south right of way of State Highway 21 for a distance of 219.04 feet to a point for angle point;
- (12) THENCE SOUTH $80^{\circ}21'22''$ WEST along the proposed south right of way of State Highway 21 for a distance of 401.27 feet to a point for angle point;
- (13) THENCE SOUTH $75^{\circ}47'50''$ WEST along the proposed south right of way of State Highway 21 for a distance of 1000.00 feet to a point for angle point;
- (14) THENCE SOUTH $65^{\circ}24'31''$ WEST along the proposed south right of way of State Highway 21 for a distance of 305.00 feet to a point for angle point;
- (15) THENCE SOUTH $75^{\circ}47'50''$ WEST along the proposed south right of way of State Highway 21 for a distance of 200.00 feet to a point for angle point;
- (16) THENCE SOUTH $88^{\circ}28'40''$ WEST along the proposed south right of way of State Highway 21 for a distance of 205.00 feet to a point for angle point;

- (17) THENCE SOUTH $75^{\circ}47'50''$ WEST along the proposed south right of way of State Highway 21 for a distance of 290.00 feet to a point for corner;
- (18) THENCE SOUTH $15^{\circ}04'09''$ WEST along the proposed south right of way of State Highway 21 for a distance of 103.26 feet to the PLACE OF BEGINNING and containing 7.60 acres of land, more or less.

AND IN ADDITION THERETO:

Title to all that wood frame 600 SF outbuilding located partially on the remaining property of which the above described property was originally a portion, said wood frame 600 SF outbuilding being bisected by the proposed right of way line, with the result that the portion of said wood frame 600 SF outbuilding lying adjacent to said proposed right of way line would be in such condition that it could not be adequately reconstructed at such location; plus the temporary right to enter upon the property remaining for the sole purpose of removing all of said wood frame 600 SF outbuilding.

AND IN ADDITION THERETO:

AN EASEMENT for the purpose of opening, constructing and maintaining a permanent drainage channel in, along, upon and across the above described tract of land, with the right and privilege at all times of having ingress, egress, and regress in, along, upon and across such tract of land for the purpose of making additions to, improvements on and repairs to the said drainage channel or any part thereof, said tract of land being out of and a part of the aforesaid 50.7 acre tract of land.

Being 2.87 acres of land, more or less, out of a part of that certain 50.7 acre tract of land lying and being in the James Curtis Survey, Abstract No. 12, in Brazos County, Texas; said 50.7 acre tract being the same described in a deed from O.H. and Ethel Patterson to Frank Penicka recorded in Volume 128, Page 311 of the deed records of Brazos County, Texas; said 2.87 acre tract of land being more particularly described by metes and bounds as follows:

COMMENCING at a railroad crosstie used as a fence post at the most easterly corner of a 1.0 acre tract being the same land described in a deed from Brazos A. Varisco to Madison Bradley dated May 4, 1963 as recorded by deed in Volume 227, Page 105 of the Deed Records of Brazos County, Texas, said

railroad crosstie lying on the southwest right of way of Kuder Road; thence NORTH $18^{\circ}03'32''$ EAST across Kuder Road for a distance of 73.28 feet to a point lying on the northeast right of way of Kuder Road and the west property line of the aforementioned 50.7 acre tract, and the proposed south right of way of State Highway 21; thence NORTH $15^{\circ}04'09''$ EAST along the proposed south right of way of State Highway 21 for a distance of 103.26 feet to a point for corner; thence NORTH $75^{\circ}47'50''$ EAST along the proposed south right of way of State Highway 21 for a distance of 290.00 feet to a point for angle point; thence NORTH $88^{\circ}28'40''$ EAST along the proposed right of way of State Highway 21 for a distance of 78.52 feet to the PLACE OF BEGINNING;

- (1) THENCE NORTH $88^{\circ}28'40''$ EAST for a distance of 126.48 feet to a point for corner;
- (2) THENCE SOUTH $39^{\circ}16'39''$ EAST for a distance of 1210.00 feet to a point for corner;
- (3) THENCE SOUTH $50^{\circ}43'21''$ WEST for a distance of 100.00 feet to a point for corner;
- (4) THENCE NORTH $39^{\circ}16'39''$ WEST for a distance of 1287.44 feet to the PLACE OF BEGINNING and containing 2.87 acres of land, more or less.

2.

The State Highway and Public Transportation Commission has found that in order to promote the public safety, to facilitate the safety and movement of traffic, and to preserve the financial investment of the public in its highways, public necessity requires the laying out, opening, constructing, reconstructing, maintaining and operating of highways in the State of Texas as a part of the State highway system at such locations as determined by such Commission; that the State Highway and Public Transportation Commission has found and determined that the above-described land is suitable for use for such purposes and that it is necessary to acquire the following interests in said land, for the purposes stated: fee simple title to said Parcel 2 to be used as a part of the State highway system to be constructed, reconstructed, maintained and operated thereon, provided however, there is excluded from said estate to be condemned all the oil, gas and sulphur which can be removed from beneath said land aforesaid without any right whatever remaining to the owner of such oil, gas and sulphur of ingress or egress to or from the surface of said land for the purpose of exploring, developing, drilling or mining of the same; an easement in said Parcel 2E, for the purpose of opening, constructing and maintaining a permanent drainage channel in, along, upon and across the said Parcel 2E tract, with the right and privilege at all times of having ingress, egress and regress in, along, upon and across such tract of land for the purpose of making additions to, improvements on and repairs to said drainage channel or any part thereof.

))
3.

Further, the State Highway and Public Transportation Commission has found and determined that the above-described wood frame outbuilding (hereinafter referred to as "building") located partially on the above-described land and partially on the remaining property of which the above-described property was originally a portion, cannot be adequately reconstructed at its present location, and that equity and fairness will necessitate the compensation of the Defendant for the full value of the said building. That leaving said building bisected would create a hazard to the highway and endanger human life and safety. That said State Highway and Public Transportation Commission has further found and determined that a temporary right to enter onto the property remaining is necessary for the removal and acquisition of said building.

Plaintiff is entitled to condemn the following interests for the purposes above stated: Fee title to the tract of land above-described (Parcel 2) to be used for highway purposes; an easement in and to the tract of land above-described as Parcel 2E; title to all that certain building above-described and situated partially on the above-described land and partially on the remaining land of which the above-described land was originally a portion; and the temporary right to enter onto the property remaining for the sole purpose of entering and removing all of said building; provided however, there is excluded from said estates to be condemned all the oil, gas and sulphur which can be removed from beneath said land above-described without any right whatever

))

remaining to the owner of such oil, gas and sulphur of ingress or egress to or from the surface of said land for the purpose of exploring, developing, drilling or mining of the same.

4.

That your Petitioner and Defendant or owner have been unable to agree upon the value of said real estate and interests therein to be condemned or the damages, if any, occasioned by the acquisition of such land and asks that Special Commissioners be appointed as provided by law to assess the damages of the owner.

P R A Y E R

WHEREFORE, the State of Texas respectfully prays that three disinterested freeholders be appointed as Special Commissioners to assess the damages of the owner and file their decision all as provided by law, to the end that Plaintiff or Petitioner may have a final judgment or decree of condemnation vesting in the State of Texas the fee title to said Parcel 2 and easement in and to Parcel 2E, except as above provided as to oil, gas and sulphur, fee title to said building above described, together with a temporary right to enter onto the property remaining for the sole purpose of entering and removing all of said building, for writ of possession, for costs of suit, prejudgment and post-judgment interest on the amount of money that the Award of the Special Commissioners exceeds the amount of money awarded by the judgment to the Defendants herein, and for such other and further relief, general and special,

at law or in equity, that Plaintiff may show itself justly entitled.

