

# 2655  
.78 UNIT ACRES  
~~# 2656~~  
.35 UNIT ACRES  
-0- NON-UNIT AC.

Rentals: *Y.M.T.*

Lease  
Admin: *DR.*

Mineral  
Maps: *[Signature]*

STATE LEASE	PAID-UP	MF098474	
CONTROL	BASEFILE	COUNTY	
65-901661	000 -	MILAM	/166
SURVEY	: MILAM COUNTY ROADS		
BLOCK	:		
TOWNSHIP	: 00		
SECTION/TRACT:	:		
PART	:		
ACRES	: <u>1.326</u> <del>1.13</del> PER UNIT ACREAGES		
DEPTH LIMITS	: NO <i>0.78 acres</i>		
LESSEE	: UNION PACIFIC RESOURCES COMPAN		
LEASE DATE	: Aug 05 1997		
PRIMARY TERM	: 3 yrs		
BONUS (\$)	: 100.94		
RENTAL (\$)	: 0.00		
ROYALTY	: 0.16666600		
VAR ROYALTY	:		



### 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

920125  
MF 098474



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8 D.O Shaw Unit	4.20.98
9 D.O Bailey John	4.20.98
10 UNIT - SHAW	8.25.98
11 UNIT - BAILEY-HANN	8.25.98

Scanned sm 10/15/13

(See MF096731 #26  
Consent to Assign)

scanned PJ 10-18-16

(See MF097710 #33, Assign #10104  
Anadarko to Treadstone)

scanned PJ 12-27-16

See MF096731 #29, Assign #11170  
Treadstone to LRR Pecos 5/19/22

Scanned TG 5/21/2022

12. Termination info for 10/27/23  
Unit 2656 ↓

Scanned sm 12/04/2023

# The State of Texas



Austin, Texas

PAID-UP  
OIL AND GAS LEASE NO. M-98474  
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 Union Pacific Resources Co., whose address is, 801 Cherry St., Fort Worth, Texas 76102 hereinafter called "Lessee".

1. Lessor, in consideration of One Hundred and 94/100 Dollars (\$100.94), 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 Milam State of Texas, and is described as follows:

**1.13 ACRES PER UNIT ACREAGES**

1.326 acres of land, more or less, situated in said Milam 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 1.326 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 August 5, 1997, 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 sixth (1/6) part of all oil produced and saved by Lessee from said land, or from time to time, at the option of Lessee, to pay Lessor the average posted market price of such one sixth (1/6) part of such oil at the wells as of the day it is run to the pipe line or storage tanks, Lessor's interest, in either case, to bear none of the cost of treating oil to render it marketable pipe line oil;

(b) To pay Lessor on gas and casinghead gas produced from said land (1) when sold by lessee, one sixth (1/6) of the amount realized by Lessee, computed at the mouth of the well, or (2) when used by Lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one sixth (1/6) of such gas and casinghead gas.

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

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

(e) If at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, lessee shall pay or tender, by check of lessee, as royalty, the sum of \$25.00. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In the event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as to acreage owned by each.

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

Royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager, or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or

pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. In all cases the authority of a manager or agent to act for the Lessee herein must be filed in the General Land Office. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid on each lease. If Lessee pays his royalty on or before thirty (30) days after the royalty payment was due, the Lessee owes a penalty of 5% on the royalty or \$25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or \$25.00, whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.

The State shall have first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State hereunder.

4. POOLING: (a) Lessee is hereby granted the right, at its option, to pool or unitize any land covered by this lease with any other land covered by this lease, and/or with any other land, lease, or leases, as to any or all minerals or horizons. Units pooled for oil hereunder shall not exceed 160 acres each in area, and units pooled for gas hereunder shall not exceed in area 640 acres each plus a tolerance of ten percent (10%) thereof, unless oil or gas units of a greater size are allowed under or prescribed by rules of the Railroad Commission of Texas. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be mineral, royalty, or leasehold interests in lands within the unit which are not effectively

pooled or unitized. Any operations conducted on any part of such unitized land shall be considered, for all purposes, except the payment of royalty, as operations conducted upon said land under this lease. There shall be allocated to the land covered by this lease within each such unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) the proportion of the total production of unitized minerals from the unit, after deducting any used in lease or unit operations, which the number of surface acres in such land (or in each such separate tract) covered by this lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty, overriding royalty and any other payments out of production, to be the entire production of unitized minerals from the land to which allocated in the same manner as though produced therefrom under the terms of this lease. The owner of the reversionary estate of any term royalty or mineral estate agrees that the accrual of royalties pursuant to this paragraph or of shut-in royalties from a well on the unit shall satisfy any limitation of term requiring production of oil or gas.

