

MF095246

#2270

#2903

#3579

L 1.001 ac. in unit

| | | | |
|----------------------------------|---------------|-----------------------------------|-------------------------------------|
| Lease Type | Control | Basefile | County |
| HROW 56 [State 65] | 65-900751 | | FAYETTE |
| | Survey | Fayette County Roads | |
| | Block | | |
| | Block Name | | |
| | Township | | |
| | Section/Tract | | |
| | Land Part | CR 279 | |
| | Acres | 1.001 Net: 2.701000 | 1.001 Gross: 2.701000 |
| | Depth Below | Depth Above | Depth Other |
| | | | Allow All Depths |
| | Name | UNION PACIFIC RESOURCES | |
| | Lease Date | 6/1/1993 | |
| | Primary Term | 1 years | |
| | Bonus | \$150.00 | |
| | Lease Royalty | 0.28125000 | |
| | Paid Up | NA | |

Leasing: AM

Maps: JH

GIS: MC

Scanlab: _____



CAUTION

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

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

Thank you for your assistance.

Archives and Records Staff



2903 # ~~2352~~ # ~~2270~~

2.701 UNIT ACRES
-0- NON-UNIT ACRES

HIGHWAY RIGHT-of -WAY M95246

COUNTY (CODE) : FAYETTE (75)
SURVEY : WM. H. JACK LEAGUE
BLOCK : A-57
TOWNSHIP : _____
SECTION : _____
PART : _____
ACRES : ~~12.11~~ 2.701 *see exhibit A-2*
DEPTH LIMITS : _____ *of lease agreement*
BASE FILE (S) : 56-03011-3
CONTROL NO. (S) : _____

LESSEE : UNION PACIFIC RESOURCES
DATE : JUNE 1, 1993
PRIMARY TERM : 1yr.
BONUS : \$150.00 (1,816.50)
ROYALTY : 9/32 or 28.12%
RENTALS : none

Pass To:
Legal _____
Rental _____ *YMS*
Min. A/c _____ *DR*
Min Map _____ *KA*

~~EXPIRED~~
LL
Reinstated Expired In error YMS KB

Highway R.O.W.

CONTENTS OF FILE NO. M-9524B

| | |
|--|-----------|
| 1. Lease | 6.1.93 |
| 2. Lse Appl | - |
| 3. Memo | 5.24.93 |
| 4. Letter | 5.5.93 |
| 5. Letter | 3.9.93 |
| 6. Letter | 3.11.93 |
| 7. Letter | 4.14.93 |
| 8. Letter | 6.2.93 |
| 9. Letter/Bnk Draft | 3.9.93 |
| 10. Waiver | 3.5.93 |
| 11. Affidavit (2) | 3.5.93 |
| 12. R.O.W. Deed | |
| 13. Adjacent Lse | 6.20.89 |
| 14. Expire Memo ^{Expire Memo} | |
| 15. Warm Unit / Dissolution + Resignation. | 3/27/00 |
| 16. WAGNER #1 UNIT DESIGNATION | 9/18/00 |
| 17. Memo/Division Order | 10/22/02 |
| 18. Division Order | 1/19/05 |
| 19. Certified Copy of Esther Krause Memorandum. | 2/2/05 |
| <u>Scanned KW 2.18.2016</u> | |
| <u>(See MF094815 #15 Assign #10873</u> | |
| <u>Enc Vert to Magnolia 7.26.19</u> | |
| <u>scanned Pt 8-7-2019</u> | |
| 20. Termination Letter | 9/20/2019 |
| <u>Scanned sm 11/21/2020</u> | |

The State of Texas



Austin, Texas

PAID-UP

OIL AND GAS LEASE NO. M-95246
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 One Thousand Eight Hundred Sixteen and 50/100 Dollars (\$1,816.50), 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 Fayette, State of Texas, and is described as follows:

12.11 acres of land, more or less, situated in said Fayette County, Texas, more particularly described in CHANGED TO 2.7 ACRES ¹ TO REFLECT THE ACREAGE IN EXHIBIT "A-Z"

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 12.11 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 one (1) year from June 1, 1993, 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 nine thirty-seconds (9\32) 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 nine thirty-seconds (9\32) part of such oil at the wells as of the day it is run to the pipe line or storage tanks, Lessor's interest, in either case, to bear none of the cost of treating oil to render it marketable pipe line oil;

(b) To pay Lessor on gas and casinghead gas produced from said land (1) when sold by lessee, nine thirty-seconds (9\32) 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 nine thirty-seconds (9\32) 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 \$181.65. 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 which this lease is included within ninety (90) days of such designation.

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

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

shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil or gas, or production of oil or gas in paying quantities.

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

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

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

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

the whole and undivided fee simple estate therein.

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

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

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

14. COMPENSATORY ROYALTY: Lessee shall pay a compensatory royalty if this lease is not being held by production on the leased premises, by production from a pooled unit, or by payment of shut-in royalties in accordance with the terms of this lease, and if oil or gas is sold or delivered in paying quantities from a well located within 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 \$363.30, 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;

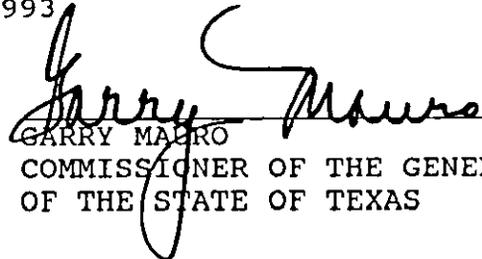
(e) no producer of food and fiber requires the natural

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.

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 June 1, 1993


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

Approved:
Energy: RH
Legal (Form): VM
Executive: JS

Fayette County
CSJ 1441-1-1 and 2
F.M. 1457
No. 401

Exhibit "A" - 1

Being 9.41 acres of land, more or less, situated in the Ulm. H. Jack League, Abstract No. 57 and the Wm. S. Townsend League, Abstract No. 104, of Fayette County, Texas. Said 9.41 acres being all of the same lands conveyed to the State by the following listed deeds:

| Grantor | Volume | Page |
|-------------------|---------|---------|
| Lessely Hackemack | 246 | 166 |
| Willie Georges | 246/280 | 160/488 |
| George Neustedt | 246 | 194 |
| Arthur Fricke | 280 | 491 |
| John Eichler | 280 | 494 |

Also included are other rights of way conveyed to the County of Fayette. Said 9.41 acres being a strip of land 80.00 feet wide, 40.00 feet either side of the highway centerline which is more particularly described as follows, to wit;

Beginning at a point where the extended centerline of a county road intersects the centerline of F.M. 1457 at Engineer's Centerline Station Number 115+65.00;

Thence N 85° 54' 00" E, along the said F.M. 1457 centerline, a distance of 80.90 feet to the P.C. of a 04° curve to the right, being Engineer's Centerline Station Number 116+45.90;

Thence along the said centerline around said curve to the right, a distance of 311.70 feet to the end of said curve at Engineer's Centerline Station Number 119+57.60;

Thence continuing along the centerline S 81° 38' 00" E, a distance of 1,820.70 feet to the P.C. of an 08° curve to the right at Engineer's Centerline Station Number 137+78.30;

Thence around said curve to the right, a distance of 420.80 feet to the P.T. of said curve at Engineer's Centerline Station Number 141+99.10;

Thence continuing along the centerline of F.M. 1457, a distance of 2,520.90 feet to the end of the herein described centerline at Engineer's Centerline Station Number 167+20.00;

The above described tract contains 9.41 acres of land and being as indicated on the official right of way map which is on file with the Texas Department of Transportation and is identified under Control Numbers 1441-1-1 and 2.

Wm. S. Townsend League
Abst. 104

League Line 7

STA. 146117
Co. RD.

F.M. 1457

To Shelby

P.C. STA. 137183
P.T. STA. 141199.10

P. STA. 161100

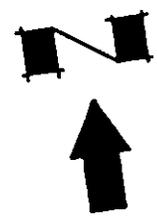
Co. RD. STA. 167120

Wm. H. Jack League
Abst. 57

STA. 130164

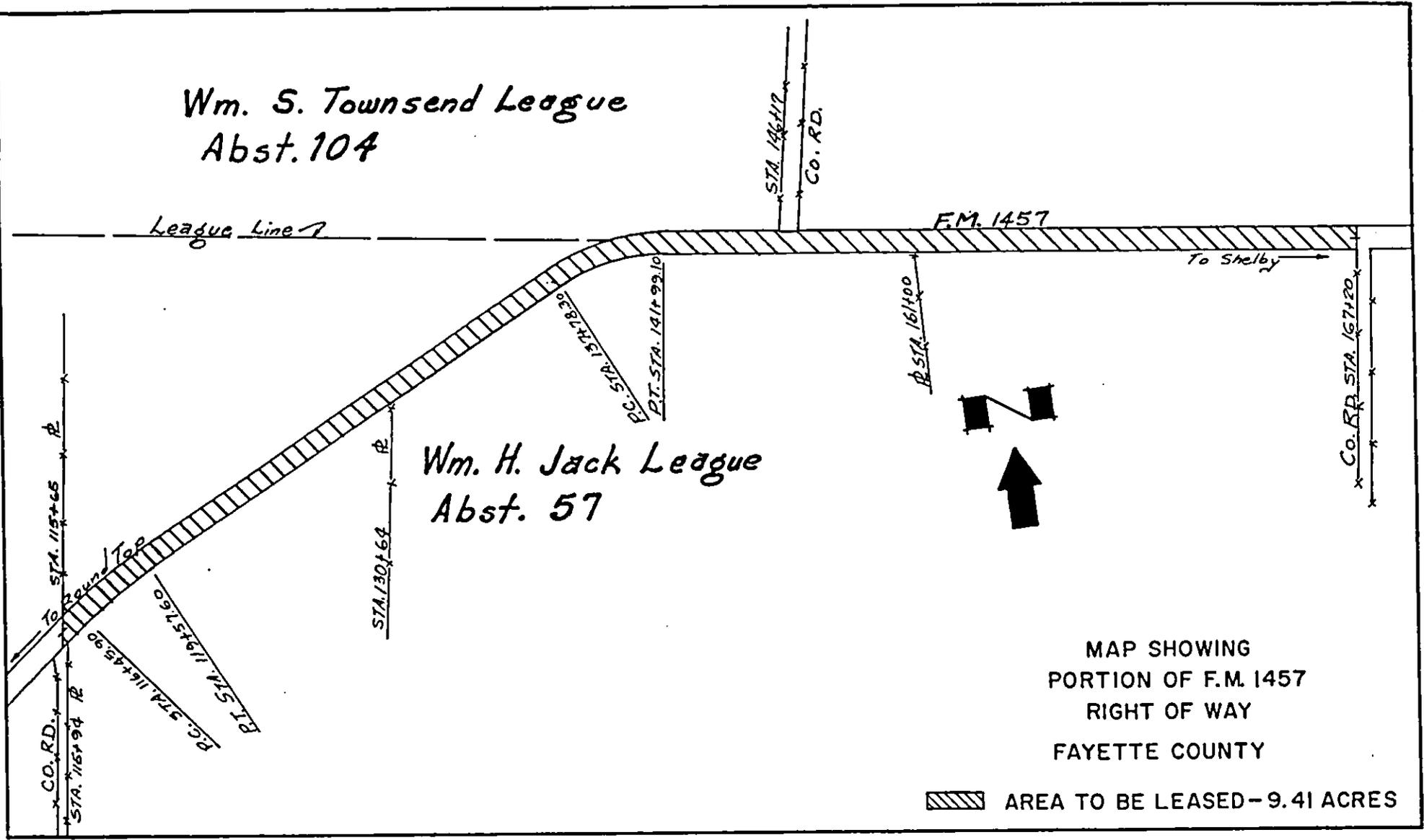
Co. RD.
STA. 115165
STA. 116194

P.C. STA. 116145.90
P.T. STA. 119157.60



MAP SHOWING
PORTION OF F.M. 1457
RIGHT OF WAY
FAYETTE COUNTY

 AREA TO BE LEASED - 9.41 ACRES



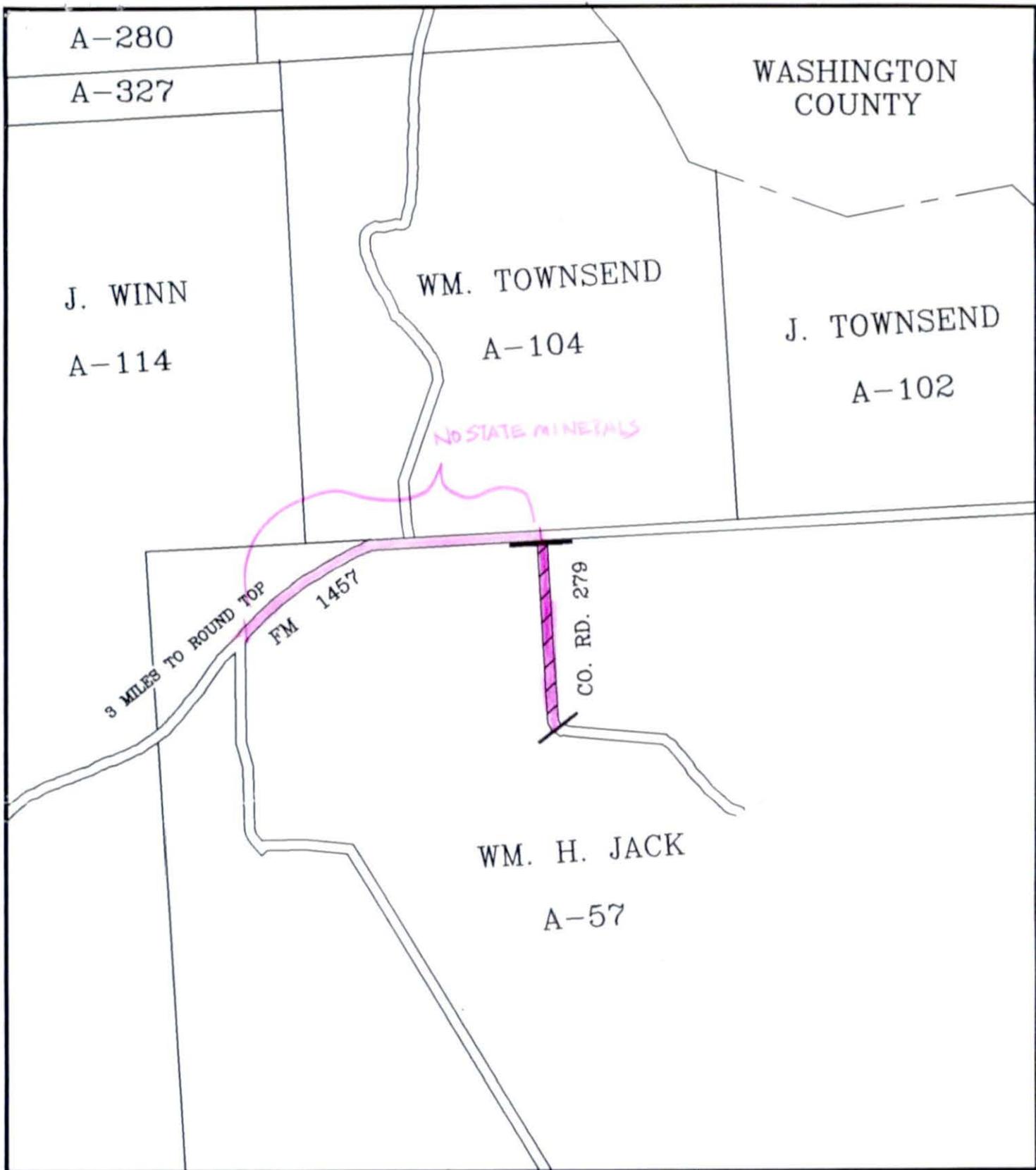


Fayette County
C.R. 279
No. 401

Exhibit "A" - Z

Being 2.7 acres of land, more or less, situated in the William H. Jack League, A-57, of Fayette County, Texas. Said 2.7 acres being part of the same lands conveyed to the State by the following listed deeds:

1. Deed dated June 24, 1942, recorded in Vol. 186, Page 566 of the Deed Records of Fayette County, Texas, executed by Gus Ickert and wife, Martha Ickert, in favor of Fayette County, conveying a tract of .93 acres of land, more or less, out of the William H. Jack League;
2. Deed dated June 17, 1942, recorded in Vol. 186, Page 568 of the Deed Records of Fayette County, Texas, executed by Walter Wagoner and wife, Eanestine Wagoner, in favor of Fayette County, conveying a tract of 2.56 acres, more or less, out of the William H. Jack League.



MAP SHOWING
2.7 ACRE PORTION OF COUNTY ROAD 279
3 MILES EAST OF ROUND TOP
FAYETTE, COUNTY

MF M-952486
Item Lease
To _____
From _____
Date 6.1.93

Highway Lease Applicant

Name of Lease Applicant: UPRC | Bruce Spindler

County & Tract Description:

Fayette Co | Fm 1457 - ^{9.41} 4.5 ac | W.H. JACK Surv & 57
 CR 279 - 2.7 ac

Date Sent to Highway Department:

3.15.93

Check List:

- Letter of Application and plat ✓
- Names and addresses of adjacent mineral owners UPRC
- Affidavit of non-production within 2500 feet HOR.
- \$100 processing fee ✓
- Written waiver of statutory notice ✓
- Certified copy/copies of adjacent lease/leases ✓
- Notarized affidavit of consideration paid ✓
- Title Opinion ✓
- Is the right-of-way on Relinquishment Act Land **No**

Remarks:

12.11 ac
 1816.50
 27.25
 1843.75

Owe → 747.55

ON 7.2 ac
 New road 12.11

Date Appeared Before SLB:

Approved:

Disapproved:

Problems:

| | | | |
|------------------|---------|---------------|-------|
| \$1080.00 | Bonus | 150.00 | 50.00 |
| 16.20 | Royalty | 9/32 | 1/6 |
| <u>\$1096.20</u> | | 28.125% | |
| | Tax | 1yr - | 3yr |
| | Road | None | 10.00 |
| | | slut w. 15.00 | |

Need more money

Date Lease Issued:

Bruce Spindler

1230 East Walnut #206

Seguin, TX

78155

Home — 210.372.5507

MF M-952486
Item Lae Apple
To _____
From _____
Date _____

GENERAL LAND OFFICE

GARRY MAURO
COMMISSIONER

MEMORANDUM

DATE: May 24, 1993

TO: School Land Board

FROM: Robert Hatter / Lease Administration

SUBJECT: Application To Lease Right-of-Way

6-1-93
M-95246

APPLICANT: Union Pacific Resources Co.

REFERENCE: Being 12.11 acres, more or less, of F.M. 1457 (9.41 acres) and County Rd. 279 (2.7 acres), situated in the Wm. H. Jack League A-57, Fayette County, Texas

The following terms were provide for in the adjacent leases:

| | <u>High</u> | <u>Low</u> |
|---------------|-------------|------------|
| Bonus/Acre: | \$150.00 | \$50.00 |
| Royalty: | 9/32 | 1/6 |
| Delay Rental: | None | \$10.00 |
| Primary Term: | 1 year | 3 year |

The application has been reviewed by the Lease Administration Department and approved by the Department of Transportation. Subchapter F, Chapter 32 of the Texas Natural Resources Code requires the approval of the application to the lease with the following terms:

Bonus/Acre: \$150.00 per acre
Royalty: 9/32 royalty
Delay Rental: None
Primary Term: 1 year

Union Pacific Resources Co. holds the mineral interest in the leases adjoining the above referenced right-of-way. Therefore, the applicant is entitled to a lease of the entire 12.11 acres. The applicant has submitted a title opinion showing that the state owns the entire mineral estate in the right-of-way and has submitted all other pertinent information required by the School Land Board rules.



Texas Department of Transportation

P.O. BOX 5075 • AUSTIN, TEXAS 78763-5075 • (512) 416-2901

May 12, 1993

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

Contact: D-15

Dear Commissioner Mauro:

We have reviewed the proposed oil and gas lease applications 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> |
|---------------|-----------------------------|--------------|----------------|---------------------|---------------------|
| Fayette | Union Pacific Resources Co. | \$150.00 | 9/32 | 1 Year | None |
| Fayette | Geosouthern Energy Corp. | \$105.00 | 1/5 | 6 Months | None |

Attached is one copy each of the field notes and sketches for the proposed leases. If additional information is needed, please contact Jimmy Perry at (512) 416-2874.

Sincerely,

Gary Bernethy, P.E.
Director of Right of Way

Attachments

Fayette County
CSJ 1441-1-1 and 2
F.M. 1457
No. 401

Exhibit "A"

Being 9.41 acres of land, more or less, situated in the Ulm. H. Jack League, Abstract No. 57 and the Wm. S. Townsend League, Abstract No. 104, of Fayette County, Texas. Said 9.41 acres being all of the same lands conveyed to the State by the following listed deeds:

| Grantor | Volume | Page |
|-------------------|---------|---------|
| Lessely Hackemack | 246 | 166 |
| Willie Georges | 246/280 | 160/488 |
| George Neustedt | 246 | 194 |
| Arthur Fricke | 280 | 491 |
| John Eichler | 280 | 494 |

Also included are other rights of way conveyed to the County of Fayette. Said 9.41 acres being a strip of land 80.00 feet wide, 40.00 feet either side of the highway centerline which is more particularly described as follows, to wit;

Beginning at a point where the extended centerline of a county road intersects the centerline of F.M. 1457 at Engineer's Centerline Station Number 115+65.00;

Thence N 85° 54' 00" E, along the said F.M. 1457 centerline, a distance of 80.90 feet to the P.C. of a 04° curve to the right, being Engineer's Centerline Station Number 116+45.90;

Thence along the said centerline around said curve to the right, a distance of 311.70 feet to the end of said curve at Engineer's Centerline Station Number 119+57.60;

Thence continuing along the centerline S 81° 38' 00" E, a distance of 1,820.70 feet to the P.C. of an 08° curve to the right at Engineer's Centerline Station Number 137+78.30;

Thence around said curve to the right, a distance of 420.80 feet to the P.T. of said curve at Engineer's Centerline Station Number 141+99.10;

Thence continuing along the centerline of F.M. 1457, a distance of 2,520.90 feet to the end of the herein described centerline at Engineer's Centerline Station Number 167+20.00;

The above described tract contains 9.41 acres of land and being as indicated on the official right of way map which is on file with the Texas Department of Transportation and is identified under Control Numbers 1441-1-1 and 2.

Wm. S. Townsend League
Abst. 104

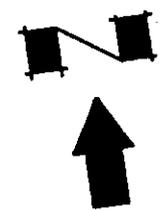
League Line

STA. 146+17
Co. RD.

F.M. 1457

To Shelby

Wm. H. Jack League
Abst. 57



Co. RD. STA. 167+20

PT. STA. 161+00

P.T. STA. 141+99.10

P.C. STA. 137+83.3

STA. 130+64

P.T. STA. 119+57.60
P.C. STA. 116+45.90

Co. RD. STA. 115+65

Co. RD. STA. 116+94

MAP SHOWING
PORTION OF F.M. 1457
RIGHT OF WAY
FAYETTE COUNTY

 AREA TO BE LEASED - 9.41 ACRES

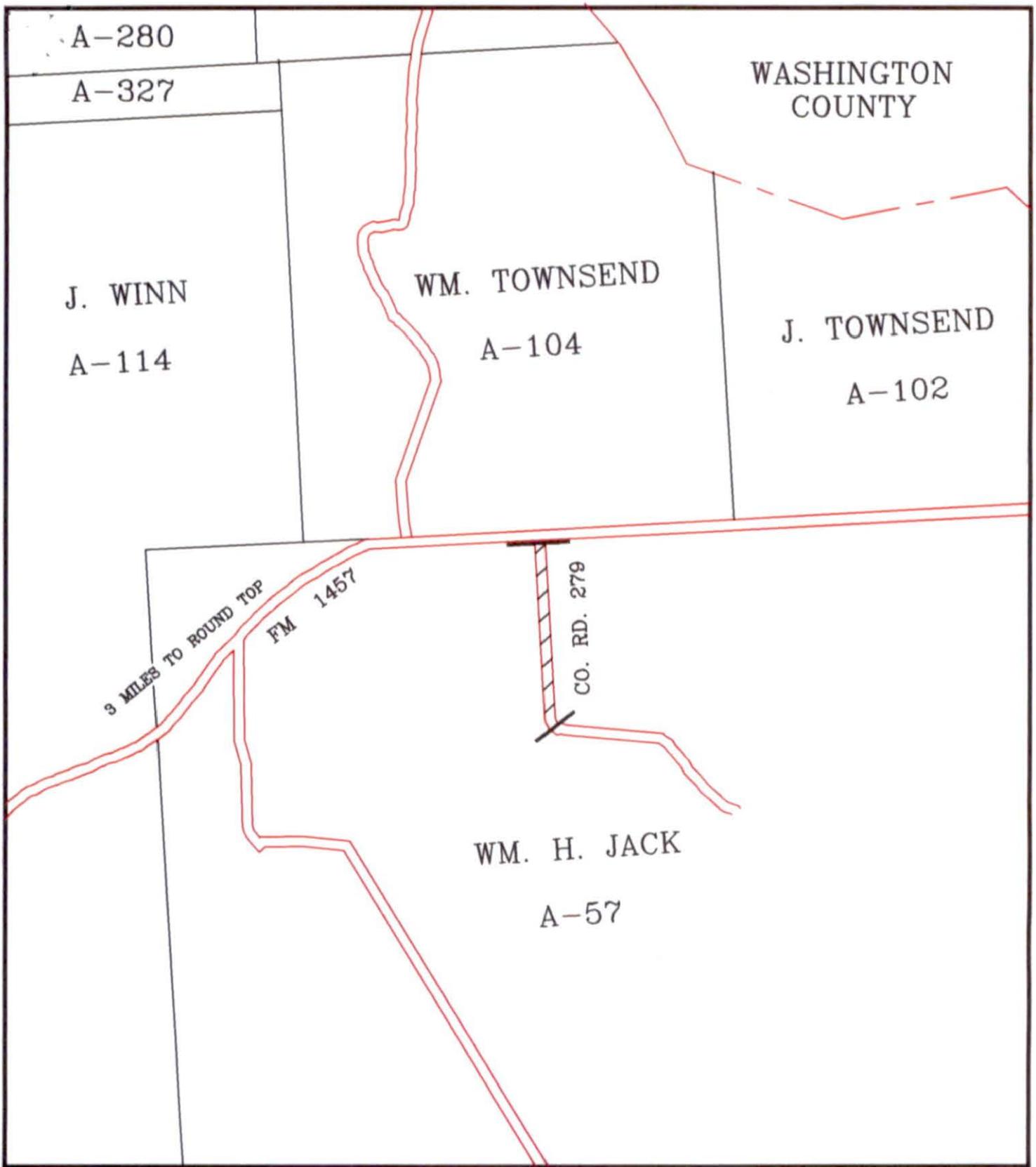


Fayette County
C.R. 279
No. 401

Exhibit "A"

Being 2.7 acres of land, more or less, situated in the William H. Jack League, A-57, of Fayette County, Texas. Said 2.7 acres being part of the same lands conveyed to the State by the following listed deeds:

1. Deed dated June 24, 1942, recorded in Vol. 186, Page 566 of the Deed Records of Fayette County, Texas, executed by Gus Ickert and wife, Martha Ickert, in favor of Fayette County, conveying a tract of .93 acres of land, more or less, out of the William H. Jack League;
2. Deed dated June 17, 1942, recorded in Vol. 186, Page 568 of the Deed Records of Fayette County, Texas, executed by Walter Wagoner and wife, Eaenestine Wagoner, in favor of Fayette County, conveying a tract of 2.56 acres, more or less, out of the William H. Jack League.



MAP SHOWING
2.7 ACRE PORTION OF COUNTY ROAD 279
3 MILES EAST OF ROUND TOP
FAYETTE, COUNTY

MF M-952486
Item Memo
To _____
From _____
Date 5.24.93

3

ELLIS & PREHN, P.C.

ATTORNEYS AT LAW

615 UPPER NORTH BROADWAY FCB 246

1020 FIRST CITY TEXAS TOWER

CORPUS CHRISTI, TEXAS 78477

TELEPHONE: (512) 884-5507

TELECOPIER: (512) 884-5627

STEVEN W. ELLIS
BOARD CERTIFIED
OIL, GAS AND MINERAL LAW
TEXAS BOARD OF LEGAL SPECIALIZATION

DAVID W. PREHN

OF COUNSEL:
J. BENNETT TRIMBLE, JR.

SUZANNE E. GIESECKE
THOMAS R. MCBATH

March 5, 1993

Texas General Land Office
Lease Administration
1700 North Congress
Room 640
Austin, Texas 78707

Re: Mineral Estate in and under Farm to Market Road 1457 INsofar as said road intersects a tract of 191.226 acres, out of the W. H. Jack League, A-57, the James Winn League, A-114, and the W. S. Townsend 1/4 League, A-104, Fayette County, Texas, described in Oil, Gas and Mineral Lease dated June 20, 1988 from Glenn G. Krause and wife, Esther Ann Krause, to Felmont Oil Corporation, recorded in Volume 287, Page 752 of the Oil and Gas Lease Records of Fayette County, and a tract of 75.14 acres out of the W. H. Jack League, A-57, described in Oil, Gas and Mineral Lease dated June 6, 1991, from Ima Jean Alston, et al, to Torch Oil & Gas Company, recorded in Volume 312, Page 715 of the Oil and Gas Lease Records of Fayette County, Texas

Gentlemen:

We have conducted a title examination on each of the above-referenced tracts of 191.226 acres and 75.14 acres, based upon Title Runsheets furnished by South Texas Hydrocarbons, Inc., Petroleum Landmen, of Corpus Christi, Texas. The materials furnished to us revealed no evidence of a conveyance to the State of Texas covering the above-referenced roadway.

It is our opinion that, in the absence of a Deed or other Memoranda of Title to the State of Texas, title to the oil, gas and other minerals in and under the above-referenced portion of FM 1457 is vested to the center of the road in the adjoining landowners, subject to any prescriptive rights claimed by the State of Texas on

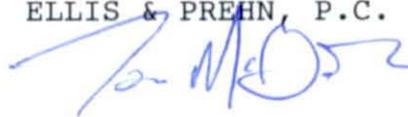
Texas General Land Office
Lease Administration
March 5, 1993
Page 2

behalf of the public.

If you have any comments or questions regarding the above,
please contact my office.

Very truly yours,

ELLIS & PREHN, P.C.



Tom R. McBath

TRM/lgs

TRM\Letters\TGLO.ltr

ELLIS & PREHN, P.C.

ATTORNEYS AT LAW

615 UPPER NORTH BROADWAY FCB 246

1020 FIRST CITY TEXAS TOWER

CORPUS CHRISTI, TEXAS 78477

TELEPHONE: (512) 884-5507

TELECOPIER: (512) 884-5627

STEVEN W. ELLIS
BOARD CERTIFIED
OIL, GAS AND MINERAL LAW
TEXAS BOARD OF LEGAL SPECIALIZATION

DAVID W. PREHN

OF COUNSEL:
J. BENNETT TRIMBLE, JR.

SUZANNE E. GIESECKE
THOMAS R. MCBATH

March 4, 1993

Texas General Land Office
Lease Administration
1700 North Congress
Room 640
Austin, Texas 78707

Re: Mineral Estate in and under County Road ²⁷⁹~~729~~
Fayette County, Texas

Gentlemen:

We have been provided and we have examined the following deeds, conveying to Fayette County various tracts of land forming the right-of-way for County Road ~~729~~ within the William H. Jack League in Fayette County, Texas, as follows: ²⁷⁹

1. Deed dated June 24, 1942, recorded in Volume 186, Page 566 of the Deed Records of Fayette County, Texas, executed by Gus Ickert and wife, Martha Ickert, in favor of Fayette County, conveying a tract of 0.93 acres of land, more or less, out of the William H. Jack League;
2. Deed dated June 17, 1942, recorded in Volume 186, Page 568 of the Deed Records of Fayette County, Texas, executed by Walter Wagoner and wife, Earnestine Wagoner, in favor of Fayette County, Texas, conveying a tract of 2.56 acres of land out of the William H. Jack League.

From our review of the above-described deeds, it is our opinion that fee simple title to the tracts of land described in such deeds, together with all of the interest in the oil, gas and other minerals in and under said lands held by the grantors on the date of said conveyances passed to and became vested in Fayette County, by virtue of such conveyances.

Texas General Land Office
Lease Administration
March 4, 1993
Page 2

If you require further comment with respect to the above,
please contact my office.

Very truly yours,

ELLIS & PREHN, P.C.

Steven W. Ellis (L&S)

Steven W. Ellis

SWE/lgs

SWE\Letters\TGLO.ltr

MF M-952486
Item Ltr
To _____
From Steven Ellis
Date 5-5-93

UNION PACIFIC RESOURCES COMPANY
801 Cherry Street
Fort Worth, Texas 76101

March 9, 1993

Commissioner of Texas General Land Office
1700 North Congress Avenue, Room 640
Austin, Texas 78701-1495

RE: Oil and Gas Lease proposal

Dear Sir:

Our company is interested in leasing the mineral interests owned by the State of Texas located under FM 1457 and County Road 279, Fayette County, Texas, for a primary term of six (6) months. We are proposing to drill a horizontal well within this area. As required by your department, we are enclosing the following information:

- Plat of subject roadway
- Affidavit of Waiver by lease owners and schedule of leases
- Certified copies of existing leases and extensions
- Affidavit of Bonus consideration and royalty paid
- Plat of existing leases on either side of subject roadway
- \$100.00 processing fee

Please expedite our lease proposal, and advise me of any further information needed by calling (512) 882-6582.

Sincerely,

UNION PACIFIC RESOURCES COMPANY

By: Bruce A. Spindler
Bruce A. Spindler, Agent

COLLECTION ITEM ONLY

No. 02362

DALLAS
TEXAS COMMERCE BANK - FORT WORTH, TEXAS
~~ONE TANDY CENTER~~ ATTN: Collection Dept.
P.O. BOX ~~499~~ 660197
~~FORT WORTH, TEXAS 76101~~
Dallas, Texas 75266-0197

DATE March 9, 1993

COLLECT DIRECTLY THROUGH

1 Banking Days after Sight and Subject to Approval of Title

Pay to the Order of Commissioner of the General Land Office \$ 100.00

ONE HUNDRED AND NO/100 DOLLARS

With Exchange

Consideration for: Application/Processing fee for Oil, Gas and Mineral Lease

Covering: acres, more or less, out of the William H. Jack Survey, A-57, Fayette County, Texas; (FM 1457 and Co. Rd. 279)

State Lease; Warmke prospect; BILL GROOM 877-7731

07300178616

BY Bruce A. Spindler

CUSTOMER'S DRAFT

With privilege of Re-Draft

ORIGINAL

MF M-952486
Item Ltr
To _____
From Spindler
Date 3.9.93

5



March 11, 1993

Mr. Bruce Spindler
Union Pacific Resources Company
P.O. Box 7
Fort Worth, Texas 76101-0007

Re: Highway Right-Of-Way Lease
4.5 acres along FM 1457 & 2.7 acres along CR 279
W.H. Jack Survey, A-57
Fayette County, Texas

Dear Mr. Spindler,

Your application to lease the above referenced right-of-way has been approved as to form by the Lease Administration department of the General Land Office.

Further, I have been informed by the Texas Department of Transportation that their office has no objection to the application. Upon completion of the required field notes and plat, I will place the lease on the next available docket for School Land Board review.

Under the applicable statutes and existing policy governing the issuance of oil and gas leases on rights-of-way, I have found no cause for the School Land Board to deny this application, therefore, your client, Union Pacific Resources Company is entitled to a lease on the applicable portion of the right-of-way.

If you have any questions concerning this matter, please call me at 512-475-1534.

Sincerely, ,
Drew Reid
Drew Reid, Landman
Lease Administration
Energy Resources

MF M-952436
Item Ltr
To _____
From Reid
Date 3.11.93

170
J

SOUTH TEXAS HYDROCARBONS, INC.
OIL AND GAS PROPERTIES

TELEPHONE
AREA CODE 512
882-6582

MAILING ADDRESS
P.O. BOX 1977
CORPUS CHRISTI, TEXAS 78403

April 14, 1993

Mr. Drew Reid
Texas General Land Office
Stephen F. Austin Building
1700 North Congress Avenue
Room 604
Austin, Texas 78701-1495

RE: Notice to send Lease
Approximately 7 acres
Wm. H. Jack Survey, A-57
FM 1457 & CR 279
Fayette County, Texas

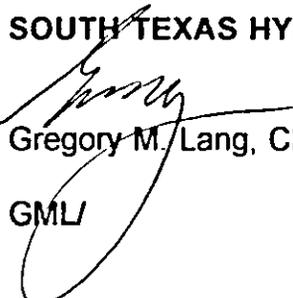
Dear Drew:

Upon completion and approval of the lease covering the above property, leased to **Union Pacific Resources Company**, please forward the executed lease to my attention at the mailing address above.

