

MF097514

~~Unit 2919~~

Lease Type	Control	Basefile	County
HROW 56 [State	56-029973		BRAZOS
	Survey	Highways & Public Transportati...	
	Block		
	Block Name		
	Township		
	Section/Tract		
	Land Part	SH OSR	
	Acres	Net: 3.250000 Gross: 3.250000	
	Depth Below	Depth Above	Depth Other
			Allow All Depths
	Name	ECCO PETROLEUM, INC.	
	Lease Date	9/3/1996	
	Primary Term	3 years	
	Bonus	\$33.00	
	Lease Royalty	0.12500000	
	Paid Up	NA	

TERMINATION
 DATE 3/1/2021
 LEASING MB
 MAPS RC
 GIS MC

Leasing: MB
 Maps: RC
 GIS: MC
 Scanlab: _____



CAUTION

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

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

Thank you for your assistance.

Archives and Records Staff

ECCO PETROLEUM, INC.

F29168

M
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#2919

3.25 UNIT ACRES

- 0 - NON UNIT ACRES

STATE LEASE

PAID-UP

MF097514

CONTROL

BASEFILE

COUNTY

56-029973

000

-

BRAZOS

/021

SURVEY : HIGHWAYS & PUBLIC TRANSPORTATI
BLOCK :
TOWNSHIP : 00
SECTION/TRACT :
PART :
ACRES : 3.25
DEPTH LIMITS : NO

LESSEE : ECCO PETROLEUM, INC.
LEASE DATE : Sep 03 1996
PRIMARY TERM : 3 yrs
BONUS (\$) : 33.00
RENTAL (\$) : 0.00
ROYALTY : 0.12500000
VAR ROYALTY :

Rentals: *M.T.*

Lease
Admin: *DA.*

Mineral
Maps:

26

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See MF 095203 #14 for
Enlargement + Amended

Enlargement - Designation 9/20/08

ASSIGNMENT FILED IN MF-095203 #17. 10/20/08

Scanned sm 11/17/15

(see MF095203 item
18 for Termination info)

Scanned sm 12/04/2023

The State of Texas



Austin, Texas

PAID-UP
OIL AND GAS LEASE NO. M-97514
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 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 Ecco Petroleum, Inc., whose address is , 8140 Walnut Hill Lane, Suite 815, Dallas, Texas 75231 hereinafter called "Lessee".

1. Lessor, in consideration of Thirty Three and 00/100 Dollars (\$33.00), receipt of which is hereby acknowledged, and of the covenants and agreements of Lessee hereinafter contained, does hereby grant, lease, and let unto Lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil, gas, and all other hydrocarbons, produced from the land covered hereby. The land covered hereby, herein called "said land" is located in the County of Brazos, State of Texas, and is described as follows:

3.25 acres of land, more or less, limited to rights from surface to 8267 feet, situated in said Brazos County, Texas, more particularly described in Exhibit "A" attached hereto and made a part hereof together with a

plat, attached hereto as Exhibit "B", depicting said right-of-way and surrounding area for purposes of illustration only.

For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain 3.25 acres, whether actually containing more or less, and the above recital of acreage shall be deemed to be the true acreage thereof. Lessor accepts the bonus as lump sum consideration for this lease and all rights and options hereunder.

2. PRIMARY TERM: This lease, which is a "paid up" lease requiring no rentals, shall remain in force for a term of three (3) years from September 3, 1996, hereinafter called "primary term", and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than ninety (90) consecutive days.

3. ROYALTIES: As royalty Lessee covenants and agrees:

(a) To deliver to the credit of Lessor, in the pipe line to which Lessee may connect its well, the equal one eighth (1/8) 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 (1/8) part of such oil at the wells as of the day it is run to the pipe line or storage tanks, Lessor's interest, in either case, to bear none of the cost of treating oil to render it marketable pipe line oil;

(b) To pay Lessor on gas and casinghead gas produced from said land (1) when sold by lessee, one eighth (1/8) 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 (1/8) 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. RELEASE: Lessee may relinquish the rights granted hereunder to the State at any time by recording the relinquishment in the county where this area is situated and filing the recorded relinquishment or certified copy of same in the General Land Office within ninety (90) days after its execution accompanied by the prescribed filing fee. Such relinquishment will not have the effect of releasing Lessee from any liability theretofore accrued in favor of the State.

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

obtain production of oil or gas, or production of oil or gas in paying quantities.

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

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

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

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

11. ASSIGNMENTS: This lease may be transferred at any time. All

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

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

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

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

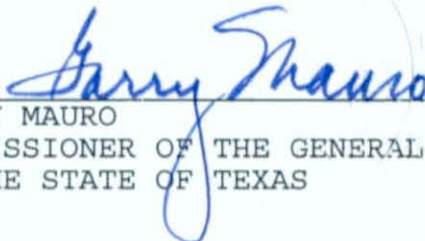
(e) no producer of food and fiber requires the natural gas or casinghead gas necessary to meet the existing needs of irrigation pumps and other machinery directly related to this production; and

(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 September 3, 1996.



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

Approved:
Energy: RA
Executive: SP

FIELD NOTES
STATE OF TEXAS TRACTS
OLD SPANISH ROAD

3.25 acres, more or less, out of the D. Harvey Survey, A-125, Brazos County, Texas, being a part of a 7.01 acre tract described in a deed to the State of Texas recorded in Volume 114 at Page 550 of the Deed Records of Brazos County, Texas. Said 3.25 acres is more particularly described by metes and bounds in two tracts as follows:

Tract One

BEGINNING at a point in the west right-of-way of the O. S. R. Highway for the west corner of said 7.01 acre tract and the west corner of the herein described tract, which bears N 44° 09' 47" E, 2930.97 feet from a fence corner post found for the west corner of a tract of land described by deed to Jerry W. Smith recorded in Volume 95 at Page 488.

THENCE, N 44° 09' 47" E, 153.93 feet along the northwest line of said 7.01 acre tract to a point in the east right-of-way of said highway for the north corner of said 7.01 acre tract and the north corner of the herein described tract of land.

THENCE, S 07° 03' 29" E, 841.34 feet along the east right-of-way of said highway to a point for the east corner of the herein described tract.

THENCE S 44° 09' 48" W, 153.93 feet, severing said 7.01 acre tract, to a point in the west right-of-way of said highway for the south corner of the herein described tract.

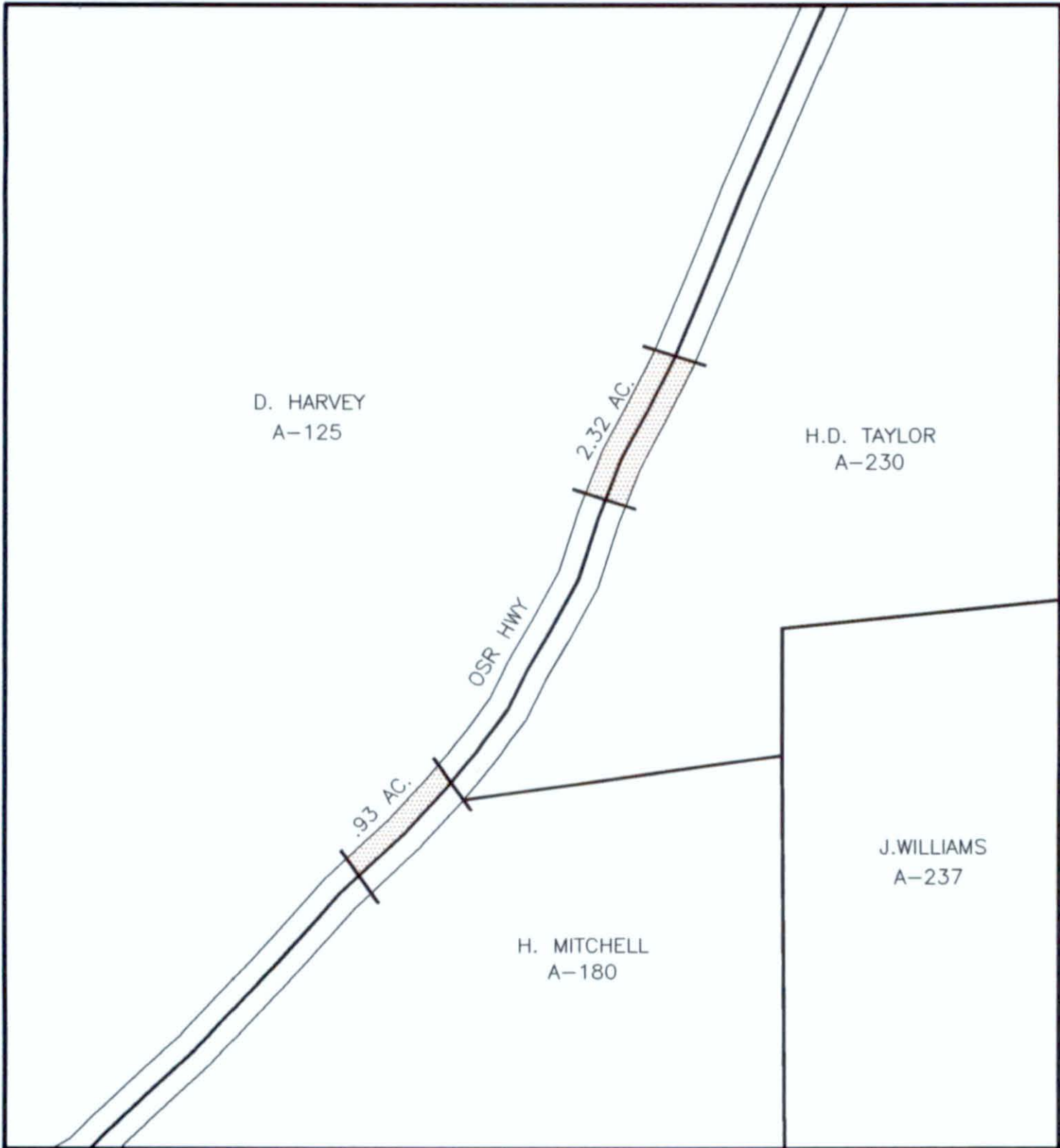
THENCE, N 07° 03' 29" W, 841.34 feet along the west right-of-way of said highway to the PLACE OF BEGINNING, and containing 2.32 acres, more or less.

