MF095755

	Lease Type	Control	Basefile	County
		56-029214		WASHINGTON

TERMINATION
DATE 1/16/18
LEASING SSD
MAPS ~~JF~~
GIS VN

Survey	Highways & Public Transportati...
Block	
Block Name	
Township	
Section/Tract	
Land Part	
Acres	Net: 2.280000 Gross: 2.280000
Depth Below	Depth Above Depth Other
	Allow All Depths
Name	SENORA RESOURCES INC
Lease Date	4/19/1994
Primary Term	1 years
Bonus	$159.60
Lease Royalty	0.16666700
Paid Up	

Leasing:__________
Maps: ~~JF~~
GIS: MC
Scanlab:__________

STOP

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

M F 0 9 5 7 5 5

F291748

SENORA RESOURCES INC

2262

2.28 UNIT AC
-0- NON UNIT AC.

STATE LEASE - HROW M-95755

COUNTY (CODE)	WASHINGTON (239)
SURVEY	DAVID AYRES A-10
BLOCK	T.W. & WARD A-186
TOWNSHIP	N/A
SECTION (S)	N/A
PART	F.M. 2780
ACRES	2.28
DEPTH LIMITS	N/A
BASE FILE (S)	N/A
CONTROL NO. (S)	56-02921-4
CONTROL NO. (S)	N/A

LESSEE	SENORA RESOURCES, INC.
DATE	4-19-94
PRIMARY TERM	ONE (1) YEAR
BONUS ($)	159.60
ROYALTY	1/6
RENTAL ($)	N/A
VARIABLE ROYALTY	N/A

RENTALS	LL ✓ ✓ m.s.
LEASE ADMIN.	DR
MINERAL MAPS	GA

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GLO-S-08-(1-82)

The State of Texas

Austin, Texas

PAID-UP

OIL AND GAS LEASE NO. M-95755
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 Senora Resources, Inc., whose address is P.O. Box 190, Dime Box, Texas 77853-0190, hereinafter called "Lessee".

1. Lessor, in consideration of One Hundred Fifty Nine and 60/100 Dollars ($159.60), 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 Washington, State of Texas, and is described as follows:

2.28 acres of land, more or less, situated in said Washington County, Texas, more particularly described in

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

For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain 2.28 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. <u>PRIMARY TERM:</u> This lease, which is a "paid up" lease requiring no rentals, shall remain in force for a term of one (1) year from April 19, 1994, 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. <u>ROYALTIES:</u> As royalty Lessee covenants and agrees: .166667

(a) To deliver to the credit of Lessor, in the pipe line to which Lessee may connect its well, the equal one sixth (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 posted market price of such one sixth (1/6) 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; .166667

(b) To pay Lessor on gas and casinghead gas produced from said land (1) when sold by lessee, one sixth (1/6) 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 sixth (1/6) 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 $25.00. 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. <u>RELEASE:</u> 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. <u>REWORK:</u> 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. <u>ASSIGNMENTS:</u> 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. <u>WELL INFORMATION:</u> 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. <u>SURFACE:</u> 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. <u>COMPENSATORY ROYALTY:</u> 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 $50.00, 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 April 19, 1994.

Garry Mauro

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

Approved:
Energy: RH
Legal(Form): Am
Executive: JG

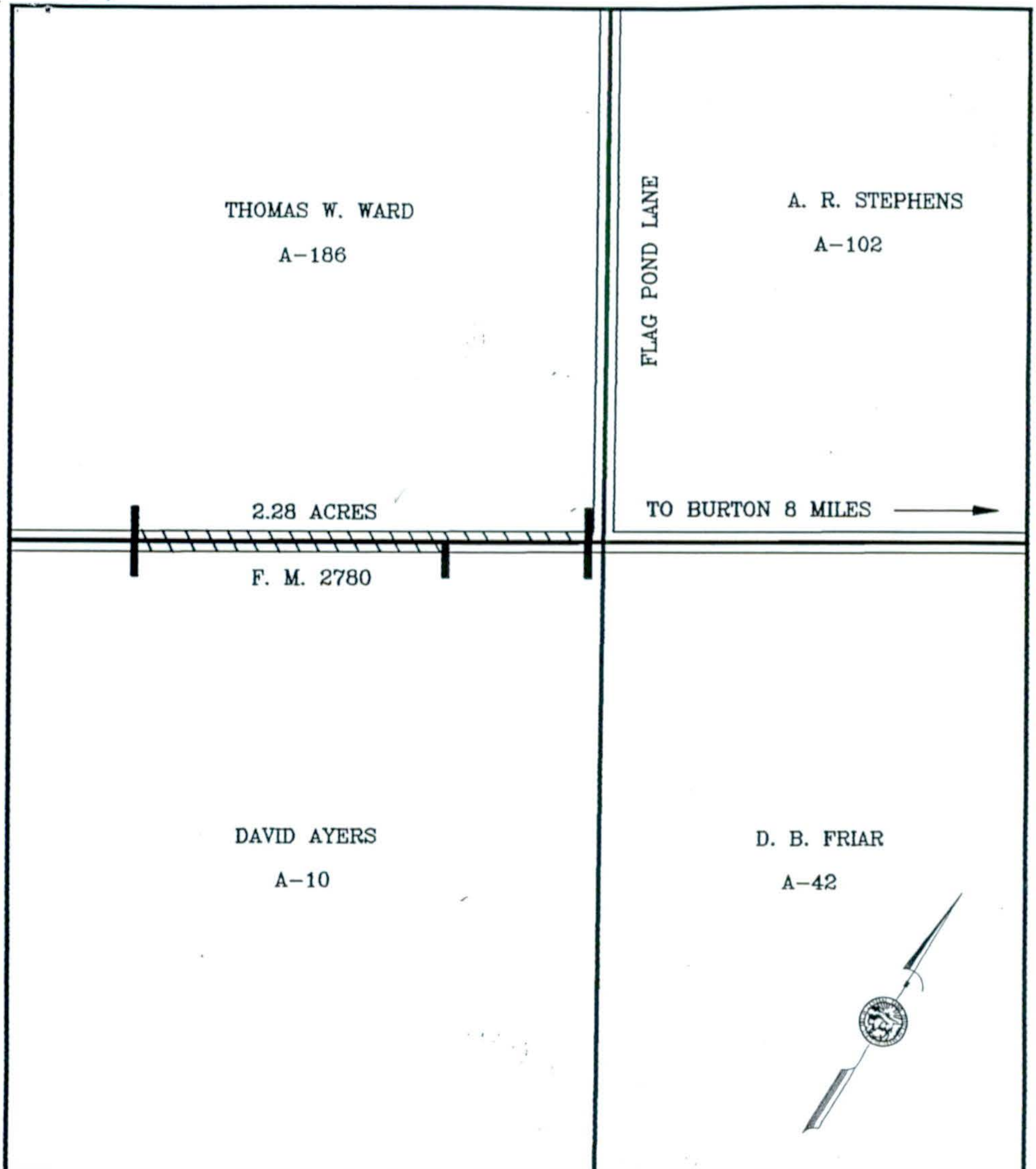
Texas General Land Office
Garry Mauro, Commissioner

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701-1495
(512) 463-5001

Exhibit "A"

Acreage to be Leased from the State of Texas in Washington County, Texas, being part of F.M. 2780.

/2.28 acres of land, more or less, situated in the David Ayres Survey, A-10 and the W.T. Ward Survey, A-186, in Washington County, Texas and being the same land descibed in the following Deed to Washington County, Texas, dated July 9, 1908, recorded in Volume 54, Page 6, Deed Records of Washington County, Texas.



MAP SHOWING
2.28 ACRE PORTION OF F.M. 2780
8 MILES APPROX. NORTH OF BURTON
WASHINGTON, COUNTY

M.95755 1
lease
4.19.94

GENERAL LAND OFFICE

GARRY MAURO
COMMISSIONER

MEMORANDUM

DATE: April 13, 1994

TO: School Land Board

FROM: Robert Hatter / Energy Resources

SUBJECT: Application To Lease Right-of-Way

APPLICANT: Senora Resources, Inc.

REFERENCE: Being 2.28 acres, more or less, of F.M. 2780, situated in the David Ayres Sur., A-10 and T.W. Ward Sur., A-186, in Washington County, Texas.

The following terms were provide for in the adjacent leases:

	High	Low
Bonus/Acre:	$70.00	$25.00
Royalty:	1/6	1/8
Delay Rental:	none	$2.00
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:	$70.00 per acre
Royalty:	1/6
Delay Rental:	none
Primary Term:	1 year

Senora Resources, Inc. 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 2.28 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 General Land Office
Garry Mauro, Commissioner

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701-1495
(512) 463-5001

Exhibit "A"

Acreage to be Leased from the State of Texas in Washington County, Texas, being part of F.M. 2780.

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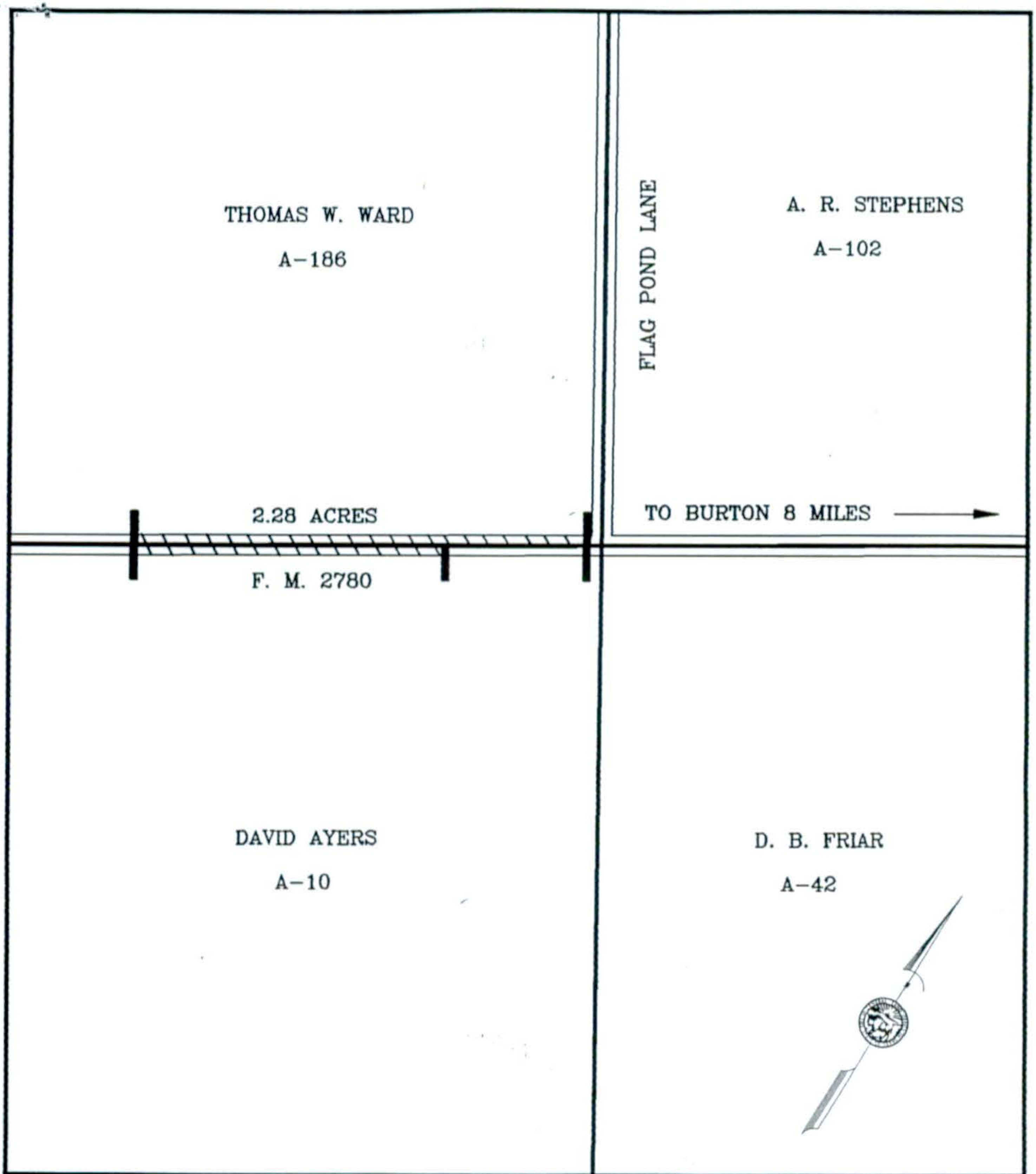

MAP SHOWING
2.28 ACRE PORTION OF F.M. 2780
8 MILES APPROX. NORTH OF BURTON
WASHINGTON, COUNTY

M-95155
Memo
4-13-94

2

IN House

FAX # 409-884-1361

SENORA RESOURCES, INC.

P. O. BOX 190
DIME BOX, TEXAS 77853
PHONE: 409-884-6221

M-95755

March 14, 1994

Mr. Drew Reid
% The General Land Office
Stephen F. Austin Bldg.
1700 N. Congress Ave.
Austin, Texas 78701-1495

lease date April 19, 1994

Dear Mr. Reid: F.M. 2780 2.28 AC

On behalf of Senora Resources, Inc., we would like to lease the highway that is in our Senora Resources, Inc. HMF-Fischer No1-H well in the Thomas W. Ward Survey, A-186 in Washington County, Texas. Please, see the enclosed Plat for the acreage. I, have also enclosed the names and addresses of the adjacent mineral owners. The $100.00 processing fee made payable to The State of Texas, also a check for the bonus amount as per what was paid to the County. I, also obtained copies of the certified copies of all the oil, gas and mineral leases within the unit being the adjacent leases.

As per your request I have tried to obtain all of your requirements, however, due to the fact that the some of the lease were obtained back in 1976, by SHENANDOAH OIL CORPORATION, in 1977 by ROY L. KIPP, in 1980 by U. S. COMPANIES, INC. and in 1993 by SENORA RESOURCES, INC.. I have the drafts for SENORA RESOURCES. Also, the fact that the Fischer well has been in production since the 1980's and that it has passed through several operators hands of which we recently purchased it from Coda Energy, Inc. in 1993. I, obtained a letter from the County Treasurer as to what was paid to them on the road back in 1980. Obtaining what was paid back in 1976, and 1977 would be difficult to say the least. Senora Resources, Inc. is prepared to pay you the same amount that was paid to the county.

I, have also included a copy of the Title Opinion as per your request. Should there be any other requirements please do not hesitate to let me know.

Respectfully submitted,

Sharon Proske

Sharon Proske
Agent

SP/sp
Enclosures

SENORA RESOURCES, INC.

VENDOR: STATG STATE OF TEXAS/GEN.LAND DATE: 03/17/94 002828

INVOICE	AMOUNT PAID	DISCOUNT	BACKUP W/H	TAX W/H
FISCHER - 2	162.09	0.00	0.00	0.00

94041939

17°

SENORA RESOURCES, INC.

VENDOR: STATG STATE OF TEXAS/GEN.LAND DATE: 03/17/94 002827

INVOICE	AMOUNT PAID	DISCOUNT	BACKUP W/H	TAX W/H
FISCHER - 1	100.00	0.00	0.00	0.00

94041938

3-19-94

3

M-95755

LTR.

4-14-94

17°

RECEIVED
MAR 22 1994
ENERGY RESOURCES

BROWN & ADKINS

MICHAEL L. BROWN*

WARD N. ADKINS, JR.
BOARD CERTIFIED
OIL, GAS & MINERAL LAW
TEXAS BOARD OF LEGAL SPECIALIZATION

LONARD K. WELLS*

* Also Licensed in Louisiana

ATTORNEYS AT LAW
2120 TEXAS COMMERCE BANK BLDG. EAST
712 MAIN STREET
HOUSTON, TEXAS 77002

TELEPHONE
(713) 546-2444

TELEFACSIMILE
(713) 546-2440

January 20, 1994

ORIGINAL TITLE OPINION

Re: H.M.K. Fischer No. 1 Unit
160 acre unit
Washington County, Texas

Senora Resources, Inc.
P.O. Box 190
Dime Box, Texas 77853

Gentlemen:

Pursuant to your request we have examined title to that part of the following described tracts of land included in the Hallmark Petroleum, Inc., H.M.K. Fischer No. 1 Unit located in Washington County, Texas:

TRACT NO. ONE:	79.40 acres of land, more or less, more particularly described on Exhibit "A" attached hereto.
TRACT NO. TWO:	210 acres of land, more or less, more particularly described on Exhibit "B" attached hereto.
TRACT NO. THREE:	50 acres of land, more or less, more particularly described on Exhibit "D" attached hereto.
TRACT NO. FOUR:	75 acres of land, more or less, more particularly described on Exhibit "E" attached hereto.
TRACT NO. FIVE:	75 acres of land, more or less, more particularly described on Exhibit "F" attached hereto.

We have examined the following title materials:

1. Original Title Opinion dated February 12, 1980, by Ronald T. Newton, of the Law Offices of Andrew H. Duvall, addressed to U. S. Resources, Inc., covering Tracts No. 1 and 2 and based upon examination of the public records in the offices of the County Clerk and District Clerk of Washington County, Texas, from Sovereignty to February 1, 1980, at 5:00 p.m.

Senora Resources, Inc.
Original Title Opinion
H.M.K. Fischer No. 1 Unit
Washington County, Texas
January 20, 1994

2. First Supplemental and Division Order Title Opinion dated September 15, 1980, by Ronald T. Newton of Andrew H. Duvall, Inc., a professional corporation addressed to U. S. Resources, Inc., covering Tracts No. 1 and 2 and based upon examination of the public records in the offices of the County Clerk and District Clerk of Washington County, Texas from February 1, 1980, at 5:00 p.m. to August 22, 1980, at 5:00 p.m.

3. Second Supplemental and Division Order Title Opinion dated March 10, 1981, by Rick L. Cippele of Andrew H. Duvall, Inc., a professional corporation addressed to U. S. Companies, Inc., covering Tracts No. 1 and 2 and based upon examination of the Public Records in the offices of the County Clerk and District Clerk of Washington County, Texas, from August 22, 1980, at 5:00 p.m. to February 25, 1981, at 5:00 p.m.

4. Original Title Opinion dated February 15, 1980, by Antone L. Peterson, III, of the Law Offices of Andrew H. Duvall addressed to U. S. companies, Inc., covering Tracts No. 3, 4 and 5 and based upon examination of the Public Records in the offices of the County Clerk and District Clerk of Washington County, Texas, from Sovereignty to February 5, 1980, at 5:00 p.m.

5. Second Supplemental and Division Order Title Opinion dated April 27, 1981, by Rick L. Cippele of Andrew H. Duvall, Inc., a professional corporation, addressed to U. S. Companies, Inc., covering Tracts No. 3, 4 and 5 and based upon examination of the Public Records in the offices of the County Clerk and District Clerk of Washington County, Texas, from September 24, 1980, at 8:00 a.m. to April 15, 1981, at 5:00 p.m.

6. Copies of instruments listed on the index of instruments prepared by Sharon Praske covering Tracts No. 1 and 2 of subject land, from February 25, 1981, at 5:00 p.m. to November 29, 1993, at 5:00 p.m. and Tracts No. 3, 4 and 5 of subject land from February 5, 1980, at 5:00 p.m. to November 29, 1993, at 5:00 p.m

7. Copy of unrecorded assignment dated August 30, 1993, from MD Operating Company to Westland Oil Development Corporation.

8. Copy of unrecorded assignment dated November 4, 1993, from R&J Royalty Interest to Westland Oil Development Corporation.

9. Copy of assignment dated October 1, 1989, County Clerk's File No. 9126574, County Clerk's Film Code No. 726-01-1519, Real Property Records of Montgomery County, Texas, from Westland Oil & Gas Properties, Inc., to Westland Oil Development Corporation.

Subject to the COMMENTS AND REQUIREMENTS hereinafter contained or referred to, the materials examined reflect that title to the minerals as of November 29, 1993, at 5:00 p.m., are vested as follows:

146.03

Senora Resources, Inc.
Original Title Opinion
H.M.K. Fischer No. 1 Unit
Washington County, Texas
January 20, 1994

[illegible] ACRES OF LAND INCLUDED
IN CAPTIONED UNIT AND BEING
<u>PART OF TRACT NO. THREE:</u>

<u>MINERALS</u>

(A) LEASING PRIVILEGE, BONUS AND DELAY RENTAL:

Chester C. Merten and wife, Lorna S. Merten	1/2
Harvey H. Merten	1/3
Harvey H. Merten and wife, Floya Ann Merten	1/6

(B) ROYALTY:

Chester C. Merten and wife, Lorna S. Merten	.062500000	R.I.
Harvey H. Merten	.041666667	R.I.
Harvey H. Merten and wife, Floya Ann Merten	.020833333	R.I.

(C) LEASEHOLD ESTATE:

<u>WORKING INTEREST</u>
(Stated as Net Revenue Interest)

Senora Resources, Inc.	.339062500	W.I.
Rae Ricks	.026785500	W.I.
Jerral W. Jones	026785500	W.I.
Ricks Exploration Company	.010714200	W.I.
Homer L. Lawson	.002678550	W.I.
Texas Olefin Company	.131250000	W.I.

14603

Leo Mandrakos	.013230840	W.I.
Sidney Ellis	.002646158	W.I.
Janice Textor	.002646158	W.I.
Donald F. DeScenza	.002116957	W.I.
David M. Knott	.002116957	W.I.
Frank H. Murray	.002116957	W.I.
Jeanne Hendrick	.007938473	W.I.
The Prospective Investment and Trading Company, Ltd.	.056571900	W.I.
Anchor Exploration Company	.006428625	W.I.
Thomas E. Walton	.001285725	W.I.
Westland Oil Development Corporation	.065625000	W.I.

OVERRIDING ROYALTY INTEREST

Robert L. Terry, Jr. (2% of 7/8)	.017500000	O.R.I.
J. P. Schaltegger (.026666 x .03125)	.000833333	O.R.I.
Eutex Finance, Ltd. (.026666 x .03125)	.000833333	O.R.I.
Bobwhite Holding Company, Inc., Agent	.029583334	O.R.I.
GTN Production Partnership	.004000000	O.R.I. (3)
B. Ray Holifield, Trustee	.021000000	O.R.I. (3)
Senora Resources, Inc.	.101250000	O.R.I.

[illegible] WORKING INTEREST

Senora Resources, Inc.	48.4375%
Ran Ricks	3.8265%
Jerral W. Jones	3.8265%
Ricks Exploration Company	1.5306%
Homer L. Lawson	.38265%
Texas Olefin Company	18.75%
Leo Mandrakos	1.89012%
Sidney Ellis	.3780225%
[illegible]	.37802[illegible]%
Donald F. DeScenza	.3024225%
David M. Knott	.3024225%
Frank H. Murray	.3024225%
Jeanne Hendrick	1.1340675%
The Prospective Investment and Trading Company, Ltd	8.0817%
Anchor Exploration Company	.918375%
Thomas E. Walton	.183675%
Westland Oil Development Corporation	9.375%

By amended unit designation dated January 27, 1981, Vol. 409, page 620, Deed Records of Washington County, Texas, Hallmark Petroleum, Inc., et al, formed the Hallmark Petroleum, Inc., H.M.K. Fischer No. 1 Unit covering the Austin Chalk Formation only of 160 acres of land of which 5.91 acres of Tract No. Three are included. As of November 29, 1993, at 5:00 p.m., and prior to formation of the Senora Resources, Inc., - Big Jim No. 1-H Unit, production from the H.M.K. Fischer No. 1 Unit allocated to said 5.91 acre tract is vested as follows:

Senora Resources, Inc.
Original Title Opinion
H.M.K. Fischer No. 1 Unit
Washington County, Texas
January 20, 1994

Chester C. Merten and wife, Lorna S. Merten	.002308594	R.I.
Harvey H. Merten	.001539063	R.I.
Harvey H. Merten and wife, Floya Ann Merten	.000769531	R.I.
Senora Resources, Inc.	.012524121	W.I.
Dan Ricks	.000989389	W.I.
Jerral W. Jones	.000989389	W.I.
Ricks Exploration Company	.000395756	W.I.
Homer L. Lawson	.000098939	W.I.
Texas Pacific Company	.004848047	W.I.
Leo Mandrakos	.000488714	W.I.
Sidney Ellis	.000097742	W.I.
Janice Textor	.000097742	W.I.
Donald F. DeScenza	.000078196	W.I.
David M. Knott	.000078196	W.I.
Frank H. Murray	.000078196	W.I.
Jeanne Hendrick	.000293227	W.I.
The Prospective Investment and Trading Company, Ltd	.002089625	W.I.
Anchor Exploration Company	.000237457	W.I.
Thomas E. Walton	.000047491	W.I.
Westland Oil Development Corporation	.002424023	W.I.

146.03

Robert L. Terry, Jr.	.000646406	O.R.I.
J. P. Schaltegger	.000030781	O.R.I.
Eutex Finance, Ltd	.000030781	O.R.I.
Bobwhite Holding Company, Inc., Agent	.001092734	O.R.I.
GTN Production Partnership	.000147750	O.R.I. (3)
B. Ray Holifield, Trustee	.000775688	O.R.I. (3)
Senora Resources, Inc.	.003739922	O.R.I.

1.09 ACRES OF LAND INCLUDED IN CAPTIONED UNIT AND BEING PART OF TRACT NO. FOUR:

MINERALS

(A) LEASING PRIVILEGE, BONUS AND DELAY RENTAL:

Monroe J. Goldberg and wife, Nora Lee Goldberg	ALL

(B) ROYALTY:

Monroe J. Goldberg and wife, Nora Lee Goldberg	.062500000	R.I.
Berry Lee Goldberg and wife, Delores Ann Goldberg	.062500000	R.I.

(C) LEASEHOLD ESTATE:

WORKING INTEREST
(Stated as Net Revenue Interest)

Senora Resources, Inc.	.339062500	W.I.
Ran Ricks	.026785500	W.I.

14693

Jerral W. Jones	.026785500	W.I.
Ricks Exploration Company	.010714200	W.I.
Homer L. Lawson	.002678550	W.I.
Texas Olefin Company	.131250000	W.I.
Leo Mandrakos	.013230840	W.I.
Sidney Ellis	.002646158	W.I.
Janice Textor	.002646158	W.I.
Donald F. DeScenza	.002116957	W.I.
David M. Knott	.002116957	W.I.
Frank H. Murray	.002116957	W.I.
Jeanne Hendrick	.007938423	W.I.
The Prospective Investment and Trading Company, Ltd	.056571900	W.I.
Anchor Exploration Company	.006428625	W.I.
Thomas F. Walton	.001285725	W.I.
Westland Oil Development Corporation	.065625000	W.I.

<u>OVERRIDING ROYALTY INTEREST</u>

Robert L. Ferry, Jr. (2% of 7/8)	.017500000	O.R.I.
[illegible] Schattegger (.026666 x .03125)	.000833333	O.R.I.
Eutex Finance, Ltd. (.026666 x .03125)	.000833333	O.R.I.
Bobwhite Holding Company, Inc., Agent	.029583334	O.R.I.

	GTN Production Partnership	.004000000	O.R.I. (3)
	B. Ray Holifield, Trustee	.021000000	O.R.I. (3)
	Senora Resources, Inc	.101250000	O.R.I.
(D)	WORKING INTEREST:		
	Senora Resources, Inc.	48.4375%	
	Ran Ricks	3.8265%	
	Jerral W. Jones	3.8265%	
	Rick Exploration Company	1.5306%	
	Homer L. Lawson	.38265%	
	Texas Olefin Company	18.75%	
	Leo Mandrakos	1.89012%	
	Sidney Ellis	.3780225%	
	Janice Textor	.3780225%	
	Donald F. DeScenza	.3024225%	
	David M. Enott	.3024225%	
	Frank H. Murray	.3024225%	
	Jeanne Hendrick	1.1340675%	
	The Prospective Investment and Trading Company, Ltd	8.0817%	
	Anchor Exploration Company	.918375%	
	Thomas E. Walton	.183675%	
	Westland Oil Development Corporation	9.375%	

By amended unit designation dated January 27, 1981, Vol. 409, page 620, Deed Records of Washington County, Texas, Hallmark Petroleum, Inc., et al, formed the Hallmark Petroleum, Inc., H.M.K. Fischer No. 1 Unit covering the Austin Chalk Formation only of 160 acres of land of which 1.09 acres of Tract No. Four are included. As of November 29, 1993, at 5:00 p.m., and prior to formation of the Senora Resources, Inc., - Big Jim No. 1-H Unit, production from the H.M.K. Fischer No. 1 Unit allocated to said 1.09 acre tract is vested as follows:

Monroe J. Goldberg and wife, Nora Lee Goldberg	.000425781	R.I.
Berry Lee Goldberg and wife, Delores Ann Goldberg	.000425781	R.I.
Senora Resources, Inc.	.002309863	W.I.
Ran Ricks	.000182476	W.I.
Jerral W. Jones	.000182476	W.I.
Ricks Exploration Company	.000072990	W.I.
Homer L. Lawson	.000018248	W.I.
Texas Olefin Company	.000894141	W.I.
Leo Mandrakos	.000090135	W.I.
Sidney Ellis	.000018027	W.I.
Janice Textor	.000018027	W.I.
Donald F. DeScenza	.000014422	W.I.
David M. Knott	.000014422	W.I.
Frank H. Murray	.000014422	W.I.
Jeanne Hendrick	.000054081	W.I.
The Prospective Investment and Trading Company, Ltd.	.000385396	W.I.
Anchor Exploration Company	.000043795	W.I.