The formation of any unit hereunder which includes land not covered by this lease shall not have the effect of exchanging or transferring any interest under this lease (including, without limitation, any shut-in royalty which may become payable under this lease) between parties owning interests in land covered by this lease and parties owning interests in land not covered by this lease. Neither shall it impair the right of Lessee to release as provided in paragraph 5 hereof, except that Lessee may not so release as to lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. At any time while this lease is in force Lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit once established hereunder shall remain in force for so long as any lease subject thereto shall remain in force. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but Lessee shall nevertheless have the right to pool or unitize as provided in this paragraph 4 with consequent allocation of production as herein provided. As

used in this paragraph 4, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

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

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

5. 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 August 5, 1997.



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

Approved:  
Energy: Rtt  
Executive: SL



**Texas General Land Office**  
Garry Mauro, Commissioner

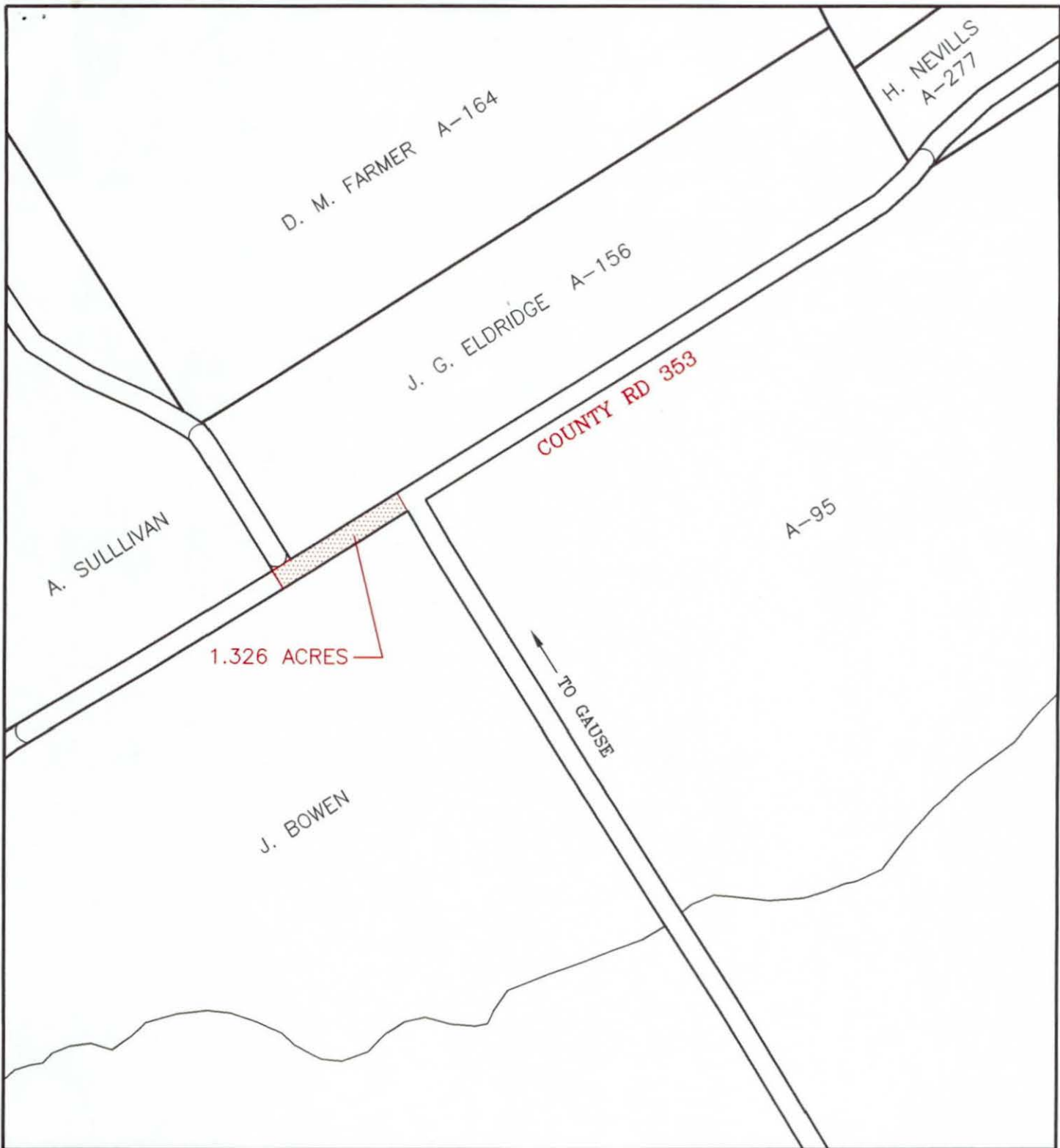
Stephen F. Austin Building  
1700 North Congress Avenue  
Austin, Texas 78701-1495  
(512) 463-5001