Tract Two

BEGINNING at a fence corner post found in the west right-of-way of the O. S. R. Highway for the south corner of said 7.01 acre tract and the south corner of the herein described tract.

THENCE N 11° 14' 31" E, 689.41 feet along the west right-of-way of said highway, to a point for the west corner of the herein described tract.

THENCE severing said 7.01 tract, S 45° 50' 12" E 72.19 feet; S 11° 17' 41" W, 650.23 feet; and N 78° 42' 19" W, 60.00 feet to the PLACE OF BEGINNING and containing 0.93 acres, more or less.



8-96/MWARD/HWYOSR

MAP SHOWING
PORTION OF STATE HIGHWAY OSR
APPROXIMATELY 3.25 TOTAL ACRES
1 MILE SW OF FOUNTAIN
BRAZOS COUNTY

①

MF 97514
ITEMS Legal
TO _____
FROM _____
DATE 9-3-96

20

GENERAL LAND OFFICE

GARRY MAURO
COMMISSIONER

MEMORANDUM

Docket # 281

DATE: August 28, 1996

TO: Linda Fisher / School Land Board

From: Drew Reid / Minerals Leasing

RE: Application To Lease Highway Right-of-Way

- A) Applicant - Scott Oils, Inc.
Description - 7.764 ac. along St. Hwy. 183, situated
in the Town of Gonzales Sur., A-25 in Gonzales Co.
Terms - \$30.00/Ac. Bonus, 1/6 Royalty, 2 Years Paid-up
- B) Applicant - Union Pacific Resources Co.
Description - 4.45 ac. along F.M. 389, situated
in the Issac Jamison Sur., A-67 in Washington Co.
Terms- \$150/Ac. Bonus, 1/5 Roulalty, 3 Years Paid-up
- C) Applicant - Union Pacific Resources Co.
Description - .47 ac. along Co. Rd. 47, situated
in the James Cox Sur., A-36 in Washington Co.
Terms - \$65.00/Ac. Bonus, 17.667% Royalty, 2 Years Paid-up
- D) Applicant - Exxon Co., U.S.A.
Description - 36.81 ac. along U.S. 385, situated
in Sec. 15, 16, 21, 22, 27, 28, Blk. 42, TWP-1-S,
T&P RR. Co. Sur., in Ector Co.
Terms - \$17.50/Ac. Bonus, 1/8 Royalty, 5 Years Paid-up
- E) Applicant - Ecco Petroleum, Inc.
Description - 3.25 ac. along OSR Hwy., situated
in the D. Harvey Sur., A-125 in Brazos Co.
Terms - \$10.00/Ac. Bonus, 1/8 Royalty, 3 Years Paid-up
- F) Applicant - Calyton Williams Energy, Inc.
Description - 23.16 ac. along St. Hwy. 21, situated
in the Geo. Green Sur., A-126 and in the David Clark
Sur., A-11 in Burleson Co.
Terms - \$50.00/Ac. Bonus, 1/6 Royalty, 3 Years Paid-up

G) Applicant - JAMEX, Inc.
Description - 16.08 ac. along St. Hwy. 90A, situated
in the James Earl Sur., A-189 in Colorado Co.
Terms - \$75.00/Ac. Bonus, 3/16 Royalty, 3 Years paid-up

These applications have been reviewed by the Minerals Leasing Division and approved by the Department of Transportation. These applications comply with Subchapter F, Chapter 32 of the Texas Natural Resources Code.



Texas Department of Transportation

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

August 27, 1996

Mr. Garry Mauro
 Commissioner
 General Land Office
 Petroleum and Mineral Division
 1700 North Congress Avenue
 Austin, Texas 78701

Contact: ROW

Dear Commissioner Mauro:

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

<u>County</u>	<u>Nominator</u>	<u>Bonus</u>	<u>Royalty</u>	<u>Primary Term</u>	<u>Delay Rental</u>
Gonzales	Scott Oils, Inc.	\$ 30.00	1/6	2 years	Paid-up
Washington	Union Pacific Resources Company	\$150.00	1/5	3 years	Paid-up
Ector	Exxon	\$ 17.50	1/8	5 years	Paid-up
Brazos	Ecco Petroleum, Inc.	\$ 10.00	1/8	3 years	Paid-up
Burleson	Clayton Williams Energy	\$ 50.00	1/6	3 years	Paid-up
Colorado	JAMFX, Inc.	\$ 75.00	3/16	3 years	Paid-up

If additional information is needed, please contact Carlton Bernhard at 416-2879.

Sincerely,

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

22
AF 97514
ITEM Application
O
FROM
DATE 8-28-96

Gary G. Wisener

ATTORNEY AND COUNSELOR

One Energy Square
Suite 900
4925 Greenville Avenue
Dallas, Texas 75206

Board Certified - Oil, Gas & Mineral Law
Texas Board of Legal Specialization

Telephone (214) 692-5992
Telecopier (214) 750-8424

April 30, 1996

DRILLING OPINION - Covering 194.005 acres, more or less, out of the David Harvey Survey, A/125, Brazos County, Texas; said land being more particularly described in five tracts on Exhibit "A" attached hereto and made a part hereof.

Ecco Petroleum, Inc.
8140 Walnut Hill Lane, Suite 815
Dallas, Texas 75231

Attn: Mr. Lloyd D. Hanson

Re: Penicka No. 1

Gentlemen:

We have examined the following:

MATERIAL EXAMINED

See Exhibit "B" attached hereto.

Based upon our examination of the foregoing and subject to the below comments and requirements, we find title to the captioned land to be vested as follows and the same is hereby approved for drilling purposes.

FEE TITLE

TRACT 1

Surface and Minerals (including leasing privilege, bonus, delay rentals and royalty)

J. W. Penicka, Life Estate with remainder to
Joe William Penicka and Robert Wayne Penicka, equally ALL

OVERRIDING ROYALTY

Marshall A. Harrell . . . . .	.5% of 8/8
Wanda C. Graham . . . . .	.4325% of 8/8
Lorene Collins Bowers . . . . .	.25% of 8/8
Richard A. Bowers, Jr. . . . .	.083333% of 8/8
Bonnie Bowers Davis . . . . .	.083333% of 8/8
Sarah Bowers Symank . . . . .	.083333% of 8/8
Omni Petroleum Corporation	3.9405% of 8/8
Keith D. Graham	1.2135% of 8/8
George R. Locker, Trustee of the George R. Locker Living Trust . . . . .	.3371% of 8/8
Keith D. Graham, Jr. . . . .	.3034% of 8/8
Kristie Graham . . . . .	.1517% of 8/8
Jessie R. Pharis . . . . .	.0607% of 8/8
J. Don Reese . . . . .	.0607% of 8/8

OIL & GAS LEASEHOLD ESTATE

TRACT 2

Surface

No information furnished.

Minerals

Leasing Privileges, Bonus and Delay Rentals

Mildred Marie Bonjo, a Widow	1/2
Tammy Kay Threadgill, as her Separate Property	1/4
Mildred Marie Marske, as her Separate Property	1/4

Royalty

Mildred Marie Bonjo, a Widow	22.939110%
Annette Sebesta	13.530445%
Willie Hanus	13.530445%
Martha Hanus Regmund	13.530445%
Millie Wilson	13.530445%
Tammy Kay Threadgill	11.469555%
Mildred Marie Marske	11.469555%

NOTE: The above royalty ownership is subject to the terms and provisions of that certain Royalty Communitization Agreement dated July 26, 1993, recorded in Volume 1880, Page 206, Official Records.

OVERRIDING ROYALTY

Brazos Gold Ltd., Inc.5% of 8/8

OIL & GAS LEASEHOLD ESTATE

Ecco Petroleum, Inc. ALL of 80% NRI

TRACT 3

Surface and Minerals (Including leasing privilege, bonus, delay rentals & royalty)

State of Texas ALL

NOTE: See Deed dated November 16, 1943, recorded in Volume 114, Page 554, Deed Records from Joe Penicka, et ux to the State of Texas covering 1.95 acres, more or less, of which 1.81 acres are included in the Omni Petroleum Corporation-Penicka No. 1 Unit.