Respectfully submitted,

JIM MATTOX
ATTORNEY GENERAL OF TEXAS

MARY F. KELLER
FIRST ASSISTANT ATTORNEY
GENERAL

RICHARD D. NAYLOR
ASSISTANT ATTORNEY GENERAL
CHIEF, HIGHWAY DIVISION



RANDALL M. WARD
Assistant Attorney General
Highway Division
P. O. Box 12548
Austin, Texas 78711-2548
(512) 463-2004
Bar Card No. 20845900

Attorneys for Plaintiff

FILED with me this the _____ day of _____, 1990.

JUDGE _____, County Court at Law
No. 2, Brazos County, Texas

January 07, 1991

COUNTY COURT AT LAW NO. 2
300 E. 26TH STREET, SUITE 203
BRYAN, TX 77803
JUDGE J. D. LANGLEY
(409) 361-4260

Case No.: 90-05-290CC-CV
Style: THE STATE OF TEXAS
vs. DOROTHY ANN PENICKA DLABAY

Les Palmer
Haley, Davis, Wren, Bristow & Rasner
Attorney At Law
510 N. Valley Mills Drive, Ste. 300
Waco, Tx 76710

FILED FOR RECORD NO.
DATE 1-15-91
AT 9:15 O'CLOCK A M
MARY ANN WARD
BRAZOS COUNTY CLERK
By Mary Ann Ward

This case is set for FINAL PRETRIAL on:

Date: 04/15/91 Time: 09:00

At FINAL PRETRIAL, the Court will determine whether jury fees have been paid, hear motions for continuance, and set the order of cases. JURY SELECTION will begin at 1:30 p.m. on the date set for FINAL PRETRIAL. TRIAL BY JURY will begin at 9:00 a.m. on the day following FINAL PRETRIAL and JURY SELECTION.

Wanda Boyles
Civil Court Coordinator

cc: Randall Ward

Names and addresses of adjacent mineral owners:

Josephine S. Fazzino
Rt. 5, Box 565
Bryan, Texas 77803

Dorothy Penicka D'Labay
Rt. 5, Box 549
Bryan, Texas 77803

WAIVER OF STATUTORY NOTICE

STATE OF TEXAS }

COUNTY OF BRAZOS }

WHEREAS, Union Pacific Resources Company of Fort Worth, Texas, proposes to exercise its preferential right to lease certain lands underneath State Highway 21, Brazos County, Texas, and hereby Waives the Statutory Notice of the intent of the State to lease of which it is entitled.

EXECUTED, this the 16th day of April, 1991.

Union Pacific Resources Company

By: Ray Sloan
Ray Sloan, Agent

WAIVER

STATE OF TEXAS }
COUNTY OF BRAZOS }

WHEREAS, Ultramar Oil and Gas Limited of Houston, Texas, hereby waives its preferential right to lease certain lands underneath State Highway 21, located in the James Curtis, Jr. Survey, A-12, Brazos County, Texas.

EXECUTED, this the 16th day of April, 1991.

Ultramar Oil and Gas Limited

By: 

~~Box Blue asXXXXXXXXXXXXXXXXXXXX~~

Edward S. Voisinet
Vice President

AFFIDAVIT OF FACT

STATE OF TEXAS)
)
COUNTY OF BRAZOS)

KNOW ALL MEN BY THESE PRESENTS:

BEFORE ME, the undersigned authority, a Notary Public in and for the State of Texas, on this day personally appeared Ray Sloan, to me well know to be a credible person, and who, after being by me duly sworn, on his oath did state:

I have been advised by Union Pacific Resources Company that Josephine S. Fazzino and Dorothy Penicka D'Labay received the following consideration for their respective oil and gas leases, being:

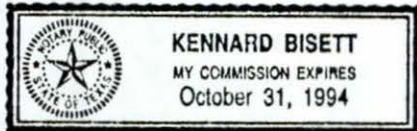
Lessor: Josephine S. Fazzino
Lessee: Union Pacific Resources Company
Bonus per Acre: \$80.00
Rental per Acre: \$ 5.00 (Paid-Up)
Term: 5 years, from 1-18-90
Royalty: 1/6
Recorded: Volume 1181, Page 36
 Official Records, Brazos County, TX

Lessor: Dorothy Penicka D'Labay
Lessee: FlairTex Resources, Inc.
Bonus per Acre: \$250.00
Rental per Acre: \$ 10.00
Term: 3 years, from 1-29-91
Royalty: 1/5
Recorded: Volume 1237, Page 355
 Official Records, Brazos County, TX
(FlairTex Resources, Inc. assigned this lease to Ultramar Oil and Gas Limited, said assignment being recorded in Volume 1241, Page 595, Official Records, Brazos County, TX)

END OF STATEMENT.

Ray Sloan
Ray Sloan, Agent for Union Pacific Resources Company

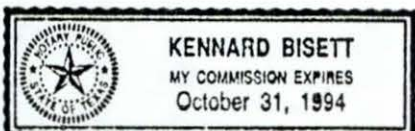
SUBSCRIBED AND SWORN TO BEFORE ME, this 19th day of April, 1991.



Kennard Bisett
Notary Public, State of Texas

STATE OF TEXAS)
)
COUNTY OF BRAZOS)

This instrument was acknowledged before me, this 19th day of April, 1991, by Ray Sloan.



Kennard Bisett
Notary Public, State of Texas

STEPHENS & WILLEY

ATTORNEYS AT LAW
FIRST INTERSTATE BANK PLAZA
1000 LOUISIANA, SUITE 2215
HOUSTON, TEXAS 77002

Telecopier No:
(713) 650-3753

Telephone No:
(713) 650-1550

April 15, 1991

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

Attention: Mrs. Tracey T. Yakints
Geologist - Leasing & Evaluation
Petroleum & Minerals Division

Re: State mineral ownership under
portion of State Highway 21
James Curtis, Jr. Survey
Abstract No. 12
Brazos County, Texas

Gentlemen:

This letter is being written in connection with the application to lease a portion of State Highway 21 by Jones & Zwiener, Inc., Professional Land Services, for Union Pacific Resources Company. The undersigned has previously examined title to 168.04 acres of land lying North of the portion of Highway 21 in question. This examination included the following instruments which affect the title to certain portions of the land under State Highway 21:

1. Warranty Deed dated February 7, 1931, from John F. Turek and wife, Lucy Turek, to the State of Texas, conveying two (2) separate parcels containing 2.27 acres and .36 of an acre, respectively, recorded in Volume 79 at Page 307 of the Deed Records of Brazos County, Texas.
2. Photocopy of Judgment in condemnation proceeding, dated March 16, 1931, by the Commissioner's Court of Brazos County, on behalf of the Highway Department of Texas, against Henry Regmund, et al., covering 11.72 acres of land, recorded in Volume 4 at Page 200, Commissioner's Court Minutes, Brazos County, Texas.

Your attention is called to the fact that the metes and bounds description of the 2.27 acres described in the February 7, 1931, Warranty Deed, listed above, does not close. It appears that the final call was inadvertently omitted. Additionally, your attention is called to the fact that the undersigned has not examined a

Texas General Land Office
April 15, 1991
Page 2

Warranty Deed from Henry Regmund, et al., to the State of Texas or the Highway Department of Texas covering the 11.72 acres. The condemnation proceeding only sets forth the compensation to be paid to Henry Regmund, et al., for the land taken by the State of Texas. Clearly, however, a judgment in a condemnation proceeding is persuasive of the State's title to the land.

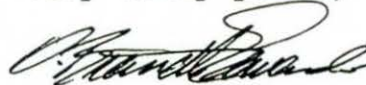
Neither the February 7, 1931, Warranty Deed nor the condemnation Judgment, listed above, reserves the minerals under the respective parcels of land. Therefore, we conclude that the State of Texas owns the mineral estate under the 2.27 acres, the .36 of an acre and the 11.72 acre portions of State Highway 21.