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ACREAGE TO BE LEASED FROM THE STATE OF TEXAS IN MILAM COUNTY, BEING A PART OF MILAM COUNTY ROAD NO. 353;

1.326 acres of land, more or less, in the Jennett Bowing League, A-95, Milam County, Texas, and being the same land described as follows, to-wit:

1.326 acres being the same land described in that certain Warranty Deed dated January 29, 1924, from J. W. Pitts to Jeff T. Kemp, County Judge Milam County, Texas, and recorded in Volume 171, Page 153 of the Deed Records of Milam County, Texas.



CTYRD353/RH/7-97

MAP SHOWING  
A PORTION OF COUNTY ROAD 353  
1.326 ACRES  
0.5 MILES SOUTH OF GAUSE  
MILAM COUNTY



ACREAGE TO BE LEASED FROM THE STATE OF TEXAS IN MILAM COUNTY, BEING A PART OF MILAM COUNTY ROAD NO. 353;

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① MF 98474  
ITEM Lease  
TO \_\_\_\_\_  
FROM \_\_\_\_\_  
DATE 8/5/97

GENERAL LAND OFFICE

GARRY MAURO  
COMMISSIONER

MEMORANDUM

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Docket #8

DATE: July 30, 1997

TO: Linda Fisher / School Land Board

From: Drew Reid / Minerals Leasing

RE: Applications To Lease Highway Right-of-Way

- A) Applicant - Chesapeake Operating, Inc.  
Description - 13.93 ac. along St. Hwy. 72, situated  
in the Victoriano Zepeda Sur., A-13 in Karnes Co.  
Terms - \$75.00/Ac. Bonus, 3/16 Royalty, 18 Months, Paid-up
- B) Applicant - Chesapeake Operating, Inc.  
Description - 3 ac. along St. Hwy. 72, situated  
in the Stewart Perry Sur., A-657 in DeWitt Co.  
Terms- \$100.00/Ac. Bonus, 1/5 Roulalty, 1 year
- C) Applicant - Chesapeake Operating, Inc.  
Description - 4.16 ac. along Hickory Bend Rd., situated  
in the Elizabeth Gordon Sur., A-49 in Washington Co.  
Terms - \$150.00/Ac. Bonus, 3/16 Royalty, 3 Years Paid-up
- D) Applicant - UPRC  
Description - 1.326 ac. along Co. Rd. 353, situated  
in the Jennett Bowing League, A-95 in Milam Co.  
Terms - \$75.00/Ac. Bonus, 1/6 Royalty, 3 Years,  
\$10.00 Rentals
- E) Applicant - UPRC  
Description - 14.26 ac. along Co. Rd. 79, 79B and 79C,  
situated in the Abner Kuykendall One-Half League, A-70  
in Washington Co.  
Terms - \$100.00/Ac. Bonus, 1/4 Royalty, 1 Year
- F) Applicant - UPRC  
Description - 8.1 Ac. along Co. Rd. 30, situated in the  
James Schrier League, A-98 in Washington Co.  
Terms - \$105.00/Ac. Bonus, 1/6 Royalty, 3 Years Paid-up