Thomas E. Walton	.000008759	W.I.
Westland Oil Development Corporation	.000447070	W.I.
Robert E. Terry, Jr	.000119219	O.R.I.
J. P. Schaltegger	.000005677	O.R.I.
Eutex Finance, Ltd.	.000005677	O.R.I.
Bobwhite Holding Company, Inc., Agent	.000201536	O.R.I.
[illegible] Production Partnership	.000027250	O.R.I. (3)
B. Ray Holifield, Trustee	.000143063	O.R.I. (3)
Senora Resources, Inc.	.000689766	O.R.I.

4.94 ACRES OF LAND INCLUDED
IN CAPTIONED UNIT AND BEING
PART OF TRACT NO. FIVE

MINERALS

(A) LEASING PRIVILEGE, BONUS AND DELAY RENTAL:

Berry Lee Goldberg	ALL

(B) ROYALTY:

Berry Lee Goldberg	.062500000	R.I.
Monroe J. Goldberg and wife, Nora Lee Goldberg	.062500000	R.I.

(C) LEASEHOLD ESTATE:

WORKING INTEREST
(Stated as Net Revenue Interest)

Senora Resources, Inc.	.339062500	W.I.

Ran Ricks	.026785500	W.I.
Jerral W. Jones	.026785500	W.I.
Ricks Exploration Company	.010714200	W.I.
Homer L. Lawson	.002678550	W.I.
Texas Olefin Company	.131250000	W.I.
Leo Mandrakos	.013230840	W.I.
Sidney Ellis	.002646158	W.I.
Janice Texter	.002646158	W.I.
Donald E. DeScenza	.002116957	W.I.
David M. Knott	.002116957	W.I.
Frank H. Murray	.002116957	W.I.
Jeanne Hendrick	.007938473	W.I.
The Prospective Investment and Trading Company, Ltd.	.056571900	W.I.
Anchor Exploration Company	.006428625	W.I.
Thomas E. Walton	.001285725	W.I.
Westland Oil Development Corporation	.065625000	W.I.

OVERRIDING ROYALTY INTEREST

Robert L. Terry, Jr. (2% of 7/8)	.017500000	O.R.I.
J. P. Schaltegger (.026666 x .03125)	.000833333	O.R.I.
Eutex Finance, Ltd. (.026666 x .03125)	.000833333	O.R.I.

Bobwhite Holding Company, Inc., Agent	.029583334	O.R.I.
GTN Production Partnership	.004000000	O.R.I. (3)
B. Ray Holifield, Trustee	.021000000	O.R.I. (3)
Senora Resources, Inc	.101250000	O.R.I.

(G) WORKING INTEREST:

Senora Resources, Inc.	48.4375%
Ran Ricks	3.8265%
Jerral W. Jones	3.8265%
Ricks Exploration Company	1.5306%
Homer L. Lawson	.38265%
Texas Olefin Company	18.75%
Leo Mandrakos	1.89012%
Sidney Ellis	.3780225%
Janice Textor	.3780225%
Donald E. DeScenza	.3024225%
David M. Knott	.3024225%
Frank H. Murray	.3024225%
Jeanne Hendrick	1.1340675%
The Prospective Investment and Trading Company, Ltd.	8.0817%
Anchor Exploration Company	.918375%
Thomas E. Walton	.183675%

Westland Oil Development Corporation 9.375%

By amended unit designation dated January 27, 1981, Vol. 409, page 620, Deed Records of Washington County, Texas, Hallmark Petroleum, Inc., et al, formed the Hallmark Petroleum, Inc., H.M.K. Fischer No. 1 Unit covering the Austin Chalk Formation only of 160 acres of land of which 4.94 acres of Tract No. Five are included. As of November 29, 1993, at 5:00 p.m., and prior to formation of the Senora Resources, Inc., - Big Jim No. 1-H Unit, production from the H.M.K. Fischer No. 1 Unit allocated to said 4.94 acre tract is vested as follows:

Berry Lee Goldberg	.001929688	R.I.
Monroe J. Goldberg and wife, Nora Lee Goldberg	.001929688	R.I.
Senora Resources, Inc.	.010468555	W.I.
Ran Ricks	.000827002	W.I.
Jerral W. Jones	.000827002	W.I.
Ricks Exploration Company	.000330801	W.I.
Homer L. Lawson	.000082700	W.I.
Texas Olefin Company	.004052344	W.I.
Leo Mandrakos	.000408502	W.I.
Sidney Ellis	.000081700	W.I.
Janice Lester	.000081700	W.I.
Donald J. DeScenza	.000065361	W.I.
David M. Knott	.000065361	W.I.
Frank H. Murray	.000065361	W.I.
Jeanne Hendrick	.000245100	W.I.
The Prospective Investment and Trading Company, Ltd.	.001746657	W.I.

Anchor Exploration Company	.000198484	W.I.
Thomas E. Walton	.000039697	W.I.
Westland Oil Development Corporation	.002026172	W.I.
[illegible]	.000540313	O.R.I.
J. P. Schaltegger	.000025729	O.R.I.
Eutex Finance, Ltd.	.000025729	O.R.I.
Bobwhite Holding Company, Inc., Agent	.000913385	O.R.I.
GHN Production Partnership	.000123500	O.R.I. (3)
B. Ray Hohfield, Trustee	.000648375	O.R.I. (3)
Senora Resources, Inc.	.003126094	O.R.I.

2.65 ACRES OF LAND INCLUDED
IN CAPTIONED UNIT AND BEING
PART OF THE LAND DESCRIBED
IN EXHIBIT "[illegible]"

MINERALS

(A) LEASING PRIVILEGE, BONUS AND DELAY RENTAL:

County Judge of Washington County	ALL	

(B) ROYALTY:

County Judge of Washington County	.166666666	R.I.

(C) LEASEHOLD ESTATE:

WORKING INTEREST
(Stated as Net Revenue Interest)

Senora Resources, Inc.	.339062500	W.I.

Ran Ricks	.026785500	W.I.	
Jerral W. Jones	.026785500	W.I.	
Ricks Exploration Company	.010714200	W.I.	
[illegible] E. Lawson	.002678550	W.I.	
Texas Olefin Company	.131250000	W.I.	
Leo Mandrakos	.013230840	W.I.	
Sidney Ellis	.002646158	W.I.	
Janice Textor	.002646158	W.I.	
Donald F. DeScenza	.002116957	W.I.	
David M. Knott	.002116957	W.I.	
Frank H. Murray	.002116957	W.I.	
Jeanne Hendrick	.007938473	W.I.	
[illegible] Investment and Trading Company, Ltd	.056571900	W.I.	
Anchor Exploration Company	.006428625	W.I.	
Thomas E. Walton	.001285725	W.I.	
Westland Oil Development Corporation	.065625000	W.I.	

OVERRIDING ROYALTY INTEREST

U.S. Companies, Inc.	.014166667	O.R.I.	
GTN Production Partnership	.004000000	O.R.I.	(3)
B. Ray Holifield, Trustee	.021000000	O.R.I.	(3)
Senora Resources, Inc.	.094166667	O.R.I.	

14695

(D) WORKING INTEREST:

Senora Resources, Inc.	48.4375%
Ran Ricks	3.8265%
Jerrell W. Jones	3.8265%
Ricks Exploration Company	1.5306%
Homer L. Lawson	.38265%
Texas Olefin Company	18.75%
Leo Mandrakos	1.89012%
Sidney Ellis	.3780225%
Janice Textor	.3780225%
Donald L. DeScenza	.3024225%
David M. Knott	.3024225%
[illegible] H. Murray	.3024225%
Jeanne Hendrick	1.1340675%
The Prospective Investment and Trading Company, Ltd.	8.0817%
Anchor Exploration Company	.918375%
Thomas F. Walton	.183675%
Westland Oil Development Corporation	9.375%

By amended unit designation dated January 27, 1981, Vol. 409, page 620, Deed Records of Washington County, Texas, Hallmark Petroleum, Inc., et al, formed the Hallmark Petroleum, Inc., H.M.K. Fischer No. 1 Unit covering the Austin Chalk Formation only of 160 acres of land of which [illegible] acres of tract of the land described on Exhibit "G" are included. As of [illegible] at [illegible] p.m., and prior to formation of the Senora Resources, Inc., - Big

[illegible]

Jim No. 1 [illegible] Unit, production from the H.M.K. Fischer No. 1 Unit allocated to said 2.65 acre tract is vested as follows:

County Judge of Washington County	.002760417	R.I.
Senora Resources, Inc.	.005615723	W.I.
Ran Ricks	.000443635	W.I.
Jerral W. Jones	.000443635	W.I.
Ricks Exploration Company	.000177454	W.I.
Homer L. Lawson	.000044363	W.I.
Texas Olefin Company	.002173828	W.I.
Leo Mandrakos	.000219136	W.I.
Sidney Ellis	.000043827	W.I.
Janice Textor	.000043827	W.I.
Donald F. DeScenza	.000035062	W.I.
David M. Knott	.000035062	W.I.
Frank H. Murray	.000035062	W.I.
Jeanne Hendrick	.000131481	W.I.
The Prospective Investment and Trading Company, Ltd.	.000936972	W.I.
Anchor Exploration Company	.000106474	W.I.
Thomas E. Walton	.000021295	W.I.
Westland Oil Development Corporation	.001086915	W.I.
[illegible] Companies, Inc.	.000234635	O.R.I.
GEN Production Partnership	.000066250	O.R.I. (3)

34603

B. E. Hollifield, Trustee	.000347813	O.R.I. (3)
Senora Resources, Inc	.001559634	O.R.I.

71.13 ACRES OF LAND INCLUDED
IN CAPTIONED UNIT AND BEING
PART OF TRACT NO. ONE AND
74.28 ACRES OF LAND INCLUDED
IN CAPTIONED UNIT AND BEING
PART OF TRACT NO. TWO.

MINERALS

(A) LEASING PRIVILEGE, BONUS AND DELAY RENTAL:

Brian A. Fischer	1/4	
Howard E. Fischer	1/4	
Darrell Fischer	1/8	(1)
Linda Fischer Schulte	1/8	(1)
David Fischer	1/8	(1)
Cathy Fischer Blackburn	1/8	(1)

(B) ROYALTY:

Brian A. Fischer	.031250000	R.I.
Howard E. Fischer	.031250000	R.I.
Darrell Fischer	.015625000	R.I. (1)
Linda Fischer Schulte	.015625000	R.I. (1)
David Fischer	.015625000	R.I. (1)
Cathy Fischer Blackburn	.015625000	R.I. (1)

Senora Resources, Inc.
Original Title Opinion
H.M.K. Fischer No. 1 Unit
Washington County, Texas
January 20, 1994

(C) LEASEHOLD ESTATE

<u>WORKING INTEREST</u>
(Stated as Net Revenue Interest)

Senora Resources, Inc.	.339062500	W.I.
Ran Ricks	.026785500	W.I.
Jerral W. Jones	.026785500	W.I.
Ricks Exploration Company	.010714200	W.I.
Homer L. Lawson	.002678550	W.I.
Texas Olefin Company	.131250000	W.I.
[illegible]	.013230840	W.I.
Sidney Ellis	.002646158	W.I.
Janice Textor	.002646158	W.I.
Donald E. DeScenza	.002116957	W.I.
David M. Knott	.002116957	W.I.
Frank H. Murray	.002116957	W.I.
Jeanne Hendrick	.007938473	W.I.
The Prospective Investment and Trading Company, Ltd.	.056571900	W.I.
Anchor Exploration Company	.006428625	W.I.
Thomas E. Walton	.001285725	W.I.
Westland Oil Development Corporation	.065625000	W.I.

<u>OVERRIDING ROYALTY INTEREST</u>

Donald L. Hall	.031250000	O.R.I.

GPS Production Partnership	.004000000	O.R.I. (2) (3)
B. Ray Holifield, Trustee	.021000000	O.R.I. (2) (3)
Senora Resources, Inc.	.118750000	O.R.I. (2)

(D) WORKING INTEREST:

Senora Resources, Inc.	48.4375%
Ran Ricks	3.8265%
Jerral W. Jones	3.8265%
Ricks Exploration Company	1.5306%
[illegible] Lawson	.38265%
Texas Olefin Company	18.75%
Leo Mandrakos	1.89012%
Sidney Ellis	.3780225%
Janice Textor	.3780225%
Donald F. DeScenza	.3024225%
David M. Knott	.3024225%
Frank H. Murray	.3024225%
Jeanne Hendrick	1.1340675%
The Prospective Investment and Trading Company, Ltd.	8.0817%
Anchor Exploration Company	.918375%
Thomas E. Walton	.183675%
Westland Oil Development Corporation	9.375%

By amended unit designation dated January 27, 1981, Vol. 409, page 620, Deed Records of Washington County, Texas, Hallmark Petroleum, Inc., et al, formed the Hallmark Petroleum, Inc., H.M.K. Fischer No. 1 Unit covering the Austin Chalk Formation only of 160 acres of land of which 145.41 acres out of Tracts No. 1 and 2 are included. As of November 29, 1993, at 5:00 p.m., and prior to formation of the Senora Resources, Inc., - Big Jim No. 1-H Unit, production from the H.M.K. Fischer No. 1 Unit allocated to said 145.41 acre tract is vested as follows:

Brian Fischer	.028400391	R.I.
Howard E. Fischer	.028400391	R.I.
Darrell Fischer	.014200196	R.I. (1)
Linda Fischer Schulte	.014200195	R.I. (1)
David Fischer	.014200195	R.I. (1)
Cathy Fischer Blackburn	.014200195	R.I. (1)
Senora Resources, Inc.	.308144238	W.I.
Ran Ricks	.024342998	W.I.
Jerral W. Jones	.024342998	W.I.
Ricks Exploration Company	.009737199	W.I.
Homer L. Lawson	.002434300	W.I.
Texas Olefin Company	.119281640	W.I.
Leo Mandrakos	.012024353	W.I.
[illegible]	.002404862	W.I.
Janice Lester	.002404862	W.I.
Donald F. DeScenza	.001923916	W.I.
David M. Knott	.001923916	W.I.
Frank H. Murray	.001923916	W.I.

Jeanne Hendrick	.007214584	W.I.
The Prospective Investment and Trading Company, Ltd.	.051413250	W.I.
Anchor Exploration Company	.005842415	W.I.
Thomas E. Walton	.001168483	W.I.
Westland Oil Development Corporation	.059640820	W.I.
Donald L. Hall	.028400391	O.R.I.
GTN Production Partnership	.003635250	O.R.I. (2) (3)
B. Ray Holifield, Trustee	.019085061	O.R.I. (2) (3)
Senora Resources, Inc.	.107921485	O.R.I. (2)

By amended unit designation dated January 27, 1981, Vol. 409, page 620, Deed Records of Washington County, Texas, Hallmark Petroleum, Inc., et al, formed the Hallmark Petroleum, Inc., H.M.K. Fischer No. 1 Unit covering the Austin Chalk Formation only of 160 acres of land. As of November 29, 1993, at 5:00 p.m., and prior to formation of the Senora Resources, Inc. - Big Jim No. 1-H Unit, production from the H.M.K. Fischer No. 1 Unit is vested as follows:

Brian Fischer	.028400391	R.I.
Howard F. Fischer	.028400391	R.I.
Darrell Fischer	.014200196	R.I. (1)
Linda Fischer Schulte	.014200195	R.I. (1)
David Fischer	.014200195	R.I. (1)
Cathy Fischer Blackburn	.014200195	R.I. (1)
Chester C. Merten and wife, Lorna S. Merten	.002308594	R.I.
Harvey H. Merten	.001539063	R.I.

Harvey H. Merten and wife, Floya Ann Merten	.000769531	R.I.
Monroe J. Goldberg and wife, Nora Lee Goldberg	.002355469	R.I.
Berry Lee Goldberg and wife, Delores Ann Goldberg	.000425781	R.I.
Berry Lee Goldberg	.001929688	R.I.
County Judge of Washington County	.002760417	R.I.
Senora Resources, Inc	.339062500	W.I.
Ran Ricks	.026785500	W.I.
Jerral W. Jones	.026785500	W.I.
Ricks Exploration Company	.010714200	W.I.
Homer L. Lawson	.002678550	W.I.
Texas Olefin Company	.131250000	W.I.
Leo Mandrakos	.013230840	W.I.
Sidney Ellis	.002646158	W.I.
Janice Textor	.002646158	W.I.
Donald F. DeScenza	.002116957	W.I.
David M. Knott	.002116957	W.I.
Frank H. Murray	.002116957	W.I.
Jeanne Hendrick	.007938473	W.I.
The Prospective Investment and Trading Company, Ltd.	.056571900	W.I.
Anchor Exploration Company	.006428625	W.I.

Thomas E. Walton	.001285725	W.I.
Westland Oil Development Corporation	.065625000	W.I.
Robert L. Terry, Jr.	.001305938	O.R.I.
J. P. Schaltegger	.000062187	O.R.I.
Eutex Finance, Ltd.	.000062187	O.R.I.
Rebshite Holding Company, Inc., Agent	.002207655	O.R.I.
[illegible] Companies, Inc	.000234635	O.R.I.
Donald L. Hall	.028400391	O.R.I.
GTN Production Partnership	.004000000	O.R.I.
B. Ray Holifield, Trustee	.021000000	O.R.I.
Senora Resources, Inc	.117036901	O.R.I.

As of November 29, 1993, at 5:00 p.m. the cost of operating the H.M.K. Fischer Unit No. 1 is allocated as follows:

Senora Resources, Inc.	48.4375%
Ran Ricks	3.8265%
Jerral W. Jones	3.8265%
Ricks Exploration Company	1.5306%
Homer L. Lawson	.38265%
Texas Olefin Company	18.75%
Leo Mandrakos	1.89012%
Sidney Ellis	.3780225%
Janice Textor	.3780225%

Donald F. DeScenza	.3024225%
David M. Knott	.3024225%
Frank H. Murray	.3024225%
Jeanne Hendrick	1.1340675%
The Prospective Investment and Trading Company, Ltd	8.0817%
Nuclear Exploration Company	918375%
Thomas E. Walton	.183675%
Westland Oil Development Corporation	9.375%

(1) Subject to a life estate in favor of Mamie Imhoff.
(2) See Advisory No. 6 contained on page 53 hereof.
(3) See Advisory No. 8 contained on page 54 hereof.

LEASES

(1)

Lessor:	Erna Merten, as to her separate property.
Lessee:	Shenandoah Oil Corporation
Date:	June 17, 1976
Recorded:	Vol. 346, page 601, Deed Records of Washington County, Texas
Land Covered:	Tract Three
Delay Rentals:	$100.00, payable annually to the Lessor or depository bank, subject to proportionate reduction.
Depository:	Burton State Bank, Burton, Texas.
Royalty:	(a) On actual production, 1/8 (b) While there is a gas well on the 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) such well is shut-in, or (2) the land covered thereby or any portion thereof is included in a pooled unit on which a well is located, or (3) the lease ceases to be otherwise maintained as therein provided, whichever is the later date, and thereafter at annual

	intervals on or before the anniversary of the date of the first payment, a sum equal to the amount of the annual delay rental payable on the number of acres subject to the lease at the time such payment is made.
Pooling:	Units pooled for production of oil may not exceed 40 acres, and units pooled for gas shall not substantially exceed 640 acres plus a tolerance of ten percent (10%). (For the specific pooling provision, we direct your attention to Section 4 of the lease).
Special Provisions:	(a) Section 13 of the lease is a form of horizontal Pugh clause.
	(b) Section 14 of the lease requires Lessee to pay for all surface damage and restore the surface to its original condition.
	(c) The lease covers only oil and gas and minerals produced in conjunction therewith.

(2)	
Lessor:	Monroe J. Goldberg and Nora Lee Goldberg, his wife.
Lessee:	Shenandoah Oil Corporation
Dated:	June 17, 1976
Recorded:	Vol. 346, page 634, Deed Records of Washington County, Texas
Land Covered:	Tract No. Four
Delay Rentals:	$150.00, payable annually to the Lessor or depository bank, subject to proportionate reduction.
Depository:	Burton State Bank, Burton, Texas
Royalty:	(a) On actual production, 1/8.
	(b) While there is a gas well on the 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) such well is shut-in, or (2) the land covered thereby or any portion thereof is included in a pooled unit on which a well is located, or (3) the lease ceases to be otherwise maintained as therein provided, whichever is the later date, and thereafter at annual intervals on or before the anniversary of the date of the first payment, a sum equal to the amount of the annual delay rental payable on the number of acres subject to the lease at the time such payment is made.
Pooling:	Units pooled for production of oil may not exceed 40 acres, and units pooled for gas shall not substantially exceed 640 acres plus a tolerance of ten percent (10%).

	(For the specific pooling provision, we direct your attention to Section 4 of the lease).
Special Provisions:	(a) Section 13 of the lease is a form of horizontal Pugh clause. (b) Section 14 of the lease requires Lessee to pay for all surface damage and restore the surface to its original condition. (c) The lease covers only oil and gas and minerals produced in conjunction therewith.

(3)	
Lessor:	Berry Lee Goldberg, as his separate property.
Lessee:	Shenandoah Oil Corporation
Date:	June 17, 1976
Recorded:	Vol. 346, page 622, Deed Records of Washington County, Texas
Land Covered	Tract No. Five
Delay Rentals:	$150.00, payable annually to the Lessor or depository bank, subject to proportionate reduction.
Depository:	Burton State Bank, Burton, Texas
Royalty	(a) On actual production, 1/8. (b) While there is a gas well on the lease or an 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) such well is shut-in, (2) the land covered thereby or any portion thereof is included in a pooled unit on which a well is located, or (3) the lease ceases to be otherwise maintained as therein provided, whichever is the later date, and thereafter at annual intervals on or before the anniversary of the date of the first payment, a sum equal to the amount of the annual delay rental payable on the number of acres subject to the lease of the time such payment is made.
Pooling:	Units pooled for production of oil may not exceed 40 acres, and units pooled for gas shall not substantially exceed 640 acres plus a tolerance of ten (10%). (For the specific pooling provision, we direct your attention to Section 4 of the lease.
Special Provisions	(a) Section 13 of the lease is a form of horizontal Pugh clause. (b) Section 14 of the lease requires Lessee to pay for all surface damage and restore the surface to its original condition.

(c) The lease covers only oil and gas and minerals produced in conjunction therewith.

(4)

Lessor: Edwin Fischer, Brian A. Fischer and Howard F. Fischer.

Lessee: Roy L. Kipp

Date: December 2, 1977

Recorded: Vol. 366, page 335, Deed Records of Washington County, Texas.

Land Covered: Tract One and Two, among other land

Primary Term: Five (5) years.

Delay Rentals: $729.76 payable annually, on or before December 2.

Depository: Burton State Bank at Burton, Texas.

Royalties: (a) On actual production, 1/8.

(b) If, at the expiration of the primary term or at any time thereafter, all wells are shut-in for a period of ninety (90) 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, as royalty, a sum equal to the amount of delay rentals provided for in the Lease.

Pooling: Not more than 85 acres for substances other than the following: 640 acres plus a tolerance of ten (10) percent thereof for substances classified as (i) gas, other than casinghead gas, (ii) liquid hydrocarbons (condensate) which are not liquids in the subsurface reservoir and (iii) minerals produced form wells classified as gas wells.

Special Provisions: The lease contains the following special provisions to which your attention is directed:

The lease does not cover or include coal or lignite.

(5)

Lessor: John M. Summer, Robert E. Gaskamp, Leroy Schroeder and Weldon Matthies, in their capacity as Commissioners of Washington County, Texas, and Gus T. Mutscher, in his capacity as County Judge of Washington County, Texas.

Lessee: U. S. Companies, Inc.

Date: April 14, 1980

Recorded: Vol. 392, page 47, Deed Records, Washington County, Texas

Land Covered: That land described in Exhibit "G" attached hereto

Primary Term: Three (3) years.

Depository:	Washington County State Bank, Brenham, Texas.
Royalty:	(a) On actual production, 1/6. (b) On sulphur, $1.00 per long ton. (c) If, at any time or times after the expiration of the primary term, all wells are shut-in for a period of 90 consecutive days, and during such time there are no operations on said land, then at or before the expiration of said 90 day period, lessee shall pay or tender, by check or draft of lessee, as royalty, a sum equal to $1.00 for each acre of land then covered hereby.
Pooling:	Eighty (80) surface acres plus 10% acreage tolerance provided that units may be established 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.
Special Provisions:	(a) The lease contains a form of "Pugh Clause": "In the event a portion or portions of the land described in this lease are pooled or unitized with other land, lease or leases, so as to form a pooled unit or units, operations for drilling, or reworking operations, on such unit or units, or production of oil or gas from such unit or units, or payment of shut-in gas royalties on a well or wells drilled on such unit or units, shall maintain this lease in effect only as to the portion or portions of the land described in this lease which are included in such units or units provided, however, in the event of pooling or unitization limited to a certain stratum, strata, mineral or minerals, this lease, as to all strata and minerals underlying the area within the surface boundaries of such unit, shall likewise be maintained in effect by such unit operations, production or shut-in gas royalty payments. As to any portion or portions of the land described in this lease which do not underlie the area within the surface boundaries of a pooled unit or units, this lease may be maintained in effect in any manner elsewhere provided in this lease, including, but not limited to, operations upon or production from such portion or portions of land, or payment of shut-in gas well royalties or delay rentals payable only on the number of

acres not within the surface boundaries of such unit or units."

(b) The lease contains a surface damage and growing crops damage provision.

(c) Iron ore, coal and lignite are excepted and not included in the lease.

ASSIGNMENTS

(1)

Date:	May 10, 1979
Filed:	May 22, 1979
Recorded:	Vol. 377, page 518, Deed Records of Washington County, Texas
Assignor:	Shenandoah Oil Corporation
Assignee:	Robert I. Terry, Jr.
Covering:	2% of 7/8 overriding royalty interest in Leases No. 1, 2 and 3, among others.

(2)

Date:	May 15, 1979
Filed:	September 5, 1979
Recorded:	Vol. 381, page 242, Deed Records of Washington County, Texas
Assignor:	Shenandoah Oil Corporation
Assignee:	U. S. Operating, Inc.
Covering:	Leases No. 1, 2 and 3, among others.
Reservation:	1/32 overriding royalty interest in addition to 2% of 7/8 overriding royalty interest previously assigned to Robert I. Terry, Jr.

(3)

Date:	July 24, 1979
Filed:	August 3, 1979
Recorded:	Vol. 380, page 8, Deed Records of Washington County, Texas
Assignor:	Roy H. Kipp
Assignee:	Donald L. Hall
Covering:	3.125% overriding royalty interest in Lease No. 4

(4)

Date:	November 7, 1979
Filed:	November 21, 1979

Recorded:	Vol. 384, page 527, Deed Records of Washington County, Texas
Assignor:	U.S. Operating, Inc.
Assignee:	U.S. Companies, Inc.
Covering:	Leases No. 1, 2 and 3, among others.

(5)

Date:	August 1, 1979
Filed:	August 27, 1979
Recorded:	Vol. 380, page 822, Deed Records of Washington County, Texas
Assignor:	Shenandoah Oil Corporation
Assignee:	Euratex Corporation, 65%; Euratex 1979-A Partnership, a Texas limited partnership, 28%; Euratex 1979 Redajo Partnership, a Texas limited partnership, 7%.
Covering:	1/32 overriding royalty interest in Leases No 1, 2 and 3, among others.