In order to assist you in identifying the aforesaid parcels we have attached a photocopy of a reduced portion of a Texas Department of Transportation and Highways plat on which the 2.27 acre parcel has been shaded red, the .36 of an acre parcel has been shaded blue, and the 11.72 acre parcel has been shaded green.

Additionally, we have been furnished a photocopy of condemnation proceeds styled "The State of Texas vs. Dorothy Ann Penicka Dlabay", Docket No. 290-CC, County Court at Law No. 2, Brazos County, Texas. The 7.60 acres of land, which is the subject of this condemnation proceeding, appears to lie adjacent to and south of State Highway 21 along that portion of State Highway 21 covered by the 11.72 acres discussed above. Although the condemnation is still pending, we call to your attention the fact that the original petition of the State of Texas excludes from the condemnation proceedings ". . . all the oil, gas and sulphur which can be removed from beneath said land aforesaid without any right whatever remaining to the owner of said oil, gas and sulphur of ingress or egress to or from the surface of said land for the purpose of exploring, developing, drilling or mining of same;". The undersigned has not, however, examined the title to the land lying south of State Highway 21 out of which this 7.60 acre parcel would be severed.

If you have any questions, or if we can be of additional service to you in any way, please do not hesitate to call.

Very truly yours,



O. Brandt Edwards

OBE/pat
Enclosure
lobe/uprc3.ltr

ASSIGNMENT OF OIL, GAS & MINERAL LEASES

STATE OF TEXAS
COUNTY OF BRAZOS

That FlairTex Resources, Inc., a Texas Corporation, whose address is 19 Briar Hollow, Suite 246, Houston, Texas 77027 (hereinafter called "Assignor"), for and in consideration of the sum of Ten Dollars (\$10.00) cash and other good and valuable consideration paid by Ultramar Oil and Gas Limited, a Delaware Corporation, whose mailing address is 16825 Northchase, Suite 1200, Houston, Texas 77060, (hereinafter called "Assignee"), the receipt and sufficiency of which are hereby acknowledged, does, subject to the terms and provisions herein contained, hereby transfer, sell, assign and convey unto the said Assignee, its successors and assigns, without warranty of title, either express or implied, one hundred percent (100%) of Assignor's right, title and interest in and to the oil and gas leases described in Exhibit "A" attached hereto and by reference made a part hereof, and the lands or portions of lands covered thereby as described in Exhibit "A", together with such interest's part of all production, if any, hereafter produced under said leases. The oil and gas leases and the lands or portions of land covered thereby as described in Exhibit "A" are referred to herein as "said leases".

Assignor hereby reserves and excepts unto itself an overriding royalty interest equal to one percent (1.0%) of 8/8ths of all hydrocarbons that are produced, saved and marketed from said lease described in Exhibit "A" attached hereto.

The terms, covenants and conditions hereof shall be binding upon and shall inure to the benefit of Assignor and Assignee and their respective successors and assigns; and such terms, covenants and conditions shall be covenants running with the land above described and the assigned premises and with each transfer or assignment of said leases.

In witness whereof, executed this 12th day of February, 1991.

460821
FILED

91 MAR -5 PM 2:49

Kerry Ann Smith CO. CLERK
BRAZOS COUNTY COURTHOUSE
BRYAN, TEXAS
BY *Jo Gillan* DEPUTY

FlairTex Resources, Inc.

By: *[Signature]*
Donald G. MacAskie
President

CORPORATE ACKNOWLEDGEMENT

STATE OF TEXAS
COUNTY OF HARRIS

This instrument was acknowledged before me on this 12th day of February, 1991 by Donald G. MacAskie, President of FlairTex Resources, Inc. a Texas Corporation, on behalf of said corporation.

My Commission Expires

[Signature]
Notary Public, State of Texas

Notary's printed name **JULIE ORTIZ**
Notary Public in and for the State of Texas
My Commission Expires July 6, 1995



EXHIBIT "A"

Attached and made a part of an Assignment from FlairTex Resources, Inc. as Assignor, to Ultramar Oil and Gas Limited, as Assignee, dated February 12, 1991.

Oil, Gas and Mineral Lease dated January 29, 1991 from Dorothy Penicka D'Labay, to FlairTex Resources, Inc., recorded under Clerks Number 459579, of the Official Records of Brazos County, Texas, and covering 50.67 acres of land, more or less, out of the James Curtis Survey, A-13, Brazos County, Texas.



Producers 88 (7-89)—Paid Up
With 640 Acres Pooling Provision

444174

FOUND PRINTING & STATIONERY COMPANY
2323 FAIRMEN, HOUSTON, TEXAS 77002, (713) 409-3199

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 18th day of January 90 APR 27 PM 1908, between
Josephine S. Fazzino

lessor (whether one or more), whose address is: Rt. 5 Box 565 Bryan, Texas 77803
and UNION PACIFIC RESOURCES COMPANY P.O. BOX 7, FT WORTH, TX.

for the sum of TEN DOLLARS AND OTHER VALUABLE CONSIDERATION Dollars, receipt
of which is hereby acknowledged, and of the covenants and agreements of lessee hereinafter contained, does hereby grant, lease and let unto lessee
the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil, gas,
sulphur and all other minerals (whether or not similar to those mentioned), together with the right to make surveys on said land, lay pipe lines,
establish and utilize facilities for surface or subsurface disposal of salt water, construct roads and bridges, dig canals, build tanks, power stations,
telephone lines, employe houses and other structures on said land, necessary or useful in lessee's operations in exploring, drilling for, producing,
treating, storing and transporting minerals produced from the land covered hereby or any other land adjacent thereto. The land covered hereby,
herein called "said land", is located in the County of BRAZOS, State of TEXAS, and is described as follows:

168.04 acres of land, more or less located in the James Curtis, Jr.
League, Abstract 12 and described in Three (3) Tracts as follows:

Tract 1 7.12 acres of land, more or less, being the same land
described in a Quitclaim Deed dated June 10, 1985 from Johnny Joseph
Fazzino to Josephine Fazzino and recorded in Volume 797, Page 126 of
the Deed Records of Brazos County, Texas

Tract 2 69.67 acres of land, more or less, being the same land
described as the "First Tract" in a Partition Deed dated April 27,
1974 from Johnny Joseph Fazzino to Josephine Fazzino and recorded in
Volume 327, Page 41 of the Deed Records of Brazos County, Texas

Tract 3 91.25 acres of land more or less, being the same land
described as the "Second Tract" in a Partition Deed dated April 27,
1974 from Johnny Joseph Fazzino to Josephine Fazzino and recorded in
Volume 327, Page 41 of the Deed Records of Brazos County, Texas

Signed for Identification Josephine S Fazzino
Josephine S. Fazzino

VOL 1181 PAGE 36

ACTING AS LESSEE OF THE ABOVE DESCRIBED OF BAYON COMPANY...
TO HAVE AND TO HOLD TO THE SAID LESSOR AND HIS HEIRS AND ASSIGNS...
TO HAVE AND TO HOLD TO THE SAID LESSOR AND HIS HEIRS AND ASSIGNS...

TO HAVE AND TO HOLD TO THE SAID LESSOR AND HIS HEIRS AND ASSIGNS...
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TO HAVE AND TO HOLD TO THE SAID LESSOR AND HIS HEIRS AND ASSIGNS...
TO HAVE AND TO HOLD TO THE SAID LESSOR AND HIS HEIRS AND ASSIGNS...

F.S.F.

Notwithstanding anything in this lease to the contrary, royalty on oil and gas shall be one-sixth (1/6) of the oil and gas produced and saved under the terms of this lease, and wherever in Paragraph 3 of this lease the fraction one-eighth (1/8) appears, same shall be deemed to read one-sixth (1/6).