- G) Applicant - UPRC  
Description - .98 Ac. along F.M. 332, situated in the  
James Schrier League, A-98 in Washington Co.  
Terms - \$105.00/Ac. Bonus, 1/6 Royalty, 3 Years Paid-up
- H) Applicant - UPRC  
Description - 2.9384 Ac. along Old St. Hwy. 63, situated in  
the R. Frost Seastrunk Sur., A-1058 in Jasper Co.  
Terms - \$100.00/Ac. Bonus, 1/6 Royalty, 3 Years Paid-up
- I) Applicant - UPRC  
Description - .87 Ac. along Co. Rd. 1948, situated in  
the James Cox Sur., A-36 in Washington Co.  
Terms - \$55.00/Ac. Bonus, 1/4 Royalty, 1 Year
- J) Applicant - Vastar Resources, Inc.  
Description - 5 Ac. along St. Hwy. 257, situated in  
the A.B.&M. Sur. #135, A-46 in Live Oak Co.  
Terms - \$150.00/Ac. Bonus, 1/4 Royalty, 3 Years,  
\$25.00/Ac. Rentals
- K) Applicant - Sklar & Phillips Oil Co.  
Description - 7.56 Ac. along St. Hwy. 84, situated in the  
Maria De Cantona Sur., A-7 in Freestone Co.  
Terms - \$52.00/Ac. Bonus, 1/6 Royalty, 3 Years paid-up
- L) Applicant - American Exploration Co.  
Description - 69.08 Ac. along St. Hwy. 111, situated in  
the Wm. Blundell Sur., A-557; the Lofton Vess Sur.,  
A-483; the J. Dunn Sur., A-146 and the A.M. Clare Sur.,  
A-109 in Lavaca Co.  
Terms - \$200.00/AC. Bonus, 30% Royalty, 2 Years,  
\$50.00 Rentals
- M) Applicant - Scott Oils, Inc.  
Description - 12.775 Ac. along St. Hwy. 111, situated in  
the John Leeds Sur., A-299 (Lavaca Co.)  
A-215 (Jackson Co.) and in the J. Footman Sur.,  
A-731 (Lavaca Co.) A-111 (Jackson Co.) in Lavaca Co.  
and Jackson Co.  
Terms - \$200.00/Ac. Bonus, 1/4 Royalty, 18 Months paid-up
- N) Applicant - Sandy Fork Exploration Co.  
Description - 23.51 Ac. along St. Hwy. 377, situated in the  
Nancy Smith Sur., A-755 in Johnson Co.  
Terms - \$50.00/Ac. Bonus, 1/8 Royalty, 3 Years Paid-up

- 0) Applicant - Rosewood Resources, Inc.  
Description - 17.338 Gross Ac./1.8118 Net Ac. along  
St. Hwy. 75, situated in the G. Cassillas Sur.,  
A-112 in Walker Co.  
Terms - \$100.00/Ac. Bonus, 1/5 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.


WILLIAM ALAN KUTNER  
 LIC. [REDACTED]  
 313B WEST ELIZABETH  
 AUSTIN, TEXAS 78704-3005

6200

7/7 19 97

Pay To  
 The Order Of State of Texas \$ 100.00

One hundred and 00/100 Dollars

 TEXAS COMMERCE BANK NATIONAL ASSOCIATION  
 DOWNTOWN SOUTH OFFICE  
 1001 FANNIN AT MC KINNEY  
 HOUSTON, TEXAS 77002

Memo [REDACTED] *Bill Kutner* MP  
 [REDACTED] 6200 [REDACTED]

RECEIVED  
 97 JUL -7 PM 3:55  
 ENERGY RESOURCES


WILLIAM ALAN KUTNER ✓  
 LIC. [REDACTED]  
 313B WEST ELIZABETH  
 AUSTIN, TEXAS 78704-3005

6201

7/7 19 97

Pay To  
 The Order Of State of Texas \$ 100.94

One hundred and 94/100 Dollars

 TEXAS COMMERCE BANK NATIONAL ASSOCIATION  
 DOWNTOWN SOUTH OFFICE  
 1001 FANNIN AT MC KINNEY  
 HOUSTON, TEXAS 77002

Memo [REDACTED] *Bill Kutner* MP  
 [REDACTED] 6201 [REDACTED]