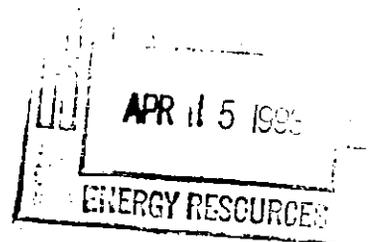
As always, thanks for your help, I remain,

Very truly yours,

SOUTH TEXAS HYDROCARBONS, INC.


Gregory M. Lang, CPL

GML/



MF M-952486
Item Ltr
To Reid
From D Lang
Date 9.14.93

7

A7E00

SOUTH TEXAS HYDROCARBONS, INC.
OIL AND GAS PROPERTIES

TELEPHONE
AREA CODE 512
882-6582

MAILING ADDRESS
P.O. BOX 1977
CORPUS CHRISTI, TEXAS 78403

June 2, 1993

Mr. Drew Reid
Texas General Land Office
1700 North Congress Avenue
Room 640
Austin, Texas 78701-1495

RE: Additional Bonus Consideration
12.11 gross/net
FM 1457 and CR 279
Fayette County, Texas
UNION PACIFIC RESOURCES COMPANY ✓

X747.⁵⁵

93058555

Dear Drew:

Please find enclosed a sight draft in the amount of \$747.55 for the additional acreage contained on FM 1457.

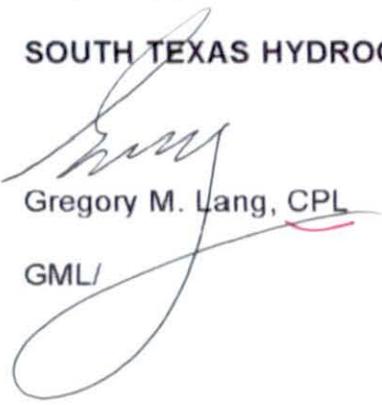
We had previously paid \$1,096.20 with our initial application thus making a total bonus consideration of \$1,843.75.

Upon execution by the chairman, please forward this lease to my attention at the address above along with the GeoSouthern Lease.

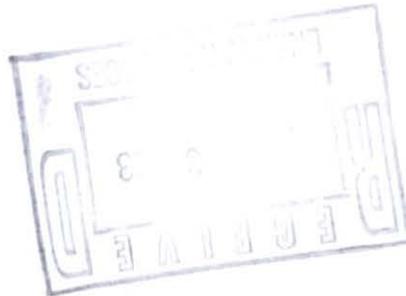
Should you have a question, please call.

Very truly yours,

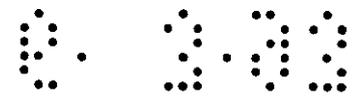
SOUTH TEXAS HYDROCARBONS, INC.


Gregory M. Lang, CPL

GML/



MF M-952436
Item Ltr
To Rud
From D. Lang
Date 6-2-930



UNION PACIFIC RESOURCES COMPANY
801 Cherry Street
Fort Worth, Texas 76101

March 9, 1993

Commissioner of Texas General Land Office
1700 North Congress Avenue, Room 640
Austin, Texas 78701-1495

RE: Oil and Gas Lease proposal

Dear Sir:

Our company is interested in leasing the mineral interests owned by the State of Texas located under FM 1457 and County Road 279, Fayette County, Texas, for a primary term of six (6) months. We are proposing to drill a horizontal well within this area. As required by your department, we are enclosing the following information:

- Plat of subject roadway ~~X~~ 100.00 **93040155**
- Affidavit of Waiver by lease owners and schedule of leases
- Certified copies of existing leases and extensions
- Affidavit of Bonus consideration and royalty paid
- Plat of existing leases on either side of subject roadway
- \$100.00 processing fee ~~X~~ 1096.²⁰ **93041055**

Please expedite our lease proposal, and advise me of any further information needed by calling (512) 882-6582.

Sincerely,

UNION PACIFIC RESOURCES COMPANY

By: Bruce A. Spindler
Bruce A. Spindler, Agent,



COLLECTION ITEM ONLY

No. 02363

DALLAS, TX
TEXAS COMMERCE BANK - FORT WORTH, TEXAS
~~ONE TANDY CENTER~~ ATTN: Collection Dept.
P.O. BOX ~~1230~~ 660197
~~FORT WORTH, TEXAS 76101~~
DALLAS, TEXAS 75266-0197

COLLECT DIRECTLY THROUGH

DATE March 12, 1993

CUSTOMER'S DRAFT
With privilege of Re-Draft

-0- Banking Days after Sight and Subject to Approval of Title

Pay to the Order of Commissioner of Texas General Land Office \$ 1,096.20

ONE THOUSAND NINETY-SIX AND 20/100 DOLLARS
With Exchange

Consideration for: Oil and Gas Lease
Covering: 7.20 acres, more or less, Fayette County, Texas

AFE# 14618

WARMKE AREA - Bill Groom (817) 877-7731

07300178616

BY Bruce A. Spindler
Bruce A. Spindler

ORIGINAL

CASH
CHECK
MONEY ORDER
CASHIER'S CHECK
DRAFT



AMOUNT ~~X~~ 1096.20

REGISTER# 93041055

FOR Hwy Right of
Way base

MAIL CODE

170

DELIVER TO

Drew Reid



✓
NAME Union Pacific Resources
ADDRESS 801 Cherry St.
Fort Worth Tx 76101

MF M-952486
Item Letter/Bank Draft
To _____
From B. Spindler
Date 3-9-93

21200

WAIVER OF NOTICE AND
RIGHT OF FIRST REFUSAL

This **WAIVER OF NOTICE AND RIGHT OF FIRST REFUSAL** (the "Waiver") is executed on this 5th day of March, 1993, by TORCH OIL & GAS COMPANY, TORCH ENERGY ASSOCIATES, and TORCH OPERATING COMPANY, referred to herein as the "Adjacent Owners".

WITNESSETH:

WHEREAS, Adjacent Owners are the owners and holders of certain Oil, Gas and Mineral Leases covering land and are described on EXHIBIT "A" attached hereto, which land adjoins or is adjacent to tracts of land commonly known as FM 1457 and County Road 279, Fayette County, Texas, (the "Subject Lands"); and

WHEREAS, pursuant to Texas Natural Resources Code § 32.201 and/or § 9.5 of Title 31 of the Texas Administrative Code, Adjacent Owners, by virtue of being an adjacent mineral owner with respect to the Subject Lands, is or may be entitled to notice of the proposed leasing of the Subject Lands, and has a preferential right to lease the Subject Lands; and

WHEREAS, Adjacent Owners desire to waive said right to notice.

NOW, THEREFORE, in consideration of the premises, and as permitted by § 32.201 (f) of the Texas Natural Resources Code and § 9.5 (4) (C) (iv) and § 9.5 (4) (D) (v) of Title 31 of the Texas Administrative Code, Adjacent Owners hereby waives the right, if any, to receive notice of the proposed or intended leasing of the Subject Lands. This Waiver is general in scope and shall be binding upon the successors and assigns of Adjacent Owners.

EXECUTED AND EFFECTIVE as of the date set forth above.

TORCH OIL & GAS COMPANY
TORCH ENERGY ASSOCIATES
TORCH OPERATING COMPANY

By: _____

Name: Matthew S. Ramsey
Title: Vice-President

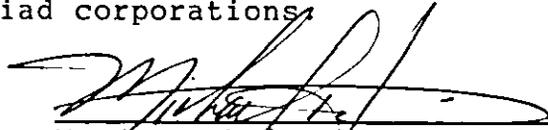


STATE OF TEXAS

COUNTY OF HARRIS

This instrument was acknowledged before me on the 5th day of March 1993, by MATTHEW S. RAMSEY as VICE PRESIDENT of TORCH OIL AND GAS COMPANY, TORCH ENERGY ASSOCIATES, and TORCH OPERATING COMPANY, _____ Corporations, on behalf of said corporations.





Notary Public, State of Texas
Notary's printed name:

Notary's commission expires:

MF M-952436
Item Wainer
To _____
From _____
Date 3-5-93

AFFIDAVIT

COUNTY OF FAYETTE §

STATE OF TEXAS §

KNOW ALL MEN BY THESE PRESENTS:

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared MATTHEW S. RAMSEY as VICE PRESIDENT of TORCH OIL & GAS COMPANY, TORCH ENERGY ASSOCIATES and TORCH OPERATING COMPANY, all Delaware Corporations, a credible person of lawful age, who, after being duly sworn, did depose and say:

THAT, TORCH OIL & GAS COMPANY, TORCH ENERGY ASSOCIATES, and TORCH OPERATING COMPANY is owner, holder, and successor Lessee to certain Oil, Gas and Mineral Leases covering lands out of the William H. Jack Survey, Abstract 57, Fayette County, Texas; and

THAT TORCH OIL & GAS COMPANY, TORCH ENERGY ASSOCIATES, and TORCH OPERATING COMPANY has paid a bonus consideration of \$50.00 per net mineral acre for a one (1) year extension of said Oil, Gas and Mineral Leases; and

THAT the highest royalty granted by the original LESSEE, ~~being~~ being FELMONT OIL COMPANY, was three-sixteenths (3/16ths).

FURTHER AFFIANT SAYETH NOT.

TORCH OIL & GAS COMPANY
TORCH ENERGY ASSOCIATES
TORCH OPERATING COMPANY

By: _____

NAME: Matthew S. Ramsey
TITLE: Vice-President

Approval
[Signature]

SUBSCRIBED AND SWORN to before me on this 5th day of March, 1993.



[Signature]
Notary Public, State of Texas

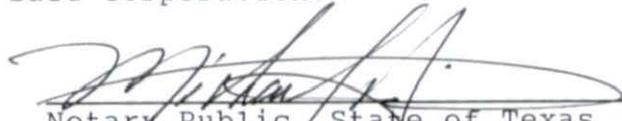
Notary's printed name:
Notarys commission expires:

STATE OF TEXAS

COUNTY OF HARRIS

This instrument was acknowledged before me on the 5th day of March, 1993 by MATTHEW S. RAMSEY as VICE PRESIDENT of TORCH OIL & GAS COMPANY, TORCH ENERGY ASSOCIATES, and TORCH OPERATING COMPANY, _____ corporations, on behalf of said corporations.





Notary Public, State of Texas
Notary's printed name:

Notary's commission expires:

AFFIDAVIT

COUNTY OF FAYETTE §

STATE OF TEXAS §

KNOW ALL MEN BY THESE PRESENTS:

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Dale C. Weimer as Landman of UNION PACIFIC RESOURCES COMPANY, a Delaware Corporation, a credible person of lawful age, who, after being duly sworn, did depose and say:

THAT UNION PACIFIC RESOURCES COMPANY is currently acquiring certain Oil, Gas and Mineral Leases covering the undivided interests owned by the following mineral owners in the lands described below:

130 acres of land, more or less, out of the William Townsend Survey, A-104 and the James Winn Survey, A-114, Wm. Jack Survey, A-57, Fayette County, Texas

TEXAS OSAGE ROYALTY POOL, INC. 37.5% INTEREST
115 E. Travis Street, Suite 1032
San Antonio, Texas 78205-1605

KERR-MCGEE CORPORATION 12.5% INTEREST
P. O. Box 25861
Oklahoma City, Oklahoma 73125

and;

THAT UNION PACIFIC RESOURCES COMPANY and above-named mineral owners have agreed to lease said undivided interests under the following terms:

TEXAS OSAGE ROYALTY POOL, INC. \$150.00/AC bonus; 9/32 royalty; 1 year primary term

KERR-MCGEE CORPORATION NO BONUS; 25.0% royalty; 6 month primary term

FURTHER AFFIANT SAYETH NOT.

UNION PACIFIC RESOURCES COMPANY

By: Dale C. Weimer
NAME: Dale C. Weimer
TITLE: Landman

SUBSCRIBED AND SWORN to before me this the 5 day of March, 1993.



Sharon L. Cunningham
Notary Public, State of Texas
Notary's printed name: SHARON L. CUNNINGHAM
Notary's commission expires: May 23, 1993

STATE OF TEXAS §

COUNTY OF Tarrant §

This instrument was acknowledged before me on the 5 day of March, 1993 by Dale C. Steiner as President of UNION PACIFIC RESOURCES COMPANY, a Delaware corporation, on behalf of said corporation.



Sharon L. Cunningham

Notary Public, State of Texas
Notary's printed name:

SHARON L. CUNNINGHAM
Notary's commission expires:

May 23, 1993

MF M-952436
Item Affidavit 2
To _____
From _____
Date 3-5-93

186/566

John W. ...

-----oOo-----

RIGHT OF WAY DEED

THE STATE OF TEXAS |
COUNTY OF FAYETTE | KNOW ALL MEN BY THESE PRESENTS: THAT, (We), Gus Ickert and Martha Ickert,
husband and wife, of the County of Fayette, State of Texas, for and in consideration of the sum
of Fifty & no/100 Dollars, to (us) in hand paid by the County of Fayette, in the State of Texas,
receipt of which is hereby acknowledged, have this day Sold, and do by these presents Bargain,
Sell, and Convey unto the County of Fayette, all that certain tract or parcel of land situated in
Fayette County, Texas, described as follows: A part of the Wm. H. Jack League in Fayette County,
Texas, described by metes and bounds as follows, to-wit: Beginning at a stake marking the West
corner of a 49 2/5 acre tract conveyed by Jul. Schwierzke to Gus Ickert, deed recorded in Vol.
100, Page 595, Deed Records, Fayette County, Texas. Said stake marks the South corner of a 20
ft. reserve along the NW line of said Gus Ickert 49 2/5 acre tract. Said reserve was conveyed to
Walter Wagner by deed recorded in Vol. 166, pages 404-409, Deed Records, Fayette County, Texas;
Thence S. 47° E. 7.2 varas to a stake in the SW line of said Gus Ickert tract; Thence N. 43° E.
733 varas parallel to and 20 ft from the NW line of Gus Ickert tract to a stake in the SW margin
of Industry-Round Top Road; Thence N. 47° W. 7.2 varas to a stake in the NW line of Gus Ickert
tract; Thence S. 43° W. 733 varas along the NW line of said Ickert tract and the SE line of a 20
ft. wide reserve to the place of beginning, and containing 93/100 acres of land. And for the same
consideration, grantors agree to remove from the property above described, such fences, buildings,

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RIGHT OF WAY DEED

THE STATE OF TEXAS |
 |
COUNTY OF FAYETTE | KNOW ALL MEN BY THESE PRESENTS: THAT, (We), Walter Wagner and Ernestine

Wagner, husband and wife, of the County of Fayette, State of Texas, for and in consideration of the sum of Ninety-six (\$96.00) Dollars, to (us) in hand paid by the County of Fayette, in the State of Texas, receipt of which is hereby acknowledged, have this day Sold, and do by these presents Bargain, Sell, and Convey unto the County of Fayette, all that certain tract or parcel of land situated in Fayette County, Texas, described as follows: A part of the Wm. H. Jack League in Fayette County, Texas, described by metes and bounds as follows, to-wit: Beginning at a stake marking the most western corner of a 57.4 acre tract conveyed by Jul. Schwierzke to Walter Wagner, by deed recorded in Vol. 165, pages 404 to 409, Deed Records, Fayette County, Texas; Thence S. 38 3/4° E. 635 varas along the SW line of said Wagner 57.4 acre tract to a stake near the north corner of Michael Wolff 192 acre tract; Thence N. 43° E. 7.2 varas to a stake; Thence N. 38 3/4° W. 612 varas parallel to and 20 ft. from the SW line of said Wagner 57.4 acre tract to a stake; Thence N. 2 1/2° E. 14.4 varas to a stake for a corner. Said stake being set S. 47° E. 40 ft. from the SE line of H. Ledbetter (now Eichler) tract; Thence N. 43° E. 307.5 varas to a stake in the SW line of Gus Ickert tract; Thence N. 47° W. 7.2 varas to a stake for the West corner of said Ickert tract, which is also the south corner of above named 20 ft reserve; Thence N. 43° E. 733 varas along the Gus Ickert NW line and the SE line of said reserve to a stake in the SW margin of Industry-Round Top Road; Thence N. 47° W. 7.2 varas to a stake in the SE line of H. Ledbetter tract; Thence S. 43° W. 1080 varas along said Ledbetter tract to the place of beginning, and containing 2.56 acres of land. And for the same consideration, grantors agree to 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 County of Fayette, and its assigns. And (We) do hereby bind (ourselves), (our) heirs, executors and administrators to FOREVER WARRANT AND DEFEND the rights and title to said premises unto the said County of Fayette against every person whomsoever lawfully claiming, or to claim the same, or any part thereof. WITNESS (our) hand(s), this the 17 day of June, A.D., 1942.

Walter Wagner
Ernestine Wagner

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 any-wise belonging unto the County of Fayette, and its assigns. And I (We) do hereby bind myself, (ourselves), my (our) heirs, executors and administrators to FOREVER WARRANT AND DEFEND the right and title to said premises unto the said County of Fayette against every person whomsoever law-fully claiming, or to claim the same, or any part thereof. WITNESS my (our) hand(s), this the 24 day of June, A.D., 1942.

Gus Ickert.
Martha Ickert

THE STATE OF TEXAS |
 |
COUNTY OF FAYETTE | BEFORE ME, the undersigned authority in and for Fayette County, Texas,
on this day personally appeared Gus Ickert and Martha Ickert, his wife, both known to me to be
the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that
they each executed the same for the purposes and consideration therein expressed. And the said
Martha Ickert, wife of the said Gus Ickert, having been examined by me privily and apart from
her husband, and having the same fully explained to her, she, the said Martha Ickert, acknow-
ledged such instrument to be her act and deed, and she declared that she had willingly signed
the same for the purposes and consideration therein expressed, and that she did not wish to re-
tract it. GIVEN UNDER MY HAND AND SEAL OF OFFICE, This the 24 day of June, 1942.

(L.S.) E. L. Fricke Notary Public in and for Fayette County, Texas.
E. L. FRICKE

FILED FOR RECORD at 5 o'clock P. M. on Monday the 20th day of July 1942
John A. Kubena County Clerk, Fayette County, Texas By Leona C. Giese Deputy.

I hereby certify that the above and foregoing is a true and correct copy of the original Right
of Way Deed from Gus Ickert, et ux, to Fayette County, together with all the certificates endors
thereto. RECORDED This the 22nd. day of July, A. D. 1942, at 1:05 o'clock P. M.

John A. Kubena, County Clerk, Fayette Co., Texas By *Leona C. Giese*, Depu

-----oOo-----
RIGHT OF WAY DEED

THE STATE OF TEXAS |
 |
COUNTY OF FAYETTE | KNOW ALL MEN BY THESE PRESENTS: THAT, (We), Fritz Kiel and Richard Wolf
of the County of Fayette, State of Texas, for and in consideration of the sum of One (\$1.00)
Dollars, to (us) in hand paid by the County of Fayette, in the State of Texas, receipt of which
is hereby acknowledged, have this day Sold, and do by these presents Bargain, Sell, and Convey
unto the County of Fayette, all that certain tract or parcel of land situated in Fayette County,
Texas, described as follows: A part of the Wm. H. Jack League in Fayette County, Texas, de-
scribed by metes and bounds as follows: Beginning at a stake marking the east corner

56

MF M-952436
Item R.O.W. Deed
To _____
From _____
Date _____

4224

VOL 287 PAGE 752 OIL, GAS AND MINERAL LEASE TX 7140008-01

THIS AGREEMENT made this 20th day of June 1989, between Glenn G. Krause and wife Esther Ann Krause

lessor (whether one or more), whose address is: Route 2, Box 148, Burton, Texas 77835 and Felmont Oil Corporation, 350 Glenmont, Ste 300, Houston, Tx 77835, lessee, WITNESSETH:

1. Lessor, in consideration of ten 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, 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 Fayette, State of Texas, and is described as follows:

See Exhibit "A" attached hereto and made a part hereof

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 lessee by limitation, prescription, possession, reversion or recorded 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 191.226 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 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 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 pro rata 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 (if such gas is sold by lessee) 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 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 40 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

Carmine State Bank Bank at Carmine, Texas 78932, or its successors, which shall continue as the depository, regardless of changes in ownership of delay rental, royalties, or other moneys, the sum of \$1912.26

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 release 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.

1/6
1/6
1/6
1/6

three (3) years
G.G.K.

E.A.K.
1/6

6. 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 on its anniversary date next following the ninetieth 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 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 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.

EXHIBIT "A" to Oil, Gas and Mineral Lease dated June 20, 1989 from Glenn G. Krause and wife to Felmont Oil Corporation, covering 191.226 acres, more or less, Fayette County, Texas.

191.226 acres of land, more or less, out of the James Winn, A-114, W.H. Jack A-57, and W. S. Townsend A-104, Surveys, Fayette County, Texas, and comprised of the following tracts.

82.50 acres of land, more or less, situated in the Wm. S. Townsend 1/4 League, A-104, W.H. Jack League A-57, James Winn League A-114, Fayette County, Texas, and being more particularly described in that certain Deed dated July 31, 1974, from George H. Nustedt et ux to Glenn Krause, recorded in Volume 470, Page 999, Deed Records of Fayette County, Texas;

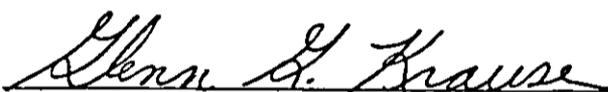
60 acres of land, more or less, situated in the W. S. Townsend 1/4 League A-104, Fayette County, Texas, and being more particularly described in that certain Deed dated January 16, 1976, from Rubin A. Krause to Glenn Krause recorded in Volume 487, Page 751, Deed Records of Fayette County, Texas;

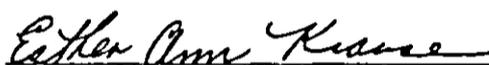
6.477 acres of land, more or less, situated in the Wm. S. Townsend 1/4 League, James Winn League A-114, Wm. H. Jack League A-57, Fayette County, Texas, and being more particularly described in that certain Deed dated April 10, 1968, from George Nustedt et ux to Glenn Krause recorded in Volume 396, Page 566, Deed Records of Fayette County, Texas;

0.226 acres of land, more or less situated in the W. S. Townsend 1/4 League A-104, Fayette County, Texas, and being more particularly described in that certain Deed dated May 22, 1968, from Henry Wolff et ux to Glenn G. Krause recorded in Volume 397, Page 436, Fayette County, Texas;

42.023 acres of land, more or less, situated in the W.S. Townsend 1/4 League A-104, W.H. Jack League, A-47, James Winn League, A-114, Fayette County, Texas, and being more particularly described in that certain Deed dated February 3, 1983 from George H. Nustedt et ux to Glenn Krause recorded in Volume 626, Page 104, Fayette County, Texas, to which reference is heremade to each tract for descriptive purposes only and not for any quantity of interest herein conveyed.

SIGNED FOR IDENTIFICATION:


Glenn G. Krause


Esther Ann Krause

12. In the event of a test well on this lease, lessee or operator to pay \$500.00 per location, plus additional compensation for actual damage if any.

13. Upon completion of a well a producer or dry hole, operator shall promptly restore the surface of the ground to its original condition as nearly as practical, including restoration of roads to their original or better condition. No roads will be used by Lessee now on the leased premises without prior permission granted by Lessor.

14. Notwithstanding anything hereinabove to the contrary, in the event a first well is drilled on the leased premises; and lessor chooses to exercise its right to pool the lease premises with other land or lands so as to form a pooled unit in accordance with paragraph 4 hereof; then a minimum of eighty surface acres of the leased premises will be included in that pooled unit. Subsequent wells on the leased premises and wells not on the leased premises shall allow lessor to pool in any manner provided in accordance with paragraph 4 of said lease.

15. With reference to oil pooling, Paragraph 4, oil units shall comprise 40-acres plus 10% tolerance for production above 7500'; oil units below 7500' may comprise 160 acres plus 10% tolerance, or as may be prescribed by the Texas Railroad Commission.

16. With reference to gas pooling, Paragraph 4, gas units may comprise 160 acres plus 10% tolerance for production above 5000', 320 acres plus tolerance between 5000-10,000', and 640 acres plus tolerance below 10,000'.

17. Upon termination of this lease, lessee will furnish lessor a release in recordable form; after the primary term, all acreage not held by production by producing units, 40/160 acres (plus tolerance if applicable) for oil and 160/320/640 acres (plus tolerance if applicable) for gas, must be released promptly by an appropriate and recordable instrument.

18. Lessor reserves the right to retain any well drilled for the use of water, or the test well with surface pipe in place in the event of a dry hole, the latter transferable only pursuant to the appropriate Texas Railroad Commission form and procedure. Lessee may not use water for drilling or other operations from lessor's wells or other surface reservoirs without consent from lessor and/or surface owner, and no water will be used from subsurface fresh water strata for water-flooding projects without permission.

19. Notwithstanding anything hereinabove to the contrary, it is expressly agreed and understood that Lessee's right to maintain this lease in force after the primary term by shut-in gas well payments under Paragraph 3 shall not continue for any one shut-in period of more than two years (2) immediately following the primary term, or in recurring periods after the primary term not to exceed 2 years (2) years in the aggregate.

Signed for identification:


Glenn G. Krause

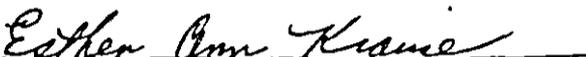

Esther Ann Krause

EXHIBIT "B" to Oil, Gas and Mineral Lease dated June 20, 1989 from Glenn G. Krause and wife, to Felmont Oil Corporation, covering 191.226 acres, more or less, Fayette County, Texas.

20. While there is a gas well on this lease which is capable of producing gas or oil and liquified hydrocarbons, in paying quantities, but said gas or oil and liquified hydrocarbons are not being sold, Lessee, commencing on the anniversary date hereof or 90 days from the date of the completion of such well, which ever date occurs first, may pay Lessor the sum of fifteen dollars (\$15.00) per acre on the number of acres on which this lease is considered to be in force, which payment is herein called "shut-in gas royalty" and thereafter said sum shall be paid at annual intervals on or before the anniversary date of said first payment, as long as the well remains shut-in.

21. Subject to the provisions of Paragraph 3 hereof, all royalty payments on actual production shall be due within one hundred twenty (120) days after the end of the month in which the production occurred. Should lessee fail to pay such royalty within such time for any reason other than title disputes or adverse claims, then Lessee shall pay to Lessor interest on said royalties at the rate of 5.00% above the prime rate set by Texas Commerce Bank, N.A., Houston, Texas or its successors, per annum from the date such royalties become payable until the date of payment thereof.

22. Interest on late payments shall be paid at the rate of interest as set out in Paragraph 21 above.

23. Lessor must be advised at time of change of changes in Operator, Producer, Purchaser, and Distributor of Revenue.

24. This lease shall be for the exploration of oil and gas and associated minerals only, including but not limited to sulphur if produced in conjunction with oil and/or gas from the same well bore.

25. Lessee further agrees to construct and erect at Lessee's sole cost and expense a permanent type cattleguard and gate sufficient to retain livestock and brace sufficiently the barbed wires where the fence is cut so there will be no slackening of the wires. Lessee also agrees to keep entrance cattle guard closed and locked at all times except during operations for drilling, or reworking operations.

26. "Drilling operations" or "operations for drilling" as used in this lease shall mean that a drilling rig capable of drilling to total permit depth is in position with the bit on the ground and rotating.

27. Lessee agrees that any drilling pad installed on the premissis shall consist of crushed limestone.

28. Conditions prescribed in this addendum shall prevail if contrary to language anywhere on the printed lease form.

SIGNED FOR IDENTIFICATION:


Glenn G. Krause

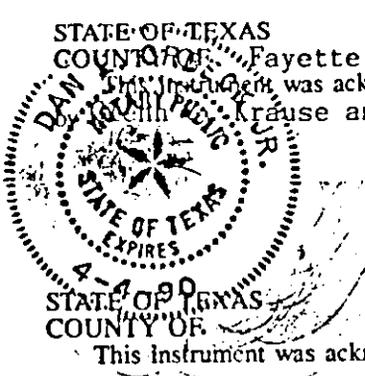

Esther Ann Krause

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

VOL 287 PAGE 757

Glenn G. Krause
Glenn G. Krause
Social Security No. [REDACTED]

Esther Ann Krause
Esther Ann Krause
Social Security No.: [REDACTED]



ACKNOWLEDGEMENT

STATE OF TEXAS }
COUNTY OF Fayette }
This instrument was acknowledged before me on the 21st day of June, 1989, by Glenn G. Krause and wife Esther Ann Krause

Dan E. Orbeck, Jr.
Notary Public, State of Texas
Notary's name (printed): Dan E. Orbeck, Jr.
Notary's commission expires: 4/4/90

ACKNOWLEDGEMENT

STATE OF TEXAS }
COUNTY OF }
This instrument was acknowledged before me on the _____ day of _____, 19____, by _____

Notary Public, State of Texas
Notary's name (printed):
Notary's commission expires:

CORPORATE ACKNOWLEDGEMENT

STATE OF TEXAS }
COUNTY OF }
This instrument was acknowledged before me on the _____ day of _____, 19____, by _____ of _____ a _____ corporation, on behalf of said corporation.

Notary Public, State of Texas
Notary's name (printed):
Notary's commission expires:

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

No. _____
Oil, Gas and Mineral Lease

FROM
Glenn G. Krause, et ux

TO
Felmont Oil Corporation

Dated _____, 19____

No. Acres _____

County _____

Term _____

This instrument was filed for record on the 5th _____

day of September, 1989, at

2:30 o'clock P. M., and duly recorded in

Book _____, Page _____

of the _____ records of this office.

Irene Pratika
IRENE PRATKA, County Clerk

By _____, Deputy

When recorded return to

Felmont Oil Corp.
350 Glenborough, Suite 300
Houston, Texas 77067

FOUND PRINTING & STATIONERY COMPANY
2325 Fannin, Houston, Texas 77002 (713) 659-3159

RECORDED THIS THE 20th DAY OF September A.D. 1989, AT 1:35 O'CLOCK P. M.
BY Irene Pratika DEPUTY
ANNE BERAN

THE STATE OF TEXAS }
County of Fayette

Clerk of the County

Court in and for Fayette County, Texas, do hereby certify that the above and foregoing instrument is a full, true and correct copy as recorded in Volume

287 Page 752 of the Auto Gas Lease Records of said County.

TO CERTIFY ALL OF WHICH, Witness my hand and seal of office, at office, is La Grange, Texas, this the 5th day of March, A.D.

1993

[L.S.]

Irene Pratkanis
Clerk, County Court, Fayette
County, Texas

By Virginia Ulrich, Deputy
VIRGINIA ULRICH

EXTENSION AND RATIFICATION OF OIL AND GAS LEASE

THE STATE OF TEXAS §

COUNTY OF FAYETTE §

606 WHEREAS, on the 20th day of June 1989, a certain Oil and Gas Lease was entered into by and between GLENN G. KRAUSE and wife, ESTHER ANN KRAUSE, Rt. 2, Box 148, Burton, Texas, 77835, as Lessor, and FELMONT OIL CORPORATION, 350 Glenmont, Suite 300, Houston, Texas 77835, as Lessee, recorded in Volume 287, at Page 752, Oil and Gas Lease Records, Fayette County, Texas, covering the following tract of land to wit:

191.226 acres, more or less, a part of the James Winn League, A-114, W.H. Jack League, A-57 and the W.S. Townsend League, A-104, Fayette County, Texas, and being more particularly described in that certain Oil, Gas and Mineral Lease referenced above.

WHEREAS, the primary term of said Oil and Gas Lease was for a three year term to expire June 20, 1992; and

WHEREAS, it is the desire of Lessor and successor Lessee, TORCH ENERGY ASSOCIATES, 1221 Lamar, Suite 1600, Houston, Texas 77010, to extend the primary term of said lease for an additional one (1) year from June 20, 1992, unless production or other terms of the lease apply.

NOW THEREFORE, in consideration of Ten Dollars (\$10.00) and other good and valuable considerations, receipt of which is hereby acknowledged, this lease is hereby amended to extend the primary term for one (1) year from June 20, 1992 to June 20, 1993, and the parties hereto do hereby adopt, ratify, grant and confirm said lease as hereby amended, and do agree that said lease as amended hereby is binding on the parties hereto, and is a valid and subsisting Oil and Gas Lease in accordance with the provisions of such lease and this amendment.

IN WITNESS WHEREOF, the parties hereto have executed this agreement on this the 10 day of June, 1992.

Glenn G. Krause
GLENN G. KRAUSE
SSN [REDACTED]

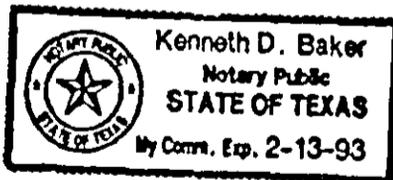
Esther Ann Krause
ESTHER ANN KRAUSE
SSN [REDACTED]

THE STATE OF TEXAS §

COUNTY OF FAYETTE §

This instrument was acknowledged before me on the 10 day of June, 1992, by Glenn G. Krause and wife, Esther Ann Krause.

Kenneth D. Baker
Notary Public, State of Texas



\$5.00 Pd.
Return:
Torch Energy Associates
1221 Lamar, Suite 1600
Houston, Tx. 77010
Attn.: Jaci Shank

FILED FOR RECORD

At 2:00 O'clock P. M.

The 18th. Day of June 1992
IRENE PR.1KA

Carolyn Kubos Roberts
Clerk County Court, Fayette County, Texas
Deputy
CAROLYN KUBOS/ROBERTS

RECORDED THIS THE 15th DAY OF July A.D. 1992 AT 2:35 O'CLOCK P. M.
IRENE PRATKA, COUNTY CLERK BY *Anne Beran* ANNE BERAN DEPUTY

THE STATE OF TEXAS }
County of Fayette

Clerk of the County

Court in and for Fayette County, Texas do hereby certify that the above and foregoing instrument is a full, true and correct copy as recorded in Volume

331 Page 599 of the Old Map Series Records of said County.
TO CERTIFY ALL OF WHICH, Witness my hand and seal of office, at
office, is La Grange, Texas, this the 5th day of March, A.D.,

1993

Irene Pratkan
Clerk, County Court, Fayette
County, Texas

[L.S.]

By Virginia Ulrich, Deputy
VIRGINIA ULRICH

OIL, GAS AND MINERAL LEASE NO. 312 PAGE 715

THIS AGREEMENT made this 6th day of June 1991, between

IMA JEAN ALSTON, Individually and as Independent
Executrix of the Estate of Richard F. Alston, Dec'd.

Lessor (whether one or more), whose address is: Route 1, Box 102, Round Top, Texas 78954
and Torch Oil & Gas Company, 1221 Lamar, Suite 1600, Houston, Texas 77001
Lessee, WITNESSETH:

I, Lessor in consideration of ----- TEN DOLLARS AND NO/100'S ----- Dollars
(\$ 10.00), in hand paid, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively
unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas and all other minerals, conducting exploration,
geologic and geophysical surveys by seismograph, core test, gravity and magnetic methods, injecting gas, water and other fluids, and air into subsurface strata, laying
pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and
contiguous thereto, to produce, save, take care of, treat, transport and own said products, and housing its employees, the following described land in

Fayette County, Texas, to-wit:

75.14 acres, more or less, out of the W.H. Jack Survey, Abstract 57,
Fayette County, Texas and being more particularly described in deed
dated January 23, 1960 from Bennie R. Leonhardt et ux to Richard F.
Alston et ux recorded in Volume 317, Page 455 of the Deed Records of
Fayette County, Texas to which reference is here made for descriptive
purposes only.

This lease also covers and includes all land owned or claimed by Lessor adjacent or contiguous to the land particularly described above, whether the same be in said sur-
vey or surveys or in adjacent surveys, although not included within the boundaries of the land particularly described above. For the purpose of calculating the rental
payments hereinafter provided for, said land is estimated to comprise 75.14 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall be for a term of One (1) years from this date (called "primary term") and as
long thereafter as oil, gas or other mineral is produced from said land or land with which said land is pooled hereunder.