(6)

Date:	September 13, 1979
Filed:	September 25, 1979
Recorded:	Vol. 382, page 68, Deed Records of Washington County, Texas
Assignor:	Roy H. Kipp
Assignee:	Hallmark Petroleum, Inc.
Covering:	Lease No. 4, among others

(7)

Date:	November 13, 1979
Filed:	November 19, 1979
Recorded:	Vol. 384, page 417, Deed Records of Washington County, Texas
Assignor:	Hallmark Petroleum, Inc.
Assignee:	Suzanne Coleman, Trustee
Covering:	2.5% overriding royalty interest in Lease No. 4, among others.
Reservations:	All rights below the base of the Georgetown Formation.
Subject to:	Letter Agreement dated August 17, 1979, between Ray Holifield & Associates, Inc., and Hallmark Petroleum, Inc.

(8)

Date:	January 27, 1981
Filed:	February 4, 1981

Recorded:	Vol. 408, page 561, Deed Records of Washington County, Texas
Assignor:	U.S. Companies, Inc.
Assignee:	Suzanne Coleman, Trustee
Covering:	2.5% overriding royalty interest in Leases No. 1, 2, 3 and 5, among others.

NOTE: Assignment No. 8 was re-recorded on February 9, 1981, at Vol. 408, page 785, Deed Records of Washington County, Texas. By agreement dated June 1, 1981, filed June 18, 1981, Vol. 418, page 344, Deed Records of Washington County, Texas, U. S. Companies, Inc., and Suzanne Coleman, Trustee, stipulated that Assignment No. 8 above and assignment recorded at Vol. 408, page 785 are duplicate filings of the same assignment.

(9)

Date:	February 9, 1981
Filed:	February 16, 1981
Recorded:	Vol. 409, page 151, Deed Records of Washington County, Texas
Assignor:	Euratex Corporation, Euratex 1979-A Partnership and Euratex 1979 Redajo Partnership
Assignee:	J. P. Schaltegger and Eutex Finance, Ltd.
Covering:	Leases No. 1, 2 and 3, 1% each from Euratex Corporation, Euratex 1979-A Partnership and 2/3 of 1% each from Euratex 1979 Redajo Partnership.

(10)

Date:	May 18, 1981
Filed:	June 15, 1981
Recorded:	Vol. 418, page 125, Deed Records of Washington County, Texas
Assignor:	U.S. Companies, Inc.
Assignee:	Hallmark Petroleum, Inc.
Covering:	1/2 of assignors interest in Leases No. 1, 2 and 3.
Subject to:	Co-development agreement dated August 30, 1979, between Assignor and Assignee.

(11)

Date:	May 18, 1981
Filed:	June 15, 1981
Recorded:	Vol. 418, page 133, Deed Records of Washington County, Texas
Assignor:	U. S. Companies, Inc.

14693

Assignee:	Hallmark Petroleum, Inc.
Covering:	1/2 of assignors interest in Lease No. 4
Reservations:	Overriding royalty interest equal to the difference between Current lease burdens and 22%
Subject to:	Co-development agreement dated August 30, 1979, between Assignor and Assignee.

(12)

Date:	May 18, 1981
Filed:	June 15, 1981
Recorded:	Vol. 418, page 129, Deed Records of Washington County, Texas
Assignor:	U. S. Companies, Inc.
Assignee:	Hallmark Petroleum, Inc.
Covering:	All interest in Leases No. 1, 2, 3, 4 and 5 insofar as they cover land included in the captioned unit.
Reservations:	Overriding royalty interest reserved unto assignor by assignment dated May 18, 1981 (apparently Assignment No. 11 above)

(13)

Date:	May 29, 1981
Filed:	June 15, 1981
Recorded:	Vol. 418, page 114, Deed Records of Washington County, Texas
Assignor:	Hallmark Petroleum, Inc.
Assignee:	U.S. Companies, Inc.
Covering:	1/2 of assignors interest in Lease No. 4
Reservations:	Overriding royalty interest equal to the difference between current lease burdens and 22%
Subject to:	Co-development agreement dated August 30, 1979, between Assignor and Assignee.

(14)

Date:	October 23, 1981
Filed:	November 5, 1981
Recorded:	Vol. 426, page 265, Deed Records of Washington County, Texas
Assignor:	Hallmark Petroleum, Inc.
Assignee:	Judson F. Stone .085460; David H. Julian .015944; Raymond F. Sebastian .015944; Richard M. Riggs .005102; Ran Ricks, Jr. .051020; Jerral W. Jones .051020;

	Ricks Exploration Co. .020408; and Homer L. Lawson .005102.
Covering:	Leases No. 1, 2, 3, 4 and 5, insofar as they cover captioned unit.
Reservations:	Subject to lease burdens equal to 30% and Assignor reserves the right, but not the obligation, to elect to receive 25% reversionary interest at payout.
Subject to:	Agreement dated August 30, 1979, between Hallmark Petroleum, Inc., and U. S. Operating, Inc., and agreement between Assignor and each Assignee whereby Assignee acquired its interests.

(15)

Date:	October 29, 1981
Filed:	February 12, 1982
Recorded:	Vol. 430, page 782, Deed Records of Washington County, Texas
Assignor:	Judson F. Stone, David H. Julian, Raymond F. Sebastian and Richard M. Riggs
Assignee:	Integrated Energy, Inc.
Covering:	All interest in Leases No. 1, 2, 3, 4 and 5 insofar as they cover captioned unit.

(16)

Date:	June 25, 1982
Filed:	June 30, 1982
Recorded:	Vol. 437, page 246, Deed Records of Washington County, Texas
Assignor:	Hallmark Petroleum, Inc.
Assignee:	U.S. Companies, Inc.
Covering:	Leases No 1, 2, 3, 4 and 5, among others.
Reservations:	All interest in captioned unit.

(17)

Date:	August 10, 1984
Filed:	October 29, 1984
Recorded:	Vol. 490, page 68, Official Records of Washington County, Texas
Assignor:	Suzanne Coleman, Trustee
Assignee:	Teri Smith, Trustee
Covering:	All interest in Leases No. 1, 2, 3, 4 and 5.

(18)
Date: December 11, 1984
Filed: January 21, 1985
Recorded: Vol. 496, page 517, Official Records of Washington County, Texas
Assignor: Euratex 1979-A Partnership
Assignee: Euratex Corporation
Covering: All interest in Leases No. 1, 2, and 3.

(19)
Date: December 28, 1984
Filed: March 4, 1985
Recorded: Vol. 500, page 177, Official Records of Washington County, Texas
Assignor: Tauber Oil Company
Assignee: Arthur Smith Corporation
Covering: All interest in Leases No. 1, 2, 3, 4 and 5, insofar as they cover captioned unit.

(20)
Date: August 12, 1985
Filed: September 19, 1985
Recorded: Vol. 518, page 294, Official Records of Washington County, Texas
Assignor: Euratex 1979 Redajo Partnership
Assignee: Euratex Corporation
Covering: All interest in Leases No. 1, 2, and 3.

(21)
Date: March 11, 1986
Filed: April 7, 1986
Recorded: Vol. 533, page 375, Official Records of Washington County, Texas
Assignor: MCO Resources (Integrated) Corp.
Assignee: The Prospective Investment and Trading Company, Ltd. (88%); Anchor Exploration Company (10%); Thomas E. Walton (2%).
Covering: All interest in Leases No. 1, 2, 3, 4 and 5.

(22)
Date: August 28, 1984
Filed: November 4, 1985
Recorded: Vol. 522, page 392, Official Records of Washington County, Texas

Assignor:	Trilex Energy Corporation
Assignee:	Texas City Refining, Inc.
Covering:	9.375% working interest in Leases No. 1, 2, 3, 4, and 5, insofar as they cover captioned unit.
Reservation:	Overriding royalty interest equal to the difference between current lease burdens and 30%.

(23)

Date:	December 6, 1985
Filed:	December 9, 1985
Recorded:	Vol. 524, page 828, Official Records of Washington County, Texas
Assignor:	Trilex Energy Corporation
Assignee:	Chapman Energy Oklahoma, Inc.
Covering:	All interest in Leases No. 1, 2, 3, 4, and 5.

NOTE: By correction assignment dated January 30, 1986, filed February 7, 1986, Vol. 529, page 539, Official Records of Washington County, Trilex Energy Corporation and Chapman Energy Oklahoma, Inc., revised assignment No. 23 above so that the Assignee is Chapman Energy, Inc.

(24)

Date:	July 11, 1986
Filed:	July 30, 1986
Recorded:	Vol. 541, page 440, Official Records of Washington County, Texas
Assignor:	Suzanne Coleman, Trustee
Assignee:	Teri Smith, Trustee
Covering:	All overriding royalty interest in Washington County, Texas.

(25)

Date:	April 20, 1988
Filed:	July 5, 1988
Recorded:	Vol. 587, page 16, Official Records of Washington County, Texas
Assignor:	Euratex Corporation
Assignee:	Thymos Corporation
Covering:	All interest in Leases No. 1, 2, 3.

(26)

Date:	June 27, 1988
Filed:	July 5, 1988

Recorded: Vol. 587, page 26, Official Records of Washington County, Texas
Assignor: Thymos Corporation
Assignee: Bobwhite Holding Company, Inc, agent
Covering: All interest in Leases No. 1, 2, 3.

(27)
Date: April 29, 1988
Filed: June 13, 1988
Recorded: Vol. 585, page 607, Official Records of Washington County, Texas
Assignor: Teri Smith, Trustee
Assignee: Shirley H. Bonney, Trustee
Covering: All interest in captioned leases.

(28)
Date: June 27, 1980
Filed: July 16, 1990
Recorded: Vol. 629, page 668, Official Records of Washington County, Texas
Assignor: Coda Energy, Inc.
Assignee: Coda Energy Texas, Inc.
Covering: All interest in Leases No. 1, 2, 3, 4. and 5.

(29)
Date: August 29, 1985
Filed: September 6, 1985
Recorded: Vol. 517, page 266, Official Records of Washington County, Texas
Assignor: Texas City Refining, Inc.
Assignee: Westland Oil Development Corporation and Westland Oil & Gas Properties, Inc.
Covering: Various interests in Leases 1, 2, 3, and 4.

(30)
Date: August 29, 1985
Filed: September 6, 1985
Recorded: Vol. 517, page 253, Official Records of Washington County, Texas
Assignor: Westland Oil Development Corporation
Assignee: Bankers Trust Company, Trustee, et al.
Covering: Interest in Leases No. 1, 2, 3 and 4.

(31)
Date: August 30, 1985
Filed: September 6, 1985
Recorded: Vol. 517, page 282, Official Records of Washington County, Texas
Assignor: Westland Oil & Gas Properties, Inc.
Assignee: Bankers Trust Company, Trustee, et al.
Covering: Interest in Leases No. 1, 2, 3, and 4.

(32)
Date: September 8, 1989
Filed: September 11, 1989
Recorded: Vol. 611, page 438, Official Records of Washington County, Texas
Assignor: Bankers Trust Company, Trustee, et al.
Assignee: Westland Oil & Gas Properties, Inc.
Covering: All interest in captioned unit.

(33)
Date: February 6, 1990
Filed: February 26, 1990
Recorded: Vol. 621, page 472, Official Records of Washington County, Texas
Assignor: Donald Textor & Associates and Donald Textor
Assignee: Magnolia Petroleum, Ltd.
Covering: All interest in Thomas Ward Survey.

(34)
Date: December 20, 1991
Filed: December 30, 1991
Recorded: Vol. 661, page 697, Official Records of Washington County, Texas
Assignor: Coda Energy Texas, Inc.
Assignee: Coda Energy, Inc.
Covering: All interest in captioned unit.

NOTE: By assignment dated January 2, 1992, filed January 8, 1992, Vol. 662, page 366, Official Records of Washington County, Texas, Coda Energy Texas, Inc., assigned all interest in captioned unit to Coda Energy, Inc. Said assignment was given in replacement of assignment No. 34 above.

(35)
Date: October 29, 1991

Filed:	November 12, 1991
Recorded:	Vol. 658, page 879, Official Records of Washington County, Texas
Assignor:	Westland Oil Development Corporation
Assignee:	MD Operating Company and R&J Royalty Interest
Covering	Interest in Lease No. 1, 2, 3 and 4

(36)

Date:	February 13, 1992
Filed:	March 3, 1992
Recorded:	Vol. 665, page 480, Official Records of Washington County, Texas
Assignor:	Magnolia Petroleum, Ltd.
Assignee:	Jeanne Hendrick
Covering:	All interest in captioned unit in the Thomas Ward Survey.

(37)

Date:	July 18, 1992
Filed:	July 29, 1992
Recorded:	Vol. 676, page 435, Official Records of Washington County, Texas
Assignor:	Shirley H. Bonney, Trustee
Assignee:	GTN Production Partnership
Covering	.004 overriding royalty interest in captioned unit.
Reservation:	Reversionary interest as set out in letter agreement dated July 17, 1992, between parties.

(38)

Date:	October 5, 1992
Filed:	October 26, 1992
Recorded:	Vol. 683, page 112, Official Records of Washington County, Texas
Assignor:	Arthur Smith Corporation
Assignee:	Coda Energy, Inc.
Covering:	All interest in captioned unit.

(39)

Date:	April 1, 1993
Filed:	June 24, 1993
Recorded:	Vol. 701, page 271, Official Records of Washington County, Texas
Assignor:	Shirley H. Bonney, Trustee
Assignee:	B. Ray Holifield, Trustee

14601

Covering: All interest in captioned unit.

(40)
Date: September 7, 1993
Filed: September 8, 1993
Recorded: Vol. 709, page 383, Official Records of Washington County, Texas
Assignor: Coda Energy, Inc.
Assignee: Senora Resources, Inc.
Covering: All interest in captioned unit.

(41)
Date: October 1, 1989
Filed:
Recorded:
Assignor: Westland Oil & Gas Properties, Inc.
Assignee: Westland Oil Development Corporation
Covering: All interest in captioned unit, among others.

(42)
Date: August 30, 1993
Filed:
Recorded:
Assignor: MD Operating Company
Assignee: Westland Oil Development Corporation
Covering: All interest in captioned unit.

(43)
Date: November 4, 1993
Filed:
Recorded:
Assignor: R&J Royalty Interest
Assignee: Westland Oil Development Corporation
Covering: All interest in captioned unit

MERGERS

(1)
Date: June 28, 1984
Filed: September 4, 1984
Recorded: Vol. 485, page 27, Official Records of Washington County, Texas
Parties: MCR Acquisition, Inc., and Integrated Energy, Inc.

Surviving Company:	MCO Resources (Integrated) Corp.
(2)	
Date:	May 16, 1985
Filed:	May 30, 1985
Recorded:	Vol. 507, page 797, Official Records of Washington County, Texas
Parties:	Hallmark Petroleum, Inc., and Trilex Energy Corporation.
Surviving Company:	Trilex Energy Corporation
(3)	
Date:	July 2, 1985
Filed:	January 20, 1986
Recorded:	Vol. 527, page 747, Official Records of Washington County, Texas
Parties:	Trilex Energy Corporation and Trilex Corporation
Surviving Company:	Trilex Corporation

EASEMENTS

1. By deed dated April 9, 1980, Vol. 392, page 51, Deed Records of Washington County, Texas, Erna Merten conveyed a road easement to U.S. Resources, Inc.

2. By deed dated August 4, 1980, Vol. 398, page 753, Deed Records of Washington County, Texas, Edwin Fischer conveyed a pipeline right of way to PGP Gas Products, Inc.

3. By Deed dated August 9, 1980, Vol. 398, page 759, Deed Records of Washington County, Texas, Monroe J. Goldberg conveyed a pipeline right of way to PGP Gas Products, Inc.

4. By deed dated August 9, 1980, Vol. 398, page 761, Deed Records of Washington County, Texas, Chester Merten conveyed a pipeline right of way to PGP Gas Products, Inc.

5. By deed dated October 29, 1980, Vol. 407, page 847, Deed Records of Washington County, Texas, Harvey H. Merten, et ux, conveyed a pipeline right of way to Phillips Petroleum Company.

6. By deed dated November 1, 1980, Vol. 407, page 841, Deed Records of Washington County, Texas, Berry Lee Goldberg, et ux, conveyed a pipeline right of way to Phillips Petroleum Company.

7. By deed dated November 1, 1980, Vol. 407, page 845, Deed Records of Washington County, Texas, Monroe J. Goldberg, et ux, conveyed a pipeline right of way to Phillips Petroleum Company.

8. By deed dated November 21, 1980, Vol. 408, page 137, Deed Records of Washington County, Texas, Harvey H. Merten, et ux, conveyed a pipeline right of way to Ferguson Crossing Pipe Line Company.

9. By deed dated November 24, 1980, Vol. 408, page 105, Deed Records of Washington County, Texas, Monroe J. Goldberg, et ux, conveyed a pipeline right of way to Ferguson Crossing Pipe Line Company.

10. By deed dated November 24, 1980, Vol. 452, page 755, Deed Records of Washington County, Texas, Berry Lee Goldberg, et ux, conveyed a pipeline right of way to Ferguson Crossing Pipe Line Company.

11. By deed dated November 21, 1980, Vol. 428, page 527, Deed Records of Washington County, Texas, Edwin Fischer, et al, conveyed two pipeline right of ways to Phillips Petroleum Company.

12. By deed dated June 21, 1983, Vol. 453, page 687, Deed Records of Washington County, Texas, Edwin Fischer, et al, conveyed two pipeline right of ways to Phillips Natural Gas Company.

13. By deed dated July 29, 1983, Vol. 454, page 826, Deed Records of Washington County, Texas, Chester C. Merten, et ux, conveyed a road easement to U. S. Companies, Inc.

14. By deed dated September 8, 1983, Vol. 457, page 242, Deed Records of Washington County, Texas, Edwin Fischer, et al, conveyed two pipeline right of ways to Clajon Gas Company.

15. By deed dated January 17, 1985, Vol. 497, page 223, Official Records of Washington County, Texas, Edwin Fischer, et al, conveyed two pipeline right of ways to Clajon Gas Company.

16. By deed dated August 21, 1985, Vol. 516, page 205, Deed Records of Washington County, Texas, Chester C. Merten, et ux, conveyed two pipeline right of ways to Clajon Gas Company.

17. By deed dated March 18, 1992, Vol. 679, page 524, Official Records of Washington County, Texas, Darrell Fischer, et al, conveyed a pipeline right of way to Ferguson-Burleson County Gas Gathering System.

18. By deed dated September 23, 1992, Vol. 684, page 311, Official Records of Washington County, Texas, Chester C. Merten, et ux, conveyed a pipeline right of way to Western Gas Resources-Texas, Inc.

19. By deed dated September 26, 1992, Vol. 684, page 315, Official Records of Washington County, Texas, Harvey H. Merten, et ux, conveyed a pipeline right of way to Western Gas Resources-Texas, Inc.

20. By deed dated March 12, 1992, Vol. 697, page 522, Official Records of Washington County, Texas, Berry Lee Goldberg conveyed a pipeline right of way to Ferguson-Burleson County Gas Gathering System.

ENCUMBRANCES

1. By deed of trust dated May 3, 1982, Vol. 110, page 110, Deed of Trust Records of Washington County, Texas, Ran Ricks, Jr., assigned all interest in captioned unit to Fidelity Bank, N.A., to secure the payment of a promissory note in the principal sum of $7,600,000.00.

2. By deed of trust dated October 18, 1982, Vol. 111, page 690, Deed of Trust Records of Washington County, Texas, Ricks Exploration Company assigned all interest in captioned unit to Fidelity Bank, N.A., to secure the payment of a promissory note in the principal sum of $75,000,000.00. By assignment dated July 3, 1984, Vol. 487, page 581, Official Records of Washington County, Texas, Fidelity Bank, N.A., assigned said note to Harris Trust and Savings Bank. By first supplemental mortgage, deed of trust, security agreement, financing statement and assignment of production dated September 10, 1984, Vol. 487, page 587, Official Records of Washington County, Texas, Ricks Exploration Company assigned all interest in captioned unit to Harris Trust and Savings Bank to secure the payment of a promissory note in the principal sum of $49,849,600.57 with final payment due September 1, 1990. Said note was given in renewal of the note secured by deed of trust recorded at vol. 111, page 690, Deed of Trust Records of Washington County, Texas.

3. By deed of trust dated July 18, 1992, Vol. 676, page 455, Official Records of Washington County, Texas, GTN Production Partnership conveyed its overriding royalty interest in captioned unit to Cornerstone Bank, N.A., to secure the payment of a promissory note in the principal sum of $310,000.00 with final payment due September 1, 1994. Said mortgage was extended by deed of trust dated July 15, 1993, Vol. 706, page 373, Official Records of Washington County, Texas, between GTN Production Partnership and Compass Bank Dallas successor to interest of Cornerstone Bank, N.A.

TAXES

Nothing submitted.

A. DISPOSITION OF COMMENTS AND REQUIREMENTS FROM FEBRUARY 12, 1980, OPINION

Part A of this Section sets forth the disposition of the Comments and Requirements contained in the February 12, 1980, Opinion (Item No. 1 of the materials examined). All of the Comments and Requirements set forth in such Opinion are either advisory, moot, satisfied, or no longer applicable, except the following which are quoted below:

I.

There are various breaks, irregularities and defects in the chain of title to the captioned lands prior to the vesting of Tracts Two and Three, (Tract No. One and Two herein) and other lands, in Hallie M. Dunklin in 1881. Inasmuch as such breaks, irregularities and defects occur over sixty-five years ago and since there have been no adverse claims asserted against the title to the captioned lands during such time, we recommend that any requirement, other than the following, in connection with such early breaks, irregularities and defects be waived.

REQUIREMENT: You should obtain from two credible, disinterested persons, affidavits as to the use, occupation and possession of the captioned land for the last twenty-five (25) years.

IV.

There appears in Vol. 91, page 87, a "Right-Of-Way" deed dated August 12, 1921, from Wayne Blackburn to Washington County, conveying a "...30 foot strip on either side of the center line of Highway 20 to include in said road or right-of-way that part of such land owned by me." The deed fails to include the survey or other description out of which such right-of-way is conveyed. Inasmuch as such conveyance appears of record prior to the time in which the captioned lands and other lands were vested in W. B. Blackburn, Jr., and for the further reason that there is apparently no "east-west" highway, as referred to in such deed, adjacent or within the captioned lands, we have assumed that such conveyance is not out of the captioned lands.

REQUIREMENT: You should ascertain the exact location of such right-of-way conveyance, and, if such conveyance is out of the captioned lands, obtain an oil and gas lease from the County Judge of Washington County, Texas, or conduct no operations thereon.

V.

There is apparently a public road (referred to as F.M. Highway 1697) on the southeast boundary of Tract Two (Tract No. One herein) of the captioned lands and on the northeast boundary of Tracts Two and Three (Tract No. One and Two herein) of the captioned lands. By deed dated April 1, 1960, recorded in Vol. 227, page 145, Edwin Fischer and Alvin Fischer conveyed to the State of Texas, a strip of land containing 5.242 acres, more or less, out of the captioned lands and other lands, which conveyance contained certain lands out of Tracts Two and Three (Tract No. One and Two herein) on their northeast boundary. Such conveyance refers to the 5.242 acres as containing 0.588 acre, more or less, as being "new right-of-way". We have therefore assumed that the balance is existing right-of-way, but inasmuch as we have located no instrument of record, other than as referenced, purporting to have previously conveyed out of the captioned lands any right-of-way for public road, we have further assumed that any "existing" public road was acquired by prescription and that the oil, gas and other minerals in and under any existing public road remain vested in the record owners of such lands. Further, such conveyance in Vol. 227, page 145, reserves all oil, gas and sulphur in the grantors, but grantors waive the right to explore, develop, mine or drill for such minerals.

In Vol. 254, page 553, there appears a deed dated August 24, 1964, from Alvin Fischer and Edwin Fischer to the United States of America conveying 4.70 acres, more or less, out of Tract Two (Tract No. One herein) of the captioned lands, lying on its southeast boundary, for a "proposed relocation of F.M. Highway 1697". Such conveyance includes "2.28 acres, more or less, that lies completely inside the boundary of the existing county road." Inasmuch as we have located no instrument or record other than as referenced, conveying rights-of-way for a public road out of the captioned lands, we have assumed that the lands contained in such public road were acquired by prescription, and therefore the oil, gas and other minerals in and under any such road remain vested in the record owners of Tract Two (Tract No. One herein) of the captioned lands. Further, the conveyance in Vol. 254, page 553 reserves in grantors "all the coal, oil, gas and other minerals in and under said lands," but without "right and easement of ingress and egress for the purpose of mining, drilling and exploration."

<u>REQUIREMENT:</u> (a) You should ascertain the exact location of the roads described in Vol 227, page 145 and 254, page 553, and conduct no operations thereon, but inasmuch as the oil and gas in and under such roads is reserved in grantors, you should be governed accordingly in the drawing of your units and the spacing of your wells.

VII.

A portion of the captioned lands is subject to a flowage easement in favor of the United States of America. By instrument entitled "Flowage Easement Deed" dated August 24, 1964, recorded in Vol. 254, page 556, Edwin Fischer and Alvin Fischer conveyed to the United States of America the "...perpetual right, power, privilege and easement to occasionally overflow, flood and submerge..." 127.00 acres of land, more or less, as more particularly described in Exhibit "C" hereto. Such instrument further provides that "...no structures...shall be constructed or maintained on the land except as may be approved in writing by the representative of the United States in charge of the [Somerville] projects provided further that any exploration or exploitation of oil, gas and minerals shall be subject to Federal and State laws with respect to pollution and shall not create floatable debris...".

REQUIREMENT: You should ascertain the exact location of the above described easement and conduct no operations thereon without the express written consent of the District Engineer, U. S. Army Engineering District, Fort Worth, Texas, in charge of the Somerville Reservoir Project.

XIII.

We do not certify to, and this opinion does not purport to cover, vacancies, conflicts in boundaries or discrepancies in area, or such other matters as a survey on the ground might disclose, or the capacities of the parties, or the rights of parties, if any, who in the past may have been or who presently may be in actual possession of the captioned lands claiming same adversely to the present record owners thereof or their predecessors in title, or unpaid lienable bills for improvements, and you should satisfy yourself as to all such matters to the extent you deem them to be material.

B. DISPOSITION OF COMMENTS AND REQUIREMENTS FROM SEPTEMBER 15, 1980, OPINION

Part B of this Section sets forth the disposition of the Comments and Requirements contained in the September 15, 1980, Opinion (Item No. 2 of materials examined). All of the Comments and Requirements set forth in such Opinion are either advisory, moot, or satisfied.

C. DISPOSITION OF COMMENTS AND REQUIREMENTS FROM MARCH 10, 1981, OPINION

Part C of this Section sets forth the disposition of the Comments and Requirements contained in the March 10, 1981, Opinion (Item No. 3 of materials examined). All of the Comments and Requirements set forth in such Opinion are either advisory, moot, or satisfied, except the following which are quoted below:

III.

You have submitted, and we have examined as Item (c) of the matters examined, an Affidavit of Use and Possession and Non-Production dated December 3, 1980, executed by Berry Lee Goldberg and Elwood Goldberg. Although this Affidavit sets forth some of the facts necessary to prove title by adverse possession, the Affidavit contains legal conclusions and may therefore not be admissible as evidence in an action to quiet title.

REQUIREMENT: (a) You should obtain and submit for our examination, affidavits from two credible, disinterested and unrelated persons as to the use, occupation and possession of the captioned lands, for a minimum of 25 years, setting forth in accurate detail the use, occupation and possession of the captioned lands, including fencing, cultivation, improvements of and on such lands for every year during such 25 year period.

(b) In the event such affidavits prove impossible to obtain, you may wish to rely upon the Affidavits previously submitted which are hereinabove described.

VII.

We have not been submitted, nor have we examined, any evidence relating to the perpetuation of the subject lease by payment of delay rentals or otherwise.

REQUIREMENT: (a) You should submit for our examination evidence of payment of delay rentals for each anniversary period of the subject lease.

(b) In the event the lands covered by such lease are held by production, in lieu of payment of delay rentals, you should satisfy yourself that there have been operations on, or production from, the subject lands, or lands pooled therewith sufficient to perpetuate the subject lease to the present time.

VIII.

We have not been submitted, nor have we examined, any evidence pertaining to the status of ad valorem taxes that may have been assessed against the captioned lands for the years 1980 and 1981.

REQUIREMENT: You should obtain and submit for our examination, certificates from the applicable taxing authorities pertaining to the status of payment of ad valorem taxes that may have been assessed against the captioned lands.