OVERRIDING ROYALTY

Omni Petroleum Corporation	4.8708% of 8/8
Keith D. Graham	1.5% of 8/8
George R. Locker, Trustee of the George R. Locker Living Trust . . . . .	.4167% of 8/8
Keith D. Graham, Jr. . . . .	.3750% of 8/8
Kristie Graham . . . . .	.1875% of 8/8
Jessie R. Pharis . . . . .	.0750% of 8/8
J. Don Reese . . . . .	.0750% of 8/8

OIL & GAS LEASEHOLD ESTATE

Ecco Petroleum, Inc. ALL of 80% NRI

TRACT 4

Surface and Minerals (including leasing privilege, bonus, delay rentals and royalty)

J. W. Penicka, Life Estate with
remainder to Joe William Penicka and
Robert Wayne Penicka, equally ALL

OIL & GAS LEASEHOLD ESTATE

Ecco Petroleum, Inc. ALL of 87.5% NRI
(See Comment below)

TRACT 5

Surface and Minerals (including leasing privilege, bonus, delay rentals and royalty)

Victoria Bank & Trust Company,
Bryan, Texas, Trustee of the Ollie Smith
Revocable Trust dated June 30, 1989 ALL

OVERRIDING ROYALTY

Reserve Production, Inc. 6% of 8/8
Flairtex Resources, Inc. 2.91666% of 8/8
United Oil Exploration Company, Inc. 2% of 8/8
M. J. Miller, Trustee, Inc. 1.425% of 8/8
Federal Realty, a Partnership composed of
Leon Toubin, Melton Toubin and Sam Toubin 1.04166% of 8/8
Marshall A. Harrell 1.04166% of 8/8
Donald MacAskie, Trustee of the DGM Profit
Sharing Plan63541% of 8/8
Kathryn S. MacAskie, Trustee of the KSM
Profit Sharing Plan61458% of 8/8
Stephen H. Holifeld, Trustee450% of 8/8
Vonna Lee Kegley, Individually and as
Independent Executrix of the Estate of
John G. Kegley, Deceased375% of 8/8
A. J. Suhor375% of 8/8
Elloine M. Caldor3125% of 8/8
Robert E. W. Sinclair, Trustee of the
Sinclair Irrevocable Trust3125% of 8/8

OIL & GAS LEASEHOLD ESTATE

Surface down to 100' below total depth drilled in the Smith No. 2 well

Ecco Petroleum, Inc. ALL of 70% NRI

Below 100' below total depth drilled in the Smith No. 2 well

James Anders, Trustee of the
Askew Creditor's Trust ALL of 70% NRI

OIL & GAS LEASES

Lease 1

Dated: September 29, 1976
Recorded: Volume 24, Page 360, Deed Records
Lessor: Joe Penicka and wife, Rosa Penicka
Lessee: Keith D. Graham
Primary Term: Ten (10) years
Covers: A full mineral interest in Tract 1
Delay Rentals: Inapplicable; said lease being held by production from the Penicka Unit No. 1. (See Comment below)
Royalty: 1/8 on oil and gas and other products as defined in said lease.
Shut-in Gas Royalty: A net sum of \$99.10 payable on or before ninety (90) day after the date on which said well is shut-in and annually thereafter to the owners of royalty or to their credit in the depository bank named below.
Pooling Provision: 80 acres on oil, plus a tolerance of 10%; 640 acres on gas, plus a tolerance of 10%, if limited to one or more of the following: (i) gas, other than casinghead gas, (ii) liquid hydrocarbons (condensate) which are not liquids in the subsurface reservoir, (iii) mineral produced from wells classified as gas wells by the conservation agency having jurisdiction. Provided, however, if larger units than those herein permitted, either at the time established, or after enlargement, are permitted or prescribed 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 permitted or prescribed by such governmental order or rule.
Depository: First Bank and Trust Company of Bryan, Texas.
Unusual Provisions: See Paragraphs 14 and 15 attached as an addendum to said lease. Paragraph 14 (a) provides that prior to entering upon the leased premises for drilling or re-drilling operations, Lessee agrees to pay to Lessor a consideration of \$2,500.00 representing payment in advance for all normal and reasonable surface damages arising or occurring as a result of Lessee's operations. Paragraph 15 provides that if at any time after February 7, 1995, a portion of the land herein leased is pooled or unitized with other lands so as to form a pooled unit or units, operation 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. All land not included within a pooled unit on or after such date shall be automatically released, and Lessee agrees to promptly execute and deliver to Lessor a recordable Release of this lease insofar as it covers all acreage not included in such unit or units.
Form: Producers 88 (7-69) with 640 acre Pooling Provision by Pound Printing & Stationery Company, Houston, Texas.

NOTE: See Amendment to Oil and Gas Lease dated January 8, 1994, recorded in Volume 2050, Page 79, Official Records

Leases 2, 3 and 4, tabulated below, have the following terms in common:

Dated: June 1, 1993
Lessee: Omni Petroleum Corporation
Royalty: 19.5% on oil and gas and other products as defined in said lease.
Delay Rentals: None; this being a paid-up lease and said lease is being held by production from the Penicka Unit No. 1. (See Comment below)
Shut-in Gas Royalty: A gross sum of \$215.48 payable on or before ninety (90) days after the date on which said well is shut-in and annually thereafter directly to the owners of royalty. Notwithstanding any provision

of this lease to the contrary, the provision in this lease covering the situation permitting the payment of shut-in gas royalty or gas from a gas well is not being sold or used, shall be applicable only for a term not to exceed two years after the termination of the primary term of this lease, or for shorter periods not to exceed two years in the aggregate.

Pooling Provision: 40 acres on oil; 640 acres on gas, plus a tolerance of 10%, 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. Notwithstanding any pooling authority contained in this lease, it is expressly understood and agreed that no strata or horizons under this lease shall be included in any unit formed pursuant to that paragraph unless the entire unit so formed shall include the same strata or horizon. Further, it is understood and agreed that if any of the property which is the subject of this lease is pooled and made a part of a production unit, all of said property must be included in said production unit unless Lessor gives express written permission to do otherwise.

Unusual Provisions: See Paragraphs 11 through 34, attached as an addendum to said lease. In this respect we would particularly call your attention to Paragraph 20 which provides for a minimum royalty of \$20.00 per net mineral acre for each producing year. A production year, for this lease, shall be deemed to commence on the first day of the calendar month following the day on which production commences and Lessee shall have sixty (60) days after the end of the producing year in which to pay to Lessor the difference between the amount of royalty paid to Lessor for production purposes and the minimum royalty sum provided for herein. Failure to timely pay any such minimum royalty shall not result in the termination of this lease unless Lessee shall fail to pay the same upon thirty (30) days written notice by Lessor that such minimum royalty is required. Paragraph 33 provides that in the event this lease is continued in force by production from the Austin Chalk Formation, then this lease shall remain in force as to all depths and horizons for a period of five (5) years after the expiration of the primary term. After such five year period, Lessor may grant a new lease on the herein leased premises to a third party covering all rights below 100' below the base of the deepest formation which has been drilled by Lessee. However, Lessor must first notify Lessee in writing of the terms and conditions of such bona fide third party offer to lease and Lessee shall have thirty (30) days following receipt of such written notice in which to lease such rights below the base of the deepest formation which has been drilled by Lessee upon the same terms and conditions as were contained in such third party offer. Furthermore, it is agreed that upon the tenth anniversary of the expiration of the primary term, this lease will terminate as to all depths and horizons below 100' below the base of the deepest formation which has been drilled by Lessee and in the event Lessee has drilled to the Buda Formation, then Lessee shall retain rights down to 100' below the base of the Georgetown Formation.

Form: Producers 88 (4/76) Rev. Paid-up with 640 acres Pooling Provision by Pound Printing & Stationery Company, Houston, Texas.

Lease 2

Recorded: Volume 1983, Page 235, Official Records
Lessor: Tammy Kay Threadgill
Covers: Purports to cover a full mineral interest in Tract 2; actually covers only a net 1/4 mineral interest.
Shut-in Gas Royalty: A net sum of \$53.87 payable as set forth above.

Lease 3

Recorded: Volume 1983, Page 244, Official Records
Lessor: Mildred E. Bonjo, a Widow
Covers: Purports to cover a full mineral interest in Tract 2; actually covers only a net 1/2 mineral interest.
Shut-in Gas Royalty: A net sum of \$107.74 payable as set forth above.

Lease 4

Recorded: Volume 1983, Page 253, Official Records
Lessor: Mildred Marie Marske
Covers: Purports to cover a full mineral interest in Tract 2; actually covers only a net 1/4 mineral interest.
Shut-in Gas Royalty: A net sum of \$53.87 payable as set forth above.

Lease 5

Lease No.: M-95203
Dated: February 2, 1993
Recorded: Volume 1730, Page 201, Official Records
Lessor: Commissioner of the General Land Office of the State of Texas
Lessee: Omni Petroleum Corporation
Primary Term: Five (5) years
Covers: A full mineral interest in Tract 3.
Delay Rentals: None; this being a paid-up lease and said lease is being held by production from the Penicka Unit No. 1. (See Comment below)
Royalty: 1/8 on oil and gas and other produces as defined in said lease.
Shut-in Gas Royalty: A net sum of \$1.81 payable on or before ninety (90) days following the date on which said well is shut-in and annually thereafter directly to the Commissioner of the General Land Office at Austin, Texas.
Pooling Provision: 160 acres on oil; 640 acres on gas, plus a tolerance of 10%, unless oil or gas units of a greater size are allowed under or prescribed by rules of the Railroad Commission of Texas. 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 this 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. Further, 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.
Unusual Provisions: Paragraph 13 provides 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. Paragraph 14 provides for compensatory royalty in the event oil or gas is sold or delivered in paying quantities from a well located within 2500' 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 a 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. Notwithstanding anything herein to the contrary, compensatory royalty payable hereunder shall be no less than an amount equal to \$3.62 and shall maintain this lease in effect for so long as such payments are made as provided herein.

Form: HROW Lease Revised 10/89.

Lease 6

Dated: March 8, 1995
Recorded: Instrument No. 603696, filed for record April 24, 1996 at 8:16 a.m.
Lessor: J. W. Penicka
Lessee: Ecco Petroleum, Inc.
Primary Term: Two (2) years
Covers: A full mineral interest in Tract 4 (see Comment below).
Delay Rentals: A net rental of \$260.05 payable to Lessor or Lessor's credit in the First American Bank at Bryan, Texas.
Royalty: 1/8 on oil and gas and other products defined in said lease.
Shut-in Gas Royalty: A net sum of \$260.05 payable on or before ninety (90) days after the date on which said well is shut-in and annually thereafter to the owners of royalty or to their credit in the depository bank named above.
Pooling Provision: 80 acres on oil plus a tolerance of 10%; 640 acres on gas plus a tolerance of 10%, if limited to one or more of the following: (i) gas other than casinghead gas, (ii) liquid hydrocarbons (condensate) which are not liquids in the subsurface reservoir and (iii) mineral reduced 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 rule or order.
Unusual Provisions: See Paragraphs 12 and 13 attached as an addendum to said lease. In this regard we would call your attention to Paragraph 13 (a) which requires that prior to entering upon the leased premises for drilling or re-drilling operations, Lessee agrees to pay to Lessor a consideration of \$2,500.00 representing payment in advance for all normal and reasonable surface damages arising or occurring as a result of Lessee's operations.
Form: Producers 88 (7-69) with 640 acres Pooling Provision by Pound Printing & Stationery, Houston, Texas.