1/6
sga
1/6
sga

3. The royalties to be paid by Lessee are: (a) on oil, 80% of that produced and saved from said land, the same to be delivered at the wells or to the credit of
Lessor into the pipelines to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor
prevailing for the field where produced on the date of purchase; (b) to pay lessor on gas and casinghead gas produced from said land (1) when sold by lessee, 80% 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, 80%
of the amount realized from the sale of gasoline or other products extracted therefrom and 80% of the amount realized from the sale of residue gas after
deducting the amount used for plant fuel and/or compression; while there is a gas well on this lease or on acreage pooled therewith but gas is not being sold or used;
Lessee may pay as royalty, on or before ninety (90) days after the date on which (1) said well is shut in, or (2) the land covered hereby or any portion thereof is included
in a pooled unit on which a well is located, or (3) this lease ceases to be otherwise maintained as provided herein, whichever is the later date, and thereafter at annual inter-
vals on or before the anniversary of the date the first payment is made, a sum equal to the amount of the annual rental payable in lieu of drilling operations during
the primary term on the number of acres subject to this lease at the time such payment is made, and if such payment is made or tendered, this lease shall not terminate,
and it will be considered that gas is being produced from this lease in paying quantities; and (c) on all other minerals mined and marketed, one-tenth either in kind or
value as the well or mine, at Lessee's election, except that on sulphur mined and marketed the royalty shall be fifty cents (50¢) per long ton. Lessee shall have free use of
oil, gas, coal, and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil, gas and coal shall be computed after
deducting any so used.

sga
1/6
1/6
sga

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof as to oil and gas, or either
of them, with any other land covered by this lease, and/or with any other land, lease or leases in the immediate vicinity thereof to the extent hereinafter stipulated, when
in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises in compliance with the spacing
rules of the Railroad Commission of Texas, or other lawful authority, or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in
and water and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 80 acres each in area, and units pooled for gas
hereunder shall not substantially exceed in area 640 acres each plus a tolerance of ten percent (10%) thereof, provided that should governmental authority having
jurisdiction prescribe or permit the creation of units larger than those specified, 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, units hereafter created may conform substantially in size with those prescribed or permitted by govern-
mental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease or any portion thereof as above provided as to oil in any one
or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units in-
to which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances
shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the
county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit; and upon such recordation the unit shall
be effective as to all parties hereto, their heirs, successors, and assigns, irrespective of whether or not the unit is likewise effective as to all other owners of surface,
mineral, royalty, or other rights in land included in such unit. Lessee may at its election exercise its pooling option before or after commencing operations for or com-
pleting an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing
oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. In the
event of operations for drilling on or production of oil or gas from any part of a pooled unit which includes all or a portion of the land covered by this lease, regardless
of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument
designating the pooled unit such operations shall be considered as operations for drilling on or production of oil and gas from land covered by this lease
whether or not the well or wells be located on the premises covered by this lease and in such event operations for drilling shall be deemed to have been commenced on
said land within the meaning of paragraph 3 of this lease; and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided,
shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of com-
puting the royalties to which owners of royalties and payments out of production and each of them shall be entitled on production of oil and gas, or either of them,
from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit (or to each separate tract within the unit if this lease covers
separate tracts within the unit) a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the
pooled unit. Such allocation shall be on an acreage basis—that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit (or
to each separate tract within the unit if this lease covers separate tracts within the unit) that pro rata portion of the oil and gas, or either of them, produced from the pooled
unit which the number of surface acres covered by this lease (or in each such separate tract) and included in the pooled unit bears to the total number of surface acres in-
cluded in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land
covered by this lease and included in the unit just as though such production were from such land. The production from an oil well will be considered as production
from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production
from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. The formation of any unit hereunder shall not have the effect of changing
the ownership of any delay rental or shut-in production royalty which may become payable under this lease. If this lease now or hereafter covers separate tracts, no
pooling or unitization of royalty interest 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 as provided above with consequent allocation of production as above 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 associates, from that as to any other
part of the leased premises.

sga
see Ex.
A, par
#12.

5. If operations for drilling are not commenced on said land or on acreage pooled therewith as above provided on or before one year from this date, the lease shall
then terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender (or shall make a bona fide attempt to pay or tender, as hereinafter

stated) to Lessor or to the credit of Lessor in _____ Bank at _____

Texas, (which bank and its successors are Lessor's agent and shall continue as the depository for all rentals payable hereunder regardless of changes in ownership of
said land or the rentals) the sum of This is a paid-up lease.

Dollars (\$ _____), (herein called rentals), which shall cover the
privilege of deferring commencement of drilling operations for a period of twelve (12) months. In like manner and upon like payments or tenders annually, the
commencement of drilling operations may be further deferred for successive periods of twelve (12) months each during the primary term. The payment or tender of rental
under this paragraph and of royalty under paragraph 3 on any gas well from which gas is not being sold or used may be made by the check or draft of Lessee mailed or
delivered to the parties entitled thereto or to said bank on or before the date of payment. If such bank (or any successor bank) should fail, liquidate or be succeeded by
another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payment or tender or rental until thirty (30)
days after Lessor shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders. If Lessee shall, on or before
any anniversary date, make a bona fide attempt to pay or deposit rental to a Lessor entitled thereto according to Lessee's records or to a Lessor, who, prior to such at-
tempted payment or deposit, has given Lessee notice, in accordance with subsequent provisions of this lease, of his right to receive rental, and if such payment or
deposit shall be ineffective or erroneous in any regard, Lessee shall be unconditionally obligated to pay to such Lessor the rental properly payable for the rental period
involved, and this lease shall not terminate but shall be maintained in the same manner as if such erroneous or ineffective rental payment or deposit had been properly
made, provided that the erroneous or ineffective rental payment or deposit be corrected within 30 days after receipt by Lessee of written notice from such Lessor of such
error accompanied by such instruments as are necessary to enable Lessee to make proper payment. The down cash payment in consideration for this lease according to
its terms and shall not be allocated as a mere rental for a period. Lessee may at any time or times execute and deliver to lessor or to the depository above named or place
of record a release or releases of this lease as to all or any part of the above-described premises, or of any mineral or horizon under all or any part thereof, and thereby
be relieved of all obligations as to the released land or interest. If the lease is released as to all minerals and horizon under a portion of the land covered by this lease, the
rentals and other payments computed in accordance therewith shall thereupon be reduced in the proportion that the number of surface acres with a such released por-
tion bears to the total number of surface acres which was covered by this lease immediately prior to such release.

6. If prior to discovery and production of oil, gas or other mineral on said land or on acreage pooled therewith, Lessee should drill a dry hole or holes thereon, or if after discovery and production of oil, gas or other mineral, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within sixty (60) days thereafter or if it be within the primary term, commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of sixty days from date of completion of dry hole or cessation of production. If at any time subsequent to sixty (60) days prior to the beginning of the last year of the primary term and prior to the discovery of oil, gas or other mineral on said land, or on acreage pooled therewith, Lessee should drill a dry hole thereon, no rental payment or operations are necessary in order to keep the lease in force during the remainder of the primary term. If at the expiration of the primary term, oil, gas or other mineral is not being produced on said land, or on acreage pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon or shall have completed a dry hole thereon within sixty (60) days prior to the end of the primary term, the lease shall remain in force so long as operation on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than sixty (60) consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from said land or acreage pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within three hundred thirty (330) feet of and draining the leased premises, or acreage pooled therewith, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances.

7. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessor's consent.

8. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns; but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part, liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. In the event of the death of any person entitled to rentals hereunder, Lessee may pay or tender such rentals to the credit of the deceased or the estate of the deceased until such time as Lessee is furnished with proper evidence of the appointment and qualification of an executor or administrator of the estate, or if there be none, then until Lessee is furnished with evidence satisfactory to it as to the heirs or devisees of the deceased and that all debts of the estate have been paid. If at any time two or more persons be entitled to participate in the rental payable hereunder, Lessee may pay or tender said rental jointly to such persons or to their joint credit in the depository named herein; or, at Lessee's election, the proportionate part of said rentals to which each participant is entitled may be paid or tendered to him separately or to his separate credit in said depository; and payment or tender to any participant of his portion of the rentals hereunder shall maintain this lease as to such participant. In event of assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportionable as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

9. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil, gas or other mineral in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator, but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas or other mineral in paying quantities.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty in event of failure of title, it is agreed that 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 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. All royalty interest covered by this lease (whether or not owned by Lessor) shall be paid out of the royalty herein provided. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same. Failure of Lessee to reduce rental paid hereunder shall not impair the right of Lessee to reduce royalties.

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

ATTACHED TO AND MADE PART OF THAT CERTAIN OIL, GAS AND MINERAL LEASE DATED June 6, 1991 between Ima Jean Alston, as Lessor, and Torch Oil & Gas Company, as Lessee.

12. Units pooled for oil hereunder, as provided in paragraph 4, shall not substantially exceed one hundred sixty acres(160) each in area, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, for the drilling or operation of a well or wells or for obtaining maximum allowable from any well to be drilled, drilling or already drilled, units thereafter created may conform substantially in size with those prescribed or permitted by governmental regulations.

13. In the event a portion 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 the land included in such unit or units. This lease may be maintained in force as to any land covered hereby and not included in such unit or units in any manner provided for herein, including proportionate delay rental payments computed in the proportion that the leased area outside of the unit or units bears to the total acreage contained in the lease. If at or after the end of the primary term this lease is being maintained as a part of the lands by operations on or production from a pooled unit or units, embracing lands covered hereby and other land and if at any time there be land covered hereby which is not situated in such unit or units and as to which the lease is not being maintained by operations or production, Lessee shall have the right to maintain the lease as to such land by delay rental payments exactly as if it were during the primary term, provided that the lease may not be so maintained in force by delay rental payments for a period in excess of ~~two(2)~~ *two* years beyond the primary term.

14. It is understood and agreed that Lessee, its successors and assigns, shall pay Lessor for any damage done to crops, trees or livestock by reason of operation thereon and shall pay for any damage to roads, culverts, bridges and fences, or other improvements on Lessor's lands resulting from the use by Lessee in connection with geophysical exploration thereof, or any other mineral development thereon by Lessee, its successors or assigns, and that upon the abandonment of said lease, or surrender thereof, Lessee, its successors or assigns, shall level all levees around slush pits and/or other excavations and generally restore the surface of the land covered hereby as nearly to its present condition as reasonably possible. In the event of drilling on said land, Lessee, its successors or assigns, shall install cattle guards at all fence crossings used by it or them in connection with said operations even though Lessor maintains gates that could be used.

15. Notwithstanding anything contained to the contrary herein, it is agreed and understood that this lease covers only oil, gas and associated hydrocarbons; this lease does not cover coal, lignite, iron ore, gravel and/or uranium.

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

Ima Jean Alston
Ima Jean Alston

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

VOL 312 PAGE 718

Ima Jean Alston
IMA JEAN ALSTON, Ind. and as Ind.
Executrix u/w/o Richard F. Alston,
Deceased.

S.S.N. [REDACTED]

STATE OF TEXAS
COUNTY OF FAYETTE

INDIVIDUAL ACKNOWLEDGMENT

Before me, the undersigned authority, on this day personally appeared Ima Jean Alston in the
capacity stated herein.

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 11th day of June, 1991.

My Commission Expires
2/13/93

Notary Public in and for the State of: Kenneth D. Baker
Notary's Printed Name: Kenneth D. Baker

STATE OF _____
COUNTY OF _____

HUSBAND AND WIFE ACKNOWLEDGMENT

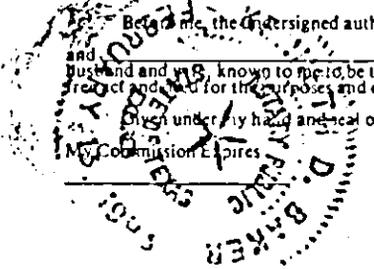
Before me, the undersigned authority, on this day personally appeared _____

and _____, known to me to be the persons whose names are subscribed to the forgoing instrument, and acknowledged to me that they executed the same as their
joint 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: _____
Notary's Printed Name: _____



Producers 88 (4-76) Revised
with 640 Acres Pooling Provision

Oil, Gas and Mineral Lease

FROM

Ima Jean Alston, Indlv. & as
Independent Executrix of the
Estate of Richard F. Alston,
Dec'd. TO
Torch Oil & Gas Company

Dated _____, 19____

No. Acres _____ County, Texas

Term _____

This instrument was filed for record on the 18th.

day of June, 1991, at

1:00 o'clock P. M., and duly recorded in

Book _____ Page _____

of the _____ Records of this office.

Irene Pratika
IRENE PRATKA
County Clerk

By _____ Deputy

When recorded return to

Torch Operating Company
1221 Lamar, Suite 1600
Houston, Texas 77010

Attn.: Michael Hamric
Pound Printing & Stationery Co., Houston, Texas

RECORDED THIS THE 3rd. DAY OF

July

A.D., 1991 AT 11:05 O'CLOCK A. M
BY Anne Beran DEPUTY
ANNE BERAN

THE STATE OF TEXAS }
County of Fayette

Clerk of the County

Court in and for Fayette County. I do hereby certify that the above and foregoing instrument is a full, true and correct copy as recorded in Volume

312 Page 715 of the Deeds Has Gene records of said County.

TO CERTIFY ALL OF WHICH, Witness my hand and seal of office, at office, in La Grange, Texas, this the 5th day of March, A.D. 1993

(L.S.)

James Pratha
Clerk, County Court, Fayette
County, Texas

By Deputy, Virginia Ulrich

VIRGINIA ULRICH

EXTENSION AND RATIFICATION OF OIL AND GAS LEASE

THE STATE OF TEXAS §

COUNTY OF FAYETTE §

155 WHEREAS, on the 6th day of June 1991, a certain Oil and Gas Lease was entered into by and between IMA JEAN ALSTON, Individually and as Independent Executrix of the Estate of Richard F. Alston, Deceased, Rt. 1, Box 102, Round Top, Texas, as Lessor, and Torch Oil and Gas Company, 1221 Lamar, Suite 1600, Houston, Texas 77010, as Lessee, recorded in Volume 312, at Page 715, Oil and Gas Lease Records, Fayette County, Texas, covering the following tract of land to wit:

75.14 acres, more or less, a part of the W.H. Jack League, A-57, Fayette County, Texas, and described in that certain deed dated January 23, 1960 from Bennie R. Leonhardt et ux to Richard F. Alston, et ux recorded in Volume 317, Page 455 of the Deed Records of Fayette County, Texas.

WHEREAS, the primary term of said Oil and Gas Lease was for a one year term to expire June 6, 1992; and

WHEREAS, it is the desire of Lessor and Lessee, TORCH OIL AND GAS COMPANY, 1221 Lamar, Suite 1600, Houston, Texas 77010, to extend the primary term of said lease for an additional one (1) year from June 6, 1992, unless production or other terms of the lease apply.

NOW THEREFORE, in consideration of Ten Dollars (\$10.00) and other good and valuable considerations, receipt of which is hereby acknowledged, this lease is hereby amended to extend the primary term for one (1) year from June 6, 1992 to June 6, 1993, and the parties hereto do hereby adopt, ratify, grant and confirm said lease as hereby amended, and do agree that said lease as amended hereby is binding on the parties hereto, and is a valid and subsisting Oil and Gas Lease in accordance with the provisions of such lease and this amendment.

IN WITNESS WHEREOF, the parties hereto have executed this agreement on this the 3 day of June, 1992.

Ima Jean Alston
IMA JEAN ALSTON, Individually,
and as Independent Executrix of
the Estate of Richard F. Alston,
Deceased

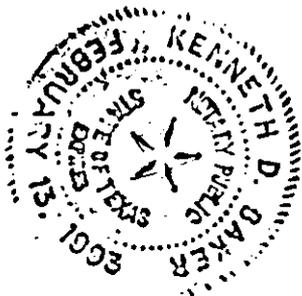
SSN: [REDACTED]

STATE OF TEXAS §

COUNTY OF FAYETTE §

This instrument was acknowledged before me on the 3rd day of June, 1992, by Ima Jean Alston, in the capacity stated above.

Kenneth D. Baker
Notary Public, State of Texas



Return to: \$5.00 Pd.
Torch Energy Advisors
1221 Lamar, Suite 1600
Houston, Texas 77010

FILED FOR RECORD

At 4:45 O'clock P. M.

The 3rd Day of June 1992

IRENE PRATKA

Clerk County Court Fayette County
By Kathy Svoboda
KATHY SVOBODA

RECORDED THIS THE 25th DAY OF June A.D. 1992 AT 1:30 O'CLOCK P.M.
IRENE PRATKA, COUNTY CLERK BY Anne Beran ANNE BERAN DEPUTY

THE STATE OF TEXAS }
County of Fayette

Clerk of the County

Court in and for Fayette County, Texas, do hereby certify that the above and foregoing instrument is a full, true and correct copy as recorded in Volume

330 Page 858 of the Oil & Gas Lease Records of said County.

TO CERTIFY ALL OF WHICH, Witness my hand and seal of office, at
office, in La Grange, Texas, this the 5th day of March, A.D.
1993

W.S.

Drew Pratha

Clerk, County Court, Fayette
County, Texas

By Virginia Ulrich, Deputy

VIRGINIA ULRICH

4435

288 PAGE 339

OIL, GAS AND MINERAL LEASE VOL

THIS AGREEMENT made this 17th day of July 1989, between Robert Earl McWilliams and wife Gerane S. McWilliams

Lessor (whether one or more), whose address is: 13415 Kimberly, Houston, Texas 77079 and Felmont Oil Corporation, 350 Glenborough, Ste. 300, Houston, Tx. 77067

Witnesseth: Lessor, in consideration of ten 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, ditches, canals, build tanks, power stations, telephone lines, employ a house, and other structures on said land, apparatus 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 Fayette State of Texas and is described as follows:

35.67 acres, more or less, out of the W. H. Jack Survey, A-57, Fayette County, Texas and being more particularly described in that certain Deed dated September 13, 1969 from Reinhardt Georges et al to Robert Earl McWilliams and wife Gerane S. McWilliams, recorded in Volume 415, Page 607 of the Deed Records of Fayette County, Texas.

It is agreed and understood that there will be no drilling operations conducted on the surface of the herein leased premises without the prior written consent of the Lessor.

SEE EXHIBIT "A" ATTACHED HERETO FOR ADDITIONAL PROVISIONS

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 35.67 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.

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.

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 ~~part~~ ^{1/6} 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~~ ^{1/6} ~~market~~ ^{1/6} price of such oil at the well as of the day it is run to the pipe line or storage tanks, lessor's interest, in either case, to bear ~~the~~ ^{1/6} cost of treating oil to render it marketable pipe line oil; (b) To pay lessor on gas and casinghead gas produced from said land ~~the~~ ^{1/6} ~~net~~ ^{1/6} 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 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 tanks, 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 lessor's right to release as provided in paragraph 4 hereof in event of abandonment of the 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.

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 of 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, drilled, 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 units 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 4 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.

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 City National Bank of Houston Bank at P.O. Box 2557, Houston, TX 77252, or its successors, which shall continue as the depository, regardless of changes in ownership of delay rental, royalties, or other monies, the sum of \$356.70

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 monies, 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 monies, 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.

Three (3) R.E.Mc
R.E.Mc
G.S.Mc.
1/6

6. 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 on its anniversary date next following the ninetieth 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 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 8 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 8 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.

EXHIBIT "A" TO THAT CERTAIN OIL, GAS AND MINERAL LEASE
FROM ROBERT EARL McWILLIAMS AND WIFE GERANE S. McWILLIAMS
TO FELMONT OIL CORPORATION DATED JULY 17, 1989

12. Notwithstanding anything to the contrary provided for in this lease:

- a) It is specifically agreed and understood that this lease covers only oil, gas, sulphur and all other liquified and/or gaseous hydrocarbons together with other associated minerals produced through the well bore or refined as by-products of or in connection with oil and gas production.
- b) If part of the acreage, but not all of it, covered by this lease is placed in a pool or unit as authorized in this lease, then operations upon or production from such unit (or units) will keep this lease in force and effect only as to the acreage included in said unit. That acreage covered by this lease and not included in the pooled unit (or units) may preserved in force and effect under the terms of this lease by any other means provided in the lease; provided that if it be by rental payments then rentals shall be payable only on the numer of acres covered by this lease and not included in the unit (or units).
- c) Lessee shall pay the surface owner for all damages caused caused by its operations hereunder to houses, buildings, fences, wells and other improvements and to cattle and other livestock, and to growing crops and grasses. As soon as it is practicable after completion of drilling operations on the leased premises Lessee shall fill in and and cover up all all slush pits and other excavations made in the course of operations hereunder and shall clean up the drillsite and restore the surface of the ground to as near its former condition as is practicable.
- d) This agreement shall be binding on each of the above named parties who execute this agreement, regardless of whether it ia executed by any of the other parties.
- e) All of the provisions of this lease shall inure to the benefit of and be binding upon the parties hereto , their heirs, adminitrators, successors and assigns.

SIGNED FOR IDENTIFICATION:

Robert Earl McWilliams
Robert Earl McWilliams

Gerane S. McWilliams
Gerane S. McWilliams

VOL 288 PAGE 342

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

Robert Earl McWilliams
Robert Earl McWilliams

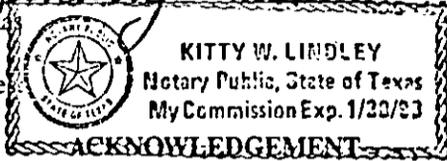
Gerane S. McWilliams
Gerane S. McWilliams

STATE OF TEXAS
COUNTY OF Harris

This instrument was acknowledged before me on the

21st day of July, 1989

Kitty W. Lindley
Notary Public, State of Texas
Notary's name (printed):
Notary's commission expires:



STATE OF TEXAS
COUNTY OF

This instrument was acknowledged before me on the

day of , 19

Notary Public, State of Texas
Notary's name (printed):
Notary's commission expires:

STATE OF TEXAS
COUNTY OF

CORPORATE ACKNOWLEDGEMENT

This instrument was acknowledged before me on the

day of , 19

by
of
a corporation, on behalf of said corporation.

Notary Public, State of Texas
Notary's name (printed):
Notary's commission expires:

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

No. _____

Oil, Gas and Mineral Lease

FROM

Robert Earl McWilliams, et ux

TO

Felmont Oil Corporation

Dated _____, 19____

No. Acres _____

County _____

Term _____

This instrument was filed for record on the 18th.

day of September, 1989, at

2:00 o'clock P. M., and duly recorded in

Book _____, Page _____

of the Irene Pratka records of this office
IRENE PRATKA County Clerk

By _____ Deputy

\$7.00 pd.

When recorded return to

Felmont Oil Corporation

350 Glenborough, Suite 300

Houston, Texas 77067

FOUND PRINTING & STATIONERY COMPANY
2325 Farris, Houston, Texas 77002 (713) 659-3159

RECORDED THIS THE 27th DAY OF September A.D. 1989, AT 1:35 O'CLOCK P. M.
BY Anne Beran DEPUTY
ANNE BERAN

THE STATE OF TEXAS }
County of Fayette }

Clerk of the County

Court in and for Fayette County, Texas, do hereby certify that the above and foregoing instrument is a full, true and correct copy as recorded in Volume

288 Page 339 of the Oil & Gas Lease Records of said County.

TO CERTIFY ALL OF WHICH, Witness my hand and seal of office, at office, in La Grange, Texas, this the 5th day of March, A.D.

1993

Irene Prathka

Clerk, County Court, Fayette
County, Texas

By Virginia Ulrich, Deputy

VIRGINIA ULRICH

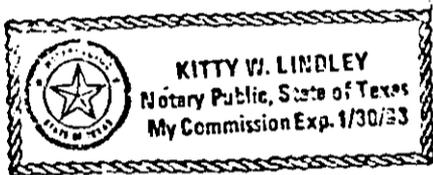
[L.S.]

STATE OF TEXAS)
)
COUNTY OF HARRIS)

On this the 10th day of July, 1992, before me personally appeared ROBERT EARL MCWILLIAMS and GERANE S. MCWILLIAMS, husband and wife, known to be the persons described in and who executed the foregoing instrument, and acknowledged they executed the same as their free act and deed.

1/30/93
My commission expires

Kitty W. Lindley
Notary Public in and for the
State of Texas.



FILED FOR RECORD

At 11:00 O'clock A. M.
The 24th Day of Aug. 19 92.

IRENE PRATKA

Irene Pratkan

Clerk County Court, Fayette County Texas
\$9.00 pd.

Torch Energy Associates
1221 Lamar, Suite 1600
Houston, Texas 77010
Attn.: Georgina Gomez

RECORDED THIS THE 14th DAY OF September A.D., 1993 AT 3:50 O'CLOCK P.M.
IRENE PRATKA, COUNTY CLERK BY Anne Beran DEPUTY
ANNE BERAN

THE STATE OF TEXAS }
County of Fayette } 1, Clerk of the County
Court in and for Fayette County, Texas, do hereby certify that the above and
foregoing instrument is a full, true and correct copy as recorded in Volume
335 Page 269 of the Quit & Has Lease Records of said County.
TO CERTIFY ALL OF WHICH, Witness my hand and seal of office, at
office, is La Grange, Texas, this the 5th day of March, A.D.
1993

[L. S.]

Irene Pratta
Clerk, County Court, Fayette
County, Texas

By, Virginia Ulrich, Deputy

VIRGINIA ULRICH

OIL, GAS AND MINERAL LEASE VOL 289 PAGE 881

THIS AGREEMENT made this 17th day of July 1989 between Katherine V. Weikel and husband, Alois G. Weikel

lessor (whether one or more), whose address is: 2502 Spring-Cypress Road, Spring, Texas 77388 and Felmont Oil Corporation, 350 Glenborough, Ste. 300, Houston, Tx. 77067 lessee. WITNESSETH:

1. Lessor, in consideration of ten 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,

herin called "said land", is located in the County of Fayette, State of Texas, and is described as follows:

23.65 acres, more or less out of the W. H. JACK LEAGUE, A-57, Fayette County, Texas and being more particularly described as two contiguous tracts, to wit:

TRACT 1: 17.835 acres, more or less out of the W. H. Jack League, A-57, Fayette County, Texas and being more particularly described in that certain Deed dated November 24, 1972 from Nelson Georges to Katherine V. Weikel and husband, Alois G. Weikel, recorded in Volume 453, Page 891 of the Deed Records of Fayette County, Texas.

TRACT 2: 5.815 acres, more or less out of the W. H. Jack League, A-57, Fayette County, Texas and being more particularly described in that certain Deed dated September 10, 1986 from Jerry Lee Warmke et al to Katherine V. Weikel, recorded in Volume 729, Page 827 of the Deed records of Fayette County, Texas.

Notwithstanding anything in this lease to the contrary, royalty on oil and gas shall be one-sixth of oil and gas produced and saved and wherever in Paragraph 3 hereof the fraction one-eighth appears, same shall be deemed to read one-sixth.

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 23.65 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 400 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, or 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 Interstate Bank at Spring, 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

\$ 23.65, 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.

K.V.W.

A.G.W.

6. 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 on its anniversary date next following the ninetieth 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 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 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.

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

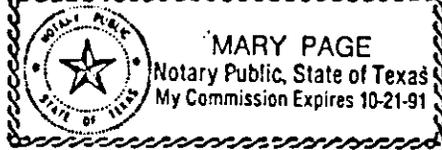
Katherine V. Weikel
Katherine V. Weikel
Social Sec. No: _____

Alois G. Weikel
Alois G. Weikel
Social Sec. No: _____

STATE OF TEXAS
COUNTY OF _____

ACKNOWLEDGEMENT

This instrument was acknowledged before me on the 27 day of July, 1989, by Katherine V. Weikel and husband, Alois G. Weikel



Mary Page
Notary Public, State of Texas
Notary's name (printed): Mary Page
Notary's commission expires: 10-21-91

Producers 88 (7-69)
With 640 Acres Pooling Provision

Oil, Gas and Mineral Lease

FROM
Katherine V. Weikel, et. vir.
TO
Felmont Oil Corporation

Dated 27, 1989

No. Acres _____

County _____

Term _____

This instrument was filed for record on the 23rd

day of October, 1989, at

11:45 o'clock A. M., and duly recorded in

Book _____, Page _____

of the _____ records of this office.

Irene Pratkan County Clerk

By _____, Deputy

\$5.00 pd

When recorded return to

Janice Keach

Felmont Oil Corp.

350 Glenborough, Suite 300

Houston, Texas 77067

PLUMB PRINTING & STATIONERY COMPANY

2225 Fannin, Houston, Texas 77002 (713) 659-3159

RECORDED THIS THE 27th DAY OF November A.D. 1989 AT 3:40 O'CLOCK P. M.
BY Anne Beran DEPUTY
IRENE PRATKA, COUNTY CLERK.

THE STATE OF TEXAS }
County of Fayette }

Clerk of the County

Court in and for Fayette County, Texas, do hereby certify that the above and foregoing instrument is a full, true and correct copy as recorded in Volume

289 Page 881 of the Oil & Gas Lease Records of said County.

TO CERTIFY ALL OF WHICH, Witness my hand and seal of office, at

office, is La Grange, Texas, this the 5th day of March, A.D.,
1993

(L.S.)

Irene Pratkanis
Clerk, County Court, Fayette
County, Texas

By Virginia Ulrich, Deputy
VIRGINIA ULRICH

EXTENSION TO OIL, GAS AND MINERAL LEASE

STATE OF TEXAS)
) KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF FAYETTE)

128
THAT, TORCH OPERATING COMPANY, of 1221 Lamar, Suite 1600, Houston, Texas 77010, is a SUCCESSOR LESSEE of an Oil, Gas and Mineral Lease dated July 17, 1989 and recorded in Volume 289, Page 881 of the Oil and Gas Records of Fayette County, Texas between KATHERINE V. WEIKEL and husband, ALOIS G. WEIKEL, of 2502 Spring-Cypress Road, Spring, Texas 77388, as LESSOR and FELMONT OIL CORPORATION, as LESSEE, insofar as said lease covers the following described land to wit:

23.65 acres, more or less out of the W. H. JACK LEAGUE, A-57, Fayette County, Texas and being more particulaly described as two contiguous tracts, to wit:
TRACT 1: 17.835 acres, more or less out of the W. H. Jack League, A-57, Fayette County, Texas and being more particularly described in that certain Deed dated November 24, 1972 from Nelson Georges to Katherine V. Weikel and husband, Alois G. Weikel, recorded in Volume 453, Page 891 of the Deed Records of Fayette County, Texas.
TRACT 2: 5.815 acres, more or less out of the W. H. Jack League, A-57, Fayette County, Texas and being more particularly described in that certain Deed dated September 10, 1986 from Jerry Lee Warmke et al to Katherine V. Weikel, recorded in Volume 729, Page 827 of the Deed records of Fayette County, Texas.

WHEREAS the primary term of said Oil, Gas and Mineral Lease is for a term of THREE (3) years, expiring July 17, 1992.

WHEREAS it is the desire of LESSOR and SUCCESSOR LESSEE, to extend the primary term of said LEASE for an additional one (1) year from July 17, 1992 to July 17, 1993.

NOW THEREFORE, in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable consideration, receipt of which is hereby acknowledged, said LEASE is hereby amended to extend the primary term for an additional one (1) year, from July 17, 1992 to July 17, 1993, and LESSOR, does hereby adopt, ratify, grant and confirm said LEASE to TORCH OPERATING COMPANY, subject to and under all of the terms and provisions of said LEASE, and does hereby agree and declare that said LEASE and the extension herein is now in full force and effect.

IN WITNESS WHEREOF, LESSOR executed this Agreement on this the 3rd day of July, 1992.

Katherine V. Weikel
KATHERINE V. WEIKEL

Alois G. Weikel
ALOIS G. WEIKEL

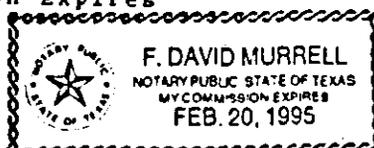
STATE OF TEXAS)
)
COUNTY OF)

FILED FOR RECORD
At 11:30 O'clock A.M.
The 8th. Day of July 19 92
IRENE PRATKA
Irene Pratkan
Clerk County Court, Fayette County Texas

\$5.00 pd.
Torch Energy Advisors, Inc.
1221 Lamar, Suite 1600
Houston, Texas 77010
Attn.: Mike Hamric

On this the 3rd day of July, 1992, before me personally appeared KATHERINE V. WEIKEL and ALOIS G. WEIKEL, wife and husband, known to be the persons described in and who executed the foregoing instrument, and acknowledged they executed the same as their free act an deed.

F. David Murrell
Notary Public

Commission Expires

F. DAVID MURRELL
NOTARY PUBLIC STATE OF TEXAS
MY COMMISSION EXPIRES
FEB. 20, 1995

RECORDED THIS THE 3rd DAY OF August A.D., 1992 AT 11:05 O'CLOCK A M.
IRENE PRATKA, COUNTY CLERK BY Anne Beran DEPUTY
ANNE BERAN

THE STATE OF TEXAS }
County of Fayette } I,
Clerk of the County
Court in and for Fayette County, Texas, do hereby certify that the above and
foregoing instrument is a full, true and correct copy as recorded in Volume
332 Page 445 of the Act. & Sec. Lease Records of said County.
TO CERTIFY ALL OF WHICH, Witness my hand and seal of office, at
office, is La Grange, Texas, this the 5th day of March, A.D.
1993

[L.S.]

Alrene Pratkan
Clerk, County Court, Fayette
County, Texas
By, Virginia Ulrich, Deputy
VIRGINIA ULRICH

5167

VOL 289 PAGE 872 OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 17th day of July 1989, between Carolyn Warmke and LaNell Szymczak

lessor (whether one or more), whose address is: Rt. 7, Box 7202, Brenham, Texas 78833 and Felmont Oil Corporation, 350 Glenborough, Ste. 300, Houston, Tx. 77067, lessee, WITNESSETH:

1. Lessor, in consideration of ten 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, 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 Fayette State of Texas, and is described as follows: 11,957 acres, more or less, out of the W. H. JACK, LEAGUE, A-57, Fayette County Texas and being more particularly described in that certain Deed dated December 16, 1987 from Delta N. Mueller to Carolyn Warmke and LaNell Szymczak, recorded in Volume 760, Page 777 of the Deed Records of Fayette County, Texas.

Notwithstanding anything in this lease to the contrary, royalty on oil and gas shall be one-sixth (1/6) of oil and gas produced and saved under the terms of this lease and wherever the fraction one-eighth (1/8) appears in Paragraph 3 herein 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, delay rental or other payment hereunder, said land shall be deemed to contain 11,957 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 terminated or longer hereunder other provisions hereof, this lease shall remain in force for a term of three (3) years from the date of execution hereof, 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, the covenants and agreements (a) To deliver to the credit of lessor, in the pipe line to which lessee may connect its wells, the equal one-eighth (1/8) of the price of such production and 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, less the cost of treating of it 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

Bank at _____, or its successors, which shall continue as the depository, regardless of changes in ownership of delay rental, royalties, or other moneys, the sum of

\$ 119.57 _____ 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.

CW
C.W.
L.S.

6. 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 on its anniversary date next following the ninetieth 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 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 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 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.

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

Carolyn Warmke
Carolyn Warmke
Social Sec. No.: [REDACTED]

LaNeil Szymczak
LaNeil Szymczak
Social Sec. No.: [REDACTED]

STATE OF TEXAS
COUNTY OF [REDACTED]

ACKNOWLEDGEMENT

This instrument was acknowledged before me on the
by Carolyn Warmke

31st day of July, 1989

Cynthia A. Byrd
Notary Public, State of Texas
Notary's name (printed): CYNTHIA A. BYRD
Notary's commission expires: 2-10-90



STATE OF TEXAS
COUNTY OF [REDACTED]

ACKNOWLEDGEMENT

This instrument was acknowledged before me on the
by *LaNeil Szymczak*

27th day of July, 1989

Mary Jane Eickenhorst
Notary Public, State of Texas
Notary's name (printed): MARY JANE EICKENHORST
Notary's commission expires: 5/1/91



CORPORATE ACKNOWLEDGEMENT

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

No. _____

Oil, Gas and Mineral Lease

FROM
Carolyn Warmke, et al

TO
Felmont Oil Corporation

Dated _____ 19 _____

No. Acres _____

County _____

Term _____

This instrument was filed for record on the 23rd. day of October, 1989, at 11:45 o'clock A. M., and duly recorded in Book _____, Page _____ of the records of this office.

By *Irene Pratka* County Clerk
IRENE PRATKA

When recorded return to
By \$5.00 pd.
Janice Keach
Felmont Oil Corp.
350 Glenborough, Suite 300
Houston, Texas 77067
POUND PRINTING & STATIONERY COMPANY
2325 Fannin, Houston, Texas 77002 (713) 659-3159

RECORDED THIS THE 8th DAY OF November A.D. 1989 AT 3:25 O'CLOCK P M.
IRENE PRATKA, COUNTY CLERK. BY *Anne Beran* ANNE BERAN DEPUTY

THE STATE OF TEXAS }
County of Fayette

Clerk of the County

Court in and for Fayette County, Texas, do hereby certify that the above and foregoing instrument is a true and correct copy as recorded in Volume

289 Page 872 of the Oil & Gas Lease records of said County.

TO CERTIFY ALL WHICH, Witness my hand and seal of office, at

office, is La Grange, Texas, this the 5th day of March, A.D.,

1993

(L. S.)

Irene Pratha

Clerk, County Court, Fayette
County, Texas

By Virginia Ulrich, Deputy

VIRGINIA ULRICH

EXTENSION TO OIL, GAS AND MINERAL LEASE

STATE OF TEXAS)
)
COUNTY OF FAYETTE)
KNOW ALL MEN BY THESE PRESENTS:

127
THAT, TORCH OPERATING COMPANY, of 1221 Lamar, Suite 1600, Houston, Texas 77010, is a SUCCESSOR LESSEE of an Oil, Gas and Mineral Lease dated July 17, 1989 and recorded in Volume 289, Page 872 of the Oil and Gas Recods of Fayette County, Texas between CAROLYN WARMKE and LANELL SZYMCAK, of Route 7, Box 7202, Brenham, Texas 78833, as LESSOR and FELMONT OIL CORPORATION, as LESSEE, insofar as said lease covers the following described land to wit:

11.957 acres of land, more or less, out of the W. H. Jack League, A-57, Fayette County, Texas and being more particularly described in that certain Deed dated December 16, 1987 from Delta W. Mueller to Carolyn Warmke and LaNell Szymczak, recorded in Volume 760, Page 777 of the Deed Records, Fayette County, Texas, to which said deed, its recording and description therein, reference is made for description purposes only.