D. DISPOSITION OF COMMENTS AND REQUIREMENTS FROM FEBRUARY 15, 1981, OPINION

Part D of this Section sets forth the disposition of the Comments and Requirements contained in the February 15, 1981, Opinion (Item No. 4 of materials examined). All of the Comments and Requirements set forth in such Opinion are either advisory, moot, satisfied, or no longer applicable, except the following which are quoted below:

V.

In addition to the unreleased oil and gas leases described in Section IV above, there are of record and unreleased the following described leases relating to other minerals:

(a) Mineral lease from Lillie Goldberg, et al, to Aztec Exploration Corporation dated April 17, 1969, recorded in Vol. 297, page 432 for a primary term of ten (20) years plus an extended term of an additional ten (10) years;

(b) Coal and lignite lease from Berry Lee Goldberg, et ux, to Everest Exploration dated May 24, 1972, recorded in Vol. 314, page 345, for a primary term of twenty (20) years;

(c) Coal and lignite lease from Monroe J. Goldberg, et ux, to Everest Exploration dated May 24, 1972, recorded in Vol. 314, page 348, for a primary term of twenty (20) years;

(d) Mineral lease from Erna Merten et al, to Aztec Exploration Corporation dated April 17, 1969, recorded in Vol. 298, page 275, for a primary term of ten (10) years plus an extended term of ten additional years; and

(e) Coal and lignite lease from Erna Merten, et al, to Everest Exploration dated May 24, 1972, recorded in Vol. 314, page 416, for a primary term of twenty (20) years.

REQUIREMENT: Since all of the above described leases are prior in time to the oil and gas leases analyzed herein, we require (in order of preference) that you either (1) obtain and submit for examination a release of each of the above described leases, (2) obtain a subordination of each of the above described leases to the pertinent oil and gas lease or leases herein analyzed, (3) obtain a waiver of surface use from each of the Lessees in the above described leases, or (4) coordinate your operations with each of the Lessees in the above described leases in order to insure that there is no interference with your exploitation of your leasehold estate.

VII.

We have not been submitted, nor have we examined, any evidence relating to the payment of delay rentals relative to the leases hereinabove analyzed, nor or we aware of any other means by which such leases may have been perpetuated.

REQUIREMENT: You should obtain and submit for examination a copy of all delay rental receipts relative to the leases hereinabove analyzed, or in the alternative, assure yourself that the same retain viable.

E. DISPOSITION OF COMMENTS AND REQUIREMENTS FROM APRIL 27, 1981, OPINION

Part E of this Section sets forth the disposition of the Comments and Requirements contained in the April 27, 1981, Opinion (Item No. 5 of the materials examined). All of the Comments and Requirements set forth in such Opinion are either advisory, moot, satisfied or no longer applicable, except the following which are quoted below:

III.

There is of record in Vol. 409, page 151, an Overriding Royalty Deed executed February 9, 1981, from Euratex Corporation, Euratex 1979-A Partnership and Euratex 1979 Redajo Partnership to J. P. Schaltegger and Eutex Finance, Ltd., whereby the Grantors therein convey to the grantees the following: "One percent (1%) each from Euratex Corporation and Euratex 1979-A Partnership and 2/3 of one percent (1%) each from Euratex 1979 Redajo Partnership" of the property therein described, being an overriding royalty interest of 1/32 of 8/8 in and to various leases, including Subject Leases A, B and C (Leases No. 1, 2 and 3 herein). We have assumed that the intent of the parties to such instrument was to convey to J. P. Schaltegger an undivided 1% of 1/32 of 8/8 from Euratex Corporation, an undivided 1% of 1/32 of 8/8 from Euratex 1979-A Partnership and an undivided 2/3 of 1% of 1/32 of 8/8 from Euratex 1979 Redajo Partnership; and to convey to Eutex Finance, Ltd., an undivided 1% of 1/32 of 8/8 from Euratex Corporation, an undivided 1% of 1/32 of 8/8 from Euratex 1979-A Partnership, and an undivided 2/3 of 1% of 1/32 of 8/8 from Euratex 1979 Redajo Partnership.

REQUIREMENT: You should obtain and submit for examination, a Stipulation of Interest executed by Euratex Corporation, Euratex 1979-A Partnership, Euratex 1979 Redajo Partnership, J. P. Schaltegger and Eutex Finance, Ltd., setting forth the overriding royalty interest intended to be conveyed by the above-described instrument.

NOTE: Said interest is currently owned by J.P. Schaltegger, Eutex Finance, Ltd., and Bobwhite Holding Company, Inc., agent, and said Stipulation of Interest referred to above should be obtained from the current owners of said interest.

F. ADDITIONAL COMMENTS AND REQUIREMENTS

1.

You have provided a copy of a letter dated June 25, 1982, from U.S. Operating, Inc., to the working interest owners of captioned unit. Attached to said letter is a list of working interest owners and there interests. According to the attachment of said letter, as of June 25, 1982, the working owners were as follows:

OWNER	INTEREST
Hallmark Petroleum, Inc.	0
Tauber Oil Company	.3125000
Texas Olefin Company	.2500000
Texas City Refining, Inc.	.1250000
Integrated Energy, Inc.	.1224500
Jerral W. Jones	.0510200
Ran Ricks, Jr.	.0510200
Leo Mandrakos	.0252016
Ricks Exploration Company	.0204080
Don Textor & Associates	.0100806
Homer L. Lawson	.0051020
Sidney Ellis	.0050403
Donald F. Textor	.0050403
Janice Textor	.0050403
Donald F. DeScenza	.0040323
David M. Knott	.0040323
Frank H. Murray	.0040323

Examination of the public records of Washington County, Texas, reflects that only Texas City Refining, Inc., Integrated Energy, Inc., Jerral W. Jones, Ran Ricks, Jr., Ricks Exploration Company and Homer L. Lawson owned of record the before payout interest listed above. The public records indicated that on June 25, 1982, Hallmark Petroleum owned the remaining interest or .625. A majority of the individuals that we have credited with a working interest hold no interest of record. The public records reflects that as of October 23, 1981, Hallmark Petroleum, Inc., owned 100% of the working interest in leases comprising captioned unit. By assignment dated October 23, 1981, Vol. 426, page 265, Deed Records of Washington County, Texas, Hallmark Petroleum, Inc., assigned to Judson F. Stone, David H. Julian, Raymond F. Sebastian, Richard M. Riggs, Ran Ricks, Jr., Jerral W. Jones, Ricks Exploration Company, and Homer L. Lawson, various interest totaling 25% interest in leases comprising captioned unit. Hallmark Petroleum, Inc., reserved the right, but not the obligations to elect to receive a reversionary interest at payout equal to an undivided 25% interest of the interest therein assigned. By assignment dated August 28, 1985, Vol. 522, page 392, Official Records of Washington County, Texas, Trilex Energy Corporation, successor in interest to Hallmark Petroleum, Inc., assigned to Texas City Refining, Inc., a 9.375% after payout interest in leases comprising captioned unit. In each of said assignments the assignor reserved an overriding royalty interest equal to the difference between current lease burdens and 30%. You have advised that payout has occurred and Hallmark Petroleum, Inc., exercised its election to receive a reversionary interest at payout.

REQUIREMENT: You should obtain a stipulation of interest between the current owners, Senora Resources, Inc, Ran Ricks, Jerral W. Jones, Ricks Exploration Company, Homer L. Lawson, Texas Olefin Company, Leo Mandrakos, Sidney Ellis, Janice Textor, Donald F. DeScenza, David M. Knott, Frank H. Murray, Jeanne Hendrick, The Prospective Investment and Trading Company, Ltd., Anchor Exploration Company, Thomas E. Walton, Westland Oil Development Corporation, setting forth their interest in captioned leases insofar as they cover captioned unit.

2.

By assignment dated February 6, 1990, Vol. 621, page 472, Official Records of Washington County, Texas, Donald Textor & Associates and Donald Textor assigned all interest in the Thomas Ward Survey to Magnolia Petroleum, Ltd. Captioned Unit covers land in the Thomas Ward Survey and D. Ayres Survey.

REQUIREMENT: Donald Textor & Associates and Donald Textor should join in the stipulation of interest (Requirement No. 1 above) indicating that they own no interest in captioned unit or you should obtain an assignment from Donald Textor & Associates and Donald Textor to Jeanne Hendrick, current owner of the Magnolia Petroleum, Ltd., interest, covering all interest in the D. Ayres Survey.

3.

ADVISORY: By deed dated February 1, 1980, Vol. 388, page 283, Deed Records of Washington County, Texas, Monroe J. Goldberg, et ux, conveyed to Berry Lee Goldberg, et ux, 1/2 of the royalty of Tract No. Four for a primary term of 10 years. By deed dated February 1, 1980, Vol. 388, page 286, Deed Records of Washington County, Texas, Berry Lee Goldberg, et ux, conveyed to Monroe J. Goldberg, et ux, 1/2 of the royalty of Tract No. Five for a primary term of 10 years. Each deed referred to the other and provided that in the event of production on one tract and not the other, the term royalty on the non productive tract will remain in force and effect so long as there is production on the other tract.

4.

Sharon Praske has indicated that her index of instruments (Item No. 6 of materials examined) failed to cover the interest of Texas City Refining, Inc. For your information by assignment dated August 28, 1985, Vol. 522, page 392, Official Records of Washington County, Texas, Trilex Energy Corporation assigned to Texas City Refining, Inc., a 9.375% working interest in Leases No. 1, 2, 3, 4 and 5, insofar as they cover captioned unit. By assignment dated August 29, 1985, Vol. 517, page 266, Official Records of Washington County, Texas, Texas City Refining, Inc., assigned to Westland Oil Development Corporation, et al. all interest in Leases No. 1, 2, 3 and 4 insofar as they cover captioned unit.

REQUIREMENT: You should have Sharon Praske supplement her index of instruments so as to cover the interest of Texas City Refining, Inc., from August 28, 1985, to a current date.

5.

By assignment dated August 28, 1985, Vol. 522, page 392, Official Records of Washington County, Texas, Trilex Energy Corporation assigned to Texas City Refining, Inc., a 9.375% working interest in Leases No. 1, 2, 3, 4 and 5 insofar as they cover captioned unit. By assignment dated August 29, 1985, Vol. 517, page 266, Official Records of Washington County, Texas, Texas City Refining, Inc., assigned to Westland Oil Development Corporation, et al, all interest in Leases No. 1, 2, 3 and 4 insofar as they cover captioned unit. The interest of Westland Oil Development Corporation, et al, is currently owned by Westland Oil Development Corporation.

REQUIREMENT: You should have Westland Oil Development Corporation obtain an assignment from Texas City Refining, Inc., to Westland Oil Development Corporation, covering all interest in Lease No. 5 insofar as said lease covers captioned unit.

6.

ADVISORY: By assignment dated November 13, 1979, Vol. 384, page 417, Deed Records of Washington County, Texas, Hallmark Petroleum, Inc., assigned to Suzanne Coleman, Trustee, a 2.5% overriding royalty interest in Lease No. 4 insofar as the lease covers from the surface of the earth to the base of the Georgetown Formation. Senora Resources, Inc., is the current owner of the previous interest of Hallmark Petroleum, Inc., and GTN Production Partnership and B. Ray Holifield, Trustee are the current owners of the previous interest of Suzanne Coleman, Trustee. In our ownership breakdown we have not listed the below the base of the Georgetown Formation interest. For your information the ownership of the overriding royalty interest only in 71.13 acres of captioned unit out of the Tract No. One and 74.28 acres of captioned unit out of Tract No. Two is vested as follows:

SURFACE TO THE BASE OF
THE GEORGETOWN FORMATION:

OVERRIDING ROYALTY INTEREST

Donald L. Hall	.031250000	O.R.I.
GTN Production Partnership	.004000000	O.R.I.
B. Ray Holifield, Trustee	.021000000	O.R.I.

Senora Resources, Inc.	.118750000	O.R.I.

BELOW THE BASE OF THE
GEORGETOWN FORMATION:

OVERRIDING ROYALTY INTEREST

Donald L. Hall	.031250000	O.R.I.
Senora Resources, Inc.	.143750000	O.R.I.

Captioned Unit covers the Austin Chalk Formation encountered between the depths of 9,895 feet and 10,374 feet only. We have assumed that the base of the Georgetown Formation is below the Austin Chalk Formation.

7.

ADVISORY: By assignment dated December 28, 1984, Vol. 500, page 177, Official Records of Washington County, Texas, Tauber Oil Company assigned all interest in captioned unit to Arthur-Smith Corporation. Said assignment was executed by the Chairman of the Board of Tauber Oil Company. We have assumed that the Chairman of the Board of Tauber Oil Company had authority and appropriate corporate resolutions authorizing him to bind the interest of Tauber Oil Company

8.

ADVISORY: By assignment dated July 18, 1992, Vol. 676, page 435, Official Records of Washington County, Texas, Shirley H. Bonney, Trustee, assigned a .004 overriding royalty interest in captioned unit to GTN Production Partnership subject to a reversionary interest at payout as defined in that certain letter agreement dated July 17, 1992, between the parties. B. Ray Holifield, Trustee is the current owner of the reversionary interest retained by Shirley H. Bonney, Trustee.

9.

ADVISORY: By unit designation dated September 25, 1980, Vol. 402, page 182, Deed Records of Washington County, Texas, Hallmark Petroleum, Inc., et al, formed the Hallmark Petroleum, Inc., H.M.K. Fischer No. 1 Unit covering the Austin Chalk Formation encountered between the depths of 9,895 feet and 10,374 feet, of 160 acres out of Leases No. 1, 2, 3 and 4. By amendment to unit designation dated January 27, 1981, Vol. 409, page 620, Deed Records of Washington County, Texas, Hallmark Petroleum, Inc., et al, amended the description of the 160 acres and added Lease No. 5 to said unit.

10.

ADVISORY: We have assumed that Lorna Somers Merten and Lorna S. Merten are one in the same person.

11.

ADVISORY: By deed dated October 8, 1964, Vol 254, page 500, Deed Records of Washington County, Texas, Erna Merten conveyed .73 acres to the United States of America reserving all of the oil, gas and other minerals. By deed dated November 7, 1964, Vol. 256, page 43, Deed Records of Washington County, Texas, Lillie Goldberg, et al, conveyed .66 acres to the United States of America reserving all of the oil, gas and other minerals. The rights of the United States of America should be respected in the development of subject land.

12.

We have examined a copy of an assignment dated October 1, 1989, County Clerk's File No. 9126574, County Clerk's Film Code No. 726-01-1519, Real Property Records, Montgomery County, Texas, from Westland Oil & Gas Properties, Inc., to Westland Oil Development Corporation. Said assignment refers to a possible partial assignment of interest in captioned unit dated September 8, 1989, Vol. 311, page 513, Deed Records of Martin County, Texas, from Westland Oil & Gas Properties, Inc., to Petro-Corp.

REQUIREMENTS: (a) You should have Westland Oil Development Corporation file the assignment dated October 1, 1989, County Clerk's File No. 9126574, County Clerk's Film Code No. 726-01-1519, Real Property Records, Montgomery County, Texas, from Westland Oil & Gas Properties, Inc., to Westland Oil Development Corporation, in the Official Records of Washington County, Texas.

(b) Please submit a copy of the assignment September 8, 1989, Vol. 311, page 513, Deed Records of Martin County, Texas, from Westland Oil & Gas Properties, Inc., to Petro-Corp.

13.

ADVISORY: By assignment dated October 29, 1981, Vol. 430, page 782, Deed Records of Washington County, Texas, Judson F. Stone, et al, assigned 9.18375% interest in leases comprising captioned unit to Integrated Energy, Inc. The assignment was conditioned upon the satisfaction of the conditions as set forth in the Exchange Offer and the Prospectus Supplement made by Integrated Energy, Inc. Said assignment provided that if the conditions of said agreement were not satisfied then the conditional assignment was null and void. We have assumed that the conditions of said agreement were met and that the assignment is in full force and effect.

14.

ADVISORY: By assignment dated May 18, 1981, Vol. 418, page 133, Deed Records of Washington County, Texas, U.S. Companies, Inc., assigned to Hallmark Petroleum, Inc., 1/2 of its interest in Lease No. 5 reserving an overriding royalty interest equal to the difference between current lease burdens and 22%. By assignment dated May 18, 1981, Vol. 418, page 129, Deed Records of Washington County, Texas, U.S. Companies, Inc., assigned to Hallmark Petroleum, Inc., all of its interest in Lease No. 5, among others, excepting the overriding royalty interest reserved to U.S. Companies, Inc., by assignment dated May 18, 1981.

15.

ADVISORY: Several of the assignments of captioned leases are subject to letter agreements as reflected under the Assignments section above. You are referred to the various letter agreements affecting captioned leases.

16.

ADVISORY: At your request we have credited Senora Resources, Inc., with both a working interest and overriding royalty interest.

17.

ADVISORY: This Opinion is limited to and only covers land in the Hallmark Petroleum, Inc., H.M.K. Fischer No. 1 Unit as described in amended unit designation dated January 27, 1981, Vol. 409, page 620, Deed Records of Washington County, Texas, by Hallmark Petroleum, Inc., et al.

18.

You have provided a copy of an unrecorded assignment dated August 30, 1993, from MD Operating Company to Westland Oil Development Corporation and an unrecorded assignment dated November 4, 1993, from R&J Royalty Interest in Westland Oil Development Corporation.

REQUIREMENT: You should have Westland Oil Development Corporation file the aforesaid assignments in the Official Records of Washington County, Texas.

19.

By mechanics lien dated March 19, 1981, Vol. 38, page 298, Mechanics Lien Records of Washington County, Texas, Berry Lee Goldberg, et ux, conveyed 5 acres to Lee Roy Drews to secure the payment of a promissory note in the principal sum of $40,700.00. By deed of trust dated August 20, 1981, Vol. 101, page 877, Deed of Trust Records of Washington County, Texas, Berry Lee Goldberg, et ux, conveyed 5 acres to First Savings Association of Brenham to secure the payment of a promissory note in the principal sum of $38,000.00 with final payment due September 1, 2011. Said deed of trust was given in renewal of the aforesaid mechanics lien. Both of said liens are inferior to your oil and gas lese.

REQUIREMENT: You should locate said 5 acre tract in respect to captioned unit.

20.

The Original Title Opinion dated February 15, 1980, (Item No. 4 of materials examined) covers Tracts No. Three, Four and Five of subject land, less and except, the tract of land described on Exhibit "G" which is the tract of land covered by your Washington County lease (Lease No. 5 herein). While Title Opinions 4 and 5 of the materials examined credit the County Judge of Washington County with an interest, it appears that unless the land described on Exhibit "G" is part of Tracts No. Three, Four, of Five, that said Opinions do not cover the land described on Exhibit "G".

REQUIREMENT: You should located the land described on Exhibit "G" in respect to Tracts No. Three, Four and Five.

20.

ADVISORY: This Opinion is subject to all comments and requirements contained in previous opinions of other counsel, although for convenience we have brought forward and set forth above only the unsatisfied requirements.

21.

ADVISORY: The easements described above should be respected in the development and operations of captioned leases.

22.

ADVISORY: Captioned leases are past their primary terms. You should satisfy yourself that said leases are maintained in force and effect by production, operations or as otherwise provided in said leases.

23.

ADVISORY: This opinion does not cover any matter of conflict or discrepancy with respect to survey, area, boundary, vacancies, excesses, accretions, relations, rights of parties in possession or any matters that could be determined only by an investigation upon the ground or by a survey of the land.

24.

ADVISORY: Specifically excluded from this Opinion is the accreditation of ownership of uranium, coal, lignite and other hard minerals.

25.

ADVISORY: This Opinion is subject to any applicable bankruptcy or insolvency laws, liens for taxes not yet due, statutory and constitutional mechanics' and materialmen's liens not of record, operator's liens not of record, statutory liens securing payment of proceeds of production from the land under search, enforcement of regulations or orders by any governmental authority having jurisdiction over the land under search, capacity or competency of parties, fraud, delivery, and alteration after delivery. This Opinion is also subject to the due authorization of all parties executing instruments in the chain of title in any representative capacity.

26.

ADVISORY: First sales, if any, of natural gas produced from the land under search, either in interstate or intrastate commerce, may be subject to price regulation under the Natural Gas Policy Act of 1978 ("NGPA"), as administered by the Federal Energy Regulatory Commission ("FERC"). In addition, if natural gas produced from land under search already has been dedicated to interstate commerce, and no certificate of abandonment has been issued, it may be subject to other (non-pricing) regulation by the FERC under both the NGPA and the Natural Gas Act ("NGA"). Such non-pricing regulation in some cases would require continued commitment or dedication to interstate commerce of natural gas produced from the land under search, although the natural gas production occurs under a different lease, granted to a different lessee. This Opinion does not cover any matter pertaining to the FERC's jurisdiction under the NGPA and the NGA. You are advised, however, that under the terms and provisions of the NGPA, in some cases the seller of natural gas is required to take certain affirmative action in order to obtain the most favorable first sales price category.

27.

REQUIREMENT: Please submit tax collector's certificates showing payment of all state, county and special assessment district taxes assessed against the leasehold estate of subject leases.

28.

ADVISORY: This Opinion is rendered solely and exclusively for the benefit of Senora Resources, Inc., and is not to be quoted in whole or in part, nor is it to be relied upon by any other party without the prior written consent of this firm.

The materials submitted for our examination are returned herewith.

Very truly yours,

Ward N. Adkins, Jr.

EXHIBIT "A"

BEGINNING at the most Eastern corner of this survey, which corners with three other leagues, this being the North corner of David Ayres, South corner of Ashley R. Stephens and the West corner of David B. Fryar League. THENCE with the Northeast boundary line of the original tract, of which this is a part North 35 West 330 varas to a stake for corner, the East corner of the four hundred fifty one and one half (451-1/2) acre tract allotted to W. B. Blackburn in the division of his father's estate. THENCE with the Southeast boundary line of said tract South 55 West 1358 varas to the South corner of said tract in the Southwest boundary line of the original tract. THENCE with said line South 35 East 330 varas to the South corner of the original survey. THENCE with the Southwest boundary line of same North 55 East 1358 varas to the place of beginning, containing an area of Seventy-nine and 4/10 (79.4) acres of land.

EXHIBIT "B"

BEGINNING at a stake for corner North 35 West 330 varas from the most Eastern corner of the original tract, of which this is a part, which corners with three other league corners, this being the North corner of David Ayres, South corner of Ashley R. Stephens, and West corner of David B. Fryar Leagues. THENCE with the Northeast boundary line of the original tract North 35 West 1580 varas to a Stake for corner. THENCE North 44 West 150 varas to a stake in the center of Cedar Creek for corner. THENCE up said creek in the center thereof with all its meanderings to a stake in the center of said creek. THENCE with the Southwest boundary line of the original tract South 35 East 460 varas to a post oak tree for corner. THENCE South 35 East 425 varas to the most Western corner of a seventy-nine and 4/10 (79.4) acre tract allotted a life time interest in to Mrs. Maggie Blackburn, and at her death to be allotted to W. E. Blackburn, the same being out of the Southeastern part of the original tract. THENCE with the Northwest boundary line of last named tract North 55 East 1358 varas to the place of beginning, containing an area of Four Hundred Twenty-five (425) acres of land.

SAVE AND EXCEPT

Being all of that certain tract or parcel of land, (called SECOND TRACT above), situated in Washington County, Texas, out of the Thomas W. Ward League; Abstract No. 186, being more particularly described in that certain deed dated August 24, 1964, from Edwin Fischer and Alvin Fischer to the United States of America and recorded in Vol. 254, page 550 of the Deed Records of Washington County, Texas, comprising 215 acres of land, more or less, all of which is more particularly described as follows, all bearings referred to the Texas Plane Coordinates System, Central Zone.

FROM the east corner of the Thomas Wm. Ward Survey common with the south corner of the A. R. Stephens Survey (A-102), the north corner of the D. Ayers Survey (A-10), and the west corner of the Daniel B. Fryar Survey (A-42), North 39 degrees 25' West, 1900.49 feet, more or less, to the point of beginning, said point being in the southwest right-of-way line of the existing F. M. Highway 1697, said point having a Government market; THENCE severing the subject owner's property as follows: South 30 degrees 34' West, 279.97 feet to a Government marker; North 68 degrees 26' West, 474.98 feet to a Government marker; South 49 degrees 10' West, 749.92 feet to a Government marker; North 45 degrees 34' West, 170.01 feet to a Government marker; South 57 degrees 25' West, 504.96 feet to a Government marker; South 12 degrees 24' West, 499.94 feet to a Government marker; South 84 degrees 36' West, 399.97 feet to a Government marker; North 75 degrees 9' West, 473.5 feet to a Government marker; North 39 degrees 18' West, 2848.27 feet to a Government marker; North 39 degrees 18' West, 47.00 feet to a point in the center of Cedar Creek; THENCE departing from said severance line and down said creek with all its meanders 4100.0 feet, more or less, to a point for corner in the southwest right-of-way line of the existing F. M. Highway 1697; THENCE along said right-of-way line, same being subject owner's northeast property line as follows: South 48 degrees 5' East, 1522.18 feet to a point 60 feet from and perpendicular to centerline Station 420+00; South 41 degrees 51' East, 201 feet to a point 40 feet from and perpendicular to centerline station 422+00; THENCE South 38 degrees 5' East, 2207.82 feet, more or less, to the point of beginning, containing 215.0 acres of land, more or less.

146 03

Senora Resources, Inc.
Original Title Opinion
H.M.K. Fischer No. 1 Unit
Washington County, Texas
January 20, 1994

EXHIBIT "C"

A tract of land situated in the County of Washington, State of Texas, and being a part of the Thomas Wm. Ward Survey (A-186) all bearings being referred to the Texas Plane Coordinate System, Central Zone, and being all of the following described land lying below Elevation 263.0 feet, mean sea level, and being more particularly described as follows:

> FROM the east corner of the Thomas Wm. Ward Survey (A-186) common with the south corner of the A. R. Stephens Survey (A-102) the north corner of the D. Ayers Survey (A-10) and the west corner of the David B. Fryar Survey (A-42) North 85 degrees 29' West, 3850.0 feet, more or less, to the point of beginning, said point being a Government marker;
>
> THENCE severing the subject owner's property as follows South 38 degrees 00' West, 1195.00 feet to a point; South 10 degrees 00' East, 621.0 feet to a point; South 47 degrees 00' West, 615.0 feet to a point in the common line between the subject owner and the Herman Goldberg property;
>
> THENCE departing from severance line to the common line between subject owner and the Herman Goldberg property North 37 degrees 15' West, 2731.0 feet, more or less, to a point in the center of Cedar Creek;
>
> THENCE downstream with all of the meanderings of Cedar Creek 2500.0 feet, more or less, to a point for corner;
>
> THENCE severing the subject owner's property as follows: South 39 degrees 11' East, 47.0 feet to a Government marker; South 39 degrees 18' East, 2848.27 feet to a Government marker and the point of beginning, containing 135.0 acres of land, more or less, the net area herein lying below elevation 263.0 feet mean sea level, containing 127.00 acres of land, more or less.

and being substantially a part of the same land conveyed to Alvin Fischer, et al, by the following deeds by A. H. Kuehn by deed dated September 22, 1949, and recorded in Vol. 161, page 458 and by August Goldberg, et ux, by deed recorded in Vol. 224, page 125 of the Deed Records of Washington County, Texas.

EXHIBIT "D"

All that certain tract or parcel of land, lying, being and situated in Washington County, Texas, part of the David Ayres League, and being part of a 100 acre tract conveyed to Henry Goldberg by Mrs. A. Miller on Jan. 7, 1903 as the deed is recorded in Vol. 48 page 92 of Washington County Deed Records, having metes and bounds as follows, to-wit:

BEGINNING at a stake in the S.E. line of the public road, in the N. E. line of the original 100 acre tract, this corner is S. 35 E. 18 vrs. from the original North corner of the 100 acre tract. THENCE S. 35 E. 695 varas to rock for corner and the North corner of the 50 acre tract conveyed to John Goldberg out of the 100 acre tract. THENCE S. 55 W. 410 varas with the N. W. line of the John Goldberg tract to rock for corner. THENCE N. 35 W. 695 vrs. to stake for corner in the S. E. line of the public road and S. 35 E. 18 vrs. from the original West corner of the original 100 acre tract. THENCE N. 55 E. 410 vrs. along the S. E. line of the public road to the place of beginning and contains 50 acres of land.