This lease also covers and includes, in addition to that above described, all land, if any, contiguous or adjacent to or adjoining the land above described and (a) owned or claimed by lessor by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which lessor has a preference right of acquisition. Lessor agrees to execute any supplemental instrument requested by lessee for a more complete or accurate description of said land. For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain 168.04 acres, whether actually containing more or less, and the above recital of acreage in any tract shall be deemed to be the true acreage thereof. Lessor accepts the bonus as lump sum consideration for this lease and all rights and options hereunder. FIVE (5)

F.S.F.

2. Unless sooner terminated or longer kept in force under other provisions hereof, this lease shall remain in force for a term of ~~ten~~ years from the date hereof, hereinafter called "primary term", and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than ninety (90) consecutive days.

F.S.F.

3. As royalty, lessee covenants and agrees: (a) To deliver to the credit of lessor, in the pipe line to which lessee may connect its wells, the equal one-eighth part of all oil produced and saved by lessee from said land, or from time to time, at the option of lessee, to pay lessor the average posted market price of such one-eighth part of such oil at the wells as of the day it is run to the pipe line or storage tanks, lessor's interest, in either case, to bear one-eighth of the cost of treating oil to render it marketable pipe line oil; (b) To pay lessor on gas and casinghead gas produced from said land (1) when sold by lessee, one-eighth of the amount realized by lessee, computed at the mouth of the well, or (2) when used by lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-eighth of such gas and casinghead gas; (c) To pay lessor on all other minerals mined and marketed or utilized by lessee from said land, one-tenth either in kind or value at the well or mine at lessee's election, except that on sulphur mined and marketed the royalty shall be one dollar (\$1.00) per long ton. If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, lessee shall pay or tender, by check or draft of lessee, as royalty, a sum equal to ~~one dollar (\$1.00)~~ for each acre of land then covered hereby. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, and may be deposited in the

\$5.00

F.S.F.

at First City Savs Bank at Bayon La, or its successors, which shall continue as the depositories, regardless of changes in the ownership of shut-in royalty. If at any time that lessee pays or tenders shut-in royalty, two or more parties are, or claim to be, entitled to receive same, lessee may, in lieu of any other method of payment herein provided, pay or tender such shut-in royalty, in the manner above specified, either jointly to such parties or separately to each in accordance with their respective ownerships thereof, as lessee may elect. Any payment hereunder may be made by check or draft of lessee deposited in the mail or delivered to the party entitled to receive payment or to a depository bank provided for above on or before the last date for payment. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In the event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as to acreage owned by each.

4. Lessee is hereby granted the right, at its option, to pool or utilize any land covered by this lease with any other land covered by this lease, and/or with any other land, lease, or leases, as to any or all minerals or horizons, so as to establish units containing not more than 80 surface acres, plus 10% acreage tolerance; provided, however, units may be established as to any one or more horizons, or existing units may be enlarged as to any one or more horizons, so as to contain not more than 640 surface acres plus 10% acreage tolerance, if limited to one or more of the following: (1) gas, other than casinghead gas, (2) liquid hydrocarbons (condensate) which are not liquids in the subsurface reservoir, (3) minerals produced from wells classified as gas wells by the conservation agency having jurisdiction. If larger units than any of those herein permitted, either at the time established, or after enlargement, are required under any governmental rule or order, for the drilling or operation of a well at a regular location, or for obtaining maximum allowable from any well to be drilled, drilling, or already drilled, any such unit may be established or enlarged to conform to the size required by such governmental order or rule. Lessee shall exercise said option as to each desired unit by executing an instrument identifying such unit and filing it for record in the public office in which this lease is recorded. Each of said options may be exercised by lessee at any time and from time to time while this lease is in force, and whether before or after production has been established either on said land, or on the portion of said land included in the unit, or on other land unitized therewith. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be mineral, royalty, or leasehold interests in lands within the unit which are not effectively pooled or unitized. Any operations conducted on any part of such unitized land shall be considered, for all purposes, except the payment of royalty, operations conducted upon said land under this lease. There shall be allocated to the land covered by this lease within each such unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) that proportion of the total production of unitized minerals from the unit, after deducting any used in lease or unit operations, which the number of surface acres in such land (or in each such separate tract) covered by this lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty, overriding royalty and any other payments out of production, to be the entire production of unitized minerals from the land to which allocated in the same manner as though produced therefrom under the terms of this lease. The owner of the reversionary estate of any term royalty or mineral estate agrees that the accrual of royalties pursuant to this paragraph or of shut-in royalties from a well on the unit shall satisfy any limitation of term required by production of oil or gas. The formation of any unit hereunder which includes land not covered by this lease shall not have the effect of exchanging, or transferring any interest under this lease (including, without limitation, any shut-in royalty which may become payable under this lease) between parties owning interests in land covered by this lease and parties owning interests in land not covered by this lease. Neither shall it impair the right of lessee to release as provided in paragraph 6 hereof, except that lessee may not so release as to lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. At any time while this lease is in force lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit once established hereunder shall remain in force so long as any lease subject thereto shall remain in force. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but lessee shall nevertheless have the right to pool or unitize as provided in this paragraph 4 with consequent allocation of production as herein provided. As used in this paragraph 4, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

5. Lessee may at any time and from time to time execute and deliver to lessor or file for record a release or releases of this lease as to any part or all of said land or of any mineral or horizon thereunder, and thereby be relieved of all obligations as to the released acreage or interest.

6. Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil, gas, sulphur or other minerals, excavating a mine, production of oil, gas, sulphur or other mineral, whether or not in paying quantities.

7. Lessee shall have the use, free from royalty, of water, other than from lessor's water wells, and of oil and gas produced from said land in all operations hereunder. Lessee shall have the right at any time to remove all machinery and fixtures placed on said land, including the right to draw and remove casing. No well shall be drilled nearer than 200 feet to the house or barn now on said land without the consent of the lessor. Lessee shall pay for damage caused by its operations to growing crops and timber on said land.

Stacy

8. The rights and estate of any party hereto may be assigned from time to time in whole or in part and as to any mineral or horizon. All of the covenants, obligations, and considerations of this lease shall extend to and be binding upon the parties hereto, their heirs, successors, assigns, and successive assigns. No change or division in the ownership of said land, royalties, or other moneys, or any part thereof, howsoever effected, shall increase the obligations or diminish the rights of lessee, including, but not limited to, the location and drilling of wells and the measurement of production. Notwithstanding any other actual or constructive knowledge or notice thereof of or to lessee, its successors or assigns, no change or division in the ownership of said land or of the royalties, or other moneys, or the right to receive the same, howsoever effected, shall be binding upon the then record owner of this lease until thirty (30) days after there has been furnished to such record owner at his or its principal place of business by lessor or lessor's heirs, successors, or assigns, notice of such change or division, supported by either originals or duly certified copies of the instruments which have been properly filed for record and which evidence such change or division, and of such court records and proceedings, transcripts, or other documents as shall be necessary in the opinion of such record owner to establish the validity of such change or division. If any such change in ownership occurs by reason of the death of the owner, lessee may, nevertheless pay or tender such royalties, or other moneys, or part thereof, to the credit of the decedent in a depository bank provided for above.

9. In the event lessor considers that lessee has not complied with all its obligations hereunder, both express and implied, lessor shall notify lessee in writing, setting out specifically in what respects lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by lessor. The service of said notice shall be precedent to the bringing of any action by lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on lessee. Neither the service of said notice nor the doing of any acts by lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that lessee has failed to perform all its obligations hereunder. If this lease is cancelled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations, (but in no event less than forty acres), such acreage to be designated by lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have such easements on said land as are necessary to operations on the acreage so retained.