WHEREAS the primary term of said Oil, Gas and Mineral Lease is for a term of THREE (3) years, expiring July 17, 1992. WHEREAS it is the desire of LESSOR and SUCCESSOR LESSEE, to extend the primary term of said LEASE for an additional one (1) year from July 17, 1992 to July 17, 1993.

NOW THEREFORE, in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable consideration, receipt of which is hereby acknowledged, said LEASE is hereby amended to extend the primary term for an additional one (1) year, from July 17, 1992 to July 17, 1993, and LESSOR, does hereby adopt, ratify, grant and confirm said LEASE to TORCH OPERATING COMPANY, subject to and under all of the terms and provisions of said LEASE, and does hereby agree and declare that said LEASE and the extension herein is now in full force and effect.

IN WITNESS WHEREOF, LESSOR executed this Agreement on this the 3rd day of July, 1992.

Carolyn F. Warmke
CAROLYN F. WARMKE, a/k/a
Carolyn Warmke

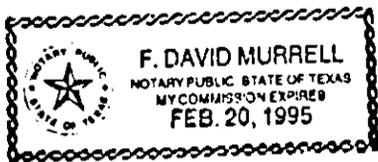
Jerry L. Warmke
JERRY L. WARMKE

STATE OF TEXAS)
)
COUNTY OF)

On this the 3rd day of July, 1992, before me personally appeared CAROLYN F. WARMKE and JERRY L. WARMKE, wife and husband known to be the person described in and who executed the foregoing instrument, and acknowledged she executed the same as her free act and deed.

Commission Expires

F. David Murrell
Notary Public \$5.00 pd.
Torch Energy Advisors, Inc.
1221 Lamar, Suite 1600
Houston, Texas 77010
At 11:30 O'clock A. M.
The 8th. Day of July, 1992. Attn.: Mike Hamric



Irene Pratka
IRENE PRATKA
Clerk County Court, Fayette County Texas

RECORDED THIS THE 3rd DAY OF August A.D., 1992 AT 11:00 O'CLOCK A. M.
IRENE PRATKA, COUNTY CLERK BY Anne Beran DEPUTY
ANNE BERAN

THE STATE OF TEXAS {
County of Fayette }

Clerk of the County

Court in and for Fayette County, Texas, do hereby certify that the above and foregoing instrument is a full, true and correct copy as recorded in Volume

332 Page 444 of the Oil & Gas Lease Records of said County.

TO CERTIFY ALL OF WHICH, Witness my hand and seal of office, at office, is La Grange, Texas, this the 5th day of March, A.D.

1993

Shene Pratkan

Clerk, County Court, Fayette
County, Texas

By Virginia Ulrich, Deputy

VIRGINIA ULRICH

(U. S.)

OIL, GAS AND MINERAL LEASE

TX 714 0010-00
VOL 286 PAGE 863

THIS AGREEMENT made this 20th day of June 1989, between
Lionel J. Wallace and wife Kathryn R. Wallace

lessor (whether one or more), whose address is: P. O. Box 87, Round Top, Texas 78945
and Felmont Oil Corporation, 350 Glenmont, Ste 300, Houston, Tx. 77067 . Lessee, WITNESSETH:

1. Lessor, in consideration of ten 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, wellhead, leasehold and other improvements 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 Fayette State of Texas and is described as follows:

SEE EXHIBIT "A" ATTACHED FOR LEGAL DESCRIPTION

Notwithstanding anything contained in this lease to the contrary, royalty on oil, gas and minerals shall be one-sixth (1/6) of oil gas and minerals produced and saved and wherever the fraction one-eighth (1/8) appears in Paragraph 3 herein 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, delay rental or other payment hereunder, said land shall be deemed to contain 294.478 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 (3) three 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 used by lessee, one-eighth of the amount realized by lessee, computed as 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 4 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 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 80 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, drilled, 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

Carmine State Bank at Carmine, Texas 78932

sum of \$ 2944.78 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 returned in the proportion that the acreage released bears to the acreage which was covered by this lease immediately prior to such release.

7/7/89

(3) three
K.R.W.
K.R.W.

6. 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 on its anniversary date next following the ninetieth 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 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 8 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 8 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.

EXHIBIT "A" ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL, GAS AND MINERAL LEASE DATED JUNE 20, 1989 FROM LIONEL J. WALLACE AND WIFE TO FELMONT OIL CORPORATION.

FIRST TRACT:

291.49 acres of land, more or less, out of the William S. Townsend 1/4 Lg., A-104. Being the same land as described in that certain deed dated April 27, 1959 from Arthur Fricke et al to Lionel J. Wallace et ux as recorded in Volume 312, Page 67 of the Deed Records of Fayette County, Texas.

SECOND TRACT:

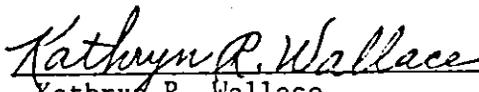
0.25 acres of land, more or less, out of the William S. Townsend 1/4 Lg., A-104. Being the same land as described in that certain deed dated June 23, 1969 from the County of Fayette, State of Texas to Lionel J. Wallace as recorded in Volume 414, Page 345 of the Deed Records of Fayette County, Texas.

Total acreage leased herein is comprised of 294.478 acres of land, more or less. Said amount being calculated by a survey of said property by Oliver H. Hengst, Registered Public Surveyor, from Fayette County, Texas. Oliver H. Hengst completed said survey 10-18-62

Lessee and Lessor agree and acknowledge that this lease is subject to a Letter Agreement of even date regarding surface use of the lease premises.

SIGNED FOR IDENTIFICATION:


Lionel J. Wallace


Kathryn R. Wallace

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

PAGE 286

Lionel J. Wallace
Lionel J. Wallace
Social Security No. [REDACTED]

Kathryn R. Wallace
Kathryn R. Wallace
Social Security No.: [REDACTED]

STATE OF TEXAS
COUNTY OF Fayette

ACKNOWLEDGEMENT

This instrument was acknowledged before me on the
by Lionel J. Wallace and wife Kathryn R. Wallace.
4/4/90
(NO SEAL)

30th day of June, 1989
Dan E. Debeck Jr.
Notary Public, State of Texas
Notary's name (printed):
Notary's commission expires:

STATE OF TEXAS
COUNTY OF

ACKNOWLEDGEMENT

This instrument was acknowledged before me on the
by

day of , 19

Notary Public, State of Texas
Notary's name (printed):
Notary's commission expires:

STATE OF TEXAS
COUNTY OF

CORPORATE ACKNOWLEDGEMENT

This instrument was acknowledged before me on the
by
of
a
corporation, on behalf of said corporation.

day of , 19

Notary Public, State of Texas
Notary's name (printed):
Notary's commission expires:

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

No.
Oil, Gas and Mineral Lease
FROM
Lionel J. Wallace, et ux

TO
Felmont Oil Corporation

Dated 19, 1989

No. Acres

County

Term

This instrument was filed for record on the 9th.

day of August, 1989, at

11:45 o'clock A. M., and duly recorded in

Book, Page

of the records of this office.

By Irene Pratka County Clerk

Deputy

When recorded return to

Janice Keach

Felmont Oil Corporation

350 Glenborough, Suite 300

HOUSTON, TEXAS 77007

FOUND PRINTING & STATIONERY COMPANY

2325 Fossil, Houston, Texas 77002 (713) 659-3159

RECORDED THIS THE 24th DAY OF August BY Irene Pratka, COUNTY CLERK.

A.D., 1989, AT 11:25 O'CLOCK AM.
Anne Beran DEPUTY
ANNE BERAN

THE STATE OF TEXAS }
County of Fayette

Clerk of the County

Court in and for Fayette County, Texas, do hereby certify that the above and foregoing instrument is a full, true and correct copy as recorded in Volume

286 Page 863 of the Oil & Gas Records of said County.

TO CERTIFY ALL OF WHICH, Witness my hand and seal of office, at office, in La Grange, Texas, this the 5th day of March, A. D.,

1993

Irene Pratkan

Clerk, County Court, Fayette
County, Texas

By Virginia Ulrich, Deputy

VIRGINIA ULRICH

[L.S.]

EXTENSION TO OIL, GAS AND MINERAL LEASE

STATE OF TEXAS)
)
COUNTY OF FAYETTE)

KNOW ALL MEN BY THESE PRESENTS:

643
THAT, TORCH OPERATING COMPANY, of 1221 Lamar, Suite 1600, Houston, Texas 77010, is a SUCCESSOR LESSEE of an Oil, Gas and Mineral Lease dated June 20, 1989 and recorded in Volume 286, Page 863 of the Oil and Gas Records of Fayette County, Texas between LIONEL J. WALLACE and wife, KATHRYN R. WALLACE, of P.O. Box 87, Round Top, Texas 78945, as LESSOR and FELMONT OIL CORPORATION, as LESSEE, insofar as said lease covers the following described land to wit:

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF FOR DESCRIPTION.

WHEREAS the primary term of said Oil, Gas and Mineral Lease is for a term of THREE (3) years, expiring June 20th, 1992.

WHEREAS it is the desire of LESSOR and SUCCESSOR LESSEE, to extend the primary term of said LEASE for an additional one (1) year from June 20th, 1992 to June 20th, 1993.

NOW THEREFORE, in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable consideration, receipt of which is hereby acknowledged, said LEASE is hereby amended to extend the primary term for an additional one (1) year, from June 20th, 1992 to June 20th, 1993, and LESSOR, does hereby adopt, ratify, grant and confirm said LEASE to TORCH OPERATING COMPANY, subject to and under all of the terms and provisions of said LEASE, and does hereby agree and declare that said LEASE and the extension herein is now in full force and effect.

IN WITNESS WHEREOF, LESSOR executed this Agreement on this the 7th day of June, 1992.

Lionel J. Wallace
LIONEL J. WALLACE, INDIVIDUALLY and as INDEPENDENT EXECUTOR of the ESTATE OF KATHRYN R. WALLACE, deceased

STATE OF TEXAS)
)
COUNTY OF)

On this the 10th day of June, 1992, before me personally appeared LIONEL J. WALLACE, INDIVIDUALLY and as INDEPENDENT EXECUTOR of the ESTATE OF KATHRYN R. WALLACE, deceased, known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free and voluntary act.

 F. DAVID MURRELL
NOTARY PUBLIC, STATE OF TEXAS
MY COMMISSION EXPIRES
FEB. 20, 1995
Commission Expires

F. David Murrell
Notary Public

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN EXTENSION TO OIL, GAS AND MINERAL LEASE, DATED JUNE 7, 1992, BETWEEN LIONEL J. WALLACE, INDIVIDUALLY AND AS INDEPENDENT EXECUTOR OF THE ESTATE OF KATHRYN R. WALLACE, AS LESSOR AND TORCH OPERATING COMPANY, AS SUCCESSOR LESSEE COVERING 294.478 ACRES OF LAND, MORE OR LESS, DESCRIBED TO WIT:

FIRST TRACT: 291.49 acres of land, more or less, out of the William S. Townsend 1/4 Lg., A-104. Being the same land as described in that certain deed dated April 27, 1959 from Arthur Fricke et al to Lionel J. Wallace et ux as recorded in Volume 312, Page 67 of the Deed Records of Fayette County, Texas.

SECOND TRACT: 0.25 acres of land, more or less, out of the William S. Townsend 1/4 Lg., A-104. Being the same land as described in that certain deed dated June 23, 1969 from the County of Fayette, State of Texas to Lionel J. Wallace as recorded in Volume 414, Page 345 of the Deed Records of Fayette County, Texas.

Total acreage leased herein is comprised of 294.478 acres of land, more or less. Said amount being calculated by a survey of said property by Oliver H. Hengst, Registered Public Surveyor, from Fayette County, Texas. Oliver H. Hengst completed said survey 10-18-62

SIGNED FOR IDENTIFICATION this the 7 day of June, 1992.

Lionel J. Wallace
LIONEL J. WALLACE

\$7.00 Pd.
Return:
Field Information Services
P.O. Box 37356
Houston, Tx. 77257

FILED FOR RECORD

At 2:10 O'clock P.M.

The 19th. Day of June 19 92
IRENE PRATKA

Clerk County Court, Fayette County, Texas
Carolyn Kubos Roberts
CAROLYN KUBOS ROBERTS

RECORDED THIS THE 16th DAY OF July A.D., 1992 AT 8:30 O'CLOCK A. M.
IRENE PRATKA, COUNTY CLERK BY Anne Beran DEPUTY
ANNE BERAN

THE STATE OF TEXAS }
County of Fayette

Clerk of the County

Court in and for Fayette County, Texas, do hereby certify that the above and foregoing instrument is a full, true and correct copy as recorded in Volume

331 Page 641 of the Oil & Gas Lease Records of said County.

TO CERTIFY ALL OF WHICH, Witness my hand and seal of office, at office, is La Grange, Texas, this the 5th day of March, A.D.

1992

(L.S.)

Irene Bratka
Clerk, County Court, Fayette
County Texas

By Virginia Ulrich, Deputy
VIRGINIA ULRICH

5698

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 30 day of June 19 92, between

CHARLES L. HOWES and wife, IDA BESS HOWES

Lessor (whether one or more), whose address is: P.O. Box 150, Round Top, Texas 78945
and Torch Operating Company, 1221 Lamar, Suite 1600, Houston, Texas 77010 Lessee, WITNESSETH

1. Lessor, in consideration of -----TEN 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, 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 Fayette State of Texas and is described as follows.

119.928 acres of land, more or less, out of the W. H. Jack League, A-57, Fayette County, Texas and being more particularly described in that certain Deed dated May 9, 1979 from Ralph H. McCullough and wife, Ruth McCullough to Melvin L. Croan and wife, Malinda L. Croan and recorded in Volume 536, Page 414 of the Deed Records, Fayette County, Texas, to which said deed, its recording and description therein, reference is made for description purposes only.

Notwithstanding anything herein to the contrary, wherever the fraction one-eighth (1/8) appears as royalty the fraction three-sixteenths (3/16) shall be substituted in its place.

Notwithstanding anything herein to the contrary, the term of this lease as stated in Paragraph 2 of this lease is hereby amended from ten (10) years to one (1) year.

SEE ADDENDUM ATTACHED HERETO AND MADE A PART HEREOF.

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 119.928 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.

2. Unless sooner terminated or longer kept in force under other provisions hereof, this lease shall remain in force for a term of ten (10) 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; (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-ins, 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 Round Top State Bank

P.O. Box 36, Round Top, Texas 78954 Bank

at _____, 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 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 of 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 100 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 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. 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 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, 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.

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL, GAS AND MINERAL LEASE, DATED JUNE 30, 1992, CHARLES L. HOWES AND HIS WIFE, IDA BESS HOWES, AS LESSOR TO TORCH OPERATING COMPANY, AS LESSEE.

12. Notwithstanding anything herein to the contrary, Lessee and Lessor agree that this lease covers only oil, gas and related hydrocarbons and specifically excludes all other minerals.

13. The first payment of the royalty shall be made within One Hundred Twenty (120) days following commencement of production from, or allocation of production to the leased premises. In the event any royalty payment is not correctly or timely made such royalty payment or unpaid portion thereof shall bear interest at the rate of 10% per annum beginning as of the date by which payment should have been made and running until paid.

14. It is understood and agreed that the Lessee will not conduct any surface operations on the herein leased premises, with the exception of seismic surveys. In no event will seismic detonations occur within 500 feet of any existing water well.

15. It is agreed and understood that the Lessee will bear and pay all costs and expenses incurred in dehydrating and/or compressing all gas/produced from and under the above described property, including specifically all such costs and expenses incurred in dehydrating and/or compressing such part of portion of said gas and oil accruing to Lessor's royalty interest therein under the provision hereof.

Oil
CU
2BH

oil
CU
CU
2BH

16. While there is a gas well on this lease which is capable of producing gas or oil and liquified hydrocarbons, in paying quantities, but said gas is not being sold, Lessee, during the primary term of this lease, commencing on the anniversary date hereof or 90 days from the date of completion of such well, whichever date occurs first, may pay Lessor the sum of ten dollars (\$10.00) per acre on the number of acres on which this lease is considered to be in force, which payment is herein called "shut-in" gas royalty and hereafter said sum may be paid at annual intervals on or before the anniversary date of said first payment, and if such payments are made or tendered, this lease shall not terminate and will be considered that gas is being produced from this lease in paying quantities; provided, however, this lease cannot be maintained in force by payment of shut-in royalties for more than ~~12~~ cumulative months.

CU
2BH

17. Notwithstanding anything herein to the contrary, at the end of the primary term of this lease, if any 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 the land included in such unit or units.

SIGNED FOR IDENTIFICATION this the 3rd day of July, 1992

Charles L. Howes
CHARLES L. HOWES

Ida Bess Howes
IDA BESS HOWES

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

Charles L. Howes
Charles L. Howes

Ida Bess Howes
Ida Bess Howes

SS # [REDACTED]

SS # [REDACTED]

VOL. 332 PAGE 449

INDIVIDUAL ACKNOWLEDGMENT—TEXAS OR NEW MEXICO

STATE OF _____
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 the State of Texas

Notary's Printed Name _____

INDIVIDUAL ACKNOWLEDGMENT—TEXAS OR NEW MEXICO

STATE OF _____
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 the State of Texas

Notary's Printed Name _____

HUSBAND AND WIFE ACKNOWLEDGMENT—TEXAS OR NEW MEXICO

STATE OF Texas
COUNTY OF Fayette

Before me, the undersigned authority, on this day personally appeared Charles L. Howes

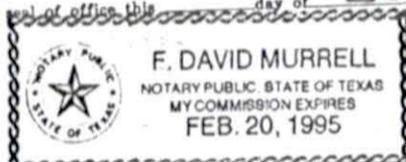
and Ida Bess Howes husband and wife, known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same as their free act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this July day of 1992.

My Commission Expires 2-20-95

Notary Public in and for the State of Texas

Notary's Printed Name _____



Producers 88 (7/69) - Paid Up with 640 Acres Including Provision

No. _____
Oil, Gas and Mineral Lease
FROM
Charles L. Howes, et ux

TO
Torch Operating Company
Dated _____, 19____.
No. Acres _____
County _____
Term _____

This instrument was filed for record on the 8th.

day of July, 1992, at

11:30 clock A. M., and duly recorded in

Book _____, Page _____

of the _____ records for this office.

By Irene Pratka County Clerk

Deputy _____

\$9.00 pd.

When recorded return to
Torch Energy Advisors, Inc.

1221 Lamar, Suite 1600

Houston, Texas 77010

Attn: Mike Hamric
FOUND PRINTING & STATIONERY COMPANY
2325 Faison, Houston, Texas 77002 (713) 659-3159

RECORDED THIS THE 3rd DAY OF August A.D., 1992 AT 11:19 O'CLOCK A. M.
IRENE PRATKA, COUNTY CLERK BY Anne Beran DEPUTY
ANNE BERAN

THE STATE OF TEXAS }
County of Fayette }

Clerk of the County

Court in and for Fayette County, Texas, do hereby certify that the above and foregoing instrument is a full, true and correct copy as recorded in Volume

332 Page 446 of the Old San Juan Records of said County.

TO CERTIFY ALL OF WHICH, Witness my hand and seal of office, at

office, is La Grange, Texas, this 5th day of March, A.D.

1993

(L. S.)

Orren Pratha
Clerk, County Court, Fayette
County, Texas

By Virginia Ulrich, Deputy
VIRGINIA ULRICH

4434

FOUND PRINTING & STATIONERY COMPANY
2125 FANNIN, HOUSTON, TEXAS 77002, (713) 659-3159

OIL, GAS AND MINERAL LEASE VOL 288 PAGE 333

THIS AGREEMENT made this 17th day of July 1989, between
Louis M. Jacobs, Jr., and wife Lena M. Jacobs

lessor (whether one or more), whose address is: 11036 Jamestown, Houston, Texas 77024
and Felmont Oil Corporation, 350 Glenborough, Ste. 300, Houston, Tx. 77064. WITNESSETH:

1. Lessor, in consideration of ten 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, ~~minerals and other substances~~, 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 Fayette State of Texas and is described as follows:

48,785 acres, more or less, out of the W. H. Jack Lg., A-57, Fayette County, Texas and being more particularly described in that certain Deed dated October 25, 1987 85 from the Veterans Land Board of the State of Texas to Louis M. Jacobs, Jr., recorded in Volume 704, Page 88 of the Deed Records of Fayette County, Texas.

Notwithstanding anything herein to the contrary, royalty on oil, gas and related liquified hydrocarbons shall be 3/16 of oil, gas and related liquified hydrocarbons produced and saved and wherever in Paragraph 3 hereof the fraction 1/8 appears same shall be deemed to read 3/16.

SEE EXHIBIT "A" ATTACHED HERETO FOR ADDITIONAL PROVISIONS
CONSISTING OF THREE (3) PAGES.

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) so 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 48,785 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 000000 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 pooled market price of such oil at the well 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 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, ~~pooling or otherwise~~ 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 ~~pooling or otherwise~~; provided, however, 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 ultimate recovery, 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 the 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

NCNB-Texas National, Spring Branch Bank at Houston, Texas *Acct 46304-8259-6, or its successors, which shall continue as the depository, regardless of change in ownership of delay rental, royalties, or other moneys, the sum of \$ 487.85

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 release 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 returned in the proportion that the acreage released bears to the acreage which was covered by this lease immediately prior to such release.

Handwritten initials

Handwritten initials

6. Invol any time during the primary term operations are conducted on said land and if all operations are discontinued, this lease shall thereafter terminate on its anniversary date next following the ninetieth 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 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 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.

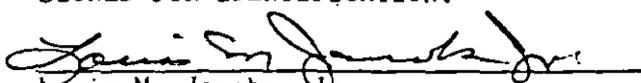
9. In the event lessor considers that lessee has not complied with all its obligations hereunder, both express and implied, lessor shall notify lessee in writing, setting out specifically in what respects lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said 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.

12. Notwithstanding anything herein to the contrary, Lessee and Lessor agree that this lease covers only oil, gas and related liquified hydrocarbons and specifically excludes all other minerals.
13. Should Lessor or tenants on the leased premises suffer loss of damage to crops, trees, turf, livestock, water wells, fences, roads, other personal property, buildings or other improvements, as a result of operations of Lessee under this lease, Lessee agrees to pay Lessor or such tenants the actual amount of their said loss or damage. Within a reasonable time after Lessee's need therefor shall have ceased, Lessee shall fill all pits and other excavations made by Lessee upon the leased premises, level off all mounds made by Lessee upon the leased premises, and remove all debris and rubbish placed by Lessee upon leased premises. Lessee shall erect and maintain around all open pits a fence capable of turning livestock.
14. Prior to conducting operations on the leases premises, Lessee shall first consult with Lessor and outline the operations that Lessee proposes to conduct. Lessee shall have the right to outline the point of ingress and egress that shall be used by Lessee and the location of all roads that Lessee proposes to construct. It is the intention of the Lessor and Lessee herein that all roads, improvements, equipment and facilities that are placed on the leased premises shall be located in such a manner that the effect thereof shall have a minimum effect on the value of the land and will cause a minimum amount of interference with the use to which the Lessor intends to put the surface of the land. All permanent roads which are built by Lessee shall be surfaced with gravel and shall have culverts installed as necessary to prevent flooding so as not to interfere with the natural drainage of the land.
15. The first payment of the royalty shall be made within One Hundred Twenty (120) days following commencement of production from, or allocation of production to the leased premises. In the event any royalty payment is not correctly or timely made, such royalty payment or unpaid portion thereof shall bear interest at the rate of 10% per annum beginning as of the date by which payment should have been made and running until paid.
16. Notwithstanding anything said herein to the contrary, should a drilling location be established for the production of oil and/or gas on the leased premises herein or on property adjacent to the leased premises and pooled herewith, then such unit shall include one-hundred percent (100%) of the leased premises herein.
17. It is expressly and controllingly understood that the Lessee will bear and pay all costs and expense incurred in dehydrating and or compressing all gas produced from and under the above described property, including specifically all such costs and expenses incurred in dehydrating and/or compressing such part of portion of said gas accruing to Lessor's royalty interest therein under the provision hereof. Lessor will bear no cost of transportation or recovery incurred in the production of oil.
18. Lessee shall have the right to use so much of the leased premises as may be necessary for the Lessee to install and maintain drillsites, tank batteries and other equipment necessary for drilling and producing oil, gas and other related hydrocarbons covered hereby, and agrees to pay the surface owner \$1000.00 per acre as total damages paid for the use of the surface for the production facility.
19. The rights of the Lessee hereunder may be assigned in whole or in part without Lessor's prior written consent, with the express qualification that such assignment shall not be deemed to modify any of the terms of this lease or to relieve Lessee from any of its obligations hereunder, and Lessor may continue to look to Lessee and assignees for the payment of all sums due hereunder and the fulfillment of all covenants on the part of the Lessee hereunder, with the same force and effect as if such assignment or sublease had not been executed. Lessee further agrees to send Lessor a certified copy of said assignment.
20. Lessor shall have the right to review any and all executed contracts or agreements entered into by Lessee relative to the sale or disposition of oil, gas and gas-condensate produced from the herein leased premises. Upon written request by Lessor such contracts and agreements will be available to review in the offices of Lessee.
21. Lessee agrees to scrape six (6) inches of topsoil off the surface of the earth and set it to one side upon beginning operations to build any pit or pad. Lessee further agrees upon filling in said pit or vacating the pad area to recover the area with the original topsoil first removed.

SIGNED FOR IDENTIFICATION:


Louis M. Jacobs, Jr.


Lena M. Jacobs

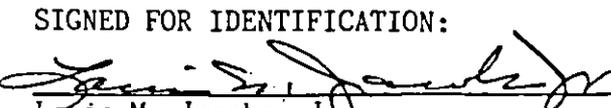
22. As to any and all wells drilled on the herein leased premises, Lessee agrees to give Lessor, or his authorized representative, at their risk and liability, access to said well or wells at all reasonable hours, providing such access does not interfere with drilling or production operations, and to furnish Lessor or his representative, upon their written request, with any analysis of formation samples made by Lessee or for Lessee, and also to furnish Lessor, or his authorized representative, upon their written request, at Lessee expense, copies of logs, drilling reports and electrical well formations surveys made in such well or wells, all of which are to be delivered to Lessor at their address shown above, within thirty (30) days after completion of each respective well. However, in the event Lessee deems such information to be confidential, it is agreed and understood that Lessee shall have the option to postpone delivery of such information for a period of sixty (60) days. Additionally, Lessor agrees to keep all such information confidential and not release it to any third parties.

23. At the end of the primary term of this lease all of Lessee's rights will terminate in all horizons and formations one hundred (100) feet below the stratigraphic equivalent of the deepest depth to which Lessee has set production casing on the acreage covered by this lease or on acreage pooled with the acreage covered herein unless Lessee is at such time engaged in drilling a well or deepening an existing well and drilling operations are continuously prosecuted, then in that event and upon completion of such well or wells, all rights granted by this lease in all horizons and formations one hundred (100) feet below the stratigraphic equivalent of the deepest depth to which Lessee has set production casing will terminate.

24. It is expressly understood that Lessee will not pool this tract with any previously established production unit without Lessor's prior written consent.

25. If at the expiration of the primary term, or at any time thereafter, there is located on the herein leased premises a well or wells capable of producing gas in paying quantities, and the lease is not otherwise being maintained in force and effect, the Lessee may pay as royalty a sum of money equal to double the annual rental provided herein but in no event to be less than Three Hundred (\$300.00) Dollars per annum for each shut-in well; provided further that if a part or all of the leased premises is included in a pooled unit and the well or wells is not located on the land covered hereby, Lessee may pay a sum of money equal to double the annual rental provided herein, but in no event less than Three Hundred (\$300.00) Dollars per annum for each shut-in well. Such payment is to be made prior to the expiration of the primary term hereof, or, if the primary term has expired, within sixty (60) days after the well is shut-in; and if such payment is made this lease shall be considered to be a producing lease and such shut-in gas royalty payment shall extend the term of this lease for one (1) year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased; and thereafter, the Lessee may extend this lease for two (2) additional and successive periods of one (1) year each by the payment of a like sum of money each year on or before the end of the extended term. Provided, however, that if while such lease is being maintained in force and effect by payment of such shut-in gas well royalty gas should be sold and delivered in paying quantities from a well situated within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir or in any case where drainage is occurring, the right to extend this lease by such shut-in gas well royalty payments shall cease but the lease shall remain in force and effect for the remainder of the current one (1) year period for which the shut-in gas well royalty has been paid, and for an additional period not to exceed five (5) years from the expiration of the primary term by payment by the Lessee of compensatory royalty, at the royalty rate provided for herein, of the value at the well of production from the well completed in the same producing reservoir from which gas is being sold and delivered and which is situated within one thousand (1000) feet of, or draining, the leased premise on which such shut-in gas well is situated, such compensatory royalty to be paid monthly on same basis as provided for in Paragraphs one and two beginning on the 20th day of the month next succeeding the month in which such gas is sold and delivered from the well situated within one thousand (1000) feet of, or draining, the leased premises and completed in the same producing reservoir; provided further, that in the event that such compensatory royalties paid in any twelve month period are less than the annual shut-in gas well royalties provided for herein, Lessee shall pay a sum of money equal to the difference within thirty (30) days from the end of such twelve (12) month period; provided further that nothing herein shall relieve the Lessee of the obligation of reasonable development, nor the obligation to drill offset wells as required by law.

SIGNED FOR IDENTIFICATION:


Louis M. Jacobs, Jr.


Lena M. Jacobs

26. The Lessor is to have gas free of cost from any gas well on the leased premises for all stoves and inside lights in the principle dwelling house on said premises by making his own connections to said well at Lessor's own cost, risk and expense. Additionally, Lessor agrees to sign any instrument or instruments submitted by Lessee releasing Lessee from any and all claims or causes of action and any and all liability, whether the liability be in the nature of tort, contract or otherwise arising either directly or indirectly out of the operation of the connection or the gas line to be installed and used by the Lessor.

AT TO LESSOR

LJ
LMJ

27. In drilling wells, all water-bearing strata shall be noted by Lessee in the log, and Lessor reserves the right to require (written notice of such election to be given Lessee by Lessor within fifteen days of abandonment of the well) that all or any part of the casing shall be left in any non-productive well when Lessor deems it necessary to preserve or maintain said well or wells for water. For such casing left in the well at the request of the Lessor, the Lessor shall pay to the Lessee the reasonable estimated salvage value thereof within thirty (30) days after the receipt of a statement from Lessee showing the quantity and size of the casing and the reasonable estimated salvage value thereof.

28. It is agreed and understood that where there is any conflict between the language and provisions of this Exhibit "A" and the printed lease form to which this Exhibit "A" is attached, the language and provisions of this Exhibit "A" shall supercede the printed lease form.

SIGNED FOR IDENTIFICATION:

Louis M. Jacobs, Jr. *Lena M. Jacobs*
Louis M. Jacobs, Jr. Lena M. Jacobs

Felmont Oil Corporation

By: *Judith A. Felter*

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

Louis M. Jacobs
Louis M. Jacobs
Social Security # [REDACTED]

Lena M. Jacobs
Lena M. Jacobs
Social Security #: [REDACTED]

PAGE 338



ACKNOWLEDGEMENT

HARRIS }
This instrument was acknowledged before me on the 20th day of July, 1989, by Louis M. Jacobs and wife, Lena M. Jacobs

Dan E. Orbeck
Notary Public, State of Texas
Notary's name (printed): Dan E. Orbeck Jr.
Notary's commission expires: 4/4/90

STATE OF TEXAS
COUNTY OF

This instrument was acknowledged before me on the _____ day of _____, 19____, by _____

ACKNOWLEDGEMENT

Notary Public, State of Texas
Notary's name (printed):
Notary's commission expires:

STATE OF TEXAS
COUNTY OF

This instrument was acknowledged before me on the _____ day of _____, 19____, by _____ of _____ a _____ corporation, on behalf of said corporation.

CORPORATE ACKNOWLEDGEMENT

Notary Public, State of Texas
Notary's name (printed):
Notary's commission expires:

Producers 88 (7-69)
With 640 Acres Pooling Provision

No. _____

Oil, Gas and Mineral Lease

FROM
Louis M. Jacobs, Jr., et ux

TO
Felmont Oil Corporation

Dated _____, 19____

No. Acres _____ County, _____

Term _____

This instrument was filed for record on the 18th day of September, 1989, at 2:00 o'clock P. M., and duly recorded in Book _____, Page _____ of the _____ record of this office.

Irene Pratkan
IRENE PRATKA
County Clerk

By _____, Deputy
\$11.00 pd.
When recorded return to
Felmont Oil Corporation
350 Glenborough, Suite 300
Houston, Texas 77067

POUND PRINTING & STATIONERY COMPANY
2325 Farris, Houston, Texas 77002 (713) 659-3159

RECORDED THIS THE 27th DAY OF September A.D. 1989, AT 1:30 O'CLOCK P. M.
BY Anne Beran DEPUTY
ANNE BERAN

THE STATE OF TEXAS }
County of Fayette

Clerk of the County

Court in and for Fayette County, Texas, do hereby certify that the above and foregoing instrument is a full, true and correct copy as recorded in Volume

288 Page 333 of the Oil & Gas Lease Records of said County.

TO CERTIFY ALL OF WHICH, Witness my hand and seal of office, at office, in La Grange, Texas, this the 5th day of March, A.D., 1993

Irene Pratkanis

Clerk, County Court, Fayette
County, Texas

[L.S.]

By Virginia Ulrich, Deputy
VIRGINIA ULRICH

EXTENSION TO OIL, GAS AND MINERAL LEASE

STATE OF TEXAS)
COUNTY OF FAYETTE) KNOW ALL MEN BY THESE PRESENTS:

549 THAT, TORCH OPERATING COMPANY, of 1221 Lamar, Suite 1600, Houston, Texas 77010, is a SUCCESSOR LESSEE of an Oil, Gas and Mineral Lease dated July 17, 1989 and recorded in Volume 288, Page 333 of the Oil and Gas Records of Fayette County, Texas between 11306 J.M.J. LOUIS M. JACOBS, JR. and wife, LENA M. JACOBS, of 11036 Jamestown, Houston, Texas 77024, as LESSOR and FELMONT OIL CORPORATION, as LESSEE, insofar as said lease covers the following described land to wit:

48.785 acres of land, more or less, out of the W. H. Jack League, A-57, Fayette County, Texas and being more particularly described in that certain Deed dated October 25, 1985 from the Veteran's Land Board of the State of Texas to Louis M. Jacobs, Jr., recorded in Volume 704, Page 88 of the Deed Records, Fayette County, Texas, to which said deed, its recording and description therein, reference is made for description purposes only.

WHEREAS the primary term of said Oil, Gas and Mineral Lease is for a term of THREE (3) years, expiring July 17, 1992.

WHEREAS it is the desire of LESSOR and SUCCESSOR LESSEE, to extend the primary term of said LEASE for an additional one (1) year from July 17, 1992 to July 17, 1993.

NOW THEREFORE, in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable consideration, receipt of which is hereby acknowledged, said LEASE is hereby amended to extend the primary term for an additional one (1) year, from July 17, 1992 to July 17, 1993, and LESSOR, does hereby adopt, ratify, grant and confirm said LEASE to TORCH OPERATING COMPANY, subject to and under all of the terms and provisions of said LEASE, and does hereby agree and declare that said LEASE and the extension herein is now in full force and effect.

IN WITNESS WHEREOF, LESSOR executed this Agreement on this the 9th day of July, 1992.

Signatures of Louis M. Jacobs and Lena M. Jacobs

STATE OF TEXAS)
COUNTY OF)

On this the 8th day of July, 1992, before me personally appeared LOUIS M. JACOBS, JR. and LENA M. JACOBS, husband and wife, known to be the persons described in and who executed the foregoing instrument, and acknowledged they executed the same as their free act and deed.

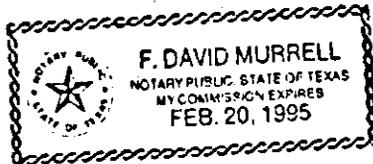
2-20-95
Commission Expires

Signature of Notary Public
Notary Public \$5.00 pd.

FILED FOR RECORD

At 11:45 O'clock A. M.
The 20th. Day of July 19 92.

Signature of Irene Pratkanis
Irene Pratkanis
Clerk County Court, Fayette County Texas



Torch Energy Advisors, Inc.
1221 Lamar, Suite 1600
Houston, Texas 77010
Attn.: Mike Hamric

RECORDED THIS THE 13th DAY OF August A.D., 1992 AT 4:10 O'CLOCK P. M.
IRENE PRATKA, COUNTY CLERK BY Anne Beran DEPUTY
ANNE BERAN

THE STATE OF TEXAS }
County of Fayette }

Clerk of the County

Court in and for Fayette County, Texas, do hereby certify that the above and foregoing instrument is a full, true and correct copy as recorded in Volume

333 Page 195 of the Oil & Gas Lease Records of said County.

TO CERTIFY ALL OF WHICH, Witness my hand and seal of office, at
office, is La Grange, Texas, this the 5th day of March, A.D.,
1993

U.S.