EXHIBIT "E"

All that certain tract or parcel of land, lying and being situated in Washington County, Texas on the north side of Four Mile Creek, a tributary of the Yegua, and being a part of the Northeast half of the David Ayers League, and known in subdivision of said half as Tract XV, with metes and bounds as follows, to-wit:

BEGINNING at the upper corner of divisional survey No. XIV of this division, in center of Four Mile Creek an Elm XV bears N 1 W 11-1/4 varas;

THENCE with SW boundary line of said division No. XIV N 35 W, 1365 varas to its West corner in division line between Ayers and Ward League, a Post Oak marked XIV bears N 57 E 9 varas, a Post Oak marked XV bears S 4 W 7-3/4 varas dist;

THENCE with league line S 55 W 420 varas to a stake for corner, from which a Post Oak marked XV bears N 83 E 11-1/2 varas, a Post Oak marked XVI bears N 78 W 6-1/4 varas dist;

THENCE S 35 E 1300 varas to a stake in center of Four Mile creek, a China Tree marked XV and a White Elm marked XVI for pointers;

THENCE down said creek with all its meanders to the place of beginning, containing an area of ONE HUNDRED (100) acres of land.

This is the same tract of land conveyed by Ludwig Weidemann and wife, Henriette Weidemann to H. E. Siebel, by deed dated March 21, 1928, and recorded in the deed records of Washington County, Texas, in Vol. 90, page 75, to whiclt reference is hereby had and made for all purposes.

AND being the same and identical property described in deed from H. E. Siebel, et ux to John Goldberg, et ux, by deed dated May 28, 1946, and recorded in Vol. 149, page 10, Washington County Deed Records, to which reference is here had and made for all purposes pertinent.

There is excepted out of the 100 acres tract hereinabove described and conveyed, the following:

A 25 acre tract of land as surveyed by Donald R. Muzzy, Official Records of Washington County, Texas, Registered Public Surveyor, on May 26, 1971, and being the same and identical property described in deed dated June 7, 1971, from Lillie Goldberg, and wife, Nora Lee Goldberg to Berry Lee Goldberg said deed being simultaneously filed for record in the office of the County Clerk of Washington County, Texas this date.

EXHIBIT "F"

TRACT NO. 3A.

All that certain tract or parcel of land situated in Washington County, Texas, out of the David Ayers League and being a portion of the 100 acre tract described in a deed from H. E. Siebel to John Goldberg, dated May 28, 1946, recorded in Vol. 149, page 10, Washington County Deed Records, more particularly described as follows:

BEGINNING at an iron pin in the Southeast line of FM Highway 1697 at the Northwest corner of the 5 acre tract conveyed to Monroe J. Goldberg;

THENCE with the west line of said tract S. 34 deg. 19 min. E, 431.41 ft. to an iron pin;

THENCE S. 55 deg. 41 min. W, 500.87 ft. to an iron pin;

THENCE S 34 deg. 46 min. E, 1517.93 ft. to an iron pin;

THENCE S. 55 deg. 41 min. 450.25 ft. to an iron pin;

THENCE with the East line of the Merten Tract as fenced N. 34 deg. 46 min. W, 1937.83 ft. to an iron pin and fence corner in the Southeast line of FM Highway 1697;

THENCE with said Highway line N. 54 deg. 59 min. 30 see. E, 954.49 ft. to the point or place of beginning, containing 25.00 acres of land.

Surveyed by Donald R. Muzzy Registered Public Surveyor, on May 26, 1971.

TRACT NO. 3B:

All that certain tract or parcel of land lying and being situated in Washington County, Texas, part of the Davis Ayers League, and being part of a 100 acre tract deeded to Henry Goldberg by Mrs. A. Miller on January 7, 1903, as the deed is recorded in Vol. 48, page 92, Washington County Deed Records, and more fully described by metes and founds as follows, to-wit:

BEGINNING at a rock at the East corner of the 50 acre tract conveyed to Erna Merten, in the N. E. line of the original 100 acre tract; said corner being S 35 E, 713 vrs. from the North corner of the original 100 acre tract;

THENCE S 35 E, 587 vrs. to stake for corner in the old channel of Four Mile Creek; an Elm mkd X brs N 39 W, and another Elm mkd X brs N 80 W, 53.5 feet; there is no creek here now;

THENCE down said creek, with the old channel running in the center thereof, to stake for corner in the S.W. line of the original 100 acre tract;

THENCE N 35 W, 767 vrs. to rock for corner and the South corner of the Erna Merten 50 acre tract;

THENCE N 55 E, 410 vrs. to the place of beginning, containing 50 acres of land.

AND being the same and identical property conveyed by Marie Goldberg, et al, to John Goldberg by deed dated November 25, 1942, and recorded in Vol. 142, page 188, Washington County Deed Records, to which reference is here had and made for all purposes pertinent.

EXHIBIT "G"

Beginning at the North corner of the David Ayres league from which a post oak bears N 25 deg. W 9 vrs. do S 47 deg. E 11 vrs. Then with the N.W. line of Weidemann 200 acre tract S 55 deg. W at 840 vrs. pass H. Goldberg corner at 1250 pass Mrs. Sophy Radenslebens North corner at 1650 vrs pass C. B. Everetts North corner at 2400 vrs. pass C. W. & A. G. Homeyers North corner at 3090 vrs. pass Wm. Bauers North corner at 4405 vrs to intersection of the Road leading from Lindsey School House to Cedar Creek at corner between the W. H. McCutchan and the Payne tracts from the point of intersection of said Roads. Then S 35 deg. E 14-4/10 vrs. to corner. Then N 55 deg. E paralleling the league line 4405 vrs to corner on the N.E. line of the Ayres league. Then N 35 deg. W 14-4/10 vrs to the place of beginning containing an area of 11-90/100 acres of land.

Prior Examiner's note: 1.04 acres is recited to be within the boundaries of Tract Three and 2.10 acres is recited to be within the boundaries of Tracts Four and Five.

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title opinion

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

POUND PRINTING & STATIONERY COMPANY
2325 FANNIN, HOUSTON, TEXAS 77002, (713) 659-3159

1856

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 14th day of April 1980, between John M. Sommer, Robert E. Gaskamp, LeRoy Schroeder and Weldon Matthies, in their Capacity as Commissioners of Washington County, Texas, and Gus F. Mutscher in his capacity as County Judge of Washington County, Texas

lessor (whether one or more), whose address is: 105 East Main St., Brenham, Texas 77833
and U. S. COMPANIES, INC., Dallas, Texas, lessee, WITNESSETH:

1. Lessor, in consideration of Ten and No/100 ($10.00)-------------------------- 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 ~~XXXXXXXXXXXXXXXXXXXX~~. The land covered hereby, herein called "said land", is located in the County of Washington, State of Texas, and is described as follows:

11.09 acres of land, more or less, a part of the DAVID AYRES SURVEY, ABSTRACT No. 10, and being the same land as described in a Deed from Wm. Bauer, C. W. Homeyer, A. G. Homeyer, C. B. Everett, Sophy Radensleben, Henry Goldberg and L. Weidemann to E. P. Curry, County Judge of Washington County, Texas, dated July 9, 1908, and recorded in Volume 54, Page 6 of the Deed Records of Washington County, Texas.

~~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 11.09 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 three (3) ~~XXX (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 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 posted market price of such 1/6 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 1/6 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, 1/6 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 1/6 of such gas and casinghead gas; (c) To pay lessor on all other minerals mined and marketed or utilized by lessee from said land, one-tenth either in kind or value at the well or mine at lessee's election, except that on sulphur mined and marketed the royalty shall be one dollar ($1.00) per long ton. If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, lessee shall pay or tender, by check or draft of lessee, as royalty, a sum equal to one dollar ($1.00) for each acre of land then covered hereby. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, and may be deposited in the Washington County State Bank at Brenham, Texas, 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 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 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.

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Gertrude Lehrmann County Clerk
Washington County, TX [signature] Deputy

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 regulatons, (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.

In the event a portion or portions of the land described in this lease are pooled or unitized with other land, lease or leases so as to form a pooled unit or units, operations for drilling, or reworking operations, on such unit or units, or production of oil or gas from such unit or units, or payment of shut-in gas royalties on a well or wells drilled on such unit or units, shall maintain this lease in effect only as to the portion or portions of the land described in this lease which are included in such unit or units; provided, however, in the event of pooling or unitization limited to a certain stratum, strata, mineral or minerals, this lease, as to all strata and minerals underlying the area within the surface boundaries of such unit, shall likewise be maintained in effect by such unit operations, production or shut-in gas royalty payments. As to any portion or portions of the land described in this lease which do not underlie the area within the surface boundaries of a pooled unit or units, this lease may be maintained in effect in any manner elsewhere provided in this lease, including, but not limited to, operations upon or production from such portion or portions of land, or by payment of shut-in gas well royalties or delay rentals payable only on the number of acres not within the surface boundaries of such unit or units.

Lessee or its assigns shall reimbuse Lessor for the reasonable value of any growing crops destroyed by Lessee's operations hereunder. Moreover, Lessee or its assigns shall also reimbuse Lessor for the reasonable value of damages to the surface of the leased premises, which damages have been caused by Lessee's unreasonable use thereof or negligence thereon; and, Lessee or its assigns agree to fill and level all slush pits, so as to return the surface to its original condition as nearly as practical, within a reasonable length of time after the abandonment of the use of such pit.

It is understood and agreed that iron ore, coal and lignite are excepted and not included in this lease.

IN WITNESS WHEREOF, we sign the day and year first above written.

/ Gus F. Mutscher

GUS F. MUTSCHER
County Judge, Washington County, Texas; signing in the capacity of County Judge, and for the Commissioner's Court, as per nomination and appointment, Minutes of the Commissioner's Court, Washington County, Texas, dated April 14, 1980

A CERTIFIED COPY issued FEB 22 1994
Gertrude Lehrmann, County Clerk
Washington County, TX [signature] Deputy

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

STATE OF Texas

COUNTY OF Washington

INDIVIDUAL ACKNOWLEDGMENT—TEXAS OR NEW MEXICO

Before me, the undersigned authority, on this day personally appeared Gus J. Mutscher

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 16 day of April, 19 80

My Commission Expires 5-?-81

Linda Stamps Gibson (LINDA STAMPS GIBSO

Notary Public in and for Washington County, State of Texas

STATE OF ______

COUNTY OF ______

INDIVIDUAL ACKNOWLEDGMENT—TEXAS OR NEW MEXICO

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

FILED FOR RECORD ON THE 17 DAY OF April A.D. 1980, AT 4:10 O'CLOCK P M

DULY RECORDED THIS THE 18 DAY OF April A.D. 1980, AT 9:20 O'CLOCK A M

GERTRUDE LEHRMANN, COUNTY CLERK,
WASHINGTON COUNTY, TEXAS

INSTRUMENT NO. 1856

BY Gale Huff DEPUTY
Gale Huff

CERTIFIED COPY CERTIFICATE
STATE OF TEXAS
COUNTY OF WASHINGTON
The above is a full, true, and correct photographic copy of the original record now in my lawful custody and possession as the same is recorded in the OFFICIAL RECORDS in my office with volume and page number stamped thereon. I hereby certify on

FEB 22 1994

GERTRUDE LEHRMANN
COUNTY CLERK
WASHINGTON COUNTY, TEXAS
By Mary L. Sklar
Mary L. Sklar Deputy

21052
PROD 88 - UNITIZATION (REV 7/90)
PRINTED IN USA

PAID UP OIL AND GAS LEASE

1955

THIS LEASE AGREEMENT IS MADE AS OF THE 3RD day of AUGUST, 19 93, between CHESTER C. MERTEN and wife LORNA SOMERS MERTEN HARVEY H. MERTEN and wife FLOYA ANN MERTEN ROUTE 1 BOX , BURTON, TX 77835 as Lessor (whether one or more) and SENORA RESOURCES, INC., P. O. BOX 190, DIME BOX, TX 77853 as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. Description. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises (use Exhibit "A" for long description):

64.01 ACRES OF LAND, MORE OR LESS, SITUATED IN THE DAVID AYRES LEAGUE, A-10, WASHINGTON COUNTY, TEXAS AND BEING MORE PARTICULARLY DESCRIBED ON EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.

IN PARAGRAPH NO. 3, WHEREVER THE FRACTION ONE-EIGHTH (1/8TH) IS USED, SUCH FRCTION IS HEREBY AMENDED TO READ ONE-SIXTH (1/6TH).

in the county of WASHINGTON, State of TEXAS, containing 64.01 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas along with all hydrocarbon and nonhydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described land, this lease and the term "leased premises" also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described land, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. Term of Lease. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of 6 (SIX) ~~years~~ MONTHS from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

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

4. Depository Agent. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in BANK ONE, TEXAS NA BANK at BRENHAM, TX or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the U.S. Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

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

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

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Gertrude Lehrmann, County Clerk
Washington County, TX. [signature] Deputy

rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. **Proportionate Reductions.** If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

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

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

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

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

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

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

14. **Unitization.** Lessee shall have the right but not the obligation to commit all or any part of the leased premises or interest therein to one or more unit plans or agreements for the cooperative developement or operation of one or more oil and/or gas reservoirs or portions thereof, if in Lessee's judgment such plan or agreement will prevent waste and protect correlative rights, and if such plan or agreement is approved by the federal, state or local governmental authority having jurisdiction. When such a commitment is made, this lease shall be subject to the terms and conditions of the unit plan or agreement, including any formula prescribed therein for the allocation of production.

ADDITIONAL PROVISIONS: SEE EXHIBIT "B" ATTACHED HERETO AND MADE A PART HEREOF.

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

WITNESS AND/OR ATTESTATIONS: ______

LESSOR (WHETHER ONE OR MORE) — SS NO. OR TAX ID

Chester C. Merten [redacted]
CHESTER C. MERTEN (SS#

Harvey H. Merten [redacted]
HARVEY H. MERTEN (SS#

Lorna S. Merten
LORNA SOMERS MERTEN
(SS# [redacted]

Floya Ann Merten
FLOYA ANN MERTEN
(SS# [redacted]

ACKNOWLEDGEMENTS

STATE OF TEXAS
County of Washington } S.S.

INDIVIDUAL

On this 9th day of August, 1993, before me, the undersigned Notary Public in and for said County and State, personally appeared CHESTER C. MERTEN AND LORNA SOMERS MERTEN known to me to be the person or persons whose names are subscribed to the foregoing instrument, and acknowledged that the same was executed and delivered as their free and voluntary act for the purposes therein set forth. In witness whereof I hereunto set my hand and official seal as of the date hereinabove stated.

JANET AUBIHL Notary Public State of Texas My Comm. Exp. Aug. 17, 1996

My Commission Expires 8-17-96 Janet Aubihl
Notary Public

STATE OF TEXAS
County of Washington } S.S.

INDIVIDUAL
(For use in all states)

On this 9th day of August, 1993, before me, the undersigned Notary Public in and for said county and state, personally appeared HARVEY H. MERTEN AND FLOYA ANN MERTEN known to me to be the person or persons whose names are subscribed to the foregoing instrument, and acknowledged that the same was executed as their free and voluntary act for the purposes therein set forth. In witness whereof I hereunto set my hand and official seal as of the date hereinabove stated.

JANET AUBIHL Notary Public State of Texas My Comm. Exp. Aug. 17, 1996

My Commission Expires 8-17-96 Janet Aubihl
Notary Public

RECORDER'S MEMORANDUM
ALL OR PART OF THE TEXT ON THIS PAGE WAS BLURRED, DEFACED, CUT OFF OR NOT LEGIBLE FOR SATISFACTORY RECORDATION.

STATE OF ______
County of ______ } S.S.

This instrument was filed for record on the ______ day of ______, 19__, at ______ o'clock __M., and duly recorded in Book ______, Page ______, of the ______ records of this office.

By ______
Clerk (or Deputy)

A CERTIFIED COPY issued FEB 22 1994
Gertrude Lehrmann, County Clerk
Washington County, TX. MLS Deputy

EXHIBIT "A"

Attached to and by reference made a part of that certain Oil, Gas and Mineral Lease made and entered into by CHESTER C. MERTEN, and wife, LORNA SOMERS MERTEN, HARVEY H. MERTEN, and wife, FLOYA ANN MERTEN, as Lessors, and SENORA RESOURCES, INC., as Lessee, under the date of August 3, 1993.

64.01 acres of land, more or less, situated in the DAVID AYERS LEAGUE, A-10, Washington County, Texas and being more particularly described as:

TRACT ONE: 34.96 acres of land, more or less, being the same land described in that certain deed from Harvey H. Merten and wife, Floya Ann Merten, as Grantors to Chester R. Merten and wife, Lorna Somers Merten, as Grantees, dated May 3, 1980 and recorded in Volume 392, Page 804 of the Deed Records of Washington County, Texas;

SAVE AND EXCEPT: 4.13 acres of land, more or less, included in and being a part of the Hallmark Petroleum, Inc., HMK Fischer No. 1 Unit, as indicated in that certain Amendment to Designation of Oil and Gas Production Unit, dated January 27, 1981 and recorded in Volume 409, Page 620 of the Deed Records of Washington County, Texas;

TRACT TWO: 34.96 acres of land, more or less, being the same land described in that certain deed from Chester C. Merten and wife, Lorna Somers Merten as Grantors to Harvey H. Merten and wife, Floya Ann Merten, as Grantees, dated May 3, 1980 and recorded in Volume 392, Page 810 of the Deed Records of Washington County, Texas;

SAVE AND EXCEPT: 1.78 acres of land, more or less, included in and being a part of the Hallmark Petroleum, Inc., HMK Fischer NO. 1 Unit, as indicated in that certain Amendment to Oil and Gas Production Unit, dated January 27, 1981 and recorded in Volume 409, Page 620 of the Deed Records of Washington County, Texas.

EXHIBIT "B"

Attached to and by reference made a part of that certain Oil, Gas and Mineral Lease made and entered into by CHESTER C. MERTEN and wife, LORNA SOMERS MERTEN; HARVEY H. MERTEN and wife, FLOYA ANN MERTEN, as Lessors, and SENORA RESOURCES, INC., as Lessee, under the date of August 3, 1993.

15. Notwithstanding anything to the contrary contained herein, it is specifically understood and agreed that this lease covers only oil, gas sulphur, and associated liquid or liquefiable hydrocarbons, but this lease does not cover or include any other minerals, with all other such minerals being reserved to the Lessor herein.

16. Lessee agrees to pay lessor or tenants of Lessor for all damages or injury to cattle or other livestock, pasturage, crops, fences, terraces, water wells, the surface otherwise in whatever way damaged and all other and all other property of Lessor or tenants 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 after completion or abandonment of any well drilled on the 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 practicable.

17. Notwithstanding anything herein above to the contrary, it is agreed and understood that Lessee acquires no rights to hunt or fish on the leased premises.

18. Notwithstanding anything else to the contrary contained herein, it is specifically understood and agreed that in the event Lessee elects to pool or unitize any part of the leased premises or interest therein with any other lands or interests, then lessee shall include in such designated unit all of the leased premises. Provided however, in the event that of a defect or failure of title of Lessors in or to any part of the leased premises as may be determined by lessee, then the provisions of this paragraph shall not apply to that portion of the leased premises subject to such defect or failure of title.

19. Notwithstanding anything hereinabove to the contrary, it is agreed and understood that Lessee acquires no rights to use water from the stock ponds located on the leased premises. Any water well drilled on the leased premises by Lessee may be retained by Lessor at his option, provided, however, Lessor shall pay Lessee the salvage cost of the casing in such well.

20. Notwithstanding anything herein to the contrary, it is agreed and understood that no clearing of trees or brush shall be conducted on the leased premises without the written consent of the surface owners of said premises.

21. Notwithstanding anything herein to the contrary, it is agreed and understood that Lessee may not re-enter the abandoned well bore of the Zapata-Merten No. 1 well without the written consent of Lessors.

22. This lease is a "Top Lease" and is subject to an existing oil and gas lease covering the leased premises ("Existing Lease") recorded in Volume 636, Page 375, Real Property Records of Washington County, Texas. Notwithstanding anything else herein to the contrary, the effective date of this lease for purposes of determining the primary term hereof under paragraph 2 hereof shall be one day following the expiration of the original primary term of the Existing Lease; provided however, if at the expiration of the original primary term of the Existing Lease, the Existing Lease is perpetuated by production or operations, then this Lease shall be null and void and shall never become effective and Lessee herein agrees to sign a recordable Release hereof. Notwithstanding

anything herein to the contrary, this lease shall be for a term of **six (6)** months from the effective date of this Lease as provided in this Paragraph 22 and so long thereafter as oil, gas or associated hydrocarbons covered hereby are produced from the leased premises or from land pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

Signed for Identification:

Chester C. Merten
Chester C. Merten

Lorna Somers Merten
Lorna Somers Merten

Harvey H. Merten
Harvey H. Merten

Floya Ann Merten
Floya Ann Merten

FILED
AT 3:15 P M
SEP - 1 1993
Gertrude Lehrmann
GERTRUDE LEHRMANN
COUNTY CLERK, WASHINGTON COUNTY, TEXAS

STATE OF TEXAS
COUNTY OF WASHINGTON

I hereby certify that this instrument was FILED on the date and at the time affixed hereon by me and was duly RECORDED in the volume and page of the OFFICIAL RECORDS of Washington County, Texas, as stamped hereon by me on SEP 0 8 1993

Gertrude Lehrmann
Gertrude Lehrmann, County Clerk
Washington County, Texas

CERTIFIED COPY CERTIFICATE
STATE OF TEXAS
COUNTY OF WASHINGTON

The above is a full, true, and correct photographic copy of the original record now in my lawful custody and possession as the same is recorded in the OFFICIAL RECORDS in my office with volume and page number stamped thereon. I hereby certify on FEB 22 1994

GERTRUDE LEHRMANN
COUNTY CLERK
WASHINGTON COUNTY, TEXAS
By Mary L. Sklar
Mary L. Sklar Deputy

EXHIBIT "B"

VOL 708 PAGE 760

81006
PROD 88-UNITIZATION (REV7/90)
PRINTED IN USA

PAID UP OIL AND GAS LEASE

4954

THIS LEASE AGREEMENT IS MADE AS OF THE 3RD day of AUGUST, 1993, between MONROE J. GOLDBERG, AND WIFE, NORA LEE GOLDBERG BERRY LEE GOLDBERG, AND WIFE, DELORES GOLDBERG OF ROUTE 1, BURTON, TEXAS 77835 as Lessor (whether one or more) and SENORA RESOURCES, INC., P. O. BOX 190, DIME BOX, TX 77853 as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. Description. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises (use Exhibit "A" for long description):

80.0 ACRES OF LAND OUT OF THE DAVID AYRES SURVEY, A-10, WASHINGTON COUNTY, TEXAS, MORE PARTICULARLY DESCRIBED ON EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.

IN PARAGRAPH NO. 3, WHEREVER THE FRACTION ONE-EIGHTH (1/8TH) IS USED, SUCH FRACTION IS HEREBY AMENDED TO READ ONE-SIXTH (1/6TH).

in the county of WASHINGTON, State of TEXAS, containing 80.0 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas along with all hydrocarbon and nonhydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described land, this lease and the term "leased premises" also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described land, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. Term of Lease. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of 6 (SIX) MONTHS ~~years~~ from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

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

4. Depository Agent. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in BURTON STATE BANK at BURTON, TX or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the U.S. Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

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

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

FEB 22 1994

A CERTIFIED COPY issued
Gertrude Lehrmann, County Clerk
Washington County, TX [signature], Deputy

rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. **Proportionate Reductions.** If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

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

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

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

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

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

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

14. **Unitization.** Lessee shall have the right but not the obligation to commit all or any part of the leased premises or interest therein to one or more unit plans or agreements for the cooperative developement or operation of one or more oil and/or gas reservoirs or portions thereof. If in Lessee's judgment such plan or agreement will prevent waste and protect correlative rights, and if such plan or agreement is approved by the federal, state or local governmental authority having jurisdiction. When such a commitment is made, this lease shall be subject to the terms and conditions of the unit plan or agreement, including any formula prescribed therein for the allocation of production.

ADDITIONAL PROVISIONS: SEE EXHIBIT "B" ATTACHED HERETO AND MADE A PART HEREOF.

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

WITNESS AND/OR ATTESTATIONS: LESSOR (WHETHER ONE OR MORE) SS NO. OR TAX ID

Monroe J. Goldberg
MONROE J. GOLDBERG (SS# [redacted])

Nora Lee Goldberg
NORA LEE GOLDBERG
SS# [redacted]

Berry Lee Goldberg
BERRY LEE GOLDBERG (SS# [redacted])

Delores Goldberg
DELORES GOLDBERG
SS# [redacted]

ACKNOWLEDGEMENTS

INDIVIDUAL (For use in all states)

STATE OF Texas
County of Washington } s.s.

On this 9th day of August, 19 93 before me, the undersigned Notary Public in and for said county and state, personally appeared MONROE J. GOLDBERG AND NORA LEE GOLDBERG known to me to be the person or persons whose names are subscribed to the foregoing instrument, and acknowledged that the same was executed and delivered as their free and voluntary act for the purposes therein set forth. In witness whereof I hereunto set my hand and official seal as of the date hereinabove stated.

My Commission Expires ________

A. W. HODDE, JR.
Notary Public, State of Texas
My Commission Expires 10-31-96

A W Hodde Jr
Notary Public

INDIVIDUAL (For use in all states)

STATE OF Texas
County of Washington } s.s.

On this 9th day of August, 19 93 before me, the undersigned Notary Public in and for said county and state, personally appeared BERRY LEE GOLDBERG AND DELORES GOLDBERG known to me to be the person or persons whose names are subscribed to the foregoing instrument, and acknowledged that the same was executed and delivered as their free and voluntary act for the purposes therein set forth. In witness whereof I hereunto set my hand and official seal as of the date hereinabove stated.

My Commission Expires ________

A W Hodde Jr
Notary Public

RECORDING INFORMATION

A. W. HODDE, JR.
Notary Public, State of Texas
My Commission Expires 10-31-96

STATE OF ________
County of ________ } s.s.

This instrument was filed for record on the ______ day of ______, 19__, at ______ o'clock ___M., and duly recorded in Book ______, Page ______, of the ______ records of this office.

By ____________________
Clerk (or Deputy)

FEB 22 1994

A CERTIFIED COPY issued
Gertrude Lehrmann, County Clerk
Washington County, TX. MLS Deputy

EXHIBIT "A"

Attached to and by reference made a part of that certain Oil, Gas and Mineral Lease made and entered into by MONROE J. GOLDBERG, Et Al, as Lessors, and SENORA RESOURCES, INC., as Lessor, under the date of August 3, 1993.

Being 80.0 acres of land out of the DAVID AYRES SURVEY, ABSTRACT NO. 10, Washington County, Texas and being 39.77 acres of land out of a 50.0 acre tract of land described as Second Tract in deed to Berry Lee Goldberg, recorded in Volume 305, Page 551, of the Deed Records of Washington County, Texas, and being 40.23 acres of land out of a 75.0 acre tract of land, same land described by deed to Monroe J. Goldberg, et ux., recorded in Volume 305, Page 551 of the Deed Records of Washington County, Texas.

BEGINNING at a point for the West corner of this tract, being the West corner of said 50.0 acre tract;

THENCE, with the Northwest line of said 50.0 acre tract, N 53 deg. 35'54"E, 1,147.19 feet to a point for the North corner of said 50.0 acre tract being on the Southwest line of said 75.0 acre tract;

THENCE, through said 75.0 acre tract, N 53 deg. 35'54"E, 1,150.99 feet to a point for the North corner of this tract, being on the Northeast line of said 75.0 acre tract;

THENCE, with the Northeast line of said 75.0 acre tract, S 36 deg. 34'19"E, 1,529.54 feet to a point for the East corner of this tract;

THENCE, through said 75.0 acre tract, S 53 deg. 35'54"W, 1,140.30 feet to a point on the Southwest line of said 75.0 acre tract, being on the Northeast line of said 50.0 acre tract;

THENCE, through said 50.0 acre tract, S 53 deg. 35'54"W, 1,118.19 feet to a point for the South corner of this tract, being on the Southwest line of said 50.0 acre tract;

THENCE, with the Southwest line of said 50.0 acre tract, N 38 deg. 03'30"W, 1,530.18 feet to the POINT OF BEGINNING and containing 80 acres of land, more or less.

FEB 22 1994

A CERTIFIED COPY

Gertrude Lehmann, County Clerk
Washington County, TX. [signature] Deputy

EXHIBIT "B"

Attached to and by reference made a part of that certain Oil, Gas and Mineral Lease made and entered into by MONROE J. GOLDBERG, et al, as Lessors, and SENORA RESOURCES, INC., as Lessee, under the date of August 3, 1993.

15. Notwithstanding anything to the contrary contained herein, it is specifically understood and agreed that this lease covers only oil, gas sulphur, and associated liquid or liquefiable hydrocarbons, but this lease does not cover or include any other minerals, with all other such minerals being reserved to the Lessor herein.