Lease 7

Dated: October 25, 1976
Recorded: Volume 24, Page 506, Deed Records
Lessor: Jerry W. Smith and wife, Ollie Smith
Lessee: Marshall A. Harrell
Primary Term: Ten (10) years
Covers: A full mineral interest in Tract 5.
Delay Rentals: Inapplicable; said lease being held by production from the Smith No. 1 well located on the 77.83 acre tract out of the Alex De La Garza League, A/18. (See Comment below)
Royalty: 1/8 on oil and gas and other products as defined in said lease.
Shut-in Gas Royalty: A net sum of \$192.82 payable on or before ninety (90) days following the date on which said well is shut-in and annually thereafter to the owners of royalty or to their credit in the City National Bank at Bryan, Texas.

- Pooling Provision: 80 acres on oil plus a tolerance of 10%; 640 acres on gas plus a tolerance of 10%, if limited to one or more of the following: (i) gas, other than casinghead gas, (ii) liquid hydrocarbons (condensate) which are not liquids in the subsurface reservoir and (iii) mineral 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.
- Unusual Provisions: See Paragraphs 12 through 14 attached as an addendum to said lease.
- Form: Producers 88 (7-60) with 640 acres Pooling Provision by Pound Printing & Stationery Company, Houston, Texas.

NOTE: WE HAVE NOT TABULATED ALL OF THE TERMS AND PROVISIONS OF THE ABOVE LEASES AS WELL AS THE MESNE ASSIGNMENTS OF SAID LEASES IN ORDER NOT TO UNDULY LENGTHEN AND BURDEN THIS OPINION. HOWEVER, PRIOR TO COMMENCING DRILLING OPERATIONS, YOU SHOULD FAMILIARIZE YOURSELF WITH SAID LEASES IN THEIR ENTIRETY AS MANY OF THE UNUSUAL PROVISIONS DEAL WITH USE OF THE SURFACE, SURFACE DAMAGES AND SURFACE RESTORATION.

PATENT INFORMATION

No information furnished. However, the prior Title Opinions recite that the David Harvey Survey, A/125 is located by virtue of a grant from George T. Woods to David Harvey dated April 17, 1848, recorded in Volume 209, Page 545, Deed Records.

RIGHTS-OF-WAY AND EASEMENTS

TRACTS 1 & 5

- (1) The State of Texas acquired the Fee Title to 1.95 acres, more or less, adjacent to the southeast boundary line of Tract 1 for roadway purposes of which 1.81 acres is included in the Penicka Unit No. 1.
- (2) Ferguson Crossing Pipeline Company and Fairview Smetana Water Supply Corporation acquired pipeline rights-of-way across a portion of Tracts 1 and 5.
- (3) The City of Bryan, Texas acquired electric transmission line rights-of-way across a portion of Tracts 1 and 5.

TRACT 2

- (1) The State of Texas acquired the Fee Title to 1.75 acres, more or less, adjacent to the southeast boundary line of Tract 2 for roadway purposes.
- (2) Ferguson Crossing Pipeline Company acquired a pipeline right-of-way across a portion of Tract 2.

LIENS AND ENCUMBRANCES

The Houston National Bank acquired a Deed of Trust Lien dated June 1, 1995, recorded in Volume 2409, Page 1, Official Records from Flairtex Resources, Inc. securing it in the payment of one promissory note of even date in the principal sum of \$150,000.00; said Deed of Trust Lien being an extension and renewal of that certain Deed of Trust Lien dated June 25, 1993,

recorded in Volume 2316, Page 232, Official Records, covering and affecting the overriding royalty interest in Tract 5, listed above.

TAXES

No information furnished.

COMMENTS & REQUIREMENTS

1.

We have been furnished no information regarding possession of the land under examination and should a tenant occupy all or any portion of the same, you should obtain your normal Tenant's Consent Agreement. Further, prior to commencing drilling operations, you should enter into an agreement with the owner of the surface and/or surface tenant with respect to damages which may occur as a result of your proposed drilling operations and in this respect we would call your attention to the "Unusual Provisions" contained in the Oil and Gas Leases, tabulated above.

2.

You should satisfy yourself that all ad valorem taxes assessed against the captioned land have been paid to date.

3.

It appears from the materials examined that delay rentals have been correctly and timely paid under the provisions of Lease 6, tabulated above, through March 8, 1997.

4.

We have assumed for the purpose of this opinion that (a) Leases 1 through 4, tabulated above, have been perpetuated to date by production in commercial quantities from the Penicka Unit No. 1 and (b) that Lease 7, tabulated above, has been perpetuated to date by production in commercial quantities from the Smith No. 1 well located on that certain 77.83 acre tract out of the Alex De La Garza League, A/18 and you should satisfy yourself in the above respects.

5.

We would call your attention to the pooling clause contained in Leases 6 and 7, tabulated above, which provide, in part, as follows:

"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 percent 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 percent acreage tolerance, if limited to one or more of the following: (i) gas, other than casinghead gas, (ii) liquid hydrocarbons (condensate) which are not liquids in the subsurface reservoir, and (iii) 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"

The Railroad Commission of Texas, Rule 86, which is the state-wide rule for horizontal wells, requires only that the horizontal wellbore be produced under the existing rules for vertical wells in the field and allows the assignment of additional acreage to a horizontal well on an optional basis only. Under Rule 86, the greater the distance drilled horizontally in the producing zone (the "horizontal drainhole displacement"), the greater the number of acres that may be assigned

to the well for allowable purposes, however, the language of Rule 86 "permits" the allocation of additional acreage for maximum allowable purposes as opposed to "requiring" the additional acreage to be allocated to the horizontal well. It is our opinion that the language contained in the above tabulated leases providing that a unit may be established or enlarged if required "for obtaining maximum allowable" should give you the authority to create larger units than the unit size permitted under the terms of said leases. However, we know of no cases that have interpreted the pooling clause as stated in the above tabulated leases as to horizontal wells.

Requirement. Leases 6 and 7, tabulated above, should be amended to substitute the words "prescribed or permitted" for the word "required" as to that portion of the pooling provision recited above and said lease amendments should be recorded in the office of the County Clerk of Brazos County, Texas.

6.

Rosa Penicka owned the Fee Title to Tract 4 prior to her death on July 4, 1994. The will of Rosa Penicka, Deceased was probated as a Muniment of Title in Cause No. 9612 in the County Court At Law No. 2 of Brazos County, Texas. Rosa Penicka's husband, Joe Penicka, predeceased her in 1993 and left his entire estate to her as his sole heir and devisee. Rosa Penicka's Will bequeathed to her son, J. W. Penicka, a Life Estate with remainder to Joe William Penicka and Robert Wayne Penicka, equally, in and to a 98.77 acres tract of land, more or less, located nine miles west of Bryan, Texas on the old San Antonio Road in the D. Harvey League. I have assumed for the purpose of this opinion that the aforementioned tract is one and the same as a 99 acre tract described in Deed from Rosa De Stefano to Joe Penicka dated October 23, 1941, recorded in Volume 108, Page 37, Deed Records which includes Tract 4 of the land under examination. Lease 6, tabulated above, covering Tract 4 is executed only by J. W. Penicka.

Requirement. Lease 6, tabulated above, should be ratified by Joe William Penicka and Robert Wayne Penicka as Remaindermen under the Will of Rosa Penicka, Deceased and following our examination, said Ratification should be recorded in the office of the County Clerk of Brazos County, Texas.

7.

The prior Title Opinion covering Tract 2 indicates there are three old oil and gas leases covering all or a portion of Tract 2 which remain unreleased of record although the primary terms of the same have expired; said leases are as follows:

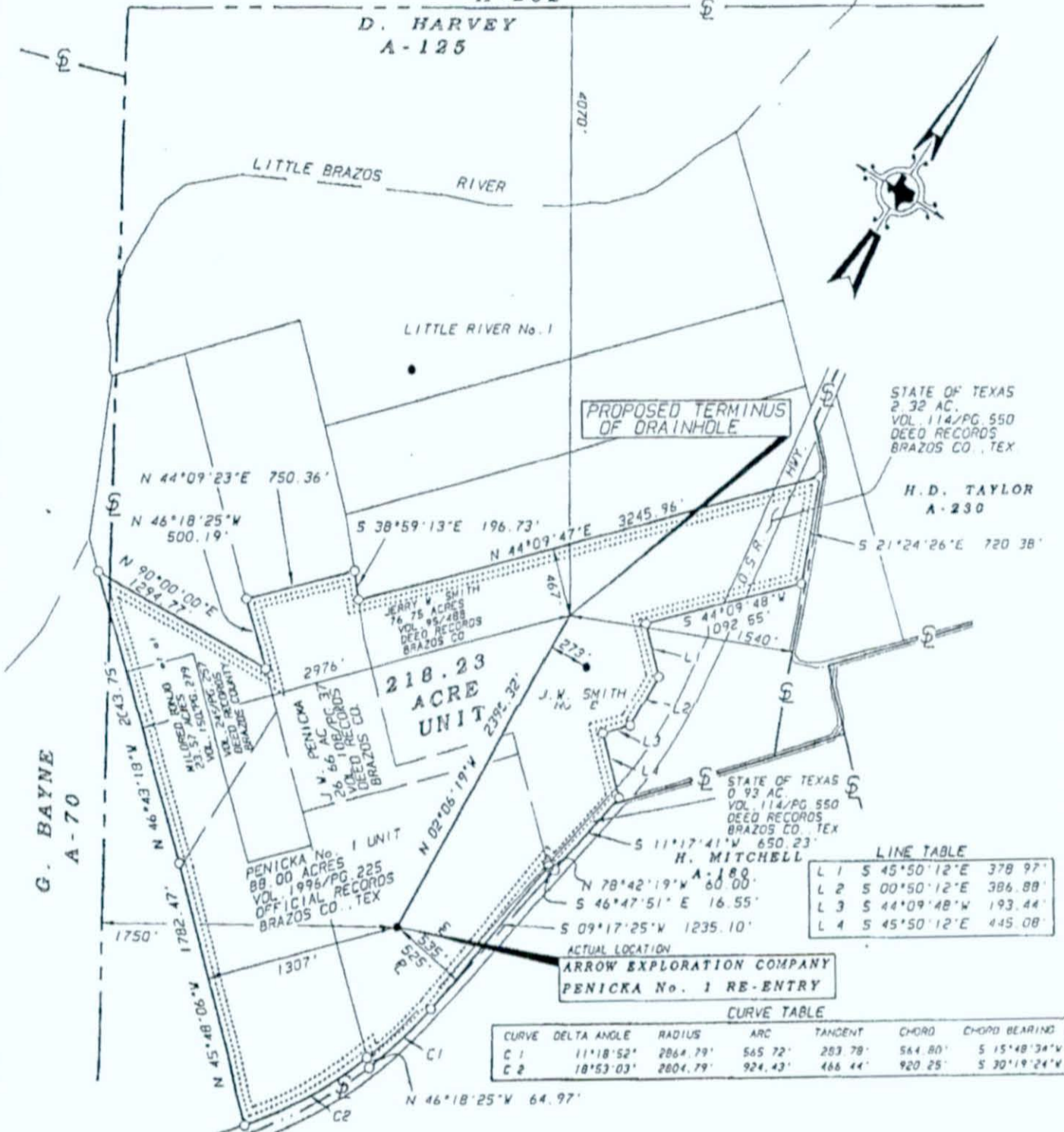
- (1) Dated: March 28, 1952
Recorded: Volume 11, Page 309, Oil & Gas Lease Records
Lessor: Joe Bonjo and wife, Maude Bonjo
Lessee: W. P. Powers
- (2) Dated: March 28, 1952
Recorded: Volume 11, Page 311, Oil & Gas Lease Records
Lessor: Bennie Bonjo and wife, Edwina Bonjo
Lessee: W. P. Powers
- (3) Dated: December 14, 1976
Recorded: Volume 25, Page 49, Oil & Gas Lease Records
Lessor: Mildred Bonjo, et al
Lessee: Amoco Production Company

It appears that the prior title examiner examined two causes of action pending in the District Court of Brazos County, Texas styled, Annette Sebesta, et al vs. William B. Hill, et al, the same being Causes No. 35465 and 37156-85 in which the Plaintiffs were seeking a declaration that Lease 3, in addition to other leases not the subject of this examination, had expired due to a lapse in production from the captioned land or land pooled therewith. It further appears that Tract 2 was the subject of a Declaration of Unit dated December 3, 1986, recorded in Volume 934, Page 1, Deed Records filed by T. M. Energy, Inc.

BRAZOS COUNTY, TEXAS

I. J. THOMPSON

A-232



LINE TABLE

L 1	S 45°50'12"E	378.97'
L 2	S 00°50'12"E	386.88'
L 3	S 44°09'48"W	193.44'
L 4	S 45°50'12"E	445.08'

CURVE TABLE

CURVE	DELTA ANGLE	RADIUS	ARC	TANGENT	CHORD	CHORD BEARING
C 1	11°18'52"	2864.79'	565.72'	283.78'	564.80'	S 15°48'34"W
C 2	18°53'03"	2804.79'	924.43'	466.44'	920.25'	S 30°19'24"W

NOTE: WELL IS LOCATED 7.4 MILES WEST SOUTHWEST OF BRYAN, TEXAS.
 GROUND ELEVATION: 257 FEET
 WELL: PENICKA No. 1 RE-ENTRY
 OPERATOR: ARROW EXPLORATION COMPANY
 FEE: JOE PENICKA, et ux
 SURFACE LOCATION: 535 FEET WEST FROM THE EAST LINE AND 1750 FEET NORTHEAST FROM THE SOUTHWEST LINE OF THE D. HARVEY SURVEY, ABSTRACT No. 125, BRAZOS COUNTY, TEXAS

PROPOSED TERMINUS 1540 FEET WEST FROM THE EAST LINE AND 4070 FEET SOUTHWEST FROM THE NORTHWEST LINE OF THE D. HARVEY SURVEY, ABSTRACT No. 125, BRAZOS COUNTY, TEXAS

I, WILLIAM J. CASH, JR., DO HEREBY CERTIFY THAT THE ABOVE PLAT CORRECTLY SHOWS THE WELL AS LOCATED ON THE GROUND JULY 12, 1996.

BEARINGS BASED ON TRUE NORTH OBTAINED BY SOLAR OBSERVATION.
 TITLE WORK PROVIDED BY ARROW EXPLORATION COMPANY.

WILLIAM J. CASH, JR.
 REGISTERED PROFESSIONAL SURVEYOR
 No. 3808



PENICKA No. 1 RE-ENTRY



UNIVERSAL ENSCO, INC.
 PHONE: 409 542-1146
 FAX: 409 542-3353

DATE: JULY 17, 1996	SCALE: 1" = 1000'
FIELD BOOK 965 PAGE 09	DRAWN BY: J R H.
DISK: FILE	REVISED: 08-13-96

Requirement. You should satisfy yourself that the aforementioned litigation has been resolved in favor of the owners of the mineral estate in Tract 2 and with regard to Leases 1 and 2, listed above, you should submit for our examination an Affidavit of Non-Development and Non-Production, in recordable form, which establishes that there has been no production from the lands covered by these leases or lands pooled therewith which would have perpetuated said leases and that the same have expired under their own terms. Following our examination, said requested curative material should be recorded in the office of the County Clerk of Brazos County, Texas.

8.

I would call your attention to Exhibit "C" attached hereto which depicts the 80 acres out of 122 acres, more or less, covered by Lease 7 which is dedicated to the Smith No. 2 well for proration purposes. It is my understanding that you intend to include this 80 acre tract in your proposed unit for the horizontal well to be drilled on the captioned acreage. In this respect, I would further call your attention to that certain Deed dated November 16, 1943, recorded in Volume 114, Page 550, Deed Records from J. W. Smith, et ux to the State of Texas covering 7.01 acres, more or less, for highway purposes. You will notice on Exhibit "C" that a portion of the aforementioned 7.01 acre tract is included in the 80 acres dedicated to the Smith No. 2 well.

Requirement. In the event you intend to pool the 80 acres depicted on Exhibit "C" for your proposed horizontal well it will be necessary to obtain a lease from the State of Texas (General Land Office, Austin, Texas) as to that portion of the above referenced 7.01 acres that lies within said 80 acre tract and following our examination, said lease should be recorded in the office of the County Clerk of Brazos County, Texas.

9.

This is not a complete title opinion it being based upon the opinions of other attorneys and the uncertified run sheets prepared by Steven E. DeCell, the correctness and accuracy of which you must be willing to accept.

10.

Subject to the above Comments and Requirements, the captioned land is hereby approved for drilling purposes.

We do not cover herein questions of boundary, area, excesses, conflicts with adjacent tracts or surveys, unrecorded production purchase contracts, unpaid bills for labor or materials that may ripen into mechanic's or materialman's liens, rights of persons in possession, if any, nor any other matters not covered by the materials examined.

Very truly yours,



Gary G. Wisener

GGW:sh

EXHIBIT "A"

D. HARVEY SURVEY, A/125, BRAZOS COUNTY, TEXAS

TRACT 1

43.095 acres, more or less; said land being more particularly described as Tract 1 in that certain Declaration of Pooled Unit dated December 9, 1993, recorded in Volume 1996, Page 225, Official Records covering the Omni Petroleum Corporation-Penicka Unit No. 1.

TRACT 2

43.095 acres, more or less; said land being more particularly described as Tract 2 in that certain Declaration of Pooled Unit dated December 9, 1993, recorded in Volume 1996, Page 225, Official Records covering the Omni Petroleum Corporation-Penicka Unit No. 1.

TRACT 3

1.81 acres, more or less; said land being more particularly described as Tract 3 in that certain Declaration of Pooled Unit dated December 9, 1993, recorded in Volume 1996, Page 225, Official Records covering the Omni Petroleum Corporation-Penicka Unit No. 1.

TRACT 4

26.005 acres, more or less; said land being more particularly described as that portion of 99.1 acres, more or less, described in Deed dated October 23, 1941, recorded in Volume 108, Page 37, Deed Records from Rosa De Stefano to Joe Penicka, *save and except* for 43.095 acres, more or less, described as Tract 1 above and 30 acres, more or less, described as Tract 9 in that certain Declaration of Pooled Unit dated February 3, 1993, recorded in Volume 1805, Page 316, Official Records covering the Omni Petroleum Corporation-Little River No. 1 Unit.

TRACT 5

80 acres, more or less; said land being more particularly described as that certain 80 acres dedicated to the J. W. Smith No. 2 well and being out of that certain 122 acres, more or less, described in Deed dated November 5, 1937, recorded in Volume 95, Page 489, Deed Records from Mrs. Alice Smith Cunningham, et al to Jerry W. Smith and being more particularly described by metes and bounds on Exhibit "C" attached hereto.