Irene Pratkan
Clerk, County Court, Fayette
County, Texas

By Virginia Ulrich, Deputy
VIRGINIA ULRICH

286 PAGE 848 OIL, GAS AND MINERAL LEASE TX 7140006-00

THIS AGREEMENT made this 21st day of June 1988 between

JACK F. KNIGHT and wife ROSE M. KNIGHT

Lessor (whether one or more), whose address is: 3205 Overbrook St., Houston, Texas 77027
and Felmont Oil Corporation Lessee, WITNESSETH:

1. Lessor in consideration of Ten Dollars and other valuable consideration Dollars \$ 10.00/acre, in hand paid, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas and all other minerals, conducting exploration, geologic and geophysical surveys by seismograph, core test, gravity and magnetic methods, injecting gas, water and other fluids, and air into subsurface strata, laying pipe lines, building roads, tanks, power lines, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport and own said products, and housing its employees, the following described land in Fayette County, Texas, to-wit:

22.66 acres of land, more or less, out of the William H. Jack League A-57, and being the same land described in that certain deed dated July 19, 1968 from R. L. Rather to Jack F. Knight recorded in Volume 401, page 335 of the Deed Records of Fayette County, Texas

See Exhibit "A" attached hereto for additional provisions

This lease also covers and includes all land owned or claimed by Lessor adjacent or contiguous to the land particularly described above, whether the same be in said survey or surveys or in adjacent surveys, although not included within the boundaries of the land particularly described above. For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 22.66 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall be for a term of three (3) years from this date (called "primary term") and as long thereafter as oil, gas or other mineral is produced from said land or land with which said land is pooled hereunder.

3. The royalties to be paid by Lessee are: (a) on oil, one-eighth of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipelines to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (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, one-eighth of the amount realized from the sale of gasoline or other products extracted therefrom and one-eighth of the amount realized from the sale of residue gas after deducting the amount used for plant fuel and/or compression; while there is a gas well on this lease or on acreage pooled therewith but gas not being sold or used, Lessee may pay as royalty, on or before ninety (90) days after the date on which (1) said well is shut in, or (2) the land covered hereby or any portion thereof is included in a pooled unit on which a well is located, or (3) this lease ceases to be otherwise maintained as provided herein, whichever is the later date, and thereafter at annual intervals on or before the anniversary of the date the first payment is made, a sum equal to the amount of the annual rental payable in lieu of drilling operations during the primary term on the number of acres subject to this lease as the time such payment is made, and if such payment is made or tendered, this lease shall not terminate, and it will be considered that gas is being produced from this lease in paying quantities; and (c) on all other minerals mined and marketed, 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 fifty cents (50¢) per long ton. Lessee shall have free use of oil, gas, coal, and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil, gas and coal shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof as to oil and gas, or either of them, with any other land covered by this lease, and/or with any other land, lease or leases in the immediate vicinity thereof to the extent hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises in compliance with the spacing rules of the Railroad Commission of Texas or other lawful authority, or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each, and units pooled for gas hereunder shall not substantially exceed 275 acres each, unless otherwise approved in writing by the appropriate governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, 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, units thereafter created may conform substantially in size with those prescribed or permitted by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units to which the lease is or is combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit; and upon such recordation the unit shall be effective as to all parties hereto, their heirs, successors, and assigns, irrespective of whether or not the unit is likewise effective as to all other owners of surface, mineral, royalty, or other rights in land included in such unit. Lessee may at its election exercise its pooling option before or after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. In the event of operations for drilling on or production of oil or gas from any part of a pooled unit which includes all or a portion of the land covered by this lease, regardless of whether such operations for drilling were commenced or production was secured before or after the execution of this instrument or the filing of the instrument designating the pooled unit such operations shall be considered as operations for drilling on or production of oil and gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease and in such event operations for drilling shall be deemed to have been commenced on said land within the meaning of paragraph 3 of this lease; and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled unit. Such allocation shall be on an acreage basis—that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease (or in each separate tract) and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land. The production from an oil well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. The formation of any unit hereunder shall not have the effect of changing from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. The formation of any unit hereunder shall not have the effect of changing the ownership of any delay rental or shut-in production royalty which may become payable under this lease. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interest 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 as provided above with consequent allocation of production as above 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 for drilling are not commenced on said land or on acreage pooled therewith as above provided on or before one year from this date, the lease shall then terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender (or shall make a bona fide attempt to pay or tender, as hereinafter stated) to Lessor or to the credit of Lessor in First City Bank, Highland Village Branch, Houston

Texas, (which bank and its successors are Lessor's agent and shall continue as the depository for all rentals payable hereunder regardless of changes in ownership of said land or the rentals) the sum of Two Hundred Twenty-Six and 60/100

Dollars (\$ 225.60), (herein called rentals), which shall cover the privilege of deferring commencement of drilling operations for a period of twelve (12) months. In like manner and upon like payments or tenders annually, the commencement of drilling operations may be further deferred for successive periods of twelve (12) months each during the primary term. The payment or tender of rental under this paragraph and of royalty under paragraph 3 on any gas well from which gas is not being sold or used may be made by the check or draft of Lessee mailed or delivered to the parties entitled thereto or to said bank on or before the date of payment, if such bank (or any successor bank) should fail, liquidate or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default or failure to make such payment or tender or rental until thirty (30) days after Lessor shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders. If Lessee shall, on or before any anniversary date, make a bona fide attempt to pay or deposit rental to a Lessor entitled thereto according to Lessee's records or to a Lessor, who, prior to such attempted payment or deposit, has given Lessee notice, in accordance with subsequent provisions of this lease, of his right to receive rental, and if such payment or deposit shall be ineffective or erroneous in any regard, Lessee shall be unconditionally obligated to pay to such Lessor the rental properly payable for the rental period involved, and this lease shall not terminate but shall be maintained in the same manner as if such erroneous or ineffective rental payment or deposit had been properly made, provided that the erroneous or ineffective rental payment or deposit be corrected within 30 days after receipt by Lessee of written notice from such Lessor of such error accompanied by such instruments as are necessary to enable Lessee to make proper payment. The down cash payment in consideration for this lease according to its terms and shall not be allocated as a mere rental for a period. Lessee may at any time or times execute and deliver to Lessor or to the depository above named or place of record a release or releases of this lease as to all or any part of the above-described premises, or of any mineral or horizon under all or any part thereof, and thereby be relieved of all obligations as to the released land or interest. If this lease is released as to all minerals and horizon under a portion of the land covered by this lease, the rentals and other payments computed in accordance therewith shall thereupon be reduced in the proportion that the number of surface acres within such released portion bears to the total number of surface acres which was covered by this lease immediately prior to such release.

R.M.K.
JK

R.M.K.
320
JK

R.M.K.
JK

R.M.K.
3/16/78
3/16/78
JK

6. If prior to discovery and production of oil, gas or other mineral on said land or on acreage pooled therewith, Lessee should drill a dry hole or holes thereon, or if after discovery and production of oil, gas or other mineral, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within sixty (60) days thereafter or if it be within the primary term, commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of sixty days from date of completion of dry hole or cessation of production. If at any time subsequent to sixty (60) days prior to the beginning of the last year of the primary term and prior to the discovery of oil, gas or other mineral on said land, or on acreage pooled therewith, Lessee should drill a dry hole thereon, no rental payment or operations are necessary in order to keep the lease in force during the remainder of the primary term. If at the expiration of the primary term, oil, gas or other mineral is not being produced on said land, or on acreage pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon or shall have completed a dry hole thereon within sixty (60) days prior to the end of the primary term, the lease shall remain in force so long as operation on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than sixty (60) consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from said land or acreage pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within three hundred thirty (330) feet of and draining the leased premises, or acreage pooled therewith, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances.

A.K.A.

6 MONTHS

7. Lessee shall have the right to remove after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land.

JK

8. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns; but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U.S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part, liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. In the event of the death of any person entitled to rentals hereunder, Lessee may pay or tender such rentals to the credit of the deceased or the estate of the deceased until such time as Lessee is furnished with proper evidence of the appointment and qualification of an executor or administrator of the estate, or if there be none, then until Lessee is furnished with evidence satisfactory to it as to the heirs or devisees of the deceased and that all debts of the estate have been paid. If at any time two or more persons be entitled to participate in the rental payable hereunder, Lessee may pay or tender said rental jointly to such persons or to their joint credit in the depository named herein; or, at Lessee's election, the proportionate part of said rentals to which each participant is entitled may be paid or tendered to him separately or to his separate credit in said depository; and payment or tender to any participant of his portion of the rentals hereunder shall maintain this lease as to such participant. In event of assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportionable as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

9. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil, gas or other mineral in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator, but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus one acre tolerance per acre to a total of 10% of the area retained hereunder and capable of producing gas or other mineral in paying quantities. 320

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty in event of failure of title, it is agreed that 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 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. All royalty interest covered by this lease (whether or not owned by Lessor) shall be paid out of the royalty herein provided. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same. Failure of Lessee to reduce rental paid hereunder shall not impair the right of Lessee to reduce royalties.

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

Rtn. N. JK

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

ROSE M. KNIGHT
SS: [Redacted]

Jack F. Knight
JACK F. KNIGHT
SS: [Redacted]

STATE OF _____ INDIVIDUAL ACKNOWLEDGMENT
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 the State of Texas
Notary's Printed Name _____

STATE OF Texas HUSBAND AND WIFE ACKNOWLEDGMENT
COUNTY OF Harris
Before me, the undersigned authority, on this day personally appeared Jack F. Knight
and Rose M. Knight
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 20th day of April, 1932
My Commission Expires 11-05-32
DIXON D. HEDGES
NOTARY PUBLIC, STATE OF TEXAS
MY COMMISSION EXPIRES
NOV. 5, 1932
Dixon D. Hedges
Notary Public in and for the State of Texas
DIXON D. HEDGES
Notary's Printed Name

Product of (4-76) Revised with 4th Acta Pooling Provisions

FROM _____ TO _____

Oil, Gas and Mineral Lease

No. _____

Dated _____ 19____

No. Acres _____ County, Texas _____

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 _____ Deputy _____

When recorded returns to _____

FOUND PRINTING & STATIONERY COMPANY
2125 Fannin, Houston, Texas 77002 (713) 698-3199

Anything contained above to the contrary notwithstanding, Lessor and Lessee specifically agree as follows:

1. Drilling operations on or production from a pooled unit or units established under the provisions of this lease, or otherwise embracing land covered hereby and other land, shall maintain this lease in force only as to land included in such unit or units. This lease may be maintained in force as to the remainder of the land in any manner herein provided for, provided that if it be by rental payment, rentals shall be payable only on the number of acres not included in such unit or units. If at the end of the primary term this lease is being maintained as to part of the land by operations on or production from a pooled unit or units embracing land covered hereby and other lands, Lessee shall have the right to maintain the lease as to the land not included in such unit of units by rental payments exactly as if it were during the primary term, provided that Lessee's right to pay rentals shall terminate two (2) years after the end of the primary term.
2. As to any well located on the leased premises, Lessee shall have only the power and authority to pool or combine the leased premises into an oil unit not to exceed 40 acres, and into a gas unit not to exceed 320 acres, provided that such unit includes all of the leased premises, save and except any portion thereof previously included in a unit producing from the same strata or horizon.
3. If on any calendar year basis, commencing on the date of first production from the leased premises, the royalty monies paid to Lessee hereunder are less than the sum of \$30.00 per productive acre then this lease will lapse and terminate at the end of 60 days after the end of such calendar year unless Lessee on or prior to such date pays to Lessor or deposits to the credit of Lessor in the depository bank provided for above, a sum of money equal to the difference between said \$30.00/acre and the total of all royalty monies on production so paid to Lessor during such calendar year.
4. This lease covers only oil gas and other liquified and gaseous hydrocarbons together with other associated products mined or refined as by-products of or in connection with oil and gas production.
5. Lessor herein does not warrant title to the leased premises, either express or implied.
6. This lease shall be binding upon the parties, their successors and assigns. However, Lessee shall no assign this lease, in whole or in part, without the written approval of Lessor, which consent will not be unreasonably withheld.
7. Lessee, its successors and assigns, representatives, employees or agents shall not bring any type of firearms or fishing equipment on the leased premises and shall have no right to hunt or fish on said land. Lessor shall have the right to remove anyone from the premises who violates this provision.
8. Lessee shall limit operations for each drill site to an area covering no more than four acres, if possible. Prior to moving in on each drill site shall pay Lessor \$500.00 per acre for the drill site damages. Should drill site damages exceed \$500.00 per acre Lessor will be entitled to the greater amount. All gates must be kept locked and all pits must be kept fenced in order to keep livestock and other farm animals out.
9. Lessee agrees to pay Lessor, within 30 days after operations are completed, for all damages or injury to cattle or other livestock, pasturage, crops, fences, terraces, water wells and the surface in whatever way damaged and all other property of Lessor situated on the leased premises resulting from Lessee's operations under the terms of this lease; and Lessee further agrees that within a reasonable time, but no later than 90 days, after completion

or abandonment of any well drilled on the leased premises, Lessee shall fill and level all excavations not required for production, fencing those that must remain open and restore the surface of the ground to as near its original condition as is practical, weather permitting. If Lessee does not perform such operations within said time periods Lessor may, at his option, have such operations performed by a third party contractor at Lessee's expense. Lessee shall construct and maintain substantial cattle guards at all points where Lessee cuts fences of Lessor to gain access to said land. Lessee agrees to leave cattle guards on the premises permanently. It is also agreed that if any salt water or other harmful substances shall come from or in any way be extracted or produced from said lands as a result of Lessee's operations hereunder, then Lessee shall not permit same to flow on or over the land, and same will not be disposed of on the land.

10. Any pits or excavations dug by Lessee on the leased premises containing toxic chemicals or contaminants shall be vacuumed out of and removed from such pit or excavation by Lessee.

11. Lessee may utilize an existing water well located on the leased premises but shall not use water out of Lessor's stock tanks. Any new water wells that may be drilled by Lessee for its operations on the leased premises must be capped two (2) feet above ground for possible use by Lessor.

12. Lessor's initial royalty payment shall be due and payable no later than 90 days after the month on which such production is based and each month thereafter. Said royalty shall be delivered free and clear of any charges, expenses or fee for trucking, piping, transporting, collecting, cycling; lifting, pumping, treating, processing, handling, pressuring, ect., of oil, gas or gaseous substances mentioned in this section; and no deduction whatsoever shall be made by Lessee from Lessor's royalty for any such charge, expense or fee.

13. Lessor may, at his risk and expense, have a representative present on the leased premises during operations at all times, and shall have access of the derrick floor of any wells drilled on the leased premises. Such representative shall be entitled to examine all cores, logs and other well data, and may witness the checking and measuring of all production from such wells. Lessor shall be furnished with sufficient notice of the running of logs or tests so as to enable Lessor to be present and witness same and Lessee shall furnish Lessor with two copies of all logs made of such wells, including bottom-hole surveys, core data, completion data, bottom-hole pressure data and all other geological information obtained by Lessee from such well or wells. Lessor, however, agrees not to release any of such information which is considered "confidential" by Lessee.

14. Lessor shall have the right to designate the location of any road to be used by Lessee for access to the leased premises, and for access to any well location which Lessee may utilize on the leased premises. If an existing road is designated for access, Lessee shall improve such road to the degree required for the same to be suitable for normal use by Lessee, and Lessee shall use such road to the point designated by Lessor and shall construct a new road from such point along the route designated by Lessor to a well location needed by Lessee. Lessee agrees to grade not more than one road from an existing road to each location on the leased premises and to confine all travel incident to the drilling and producing of such well to the single graded road. All roads used or constructed by Lessee shall be of a good quality and design suitable for all normal use, and Lessor shall have the right to use any such road. Lessee shall maintain all roads used or constructed by Lessee in good condition and repair during the term of this lease. Lessee shall promptly make repairs to the road when needed, with periodic grading, and particularly following rains. Lessee shall fill all ruts and depressions with comparable road material to that existing, and grade same to a smooth condition at such time as the road has dried to the point where such repairs and maintenance may be affected. Should Lessee fail to maintain an existing road used by Lessee in good condition and repair, Lessor may make such repairs at Lessee's expense.

15. Prior to erecting any storage tanks, pipelines, compressor stations, or other lease facilities required by Lessee for operations under this lease, Lessee shall advise Lessor of Lessee's intentions, and said parties shall mutually decide upon the location of such facilities, taking into consideration the surface use by Lessor and Lessee's needs in conducting Lessee's operations. Lessee agrees to keep any surface equipment or facilities in good condition, well maintained, attractive in appearance and painted periodically.

16. While there is a gas well on the leased premises which is capable of producing gas and/or oil and liquified hydrocarbons in paying quantities, but said gas is not being sold, Lessee during the primary term of this lease, commencing on the anniversary date hereof or 90 days from date of completion of such well, whichever date occurs first, may pay Lessor the sum of \$566.50 which payment is herein called "shut-in gas royalty" and thereafter said sum may be paid at annual intervals on or before the anniversary date of said first payment, and if such payments are made or tendered, this lease shall not terminate during the primary term and for two (2) years thereafter.

R.M.K.
JK

SIGNED FOR IDENTIFICATION

FELMONT OIL CORPORATION

By: Judith A. Felton

Jack F. Knight
JACK F. KNIGHT

Rose N. Knight
ROSE N. KNIGHT

FILED FOR RECORD

At 11:45 O'clock A. M.
The 9th. Day of Aug. 19 89.

Rec. pd.
Janice Keach
Felmont Oil Corporation
350 Glenborough, Suite 300
Houston, Texas 77067

Irene Pratkan
IRENE PRATKA
Clerk County Court, Fayette County Texas

RECORDED THIS THE 24th DAY OF August A.D., 1989, AT 11:10 O'CLOCK A M.
IRENE PRATKA, COUNTY CLERK. BY Anne Beran DEPUTY
ANNE BERAN

THE STATE OF TEXAS }
County of Fayette }

Clerk of the County

Court in and for Fayette County, Texas, do hereby certify that the above and foregoing instrument is a full, true and correct copy as recorded in Volume

286 Page 848 of the Cliff Gas Law Records of said County.

TO CERTIFY ALL OF WHICH, Witness my hand and seal of office, at office, is La Grange, Texas, this the 5th day of March, A.D.,
1993

(L. S.)

Irene Pratkan
Clerk, County Court, Fayette
County Texas

By Virginia Ulrich, Deputy
VIRGINIA ULRICH

EXTENSION TO OIL, GAS AND MINERAL LEASE

STATE OF TEXAS)
) KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF FAYETTE)

756 THAT, TORCH OPERATING COMPANY, of 1221 Lamar, Suite 1600, Houston, Texas 77010, is a SUCCESSOR LESSEE of an Oil, Gas and Mineral Lease dated June 21, 1989 and recorded in Volume 286, Page 848 of the Oil and Gas Records of Fayette County, Texas between JACK F. KNIGHT and wife, ROSE M. KNIGHT, of 3805 Overbrook Street, Houston, Texas 77027, as LESSOR and FELMONT OIL CORPORATION, as LESSEE, insofar as said lease covers the following described land to wit:

22.66 acres of land, more or less, out of the William H. Jack League, A-57, and being the same land described in that certain deed dated July 18, 1968 from R.L. Rather to Jack F. Knight recorded in Volume 401, Page 335 of the Deed Records, Fayette County, Texas, to which said instrument, its recording and description therein is made for all purposes.

WHEREAS the primary term of said Oil, Gas and Mineral Lease is for a term of THREE (3) years, expiring June 21, 1992.

WHEREAS it is the desire of LESSOR and SUCCESSOR LESSEE, to extend the primary term of said LEASE for an additional one (1) year from June 21, 1992 to June 21, 1993.

NOW THEREFORE, in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable consideration, receipt of which is hereby acknowledged, said LEASE is hereby amended to extend the primary term for an additional one (1) year, from June 21, 1992 to June 21, 1993, and LESSOR, does hereby adopt, ratify, grant and confirm said LEASE to TORCH OPERATING COMPANY, subject to and under all of the terms and provisions of said LEASE, and does hereby agree and declare that said LEASE and the extension herein is now in full force and effect.

IN WITNESS WHEREOF, LESSOR executed this Agreement on this the 9 day of June, 1992.

FILED FOR RECORD

At 1:15 O'clock P.M. The 24th Day of June 19 92.

R.M.K. JACK F. KNIGHT

IRENE PRATKA

Irene Pratka

Clerk County Court, Fayette County Texas \$5.00 pd. F. David Murrell P.O. Box 37356 Houston, Texas 77257-0356

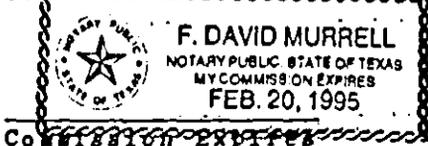
Rose M. Knight

ROSE M. KNIGHT

Individually and as R.M.K. Executor of the Estate of Jack F. Knight

STATE OF TEXAS)
)
COUNTY OF)

On this the 20th day of June, 1992, before me personally appeared JACK F. KNIGHT and ROSE M. KNIGHT, individually and as Executor of the Estate of Jack F. Knight, known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free and voluntary act.



F. David Murrell
Notary Public

THE STATE OF TEXAS {
County of Fayette }

Clerk of the County

Court in and for Fayette County, Texas, do hereby certify that the above and foregoing instrument is a full, true and correct copy as recorded in Volume

331 Page 860 of the _____ Records of said County.

TO CERTIFY ALL OF WHICH, Witness my hand and seal of office, at

office, is La Grange, Texas, this the 5th day of March, A.D.,

1992

[L.S.]

Drene Pratkanis

Clerk, County Court, Fayette
County, Texas

By Virginia Ulrich, Deputy

VIRGINIA ULRICH

EXHIBIT "A"

ADJACENT TRACTS

1. 191.226 acres of land, more or less, out of the William H. Jack Survey, A-57, Fayette County, Texas.

LESSORS: Glenn G. Krause and wife Esther Ann Krause (50% INTEREST)

LESSEE: Felmont Oil Corporation

DATE: 6-20-89

RECORDING: 287/752 Oil, gas and Mineral Records, Fayette County, Texas

LANDS COVERED: 191.226 acres, more or less.

EXTENSION: 331/599 dated 6-10-92

2. 75.14 acres of land, more or less, out of the Willaim Jack Survey, A-57 Fayette County, Texas.

LESSORS: Richard F. Alston and wife, Ima Jean Alston

LESSEE: Felmont Oil Corporation

DATE: 6-6-1989

RECORDING: 312/715 Oil, Gas and Mineral Records, Fayette County, Texas

LANDS COVERED: 75.14 acres, more or less

EXTENSION: 330/858 dated 6-3-92

3. 35.67 acres of land, more or less, out of the William H. Jack Survey, A-57 Guadalupe County, Texas.

LESSORS: Robert Earl McWilliams and wife, Gerane S. McWilliams

LESSEE: Felmont Oil Corporation

DATE: 7-17-89

RECORDING: 288/339 Oil, Gas and Mineral Records, Fayette County, Texas

LANDS COVERED: 35.67 acres, more or less

EXTENSION: 335/269 dated 7-10-92

4. 23.65 acres of land, more or less, out of the William H. Jack Survey, A-57 Fayette County, Texas.

LESSORS: Katherine V. Weikel and husband, Alois G. Weikel

LESSEE: Felmont Oil Corporation

DATE: 7-17-89

RECORDING: 289/881 Oil, Gas and Mineral Records, Fayette County, Texas

4. CONTINUED

LANDS COVERED: 23.65 acres, more or less

EXTENSION: 332/445 dated 7-3-92

5. 11.957 acres of land, more or less, out of the William H. Jack Survey, A-57
Fayette County, Texas.

LESSORS: Carolyn Warmke and LaNell Szymczak

LESSEE: Felmont Oil Corporation

DATE: 7-17-89

RECORDING: 289/872 Oil, Gas and Mineral Records, Fayette County, Texas

LANDS COVERED: 11.957 acres, more or less

EXTENSION: 332/444 dated 7-3-92

6. 294.478 acres of land, more or less, out of the William H. Jack Survey, A-57
Fayette County, Texas.

LESSORS: Lionel J. Wallace and wife, Kathryn Wallace

LESSEE: Felmont Oil Corporation

DATE: 6-20-89

RECORDING: 286/863 Oil, Gas and Mineral Records, Fayette County, Texas

LANDS COVERED: 294.478 acres, more or less

EXTENSION: 331/641 dated 6-7-92

7. 119.928 acres of land, more or less, out of the William H. Jack Survey, A-57
Fayette County, Texas.

LESSORS: Charles L. Howes and wife, Ida Bess Howes

LESSEE: Torch Operating Company

DATE: 6-30-92

RECORDING: 332/446 Oil, Gas and Mineral Records, Fayette County, Texas

LANDS COVERED: 119.928 acres, more or less

• LANDS COVERED:

8. 48.875 acres of land, more or less, out of the William H. Jack Survey, A-57, fayette County, Texas.

LESSORS: Louis M. Jacobs and wife, Lena M. Jacobs

LESSEE: Felmont Oil Corporation

DATE: 7-17-89

RECORDING: 288/333 Oil, Gas and Mineral Records, Fayette County, Texas

LANDS COVERED: 48.875 acres, more or less

EXTENSION: 333/195 dated 7-8-92

9. 22.66 acres of land, more or less, out of the William H. Jack Survey, A-57 Fayette County, Texas.

LESSORS: Jack F. Knight and wife, Rose Knight

LESSEE: Felmont Oil Corporation

DATE: 6-21-89

RECORDING: 286/848 Oil, Gas and Mineral Records, Fayette County, Texas

LANDS COVERED: 22.66 acres, more or less

EXTENSION: 331/860 dated 6-9-92

MF M-952486
Item Adjacent Leases
To _____
From _____
Date 6.20.89

DO NOT DESTROY



UNIT AGREEMENT MEMO

Unit No. 2903

Operator Union Pacific Resources

Unit Name Warmke Unit No. 1 Well RE-Entry

County Fayette

Effective Date 3-31-00

Unitized for: Oil Gas Oil & Gas

1. M.F. No. 95246

Area _____ Tr. 9

Sec. _____ Blk. _____ Survey _____

2.701 / 534.44 x 9/32 = .1421 %

.005054 x .28125 = .001421

2. M.F. No. _____

Area _____ Tr. _____

Sec. _____ Blk. _____ Survey _____

_____ x _____ = _____ %

.011401 = 9.3 / 534.44

3. M.F. No. _____

Area _____ Tr. _____

Sec. _____ Blk. _____ Survey _____

_____ x _____ = _____ %

4. M.F. No. _____

Area _____ Tr. _____

Sec. _____ Blk. _____ Survey _____

_____ x _____ = _____ %

REMARKS:

Royalty set per lease agreement.

Prepared by: Marc A. Fuenter

Date 9-27-00

Map & GIS updated by: [Signature]

Date 4/29/02

Keyed into database by: M.S. LIA

Date 9-29-00

**DENNIS MAHLMANN
PETROLEUM LAND SERVICES
208 W. ALAMO
BRENHAM, TEXAS 77833
409/836-3260**

March 22, 2000

RECEIVED
60 MAR 27 PM 3:05
ENERGY RESOURCES

HROW

General Land Office
Lease Administration
1700 N. Congress Ave.
Austin, Texas 78701
Attn: Mr. Drew Reid

Re: Warmke Re-Entry & Wagner Reformation, Fayette County, Texas

Dear Mr. Reid:

Pursuant to our recent phone conversation, Union Pacific Resources Company is preparing to re-enter the WARMKE NO. 1 UNIT and form a new unit called the WARMKE NO. 1 RE-ENTRY. Proposed operations for the new unit consist of going into the existing WARMKE UNIT's well bore until penetrating the Austin Chalk, then, drilling horizontally for approximately 4154 feet in a southeast direction.

The proposed operations will require UPRC to dissolve the existing WARMKE UNIT and designate a new WARMKE RE-ENTRY UNIT. UPRC will also have to reform the existing WAGNER O. L. No. 1 UNIT since a portion of its acreage will be utilized in the new proposed WARMKE RE-ENTRY UNIT. The existing WARMKE UNIT is made up of 297.808 acres. The proposed WARMKE NO. 1 RE-ENTRY UNIT will be comprised of approximately 533.224 acres. The WAGNER UNIT will decrease in size from 719.456 acres to approximately 533.062 acres.

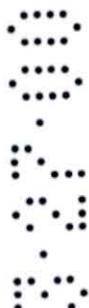
UPRC recently executed two instruments, (1) DISSOLUTION OF PRIOR WARMKE UNIT AND DESIGNATION OF NEW WARMKE NO. 1 RE-ENTRY, and (2) REFORMATION OF WAGNER O. L. NO. 1 UNIT, copies of which are enclosed. The State of Texas leases involved are M-95246 and M-95390.

Enclosed for review and execution are Ratifications of the WARMKE DISSOLUTION/DESIGNATION and the WAGNER REFORMATION. Please execute these documents at your earliest convenience and return them to me. If you have any questions, please feel free to call on me. And as always, thank you for your cooperation and for this opportunity to develop these minerals.

Yours truly,



Dennis Mahlmann
Landman
Union Pacific Resources Company
Enclosures



M-95246

DISSOLUTION OF PRIOR UNIT AND DESIGNATION OF NEW UNIT
UNION PACIFIC RESOURCES COMPANY
WARMKE NO. 1 UNIT RE-ENTRY

STATE OF TEXAS §
 § KNOW ALL MEN BY THESE PRESENTS
COUNTY OF FAYETTE §

Recitals

A. The valid and subsisting oil, gas and mineral leases listed on Exhibit "A" attached hereto and made a part hereof (the "Leases") have heretofore been pooled, or some portion thereof, as evidenced by that certain Designation of Unit Warmke No. 1 Unit, recorded in Volume 355, page 689, Oil and Gas Lease Records of Fayette County, Texas as corrected in Corrected Designation of Unit Warmke No. 1 Unit, recorded in Volume 370, page 465, Oil and Gas Lease Records of Fayette County, Texas (the "Prior Unit").

B. It is the desire of the owners of various mineral interests (mineral, overriding royalty and/or royalty) under the Leases to dissolve the Prior Unit and to pool said Leases with other leases to form a new unit (WARMKE NO. 1 UNIT RE-ENTRY) to accommodate the drilling of an additional lateral wellbore as part of a horizontal well.



NOW THEREFORE, in consideration of the premises, the receipt and sufficiency of which are hereby acknowledged, the undersigned owners hereby terminate the Prior Unit formed by the Unit Designation described in Paragraph A above and do hereby pool, consolidate, combine, and unitize the oil, gas and mineral leases listed on Exhibit "B" (the "Unit Leases"), the leasehold rights, overriding royalty and royalty interests therein and thereunder for the purpose of drilling for, developing, and producing oil gas and liquid hydrocarbons (including condensate, distillate, and other liquids) into the WARMKE NO. 1 UNIT RE-ENTRY, which shall be comprised of the leases described on Exhibit "B" attached hereto and the land and interval described on Exhibit "C" attached hereto, as depicted on the Plat attached hereto as Exhibit "D".

For the same consideration, the undersigned non-operating interests lying within the Prior Unit and also within the new unit (the WARMKE NO. 1 UNIT RE-ENTRY), hereby join in the execution of this instrument for the purpose of evidencing their ratification of the acts accomplished by this instrument, and hereby ratify and confirm the dissolution of the Prior Unit, the formation of the new unit, the WARMKE NO. 1 UNIT RE-ENTRY, and the inclusion therein of that portion of their interests that lie within said new unit as more particularly depicted on Exhibit "C" and "D" hereto. For the purposes and consideration stated herein, each royalty interest owner, by execution hereof, does hereby GRANT, LEASE, and LET unto the owners of the Lease(s) covering such royalty owner's interest in the lands covered by the WARMKE NO. 1 UNIT RE-ENTRY subject to the terms of the respective leases(s) covering such Royalty Owner's interest in such Prior Unit and new unit.

If, at any time, any tract of land or interest within WARMKE NO. 1 UNIT RE-ENTRY is not properly pooled or unitized hereby or is not otherwise committed to the WARMKE NO. 1 UNIT RE-ENTRY, such fact shall not affect, terminate, impair, or invalidate such new unit as to any interest properly pooled or unitized hereby otherwise.

The WARMKE NO. 1 UNIT RE-ENTRY covers all production for the lands and depths described on the attached Exhibit "C", which is produced from any well drilled to the unitized interval(s) underlying such new unit area. Production from the WARMKE NO. 1 UNIT RE-ENTRY shall be allocated proportionately among all of the tracts within the WARMKE NO. 1 UNIT RE-ENTRY in the proportion which the number of surface acres in each such tracts bear to the total number of acres in such new unit.

The undersigned reserves the right to amend the WARMKE NO. 1 UNIT RE-ENTRY, including any modification or reduction in the size of such new unit, from time to time and at any time, in order to (i) conform this designation to reflect the final configuration of the WARMKE NO. 1 UNIT RE-ENTRY based upon the location and the length of the lateral component of the well drilled thereon; (ii) correct any error herein; (iii) include in the WARMKE NO. 1 UNIT RE-ENTRY any newly acquired interests within such unit boundaries; or (iv) enlarge the WARMKE NO. 1 UNIT RE-ENTRY in accordance with the applicable rules and regulations of any governmental regulatory body or agency having jurisdiction.

By execution of this instrument, the undersigned leasehold owners do not exhaust their right to pool the unit leases and lands covered thereby with other leases and lands as to any other minerals, horizon, or strata covered thereby, and they expressly reserve the right and power to pool or unitize the above described unit leases and lands with any other leases, lands, horizons, or strata in the vicinity and insofar as the power, right and authority to do so is granted in the leases and so long as such power and authority is exercised in accordance with applicable rules and regulations of any governmental regulatory body or agency having jurisdiction.

The dissolution of the Prior Unit shall be effective as of the effective time of WARMKE NO. 1 UNIT RE-ENTRY, which shall be effective as of the time and date of commencement of operations on the WARMKE NO. 1 UNIT RE-ENTRY, or a substitute well, and shall remain in force so long as the pooled minerals are being produced from such new unit, or so long as the Leases comprising the WARMKE NO. 1 UNIT RE-ENTRY are maintained in force and effect by payment or tender of shut-in royalties or delay rentals, if applicable, or by other means, as provided by the terms of the Leases, or until dissolution of such new unit in accordance with the terms of the leases.

This instrument may be executed as one document signed by all parties, or parties named herein may join herein by execution of a counterpart or ratification with the same effect as if all parties had executed one instrument and the signature pages of the counterparts may be combined into one instrument for recording purposes. Failure of one person owning an interest in the WARMKE NO. 1 UNIT RE-ENTRY to execute this instrument or a counterpart shall not in any manner effect the validity hereof as to the parties who do execute the instrument and the validity of the new unit.

OPERATOR/OWNER OF LEASES:

UNION PACIFIC RESOURCES COMPANY

By: 
Andrew C. Rudderow

Its: Attorney-in-Fact

STATE OF TEXAS)
)
COUNTY OF TARRANT)

This instrument was acknowledged before me on the 14th day of March, 2000, by Andrew C. Rudderow, the Attorney-in-Fact of UNION PACIFIC RESOURCES COMPANY, a Delaware corporation, on behalf of said corporation.