16. Lessee agrees to pay lessor or tenants of Lessor for all damages or injury to cattle or other livestock, pasturage, crops, fences, terraces, water wells, the surface otherwise in whatever way damaged and all other and all other property of Lessor or tenants 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 after completion or abandonment of any well drilled on the 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 practicable.

17. Notwithstanding anything herein above to the contrary, it is agreed and understood that Lessee acquires no rights to hunt or fish on the leased premises.

18. Notwithstanding anything else to the contrary contained herein, it is specifically understood and agreed that in the event Lessee elects to pool or unitize any part of the leased premises or interest therein with any other lands or interests, then lessee shall include in such designated unit all of the leased premises. Provided however, in the event that of a defect or failure of title of Lessors in or to any part of the leased premises as may be determined by lessee, then the provisions of this paragraph shall not apply to that portion of the leased premises subject to such defect or failure of title.

19. Notwithstanding anything hereinabove to the contrary, it is agreed and understood that Lessee acquires no rights to use water from the stock ponds located on the leased premises. Any water well drilled on the leased premises by Lessee may be retained by Lessor at his option, provided, however, Lessor shall pay Lessee the salvage cost of the casing in such well.

20. Notwithstanding anything herein to the contrary, it is agreed and understood that no clearing of trees or brush shall be conducted on the leased premises without the written consent of the surface owners of said premises.

21. Notwithstanding anything herein to the contrary, it is agreed and understood that Lessee may not re-enter the abandoned well bore of the Zapata-Merten No. 1 well without the written consent of Lessors.

22. This lease is a "Top Lease" and is subject to an existing oil and gas lease covering the leased premises ("Existing Lease") recorded in Volume 636, Page 370, Real Property Records of Washington County, Texas. Notwithstanding anything else herein to the contrary, the effective date of this lease for purposes of determining the primary term hereof under paragraph 2 hereof shall be one day following the expiration of the original primary term of the Existing Lease; provided however, if at the expiration of the original primary term of the Existing Lease, the Existing Lease is perpetuated by production or operations, then this Lease shall be null and void and shall never become effective and Lessee herein agrees to sign a recordable Release hereof. Notwithstanding anything herein to the contrary, this lease shall be for a term of

six (6) months from the effective date of this Lease as provided in this Paragraph 22 and so long thereafter as oil, gas or associated hydrocarbons covered hereby are produced from the leased premises or from land pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

Signed for Identification:

Monroe J. Goldberg
Monroe J. Goldberg

Nora Lee Goldberg
Nora Lee Goldberg

Berry Lee Goldberg
Berry Lee Goldberg

Delores Goldberg
Delores Goldgerg

FILED
AT 3:15 P M
SEP 1 1993
08776
Gertrude Lehmann
GERTRUDE LEHMANN
COUNTY CLERK, WASHINGTON COUNTY, TEXAS

STATE OF TEXAS
COUNTY OF WASHINGTON

I hereby certify that this instrument was FILED on the date and at the time affixed hereon by me and was duly RECORDED in the volume and page of the OFFICIAL RECORDS of Washington County, Texas, as stamped hereon by me on
SEP 0 8 1993
Gertrude Lehmann
Gertrude Lehmann, County Clerk
Washington County, Texas

CERTIFIED COPY CERTIFICATE
STATE OF TEXAS
COUNTY OF WASHINGTON
The above is a full, true, and correct photographic copy of the original record now in my lawful custody and possession as the same is recorded in the OFFICIAL RECORDS in my office with volume and page number stamped thereon. I hereby certify on
FEB 22 1994
GERTRUDE LEHRMANN
COUNTY CLERK
WASHINGTON COUNTY, TEXAS
By Mary L. Sklar
Mary L. Sklar Deputy

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

POUND PRINTING AND STATIONARY CO.
2325 FANNIN HOUSTON, TX. 77002 659-3159

2225

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 17th day of June 19 76, between Erna Merten, as to her seperate property

Lessor (whether one or more), whose address is: R.R. #1 Burton, Texas 77835
and Shenandoah Oil Corporation, Lessee, WITNESSETH:

1. Lessor in consideration of ----------------------Ten and no/100---------------------- 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 Washington County, Texas, to-wit:

50.00 acres of land more or less, out of and part of the David Ayres League, Abstract No. 10, Washington County Texas. Being part of a 100 acre tract conveyed to Henry Goldberg by Mrs. A. Miller on Jan 7,1903 as the deed is recorded in Vol 48 page 92 of Washington County Deed Records, having metes and bounds as follows, to wit:

Begining at a stake in the S.E. line of the public road, in the N.E. line of the original 100 acre tract; this corner is S. 35 E. 18 vrs. from the original North corner of the 100 acre tract. THENCE: S. 35E.695 vrs. to rock for corner and the North corner of the 50 acre tract conveyed to John Goldberg out of the 100 acre tract. THENCE: S. 55W. 410 vrs. with the N.W. line of the John Goldberg tract to rock for corner. THENCE: N 35W. 695 vrs. to stake for corner in the S.E. Line of the public road and S. 35 E. 18 vrs. from the original West corner of the original 100 acre tract. THENCE: N 55E. 410 vrs. along the S.E. line of the public road to the place of begining and containing 50.00 acres of land more or less.

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 50.00 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall be for a term of five 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 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 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 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 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 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 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 into 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 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 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 5 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 such 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 oil pooled unit 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 amounts, from that as to any other part of the leased premises.

5. If operations for drilling are not commenced on said land 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 Burton State Bank at Burton 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 ---------------------One hundred and no/100------------------ Dollars ($ 100.00), (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 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 has 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 is 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 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.

PR-101-75-10

A CERTIFIED COPY issued FEB 22 1994
Gertrude Lehrmann, County Clerk
Washington County, TX. [signature] Deputy

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 dilling 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 obilgations 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, mortage 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.

12. The undersigned further authorizes Shenandoah Oil Corporation or any future holder of said Oil and Gas lease, to pay or tender any future rentals under said lease in accordance with the provisions thereof in the amounts set out below and to the respective parties named below, or to the credit of any party named below either to a depository bank as named in said lease, or to the respective depository set out below opposite such party's name, and all provisions reguarding any depository bank named in said lease shall also be applicable to the depository banks herein named, and payments or tenders so made will fully comply with the requirements of said lease as to the respective interest of the undersigned, each of whom certifies as to the amount set opposite his name only:

CREDIT TO	AMOUNT	DEPOSITORY
Erna Merten	$100.00	Burton State Bank Burton, Texas 77835

A CERTIFIED COPY issued FEB 22 1994
Gertrude Lehrmann, County Clerk
Washington County TX. MLS Deputy

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. The 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 to 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 such 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 rental payments for a period in excess of two years beyond the end of the primary term.

14. Lessee shall pay for all damage to roads, fences, improvements, and growing crops caused by its operations hereunder, and will fill and level all pits and mounds, remove all board roads and board road materials, level and fill all ruts, and restore the surface of the ground to as near its original conditions as is reasonably practical within a reasonable period of time after cessation of operations at each well location on the leased premises.

15. Reguardless of other provisions contained herein, it is understood that this lease covers Oil and Gas and minerals produced in conjunction therewith only.

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

Erna Merten

Erna Merten

STATE OF Texas

COUNTY OF Washington

INDIVIDUAL ACKNOWLEDGMENT

Before me, the undersigned authority, on this day personally appeared Erna Merten

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

Given under my hand and seal of office this 17th day of June, 1976

My Commission Expires

Notary Public in and for Washington County, State of Texas

STATE OF

COUNTY OF

HUSBAND AND WIFE ACKNOWLEDGMENT

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

FILED FOR RECORD ON THE 6 DAY OF July A.D. 1976, AT 8:15 O'CLOCK A M

DULY RECORDED THIS THE 7 DAY OF July A.D. 1976, AT 8:10 O'CLOCK A M

INSTRUMENT NO. 2225

GERTRUDE LEHRMANN, COUNTY CLERK
WASHINGTON COUNTY, TEXAS

BY Dale Bilger DEPUTY

CERTIFIED COPY CERTIFICATE
STATE OF TEXAS
COUNTY OF WASHINGTON

The above is a full, true, and correct photographic copy of the original record now in my lawful custody and possession as the same is recorded in Volume 346, Page 601-605 of the Official Records in my office. I hereby certify on FEB 22 1994

GERTRUDE LEHRMANN
COUNTY CLERK
WASHINGTON COUNTY, TEXAS

By Mary L. Sklar

Mary L. Sklar Deputy

Producers 88 (4/76) Revised
With 640 Acres Pooling Provision

FOUND PRINTING AND STATIONARY CO.
2325 FANNIN HOUSTON TX 77002 659-3159

2236 OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 17th day of June 1976 between Monroe J. Goldberg and Nora Lee Goldberg, his wife

Lessor (whether one or more), whose address is: R.R. #1 Burton Texas 77835

and Shenandoah Oil Corporation Lessee, WITNESSETH:

1. Lessor in consideration of --------------------Ten and no/100---------------------------- 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 ~~XXXXXXXXXXX~~, 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 Washington County, Texas, to-wit:

75.00 acres of land more or less,out of and a part of the David Ayres League Abstract No 10, Washington County Texas, and being the same land described in a deed from Lillie Goldberg and Berry Lee Goldberg to Monroe J. Goldbeg and Nora Lee Goldberg, his wife, dated June 7,1971, and recorded in the deed records of Washington County in Vol.305 page 548 and a deed from Lillie Goldberg and Berry Lee /Goldberg to Monroe J. Goldberg and Nora Lee Goldberg, his wife, dated may 3.1969, recorded in Vol 289 page 493 deed records of Washington County Texas

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 75.00 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall be for a term of five 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 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 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 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 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 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 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 into 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 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 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 5 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 such 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 oil pooled unit 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 amounts, from that as to any other part of the leased premises.

5. If operations for drilling are not commenced on said land 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 Burton State Bank at Burton, Texas 77835 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 ------------One hundred fifty and no/100------------------ Dollars ($150.00), (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 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 has 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 is 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 or record a release or releases of this lease as to all or 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.

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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 dilling 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 obilgations 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 quanities 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, mortage 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.

12. The undersigned further authorizes Shenandoah Oil Corporation or any future holder of said Oil and Gas lease, to pay or tender any future rentals under said lease in accordance with the provisions thereof in the amounts set out below and to the respective parties named below, or to the credit of any party named below either to a depository bank as named in said lease, or to the respective depository set out below opposite such party's name, and all provisions reguarding any depository bank named in said lease shall also be applicable to the depository banks herein named, and payments or tenders so made will fully comply with the requirements of said lease as to the respective interest of the undersigned, each of whom certifies as to the amount set opposite his name only:

CREDIT TO	AMOUNT	DEPOSITORY
Monroe J. Goldberg	$150.00	Burton State Bank Burton, Texas 77835

A CERTIFIED COPY issued FEB 22 1994
Gertrude Lehrmann, County Clerk
Washington County, TX. [signature] Deputy

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. The 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 to 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 such 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 rental payments for a period in excess of two years beyond the end of the primary term.

14. Lessee shall pay for all damage to roads, fences, improvements, and growing crops caused by its operations hereunder, and will fill and level all pits and mounds, remove all board roads and board road materials, level and fill all ruts, and restore the surface of the ground to as near its original conditions as is reasonably practical within a reasonable period of time after cessation of operations at each well location on the leased premises.

15. Reguardless of other provisions contained herein, it is understood that this lease covers Oil and Gas and minerals produced in conjunction therewith only.

FEB 22 1994
A CERTIFIED COPY issued
Gertrude Lehrmann, County Clerk
Washington County, TX. [signature] Deputy

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

Monroe J. Goldberg
Monroe J. Goldberg

Nora Lee Goldberg
Nora Lee Goldberg

~~XXXXXXXXXXXXXXXXX~~

STATE OF Texas

COUNTY OF Washington

INDIVIDUAL ACKNOWLEDGMENT

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 instument, and acknowledged to me that ______ executed the same as ______ free act and deed for the purposes and consideration therein expressed.

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

My Commission Expires

______ Notary Public in and for ______ County, State of ______

STATE OF Texas

COUNTY OF Washington

HUSBAND AND WIFE ACKNOWLEDGMENT

Before me, the undersigned authority, on this day personally appeared Monroe J. Goldberg and Nora Lee Goldberg husband and wife, 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 free act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this 12th day of June, 1976.

My Commission Expires June 1, 1977

[illegible]
Notary Public in and for Washington County, State of Texas

FILED FOR RECORD ON THE 6 DAY OF July A.D. 1976, AT 9:15 O'CLOCK A M

DULY RECORDED THIS THE 7 DAY OF July A.D. 1976, AT 8:50 O'CLOCK A M

INSTRUMENT NO. 2236

GERTRUDE LEHRMANN, COUNTY CLERK
WASHINGTON COUNTY, TEXAS

BY Dale Bizer DEPUTY

Producers 88 (4/76) Revised
With 640 Acres Pooling Provision

POUND PRINTING AND STATIONARY CO.
2325 FANNIN HOUSTON, TX 77002 659 3159

2234 OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 17th day of June 1975 between Berry Lee Goldberg, as to his seperate property

Lessor (whether one or more), whose address is: R.R. #1 Burton, Texas 77835

and Shenandoah Oil Corporation, Lessee, WITNESSETH:

1. Lessor in consideration of --------------------Ten and no/100-------------------------- 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 Washington County, Texas, to-wit:

25.00 acres of land more or less out of the David Ayres League, Abstract No.10, Washington County, Texas and being the same land described in a deed dated May 28,1946, from H.E. siebel to John Goldberg, and recorded in Volume 149, page 10, Washington County Deed Records.
Also 50 acres of land more or less out of the David Ayres League, Abstract No.10, Washington, County, Texas and being the same land described in a deed from Marie Goldberg et al to John Goldberg dated November 25,1942, and recorded in Volume 142, page 188 Washington County Deed Records, to which reference is here made for all purposes pertinent.

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 75.00 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall be for a term of five 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 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 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 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 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 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 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 into 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 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 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 5 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 such 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 oil pooled unit 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 amounts, from that as to any other part of the leased premises.

5. If operations for drilling are not commenced on said land 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 Burton State Bank at Burton, Texas 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 ------------One hundred Fifty and no/100-- Dollars ($150.00), (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 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 has 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 is 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 or record a release or releases of this lease as to all or 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.

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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 dilling 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 obilgations 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, mortage 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.

12. The undersigned further authorizes Shenandoah Oil Corporation or any future holder of said Oil and Gas lease, to pay or tender any future rentals under said lease in accordance with the provisions thereof in the amounts set out below and to the respective parties named below, or to the credit of any party named below either to a depository bank as named in said lease, or to the respective depository set out below opposite such party's name, and all provisions reguarding any depository bank named in said lease shall also be applicable to the depository banks herein named, and payments or tenders so made will fully comply with the requirements of said lease as to the respective interest of the undersigned, each of whom certifies as to the amount set opposite his name only:

CREDIT TO	AMOUNT	DEPOSITORY
Berry Lee Goldberg	$150.00	Burton State Bank Burton Texas, 77835

A CERTIFIED COPY issued FEB 22 1994
Gertrude Lehrmann County Clerk
Washington County, TX. [signature] Deputy

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. The 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 to 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 such 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 rental payments for a period in excess of two years beyond the end of the primary term.

14. Lessee shall pay for all damage to roads, fences, improvements, and growing crops caused by its operations hereunder, and will fill and level all pits and mounds, remove all board roads and board road materials, level and fill all ruts, and restore the surface of the ground to as near its original conditions as is reasonably practical within a reasonable period of time after cessation of operations at each well location on the leased premises.

15. Reguardless of other provisions contained herein, it is understood that this lease covers Oil and Gas and minerals produced in conjunction therewith only.

A CERTIFIED COPY issued FEB 22 1994
Gertrude Lehrmann, County Clerk
Washington County, TX. MLS Deputy

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

Berry Lee Goldberg
Berry Lee Goldberg

STATE OF Texas

COUNTY OF Washington

INDIVIDUAL ACKNOWLEDGMENT

Before me, the undersigned authority, on this day personally appeared Berry Lee Goldberg known to me to be the person whose name is subscribed to the foregoing instument, and acknowledged to me that he executed the same as his free act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this 17th day of June, 1976.

My Commission Expires June 1, 1977

E. J. [illegible]
Notary Public in and for Washington County, State of Texas

STATE OF Texas

COUNTY OF Washington

HUSBAND AND WIFE ACKNOWLEDGMENT

Before me, the undersigned authority, on this day personally appeared ______ and ______ husband and wife, known to me to be the persons whose names are subscribed to the forgoing instrument, and acknowledged to me that they executed the same as their free act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this ______ day of ______, 19___.

My Commission Expires ______

Notary Public in and for ______ County, State of ______

FILED FOR RECORD ON THE 6 DAY OF July A.D. 1976, AT 9:15 O'CLOCK A M

DULY RECORDED THIS THE 7 DAY OF July A.D. 1976, AT 8:40 O'CLOCK A M

INSTRUMENT NO. 2234

GERTRUDE LEHRMANN, COUNTY CLERK
WASHINGTON COUNTY, TEXAS
BY Dale Bizer DEPUTY

CERTIFIED COPY CERTIFICATE
STATE OF TEXAS
COUNTY OF WASHINGTON
The above is a full, true, and correct photographic copy of the original record now in my lawful custody and possession as the same is recorded in Volume 346, Page 622-626 of the Official Records in my office. I hereby certify on

FEB 22 1994
GERTRUDE LEHRMANN
COUNTY CLERK
WASHINGTON COUNTY, TEXAS
By Mary L. Sklar
Mary L. Sklar Deputy

2-

Producers 88 (1-68)
With 640 Acres Pooling Provision

Pound Printing & Stationery Co., Houston, Texas

OIL, GAS AND MINERAL LEASE

27802

THIS AGREEMENT made this 2nd day of December 19 77, between

EDWIN FISCHER; BRIAN A. FISCHER; and HOWARD FISCHER

c/o Mr. Brian A. Fischer

lessor (whether one or more), whose address is: Burton, Texas 77835

and ROY L. KIPP, lessee, WITNESSETH:

1. Lessor, in consideration of ---------------TEN AND NO/100--------------- Dollars, receipt of which is hereby acknowledged, and of the covenants and agreements of lessee hereinafter contained, does hereby grant, lease and let unto lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil, gas, sulphur and all other minerals (whether or not similar to those mentioned), together with the right to make surveys on said land, lay pipe lines, establish and utilize facilities for surface or subsurface disposal of salt water, construct roads and bridges, dig canals, build tanks, power stations, telephone lines, employee houses and other structures on said land, necessary or useful in lessee's operations in exploring, drilling for, producing, treating, storing and transporting minerals produced from the land covered hereby or any other land adjacent thereto. The land covered hereby, herein called "said land," is located in the County of Washington, State of Texas, and is described as follows:

364.88 acres, more or less, out of the Thomas Ward Survey, Abstract No. 186, Washington County, Texas, and being the same land described in deeds dated September 22, 1949, recorded in Volume 161, Page 458, and Volume 224, Page 125, from A. H. Kuehn, et ux, and August Goldberg, to Alvin Fischer and Edwin Fischer, respectively in the Deed Records of Washington County, Texas

This lease also covers and includes, in addition to that above described, all land and interest in land contiguous or adjacent to or adjoining the land above described and (a) owned or claimed by lessor, or (b) which lessor has the right to include in this lease, or (c) 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 364.88 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 five (5) ~~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 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 fifty cents (50¢) 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 in this paragraph above specified, 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 the 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 85 surface acres; 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 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 Texas conservation agency having jurisdiction, presently the Railroad Commission. 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 from time to time, 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 from this lease all or any portion of said land, 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. 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. A unit may be so established, modified, or dissolved during the life of this lease, but in no event later than twenty (20) years after the date of this lease. 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 BURTON STATE Bank at BURTON, 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 $ 729.76, 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 the depository bank on or before the last date for payment. Said delay rental shall be apportionable as to said land on an acreage basis, and a failure to make proper payment or tender of delay rental as to any portion of said land or as to any interest therein shall not affect this lease as to any portion of said land or as to any interest therein as to which proper payment or tender is made. Any payment or tender which is made in an attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depository shall nevertheless be sufficient to prevent termination of this lease and to extend the time within which operations may be conducted in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof from lessor. Lessee may at any time and from time to time execute and deliver to lessor or file for record a release or releases of this lease as to any part or all of said land or of any mineral or horizon thereunder, and thereby be relieved of all obligations as to the released acreage or interest. If this lease is so released as to all minerals and horizons under a portion of said land, the delay rental and other payments computed in accordance therewith shall thereupon be reduced in the proportion that the acreage released bears to the acreage which was covered by this lease immediately prior to such release.

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Gertrude Lehrmann, County Clerk
Washington County, TX. [signature] Deputy

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 the 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. This lease does not cover or include coal and lignite, and such minerals are excepted from this lease and reserved to Lessor, their heirs and assigns; and it is understood and expressly provided that the term "other minerals" whenever or wherever used in this lease shall not refer to or include coal and lignite.

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

Edwin Fischer
Edwin Fischer

Brian A. Fischer
Brian A. Fischer

Howard Fischer
Howard Fischer

STATE OF TEXAS,
COUNTY OF Harris BEFORE ME, the undersigned authority, on this day personally appeared HOWARD FISCHER

known to me to be the person ____ whose name is subscribed to the foregoing instrument, and acknowledged to me that ____ he ____ executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this 15th day of December 19 77

Joan M. Fowlkes
Notary Public, Harris County, Texas.
JOAN M. FOWLKES

FEB 22 1994

A CERTIFIED COPY issued
Gertrude Lehrmann, County Clerk
Washington County, TX. mls Deputy

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

STATE OF Texas
COUNTY OF Washington } Before me, the undersigned authority, a Notary Public in and for said County and State, on this day personally appeared EDWIN FISCHER

known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office, this the 19th day of December, A. D. 1977

E J Muelhbrad
Notary Public in and for Washington County, Texas
E. J. Muelhbrad

STATE OF TEXAS
COUNTY OF Washington } Before me, the undersigned, a Notary Public in and for said County and State, on this day personally appeared is and BRIAN A. FISCHER he ~~husband and wife~~, known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that he/they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office, this the 19th day of December, A. D. 1977

E J Muelhbrad
Notary Public in and for Washington County, Texas
E. J. Muelhbrad

FILED FOR RECORD ON THE 19th DAY OF June A.D. 1978, AT 1:00 O'CLOCK P M
DULY RECORDED THIS THE 20th DAY OF June A.D. 1978, AT 12:20 O'CLOCK P M

GERTRUDE LEHRMANN, COUNTY CLERK
WASHINGTON COUNTY, TEXAS
BY [signature] DEPUTY

INSTRUMENT NO. 2702

CERTIFIED COPY CERTIFICATE
STATE OF TEXAS
COUNTY OF WASHINGTON
The above is a full, true, and correct photographic copy of the original record now in my lawful custody and possession as the same is recorded in Volume 366, Page 335-337 of the Official Records in my office. I hereby certify on

FEB 22 1994
GERTRUDE LEHRMANN
COUNTY CLERK
WASHINGTON COUNTY, TEXAS
By Mary L. Sklar
Mary L. Sklar Deputy

OIL AND GAS LEASE

6338

THIS LEASE AGREEMENT is made as of the 28th day of August, 19 93, between MONROE J. GOLDBERG, and wife, NORA LEE GOLDBERG
BERRY LEE GOLDBERG, and wife, DELORES GOLDBERG
Route 1, Burton, Texas 77835
, Lessor (whether one or more), and ARROW EXPLORATION COMPANY
3307 Northland Drive, Austin, Texas 78731
, as Lessee.

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

SEE EXHIBITS "A" AND "B" ATTACHED HERETO AND MADE A PART HEREOF

in the County of Washington, State of Texas, containing 63.97 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described land, this lease and the term "leased premises" also covers accretions and any small strips or parcels of land, or any vacancies or excess acreage, now or hereafter owned by Lessor, or which Lessor may have a preferential right to acquire, which are contiguous or adjacent to the above-described land, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. **Term of Lease.** This lease, which is a "paid up" lease without rentals, shall be in force for a primary term of ONE (1) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby (which will sometimes hereinafter be referred to as "leased substances") are produced from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. **No Rentals.** Lessor accepts the bonus as lump sum consideration for this lease and all rights and options hereunder, and this lease shall remain in force for the entire primary term without the payment of rentals and without regard to operations or production, if any.

4. **Royalty Payment.** Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil, and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be one-eighth of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, less a proportionate part of ad valorem taxes and production, severance or other taxes and the costs incurred by Lessee in delivering, treating or otherwise marketing such oil or other liquid hydrocarbons, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be one-eighth of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if after the primary term one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not sold by Lessee, then Lessee shall pay an aggregate shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the Burton State bank at Burton, Texas or its successors, which shall be Lessor's depository agent for receiving such payments regardless of changes in the ownership of the leased premises, and payment or tender to the depository, or to Lessor at Lessor's last known address, will be deemed properly and timely made if deposited in the U.S. mails on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained, no shut-in royalty shall be due while there are operations or production, as the case may be, on the leased premises or lands pooled therewith. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

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

6. **Pooling.** Lessee shall have the right but not the obligation to pool all or any part of the leased premises or any interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well (other than a horizontal completion) shall not exceed 40 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so or for the purpose of obtaining a greater allowable rate of production pursuant to any applicable law or regulation. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds one hundred feet. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations or the existence of a well capable of producing leased substances anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations or a well capable of producing leased substances on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net mineral acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern or acreage allowable formula prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. If the relative acreage contributions of the tracts in the unit are changed by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. If Lessee deems it advisable in order to promote further development of any part of a unit area, or if production from the unit has ceased, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. **Proportionate Reductions.** If Lessor owns less than the full mineral estate in all or any part of the leased premises, royalties and shut-in royalties for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full interest in the royalties in such part of the leased premises.

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

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

FEB 22 1994
A CERTIFIED COPY issued
Gertrude Lehrmann, County Clerk
Washington County, TX. MLS Deputy

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

11. Regulation and Delay. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells, and regulation of the price or transportation of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall remain in force during the continuance of such prevention or delay, and Lessee shall have 90 days after the removal of such prevention or delay within which to commence or resume drilling, reworking, production or other operations. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

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

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

14. Unitization. Lessee shall have the right but not the obligation to commit all or any part of the leased premises or interest therein to one or more unit plans or agreements for the cooperative development or operation of one or more oil and/or gas reservoirs or portions thereof, if in Lessee's judgment such plan or agreement will prevent waste and protect correlative rights, and if such plan or agreement is approved by the federal, state or local governmental authority having jurisdiction. When such a commitment is made, this lease shall be subject to the terms and conditions of the unit plan or agreement, including any formula prescribed therein for the allocation of production, and Lessor agrees to execute any such documents or agreements as Lessee may reasonably request in furtherance of such commitment.

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

LESSOR (WHETHER ONE OR MORE)

Monroe J. Goldberg [redacted]
MONROE J. GOLDBERG, S.S. #

Nora Lee Goldberg [redacted]
NORA LEE GOLDBERG, S.S.#

Berry Lee Goldberg [redacted]
BERRY LEE GOLDBERG, S.S. #

Delores Goldberg [redacted]
DELORES GOLDBERG, S.S. #

ACKNOWLEDGEMENTS

STATE OF TEXAS §
COUNTY OF WASHINGTON §

INDIVIDUAL

This instrument was acknowledged before me on September 13, 1993, by MONROE J. GOLDBERG, and wife, NORA LEE GOLDBERG

R.P. Motley

R.D. MOTLEY
Notary Public
STATE OF TEXAS
My Comm. Exp. 2-16-94

Notary Public State of TEXAS

Notary Public Printed or Typed Name

My commission expires:

STATE OF TEXAS §
COUNTY OF WASHINGTON §

INDIVIDUAL

This instrument was acknowledged before me on September 13, 1993, by BERRY LEE GOLDBERG, and wife, DELORES GOLDBERG

R.D. Motley

R.D. MOTLEY
Notary Public
STATE OF TEXAS
My Comm. Exp. 2-16-94

Notary Public State of TEXAS

Notary Public Printed or Typed Name

My commission expires:

STATE OF ______ §
COUNTY OF ______ §

MISCELLANEOUS

This instrument was acknowledged before me on ______, by ______ of ______

Notary Public State of ______

Notary Public Printed or Typed Name

My commission expires: ______

A CERTIFIED COPY issued FEB 22 1994
Gertrude Lehrmann, County Clerk
Washington County, TX MLD Deputy

EXHIBIT "A"

ATTACHED TO AND MADE PART OF THAT CERTAIN OIL, GAS AND MINERAL LEASE, DATED AUGUST 28, 1993, FROM **MONROE J. GOLDBERG**, and wife, **NORA LEE GOLDBERG; BERRY LEE GOLDBERG**, and wife, **DELORES GOLDBERG** AS LESSOR, TO **ARROW EXPLORATION COMPANY**, AS LESSEE.