10. Lessor hereby warrants and agrees to defend title to said land against the claims of all persons whomsoever. Lessor's rights and interests hereunder shall be charged primarily with any mortgages, taxes or other liens, or interest and other charges on said land, but lessor agrees that lessee shall have the right at any time to pay or reduce same for lessor, either before or after maturity, and be subrogated to the rights of the holder thereof and to deduct amounts so paid from royalties or other payments payable or which may become payable to lessor and/or assigns under this lease. If this lease covers a less interest in the oil, gas, sulphur, or other minerals in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not), or no interest therein, then the royalties and other moneys accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by lessor) shall be paid out of the royalty herein provided. This lease shall be binding upon each party who executes it without regard to whether it is executed by all those named herein as lessor.

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

12. In the event a portion or portions of the land herein leased is pooled or unitized with other land so as to form a pooled unit or units, operations on or production from such unit or units will maintain this lease in force only as to such land included in such unit or units. This lease, as to the land not included in such unit or units, may be maintained in force and effect by drilling or reworking operations on such acreage or production therefrom, in accordance with the terms and provisions of this lease.
13. Lessee shall pay for all damages caused to growing crops on said land, whether such crops belong to Lessor or to Lessors tenants, which payment shall be made to the owner of such crops, and pay for all damages to the improvements, including fences, on said land caused by any operations of Lessee in investigating, exploring, prospecting, drilling, mining and operating for oil and gas on said land. Lessee agrees, upon abandonment of any well, that Lessee will, at its own cost and expense, and within a reasonable time not to exceed six (6) months after such abandonment, fill in all excavations, level all mounds, fill all slush pits, and leave the ground in as near the same condition as reasonably practical as it was before such well was drilled. Lessee further agrees, in the event of development and/or production under this lease, to erect and maintain, where necessary, at its own risk and expense, cattle guards sufficient to turn cattle, and to keep closed all gates used by it and its agents, servants and employees during such time as it is engaged in developing, exploring for and/or producing oil and gas.
14. Notwithstanding anything to the contrary, this lease shall cover only oil, gas and substances actually produced in association with oil and/or gas from oil and/or gas wells drilled and producing under and pursuant to this lease on the leased premises or on lands pooled therewith; no other minerals or substances shall be covered hereby.
15. Notwithstanding anything to the contrary, this lease shall not be assigned by Lessee in whole or in part without the prior written consent of the Lessor.
16. It is hereby agreed that Lessee shall not pool or unitize the herein described land with other land or leases without the prior written consent of Lessor.
17. It is understood and agreed that Lessee's right to maintain this lease solely by virtue of the shut-in gas well royalty payment provided for in Paragraph 3 hereof is hereby limited to a period of no longer than two (2) consecutive years (or for lesser periods which aggregate together two (2) years) after the end of the primary term of this lease.

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

Josephine S. Fazzino
Josephine S. Fazzino

SS

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office this _____ day of _____, 19____.

STATE OF Texas
COUNTY OF Brazos

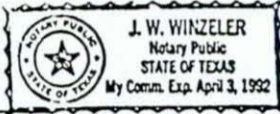
INDIVIDUAL ACKNOWLEDGMENT—TEXAS OR NEW MEXICO

Before me, the undersigned authority, on this day personally appeared Josephine S. Fazzino

known to me to be the person whose name is (are) subscribed to the foregoing instrument, and acknowledged to me that she executed the same as her free act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this 19 day of JANUARY, 1990

My Commission Expires
4-3-92



J. W. Winzeler
Notary Public in and for the State of Texas
J. W. Winzeler
Notary's Printed Name

STATE OF _____
COUNTY OF _____

INDIVIDUAL ACKNOWLEDGMENT—TEXAS OR NEW MEXICO

Before me, the undersigned authority, on this day personally appeared _____

known to me to be the person whose name is (are) subscribed to the foregoing instrument, and acknowledged to me that _____ executed the same as _____ free act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this _____ day of _____, 19____.

My Commission Expires _____

Notary Public in and for the State of Texas

Notary's Printed Name

STATE OF _____ HUSBAND AND WIFE ACKNOWLEDGMENT—TEXAS OR NEW MEXICO
COUNTY OF _____

Before me, the undersigned authority, on this day personally appeared _____

and _____ husband and wife, known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same as their free act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this _____ day of _____, 19____.

My Commission Expires _____

Notary Public in and for the State of Texas

Notary's Printed Name

VOL 1181 PAGE 39

Producers 88 (7-89)—Paid Up
With 640 Acres Pooling Provision

No. _____

Oil, Gas and Mineral Lease

FROM

TO

Dated _____ 19____

Mo. Acres _____

County, _____

Term _____

This instrument was filed for record on the _____

day of _____ 19____ at _____

o'clock _____ M., and duly recorded in _____

Book _____ Page _____

of the _____ records of this office.

County Clerk

By _____ Deputy

When recorded return to

WHEN RECORDED RETURN TO:
Union Pacific Resources Co.
Attn: Land Administration
P.O. Box 7, MS 3300
Fort Worth, TX 76101-0007

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 29th day of January, 1991, between

Dorothy Penicka D'Labay, married, dealing in her separate, non-homestead property

lessor (whether one or more), whose address is: Rt. 5, Box 549, Bryan, TX 77803
and FlairTex Resources, Inc. 19 Briar Hollow, Suite 246, Houston, TX 77027, lessee, WITNESSETH:

1. Lessor, in consideration often and 00/100 Dollars, receipt of which is hereby acknowledged, and of the covenants and agreements of lessee hereinafter contained, does hereby grant, lease and let unto lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil, gas, sulphur and all other minerals (whether or not similar to those mentioned), together with the right to make surveys on said land, lay pipe lines, establish and utilize facilities for surface or subsurface disposal of salt water, construct roads and bridges, dig canals, build tanks, power stations, telephone lines, employee houses and other structures on said land, necessary or useful in lessee's operations in exploring, drilling for, producing, treating, storing and transporting minerals produced from the land covered hereby or any other land adjacent thereto. The land covered hereby, herein called "said land", is located in the County of Brazos, State of Texas, and is described as follows:

50.67 acres, more or less, out of the James Curtis Jr., League, A-13, Brazos County, Texas; and being the same land described in a deed dated January 18, 1947 from Anton Regmund to Frank Penicka, recorded in Volume 128, Page 311 of the Deed Records of Brazos County, Texas.

Reference to said deed being made for descriptive purposes only.

459579

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Brazos County Courthouse
Bryan, Texas
FILED

This lease also covers and includes, in addition to that above described, all land, if any, contiguous or adjacent to or adjoining the land above described and (a) owned or claimed by lessor by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which lessor has a preference right of acquisition. Lessor agrees to execute any supplemental instrument requested by lessee for a more complete or accurate description of said land. For the purpose of determining the amount of any bonus, delay rental or other payment hereunder, said land shall be deemed to contain 50.67 acres, whether actually containing more or less, and the above recital of acreage in any tract shall be deemed to be the true acreage thereof. Lessor accepts the bonus and agrees to accept the delay rental as lump sum considerations for this lease and all rights and options hereunder.

2. Unless sooner terminated or longer kept in force under other provisions hereof, this lease shall remain in force for a term of three (3) years from the date hereof, hereinafter called "primary term"; and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than ninety (90) consecutive days.

3. As royalty, lessee covenants and agrees: (a) To deliver to the credit of lessor, in the pipe line to which lessee may connect its wells, the equal one-eighth part of all oil produced and saved by lessee from said land, or from time to time, at the option of lessee, to pay lessor the average posted market price of such one-eighth part of such oil at the wells as of the day it is run to the pipe line or storage tanks, lessor's interest, in either case, to bear one-eighth of the cost of treating oil to render it marketable pipe line oil; (b) To pay lessor on gas and casinghead gas produced from said land (1) when sold by lessee, one-eighth of the amount realized by lessee, computed at the mouth of the well, or (2) when used by lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-eighth of such gas and casinghead gas; (c) To pay lessor on all other minerals mined and marketed or utilized by lessee from said land, one-tenth either in kind or value at the well or mine at lessee's election, except that on sulphur mined and marketed the royalty shall be one dollar (\$1.00) per long ton. If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, lessee shall pay or tender, by check or draft of lessee, as royalty, a sum equal to the amount of annual delay rental provided for in this lease. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, and may be deposited in a depository bank provided for below. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as to acreage owned by each.