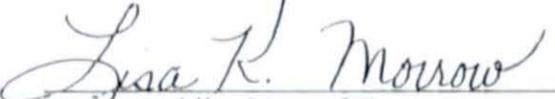

Notary Public, State of Texas



EXHIBIT "A"

Attached to that certain Dissolution of Prior Unit and Designation of New Unit
Union Pacific Resources Company Warmke No. 1 Unit Re-Entry

Lessor: Craig Brown, et al TX1-62948
Lessee: Felmont Oil Corporation
Date: August 13, 1989
Recorded: Volume 290, Page 189, Oil & Gas Records, Fayette County, Texas

Lessor: Glenn G. Krause, et ux TX1-61741/001
Lessee: Felmont Oil Corporation
Date: June 20, 1989
Recorded: Volume 287, Page 752, Oil & Gas Records, Fayette County, Texas

Lessor: Robert Earl McWilliams, et ux TX1-61157
Lessee: Felmont Oil Corporation
Date: July 17, 1989
Recorded: Volume 288, Page 339, Oil & Gas Records, Fayette County, Texas

Lessor: Katherine V. Weikel, et vir TX1-61158
Lessee: Felmont Oil Corporation
Date: July 17, 1989
Recorded: Volume 289, Page 881, Oil & Gas Records, Fayette County, Texas

Lessor: Carolyn Warmke, et al TX1-61159
Lessee: Felmont Oil Corporation
Date: July 17, 1989
Recorded: Volume 289, Page 872, Oil & Gas Records, Fayette County, Texas

Lessor: Charles L. Howes, et ux TX1-62949
Lessee: Torch Operating Company
Date: June 30, 1992
Recorded: Volume 332, Page 446, Oil & Gas Records, Fayette County, Texas

Lessor: Ima Jean Alston, a widow TX1-47882/002
Lessee: Union Pacific Resources Company
Date: June 16, 1993
Recorded: Volume 355, Page 620, Oil & Gas Records, Fayette County, Texas

Lessor: Donald Lee Keeline TX1-47882/001
Lessee: Union Pacific Resources Company
Date: March 16, 1993
Recorded: Volume 349, Page 275, Oil & Gas Records, Fayette County, Texas

Lessor: Kerr-McGee Corporation TX1-61741/002
Lessee: Union Pacific Resources Company
Date: April 2, 1993
Recorded: Volume 352, Page 775, Oil & Gas Records, Fayette County, Texas

Lessor: Texas Osage Royalty Pool, Inc. TX1-61741/003
Lessee: Union Pacific Resources Company
Date: March 11, 1993
Recorded: Volume 352, Page 776, Oil & Gas Records, Fayette County, Texas

Lessor: State of Texas, M-95246 < TX2-49203
12.11 ac. Jack Survey A-57 & Townsend Survey, A-104
Lessee: Union Pacific Resources Company
Date: June 1, 1993
Recorded: Volume 355, Page 332, Oil & Gas Records, Fayette County, Texas

EXHIBIT "B"

Attached to that certain Dissolution of Unit and Designation of Unit
Union Pacific Resources Company Warmke No. 1 Unit Re-Entry

Lessor: Craig Brown, et al TX1-62948
Lessee: Felmont Oil Corporation
Date: August 13, 1989
Recorded: Volume 290, Page 189, Oil & Gas Records, Fayette County, Texas

Lessor: Glenn G. Krause, et ux TX1-61741/001
Lessee: Felmont Oil Corporation
Date: June 20, 1989
Recorded: Volume 287, Page 752, Oil & Gas Records, Fayette County, Texas

Lessor: Robert Earl McWilliams, et ux TX1-61157
Lessee: Felmont Oil Corporation
Date: July 17, 1989
Recorded: Volume 288, Page 339, Oil & Gas Records, Fayette County, Texas

Lessor: Katherine V. Weikel, et vir TX1-61158
Lessee: Felmont Oil Corporation
Date: July 17, 1989
Recorded: Volume 289, Page 881, Oil & Gas Records, Fayette County, Texas

Lessor: Carolyn Warmke, et al TX1-61159
Lessee: Felmont Oil Corporation
Date: July 17, 1989
Recorded: Volume 289, Page 872, Oil & Gas Records, Fayette County, Texas

Lessor: Charles L. Howes, et ux TX1-62949
Lessee: Torch Operating Company
Date: June 30, 1992
Recorded: Volume 332, Page 446, Oil & Gas Records, Fayette County, Texas

Lessor: Ima Jean Alston, a widow TX1-47882/002
Lessee: Union Pacific Resources Company
Date: June 16, 1993
Recorded: Volume 355, Page 620, Oil & Gas Records, Fayette County, Texas

Lessor: Donald Lee Keeline TX1-47882/001
Lessee: Union Pacific Resources Company
Date: March 16, 1993
Recorded: Volume 349, Page 275, Oil & Gas Records, Fayette County, Texas

Lessor: Kerr-McGee Corporation TX1-61741/002
Lessee: Union Pacific Resources Company
Date: April 2, 1993
Recorded: Volume 352, Page 775, Oil & Gas Records, Fayette County, Texas

Lessor: Texas Osage Royalty Pool, Inc. TX1-61741/003
Lessee: Union Pacific Resources Company
Date: March 11, 1993
Recorded: Volume 352, Page 776, Oil & Gas Records, Fayette County, Texas

Lessor: State of Texas, M-95246 TX2-49203
12.11 ac. Jack Survey A-57 & Townsend Survey, A-104
Lessee: Union Pacific Resources Company
Date: June 1, 1993
Recorded: Volume 355, Page 332, Oil & Gas Records, Fayette County, Texas

Lessor: Roy L. Rather TX1-48804
Lessee: Union Pacific Resources Company
Date: June 8, 1993
Recorded: Volume 359, Page 744, Oil & Gas Records, Fayette County, Texas

Lessor: Rose M. Knight TX1-48821
Lessee: Union Pacific Resources Company
Date: June 22, 1993
Recorded: Volume 360, Page 787, Oil & Gas Records, Fayette County, Texas

Lessor: Charles L. Howes, et ux TX1-95246
Lessee: Union Pacific Resources Company
Date: June 24, 1993
Recorded: Volume 362, Page 66, Oil & Gas Records, Fayette County, Texas

Lessor: Louis M. Jacobs, Jr. et ux TX1-
Lessee: Union Pacific Resources Company
Date: March 3, 2000
Recorded: Volume 1091, Page 314, Official Records, Fayette County, Texas



EXHIBIT "C"

UNION PACIFIC RESOURCES COMPANY
WARMKE UNIT, WELL # 1
FAYETTE COUNTY, TEXAS
J7473

FIELD NOTES FOR A CALLED 534.44 ACRE UNIT

BEING a called 534.44 acre unit situated in the W. S. TOWNSEND Survey, Abstract 104, WILLIAM H. JACK Survey, Abstract 57, and the JAMES WINN Survey Abstract 114, Fayette County, Texas. Said 534.44 acre unit to be more particularly described as follows:

Note: Basis of bearings is the Texas State Plane Coordinate System.

BEGINNING at a ½" iron rod found for the interior "L" corner of a called 138.0 acre tract, as recorded in Volume 155, Page 281, of the Deed Records of Fayette County, Texas;

THENCE North 48°49'53" West a distance of 453.07' feet to a 1" iron spike found for the Southwest corner of a called 138. acre tract as recorded in Volume 155, Page 281, also being the Southeast corner of a called 157.17 acre tract recorded in Volume 440, Page 370, of the Deed Records of Fayette County, Texas;

THENCE North 49°12'25" West along and with the Southwest line of said called 157.17 acre tract, a distance of 939.89' feet to a 3/8" iron rod & stone found for the Southwest corner of a called 157.17 acre tract as recorded in Volume 440 Page 370 Deed of Records of Fayette County Texas;

THENCE North 41°10'00" West along and with Southeast line of a said called 100.32 acre tract of Robin G. Brown II et al. a distance of 2057.60' feet to a point being the Southeast corner of a called 50.73 acre tract of Robin G. Brown II et al, Fayette County, Texas;

THENCE North 42°52'10" East along and with the Southeast line of said called 50.73 acre tract a distance of 477.57' feet to a point in the Southeast line of a called 50.73 acre tract of Robin G. Brown II et al, Fayette County, Texas;

THENCE South 49°04'06" East a distance of 2901.75 feet to a point being the Southwest corner of a called 59.49 acre tract of Glen G. Krause et al, Fayette County, Texas;

THENCE South 21°33'22" East along and with the Southwest line of a called 59.49 acre tract a distance of 924.77' feet to a point being in the Northwest Right-of-way of Farm Market Road No.2714;

THENCE North 52°21'55" East along and with the Northwest Right-of-way of Farm Market Road No.2714 a distance of 29.73' feet to a point;

THENCE South 21°44'01" East along and with the Southwest line of a called 59.49 acre tract a distance of 355.26' feet to a 1" inch iron pipe found, being the Southeast corner of a called 59.49 acre tract of Glen G. Krause et ux;

THENCE South 42°56'19" West along and with the Northwest line of a called 218.26 acre tract recorded in Volume 875, Page 548, of the Deed of Records Fayette County Texas a distance of 842.95' feet to a point in the center of Farm Market Road No.1457;

THENCE South 49°10'43" East along and with the center line of Farm Market Road No.1457 a distance of 3132.58' feet to a point for corner in the center line of above mentioned road;

THENCE South 40°39'21" West a distance of 1473.32' feet to a point for corner being the Southwest corner of a 162.33 acre tract as recorded in Volume 803, Page 547, of the Deed Records of Fayette County, Texas;

THENCE South 36°26'29" East a distance of 1473.11' feet to a point for a corner in the Southwest line of a 162.33 acre tract as recorded in Volume 803, Page 547, of the Deed Records of Fayette County, Texas;

THENCE South 40°52'59" West a distance of 1495.01' feet to a point for a corner in the Southwest line of the called 138.00 acre tract as recorded in Volume 155, Page 281, of the Deed of Records Fayette County Texas;

THENCE North 41°27'23" West along and with the Southwest line of said called 138.00 acre tract, a distance of 736.19' feet to a ½" iron rod found in the Southwest line of said called 138.00 acre tract;

THENCE North 14°39'23" West a distance of 43.45' feet to a point for a corner Southwest line of said 138. acre tract;

.....**THENCE** North 42°36'50" West a distance of 1760.66' feet to ½" iron rod found for corner being the Southwest corner of said called 138. acre;

.....**THENCE** South 40°31'15" West a distance of 298.05' feet to ½" iron rod found for corner being the Southeast corner of a called 119.64 acre tract as recorded in Volume §10, Page 620, of the Deed of Records Fayette County Texas;

.....**THENCE** North 49°12'14" West a distance of 1755.99' feet to a ½" iron rod found for corner being the Southeast corner of said called 119.64 acre tract;

THENCE North 44°24'37" East a distance of 1518.60' feet to a point for corner being the interior "L" corner of a called 119.64 acre tract as recorded in Volume 810, Page 620, of the Deed of Records Fayette County Texas;

THENCE North 33°58'54" West a distance of 227.41' feet to a point for corner;

THENCE North 08°47'16" East a distance of 66.37' feet to a ½" iron rod found for corner;

THENCE North 24°08'49" East distance of 48.33' to a ½" iron rod found being the Southwest corner of a the called 119.64 acre tract as recorded in Volume 810, Page 620, and the South west corner of a called 5.815 acre tract as recorded in Volume 729, Page 827, of the Deed of Records Fayette County Texas;

THENCE North 77°36'35" West along and with the Southwest line of a called 17.835 acre tract a distance of 377.20' feet to a point for corner;

THENCE North 49°44'18" West along and with the Northeast line of a called 75.75 acre tract of Jeanette Eichler Preuss et vir a distance of 1628.42' feet to a point for corner being the Northwest corner of above called 75.75 acre tract;

THENCE North 49°44'18" West a distance of 802.32' feet to a point for corner being the Northwest corner of a called 75.14 acre tract of Ima Jean Alston as recorded in Volume 317, Page 455, of the Deed of Records of Fayette County Texas;

THENCE North 40°43'19" East a distance of 418.18' feet to a point being in the in the center line of Farm Market Road No. 1457;

THENCE South 85°30'44" West along and with the center line of Farm Market Road No. 1457 a distance of 35.21' feet to a point;

THENCE North 40°53'38" East along and with the most Southerly Northwest line of said called 183 acre tract as recorded in Volume 155, Page 281, of the Deed of Records of Fayette County, Texas, a distance of 273.69' feet back to the **PLACE OF BEGINNING** of said called 534.440 acre unit.



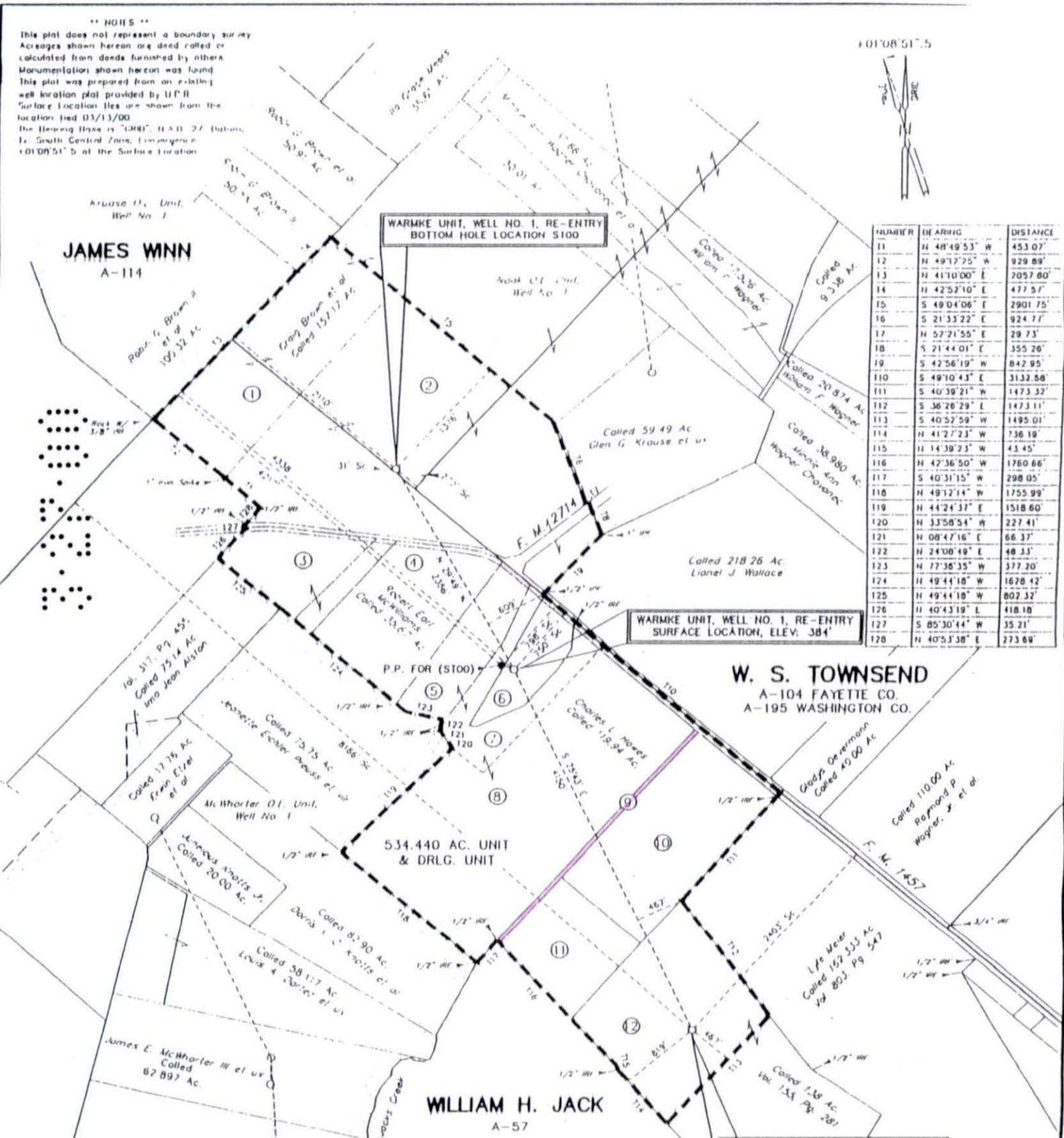
LIMITED TO THE AUSTIN CHALK FORMATION, as found between 11,970 feet and 12,648 feet in the Torch Operating Carolyn Warmke #1 Well, which is located 700 feet from the NEL and 4400 feet from the NWL of the W. H. Jack League, Abstract 57, Fayette County, Texas

EXHIBIT "D"

** NOTES **

This plat does not represent a boundary survey. Acreages shown herein are dead called or calculated from deeds furnished by others. Monumentation shown herein was found. This plat was prepared from an existing well location plat provided by UPR. Surface location (see map) shown from the location dated 03/13/00. The bearing base is "GCR", NAD 27 Datum, T. South Central Zone, Convergence: 10108'51" S at the Surface Location.

10108'51" S



| NUMBER | BEARING | DISTANCE |
|--------|---------------|----------|
| 11 | N 48°49'53" W | 453.07' |
| 12 | N 49°12'25" W | 929.89' |
| 13 | N 41°10'00" E | 7057.60' |
| 14 | N 42°52'10" E | 477.57' |
| 15 | S 49°04'06" E | 2901.75' |
| 16 | S 21°33'22" E | 924.71' |
| 17 | N 57°21'55" E | 29.73' |
| 18 | S 21°44'01" E | 355.26' |
| 19 | S 42°56'19" W | 842.95' |
| 110 | S 49°10'43" E | 3132.56' |
| 111 | S 40°39'21" W | 1473.32' |
| 112 | S 36°26'29" E | 1473.11' |
| 113 | S 40°52'59" W | 1495.01' |
| 114 | N 41°27'23" W | 736.19' |
| 115 | N 14°39'23" W | 43.45' |
| 116 | N 42°36'50" W | 1760.66' |
| 117 | S 40°31'15" W | 298.05' |
| 118 | N 49°12'14" W | 1755.99' |
| 119 | N 44°24'37" E | 1518.60' |
| 120 | N 33°58'54" W | 227.41' |
| 121 | N 08°47'16" E | 66.37' |
| 122 | N 24°08'49" E | 48.33' |
| 123 | N 77°36'35" W | 377.20' |
| 124 | N 49°44'18" W | 1628.42' |
| 125 | N 49°44'18" W | 802.32' |
| 126 | N 40°43'19" L | 418.18' |
| 127 | S 85°30'44" W | 35.21' |
| 128 | N 40°53'38" E | 273.69' |

| Tract No | Acres in Unit | Acres in Hwy | Name |
|---|---------------|------------------|-------------------------------|
| 1 | 50.00 ACRES | 00.00 ACRES | CRAIG BROWN, ET AL |
| 2 | 136.155 ACRES | 2.869 ACRES | GLENN G KRAUSE, ET UX |
| 3 | 22.462 ACRES | 1.362 ACRES | IMA JEA ALSTON |
| 4 | 35.592 ACRES | 0.980 ACRES | ROBERT EARL McWILLIAMS, ET UX |
| 5 | 23.711 ACRES | 0.508 ACRES | KATHERINE V. WEIKEL, ET VR |
| 6 | 11.944 ACRES | 0.457 ACRES | CAROLYN WARMKE, ET AL |
| 7 | 11.345 ACRES | 0.423 ACRES | CHARLES L. HOWES, ET UX |
| 8 | 108.551 ACRES | 1.445 ACRES | CHARLES L. HOWES, ET UX |
| 9 | 2.701 ACRES | 00.00 ACRES | STATE OF TEXAS, FAYETTE CO |
| 10 | 49.022 ACRES | 1.218 ACRES | LOUIS M. JACOBS, JR ET UX |
| 11 | 22.454 ACRES | 00.00 ACRES | ROSE M KHGHT |
| 12 | 51.243 ACRES | 00.00 ACRES | ROY L RATHIER |
| CALLED 525.180 ACRES | | 9.260 AC. in Hwy | |
| 534.440 TOTAL CALLED ACRES IN UNIT & DRLG. UNIT | | | |

N.A.D. 27 DATUM/TEXAS SOUTH CENTRAL ZONE

** SURFACE LOCATION **
 N. 821267.84
 E. 2740935.75
 LAT: 30°41'18".71
 LONG: 96°39'27".77

** BOTTOM HOLE LOCATION ST00 **
 LAT: 30°41'39".17
 LONG: 96°39'40".63

** BOTTOM HOLE LOCATION ST01 **
 LAT: 30°41'18".34
 LONG: 96°39'08".14

RE-PLAT
 WELL LOCATION PLAT
 UNION PACIFIC RESOURCES COMPANY
 WARMKE UNIT, WELL NO. 1, RE-ENTRY
 FAYETTE COUNTY, TEXAS
 SCALE: 1" = 1000'

I hereby certify this plat to be true and correct to the best of my knowledge and belief.
Robert Wedgeworth 3/21/00
 Signed Date

Surface Location is located East 1.2 Miles from Round Top "ROUND TOP" Quadrangle

15

File No. ME 095246
Warwick Unit 1 -
Dissolution and Resignation
Date Filed: 3/27/00
By [Signature]
David Dewhurst, Commissioner

25.00

DO NOT DESTROY

GLO-36-10-84

-MEMO-

Operator UPRC

Unit Name Wagner O.L. Unit #1

County Fayette

Effective Date 12-10-93

Unitized for: Oil Gas Oil & Gas

1. M.F. No. 095390

Area HR0W Tr. 14

Sec. Blk. Survey

2.701

$$\frac{719.456}{.003754} \times \frac{1}{5} = .000751 \%$$

$$\frac{1}{20000}$$

2. M.F. No.

Area Tr.

Sec. Blk. Survey

 x . %

3. M.F. No.

Area Tr.

Sec. Blk. Survey

 x . %

4. M.F. No.

Area Tr.

Sec. Blk. Survey

 x . %

REMARKS: 3.7-00 ms.

GIS TA 4/29/02

52-030113

with applicable rules and regulations of any governmental regulatory body or agency having jurisdiction.

This instrument may be executed as one document signed by all parties, or parties named herein may join herein by execution of a counterpart or ratification, with the same effect as if all parties executed this instrument. The failure of any one or more persons owning an interest in the Unit to execute this instrument or a counterpart or ratification thereof shall not in any manner affect the validity of same as to the parties who do execute this instrument. This Unit may not be ratified or joined in by any party who is not named hereinbelow without the consent of the parties hereto.

The Unit hereby created shall be effective as of the date of first production from the Unit, or any separate tracts included in the Unit, and shall remain in force as long as the pooled minerals are being produced from the Unit, or so long as the leases covering the Unit are maintained in force by payment or tender of shut-in royalties or by other means, in accordance with the terms of said leases.

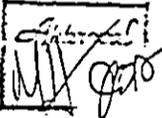
IN WITNESS WHEREOF, this Designation of Unit is executed on this 10th day of December, 1993.

UNION PACIFIC RESOURCES COMPANY

By: Carolyn J. David
Its: Attorney-in-Fact

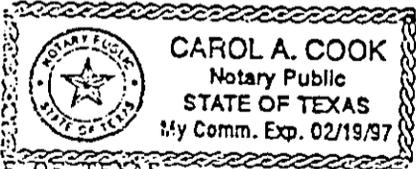
TORCH OIL & GAS COMPANY

By: _____
Title: _____



STATE OF TEXAS
COUNTY OF TARRANT

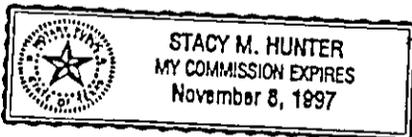
This instrument was acknowledged before me on the 10th day of December, 1993, by Carolyn J. David, the Attorney-in-Fact of UNION PACIFIC RESOURCES COMPANY, a Delaware corporation, on behalf of said corporation.

 CAROL A. COOK
Notary Public
STATE OF TEXAS
My Comm. Exp. 02/19/97

Carol A. Cook
Notary Public in and for the
State of Texas
My commission expires: 2/19/97

STATE OF TEXAS
COUNTY OF _____

This instrument was acknowledged before me on the 14th day of January, 1993, by Matthew S. Ramsey, the Vice President of TORCH OIL & GAS COMPANY, a Delaware corporation, on behalf of said corporation.

 STACY M. HUNTER
MY COMMISSION EXPIRES
November 8, 1997

Stacy M. Hunter
Notary Public in and for the
State of TXAS
My commission expires: 11-8-97

Law Department Approved
Desunit3.O&G

Attached to and made a part of that certain
"Designation of Unit - Wagner Unit #1"
Dated December 10, 1993

EXHIBIT "A"

LEASE SCHEDULE

Lease No.: TX1-49371
Lessor: Lionel J. Wallace et al
Lessee: Union Pacific Resources Company
Date: April 15, 1993
Recorded: Volume 359, Page 917, Oil & Gas Lease Records
Fayette County, Texas

Lease No.: TX1-60795(2)
Lessor: Lavinia P. Boyd et al
Lessee: Union Pacific Resources Company
Date: September 15, 1993
Recorded: Volume 364, Page 283, Oil & Gas Lease Records
Fayette County, Texas

Lease No.: TX1-60795(1)
Lessor: Mary Candice Doerr Moore et al
Lessee: Union Pacific Resources Company
Date: September 15, 1993
Recorded: Volume 375, Page 359, Oil & Gas Lease Records
Fayette County, Texas

Lease No.: TX1-49142
Lessor: Raymond P. Wagner et al
Lessee: Union Pacific Resources Company
Date: April 15, 1993
Recorded: Volume 357, Page 423, Oil & Gas Lease Records
Fayette County, Texas

Lease No.: TX1-48516
Lessor: Gladys Oevermann
Lessee: Union Pacific Resources Company
Date: April 15, 1993
Recorded: Volume 357, Page 418, Oil & Gas Lease Records
Fayette County, Texas

Lease No.: TX1-60328
Lessor: Herbert Bergman, Jr.
Lessee: Jones & Zwiener, Inc.
Date: January 4, 1992
Recorded: Volume 322, Page 874, Oil & Gas Lease Records
Fayette County, Texas

Lease No.: TX1-46872
Lessor: Percy Lloyd Rudloff et ux
Lessee: Union Pacific Resources Company
Date: November 17, 1992
Recorded: Volume 347, Page 103, Oil & Gas Lease Records
Fayette County, Texas

Lease No.: TX1-48820
Lessor: Truman V. Campbell et ux
Lessee: Union Pacific Resources Company
Date: June 8, 1993
Recorded: Volume 359, Page 721, Oil & Gas Lease Records
Fayette County, Texas

Lease No.: TX1-49055
Lessor: Ira Bell Kraus et al
Lessee: Union Pacific Resources Company
Date: June 8, 1993
Recorded: Volume 361, Page 613, Oil & Gas Lease Records
Fayette County, Texas

Lease No.: TX1-49201
Lessor: Gary V. McGowen et ux
Lessee: Union Pacific Resources Company
Date: June 28, 1993
Recorded: Volume 362, Page 74, Oil & Gas Lease Records
Fayette County, Texas

Lease No.: TX1-48826
Lessor: Thomas L. Perritte, Trustee
Lessee: Union Pacific Resources Company
Date: April 15, 1993, Effective August 26, 1993
Recorded: Volume 362, Page 51, Oil & Gas Lease Records
Fayette County, Texas

Lease No.: TX1-48804
Lessor: Roy L. Rather
Lessee: Union Pacific Resources Company
Date: June 8, 1993
Recorded: Volume 359, Page 744, Oil & Gas Lease Records
Fayette County, Texas

Lease No.: TX1-48821
Lessor: Rose M. Knight
Lessee: Union Pacific Resources Company
Date: June 22, 1993
Recorded: Volume 360, Page 787, Oil & Gas Lease Records
Fayette County, Texas

Lease No.: TX1-49054
Lessor: Charles L. Howes et ux
Lessee: Union Pacific Resources Company
Date: June 24, 1993
Recorded: Volume 362, Page 66, Oil & Gas Lease Records
Fayette County, Texas

Lease No.: TX2-49203
Lessor: State of Texas
Lessee: Union Pacific Resources Company
Date: Effective June 1, 1993
Recorded: Volume 355, Page 332, Oil & Gas Lease Records
Fayette County, Texas

* Lease No.: TX2-60749
Lessor: State of Texas
Lessee: Union Pacific Resources Company
Date: December 23, 1993
Recorded: Volume 369, Page 607, Oil & Gas Lease Records
Fayette County, Texas

Lease No.: TX1-49330
Lessor: Alva C. Neuman
Lessee: Union Pacific Resources Company
Date: August 4, 1993
Recorded: Volume 363, Page 160, Oil & Gas Lease Records
Fayette County, Texas

Lease No.: TX1-60794
Lessor: Lloyd Giese
Lessee: Union Pacific Resources Company
Date: Occtober 1, 1993
Recorded: Volume 364, Page 399, Oil & Gas Lease Records
Fayette County, Texas

EXHIBIT "B"

UNION PACIFIC RESOURCES COMPANY
719.456 Acre Wagner O.L. Unit

J. Townsend Survey, A-102
Wm. Townsend Survey, A-104
Wm. Jack Survey, A-57
Fayette County, Texas

THE STATE OF TEXAS
COUNTY OF FAYETTE

PROPERTY DESCRIPTION: Being 719.456 acres, more or less, out of the J. Townsend Survey, A-102, the William Townsend Survey, A-104, and the William Jack Survey, A-57, Fayette County, Texas; said 719.456 acres also being all or part of the following described lease tracts:

- Tract 1: 146.414 acres (of which 3.422 acres lie within the right-of-way of F.M. Highway No. 1457, 100 feet in width), being part of that certain 218.26 acres described as "First Tract" in that certain Deed from Arthur Fricke, et al. to Lionel J. Wallace; et ux., dated April 27, 1959 and being of record in Volume 312 at page 67 of the Deed Records of Fayette County, Texas;
- Tract 2: 28.530 acres (of which 0.719 of an acre lies within the right-of-way of F.M. Highway No. 1457, 100 feet in width); being part of that certain 40.0 acres of land described in Partition Deed dated May 22, 1991, from Herbert Wagner, et al. to Gladys Oevermann; being Item No. 5 in said Partition, and described by metes and bounds therein, recorded in Volume 823 at page 564 of the Deed Records of Fayette County, Texas;
- Tract 3: 78.005 acres (of which 1.956 acres lie within the right-of-way of F.M. Highway No. 1457, 100 feet in width); being part of that certain 110.0 acres of land described in that certain Independent Executor's Distribution Deed dated November 23, 1992; from Raymond P. Wagner, Jr.; Independent Executor of the Estate of Raymond P. Wagner, Sr., Dec'd., and being recorded in Volume 857 at page 900 of the Deed Records of Fayette County, Texas;
- Tract 4: 30.725 acres (of which 0.787 of an acre lies within the right-of-way of F.M. Highway No. 1457, 100 feet in width), being all of the same land described in a Deed from Milton H. Giese; et ux. to Herbert Bergman, Jr., dated January 7, 1966 and being of record in Volume No: 374 at page 21 of the Deed Records of Fayette County, Texas;
- Tract 5: 50.564 acres (of which 1.135 acres lie within the right-of-way of F.M. Highway No. 1457, 100 feet in width); being all of the same land described in that certain Warranty Deed from Milton E. Giese; et ux. to Mrs. Alva C. Neuman, dated December 12, 1977, and being of record in Volume 512 at page 761 of the Deed Records of Fayette County, Texas;
- Tract 6: 28.505 acres (of which 0.520 of an acre lies within the right-of-way of F.M. Highway No. 1457, 100 feet in width), being all of the same land described as: 1st Tract: 1.0 acre, more or less; described in Deed from Walter Wagner to Percy Lloyd Rudloff; et ux., dated April 17, 1958 and recorded in Volume 302 at page 462 of the Deed Records of Fayette County, Texas; 2nd Tract: 5.03 acres, more or less, described in Deed from Walter Wagner to Percy Lloyd Rudloff; et ux., dated February 16, 1963 and recorded in Volume 347 at page 619 of the Deed Records of Fayette County, Texas; 3rd Tract: 22.003 acres, more or less, described in Deed from Innis Wagner and Walter Wagner to Percy Lloyd Rudloff, et ux.; dated November 15, 1968 and recorded in Volume 405 at page 596 of the Deed Records of Fayette County, Texas;

- Tract 7: 3.779 acres (of which 0.773 of an acre lies within the right-of-way of F.M. Highway No. 1457, 100 feet in width), being all of the same land described in that certain Warranty Deed dated October 4, 1992 from Innis Wagner, Jr., et al. as Grantors, to Truman V. Campbell, et ux., as Grantees, and being of record in Volume 853 at page 178 of the Deed Records of Fayette County, Texas;
- Tract 8: 1.251 acres (of which 0.255 of an acre lies within the right-of-way of F.M. Highway No. 1457, 100 feet in width), being all of the same land described in that certain Correction Deed dated October 4, 1965 from Walter Wagner to Saddle Wagner and Irabell Kraus, and being of record in Volume 371 at page 347 of the Deed Records of Fayette County, Texas;
- Tract 10: 111.317 acres (of which 1.316 acres lie within the right-of-way of F.M. Highway No. 1457, 100 feet in width); being all of the same land described in that certain General Warranty Deed dated July 10, 1990, from Lyle Meier, Trustee, to Gary V. McGowan; et ux.; and being of record in Volume 809 at page 608 of the Deed Records of Fayette County, Texas;
- Tract 11: 53.972 acres (of which 1.654 acres lie within the right-of-way of F.M. Highway No. 1457, 100 feet in width); being all of the same land described in that certain General Warranty Deed dated September 23, 1991, from Lyle Meier, Trustee, to Thomas L. Perritte, Trustee, and being of record in Volume 831 at page 236 of the Deed Records of Fayette County, Texas;
- Tract 12: 51.243 acres, being part of that same land described as 263.794 acres of land, more or less, SAVE AND EXCEPT 162.333 acres of land, more or less, as described in that certain Deed dated March 13, 1990 from Roy L. Rather, et ux. to Lyle Meier, Trustee, and being of record in Volume 803 at page 540 of the Deed Records of Fayette County, Texas;
- Tract 13: 22.454 acres, being all of that same land described in that certain Warranty Deed from R.L. Rather to Jack Knight, dated July 18, 1968 and being of record in Volume 401 at page 334 of the Deed Records of Fayette County, Texas;
- * Tract 14: 2.701 acres, being all or part of the following tracts of land:
Parcel A: 2.56 acres as described in that certain Right-of-Way Deed from Walter Wagner, et ux. to the County of Fayette, State of Texas, dated June 17, 1942 and being of record in Volume 186 at page 568 of the Deed Records of Fayette County, Texas;
Parcel B: 93/100 of an acre as described in that certain Right-of-Way Deed from Gus Ickert, et ux. to the County of Fayette, State of Texas, dated June 24, 1942 and being of record in Volume 186 at page 566 of the Deed Records of Fayette County, Texas;
- Tract 15: 109.996 acres (of which 1.445 acres lie within the right-of-way of F.M. Highway No. 1457, 100 feet in width), being part of that certain 119.928 acres described in that certain Deed dated May 9, 1979 from Ralph H. McCullough, et ux. to Melvin L. Croan, et ux. and being of record in Volume 536 at page 414 of the Deed Records of Fayette County, Texas, SAVE AND EXCEPT 11.345 acres contained within the Union Pacific Resources Company Warmke Unit as recorded in Volume 355 at page 689 of the Deed Records of Fayette County, Texas.