Being two tracts of land located in Washington County, Texas, to-wit:

TRACT # 1: 75.0 acres of land more or less, a part of the David Ayres League, Abstract No. 10, Washington County, Texas and being the same land described in a deed dated June 7, 1971, from Lillie Goldberg and Berry Goldberg to Monroe J. Goldberg and wife, Nora Lee Goldberg, recorded in Volume 305, Page 548 and also being the same land described in a Deed dated May 3, 1969, from Lillie Goldberg and Berry Lee Goldberg to Monroe J. Goldberg and wife Nora Lee Goldberg, recorded in Volume 289, Page 493, Deed Records, Washington County, Texas, **LESS AND EXCEPT**, 40.23 acres of land within the U.S. Companies, Inc. Patsy lee No. 1 Unit, **ALSO, LESS AND EXCEPT**, 1.09 acres of land within the Hallmark Petroleum, Inc. Fischer No. 1 Unit.

TRACT #2: Being made up of two tracts:
25.0 acres of land more or less out of the David Ayres League, Abstract No. 10, Washington County, Texas and being the same land described in a Deed dated May 2, 1946, from H. E. Siebel to John Goldberg, and recorded in Volume 149, Page 10, Deed Records, Washington County, Texas, **LESS AND EXCEPT**, 4.94 acres of land which is within the Hallmark Petroleum, Inc. Fischer No. 1 Unit and

50.00 acres of land more or less out of the David Ayres league, Abstract No. 10, Washington County, Texas and being the same land described in a deed from Marie Goldberg et al to John Goldberg dated November 25, 1942 and recorded in Volume 142, Page 188, Deed Records, Washington County, Texas, **LESS AND EXCEPT**, 39.77 acres of land which is within the U.S. Companies Patsy Lee No. 1 Unit

SIGNED FOR IDENTIFICATION:

Monroe J Goldberg
Monroe J. Goldberg

Nora L. Goldberg
Nora L. Goldberg

Berry Lee Goldberg
Berry Lee Goldberg

Delores Goldberg
Delores Goldberg

EXHIBIT "B" TO THAT CERTAIN OIL AND GAS LEASE DATED AUGUST 28, 1993, BY AND BETWEEN MONROE J. GOLDBERG, ET AL, AS LESSOR, AND ARROW EXPLORATION COMPANY, AS LESSEE

15. Whenever the fraction one-eighth (1/8) occurs in paragraph four (4) in this printed form, the fraction one-sixth (1/6) is substituted therefor.

16. Lessee agrees to pay Lessor or tenants of Lessor for all damages or injury to cattle or other livestock, pasturage, crops, fences, terraces, water wells, the surface otherwise in whatever way damaged and all other property of Lessor or tenants 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 after completion or abandonment of any well drilled on the 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 practicable.

17. It is agreed and understood that Lessee aquires no rights to hunt or fish on the leased premises.

18. It is specifically understood and agreed that in the event Lessee elects to pool or unitize any part of the leased premises or interest therein with any other lands or interests, then Lessee shall include in such designated unit all of the leased premises. Provided however, in the event of a title defect or failure of title in or to any part of the leased premises as may be determined by Lessee, the provisions of this paragraph shall not apply to that portion of the leased premises subject to such defect or failure of title.

19. It is agreed and understood that Lessee acquires no rights to use water from the stock ponds located on the leased premises. Any water well drilled on the leased premises by Lessee may be retained by Lessor at his option, provided, however, Lessor shall pay Lessee the salvage cost of the casing in such well.

20. It is agreed and understood that no clearing of trees or brush shall be conducted on the leased premises without the written consent of the surface owners of said premises.

21. The foregoing typewritten agreement and provisions shall supersede and govern the provisions in the printed text of this lease wherever such printed form is in conflict and shall inure to the benefit of, and be binding upon the parties hereto and their respective heirs, representatives, successors and assigns.

SIGNED FOR IDENTIFICATION:

Monroe J. Goldberg
Monroe J. Goldberg

Nora Lee Goldberg
Nora Lee Goldberg

Berry Lee Goldberg
Berry Lee Goldberg

Delores Goldberg
Delores Goldberg

Exhibit "B"
Solo Page

FILED
AT 10:55 A M
NOV - 5 1993
Gertrude Lehrmann
GERTRUDE LEHRMANN
COUNTY CLERK, WASHINGTON COUNTY, TEXAS

STATE OF TEXAS
COUNTY OF WASHINGTON

I hereby certify that this instrument was FILED on the date and at the time affixed hereon by me and was duly RECORDED in the volume and page of the OFFICIAL RECORDS of Washington County, Texas, as stamped hereon by me on
NOV 10 1993
Gertrude Lehrmann
Gertrude Lehrmann, County Clerk
Washington County, Texas

101.95755 C
Adj. Cases

Unit # 2262

DO NOT DESTROY

GLO-36-10-84 -MEMO-

Operator Senora Resources Inc.

Unit Name HMK Fishcher Unit #1-H

County Washington

Effective Date 4-19-94

Unitized for: Oil___ Gas___ Oil & Gas X

1. M.F. No. 95755

Area H.R.O.W. Tr. 1

Sec.___ Blk.___ Survey DAVID AYERS & T.W. WARD

$\frac{2.28}{291.38}$ x 1/6 .1304 %

.007825 .166667 .001304

(TPF) (R.D.)

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: Highway Right-Of Way

1-20-00

1-24-00

lg

UNIT DESIGNATION

SENORA RESOURCES, INC. - HMK FISCHER UNIT NO. 1-H WELL

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

WHEREAS, BRIAN A. FISCHER, and wife, VIRGINIA FISCHER; MAMIE IMHOFF; LINDA SCHULTE, being one and the same person as LINDA J. FISCHER, LINDA JEAN FISCHER SCHULTE, LINDA FISCHER SCHULTE, and husband, ROGER SCHULTE; CATHERINE BLACKBURN, being one and the same person as CATHY FISCHER BLACKBURN, and husband, GILBERT BLACKBURN; HOWARD F. FISCHER, and wife, MARY FISCHER; DARRELL FISCHER, being one and the same person as DARRELL B. FISCHER, and DARRELL BRIAN FISCHER, and wife, ANDREA B. FISCHER; DAVID FISCHER, and wife, FAIQA FISCHER; STATE OF TEXAS; BERRY LEE GOLDBERG, and wife, DELORES GOLDBERG; MONROE J. GOLDBERG, and wife, NORA LEE GOLDBERG; CHESTER C. MERTEN, and wife, LORNA SOMERS MERTEN, being one and the same person as LORNA S. MERTEN; HARVEY H. MERTEN, and wife, FLOYA ANN MERTEN; (hereinafter collectively called "Lessors"), are the Lessors or the successors in title to the Oil, Gas and Mineral Leases (hereinafter collectively called "Leases"), described on Exhibit "A", attached hereto and made a part hereof insofar as the Leases cover the land described on Exhibit "B", attached hereto and as depicted on the Plat attached as Exhibit "C"; and;

Whereas, SENORA RESOURCES, INC.; JERRAL W. JONES; HOMER L. LAWSON; WESTLAND OIL DEVELOPMENT CORPORATION; THE PROSPECTIVE INVESTMENT AND TRADING COMPANY, LTD; ANCHOR EXPLORATION COMPANY; TEXAS OLEFINS COMPANY; LEO MANDRAKOS; RICHARD KAPLIN, EXECUTOR OF THE ESTATE OF SIDNEY ELLIS, DECEASED; DONALD F. DESCENZA; DAVID M. KNOTT; and FRANK H. MURRAY (hereinafter collectively called "Lessee") are the owners of the oil, gas and mineral leases (hereinafter collectively called "Leases"), described on Exhibit "A" attached hereto and made a part hereof insofar as the Leases cover the land described on Exhibit "B" and attached hereto and as depicted on the Plat attached as "Exhibit "C"; and;

Whereas, pursuant to the rights and powers granted in said Leases, Lessee desires to establish a pooled unit for the production of oil, and/or gas and all associated or related hydrocarbons, consisting of said Leases described in Exhibit "A", insofar as said Leases cover 291.38 acres of land described on Exhibit "B", and shown on a Plat attached as Exhibit "C", insofar as said Leases cover the Austin Chalk Formation, encountered at an approximate depth between nine thousand, eight hundred fifty feet (9850') and ten thousand, three hundred fifty feet (10,350') below the surface of the earth, as encountered on the electrical log survey of the borehole of the U S Resources - HMK Fischer #1, located in the Thomas W. Ward Survey, Abstract 186, Washington County, Texas; and,

WHEREAS, it is the desire of the LESSORS hereto to adopt, ratify and confirm said Leases and said Unit Designation;

NOW, THEREFORE, pursuant to the terms and provisions of said Leases, LESSEE do hereby designate a pooled unit for the production of oil and/or gas and all associated or related hydrocarbons consisting of the Leases described on Exhibit "A" insofar as said Leases cover 291.38 acres of land described on Exhibit "B", and shown on a Plat attached as Exhibit "C", insofar as said Leases cover the Austin Chalk Formation, encountered at an approximate depth between nine thousand, eight hundred fifty feet (9850') and ten thousand, three hundred fifty feet (10,350') below the surface of the earth, as encountered on the electrical log survey of the borehole of the U S Resources - HMK Fischer #1, located in the Thomas W. Ward Survey, Abstract 186, Washington County, Texas, and;

LESSORS, do hereby ADOPT, RATIFY and CONFIRM said Leases, described in Exhibit "A", in all of their terms and provisions, and do hereby lease, grant, demise and let said land and premises unto the said SENORA RESOURCES, INC. And Lessors do hereby agree and declare that the said Leases in all of their terms and provisions are binding on Lessors and are valid and subsisting Oil, Gas and Mineral Leases. LESSORS, do further hereby ADOPT, RATIFY and CONFIRM this UNIT DESIGNATION, in all of its terms and provisions, and do hereby agree and declare that this Unit Designation is binding on Lessors and is a valid UNIT DESIGNATION.

The Leases and all royalty interests, overriding royalty interests and other interest in production thereunder insofar as they respectively cover or apply to the land described on Exhibit "B" hereof and depths described above are hereby pooled and combined to form a unit consisting of 291.38 acres of land to be known as "SENORA RESOURCES, INC. - HMK FISCHER UNIT NO. 1-H WELL".

The pooled unit hereby designated is effective as of date hereof and shall remain in effect for a term of one hundred twenty (120) days and for as long thereafter as oil, and/or gas and all associated hydrocarbons or related hydrocarbons, are produced from said unit or as long as drilling or reworking operations are conducted on any well located thereon, with no cessation of more than ninety (90) consecutive days, and if any such operations result in the production of oil and/or gas, and all associated or related hydrocarbons, for so long thereafter as oil and/or gas, and all associated or related hydrocarbons are produced, or drilling or reworking operations for the restoration of production are again commenced within ninety (90) days from the cessation of production in accordance with the provisions of the oil, gas and mineral leases pooled hereby and the terms hereof.

Lessee reserves the continuing right to amend, correct or alter this instrument and the Unit hereby created, including the right to amend Exhibit "A" to add additional leases covering land included within the land described on Exhibit "B" hereof to the extent permitted by the authority granted in the Leases covering the pooled or unitized area. Any such amendment shall be in writing, executed by Lessee, or its successors in interest or title, and filed for record in the office of the County Clerk of Washington County, Texas.

This Unit Designation may be executed in multiple counterparts, each of which shall be deemed an original, and the execution by any part of a counterpart of the execution page, separated from the Unit Designation itself, shall be deemed to constitute execution of the Unit Designation with exactly the same effect as if that page had been attached to the Unit Designation when executed. James D. Dobos, II, has authority to combine any one or more counterparts of the Unit Designation into a single instrument by attaching the several signature pages from separate counterparts to a single instrument.

This Unit Designation does hereby amend and modify as herein provided, the Hallmark Petroleum, Inc. - HMK Fischer Unit #1 as described in the Amend Unit Designation dated, January 27, 1981 in Volume 409, Page 620, Deed Records, Washington County, Texas.

The Lessors, do hereby consent to the amendment and modification of the Hallmark Petroleum, Inc. - HMK Fischer Unit #1 as herein provided.

EFFECTIVE for all purposes as of the 1st. day of April, 1994.

BRIAN A. FISCHER	VIRGINIA FISCHER
LINDA SCHULTE	ROGER SCHULTE
CATHERINE BLACKBURN	GILBERT BLACKBURN
HOWARD F. FISCHER	MARY FISCHER
DARRELL FISCHER	ANDREA B. FISCHER
	MAMIE IMHOFF
DAVID FISCHER	FAIQA FISCHER
BERRY LEE GOLDBERG	DELORES GOLDBERG
MONROE J. GOLDBERG	NORA LEE GOLDBERG
CHESTER C. MERTEN	LORNA SOMERS MERTEN
HARVEY H. MERTEN	FLOYA ANN MERTEN

STATE OF TEXAS	SENORA RESOURCES, INC.
BY: DREW REID, Agent	BY: JAMES D. DOBOS, II, President
JERRAL W. JONES	HOMER L. LAWSON
WESTLAND OIL DEVELOPMENT CORPORATION	THE PROSPECTIVE INVESTMENT AND TRADING COMPANY, LTD.
By: Title:	By: BRUCE D. LOCKE Title: President

ANCHOR EXPLORATION COMPANY

By: BRUCE D. LOCKE, PRESIDENT

TEXAS OLEFINS COMPANY

By: JOHN T. SHELTON, Executive Vice President

LEO MANDRAKOS

RICHARD KAPLIN, Executor of the ESTATE OF SIDNEY ELLIS, DEC'D

DONALD F. DESCENZA

DAVID M. KNOTT

FRANK H. MURRAY

STATE OF TEXAS)

COUNTY OF WASHINGTON)

THIS instrument was acknowledged before me on this _____ day of March, 1994, by BRIAN A. FISCHER.

Notary Public in and for the State of Texas

STATE OF TEXAS)

COUNTY OF WASHINGTON)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by VIRGINIA FISCHER.

Notary Public in and for the State of Texas

STATE OF TEXAS)

COUNTY OF WASHINGTON)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by MAMIE IMHOFF.

Notary Public in and for the State of Texas

STATE OF TEXAS)

COUNTY OF WASHINGTON)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by LINDA SCHULTE.

Notary Public in and for the
State of Texas

STATE OF TEXAS)

COUNTY OF WASHINGTON)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by ROGER SCHULTE.

Notary Public in and for the
State of Texas

STATE OF TEXAS)

COUNTY OF WASHINGTON)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by CATHERINE BLACKBURN.

Notary Public in and for the
State of Texas

STATE OF TEXAS)

COUNTY OF WASHINGTON)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by GILBERT BLACKBURN.

Notary Public in and for the
State of Texas

STATE OF TEXAS)

COUNTY OF WASHINGTON)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by HOWARD F. FISCHER.

Notary Public in and for the
State of Texas

STATE OF TEXAS)

COUNTY OF WASHINGTON)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by MARY FISCHER.

Notary Public in and for the
State of Texas

STATE OF TEXAS)

COUNTY OF WASHINGTON)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by DARRELL FISCHER.

Notary Public in and for the
State of Texas

STATE OF TEXAS)

COUNTY OF WASHINGTON)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by ANDREA B. FISCHER.

Notary Public in and for the
State of Texas

STATE OF TEXAS)

COUNTY OF WASHINGTON)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by DAVID FISCHER.

Notary Public in and for the
State of Texas

STATE OF TEXAS)

COUNTY OF WASHINGTON)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by FAIQA FISCHER.

Notary Public in and for the
State of Texas

STATE OF TEXAS)

COUNTY OF WASHINGTON)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by BERRY LEE GOLDBERG.

Notary Public in and for the State of Texas

STATE OF TEXAS)

COUNTY OF WASHINGTON)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by DELORES GOLDBERG.

Notary Public in and for the State of Texas

STATE OF TEXAS)

COUNTY OF WASHINGTON)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by MONROE J. GOLDBERG.

Notary Public in and for the State of Texas

STATE OF TEXAS)

COUNTY OF WASHINGTON)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by NORA LEE GOLDBERG.

Notary Public in and for the State of Texas

STATE OF TEXAS)

COUNTY OF WASHINGTON)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by CHESTER C. MERTEN.

Notary Public in and for the State of Texas

STATE OF TEXAS)

COUNTY OF WASHINGTON)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by LORNA SOMERS MERTEN, being one and the same person as LORNA S. MERTEN.

____
Notary Public in and for the
State of Texas

STATE OF TEXAS)

COUNTY OF WASHINGTON)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by HARVEY H. MERTEN.

____
Notary Public in and for the
State of Texas

STATE OF TEXAS)

COUNTY OF WASHINGTON)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by FLOYA ANN MERTEN.

____
Notary Public in and for the
State of Texas

STATE OF TEXAS)

COUNTY OF LEE)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by JAMES D. DOBOS, II, President of SENORA RESOURCES, INC., a Texas corporation, on behalf of said corporation.

____
Notary Public in and for the
State of Texas

STATE OF TEXAS)

COUNTY OF ____________)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by JERRAL W. JONES.

____
Notary Public in and for the
State of Texas

STATE OF OKLAHOMA)

COUNTY OF __________)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by HOMER L. LAWSON.

____
Notary Public in and for the
State of Oklahoma

STATE OF TEXAS)

COUNTY OF MONTGOMERY)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by ________________________, _______________ of WESTLAND OIL DEVELOPMENT CORPORATION, a _________ corporation, on behalf of said corporation.

____
Notary Public in and for the
State of Texas

STATE OF OKLAHOMA)

COUNTY OF _____________)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by BRUCE D. LOCKE, President of THE PROSPECTIVE INVESTMENT AND TRADING COMPANY, INC., a _____________ corporation, on behalf of said corporation.

____
Notary Public in and for the
State of Oklahoma

STATE OF OKLAHOMA)

COUNTY OF ____________)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by BRUCE D. LOCKE, President of ANCHOR EXPLORATION COMPANY, a _____________ corporation, on behalf of said corporation.

____
Notary Public in and for the
State of Oklahoma

STATE OF TEXAS)

COUNTY OF HARRIS)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by JOHN T. SHELTON, Executive Vice President of TEXAS OLEFINS COMPANY, a Texas corporation, on behalf of said corporation.

____
Notary Public in and for the
State of Texas

STATE OF NEW YORK)

COUNTY OF ______________)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by LEO MANDRAKOS.

____
Notary Public in and for the
State of New York

STATE OF MASSACHUSETTS)

COUNTY OF ___________)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by RICHARD KAPLIN, Executor of the Estate of SIDNEY ELLIS, Deceased.

____
Notary Public in and for the
State of Massachusetts

STATE OF CONNECTICUT)

COUNTY OF ______________)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by DONALD F. DESCENZA.

____
Notary Public in and for the
State of Connecticut

STATE OF NEW YORK)

COUNTY OF ______________)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by DAVID M. KNOTT.

____
Notary Public in and for the
State of New York

STATE OF NEW YORK)

COUNTY OF ______________)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by FRANK H. MURRAY.

____
Notary Public in and for the
State of New York

STATE OF TEXAS)

COUNTY OF ______________)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by ______________________________.

____
Notary Public in and for the
State of Texas

STATE OF TEXAS)

COUNTY OF ______________)

THIS instrument was acknowledged before me on this ___ day of March, 1994, by ______________________________.

____
Notary Public in and for the
State of Texas

EXHIBIT "A"

THE OIL, GAS AND MINERAL LEASES

1. Oil and Gas Lease, dated June 17, 1976, between ERNA MERTEN, as Lessor, to SHENANDOAH OIL CORPORATION, recorded in Volume 346, Page 601 of the Deed Records of Washington County, Texas.

2. Oil and Gas Lease, dated June 17, 1976, between BERRY LEE GOLDBERG, as Lessor, to SHENANDOAH OIL CORPORATION, recorded in Volume 346, Page 622 of the Deed Records of Washington County, Texas.

3. Oil and Gas Lease, dated June 17, 1976, between MONROE J. GOLDBERG, et ux, NORE LEE GOLDBERG as Lessors, to SHENANDOAH OIL CORPORATION, as Lessee, recorded in Volume 346, Page 634 of the Deed Records of Washington County, Texas.

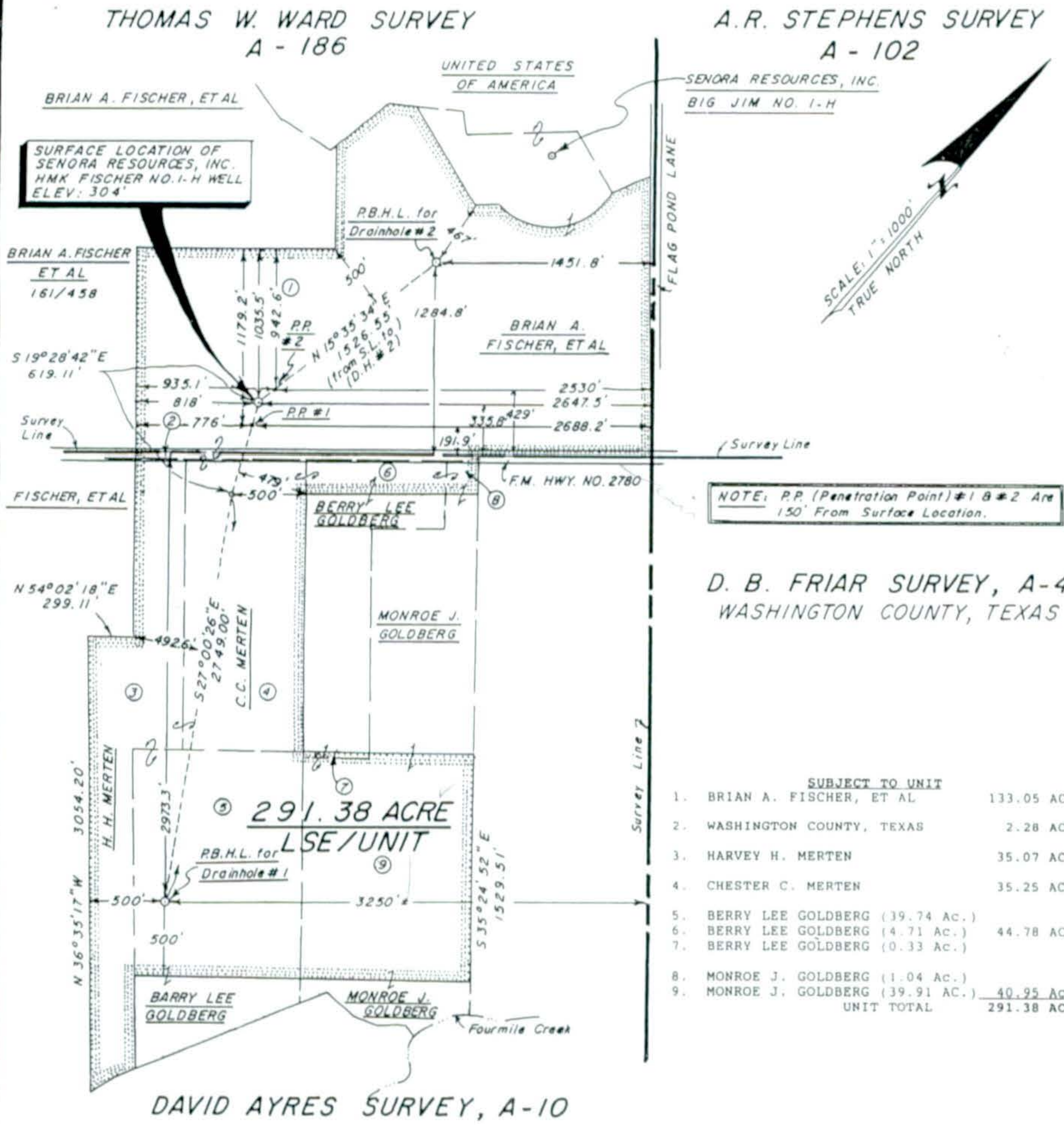
4. Oil, Gas and Mineral Lease, dated December 2, 1977, between EDWIN FISCHER; BRIAN A. FISCHER and HOWARD FISCHER as Lessors to ROY L. KIPP, as Lessee, and recorded in Volume 366,Page 335 of the Official Records, Washington County, Texas. Correction of Description of Oil, Gas and Mineral Lease, dated January 5, 1982, executed by Hallmark Petroleum, Inc. to the Public and recorded in Volume 429, Page 579 of the Deed Records, Washington County, Texas.

5. Oil and Gas Lease, dated April 14, 1980, between JOHN M. SUMMER, ROBERT E. GASKAMP, LEROY SCHROEDER and WELDON MATTHIES, in their capacity as Commissioners of WASHINGTON COUNTY, TEXAS and GUS F. MUTSCHER, as County Judge of Washington County, Texas, as Lessors, to U. S. COMPANIES, INC., as Lessee, recorded in Volume 392, Page 47 of the Deed Records of Washington County, Texas.

6. Oil, Gas and Mineral Lease, dated August 3, 1993, executed by MONROE J. GOLDBERG, and wife, NORA LEE GOLDBERG, BERRY LEE GOLDBERG, and wife, DELORES GOLDBERG, as Lessors to SENORA RESOURCES, INC., as Lessee, and recorded in Volume 708, Page 760 of the Official Records, Washington County, Texas.

7. Oil, Gas and Mineral Lease, dated August 3, 1993, executed by CHESTER C. MERTEN and wife, LORNA SOMERS MERTEN, HARVEY H. MERTEN and wife, FLOYA ANN MERTEN, as Lessors to SENORA RESOURCES, INC., as Lessee, and recorded in Volume 708, Page 765 of the Official Records, Washington County, Texas.

EXHIBIT "C"



SUBJECT TO UNIT

1.	BRIAN A. FISCHER, ET AL	133.05 AC.
2.	WASHINGTON COUNTY, TEXAS	2.28 AC.
3.	HARVEY H. MERTEN	35.07 AC.
4.	CHESTER C. MERTEN	35.25 AC.
5.	BERRY LEE GOLDBERG (39.74 Ac.)	
6.	BERRY LEE GOLDBERG (4.71 Ac.)	44.78 AC.
7.	BERRY LEE GOLDBERG (0.33 Ac.)	
8.	MONROE J. GOLDBERG (1.04 Ac.)	
9.	MONROE J. GOLDBERG (39.91 AC.)	40.95 AC.
	UNIT TOTAL	291.38 ACRES

SENORA RESOURCES, INC.
HMK FISCHER NO. 1-H WELL
Horizontal Drilling
WASHINGTON COUNTY, TEXAS

Senora Resources, Inc.-HMK FISCHER NO. 1-H WELL location is 6-1/2 miles northwest of Burton, Texas.

SURFACE LOCATION is 818 feet from a southwest line and 1035.5 feet from a northwest line of the lease/unit and 335.8 feet from the southeast line and 2,647.5 feet from the northeast line of the THOMAS W. WARD SURVEY, A-186, Washington County, Texas.

PROPOSED B.H.L.-DRAINHOLE NO. 1 is 500 feet from a southeast line and 500 feet from a southwest line of the unit/lease and 3,250 feet± from the northeast line and 2,973.3 feet from the northwest line of the DAVID AYERS SURVEY, A-10, Washington County, Texas.

PROPOSED B.H.L. DRAINHOLE NO. 2 is 467 feet from a north line and 467.8 feet from an east line of the lease/unit and 1,284.8 feet from the southeast line and 1,451.8 feet from the northeast line of the THOMAS W. WARD SURVEY, A-186, Washington County, Texas.

All bearings are based on true north obtained by solar observation.

Donald W. Lampe
Registered Professional Land Surveyor
202 E. Lubbock St. • P.O. Box 2037
Brenham, Texas 77833
409-836-6677 Fax 409-836-1177

THE STATE OF TEXAS

COUNTY OF WASHINGTON

I, Donald W. Lampe, Registered Professional Land Surveyor No. 1732 of the State of Texas, do hereby certify that this plat accurately shows the surface location of the Senora Resources, Inc.-HMK FISCHER NO. 1-H WELL as located on the ground during the month of December, 1993.