EXHIBIT "B"

MATERIALS EXAMINED

TRACT 1

PRIOR TITLE OPINIONS

- (a) Original Title Opinion dated May 10, 1985 prepared by the firm of Scott, Robins, McKay, Smith & Rigsby (Janis L. Scott), addressed to BSE Production covering title to Tract 1 in addition to other land not the subject of this examination from Sovereignty to April 1, 1985 at 8:00 a.m.
- (b) Supplemental Title Opinion dated October 18, 1985 by the same firm, addressed to Producers Engineering covering title to Tract 1 in addition to other land not the subject of this examination from April 1, 1985 at 8:00 a.m. to October 2, 1985 at 7:00 a.m.
- (c) Supplemental Title Opinion dated January 12, 1993 prepared by J. Don Reese, addressed to Omni Petroleum Corporation covering title to Tract 1 in addition to other land not the subject of this examination from October 2, 1985 at 7:00 a.m. to June 18, 1992 at 7:00 a.m.
- (d) Division Order Title Opinion dated January 6, 1994 prepared by J. Don Reese, addressed to Omni Petroleum Corporation, et al covering title to the Penicka Unit No. 1 from June 18, 1992 at 7:00 a.m. to October 20, 1993 at 5:00 p.m.

SEARCH OF COUNTY RECORDS

Uncertified runsheet prepared by Steven E. DeCell, CPL covering filings in the offices of the County and District Clerk of Brazos County, Texas in the interval from October 20, 1993 at 5:00 p.m. to April 17, 1996 at 12:00 noon.

TRACT 2

PRIOR TITLE OPINIONS

- (a) Acquisition Opinion dated January 26, 1993 prepared by the firm of McCall, O'Connell & McCall (David B. McCall), addressed to Omni Petroleum Corporation covering title to the minerals only in Tract 2 in addition to other land not the subject of this examination from September 1, 1894 to December 31, 1992 at 5:00 p.m.
- (b) Division Order Title Opinion dated January 6, 1994 by J. Don Reese, addressed to Omni Petroleum Corporation, et al covering title to the Penicka Unit No. 1 from December 31, 1992 at 5:00 p.m. to October 20, 1993 at 5:00 p.m.

SEARCH OF COUNTY RECORDS

Uncertified runsheet prepared by Steven E. DeCell, CPL covering filings in the offices of the County and District Clerk of Brazos County, Texas in the interval from October 20, 1993 at 5:00 p.m. to April 17, 1996 at 12:00 noon.

INSTRUMENTS

Royalty Communitization Agreement dated July 26, 1993, recorded in Volume 1880, Page 206, Official Records, executed by Mildred Bonjo, et al.

TRACT 3

PRIOR TITLE OPINION

Division Order Title Opinion dated January 6, 1994 prepared by J. Don Reese, addressed to Omni Petroleum Corporation, et al covering title to the Penicka Unit No. 1 from an undetermined date to October 20, 1993 at 5:00 p.m.

SEARCH OF COUNTY RECORDS

Uncertified runsheet prepared by Steven E. DeCell, CPL covering filings in the offices of the County and District Clerk of Brazos County, Texas in the interval from October 20, 1993 at 5:00 p.m.

TRACT 4

PRIOR TITLE OPINIONS

- (a) Original Title Opinion dated May 10, 1985 prepared by the firm of Scott, Robins, McKay, Smith & Rigsby (Janis L. Scott), addressed to BSE Production covering title to Tract 4 in addition to other land not the subject of this examination from Sovereignty to April 1, 1985 at 8:00 a.m.
- (b) Supplemental Title Opinion dated October 18, 1985 by the same firm, addressed to Producers Engineering covering title to Tract 4 in addition to other land not the subject of this examination from April 1, 1985 at 8:00 a.m. to October 2, 1985 at 7:00 a.m.
- (c) Supplemental Title Opinion dated January 12, 1993 prepared by J. Don Reese, addressed to Omni Petroleum Corporation covering title to Tract 4 in addition to other land not the subject of this examination from October 2, 1985 at 7:00 a.m. to June 18, 1992 at 7:00 a.m.

SEARCH OF COUNTY RECORDS

Examination of the indices in the office of the County Clerk of Brazos County, Texas by the undersigned as to filings covering Tract 4 in the interval from June 18, 1992 at 7:00 a.m. to April 23, 1996 at 5:00 p.m.

INSTRUMENTS

- (a) Copy of cancelled check endorsed by J. W. Penicka and stamped February 14, 1996 covering the 1996 delay rental payment under Lease 6, tabulated above.
- (b) Affidavit dated August 23, 1995, recorded in Volume 2439, Page 252, Official Records executed by Paul L. Dudake, et ux regarding the Estates of Joe Penicka, Deceased and Rosa Penicka, Deceased.
- (c) Probate proceedings in the Estate of Rosa Penicka, Deceased the same being Cause No. 9612 in the County Court at Law No. 2 of Brazos County, Texas and being recorded in Volume 255, Page 305, Probate records.

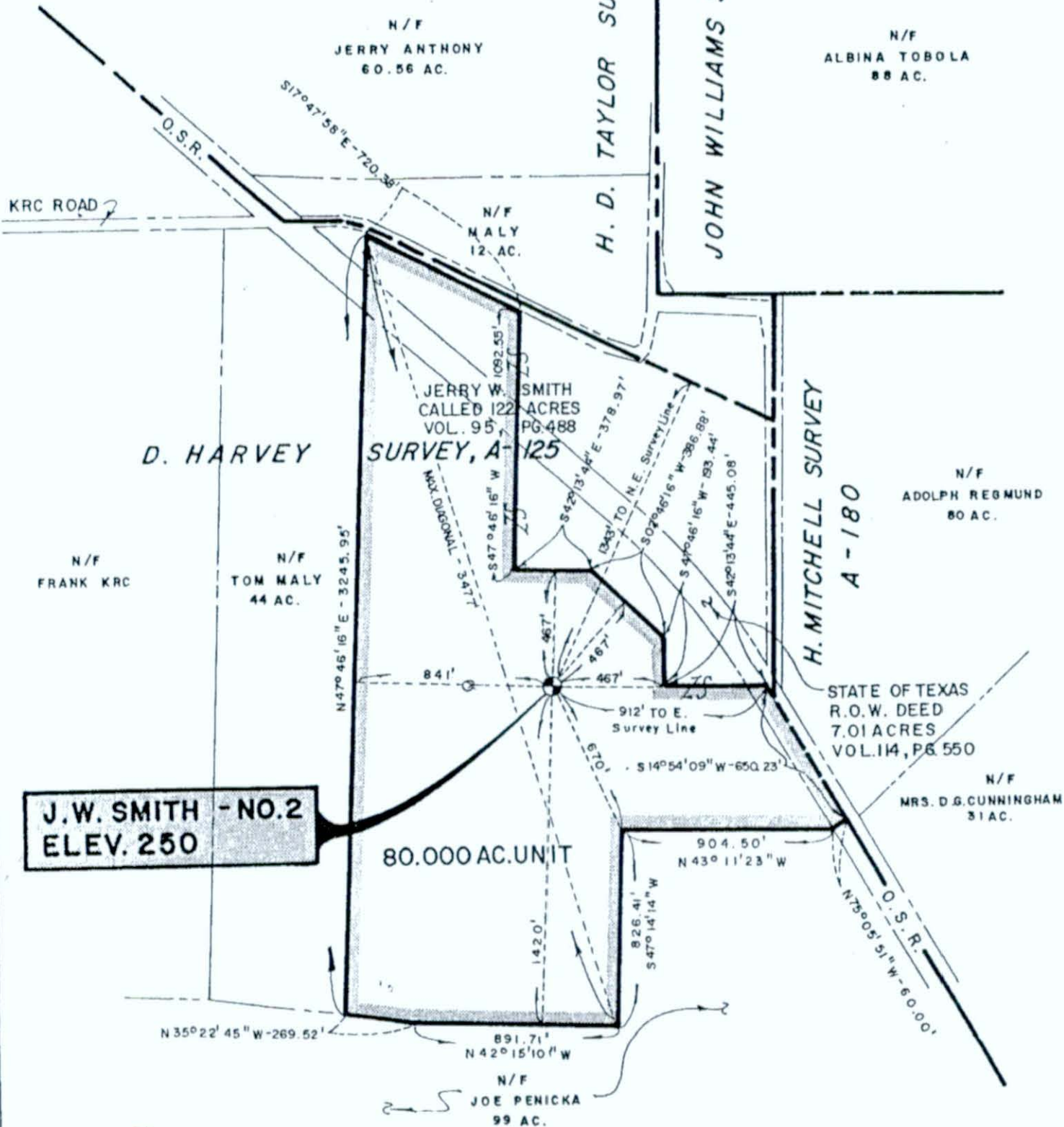
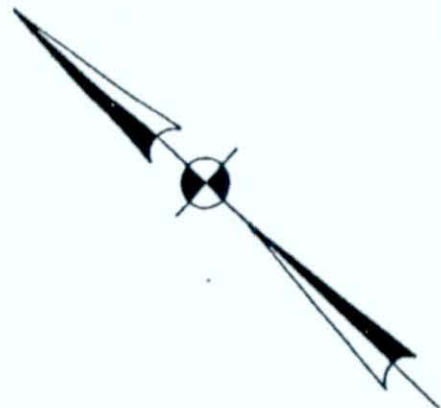
TRACT 5

PRIOR TITLE OPINIONS

- (a) Division Order Title Opinion dated November 6, 1985 prepared by the firm of Reaser & Wall (Robert Carl Bedgood), addressed to T&T Production Company, et al covering title to Tract 5 in addition to other land not the subject of this examination from 1883 to September 25, 1985 at 5:00 p.m.
- (b) Amended Division Order Title Opinion dated January 6, 1986 by the same firm addressed to the same entities.