Said 719.456 acres, more or less, being further described by metes and bounds as follows to-wit:

BEGINNING at an iron rod found at the north corner of the hereinabove described Tract 1, for the north corner of this unit;

THENCE: S 48 deg 35 min 32 sec E, with the most southerly northeast boundary of said Tract 1 as marked by line of fence, 1670.08 feet to an iron pipe found at an interior corner of said Tract 1; said iron pipe marks an angle point in the northeast boundary of this unit;

THENCE: S 19 deg 38 min 11 sec E, across said Tract 1, 759.81 feet to a point in the southeast boundary of said Tract 1, same being in the northwest boundary of the hereinabove described Tract 2, for another angle point in the northeast boundary of this unit;

THENCE: S 49 deg 09 min 48 sec E, across said Tract 2 and the hereinabove described Tract 3, 2327.79 feet to an iron pipe found in the northwest boundary of said Tract 3, same being the north corner of the hereinabove described Tract 4;

THENCE: S 48 deg 24 min 33 sec E, with the northeast boundary of said Tract 4 as marked by line of fence, 673.08 feet to an iron pipe found at the east corner of said Tract 4, same being the north corner of the hereinabove described Tract 5;

THENCE: S 48 deg 07 min 55 sec E, with the northeast boundary of said Tract 5 as marked by line of fence, 1126.18 feet to a corner post found at the east corner of said Tract 5, same being the most northerly east corner of this unit;

THENCE: S 41 deg 25 min 28 sec W, with the southeast boundary of said Tract 5 as marked by line of fence, at 1911.15 feet pass a corner post found at the south corner of said Tract 5 in the northeast right-of-way of F.M. Highway No. 1457 (100 feet in width); and continuing a total distance of 2012.69 feet to a point in the southwest right-of-way of said highway for an interior corner of this unit; said point also being in the northeast boundary of the hereinabove described Tract 6;

THENCE: S 49 deg 09 min 48 sec E, with the southwest right-of-way of said F.M. Highway No. 1457 and the northeast boundary of said Tract 6, 1309.51 feet to a corner post found at the east corner of said Tract 6 for the most southerly east corner of this unit;

THENCE: S 77 deg 27 min 55 sec W, with the southeast boundary of said Tract 6, 254.23 feet to an iron rod found;

THENCE: S 77 deg 22 min 52 sec W, continuing with said southeast boundary of said Tract 6, 859.50 feet to an iron rod found at the south corner of said Tract 6

and the east corner of the hereinabove described Tract 10;

THENCE: S 77 deg 12 min 14 sec W, with the southeast boundary of said Tract 10, 791.23 feet to an iron rod found;

THENCE: S 77 deg 43 min 56 sec W, continuing with said southeast boundary of said Tract 10, 1585.60 feet to a corner post found at the west corner of said Tract 10 for the most southerly west corner of this unit;

THENCE: N 29 deg 21 min 20 sec E, with the most southerly northwest boundary of said Tract 10, 1011.42 feet to an iron rod found at an interior corner of said Tract 10 and this unit;

THENCE: N 55 deg 39 min 36 sec W, with the southwest boundary of said Tract 10, 827.41 feet to an iron rod found;

THENCE: N 36 deg 27 min 43 sec W, continuing with said southwest boundary of said Tract 10, 711.16 feet to a corner post found at the west corner of said Tract 10, the south corner of the hereinabove described Tract 11, and the east corner of the hereinabove described Tract 12; said corner post marks an interior corner of this unit;

THENCE: S 40 deg 43 min 13 sec W, with the southeast boundary of said Tract 12, 1494.17 feet to a point for the south corner of said Tract 12 and the most northerly south corner of this unit;

THENCE: N 41 deg 27 min 10 sec W, with the southwest boundary of said Tract 12, 736.19 feet to an iron rod found at an angle point in the southwest boundary of said Tract 12;

THENCE: N 14 deg 39 min 11 sec W, continuing with the southwest boundary of said Tract 12, 43.45 feet to another angle point in said southwest boundary of said Tract 12;

THENCE: N 41 deg 31 min 48 sec W, continuing with the southwest boundary of said Tract 12 as marked by line of fence and with the northeast right-of-way of said public road, at 683.79 feet pass the west corner of said Tract 12 and the south corner of the hereinabove described Tract 13; and continuing with the southwest boundary of said Tract 13 along the northeast right-of-way of said public road, at 1709.63 feet pass an iron rod found at an angle point in the southwest boundary of said Tract 13, same being the south corner of the hereinabove described Tract 14; and continuing a total distance of 1769.08 feet to a point in a fence for the west

corner of said Tract 14, same being in the southeast boundary of the hereinabove described Tract 15; said point marks an interior corner of this unit;

THENCE: S 40 deg 49 min 16 sec W, with the southeast boundary of said Tract 15 as marked by line of fence, 333.92 feet to an iron rod found at the south corner of said Tract 15; said iron rod also marks an exterior corner of this unit;

THENCE: N 49 deg 11 min 59 sec W, along the southwest boundary of said Tract 15, 1754.72 feet to an iron rod found marking the west corner of said Tract 15 and the most southerly west corner of this unit;

THENCE: N 44 deg 25 min 32 sec E, along the northwest boundary of said Tract 15, as marked by line of fence, 1518.70 feet to an iron rod found for an exterior corner of this unit in the southwest boundary of the 297.808 Acre Warmke Unit previously set out for Union Pacific Resources Company;

THENCE: S 49 deg 09 min 48 sec E, with said Warmke Unit and across said Tract 15, 399.59 feet to a point for an interior corner of this unit and the south corner of said Warmke Unit;

THENCE: N 40 deg 50 min 12 sec E, continuing with said Warmke Unit and across said Tract 15, at 1700.90 feet a point in the southwest right-of-way of said F.M. Highway No. 1457 and the northeast boundary of said Tract 15; and continuing a total distance of 1750.90 feet to a point in the center line of said F.M. Highway No. 1457 for an interior corner of this unit and the most southerly east corner of said Warmke Unit;

THENCE: N 49 deg 09 min 48 sec W, with the center line of said highway and said Warmke Unit, 798.98 feet to a point for the most northerly west corner of this unit and an easterly interior corner of said Warmke Unit;

THENCE: N 42 deg 57 min 49 sec E, with the southeast boundary of said Warmke Unit, at 50.54 feet pass an iron pipe found in the northeast right-of-way of said F.M. Highway No. 1457 at the west corner of said Tract 1; and continuing with the northwest boundary of said Tract 1 as marked by line of fence and said Warmke Unit, a total distance of 843.43 feet to an iron pipe found at an angle point in the northwest boundary of said Tract 1, same being the most northerly east corner of said Warmke Unit;

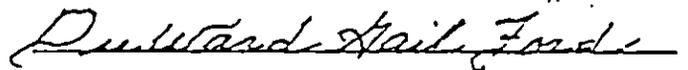
THENCE: N 62 deg 04 min 06 sec E, continuing with the northwest boundary of said Tract 1 as marked by line of fence, 1652.11 feet to the PLACE OF BEGINNING,

Containing 768.478 acres of land, more or less, SAVE AND EXCEPT 49.022 acres (of which 1.186 acres lie within the right-of-way of F.M. Highway No. 1457, 100 feet in width), and being that same land described in that certain Deed dated October 25, 1985 from the Veterans Land Board of the State of Texas to Louis M. Jacobs, Jr., and recorded in Volume 704 at page 88 of the Deed Records of Fayette County, Texas, leaving 719.456 acres of land, more or less, in this unit.

All Bearings shown hereon are Texas Lambert Grid Bearings, South Central Zone. All distances are Geodetic.

The foregoing Fieldnote Description has been prepared from an actual survey made on the ground during the months of September and October, 1993, and is true and correct to the best of my knowledge and belief, this 30th day of March, 1994.

FORD ENGINEERING FIRM



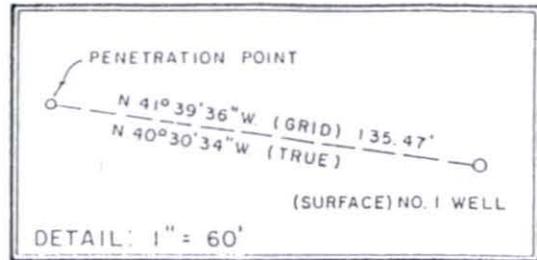
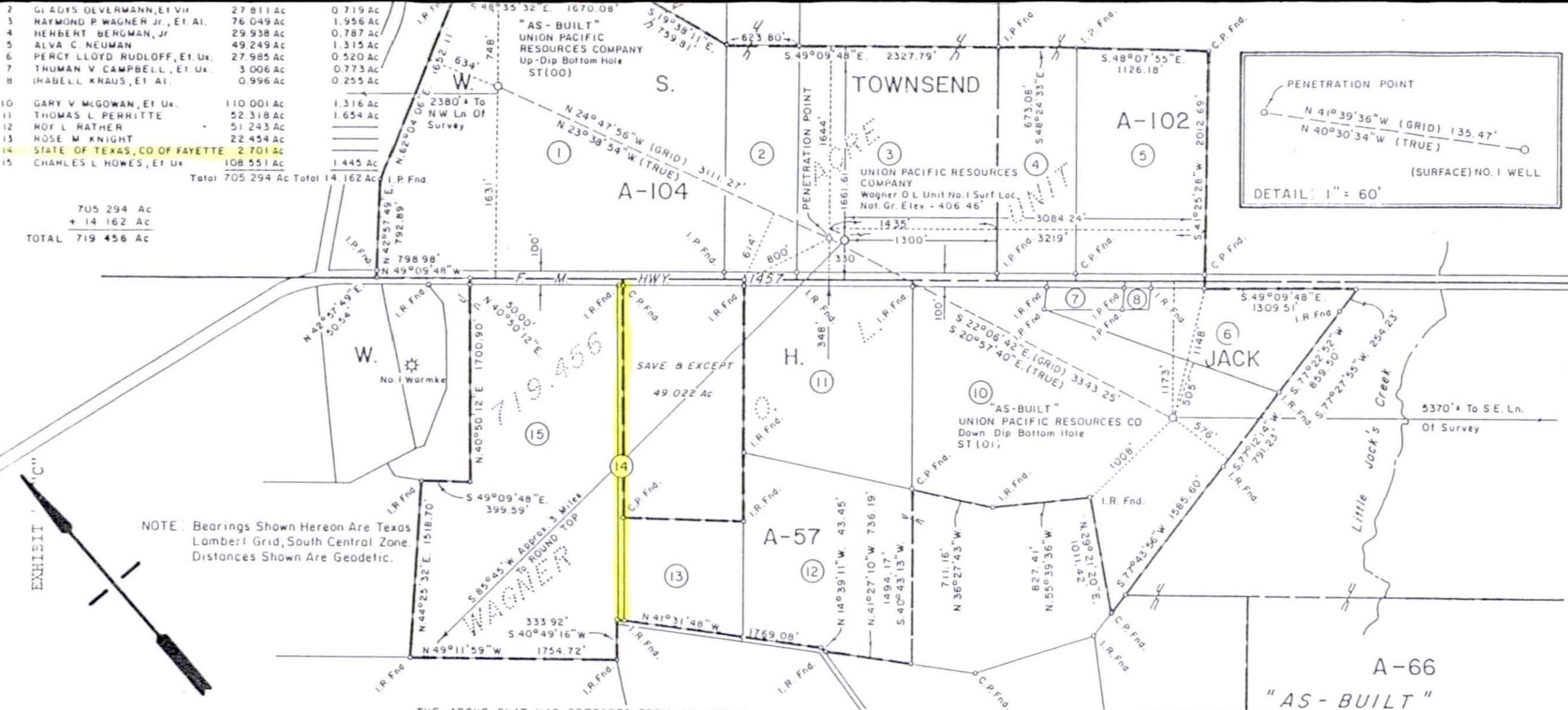
DuWard Gail Ford
Reg. Professional Land Surveyor, #348
March 30, 1994

DGF:sas

| | | | |
|----|--------------------------------|------------|----------|
| 2 | GLADYS OEVERMANN, ET VI. | 27.811 Ac | 0.719 Ac |
| 3 | RAYMOND P. WAGNER, JR., ET AL. | 76.049 Ac | 1.956 Ac |
| 4 | HERBERT BERGMAN, JR. | 29.938 Ac | 0.787 Ac |
| 5 | ALVA C. NEUMAN | 49.249 Ac | 1.315 Ac |
| 6 | PERCY LLOYD RUDLOFF, ET UX. | 27.985 Ac | 0.520 Ac |
| 7 | THUMAN V. CAMPBELL, ET UX. | 3.006 Ac | 0.773 Ac |
| 8 | JHABELL KRAUS, ET AL. | 0.996 Ac | 0.255 Ac |
| 10 | GARY V. MCGOWAN, ET UX. | 110.001 Ac | 1.316 Ac |
| 11 | THOMAS L. PERRITTE | 52.318 Ac | 1.654 Ac |
| 12 | ROY L. RATHER | 51.243 Ac | |
| 13 | ROSE M. KNIGHT | 22.454 Ac | |
| 14 | STATE OF TEXAS, CO OF FAYETTE | 2.701 Ac | |
| 15 | CHARLES L. HOWES, ET UX. | 108.551 Ac | 1.445 Ac |

Total 705.294 Ac Total 14.162 Ac

705.294 Ac
+ 14.162 Ac
TOTAL 719.456 Ac



NOTE: Bearings Shown Hereon Are Texas Lambert Grid, South Central Zone. Distances Shown Are Geodetic.

THE ABOVE PLAT WAS PREPARED FROM AN ACTUAL SURVEY MADE ON THE GROUND AND ALSO FROM FURNISHED INFORMATION. THE ABOVE PLAT IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF THIS 3RD DAY OF MARCH, 1994

FORD ENGINEERING FIRM
CIVIL ENGINEERS AND SURVEYORS

By *Duward Gail Ford*
DUWARD GAIL FORD
REG. PROFESSIONAL LAND SURVEYOR OF TEXAS NO. 348

| | | |
|---------------------------------|--------------|------------------|
| UNION PACIFIC RESOURCES COMPANY | | |
| NO. 1 SURFACE LOCATION | | |
| 719.456 AC. WAGNER O. L. UNIT | | |
| VARIOUS SURVEYS | | |
| FAYETTE COUNTY, TEXAS | | |
| FORD ENGINEERING FIRM | | VICTORIA, TEXAS |
| SCALE: 1" = 1000' | DATE: 3-3-94 | JOB NO.: 2-394-U |
| FAY. 94-6 | | DRAWN BY: |
| | | CHECKED BY: |

MF 095246 #

File No. ~~MF 095390~~

Unit Agreement

Date Filed 9/18/00

By David Dewhurst, Commissioner

~~19~~
19

ANADARKO PETROLEUM COMPANY



FAX COVER SHEET

DATE: 10/22/02

FAX NO: 832.636.7971

Number of pages (including cover): 13

TO: Metaa Kester

FAX NO: 512-475-1543

FROM: CHARMAIN MARTIN

PHONE: 832.636.7656

EMAIL: charmain_martin@anadarko.com

MESSAGE: _____

Warrick - 490 documentation

Thanks,
Charmain

IF THERE IS A PROBLEM WITH THIS TRANSMISSION, PLEASE CALL ME.

DATABASE ROYALTY SET-UP FOR GLO

Well Name Warrake #1 RE
 Well # 2245501 (Comp # not changed w/ recomp.)
 Unit # 2903

Unit Name

| | | | | | |
|---------------|-----------|----|----|----|----------|
| Tract # | 9 | | | | |
| Tract % | .017401 | | | | |
| State Lease # | M-95246 | M- | M- | M- | M- |
| Royalty % | .28125 | | | | |
| Gas Ded. % | .28120-46 | | | | |
| Oil Ded. % | | | | | |
| NRI | .001893 | | | | Combined |

First Sales _____
 First Paid GLO _____ Prod. Mo(s) _____

to 9
 9.30 / 534.44
 Verified per
 Anne Coates.
 5/2/02
 (was setup correctly)

Charmain Martin

Anne Caruso

X 67925

From: Thomas Golden [Thomas.Golden@glo.state.tx.us]
Sent: Tuesday, April 30, 2002 3:54 PM
To: Joe King
Cc: Jesse Arellano; Mike May
Subject: M-95246

• Joe / Mike,

RME is reporting incorrectly on the captioned mineral file. This lease has been unitized three times:

- #2270 - Wagner #1 Unit 2244601
- #2352 - Warmke #1 Unit
- #2903 - Warmke #1 Re-entry Unit > 2245501

The state lost its interest in #2270 when the unit acreage was reduced. I have inactivated this unit. Unit #2352 was dissolved when the re-entry unit (#2903) was formed. I have inactivated unit #2352 in GLOBase.

RME should report only on unit #2903. Let me know if you have any questions or would like to look at the mineral files

Thanks,
Tom

Mike to check on when units were lost/dissolved - to recoup royalties paid.

We have:

| | | | |
|--------------|-------------------|---------|--|
| Wagner #1 | Unit 2352 | 2244601 | (April 2000 March 2000) |
| Warmke #1 | (not in database) | | |
| Warmke #1 RE | 2903 | 2245501 | |

9.3 acres - per title

J.B. SIMMONS AND ASSOCIATES, INC.

P. O. Box 1065
Athens, Texas 75751-1065
903/675-7287

P.O. Box 636
Brenham, Texas 77834-0636
409/830-0079
Fax/830-1181

April 4, 2000

Clay Blum
Mail Station #32-01
Union Pacific Resources Company
777 Main Street
Fort Worth, Texas 76102

Re: Tract 9, State of Texas, 9.30 acres (Tract 9A of 2.701 acres and Tract 9B of 6.599 acres),
Warmke No. 1 Unit Re-Entry, Fayette County, Texas

Dear Clay,

Pursuant to your request, we have conducted a supplemental title examination on the above referenced tract 9A of 2.701 acres. Based on our examination of the Division Order Title Opinion dated June 1, 1994, rendered by Ellis & Prehn, P.C., and the enclosed Update Runsheet, title to the subject land was vested as of April 3, 2000 at 5:00 PM as set out below.

Additionally, we have conducted a supplemental title examination on the above referenced tract 9B of 6.599 acres. This tract is composed of the FM 1457 Right of Way adjoining Unit tracts 2-7. In the original Warmke Unit, UPRC set up the State of Texas as sole owner of mineral and royalty interest. Based on your Division Order Payment Status Report of February 9, 2000, title to the subject land was vested as of April 3, 2000 at 5:00 PM as set out below.

SURFACE OWNERSHIP

State of Texas 1.000000

EXECUTIVE RIGHTS AND MINERAL FEE

State of Texas 1.000000

OIL AND GAS ROYALTY INTEREST

State of Texas 9/32 or .281250 RI

OVERRIDING ROYALTY INTEREST

None

WORKING INTEREST

Union Pacific Resources Company

1.000000 WI
0.718750 NRI

Regards,



David V. Thomson

J.B. Simmons & Associates, Inc.

TITLE RUNSHEET

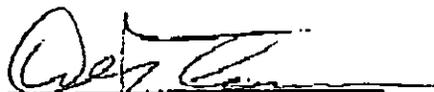
State: TX
County: FAYETTE
Acres: 9.3000
Number: A8871-9
Name: Warmke-State of Texas

9.3 acres of land, more or less, out of the William H. Jack Survey, A-57 and the W.S. Townsend Survey, A-104, Fayette County, Texas, being a part of 12.11 acres described in that Oil, Gas and Mineral Lease dated June 1, 1993, from the State of Texas to Union Pacific Resources Company, recorded in Volume 355, Page 332, Oil and Gas Records of Fayette County, Texas; INSOFAR AND ONLY INSOFAR as said lease covers 9.3 acres of land in the Warmke No. 1 RE Unit, being 6.599 acres in the FM 1457 right of way adjoining tracts 2-7 and 2.701 acres in CR 279.

Remark: Attached hereto is an Update Runsheet prepared from a search of the public records of Fayette County, Texas, covering the herein described acreage. The Update Runsheet is based on the Division Order Title Opinion by Tom R. McBath for Ellis & Prehn, P.C., covering instruments of record from Patent to September 1, 1993 @ 5:00 p.m. I have checked said records for the names listed as Grantors and Grantees on said Division Order Title Opinion dated October 5, 1993, subject to the following limiting conditions:

1. No search of the County Clerk's Indices was made to determine chains of title or current ownership of an original easement or right-of-way, or any lienhold interest created upon such easement or right-of-way estate.
2. This Update Runsheet covers instruments of record from September 1, 1993 until April 3, 2000 @ 5:00 p.m. Last document denoted on this Runsheet - Reformation of Unit - Bk. 1092, Pg. 702, Official Records.

I the undersigned, DAVID V. THOMSON, have used the utmost diligence in compiling the information contained herein; however, I do not certify hereto and assume no liability hereunder, individually or as an officer of any corporation, including, but not limited to, J.B. Simmons and Associates, Inc.



DAVID V. THOMSON
April 4, 2000

J.B. SIMMONS AND ASSOCIATES, INC.

By: _____

Runsheets Doc. No: 1

Doc Type: BRIDGE DOCUMENT
County: FAYETTE
Document Date: 01/01/1990
Effective Date: 01/01/1990
Grantor(s): Unknown owners
Grantee(s): State of Texas
Document Context: Bridge document to establish mineral ownership
Lands Described: 9.3 acres of roadway, 6.599 ac in Pm 1457 and
2.701 ac in CR 292.

Runsheets Doc. No: 2

Recorded: OIL AND GAS - B: 355, P: 332
Doc Type: LEASE - OIL & GAS
County: FAYETTE
Filing Date: 07/14/1993
Document Date: 06/01/1993
Effective Date: 06/01/1993
Grantor(s): State of Texas
Grantee(s): Union Pacific Resources Company
Document Context: OGML on state form, one year paid up, 9/32
royalty.
Lands Described: 12.11 acre in W.H. Jack and W.S. Townsend
Survey#, 9.41 acres in FM 1457 and 2.7 ac in CR
279.

Runsheets Doc. No: 3

Recorded: OIL AND GAS - B: 370, P: 465
Doc Type: POOLING DOCUMENT
County: FAYETTE
Filing Date: 12/16/1993
Document Date: 12/13/1993
Effective Date: 12/13/1993
Grantor(s): Union Pacific Resources Company
Grantee(s): The Public
Document Context: Corrected designation of unit ref 355/689, Warmke
No 1 Unit, to correct errors and omissions in the
recording information for some of the leases.
Corrected Exhibit A and B attached. Group I

leases: Brown 290/189; Krause 287/752; McWilliams 288/339; Waikel 287/881; Warmke 289/872; Howes 332/446; Ima Jean Alston 355/620; Keeline 349/275. Group II leases: Kerr-McGee 352/775; Texas Osage 352/776; State 355/332. Limited to the Austin Chalk as found between 11970 and 12648 in Warmke No. 1.

Lands Described: 297.808 ac M&B.

Runsheets Doc. No: 4

Recorded: OIL AND GAS - B: 395, P: 1
Doc Type: MEMORANDUM
County: FAYETTE
Filing Date: 01/19/1995
Document Date: 11/11/1994
Effective Date: 11/11/1994
Grantor(s): Union Pacific Resources Company
Grantee(s): GPM Gas Corporation
Document Context: Memorandum of Gas Purchase Contract Amendment.
Lands Described: Covers gas from all wells in Fayette County.

Runsheets Doc. No: 5

Recorded: OIL AND GAS - B: 397, P: 654
Doc Type: ASSIGNMENT (OIL & GAS LEASE)
County: FAYETTE
Filing Date: 03/21/1995
Document Date: 01/11/1995
Effective Date: 01/11/1995
Grantor(s): Union Pacific Resources Company
Grantee(s): Torch Oil and Gas Company
Document Context: Assign 22% of assignor's RTI in leases, subject to farmout 12-16-92.
Lands Described: Leases include: State of Texas 355/332; Charles Howes 362/66 (in Wagner OL Unit).

Runsheets Doc. No: 6

Recorded: OFFICIAL PUBLIC RECORD - B: 918, P: 669
Doc Type: DEED OF TRUST
County: FAYETTE
Filing Date: 04/10/1995
Document Date: 03/30/1995
Effective Date: 03/31/1995
Grantor(s): Torch Oil Company
TEAI California Limited Partnership
Grantee(s): Barton D. Schouest, Trustee
Document Context: Deed of Trust, Mortgage, Assignment of
Production, Security Agreement, and Financing
Statement to secure repayment of loan up to
\$100,000,000 to Capdevielle Corporation.
Lands Described: 10 wells/units including Warmke Unit with 22% WI
and 20.7368 NRI and Wagner Unit with 22% WI and
19.8564 NRI. A partial list of leases included
Krause, Warmke, Brown, McWilliams, Weikel (not
Alston, Keeline, State or Howes). The Wagner Unit
has a typo in the name listing it as the Wagner
Oil Unit No.1 insted of the Wager OL Unit number
1. There is no record found of a Wagner Oil Unit
No. 1.

Runsheets Doc. No: 7

Recorded: OFFICIAL PUBLIC RECORD - B: 918, P: 705
Doc Type: ASSIGNMENT (OTHER)
County: FAYETTE
Filing Date: 04/10/1995
Document Date: 03/30/1995
Effective Date: 03/31/1995
Grantor(s): Capdevielle Corporation
Grantee(s): Banque Paribas
Document Context: Pledge, Security Agreement, Assignment of
Collateral and Financing Statement. Assign
collateral of Torch interest in 10 wells
including Warmke Unit 1 (22% WI/20.7368 NRI) and
Wagner OL No 1 (22% WI/19.8564 NRI) to secure
loan in the amount of \$68,000,000. Units are
listed but only a part of the leases.
Lands Described: Warmke No1 Unit, Wagner OL and others.

Runsheets Doc. No: 8

Recorded: OFFICIAL PUBLIC RECORD - B: 940, P: 443
Doc Type: ASSIGNMENT (OIL & GAS LEASE)
County: FAYETTE
Filing Date: 01/19/1996
Document Date: 12/29/1995
Effective Date: 10/01/1995
Grantor(s): Torch Oil and Gas Company
Nuevo Energy Company
Express Acquisition Company
Torch Energy Advisors Incorporated
Black Hawk Oil Company
1986 STEA Limited Partnership I
1986 STEA Limited Partnership II
1987-II STEA Limited Partnership
1987-VI STEA Limited Partnership
1988-I TEAI Limited Partnership
1988-II TEAI Limited Partnership
1988-VI TEAI Limited Partnership
1989-I TEAI Limited Partnership
GEAPPL Corporation
Grantee(s): Union Pacific Resources Company
Document Context: Assignment and Bill of Sale, grantors assign all
RTI in leases, wells etc. Wells/Leases include
Warmke Unit 1, Wagner OL 1 and others. (Would
convey WI and ORRI)
Lands Described: Warmke 1 leases include: Brown, Krause,
McWilliams, Weikel, Warmke, Howse, Alston,
Keeline, Kerr-McGee, Texas Osage, State of Texas.

Runsheets Doc. No: 9

Recorded: OFFICIAL PUBLIC RECORD - B: 941, P: 278
Doc Type: RELEASE
County: FAYETTE
Filing Date: 01/29/1996
Document Date: 12/21/1995
Effective Date: 12/21/1995
Grantor(s): Capdevielle Corporation
Banque Paribas
Grantee(s): Torch Oil and Gas Company
TEAI California Limited Partnership
Document Context: Partial release of liens from DT dated 3-30-95

and collateral assignment of same date. Whereas Torch desires to sell part of the mortgaged property, release liens associated with the property to be sold.

Lands Described: 10 wells including Warmke Unit #1, Wagner OL Unit #1 and others.

Runsheets Doc. No: 10

Recorded: OFFICIAL PUBLIC RECORD - B: 1092, P: 693
Doc Type: POOLING DOCUMENT
County: FAYETTE
Filing Date: 03/31/2000
Document Date: 03/14/2000
Effective Date: 03/14/2000
Grantor(s): Union Pacific Resources Company
Grantee(s): Warmke No. 1 Unit Re-Entry
Document Context: Dissolution of the Warmke No. 1 Unit as designated in OG 355/689 and amended in 370/465; formation of new unit as Warmke No. 1 Unit Re-Entry effective the date and time of commencement of operations on the Warmke No. 1 Unit Re-Entry. Re-Entry is limited to the Austin Chalk Formation as found between 11,970 and 12,648.
Lands Described: 534.44 acre in the W.S. Townsend Survey, A-104, The William H. Jack Survey, A-57, and the James Winn Survey, A-114, Fayette County, Texas, M&B.

Runsheets Doc. No: 11

Recorded: OFFICIAL PUBLIC RECORD - B: 1092, P: 702
Doc Type: POOLING DOCUMENT
County: FAYETTE
Filing Date: 03/31/2000
Document Date: 03/14/2000
Effective Date: 03/14/2000
Grantor(s): Union Pacific Resources Company
Grantee(s): Wagner O.L. No. 1 Unit
Document Context: Reformation of the Wagner OL Unit 1. Portions of the leases attached have been in the Wagner OL Unit 1 as designated in 378/672 and are hereby reformed in a new unit to accommodate drilling of the Warmke No. 1 Unit Re-Entry.

Lands Described: 533.062 acre in the W.S. Townsend Survey, A-104
and the William H. Jack Survey, A-57, A-114,
Fayette County, Texas, plat attached.

04/05/2000

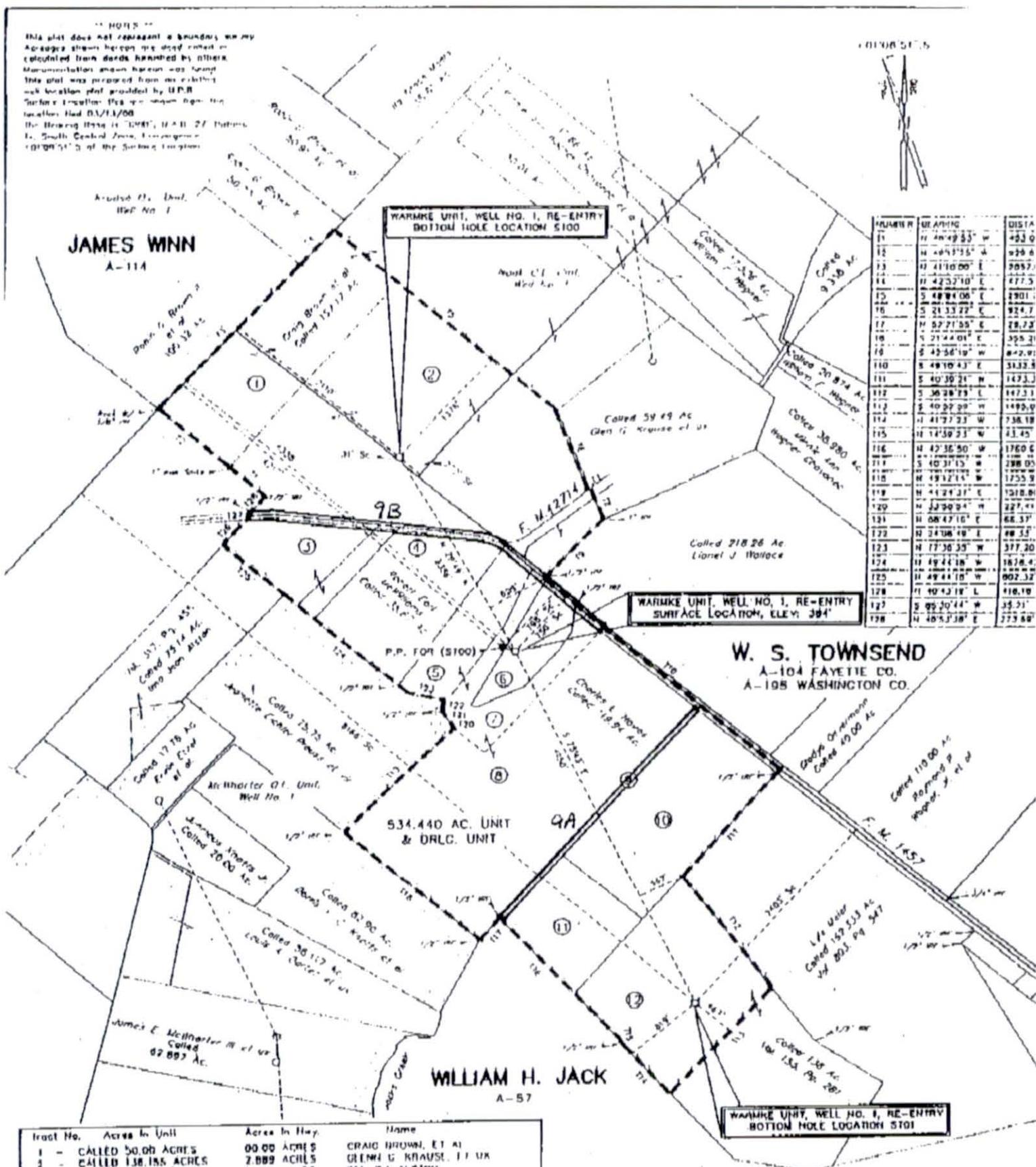
UNION PACIFIC RESOURCES COMPANY

Page 8

P.12

OCT 22 2002 2:22 PM FR ANADARKO PETROLEUM 636 7971 10 6LO

EXHIBIT "D"



| NUMBER | BEARING | DISTANCE |
|--------|-----------------|----------|
| 11 | N 48° 49' 55" W | 453.0 |
| 12 | N 48° 49' 55" W | 453.0 |
| 13 | N 41° 10' 00" E | 305.7 |
| 14 | N 42° 32' 10" E | 477.5 |
| 15 | S 48° 04' 06" E | 280.1 |
| 16 | S 21° 33' 22" E | 824.7 |
| 17 | N 52° 21' 55" E | 28.22 |
| 18 | S 21° 44' 01" E | 395.21 |
| 19 | S 43° 56' 19" W | 842.91 |
| 110 | S 49° 10' 43" E | 3132.3 |
| 111 | S 40° 30' 21" W | 1473.7 |
| 112 | S 36° 28' 19" E | 1473.7 |
| 113 | S 40° 22' 20" W | 1495.9 |
| 114 | N 41° 27' 23" W | 738.18 |
| 115 | N 14° 59' 23" W | 43.45 |
| 116 | N 42° 36' 50" W | 1760.6 |
| 117 | S 40° 31' 15" W | 238.05 |
| 118 | N 19° 12' 15" W | 1755.9 |
| 119 | N 41° 21' 21" E | 1518.81 |
| 120 | N 32° 30' 51" N | 227.41 |
| 121 | N 08° 47' 10" E | 66.37 |
| 122 | N 34° 08' 10" E | 48.35 |
| 123 | N 77° 30' 35" W | 377.20 |
| 124 | N 49° 44' 10" W | 1838.4 |
| 125 | N 49° 44' 10" W | 802.32 |
| 126 | N 49° 44' 10" W | 118.18 |
| 127 | S 89° 20' 44" W | 35.51 |
| 128 | N 48° 57' 38" E | 273.88 |

| Tract No. | Acres in Unit | Acres in Tract | Name |
|----------------------|---------------|--------------------|-------------------------------|
| 1 | 50.00 ACRES | 00.00 ACRES | CRAIG BROWN, ET AL |
| 2 | 138.185 ACRES | 2.889 ACRES | GLENN G. KRAUSE, ET UX |
| 3 | 22.102 ACRES | 1.392 ACRES | MAA JEAL ALSTON |
| 4 | 35.592 ACRES | 0.980 ACRES | ROBERT EARL McWILLIAMS, ET UX |
| 5 | 22.711 ACRES | 0.508 ACRES | KATHERINE V. WICKEL, ET UX |
| 6 | 11.944 ACRES | 0.457 ACRES | CAROLYN WARMKE, ET AL |
| 7 | 11.345 ACRES | 0.423 ACRES | CHARLES L. HOMES, ET UX |
| 8 | 108.551 ACRES | 1.445 ACRES | CHARLES L. HOMES, ET UX |
| 9 | 2.701 ACRES | 00.00 ACRES | STATE OF TEXAS, FAYETTE CO. |
| 10 | 49.022 ACRES | 1.216 ACRES | LOUIS M. JACOBS, JR., ET UX |
| 11 | 22.454 ACRES | 00.00 ACRES | ROSE M. KNIGHT |
| 12 | 51.243 ACRES | 00.00 ACRES | ROY L. BATHEN |
| CALLED 625.180 ACRES | | 9.280 AC. in Tract | |

N.A.D. 27 DATUM/TEXAS SOUTH CENTRAL ZONE

-- SURFACE LOCATION --
N. 871267.81
E. 2740935.75
LAT.: 30° 04' 18".71
LONG.: 96° 39' 27".77

-- BOTTOM HOLE LOCATION S100 --
LAT.: 30° 04' 39".17
LONG.: 96° 39' 40".62

-- BOTTOM HOLE LOCATION S101 --
LAT.: 30° 03' 41".34
LONG.: 96° 39' 27".77

Surface Location is located East 1.2 Miles from Round Top "TRIMHO 101" Quadrangle

RE-PLAT
WELL LOCATION PLAT
UNION PACIFIC RESOURCES COMPANY
WARMKE UNIT, WELL NO. 1, RE-ENTRY
FAYETTE COUNTY, TEXAS
SCALE: 1" = 1000'

I hereby certify this plat to be true and correct to the best of my knowledge and belief.

Robert W. Walker 3/21/00
Signed Date

WALKER & ASSOCIATES SURVEYING, INC
TYLER, TEXAS PH: 903-534-8000

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

January 19, 2005

Anadarko E & P Co LP
PO Box 1330, Timberloch 4
Houston, TX 77251-1330

Re: State Lease MF095246
Esther Krause No. 1
6431301/001

The General Land Office has received and filed the division order submitted for the above-referenced state lease. Please be advised that the payment of royalties attributable to state-owned mineral interests is set by statute. As the execution of division orders may, in some cases, affect the manner in which such payments are paid or calculated, it is the policy of this office not to execute them.

Subject to applicable state law and the state's right to take its production in-kind, the General Land Office acquiesces to the sale of oil and gas under the terms and conditions set out in the oil and gas lease. If you should have questions concerning this matter, please feel free to call me at (512) 463-6521.

Sincerely,

A handwritten signature in cursive script that reads "Beverly Boyd".

Beverly Boyd, Lease Analyst
Mineral Leasing Division

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

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

DIVISION ORDER

STATE OF TEXAS
GENERAL LAND OFFICE
1700 N CONGRESS AVENUE
AUSTIN, TX 78701-1436

Property Number: 6431301/001
Property Name: ESTHER KRAUSE NO 1
Product: ALL PRODUCTS
Status: NOT APPLICABLE
County/State: FAYETTE / TEXAS
Effective Date: First Sales
Owner Number: 456782
Owner Tax ID: [REDACTED]
Interest Type: RI
Interest: 0.00279984

THIS AGREEMENT DOES NOT AMEND ANY LEASE OR OPERATING AGREEMENT BETWEEN THE INTEREST OWNERS AND THE LESSEE OR OPERATOR OR ANY OTHER CONTRACTS FOR THE PURCHASE OF OIL OR GAS.

The following provisions apply to each interest owner ("owner") who executes this agreement.

TERMS OF SALE: Said owner will be paid in accordance with the division of interest as shown. The payor shall pay all parties for gas according to the underlying lease, operating agreement and/or other contracts applicable to each party's interest. The payor shall pay all parties at the price agreed to by the operator for oil to be sold pursuant to this division order. Purchaser shall compute quantity and make corrections for gravity and temperature and make deduction for impurities.

PAYMENT: From the effective date, payment is to be made monthly by payor's check, based on this division of interest, for oil run during the preceding calendar month and for gas sold during the second preceding calendar month from the property listed above, less taxes required by law to be deducted and remitted by payor as purchaser. Payments of less than \$100 may be accrued before disbursement until the total amount equals \$100 or more, or until September 30 of each year, whichever occurs first. Payee agrees to refund to payor any amounts attributable to an interest that payee does not own.

INDEMNITY: The owner agrees to indemnify and hold payor harmless from all liability resulting from payments made to the owner in accordance with such division of interest, including but not limited to attorney fees or judgments in connection with any suit that affects the owner's interest to which payor is made a party.

DISPUTE, WITHHOLDING OF FUNDS: If a suit is filed that affects the interest of the owner, written notice shall be given to payor by the owner together with a copy of the complaint or petition filed. In the event of a claim or dispute that affects title to the division of interest credited herein, payor is authorized to withhold payments accruing to such interest, without interest unless otherwise required by applicable statute, until the claim or dispute is settled.

TERMINATION: Termination of this agreement is effective on the first day of the month that begins after the 30th day after the date written notice of termination is received by either party.