4. Lessee is hereby granted the right, at its option, to pool or unitize any land covered by this lease with any other land covered by this lease, and/or with any other land, lease, or leases, as to any or all minerals or horizons, so as to establish units containing not more than 80 surface acres, plus 10% acreage tolerance; provided, however, units may be established as to any one or more horizons, or existing units may be enlarged as to any one or more horizons, so as to contain not more than 640 surface acres plus 10% acreage tolerance, if limited to one or more of the following: (1) gas, other than casinghead gas, (2) liquid hydrocarbons (condensate) which are not liquids in the subsurface reservoir, (3) minerals produced from wells classified as gas wells by the conservation agency having jurisdiction. If larger units than any of those herein permitted, either at the time established, or after enlargement, are required under any governmental rule or order, for the drilling or operation of a well at a regular location, or for obtaining maximum allowable from any well to be drilled, drilling, or already drilled, any such unit may be established or enlarged to conform to the size required by such governmental order or rule. Lessee shall exercise said option as to each desired unit by executing an instrument identifying such unit and filing it for record in the public office in which this lease is recorded. Each of said options may be exercised by lessee at any time and from time to time while this lease is in force, and whether before or after production has been established either on said land, or on the portion of said land included in the unit, or on other land unitized therewith. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be mineral, royalty, or leasehold interests in lands within the unit which are not effectively pooled or unitized. Any operations conducted on any part of such unitized land shall be considered, for all purposes, except the payment of royalty, operations conducted upon said land under this lease. There shall be allocated to the land covered by this lease within each such unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) that proportion of the total production of unitized minerals from the unit, after deducting any used in lease or unit operations, which the number of surface acres in such land (or in each such separate tract) covered by this lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty, overriding royalty and any other payments out of production, to be the entire production of unitized minerals from the land to which allocated in the same manner as though produced therefrom under the terms of this lease. The owner of the reversionary estate of any term royalty or mineral estate agrees that the accrual of royalties pursuant to this paragraph or of shut-in royalties from a well on the unit shall satisfy any limitation of term requiring production of oil or gas. The formation of any unit hereunder which includes land not covered by this lease shall not have the effect of exchanging or transferring any interest under this lease (including, without limitation, any delay rental and shut-in royalty which may become payable under this lease) between parties owning interests in land covered by this lease and parties owning interests in land not covered by this lease. Neither shall it impair the right of lessee to release as provided in paragraph 5 hereof, except that lessee may not so release as to lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. At any time while this lease is in force lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit once established hereunder shall remain in force so long as any lease subject thereto shall remain in force. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but lessee shall nevertheless have the right to pool or unitize as provided in this paragraph 4 with consequent allocation of production as herein provided. As used in this paragraph 4, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

5. If operations are not conducted on said land on or before the first anniversary date hereof, this lease shall terminate as to both parties, unless lessee on or before said date shall, subject to the further provisions hereof, pay or tender to lessor or to lessor's credit in the

First American Bank Bryan, Texas

or its successors, which shall continue as the depository, regardless of changes in ownership of delay rental, royalties, or other moneys, the sum of 506.70, which shall operate as delay rental and cover the privilege of deferring operations for one year from said date. In like manner and upon like payments or tenders, operations may be further deferred for like periods of one year each during the primary term. If at any time that lessee pays or tenders delay rental, royalties, or other moneys, two or more parties are, or claim to be, entitled to receive same, lessee may, in lieu of any other method of payment herein provided, pay or tender such rental, royalties, or other moneys, in the manner herein specified, either jointly to such parties or separately to each in accordance with their respective ownerships thereof, as lessee may elect. Any payment hereunder may be made by check or draft of lessee deposited in the mail or delivered to lessor or to a depository bank on or before the last date for payment. Said delay rental shall be apportionable as to said land on an acreage basis, and a failure to make proper payment or tender of delay rental as to any portion of said land or as to any interest therein shall not affect this lease as to any portion of said land or as to any interest therein as to which proper payment or tender is made. Any payment or tender which is made in an attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depository shall nevertheless be sufficient to prevent termination of this lease and to extend the time within which operations may be conducted in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof from lessor. Lessee may at any time and from time to time execute and deliver to lessor or file for record a release or releases of this lease as to any part or all of said land or of any mineral or horizon thereunder, and thereby be relieved of all obligations as to the released acreage or interest. If this lease is so released as to all minerals and horizons under a portion of said land, the delay rental and other payments computed in accordance therewith shall thereupon be reduced in the proportion that the acreage released bears to the acreage which was covered by this lease immediately prior to such release.

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6. If at any time or times during the primary term operations are conducted on said land and if all operations are discontinued, the lease shall terminate on its anniversary date next following the nineteenth day after such discontinuance unless on or before such anniversary date lessee either (1) conducts operations or (2) commences or resumes the payment or tender of delay rental; provided, however, if such anniversary date is at the end of the primary term, or if there is no further anniversary date of the primary term, this lease shall terminate at the end of such term or on the nineteenth day after discontinuance of all operations, whichever is the later date, unless on such later date either (1) lessee is conducting operations or (2) the shut-in well provisions of paragraph 3 or the provisions of paragraph 11 are applicable. Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil, gas, sulphur or other minerals, excavating a mine, production of oil, gas, sulphur or other mineral, whether or not in paying quantities.

7. Lessee shall have the use, free from royalty, of water, other than from lessor's water wells, and of oil and gas produced from said land in all operations hereunder. Lessee shall have the right at any time to remove all machinery and fixtures placed on said land, including the right to draw and remove casing. No well shall be drilled nearer than 200 feet to the house or barn now on said land without the consent of the lessor. Lessee shall pay for damages caused by its operations to growing crops and timber on said land.

8. The rights and estate of any party hereto may be assigned from time to time in whole or in part and as to any mineral or horizon. All of the covenants, obligations, and considerations of this lease shall extend to and be binding upon the parties hereto, their heirs, successors, assigns, and successive assigns. No change or division in the ownership of said land, royalties, delay rental, or other moneys, or any part thereof, howsoever effected, shall increase the obligations or diminish the rights of lessee, including, but not limited to, the location and drilling of wells and the measurement of production. Notwithstanding any other actual or constructive knowledge or notice thereof of or to lessee, its successors or assigns, no change or division in the ownership of said land or of the royalties, delay rental, or other moneys, or the right to receive the same, howsoever effected, shall be binding upon the then record owner of this lease until thirty (30) days after there has been furnished to such record owner at his or its principal place of business by lessor or lessor's heirs, successors, or assigns, notice of such change or division, supported by either originals or duly certified copies of the instruments which have been properly filed for record and which evidence such change or division, and of such court records and proceedings, transcripts, or other documents as shall be necessary in the opinion of such record owner to establish the validity of such change or division. If any such change in ownership occurs by reason of the death of the owner, lessee may, nevertheless pay or tender such royalties, delay rental, or other moneys, or part thereof, to the credit of the decedent in a depository bank provided for above. In the event of assignment of this lease as to any part (whether divided or undivided) of said land, the delay rental payable hereunder shall be apportionable as between the several leasehold owners, ratably according to the surface area or undivided interests of each, and default in delay rental payment by one shall not affect the right of other leasehold owners hereunder.

9. In the event lessor considers that lessee has not complied with all its obligations hereunder, both express and implied, lessor shall notify lessee in writing, setting out specifically in what respects lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by lessor. The service of said notice shall be precedent to the bringing of any action by lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on lessee. Neither the service of said notice nor the doing of any acts by lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that lessee has failed to perform all its obligations hereunder. If this lease is cancelled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations, (but in no event less than forty acres), such acreage to be designated by lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have such easements on said land as are necessary to operations on the acreage so retained.