SEARCH OF COUNTY RECORDS

Uncertified runsheet prepared by Steven E. DeCell, CPL covering filings in the offices of the County and District Clerks of Brazos County, Texas in the interval from September 25, 1985 at 5:00 p.m. to April 17, 1996 at 12:00 p.m.



**J.W. SMITH - NO.2
ELEV. 250**

80.000 AC. UNIT



EXHIBIT "C"

WELL LOCATION

J.W. SMITH - NO.2

R & C PETROLEUM, INC.
D. HARVEY SURVEY, A-125
H.D. TAYLOR SURVEY, A-230
BRAZOS COUNTY, TEXAS

SURVEYED MARCH, 1985

T. David Chinn

3.

MF 97514
ITEM Drilling opinion
TO _____
FROM _____
DATE 4-30-96

ECCO PETROLEUM, INC.
ONE GLEN LAKES
8140 WALNUT HILL LANE, SUITE 815
DALLAS, TEXAS 75231
PH.# (214) 691-6979

NATIONS BANK OF TEXAS, N.A.
DALLAS, TEXAS

37004486 004092

CHECK NO.

— One hundred —

DATE
8/14/96

AMOUNT
100⁰⁰

PAY TO THE ORDER OF
STATE OF TEXAS
GENERAL LAND Office

Robert Dixon

⑈004092⑈

170

X 100.⁰⁰
37004486



RECEIVED

96 SEP 25 PM 1:23

ENERGY RESOURCES

④ 6844007E

NO. 97514

ITEM Copy of Check

DATE 8-14-96

6844007E

6844007E



281
E

Shepherd-Owens Land Services

10801-B Pinehurst Drive
Austin, Texas 78747

Telephone 512-280-7410
Fax 512-280-7407

August 15, 1996

X App. Depth limit
Surface to 8267

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

10.00 Per Ac.
1/8 Roy
3yr Payout

Re: Highway Lease Application

Gentlemen:

Ecco Petroleum, Inc hereby makes application to lease the state owned minerals underlying the portion of Old Spanish Road in Brazos County which is outlined on the attached plat. In regard to such application, enclosed are the following:

1. Ecco's check for the \$100 processing fee.
2. Plat
3. Affidavit of consideration paid.
4. Title Opinion dated April 30, 1996, rendered by Gary G. Wisener. (See Comment and Requirement #8 on Page 11.)
5. Certified copies of the adjacent lease.
6. Field notes for the two subject right-of-way tracts.

32.50
.50
33.00

The adjacent mineral owner on both sides of the 2.32 acre Tract One is the applicant, Ecco Petroleum, Inc. The adjacent mineral owner on the northwest side of the .93 acre Tract Two is Ecco. Since Tract Two goes to the center line of the Old Spanish Road, the adjacent mineral owner on the Southeast side is the State of Texas. Ecco's address and phone #'s are:


Ecco Petroleum, Inc.
8140 Walnut Hill Lane, Suite 815
Dallas, Texas 75231
214-691-6979
Fax 691-9313

3.25' or

General Land Office
Application to Lease
August 15, 1996
Page 2

The right-of-way is not located on Relinquishment Act Lands. As set forth on the attached unit plat, Ecco is planning a horizontal well and is therefore not including an affidavit of nonproduction.

Also, since Ecco is the sole adjoining mineral owner, a waiver of right to receive statutory notice of intent to lease is not being included with this application.

 As set forth on page 3 of the enclosed title opinion, Ecco is the adjacent mineral owner only from the surface to 100 feet below the depth drilled in the Smith #2 well. Since the Smith #2 well was drilled to a depth of 8167 feet, this application to lease is limited to rights from surface to 8267 feet.

Thank you in advance for your consideration of our application. Should you have questions, wish to discuss anything, or need additional information, please call me.

Very truly yours,



Don K. Shepherd

Enclosures

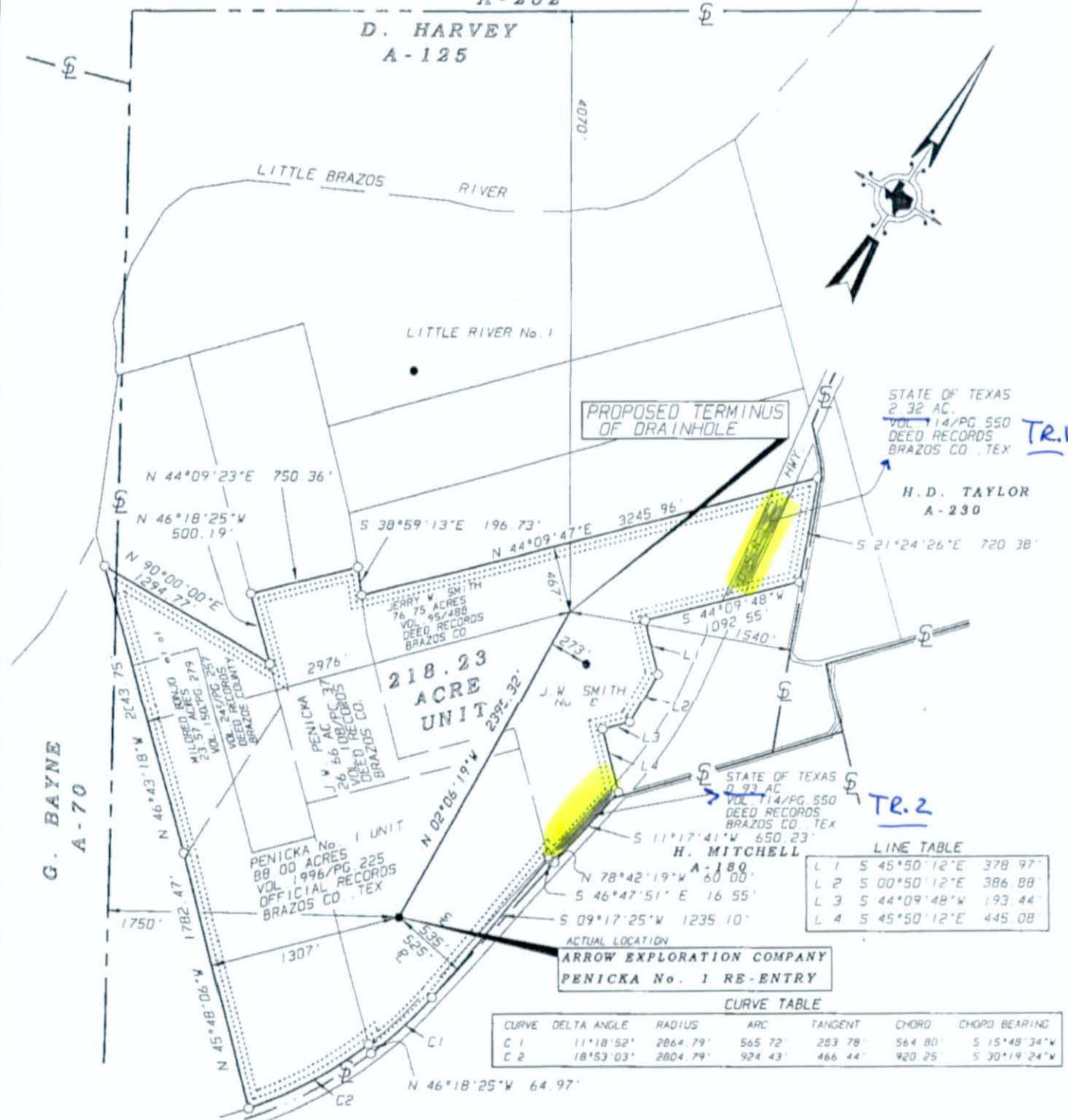
(5)

MF 97514
ITEM: Letter
TO: _____
FROM: _____
DATE 8-15-96

BRAZOS COUNTY, TEXAS

I. J. THOMPSON

A-232



STATE OF TEXAS
2.32 AC.
VOL. 14/PG 550
DEED RECORDS
BRAZOS CO., TEX
TR.1

H. D. TAYLOR
A-230

TR.2

LINE TABLE

L 1	S 45°50'12"E	378.97'
L 2	S 00°50'12"E	386.88'
L 3	S 44°09'48"W	193.44'
L 4	S 45°50'12"E	445.08'

CURVE TABLE

CURVE	DELTA ANGLE	RADIUS	ARC	TANGENT	CHORD	CHORD BEARING
C 1	11°18'52"	2864.79'	565.72'	283.78'	564.80'	S 15°48'34"W
C 2	18°53'03"	2804.79'	924.43'	466.44'	920.25'	S 30°19'24"W

NOTE: WELL IS LOCATED 7.4 MILES WEST SOUTHWEST OF BRYAN, TEXAS
 GROUND ELEVATION: 257 FEET
 WELL: PENICKA No. 1 RE-ENTRY
 OPERATOR: ARROW EXPLORATION COMPANY
 FEE: JOE PENICKA, et ux
 SURFACE LOCATION: 535 FEET WEST FROM THE EAST LINE AND 1750 FEET NORTHEAST FROM THE SOUTHWEST LINE OF THE D. HARVEY SURVEY, ABSTRACT No. 125, BRAZOS COUNTY, TEXAS
 PROPOSED TERMINUS 1540 FEET WEST FROM THE EAST LINE AND 4070 FEET SOUTHEAST FROM THE OF DRAINHOLE NORTHWEST LINE OF THE D. HARVEY SURVEY, ABSTRACT No. 125, BRAZOS COUNTY, TEXAS
 I, WILLIAM J. CASH, JR., DO HEREBY CERTIFY THAT THE ABOVE PLAT CORRECTLY SHOWS THE WELL AS LOCATED ON THE GROUND JULY 12, 1996.