STATE OF TEXAS REGISTERED DONALD W. LAMPE 1732 PROFESSIONAL LAND SURVEYOR

Dated this the 2nd day of March, 1994.

Donald W. Lampe
R.P.L.S. No. 1732

DONALD W. LAMPE
Registered Professional Land Surveyor
202 E. Lubbock St. * P.O. Box 2037
Brenham, Texas 77833
409-836-6677 Fax 409-836-1177

SENORA RESOURCES, INC.
HMK FISCHER NO.1-H
291.38 Acre Unit
WASHINGTON COUNTY, TEXAS

Being 291.38 Acres of land, lying and being situated in Washington County, Texas, part of the Thomas W. Ward Survey, A-186 and part of the David Ayers Survey, A-10, being 35.07 acres of the same land described as 34.96 acres in a deed from Chester C. Merten, et ux to Harvey H. Merten, et ux, dated May 3, 1980, recorded in Volume 392, Page 810, Deed Records of Washington County, Texas, being 35.25 acres of the same land described as 34.96 acres in a deed from Harvey H. Merten, et ux to Chester C. Merten, et ux, dated May 3, 1980, recorded in Volume 392, Page 804, Deed Records of Washington County, Texas, being 39.74 acres of the same land described as Tract No. 2 and called 50 acres in a deed from Lillie Goldberg, et al to Berry Lee Goldberg, dated June 7, 1971, recorded in Volume 305, Page 551, Deed Records of Washington County, Texas, being 39.91 acres of the same land described as 100 acres (Less 25 acres and 5 acres) in a deed from Lillie Goldberg, et al to Monroe J. Goldberg, et ux, dated June 7, 1971, recorded in Volume 305, Page 548, Deed Records of Washington County, Texas, being 1.04 acres of the same land described as 5.00 acres in a deed from Lillie Goldberg to Monroe J. Goldberg, et ux, dated May 3, 1969, recorded in Volume 289, Page 493, Deed Records of Washington County, Texas, being 5.04 acres of the same land described as Tract No. 1 and called 25.00 acres in a deed from Lillie Goldberg, et al to Berry Lee Goldberg, dated June 7, 1971, recorded in Volume 305, Page 551, Deed Records of Washington County, Texas, being 2.28 acres of the same land described as 11.09 acres in a deed to Washington County, Texas, dated July 9, 1908, recorded in Volume 54, Page 6, Deed Records of Washington County, Texas, and being 133.05 acres of the same land described as Tract 1 (79.40 acres) and as Tract 2 (425 acres) in a deed from A. H. Kuehn, et ux to Alvin Fischer, et al, dated September 22, 1949, recorded in Volume 161, Page 458, Deed Records of Washington County, Texas, and being more fully described as follows, to-wit:

BEGINNING at a 1-1/4" iron pipe found at a fence corner post for the south corner hereof and of said Harvey H. Merten tract described as 34.96 acres (392/810 D. R. W. Co., Tx.);

THENCE along the lower southwest line of said Merten tract, N 36° 35′ 17" W 3054.20 feet to a 1/2" iron rod found at a fence corner for an exterior corner of said Merten tract;

THENCE, as fenced, N 54° 02′ 18" E 299.11 feet to a 1" iron pipe found at a fence corner for an interior corner of said Merten tract, and N 35° 44′ 28" W 1151.90 feet to a 1/2" iron rod found on the southeast margin of F. M. Highway No. 2780;

THENCE, N 35° 45′ 39" W, at 14.31 feet pass the south corner of the 2.28 acres of said Washington County, Texas tract included herein, at 40.00 feet more pass the west corner of same and cross the southeast line of said Thomas W. Ward Survey, A-186, common with the northwest line of the David Ayres Survey, A-10, and at a total distance of 1423.18 feet to a western exterior corner hereof and of the HMK Fischer No. 1 unit tract (469/705);

THENCE, N 53° 51′ 48" E 1316.51 feet to an interior corner hereof and of said unit tract, and N 35° 45′ 39" W 682.90 feet to a western exterior corner of said unit on an east line of the United States of America tract described as 215 acres (254/550) and on an east line of the Senora Resources, Inc. 228 acre Big Jim No. 1 Unit tract;

THENCE along east and southeast lines of said U. S. A. tract, N 14° 18′ 30″ E 452.70 feet to a concrete government marker found, and N 59° 19′ 09″ E 194.35 feet to corner on a southeast line of said U. S. A. tract for an exterior corner hereof and for an interior corner of said Senora-Big Jim No. 1 unit tract;

THENCE, as follows: S 68° 07′ 19″ E 775.71 feet, N 51° 00′ 00″ E 150.00 feet, and due EAST 100.00 feet to the beginning of a curve to the left through a central angle of 95° 30′ 05″ , having a radius of 468.12 feet, a chord of N 42° 14′ 58″ E 693.03 feet, for an arc distance of 780.27 feet to a concrete government marker found at a fence corner at the end of said curve for a southern exterior corner of said 215 acre U. S. A. tract, and for an interior corner of said Big Jim No. 1 Unit tract;

THENCE along a southeast line of said 215 acre tract, N 32° 38′ 03″ E 279.03 feet to a concrete government marker found at a fence corner on the southwest margin of Flag Pond Road for the east corner of said 215 acre tract and of said Big Jim No. 1 Unit tract, being the north corner of that certain 160.00 acre HMK Fischer No. 1 Unit tract (469/705), and the north corner hereof;

THENCE along the northeast lines of said 160.00 acre tract, S 36° 11′ 36″ E 985.96 feet to a concrete monument found, and S 36° 58′ 13″ E 881.41 feet to corner for the most northerly east corner of said 160.00 acre tract;

THENCE, S 53° 51′ 48″ W 1155.98 feet to a re-entrant corner of said 160.00 acre tract;

THENCE, S 35° 24′ 52″ E 245.19 feet to the most southerly east corner of said 160.00 acre unit tract;

THENCE along the lower southeast line of said 160.00 acre unit tract, S 53° 51′ 48″ W 1164.89 feet to corner on said line at its intersection with the southwest line of said Berry Lee Goldberg 25.00 acre tract, common with the northeast line of said Chester C. Merten tract;

THENCE along the common line of said Goldberg and Merten tracts, S 35° 53′ 23″ E 1699.41 feet to an interior corner hereof on the northwest line of the Patsy Lee Unit No. 1 tract (394/821);

THENCE along said northwest line and severing said original 25.00 acre tract and said original Monroe J. Goldberg tract (305/548), N 54° 46′ 42″ E, at 450.27 feet pass the common line of said Berry Lee Goldberg and Monroe J. Goldberg tracts, and at a total distance of 1150.70 feet to corner on the northeast line of said Monroe J. Goldberg tract for the north corner of said Patsy Lee Unit No. 1 tract;

THENCE along the northeast line of said Monroe J. Goldberg tract, S 35° 24′ 52″ E 1529.51 feet to the east corner of said Patsy Lee Unit No. 1 tract;

THENCE along the southeast line of said Patsy Lee Unit No. 1 tract, severing said Monroe J. Goldberg tract and said Berry Lee Goldberg 50 acre tract, S 54° 46′ 42″ W 2257.66 feet to the south corner of said Patsy Lee Unit No. 1 tract on the southwest line of said 50 acre tract, common with the northeast line of said Harvey H. Merten tract;

SENORA RESOURCES, INC.
HMK FISCHER UNIT NO. 1-H
DESCRIPTION CONTINUED

THENCE along the common line of said 50 acre Goldberg tract and of said Harvey H. Merten tract, S 36° 57′ 09" E 621.36 feet to a 30" Tree fence corner at the south corner of said original 50 acre tract and the lower east corner of said H. Merten tract;

THENCE, S 30° 30′ 54" W 165.97 feet to a fence angle, and S 19° 38′ 42" W 180.33 feet to the PLACE OF BEGINNING and containing 291.38 ACRES of land.

Bearings are based on True North obtained by solar observation.

Prepared under my direction and certified to be true and correct the best of my knowledge and belief.

Dated this the 4th day of March, 1994.

Donald W. Lampe
R.P.L.S. No. 1732

STATE OF TEXAS
REGISTERED
DONALD W. LAMPE
1732
PROFESSIONAL
LAND SURVEYOR

M.95755 7

unit des.

Texas General Land Office
Garry Mauro, Commissioner

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701-1495
(512) 463-5001

August 31, 1994

Senora Resources, Inc.
P. O. Box 190
Dime Box, Texas 77853-0190

Re: Mineral File No. M-95755
HMK Fishcher Unit #1-H
Washington County

Dear Sir or Madam:

We have received the division order submitted by your company for the above referenced lease and filed same in our files. Please be sure to reference this mineral file number in all future royalty payments, reports and correspondence concerning the lease.

The payment of royalties to the State of Texas is set by statute. As the execution of the division order may, in some cases, effect the payments of such royalties, it is not the policy of this office to execute them. Insofar as allowed by law, the Texas General Land Office acquiesces in the sale of oil and gas under the terms and conditions set out in the lease.

If you should have any questions, please feel free to call me at (512) 475-1462.

Sincerely,

Lillie Gamble

Lillie Gamble
Accounts Examiner
Royalty and Revenue Processing
Energy Resources

LG:mrg

Enclosures

ORIGINAL

SENORA RESOURCES, INC.

DIVISION ORDER

TO: SENORA RESOURCES, INC.
P. O. BOX 190
DIME BOX, TX 77853

KM. 95755 2.28 AC

AUGUST 23, 1994

Each of the undersigned certifies and guarantees that he is the legal owner of, and hereby warrants title to, his respective interest as set out below with respect to the oil and gas produced and saved from the **SENORA RESOURCES, INC. HMK FISCHER 1-H** Lease, located in Washington County, Texas, described as:

291.38 ACRES OF LAND, MORE OR LESS, OUT OF THE THOMAS W. WARD SURVEY, A-186, AND THE DAVID AYRES SURVEY, A-10, WASHINGTON COUNTY, TEXAS, AS MORE PARTICULARLY DESCRIBED IN THAT CERTAIN AMENDMENT TO UNIT DESIGNATION, SENORA RESOURCES, INC. - HMK FISCHER NO. 1-H WELL, DATED JULY 19, 1994, AND FILED OF RECORD IN VOLUME 742, PAGE 869, OFFICIAL RECORDS OF WASHINGTON COUNTY, TEXAS.

Effective as of JULY 1, 1994, and until further written notice, you are authorized and directed, subject to all the subsequent provisions hereof, to give credit as follows for such production, and compliance herewith shall relieve you of any further liability to the undersigned with respect to such production:

CREDIT TO:	DIVISION OF INTEREST
*STATE OF TEXAS	0.0013041390

FIRST: Settlement for the aforesaid interests shall be made on the basis of the net proceeds derived from your sale of such production at the well and upon the volume computations made by the purchaser thereof; provided however, in the event at any time, or from time to time, you run such production of any portion thereof in lieu of selling same at the well, then settlement therefore for such period or periods shall be on the basis of the then current market value at the well of the production so run.

SECOND: Payments are to be made monthly by your checks delivered or mailed to the parties thereto entitled at the addresses above given. If at any settlement date the amount payable to any party hereunder shall be less than Fifty Dollars ($50.00), you may defer such payment and make payment when the amount has accumulated to Fifty Dollars ($50.00), but in any event at not less than annual intervals.

THIRD: In case of any adverse claim of title as to any interest or interests covered hereby, each of the undersigned affected authorizes you to defer payment, without obligation to pay interest on the amount so deferred, until such adverse claim is finally determined.

FOURTH: No transfer of an interest of any nature or change in the right to received payments, however accomplished, shall be effective as to you until 7:00 a.m. the first day of the calendar month in which you are furnished proper division or transfer order and proof satisfactory to you of such transfer or change, and you hereby are released from any and all liability for payments made prior thereto pursuant to this instrument.

FIFTH: If all or any part of the above described property is included in a pooled unit hereafter, then as to each undersigned party who has agreed to or is bound by such unit, this division order shall cover and be applicable to the unitized minerals which, in accordance with the terms of the instrument or instruments pursuant to which such unit has been established, are allocated to the above described property, and payment hereunder to such undersigned party shall be computed on such allocated minerals in accordance with the interest credited to such party herein.

SIXTH: This division order shall become valid and binding on each and every owner above named as soon as signed by such owner regardless of whether or not all of the above named owners have so signed.

IN ACCORDANCE WITH FEDERAL LAW, PLEASE INDICATE YOUR
SOCIAL SECURITY OR IDENTIFICATION NUMBER BELOW:

Witnesses' Signatures and Addresses:	Owner's Signatures, Addresses and SS#:
______________________	______________________
______________________	______________________
______________________	______________________
______________________	______________________
______________________	______________________
______________________	______________________

BE SURE YOUR SIGNATURE IS WITNESSED AND YOUR CORRECT ADRESS SHOWN.

M-95755

D.O. +LHR

8.31.54

8

Texas General
Land Office

David Dewhurst
Commissioner

February 22, 1999

Northridge Energy Marketing Corp.
16945 Northchase Drive Suite 1200
Houston, Tx. 77060
Attn: Division Order Department

Re: Mineral File No. M- 095755
Property No. TXSR1010

Dear Ms. Smith :

We have received the division order submitted by your company for the above referenced lease and filed same in our files. Please be sure to reference this mineral file number in all future royalty payments, reports and correspondence concerning the lease.

The payment of royalties to the State of Texas is set by statute. As the execution of the division order may, in some cases, effect the payments of such royalties, it is not the policy of this office to execute them. Insofar as allowed by law, the Texas General Land Office acquiesces in the sale of oil and gas under the terms and conditions set out in the lease.

If you should have any questions, please feel free to call me at (512) 475-1527.

Sincerely,

E. Moore by [illegible]

Eugene H. Moore,Jr.
Accounts Examiner

DD/gm

Stephen F. Austin Building
1700 North
Congress Avenue
Austin, Texas
78701-1495
512-463-5001

m-95755

NORTHRIDGE

NORTHRIDGE ENERGY MARKETING CORP.

Four Greenspoint Plaza, Suite 1200
16945 Northchase Drive
Houston, Texas 77060

Telephone: (281) 539-4500
Fax: (281) 539-4550

TransCanada

February 9, 1999

TO ALL INTEREST OWNERS

Re: TXSRI010 – HMK Fischer
Washington County, Texas

Dear Interest Owner:

Northridge Energy Marketing has recently arranged to purchase production from the above referenced lease(s).

In view of the above, we have enclosed our Division Order, in duplicate, covering the above lease(s), effective January 1, 1999, which if you find satisfactory should be executed by you. Please execute the attached Oil Division Order in the presence of two witnesses. In the spaces provided, insert your social security/tax identification number, as well as, the mailing address you would like your check mailed to. When complete, return the original to my attention and keep the extra copy for your files. Upon receipt, I will place your interest in line for payment.

If you no longer claim the interest credited to you, please furnish us with the name and address of the party presently claiming the interest.

If you have any questions, feel free to give me a call at 281-774-5644.

Very truly yours,

Beverly Smith

Beverly Smith
Division Order Analyst

/bs
Enclosures

OIL DIVISION ORDER

02/06/99

NORTHRIDGE ENERGY MARKETING CORP.
16945 NORTHCHASE, SUITE 1200
HOUSTON, TX 77060
Attention Division Order Department

LEASE NO.: TXSRI010

LSE. NAME: HMK FISCHER

OPERATOR: SENORA RESOURCES

Each of the parties to this Division Order ("Division Order Party" or collectively "Division Order Parties") represents and warrants that he is an owner of oil produced from the land ("Land") described as follows:

WASHINGTON COUNTY, TEXAS

Commencing at 7:00 a.m. on JANUARY 1, 1999, and effective until further notice, Northridge Energy Marketing Corp. ("Purchaser") is authorized to receive all oil production from the land, for its own purchase, or for resale, to receive payment therefor, and to credit the proceeds therefrom and pay therefor as follows:

INTEREST OWNER & ADDRESS — DIVISION OF INTEREST

SEE EXHIBIT 'A'

All of the provisions appearing on the reverse side hereof are incorporated in this Division Order by reference and each Division Order Party agrees that each such provision constitutes an essential part of this Division Order in like manner and with the same force and effect as if printed above his signature.

WITNESS / ATTEST:	OWNER(S):	SOCIAL SECURITY or TAX IDENTIFICATION #
X	X	X
X		Date:
X	X	X
X		Date:

PAYMENT ADDRESS: ____________________

Owner # 109080

The following provisions are part of the Division Order on the reverse side hereof, and such provisions shall become valid and binding upon each and every Division Order Party shown on the reverse side hereof upon execution of said Division Order by such Party, and upon his successors, legal representatives and assigns, without regard to whether or not any other Division Order Party or Parties have so executed.

1. Oil received and purchased under this Division Order shall become the property of Purchaser at the time of receipt by Purchaser or a designated agent or carrier of Purchaser. The term "oil", as used in this Division Order, shall include all marketable liquid hydrocarbons.

2. Settlement and payment by Purchaser for oil received under this Division Order shall be at the price posted or paid by Purchaser for said oil on the date the oil is received by Purchaser, less any taxes required by law to be deducted and paid by Purchaser. If oil received by Purchaser under this Division Order is sold to another purchaser, settlement and payment shall be on the basis of the net proceeds realized by Purchaser from the sale after deduction of any costs for transportation and treatment of the oil prior to the sale and any taxes required by law to be deducted and paid by Purchaser.

3. Settlement and payment shall be made on a monthly basis by check mailed on or prior to the 20th day of the month following the month for which payment is being made.

4. The quantity and quality of the oil produced under this Division Order shall be determined in accordance with the customs and prevailing practice at the time and place of delivery and subject to rules and regulations prescribed by any governmental authority having jurisdiction in the premises. Purchaser shall not be required to purchase any oil under this Division Order that is not of merchantable quality. For purposes of this Division Order, merchantable quality means oil that is not contaminated by any substances not normally associated with oil and that is suitable for ordinary refinery processing.

5. Satisfactory abstracts or other evidence of title shall be furnished to Purchaser at any time and on demand by Purchaser. Upon failure to furnish such evidence of title, in the event of any claim that, in the reasonable opinion of Purchaser, adversely affects the title of any interest credited under this Division Order, Purchaser shall be entitled to withhold payment for all oil received that pertains to the disputed interest until the claim is settled to the satisfaction of the Purchaser. In the event that any suit is filed with respect to title to any interest subject to this Division Order or the right to receive the proceeds from the sale or disposition of production subject to this Division Order, the affected Division Order Party shall indemnify and hold Purchaser harmless from any and all liability for loss, costs, damages, attorney's fees and any other expenses resulting from the receipt or disposition of the affected Division Order Party's interest or the proceeds attributable to that interest. In the event that Purchaser withholds payment to any Division Order Party pursuant to the provisions of the Division Order, the affected Division Order Party shall indemnify and hold Purchaser harmless from any and all liability for production, severance, gathering excise, sales and any other taxes, including interest and penalties, attributable to the interest of that party.

6. Each owner of a working interest covered by this Division Order warrants that all oil has been produced in accordance with all applicable laws, rules and regulations.

7. Each Division Order Party shall notify Purchaser, in writing, of any change in the ownership interest of that party. A change in the ownership interest of a Division Order Party shall not be effective as to Purchaser until Purchaser has been furnished with satisfactory evidence of the change of ownership and an executed transfer order in a form acceptable to Purchaser in the reasonable exercise of Purchaser's judgment. A transfer of interest shall not be effective as to Purchaser until the first day of the month following the month in which notice of the transfer is received by Purchaser. Purchaser will not be responsible for determining when any of the interest covered by this Division Order reverts to other parties or for any overpayment made prior to the receipt of notice of a reversion of the interest of any Division Order Party.

8. This Division Order shall remain in full force and effect until further notice. A Division Order Party may cancel this Division Order as to the interest of the party by providing 30 days' written notice to Purchaser. In the event that a Division Order Party provides notice to Purchaser of the termination of the Division Order, this Division Order shall terminate as to that Division Order Party on the first day of the first full month following the expiration of the 30 day period. Termination by any Division Order Party or Parties shall not be effective as to the interest of any other Division Order Party.

9. This Division Order may be executed in counterparts, each of which shall be deemed an original for all purposes. This Division Order is binding on each of the Division Order Parties and their heirs, personal representatives, successors and assigns, and is effective as to each executing party without the necessity of execution by all of the parties named above.

10. Wherever the context shall so require, all words in this Division Order in the male gender shall be deemed to include the female or neuter gender.

EXHIBIT "A"

TXSRI010 - HMK FISCHER
WASHINGTON COUNTY, TEXAS

	Owner #	Owner Name	Interest	Type
1	102797	BRIAN FISCHER	0.00713469	RI
2	109067	DARRELL FISCHER	0.00356734	RI
3	102798	HOWARD F. FISCHER	0.01426938	RI
4	109068	BARRY LEE & DELORES GOLDBERG	0.02410727	RI
5	109071	MONROE J. & NORA LEE GOLDBERG	0.02410727	RI
6	102799	MAMIE IMHOFF, LIFE ESTATE	0.02853876	RI
7	109070	HARVEY H. & FLOYA ANN MERTEN	0.01970151	RI
8	109078	CHESTER C. & LORNA S. MERTEN	0.01970151	RI
9	109079	LINDA JEAN FISCHER SCHULTE	0.00356734	RI
10	109080	STATE OF TEXAS - GENERAL LAND OFFICE	0.00130414	RI
11	107964	BOBWHITE HOLDING COMPANY	0.00116554	OR
12	102803	BETTY J. DOBOS	0.03000000	OR
13	102804	JAMES D. DOBOS, II	0.01500000	OR
14	102805	BRIAN LEE DOBOS	0.01500000	OR
15	107970	EUTEX FINANCE, LTD.	0.00003283	OR
16	102808	JOSEPH H. FISHER	0.00214597	OR
17	109066	THOMAS R. FULLER	0.00314902	OR
18	102801	GTN PRODUCTION PARTNERS	0.00161230	OR
19	102800	DONALD HALL	0.01426938	OR
20	102807	DONALD W. LAMPE	0.00342240	OR
21	102806	RUSSELL NEINAST	0.01372447	OR
22	104399	B.V. OR B.K. READ	0.00485180	OR
23	107971	J.P. SCHALTEGGER	0.00003283	OR
24	109073	THOMAS G. STEVENS	0.00314902	OR
25	109074	R.I. TERRY, JR.	0.00068948	OR
26	109075	U.S. COMPANIES	0.00011085	OR
27	SENORA	SENORA RESOURCES, INC.	0.74564490	WI
			1.00000000	

TO:

MARTIN CRUDE MARKETING
P O BOX 191
KILGORE TX 75663

MF 095755
unit 2262

Division Order Contractor No. 4500091
Effective as, of 4/01/14
Issued 4/11/14

We, the undersigned, and each of us, hereby declare, warrant and agree that we are owners, in the proportions set out below, of all the oil produced from the:

Operator	Lease	Field
SENORA RESOURCES, INC.	HMK FISCHER API 477-30359	GIDDINGS (AUSTI

DESCRIBED AS:
THE HMK FISCHER 1-H WELL IS LOCATED 6.5 MILES NW OF BURTON, TEXAS. IT IS 818 FEET FROM A SW LINE & 1035.5 FEET FROM A NW LINE OF THE UNIT/LEASE & 335.8 FEET FROM THE SE/LINE & 2647.5 FEET FROM NE LINE OF THE THOMAS W WARD SURVEY, A-186 WASHINGTON COUNTY, TEXAS

We, and each of us, declare and agree that you are not obligated to purchase all the oil produced from the above described property and that you are hereby authorized, until further notice to receive from said property for purchase from said parties severally in the proportions named, that part of such oil as you desire to purchase, subject to the following conditions:

1. The oil purchased under the provisions of this division order shall become your property as soon as the same shall be taken into your custody or delivered on your order to a connecting carrier.
2. Settlement for the oil purchased by you under the terms of this division order shall be based upon the price agreed upon between you and the operator or, in the absence of such an agreed price, then on the basis of the prevailing price paid by you for oil of the same gravity, grade and quality received in the same field on the same date, subject to payment of severance tax and the cost of treating the oil as necessary to render it merchantable. If in order to market such oil, it is necessary to transport same to marketing point, then in that event, you are authorized to deduct from the proceeds appropriate marketing, transportation and handling charges.
3. In computing the amount of oil received, corrections shall be made for temperature, at the time and place of delivery. Temperature deductions or allowances shall be made on a basis of 60 degrees Fahrenheit temperature in accordance with the ASTM Petroleum Measurement Tables. The oil, when delivered to you or your agent, must be free from excessive impurities. Proper deductions shall be made for any impurities. When it is necessary to treat the oil to render it merchantable, such treatment shall be at the expense of the seller.
4. We, and each of us, agree to furnish you satisfactory evidence of title to the property and the oil and, in the event of our failure to do so, to furnish to you a corporate indemnity bond or other security satisfactory to you before requiring payment for said oil and we further agree that you may retain the purchase price of the oil without interest, until satisfactory evidence of title, bond or other security is furnished, as above set forth. We, and each of us, further agree that in the event of adverse claim, question or dispute at any time concerning the title to such oil or any part thereof or to the land or lease from which such oil is produced, you may retain without interest the proceeds of all oil received to the extent of the interest involved in such adverse claim, question or dispute, until indemnity satisfactory to you has been furnished or until said claim, question action or suit is filed in any court affecting the title either to the real property above described or to the oil produced therefrom in which any of the undersigned are parties, written notice of the filing of said action shall be immediately furnished to you by the undersigned stating the court in which same is filed and the title of such action or suit.
5. You are authorized to pay when required or permitted by law, all taxes, fees and charges imposed by the federal or state governments, or any political subdivision thereof, in respect of or which may be a lien upon said production or the proceeds therefrom, or the lease from which the production is obtained and to deduct from any amount accrued hereunder to the undersigned such party's proportionate part of the payment so made. The undersigned shall at all times be responsible for the correct certification of the oil purchased by you hereunder, and you shall have no liability to the undersigned for payment of any tax, fee or charge based upon an incorrect or improper certification of said oil.
6. You are hereby relieved of any responsibility for determining when any of the interest herein shall increase, diminish, be extinguished or revert to other parties as a result of the completion or discharge of money or other payments from said interests, or as a result of the increase In production or as a result of a change in the depth, the method or the means of production, or as a result of a change in the allocation of the tract or tracts to a well or wells on the above described property by conventional agreement or by order of governmental authority, or resulting from any other contingency, and you are hereby authorized to continue to remit, pursuant to the below division of interest, until you receive notice in writing to the contrary by mail addressed to you at Kilgore, Texas. You shall be held harmless in the event said written notice is not received and are hereby relieved of any responsibility for loss arising out of an overpayment or otherwise as a result of the failure to receive said written notice.
7. In the event any interest listed herein is transferred or assigned in the whole or in part, the transferor agrees to make such transfer, insofar as your payments for oil are concerned, effective at 7:00 AM. on the morning of the first day of the calendar month in which written notification is received.
8. You may discontinue purchasing oil produced form the above described property on giving forty-eight (48) hours notice to the person, firm or corporation in charge of the operations for producing oil therefrom.
9. This agreement and division order may be signed In counterpart and shall become valid and binding on each and every owners named herein as soon as signed by such owner, regardless of whether or not any of the other named owners have so signed.
10. If the proceeds accruing to any interest hereunder should amount to less than twenty five dollars ($25.00) per month, you are hereby authorized to make payment without interest for such accruals on an annual basis, such payments to be made within sixty (60) days following each calendar year.
11. Where the term "oil" is used herein, it is intended to include "distillate or condensate."
12. Each of the undersigned agrees to protect and indemnity you from, liable for by reason of your purchase, pursuant hereto, of said undersigned's interests, as herein set out, in said oil and the payment therefor to said undersigned, regardless of how the same may arise.
13. Either party to this division order may cancel same by giving the other party thirty (30) days written notice.

OWNER NUMBER 21003

STATEMENT OF OWNERSHIP AND ORDER OF DIVISION

	INTEREST(S)	TYPE OF INTEREST
COMM OF THE GEN LAND OFFICE STATE OF TX LAND OFFICE BLGD AUSTIN TX 78701	.00130414 DECIMAL	ROYALTY-

We hereby authorize you to run said oil and until further notice, to pay for all oil taken from said property, as herein indicated.

WITNESSES (THERE MUST BE TWO WITNESSES TO EACH SIGNATURE)

OWNER SIGNATURE

S.S. or Federal I.D. Number [redacted]

10.

File No. MF 095755

Division Order

Date Filed: 7-11-16

Jerry E. Patterson, Commissioner

By: V.H.

A-53-IN