10. Lessor hereby warrants and agrees to defend title to said land against the claims of all persons whomsoever. Lessor's rights and interests hereunder shall be charged primarily with any mortgages, taxes or other liens, or interest and other charges on said land, but lessor agrees that lessee shall have the right at any time to pay or reduce same for lessor, either before or after maturity, and be subrogated to the rights of the holder thereof and to deduct amounts so paid from royalties or other payments payable or which may become payable to lessor and/or assigns under this lease. If this lease covers a less interest in the oil, gas, sulphur, or other minerals in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not), or no interest therein, then the royalties, delay rental, and other moneys accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by lessor) shall be paid out of the royalty herein provided. This lease shall be binding upon each party who executes it without regard to whether it is executed by all those named herein as lessor.

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

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

Dorothy Penicka D'Labay
 Dorothy Penicka D'Labay
 S.S.#: 450-68-8886

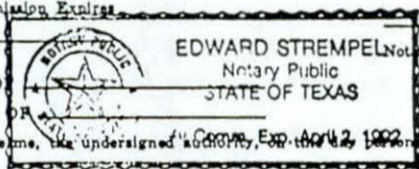
STATE OF TEXAS INDIVIDUAL ACKNOWLEDGMENT—TEXAS OR NEW MEXICO
 COUNTY OF TARRANT

Before me, the undersigned authority, on this day personally appeared Dorothy Penicka D'Labay

known to me to be the person whose name is (are) subscribed to the foregoing instrument, and acknowledged to me that she executed the same as her free act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this 29 day of January, 1991.

My Commission Expires



Edward Stempel
 Notary Public in and for _____ County, State of _____

STATE OF _____ INDIVIDUAL ACKNOWLEDGMENT—TEXAS OR NEW MEXICO
 COUNTY OF _____

Before me, the undersigned authority, on this day personally appeared _____

known to me to be the person whose name is (are) subscribed to the foregoing instrument, and acknowledged to me that _____ executed the same as _____ free act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this _____ day of _____, 19____.

My Commission Expires

Notary Public in and for _____ County, State of _____

STATE OF _____ HUSBAND AND WIFE ACKNOWLEDGMENT—TEXAS OR NEW MEXICO
 COUNTY OF _____

Before me, the undersigned authority, on this day personally appeared _____

and _____ husband and wife, known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same as their free act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this _____ day of _____, 19____.

My Commission Expires

Notary Public in and for _____ County, State of _____

Producers 88 (7-49)
 With 640 Acres Pooling Provision
 No. _____
 Oil, Gas and Mineral Lease
 FROM _____
 TO _____

This instrument was filed for record on the _____ day of _____, 19____, at _____ o'clock _____ M., and duly recorded in Book _____ Page _____ of the _____ records of this office.
 By _____ County Clerk
 When recorded return to _____

Vol 1237 Page 356

Round Printing & Stationery Co., Houston, Texas

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL, GAS AND MINERAL LEASE DATED January 29, 1991 BY AND BETWEEN ~~CHARLES FRANK D'LABAY AND WIFE~~ DOROTHY PENICKA D'LABAY, AS LESSOR AND FLAIR TEX RESOURCES, INC., AS LESSEE.

12. Paragraph 4 hereinabove pertaining to pooling is hereby amended as follows and any provisions from the above described lease to the contrary shall be considered deleted from that lease:

(a) If Lessee exercises the right and power to pool for the production of oil and/or gas as to any well completed on the leased premises, then in such event all the acreage covered by this lease must be placed in the pool or unit.

(b) If Lessee exercises the right and power to pool for the production of oil and/or gas whenever the wellbore of a horizontal drainhole passes under the leased premises or within 467 feet of the leased premises, then in such event all the acreage covered by this lease must be placed in the pool or unit.

(c) If Lessee exercises the right and power to pool for the production of oil and/or gas as to any of the acreage covered by this lease as to any well-completed on lands other than the leased premises, then in such event, at least one-half of the acreage covered by this lease must be placed in the pool or unit.

(d) If a portion or portions of the land covered by this lease shall be included and placed in any unit or pool for the production of oil and/or gas, then as to that part of the land covered by this lease which is not placed in a unit or pool, Lessee shall drill thereon or surrender the same. If at the end of the primary term any part of the land covered by this lease is not included in a unit upon which there are drilling operations or production, then this lease shall terminate as to that part of the leased land upon which there are no drilling operations or production or which is not in a unit upon which there are drilling operations or production.

13. It is expressly understood and provided that this lease covers oil and gas only, along with the products and by-products thereof, but this lease does not cover any other minerals or any other type, whether it be coal, lignite, uranium, thorium, or any other fissionable materials, or other elements except as they may constitute by-products of the oil and gas produced.

14. It is understood and provided this lease cannot be held, maintained nor extended by virtue of the shut-in gas well provision of this lease for a longer term than the primary term and two (2) years immediately thereafter, or for shorter terms of different periods not to exceed two (2) years in the aggregate. Within thirty (30) days after the end of a year for which shut-in royalties have been prepaid, the Lessee must account to the Lessor for any months in which actual production occurred to receive credit for those months. The Lessee loses any credit for the months prepaid yet produced by failing to so account.

15. Notwithstanding anything to the contrary herein, Lessee shall have the right at any time during or within six months after expiration of this lease to remove all property and fixtures placed by Lessee on said land. Any of Lessee's property not removed within said six-month period shall become Lessor's property.

16. As a condition prior to commencing any drilling operations, Lessee shall pay to Lessor as prepaid location damages to cover normal and usual drilling operations, the sum of \$2,500.00. The location shall not encompass more than two (2) acres or as normal industry standards require and Lessee shall, upon completion of any well or wells, reduce said location to a minimum acreage that is needed in order to adequately operate said well or wells. Upon abandoning such location, Lessee shall restore the surface to its original condition as nearly as possible.

17. Lessee agrees to fence any production area adequately to hold cattle, properly brace any fence opened by Lessee and install metal cattle guards on any roads used for Lessee's operations. Gates shall be constructed and kept close at intersections of roads and fences.

Cattleguards shall be installed at all exterior fences where new entrances are made by the Lessee. All gates and cattleguards installed by Lessee shall become the property of the Lessor, free of cost, at the end of the lease.

The Lessee agrees to pay the Lessor the fair market value for any of Lessor's livestock killed or injured caused by operations conducted on the leased premises.

18. Lessee must furnish to Lessor within sixty (60) days after the receipt of written notice, by certified mail, return receipt requested, from Lessor of the termination of this lease, with regard to any part of the herein leased premises from any cause, a duly executed and acknowledged instrument releasing or evidencing the termination of the lease as to that part of the land upon which the lease has terminated. Lessee agrees to pay \$5.00 per day as liquidated damages in Brazos County, Texas, for Lessee's failure to furnish said release within the time provided. If the Lessee fails to furnish said release within the time provided, such damages per day are to begin accruing on the 61st day after such notice.

19. All royalty payments on actual production shall be due within ninety (90) days after the end of the month in which production occurred. If Lessee defaults in making such payment and does not remedy the default within fifteen (15) days after Lessor gives Lessee notice in writing of such default, then Lessee agrees to pay as liquidated damages interest on all unpaid royalties calculated at three percent (3%) above the prime interest rate at First National Bank of Bryan, Texas, commencing on the 16th day after the mailing of such notice and continuing to accrue each and every day thereafter until such royalties are paid.

In the event the Lessor is not paid a royalty within eight (8) months after the end of the month in which the well is completed, the Lessor shall give the Lessee written notice by certified mail, return receipt requested. If the Lessee does not pay the Lessor all accrued royalties plus interest within thirty (30) days after receipt of the notice, the lease shall terminate.