WILLIAM J. CASH, JR.
REGISTERED PROFESSIONAL SURVEYOR
No. 3808

BEARINGS BASED ON TRUE NORTH OBTAINED BY SOLAR OBSERVATION
TITLE WORK PROVIDED BY ARROW EXPLORATION COMPANY.



PENICKA No. 1 RE-ENTRY



UNIVERSAL ENSCO, INC.
PHONE: 409 542-1146
FAX: 409 542-3353

DATE: JULY 17, 1996	SCALE: 1" = 1000'
FIELD BOOK 965 PAGE 09	DRAWN BY J.R.H.
DISK: FILE	REVISED 08-13-96

REF 97514
ITEM PIAT
TO _____
FROM _____
DATE _____

AFFIDAVIT

STATE OF TEXAS §

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF VICTORIA §

BEFORE ME, the undersigned authority, on this 15th day of August, 1996, personally appeared Don K. Shepherd, who made the following sworn statement:

My name is Don K. Shepherd, and I am a landman working on contract with Ecco Petroleum, Inc. I have spoken with Marshall A. Harrell's office in Caldwell, Texas and was informed that the bonus consideration paid for the below described oil and gas lease was \$10 per acre.

Oil and gas lease dated October 25, 1976, from Jerry W. Smith et ux, to Marshall A. Harrell, covering 192.82 acres, more or less, out of the Alex de la Garza League, A-18, and the D. Harvey League, A-125, and recorded in Volume 24 at Page 506 of the Oil and Gas Lease Records of Brazos County, Texas.


Don K. Shepherd

Subscribed to and sworn before me by Don K. Shepherd on this 16th day of August, 1996.

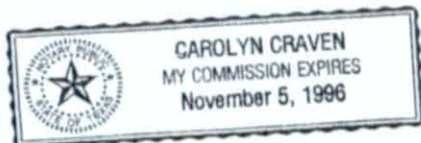



Notary Public, State of Texas

STATE OF TEXAS §

COUNTY OF TRAVIS §

This instrument was acknowledged before me on this 16th day of August, 1996, by Don K. Shepherd.




Notary Public, State of Texas

7.

REF 97514
ITEM Affidavit
TO _____
FROM _____
DATE 8-16-96

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 25th day of October
Jerry W. Smith and wife, Ollie Smith,

FILED FOR RECORD
DATE 12-1-76

DATE RECORDED 12-2-76 118:86

AT 1:45 O'CLOCK P.M.
FRANK BORISKIE
BRAZOS COUNTY CLERK
BY Susan J. [Signature]

lessor (whether one or more), whose address is: Route One, Box 680, Bryan, Texas 77801
and Marshall A. Harrell, P. O. Box 56, Caldwell, Texas 77836 lessee, WITNESSETH:
Ten and No/100

I, Lessor, in consideration of _____ 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, employ houses and other structures on said land, necessary or useful in lessee's operations in exploring, drilling for, producing, treating, storing and transporting minerals produced from the land covered hereby or any other land adjacent thereto. The land covered hereby, herein called "said land", is located in the County of Brazos State of Texas and is described as follows:

FIRST TRACT: 77.83 acres of land, more or less, out of the Alex de la Garza League, Abstract No. 18, In Brazos County, Texas, and being the same land described in a deed from Roy Robinson and wife, Zula Robinson, to Jerry W. Smith, said deed dated December 28, 1936, and recorded in Volume 92, Page 425, of the Deed Records of Brazos County, Texas;

SECOND TRACT: 122 acres of land, more or less, out of the David Harvey League, Abstract No. 125, and out of the Horace D. Taylor Survey, Abstract No. 230, and being the same land described in a Deed from Mrs. Alice Smith Cunningham to Jerry W. Smith, said Deed dated November, 1937, and recorded in Volume 95, Page 489, of the Deed Records of Brazos County, Texas, LESS, HOWEVER, out of said 122 acres, 7.01 acres of land, more or less, and being the same tract described in a deed from J. W. Smith and wife, Ollie Wallin Smith, to The State of Texas, said deed dated November 16, 1943, and recorded in Volume 114, Page 550, of the Deed Records of Brazos 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, delay rental or other payment hereunder, said land shall be deemed to contain 192.82 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 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 one dollar (\$1.00) per long ton. If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, lessee shall pay or tender, by check or draft of lessee, as royalty, a sum equal to the amount of annual delay rental provided for in this lease. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, and may be deposited in a depository bank provided for below. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as to acreage owned by each.

4. Lessee is hereby granted the right, at its option, to pool or unitize any land covered by this lease with any other land covered by this lease, and/or with any other land, lease, or leases, as to any or all minerals or horizons, so as to establish units containing not more than 80 surface acres, plus 10% acreage tolerance; provided, however, units may be established as to any one or more horizons, or existing units may be enlarged as to any one or more horizons, so as to contain not more than 640 surface acres plus 10% acreage tolerance, if limited to one or more of the following: (1) gas, other than casinghead gas, (2) liquid hydrocarbons (condensate) which are not liquids in the subsurface reservoir, (3) minerals produced from wells classified as gas wells by the conservation agency having jurisdiction. If larger units than any of those herein permitted, either at the time established, or after enlargement, are required under any governmental rule or order, for the drilling or operation of a well at a regular location, or for obtaining maximum allowable from any well to be drilled, drilling, or already drilled, any such unit may be established or enlarged to conform to the size required by such governmental order or rule. Lessee shall exercise said option as to each desired unit by executing an instrument identifying such unit and filing it for record in the public office in which this lease is recorded. Each of said options may be exercised by lessee at any time and from time to time while this lease is in force, and whether before or after production has been established either on said land, or on the portion of said land included in the unit, or on other land unitized therewith. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be mineral, royalty, or leasehold interests in lands within the unit which are not effectively pooled or unitized. Any operations conducted on any part of such unitized land shall be considered, for all purposes, except the payment of royalty, operations conducted upon said land under this lease. There shall be allocated to the land covered by this lease within each such unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) that proportion of the total production of unitized minerals from the unit, after deducting any used in lease or unit operations, which the number of surface acres in such land (or in each such separate tract) covered by this lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes of this lease as if produced from the land to which allocated in the same manner as though produced therefrom under the terms of this lease. The owner of the separate tract or 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 or 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 release as to lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. At any time while this lease is in force lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect. If at that time no operations are being conducted thereon for unitized minerals, Subject to the provisions of this paragraph 4, a unit once established hereunder shall remain in force so long as any lease subject thereto shall remain in force. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but lessee shall nevertheless have the right to pool or unitize as provided in this paragraph 4 with consequent allocation of production as herein provided. As used in this paragraph 4, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

If operations are not conducted on said land on or before the first anniversary date hereof, this lease shall terminate as to both parties, unless on or before said date shall, subject to the further provisions hereof, pay or tender to lessor or to lessor's credit in the City National Bank at P. O. Box 913, Bryan, Texas 77801, or its successors, which shall continue as the depository, regardless of changes in ownership of delay rental, royalties, or other moneys, the sum of \$192.82, which shall operate as delay rental and cover the privilege of deferring operations for one year from said date.

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

Therapy center
7-5-91
[Signature]

STATE OF TEXAS
COUNTY OF BRAZOS

The foregoing is a true and correct copy as
the same appears on file and recorded in the
appropriate records of Brazos County, Texas.

Thereby certify, on 7-5-96



Mary Ann Wash
County Clerk
Brazos County, Texas

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

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

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

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

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

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

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

12. Notwithstanding any other clause or provisions herein to the contrary, it is understood and agreed by and between Lessor and Lessee that, with reference to the payment of annual delay rentals, as provided in Paragraph No. 5 above, the total annual delay rental to extend the term of this lease that will be due on or before the 25th day of October, 1981, shall be \$1,928.20, and Lessee shall pay or tender to Lessor or to the credit of Lessor in the depository bank named above said sum. Except for such annual delay rental payment to be made on or before October 25, 1981, the provisions as to payments of annual delay rentals, as provided in Paragraph 5 above, shall remain in full force and effect for the entire term of this lease.

13. It is understood and agreed that this lease covers oil, gas, and sulphur only (including, with oil and gas, all the constituent elements thereof and all other liquid or liquefiable hydrocarbons and products of every kind or character derived therefrom and produced therewith). Excepted herefrom and reserved to Lessor are coal, lignite, uranium and all other hard or rock minerals, together with any and all minerals that require strip mining or open-pit mining as their means of excavation.

14. Lessee agrees and by acceptance of this lease binds and obligates himself, his heirs and assigns, to backfill all slush pits as soon as practicable after each drilling operation and to restore the premises to the condition same were prior to operations thereon as nearly as is practicable so to do. Lessee shall pay for all damages to growing crops, roads, and fences on same land caused by the operations of Lessee conducted hereunder.

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

Jerry W. Smith
JERRY W. SMITH

Ollie Smith
OLLIE SMITH

THE STATE OF TEXAS

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COUNTY OF BRAZOS

BEFORE ME, the undersigned authority, on this day personally appeared
JERRY W. SMITH

me to be the person whose name is ~~(xxxx)~~ subscribed to the foregoing instrument, 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 17 day of November, 1976.

Madeline E. Castenson
Notary Public in and for Brazos
County, Texas.

THE STATE OF TEXAS

COUNTY OF BRAZOS

BEFORE ME, the undersigned authority, on this day personally appeared
OLLIE SMITH

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

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 17 day of November, 1976.



Madeline E. Castenson
Notary Public in and for Brazos
County, Texas.

STATE OF TEXAS
COUNTY OF BRAZOS

The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos County, Texas.

Thereby certify, on 7-5-96 *[Signature]*



[Signature]
County Clerk
Brazos County, Texas

8.

MF 97514
ITEM Lead
TO _____
FROM _____
DATE 10-25-76