NOTICES: The owner agrees to notify payor in writing of any change in the division of interest, including changes of interest contingent on payment of money or expiration of time. No change of interest is binding on payor until the recorded copy of the instrument of change or documents satisfactorily evidencing such change are furnished to payor at the time the change occurs. Any change of interest shall be made effective on the first day of the month following receipt of such notice by payor. Any correspondence regarding this agreement shall be furnished to the addresses listed unless otherwise advised by either party. In addition to the legal rights provided by the terms and provisions of this division order, an owner may have certain statutory rights under state laws.

REQUIREMENTS:

| | | |
|----------------------------------|--|--|
| _____ Signature of Witness #1 | _____ Owner Signature/Corporate Title | _____ Address if different from above |
| _____ Signature of Witness #2 | _____ Owner Signature/Corporate Title | _____ City, State, Zip Code |
| | _____ Owner Phone # | _____ Tax ID Number if different from above |

Failure to furnish your Social Security/Tax ID number will result in withholding tax in accordance with federal law and any tax withheld will not be refundable by payor.

Return to: Anadarko E & P Company LP
P.O. Box 1330, Timberloch 4
Houston, TX 77251-1330

Date Prepared: October 22, 2004
Prepared by: Anne Carnes
Request: [msc]

EXHIBIT "A"

October 22, 2004

Well No: 6431301 / 001

Well Nm: ESTHER KRAUSE NO 1

Unit Desc: ESTHER KRAUSE NO 1 CO-OP UNIT. 346.20 ACRES OUT OF THE
WM H JACK SURVEY, A-57 AND THE W.S. TOWNSEND SURVEY,
A-104, FAYETTE COUNTY, TEXAS

Product: ALL PRODUCTS

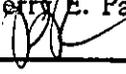
18.

File No. MF095246

Division Order

Date Filed: 1/19/09

Jerry E. Patterson, Commissioner

By 

DO NOT DESTROY



Texas General Land Office
UNIT AGREEMENT MEMO

PA05-21

Unit Number 3579

Operator Name ANADARKO E&P COMPANY LP Effective Date 3/22/2004

TaxID: [REDACTED] Unitized For Oil & Gas

Unit Name Esther Krause No. 1 Unit Unit Term 0 Months

County1 Fayette

| | <u>Old Unit Number</u> | <u>Inactive Status Date</u> |
|---|------------------------|-----------------------------|
| County 2 | 0 | |
| County 3 | 0 | |
| RRC District: 03 | 0 | |
| Unit Type: Permanent | 0 | |
| State Royalty Interest: 0.0008132040728 | 0 | |
| State Part in Unit: 0.0028913922588 | | |

Unit Depth Well:

Below Depth 0 Formation: Austin Chalk

Above Depth 0 Participation Basis: Surface Acreage

[If Exclusions Apply: See Remarks]

| | | | |
|-----------------------------|-----------|-----------------------------|---------|
| MF Number | MF095246 | Tract Number | 9 |
| Lease Acres | 1.001 | Total Unit Acres | 346.2 = |
| Tract Participation: | 0.0028914 | | X |
| Lease Royalty | 0.28125 = | Manual Tract Participation: | [] 0 |
| Tract Royalty Participation | 0.0008132 | Manual Tract Royalty: | [] 0 |

See Remark

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

56-30113

API Number

421493313600

RRC Number

203908

Remarks:

This is a co-op unit that includes a percentage of the Warmke No. 1 Re-entry unit that the state has a participation in through the inclusion of a HROW lease.

Prepared By:

M

Prepared Date:

1-25-05

GLO Base Updated By:

M. Silva

GLOBase Date:

1-25-05

RAM Approval By:

J King

RAM Approval Date:

1-28-05

GIS By:

J

GIS Date:

Mineral Maps By:

Mineral Maps Date:

OFFICIAL RECORDS
FAYETTE COUNTY, TEXAS

ESTHER KRAUSE NO. 1
MEMORANDUM

STATE OF TEXAS §
COUNTY OF FAYETTE §
KNOW ALL MEN BY THESE PRESENTS

WHEREAS, Anadarko E&P Company LP ("Anadarko") is the owner of all or a portion of the valid and subsisting oil, gas and mineral leases listed in Exhibit "A" attached hereto and made a part hereof ("Leases"); and is successor in interest to Union Pacific Resources Company;

WHEREAS, Union Pacific Resources Company heretofore executed on the 25th day of April, 1994 that certain Designation of Unit for McWhorter OL #1 Unit, which document is recorded in Volume 382, Page 694 of the Oil, Gas and Mineral Lease Records, Fayette County, Texas;

WHEREAS, Union Pacific Resources Company heretofore executed on the 16th day of June, 1994 that certain Corrected Designation of Unit McWhorter OL #1 Unit which document is recorded in Volume 383, Page 668 of the Oil, Gas and Mineral Lease Records, Fayette County, Texas;

WHEREAS, Union Pacific Resources Company heretofore executed on the 25th day of October, 1994 that certain Corrected Designation of Unit McWhorter OL #1 Unit which document is recorded in Volume 394, Page 262 of the Oil, Gas and Mineral Lease Records, Fayette County, Texas;

WHEREAS, Union Pacific Resources Company heretofore executed on the 14th day of March, 2000 that certain Dissolution of Prior Unit and Designation of New Unit Union Pacific Resources Company Warmke No. 1 Unit Re-Entry, which document is recorded in Volume 1092, Page 693 of the Official Records, Fayette County, Texas;

WHEREAS, by virtue of the authority conferred by the terms of the Leases and all amendments, corrections, and/or expressed ratifications, thereto, and the aforementioned Designations of Units, Anadarko did drill the Esther Krause No. 1 as depicted on the Plat attached hereto as Exhibit "B"; and

WHEREAS, Anadarko and other applicable mineral interest owners have agreed to allocate production from the Ester Krause No. 1 among the interest owners of the McWhorter OL #1 Unit and the Warmke No. 1 Unit Re-Entry (collectively referred to as the "Existing Units") as set out and described in those separate recorded ratification(s); and

WHEREAS, production, drilling or reworking operations pertaining to the Esther Krause No. 1 shall be treated, for all purposes, as if such activities are occurring on the Existing Units.

The Esther Krause No. 1 may not be ratified or joined in by any party without the consent of Anadarko.

IN WITNESS WHEREOF, this Memorandum is executed by each of the parties hereto as of the dates shown in the acknowledgments below, but effective as of the date of commencement of operations for the Esther Krause No. 1.

Anadarko E & P Company LP

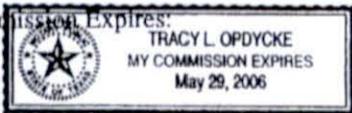
By: Michael A. Barron
Michael A. Barron
Agent and Attorney-in-Fact and as
Land Manager, Texas Gulf Coast

James Rogers

ACKNOWLEDGMENT

STATE OF TEXAS §
COUNTY OF MONTGOMERY §

This instrument was acknowledged before me on the 17th day of January, 2005 by Michael A. Barron as Agent and Attorney-in-Fact and as Land Manager, Texas Gulf Coast for Anadarko E&P Company LP, a Delaware limited partnership, on behalf of said limited partnership.

My Commission Expires:

TRACY L. OPDYCKE
MY COMMISSION EXPIRES
May 29, 2006

Tracy L. Opdycke
Notary Public, State of Texas

The document to which this certificate is affixed is a full, true and correct copy of the original on file and of record in my office.

JAN 27 2005




Carolyn Kubos Roberts
CAROLYN KUBOS ROBERTS
COUNTY CLERK, FAYETTE COUNTY, TEXAS

EXHIBIT "A"
ESTHER KRAUSE NO. 1

Exhibit "A" attached to and made a part of that certain Memorandum for the Esther Krause No. 1.

Lessor: Juneious Knotts, Jr.
 Lessee: Union Pacific Resources Company
 Date: May 18, 1993
 Recorded: Volume 359, Page 727, Oil, Gas and Mineral Lease Records
 Fayette County, Texas
 APC Lease Number: TX-48783

Lessor: Jeanette Eichler Preuss, et vir
 Lessee: Union Pacific Resources Company
 Date: May 19, 1993
 Recorded: Volume 359, Page 738, Oil, Gas and Mineral Lease Records
 Fayette County, Texas
 APC Lease Number: TX-48789

Lessor: Carl Schultz, Jr., et al
 Lessee: Union Pacific Resources Company
 Date: March 17, 1993
 Recorded: Volume 362, Page 30, Oil, Gas and Mineral Lease Records
 Fayette County, Texas
 APC Lease Number: TX-48793

Lessor: Lillian Krause
 Lessee: Union Pacific Resources Company
 Date: June 7, 1993
 Recorded: Volume 359, Page 748, Oil, Gas and Mineral Lease Records
 Fayette County, Texas
 APC Lease Number: TX-48815

Lessor: Ezra Kelm, et ux
 Lessee: Union Pacific Resources Company
 Date: June 4, 1993
 Recorded: Volume 359, Page 761, Oil, Gas and Mineral Lease Records
 Fayette County, Texas
 APC Lease Number: TX-48816

Lessor: James E. McWhorter, III
 Lessee: Union Pacific Resources Company
 Date: June 2, 1993
 Recorded: Volume 361, Page 275, Oil, Gas and Mineral Lease Records
 Fayette County, Texas
 APC Lease Number: TX-48822

Lessor: Doris X. C. Knotts, et al
 Lessee: Union Pacific Resources Company
 Date: May 18, 1993
 Recorded: Volume 359, Page 764, Oil, Gas and Mineral Lease Records
 Fayette County, Texas
 APC Lease Number: TX-48823

Lessor: Louis A. Dartez, et ux
 Lessee: Union Pacific Resources Company
 Date: May 31, 1993
 Recorded: Volume 361, Page 253, Oil, Gas and Mineral Lease Records
 Fayette County, Texas

The document to which this certificate is affixed is a full, true and correct copy of the original on file and of record in my office.

JAN 27 2005



Carolyn Kubos Roberts
 CAROLYN KUBOS ROBERTS
 COUNTY CLERK, FAYETTE COUNTY, TEXAS

APC Lease Number: TX-48968

Lessor: Charles L. Howes, et ux
Lessee: Union Pacific Resources Company
Date: May 31, 1993
Recorded: Volume 362, Page 61, Oil, Gas and Mineral Lease Records
Fayette County, Texas

APC Lease Number: TX-49061(1)

Lessor: Erwin Etzel, et ux
Lessee: Union Pacific Resources Company
Date: May 31, 1993
Recorded: Volume 362, Page 56, Oil, Gas and Mineral Lease Records
Fayette County, Texas

APC Lease Number: TX-49061(2)

Lessor: Carl T. Schultz, III, et ux
Lessee: Union Pacific Resources Company
Date: March 17, 1993
Recorded: Volume 366, Page 465, Oil, Gas and Mineral Lease Records
Fayette County, Texas

APC Lease Number: TX-60222

Lessor: Dell Harlie Schulze
Lessee: Jones & Zwiener, Inc.
Date: February 4, 1992
Recorded: Volume 326, Page 395, Oil, Gas and Mineral Lease Records
Fayette County, Texas

APC Lease Number: TX-61403

Lessor: Glenn H. Fox, et ux
Lessee: Union Pacific Resources Company
Date: June 7, 1993
Recorded: Volume 359, Page 758, Oil, Gas and Mineral Lease Records
Fayette County, Texas

APC Lease Number: TX-48817

Lessor: Ima Jean Alston
Lessee: Union Pacific Resources Company
Date: June 16, 1993
Recorded: Volume 355, Page 620, Oil, Gas and Mineral Lease Records
Fayette County, Texas

APC Lease Number: TX-47882(2)

Lessor: Larry Alfred Wolff
Lessee: Union Pacific Resources Company
Date: June 29, 1993
Recorded: Volume 363, Page 345, Oil, Gas and Mineral Lease Records
Fayette County, Texas

APC Lease Number: TX-49042(1)

Lessor: James Richard Wolff
Lessee: Union Pacific Resources Company
Date: June 29, 1993
Recorded: Volume 363, Page 221, Oil, Gas and Mineral Lease Records
Fayette County, Texas

The document to which this certificate is affixed is a full, true and correct copy of the original on file and of record in my office.

JAN 27 2005



Carolyn Kubos Roberts SC
CAROLYN KUBOS ROBERTS
COUNTY CLERK, FAYETTE COUNTY, TEXAS

APC Lease Number: TX-49042(2)

Lessor: Kerr-McGee Corporation
 Lessee: Union Pacific Resources Company
 Date: March 21, 1994
 Recorded: Volume 381, Page 659, Oil, Gas and Mineral Lease Records
 Fayette County, Texas

APC Lease Number: TX-49042(3)

Lessor: Texas Osage Royalty Pool
 Lessee: Union Pacific Resources Company
 Date: March 22, 1994
 Recorded: Volume 378, Page 705, Oil, Gas and Mineral Lease Records
 Fayette County, Texas

APC Lease Number: TX-49042(4)

Lessor: Carl Schultz, Jr., et ux
 Lessee: Union Pacific Resources Company
 Date: March 17, 1993
 Recorded: Volume 362, Page 35, Oil, Gas and Mineral Lease Records
 Fayette County, Texas

APC Lease Number: TX-61402

Lessor: Craig Brown, et al
 Lessee: Felmont Oil Corporation
 Date: August 31, 1989
 Recorded: Volume 290, Page 189, Oil, Gas and Mineral Lease Records
 Fayette County, Texas

APC Lease Number: TX-62948

Lessor: Glenn G. Krause, et ux
 Lessee: Felmont Oil Corporation
 Date: June 20, 1989
 Recorded: Volume 287, Page 752, Oil, Gas and Mineral Lease Records
 Fayette County, Texas

APC Lease Number: TX-67141/001

Lessor: Robert Earl McWilliams, et ux
 Lessee: Felmont Oil Corporation
 Date: July 17, 1989
 Recorded: Volume 288, Page 339, Oil, Gas and Mineral Lease Records
 Fayette County, Texas

APC Lease Number: TX-61157

Lessor: Katherine V. Weikel, et vir
 Lessee: Felmont Oil Corporation
 Date: July 17, 1989
 Recorded: Volume 289, Page 881, Oil, Gas and Mineral Lease Records
 Fayette County, Texas

APC Lease Number: TX-61158

Lessor: Carolyn Warmke, et al
 Lessee: Felmont Oil Corporation
 Date: July 17, 1989
 Recorded: Volume 289, Page 872, Oil, Gas and Mineral Lease Records
 Fayette County, Texas

APC Lease Number: TX-61159

Lessor: Charles L. Howes, et ux
 Lessee: Torch Operating Company

3

The document to which this certificate is
 affixed is a full, true and correct copy of the
 original on file and of record in my office.

JAN 27 2005



Carolyn Kubos Roberts SC
 CAROLYN KUBOS ROBERTS
 COUNTY CLERK, FAYETTE COUNTY, TEXAS

Date: June 30, 1992
Recorded: Volume 332, Page 446, Oil, Gas and Mineral Lease Records
Fayette County, Texas
APC Lease Number: TX-62949

Lessor: Ima Jean Alston, a widow
Lessee: Union Pacific Resources Company
Date: June 16, 1993
Recorded: Volume 355, Page 620, Oil, Gas and Mineral Lease Records
Fayette County, Texas
APC Lease Number: TX-47882/002

Lessor: Donald Lee Keeline
Lessee: Union Pacific Resources Company
Date: March 16, 1993
Recorded: Volume 349, Page 275, Oil, Gas and Mineral Lease Records
Fayette County, Texas
APC Lease Number: TX-47882/001

Lessor: Kerr-McGee Corporation
Lessee: Union Pacific Resources Company
Date: April 2, 1993
Recorded: Volume 352, Page 775, Oil, Gas and Mineral Lease Records
Fayette County, Texas
APC Lease Number: TX-67141/002

Lessor: Texas Osage Royalty Pool, Inc.
Lessee: Union Pacific Resources Company
Date: March 11, 1993
Recorded: Volume 352, Page 776, Oil, Gas and Mineral Lease Records
Fayette County, Texas
APC Lease Number: TX-67141/003

Lessor: State of Texas, M-95246
Lessee: Union Pacific Resources Company
Date: June 1, 1993
Recorded: Volume 355, Page 332, Oil, Gas and Mineral Lease Records
Fayette County, Texas
APC Lease Number: TX-49203

Lessor: Roy L. Rather
Lessee: Union Pacific Resources Company
Date: June 8, 1993
Recorded: Volume 359, Page 744, Oil, Gas and Mineral Lease Records
Fayette County, Texas
APC Lease Number: TX-48804

Lessor: Rose M. Knight
Lessee: Union Pacific Resources Company
Date: June 22, 1993
Recorded: Volume 360, Page 787, Oil, Gas and Mineral Lease Records
Fayette County, Texas
APC Lease Number: TX-48821

Lessor: Charles L. Howes, et ux
Lessee: Union Pacific Resources Company
Date: June 24, 1993
Recorded: Volume 362, Page 66, Oil, Gas and Mineral Lease Records
Fayette County, Texas

The document to which this certificate is affixed is a full, true and correct copy of the original on file and of record in my office.

JAN 27 2005



Carolyn Kubos Roberts SC
CAROLYN KUBOS ROBERTS
COUNTY CLERK, FAYETTE COUNTY, TEXAS



APC Lease Number: TX-49054

Lessor: Louis M. Jacobs, Jr., et ux
Lessee: Union Pacific Resources Company
Date: March 3, 2000
Recorded: Volume 1091, Page 314, Official Records
Fayette County, Texas
APC Lease Number: TX-96876

The document to which this certificate is affixed is a full, true and correct copy of the original on file and of record in my office.

JAN 27 2005



Carolyn Kubos Roberts *SC*
CAROLYN KUBOS ROBERTS
COUNTY CLERK FAYETTE COUNTY, TEXAS

90.12.1

EXHIBIT "B"
 FAYETTE COUNTY, TEXAS

JAMES WINN
 A-114

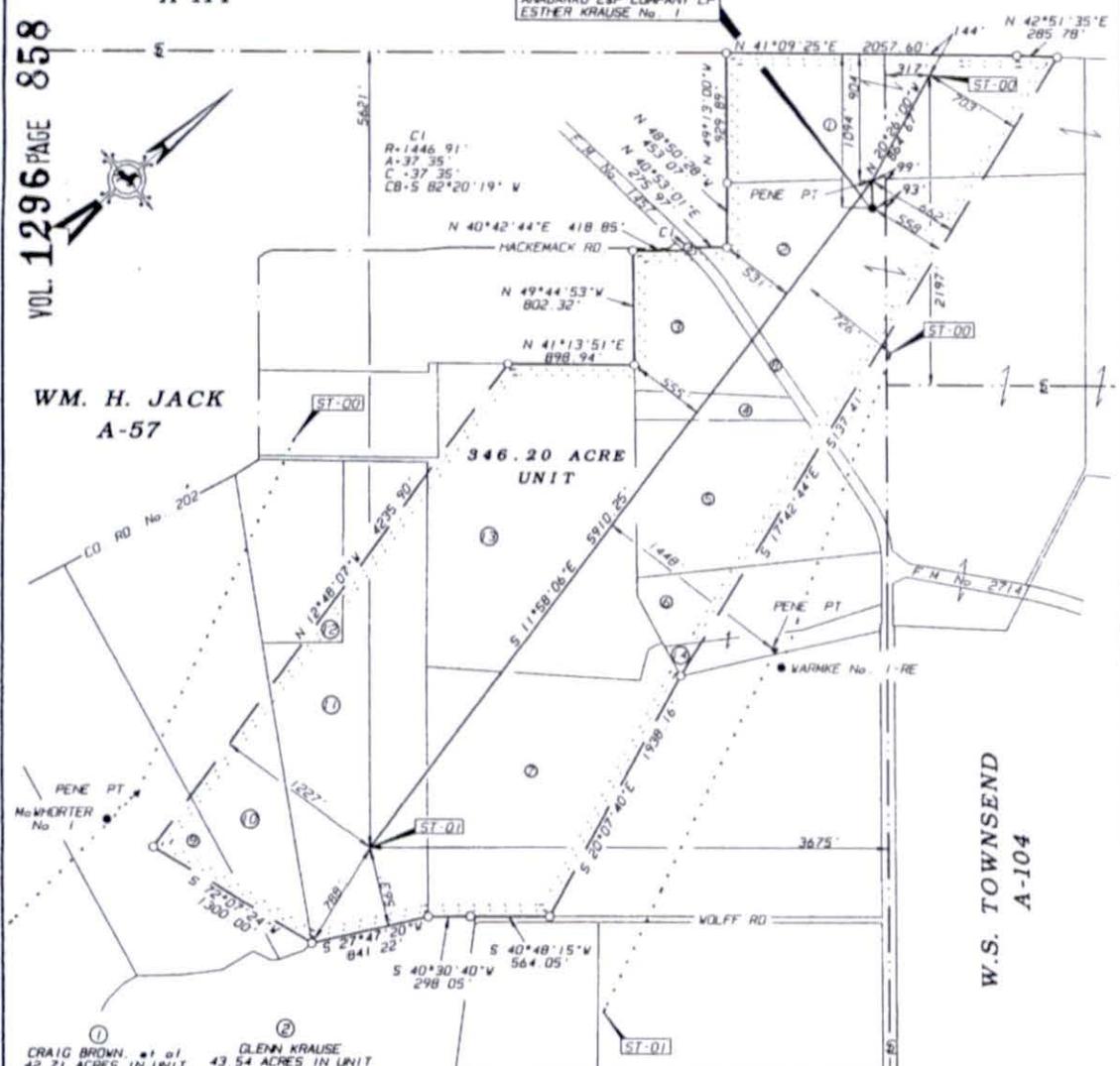
DRAIN HOLE DATA
 SUR. L.O. TO PENE. PT.
 N 51°00'24"W 190.01'

SURFACE LOCATION
 ANADARKO E&P COMPANY LP
 ESTHER KRAUSE No. 1

VOL. 1296 PAGE 858

WM. H. JACK
 A-57

W.S. TOWNSEND
 A-104



- 1 CRAIG BROWN, et al
42.71 ACRES IN UNIT
VOL. 440, PG. 370
D.R.F.C.T.
- 2 GLENN KRAUSE
43.54 ACRES IN UNIT
VOL. 287, PG. 752
D.G. & M.L.R.F.C.T.
- 3 IMA JEAN ALSTON
17.34 ACRES IN UNIT
VOL. 317, PG. 455
D.R.F.C.T.
- 4 DONALD LEE KEELINE, et al
4.99 ACRES IN UNIT
VOL. 773, PG. 637
D.R.F.C.T.
- 5 ROBERT EARL McVILLIAMS, et al
26.28 ACRES IN UNIT
VOL. 415, PG. 607
D.R.F.C.T.
- 6 KATHERINE V. WEIKEL, et al
6.26 ACRES IN UNIT
VOL. 453, PG. 891
D.R.F.C.T.
- 7 CHARLES L. HINES, et al
53.24 ACRES IN UNIT
VOL. 536, PG. 414
D.R.F.C.T.
- 8 F.M. HIGHWAY No. 1457
3.01 ACRES IN UNIT
- 9 JAMES E. McWHORTER III, et al
3.99 ACRES IN UNIT
VOL. 506, PG. 508
D.R.F.C.T.
- 10 LOUIS A. DARTZ, et al
16.65 ACRES IN UNIT
VOL. 334, PG. 583
VOL. 334, PG. 587
D.R.F.C.T.
- 11 DORRIS X. C. KNOTTS, et al
55.82 ACRES IN UNIT
VOL. 96, PG. 542
D.R.F.C.T.
- 12 JUNEIUS KNOTTS JR
1.21 ACRES IN UNIT
VOL. 283, PG. 13
D.R.F.C.T.
- 13 JEANETTE EIDHLER PREUSS, et al
70.47 ACRES IN UNIT
VOL. 491, PG. 706
D.R.F.C.T.
- 14 KATHERINE V. WEIKEL, et al
0.69 ACRES IN UNIT
VOL. 729, PG. 827
D.R.F.C.T.

NOTE: WELL IS LOCATED APPROXIMATELY 2.1 MILES
 NORTH-EAST OF ROUND TOP, TEXAS
 GROUND ELEVATION: 420 FEET
 WELL: ESTHER KRAUSE No. 1
 OPERATOR: ANADARKO E&P COMPANY LP
 FEE: GLENN KRAUSE

| SURFACE LOCATION | |
|------------------|--------------|
| LATITUDE | LONGITUDE |
| 30°04'44.18" | 96°39'49.32" |
| PENE PT | |
| LATITUDE | LONGITUDE |
| 30°04'45.39" | 96°39'50.97" |
| TERMINUS ST-00 | |
| LATITUDE | LONGITUDE |
| 30°04'53.47" | 96°39'54.22" |
| TERMINUS ST-01 | |
| LATITUDE | LONGITUDE |
| 30°03'47.93" | 96°39'38.34" |

I, BOBBY J. MAY DO HEREBY CERTIFY
 THAT THE ABOVE PLAT CORRECTLY SHOWS
 THE WELL AS STAKED IN THE GROUND
 FEBRUARY 02, 2004.

 BOBBY J. MAY
 REGISTERED PROFESSIONAL LAND SURVEYOR
 No. 4217

TITLE INFORMATION PROVIDED BY ANADARKO E&P COMPANY LP
 BEARINGS BASED ON GRID NORTH OBTAINED BY G.P.S. OBSERVATION
 T.S.P.C.S. NAD 1927-SOUTH CENTRAL ZONE

| | | |
|--|---|--|
| Anadarko E&P Company LP MUSTANG ENGINEERING, INC. 317 E. HEMPSTEAD GIDDINGS, TEXAS PHONE: 979 542-1146 FAX: 979 542-3353 | ESTHER KRAUSE No. 1 AS-DRILLED 346.20 ACRE UNIT | |
| | DATE: MAY 28 2004 FIELD BOOK: 124 PAGE 20 DWG: ESTHER KRAUSE No. 1 AS-DR DATA: V0EKLUN.DAT | SCALE: 1" = 1000' DRAWN BY: B J M REV: |

FILED
 2:15 PM
 JAN 19 2005

\$26.00 Pd.
 Filed By & Return to:
 Bruce Spindler

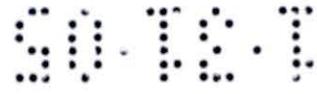
JAN 19 2005

CAROLYN KUBOS ROBERTS
 CO CLERK, FAYETTE CO., TEXAS

CAROLYN KUBOS ROBERTS
 COUNTY CLERK, FAYETTE COUNTY, TEXAS

The document to which this certificate is
 affixed is a full, true and correct copy of the
 original on file and of record in my office.

JAN 27 2005



CAROLYN KUBOS ROBERTS
 COUNTY CLERK, FAYETTE COUNTY, TEXAS

SPINDLER LAND AND MINERALS
120 S. WASHINGTON
LA GRANGE, TEXAS 78945
(979) 968-9644
(979) 968-2944 fax



January 27, 2005

Ms. Tracey T. Throckmorton
Texas General Land Office
Stephen F. Austin Building
1700 N. Congress Ave, Room 600
Austin, Texas 78701

VIA USPS

RE: Certified Copy of Memorandum of Unit
Anadarko E&P Company LP - Esther Krause No. 1
State Lease M-95246

Dear Tracey:

Please find enclosed herewith, a certified copy of the Anadarko E&P Company LP - *Esther Krause No. 1 Memorandum*, as recorded in the Official Records of Fayette County, Texas.

Sincerely,

SPINDLER LAND AND MINERALS

By: Mark Boyt, Petroleum Landman

RECEIVED
05 JUN 31 PM 2:03



AEP
 A Subsidiary of
 Anadarko Petroleum Corporation

STATE ROYALTY DATA SHEET

UNIT BASIS

Domain Number :

Domain Suffix :

Prepared by : ANNE CARNES Date 1/21/2005

WINS COMPLETION NUMBER:

WELL NAME : ESTHER KRAUSE #1 CO-OP

OPERATOR : ANADARKO E&P COMPAN

COUNTY : FAYETTE

STATE : TEXAS

Unit Agreement BLM # / APC/AEP Contract # : TX68639/93 & 93A, TX69107/94 & 94A

Effective date of this royalty arrangement: 05/27/04



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UNIT LEVEL

STATE LEASE & ROYALTY INFORMATION

| STATE ID # | APC /AEP LEASE # | UA TRACT NUMBER | TRACT ACRES | UNIT ACRES | UNIT ROYALTY | APC / AEP & PARTN SHARE OF RC | |
|------------|------------------|-----------------|-------------|--------------|--------------|-------------------------------|-----------|
| | | | | | | APC %/AEP % | PARTNER % |
| M-95246 | TX-49203 | 9 | 1.00100000 | 346.20000000 | 0.00081320 | 100.000000% | |
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TOTAL STATE UNIT ROYALTY: 0.00081320
 TOTAL APC / AEP SHARE: 0.00081320

Does the State have a sliding scale royalty? N

Additional Land Notes: This is a Co-Op unit comprised of owners from the McWhorter and Warmke Units.
1.001 ACRES / 346.20 UNIT ACRES * 28.125% RI = 0.0008132
OR 0.00142141 * 57.2097% PARTICIPATION FACTOR = .0008132



cc: Tax Dept. (State) - Land Admin. - @anadarko.com

STATE OF TEXAS

WARMKE

TRACT 9

2.701ACRES /534.44 UNIT ACRES * 9/32 RI =

0.00142141

ESTHER KRAUSE

TRACT 9

1.001 ACRES/346.20 UNIT ACRES * 9/32

0.000813204

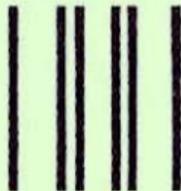
File No. MF 095246
Certified Copy of
Esther Trause Memorandum
Date Filed: 2/2/05
Jerry E. Patterson, Commissioner
By [Signature]

UNITED STATES POSTAL SERVICE

HOUSTON
TX 773

26 SEP '19

PM 4 L

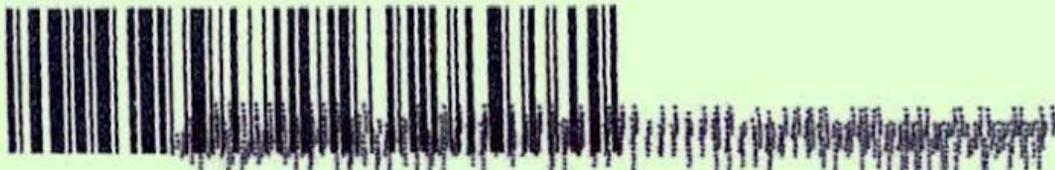


First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

- Sender: Please print your name, address, and ZIP+4® in this box •

MF 095246
TODD HILLIARD
TEXAS GENERAL LAND OFFICE
P.O. BOX 12873
AUSTIN, TX 78701

USPS TRACKING#



9590 9403 0521 5173 3063 98

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Keith Sanders
 Southwest Resources, Inc.
 P.O. Box 1805
 Brenham, Texas 77834



9590 9403 0521 5173 3063 98

2. Article Number (Transfer from service label)

7016 2070 0000 7391 6577

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

B. Received by (Printed Name)

K SANDERS

 Agent Addressee

C. Date of Delivery

 D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type

- | | |
|--|---|
| <input type="checkbox"/> Adult Signature | <input type="checkbox"/> Priority Mail Express® |
| <input type="checkbox"/> Adult Signature Restricted Delivery | <input type="checkbox"/> Registered Mail™ |
| <input type="checkbox"/> Certified Mail® | <input type="checkbox"/> Registered Mail Restricted Delivery |
| <input type="checkbox"/> Certified Mail Restricted Delivery | <input type="checkbox"/> Return Receipt for Merchandise |
| <input type="checkbox"/> Collect on Delivery | <input type="checkbox"/> Signature Confirmation™ |
| <input type="checkbox"/> Collect on Delivery Restricted Delivery | <input type="checkbox"/> Signature Confirmation Restricted Delivery |
| <input type="checkbox"/> Insured Mail | |
| <input type="checkbox"/> Insured Mail Restricted Delivery (over \$500) | |

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- Return Receipt (electronic) \$ _____
- Certified Mail Restricted Delivery \$ _____
- Adult Signature Required \$ _____
- Adult Signature Restricted Delivery \$ _____

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To

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P

Keith Sanders
Southwest Resources, Inc.
P.O. Box 1805
Brenham, Texas 77834

Instructions

7016 2070 0000 7391 6577

Certified Mail service provides the following benefits:

- A receipt (this portion of the Certified Mail label).
- A unique identifier for your mailpiece.
- Electronic verification of delivery or attempted delivery.
- A record of delivery (including the recipient's signature) that is retained by the Postal Service™ for a specified period.

Important Reminders:

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- Certified Mail service is *not* available for international mail.
- Insurance coverage is *not* available for purchase with Certified Mail service. However, the purchase of Certified Mail service does not change the insurance coverage automatically included with certain Priority Mail items.
- For an additional fee, and with a proper endorsement on the mailpiece, you may request the following services:
 - Return receipt service, which provides a record of delivery (including the recipient's signature). You can request a hardcopy return receipt or an electronic version. For a hardcopy return receipt, complete PS Form 3811, *Domestic Return Receipt*; attach PS Form 3811 to your mailpiece;

for an electronic return receipt, see a retail associate for assistance. To receive a duplicate return receipt for no additional fee, present this USPS®-postmarked Certified Mail receipt to the retail associate.

- Restricted delivery service, which provides delivery to the addressee specified by name, or to the addressee's authorized agent.
- Adult signature service, which requires the signee to be at least 21 years of age (not available at retail).
- Adult signature restricted delivery service, which requires the signee to be at least 21 years of age and provides delivery to the addressee specified by name, or to the addressee's authorized agent (not available at retail).
- To ensure that your Certified Mail receipt is accepted as legal proof of mailing, it should bear a USPS postmark. If you would like a postmark on this Certified Mail receipt, please present your Certified Mail item at a Post Office™ for postmarking. If you don't need a postmark on this Certified Mail receipt, detach the barcoded portion of this label, affix it to the mailpiece, apply appropriate postage, and deposit the mailpiece.

IMPORTANT: Save this receipt for your records.



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

September 20, 2019

Certified USPS # 7016 2070 0000 7391 6577

Keith Sanders
Southwest Resources, Inc.
P.O. Box 1805
Brenham, Texas 77834

Re: Termination of GLO Unit No. 2903; Partial Termination of State Lease No. MF 095246
Warmke Unit #1 / API No. 42-149-32505 / RRC No. 03-14274
1.7 acres of land, more or less, situated in the William H. Jack League, A-57, of Fayette
County, Texas, said land being a part of County Road 279 included in GLO Unit No. 2903

Mr. Sanders:

The Texas General Land Office (GLO) has completed a review of the above captioned State Lease of which Southwest Resources, Inc. is the current listed Lessee. The review indicated State Lease No. MF 095246 (the "Lease") was included in the Dissolution of Prior Unit and Designation of New Unit – Union Pacific Resources Company – Warmke No. 1 Unit Re-Entry (the "Unit Agreement") dated March 14, 2000.

Review of our internal records, along with production records provided by the Texas Railroad Commission, indicate RRC No. 03-14274 (API No. 42-149-32505) ceased production as of May 2013. The above referenced mineral file does not contain documentation of any additional shut-in royalty payments or reworking operations.

Furthermore, the Unit Agreement provides as follows:



"... the Warmke No. 1 Unit Re-Entry, or a substitute well, ... shall remain in force so long as the pooled minerals are being produced from such new unit, or so long as the Leases comprising the Warmke No. 1 Unit Re-Entry are maintained in force and effect by payment or tender of shut-in royalties or delay rentals, if applicable, or by other means, as provided by the terms of the Leases, or until dissolution of such new unit in accordance with the terms of the leases."

As such, and, the GLO considers Unit No. 2903 and the 1.7 acres covered under the above referenced State Lease and lying outside the Wagner O.L. Unit No. 1 terminated effective August 1, 2013 pursuant to Paragraphs No. 2 and No. 4 (b) of the Lease dated June 1, 1993.

Please provide the GLO with a Partial Release of the Lease save and except the 1.001 acres situated in the Wagner O.L. Unit No. 1 (GLO Unit No. 3579). Additionally, Title 31, §9.92, of the Texas

Administrative Code requires that a recorded original or certified copy of a said release, along with a filing fee of twenty-five dollars (\$25.00) per release, be filed with our office.

Should you disagree with this assessment please provide evidence to the GLO at the address shown below within thirty (30) days of receipt of this letter. Failure to reply or failure to present sufficient evidence of the continuation of said State Lease and Unit will result in the mineral file being endorsed as terminated. You will receive no further communication from this office prior to this endorsement.

Please discontinue filing GLO production reports and immediately delete the GLO RRAC control record for this well. If there are royalties due, our Audit Division will notify you of the amount due.

Lastly, when the well has been plugged, copies of Railroad Commission Form W-3 are required to be filed with our office.

If you have questions concerning this matter, please feel free to e-mail me at the address below my signature.

Best,

Todd Hilliard, RPL
Mineral Leasing, Energy Resources
512-475-1534
todd.hilliard@glo.texas.gov

File No. MF095246

_____ County

Termination Letter

Date Filed: 9/20/2019

George P. Bush, Commissioner

By 