20. Lessors' royalty shall never bear, either directly or indirectly, any part of the costs or expenses of production, gathering, dehydration, compression, transportation, processing, treating or marketing of the oil or gas from the premises, except applicable taxes, nor any part of the costs of construction, operation or depreciation of any plant, pipeline or other facilities or equipment for processing, transporting or treating said oil or gas produced from the herein leased premises.

21. Any division order tendered to the Lessor shall be for the sole purpose of ascertaining the Lessor's undivided interest in a particular well unit. It is further agreed that neither this lease nor any terms or provisions herein shall be altered, amended, extended or ratified by any division order or transfer order executed by Lessor, her successors, agents or assigns. Any purported amendment, alteration, extension or ratification not so drafted and executed shall be of no force and effect. The Lessor shall have the right to make any division order tendered to her comply with this lease before having to execute it. If compliance should create a situation where certain costs and expenses are removed from the Lessor's royalty interest, the Lessee agrees to pay such costs and expenses under its working interest.

22. Lessee's right to take and use water from the leased premises, shall not include the right to use water from Lessor's wells, ponds or tanks. The Lessee may drill a water well on the leased premises for its supply of water to use in operations. Use of the water from the well shall be limited to use on the leased premises and shall not interfere with the Lessor's domestic or agricultural supply of water. The water cannot be used in a waterflood or tertiary recovery operation. The water well with its casing shall revert to the Lessor, as is, without warranty, when the lease terminates.

23. If this lease is in force and effect five (5) years from the date hereof as to all or any part of the land covered hereby, it shall thereupon terminate only insofar as it covers depths below the stratigraphic equivalent of one hundred (100) feet below the deepest depth drilled on the leased premises or land pooled therewith. The Lessor shall have the right thereafter to grant leases for the purpose of exploring for and producing oil, gas and minerals from the depths as to which this lease has terminated; provided any such Lessee shall use the surface of the leased premises so as to not unreasonably interfere with the use of the surface of the Lessee herein.

24. In the event Lessee owes Lessor for unpaid royalties at the termination of this lease, then said unpaid royalties shall be a lien on all equipment, tubing, casing, unsold oil and personal property of the Lessee located on the leased premises or land pooled therewith.

25. Lessee shall not have the right of assignment of this lease or any rights accruing to Lessee under the terms hereof unless Lessor shall evidence consent thereto in writing. Any assignment without Lessor's consent shall be null and void. However, Lessor shall not unreasonably withhold consent.

26. The royalties to be paid to Lessor on oil, gas and casinghead gas is one-fifth (1/5), and wherever the word "one-eighth" appears in Paragraph 3 hereinabove, the same is amended to read "one-fifth". Lessee shall purchase or market Lessors' oil at a cash price equal to the market value of the day of sale.

27. Lessor hereby warrant and agrees to defend title to said land by, through or under Lessors but not otherwise.

In Witness Whereof, this instrument is executed on the date first above written.

~~CHARLES FRANK D'LABAY~~

Dorothy Penicka D'Labay
DOROTHY PENICKA D'LABAY

SS# *CD*

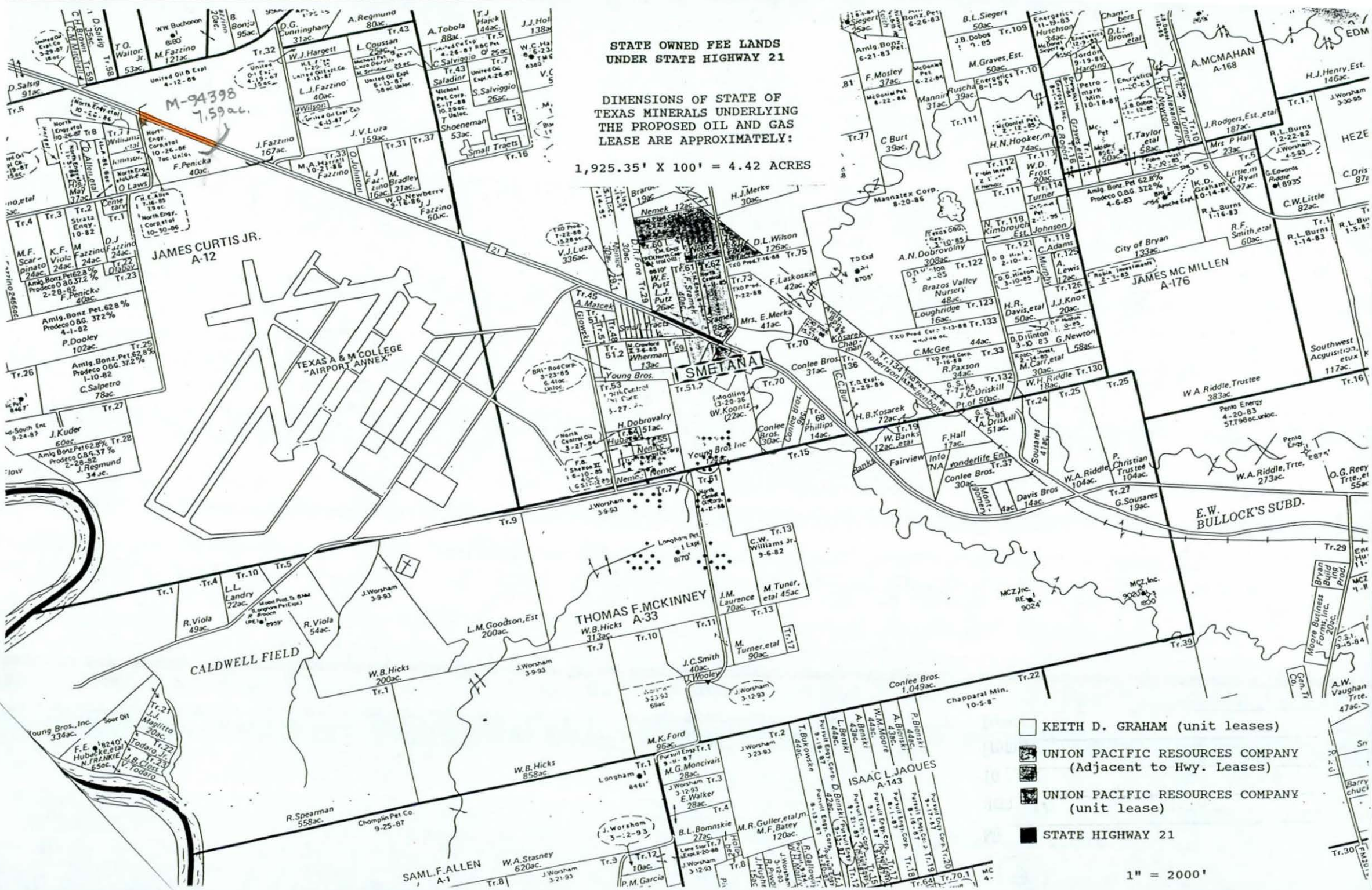
SS# 

M. F. 94398 (8)
CORRESPONDENCE FILE
TO Application
From
Dated 7-22-91

**STATE OWNED FEE LANDS
UNDER STATE HIGHWAY 21**

**DIMENSIONS OF STATE OF
TEXAS MINERALS UNDERLYING
THE PROPOSED OIL AND GAS
LEASE ARE APPROXIMATELY:**

1,925.35' X 100' = 4.42 ACRES



- KEITH D. GRAHAM (unit leases)
- ▨ UNION PACIFIC RESOURCES COMPANY (Adjacent to Hwy. Leases)
- ▩ UNION PACIFIC RESOURCES COMPANY (unit lease)
- STATE HIGHWAY 21

1" = 2000'

9

MF 94398

Item ① Lease Plat

To _____

From _____

Date 11-19-91