Code  
 170

Any right of  
 way

attn: Drew Reed

X 100.00  
 X 100.94

37055981  
 37055982

2)

MF 98474  
 ITEM App to Bid  
 TO \_\_\_\_\_  
 FROM \_\_\_\_\_  
 DATE 7/30/97

98474

11022885  
 11022885

11022885

44

# JIM BURGIN AND ASSOCIATES, INC.

Professionals in Land Services  
105 E. Main Street  
Cameron, Texas 76520  
817-697-8097  
817-697-8581 (fax)

July 2, 1997

Texas General Land Office  
Energy Resources  
Minerals Leasing Division  
1700 North Congress Avenue  
Austin, Texas 78701-1495

Attention: Mr. Drew Bob Reid

RE: Request for Oil & Gas Lease <sup>> QPRC</sup>  
Milam County Road No. 353  
1.3260 acres  
Milam County, Texas

99.45  
1.49  
-----  
\$ 100.94

75.00  
1/6  
3 yr  
10.00

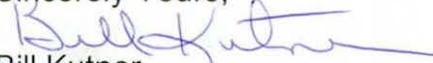
Dear Mr. Reid:

I am enclosing herewith for your review the following items necessary for the leasing of the above highway right-of-way tract:

- 1.) Check for \$100.00 to cover the processing fee;
- 2.) Application to lease right-of way with attachments;
- 3.) Affidavit re: Horizontal Drilling and consideration paid for adjacent mineral leases;
- 4.) Map indicating ownership of adjacent tracts;
- 5.) Copy of Right-of Way Deed
- 6.) Copies of leases on adjacent tracts
- 7.) Copy of Title Memorandum

Thank you very much in advance for your time and consideration regarding the leasing and development of these minerals. Should you have any questions or comments, please do not hesitate to contact me at the above telephone number.

Sincerely Yours,

  
Bill Kutner

3) MF 98474  
ITEM Letter  
TO \_\_\_\_\_  
FROM \_\_\_\_\_  
DATE 7-2-97

AFFIDAVIT

STATE OF TEXAS

COUNTY OF MILAM

BEFORE ME, the undersigned authority, on this day appeared BILL KUTNER, known to me to be a credible person above the age of twenty-one (21) years, not incapacitated in any way, who after being first duly sworn, deposes and says to-wit:

Affiant states that Union Pacific Resources Company plans to drill a horizontal well in the near future and that there is no production within 2500 feet of the 1.326 acre tract that Union Pacific Resources Company is hereby requesting to lease.

Affiant further states that as an independent landman currently engaged by Union Pacific Resources Company, he is aware of the consideration paid for the oil and gas leases adjacent to the right-of-way tract listed below.

ACREAGE TO BE LEASED FROM THE STATE OF TEXAS IN MILAM COUNTY, BEING A PART OF MILAM COUNTY ROAD NO. 353;

1.326 acres of land, more or less, in the Jennett Bowing League, A-95, Milam County, Texas, and being the same land described as follows, to-wit:

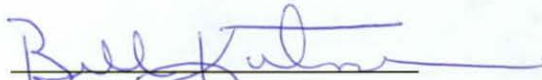
1.326 acres being the same land described in that certain Warranty Deed dated January 29, 1924, from J. W. Pitts to Jeff T. Kemp, County Judge Milam County, Texas, and recorded in Volume 171, Page 153 of the Deed Records of Milam County, Texas.

Affiant further states that the consideration paid for these leases are as follows, to wit:


<u>LESSORS</u>	<u>BK/PG</u>	<u>ROYALTY</u>	<u>BONUS</u>	<u>RENTAL</u>
Tract 1: Mrs. R. E. Thompson	733/117	1/8	\$30.00	Paid-Up
Tract 2: Francis Petty	733/120	1/8	\$30.00	Paid-Up
Tract 3: Patricia Ellouise Watkins	733/111	1/8	\$30.00	Paid-Up
Tract 4: Dorothy Spradling	733/114	1/8	\$30.00	Paid-Up
Tract 5: Mrs. R. E. Thompson	719/600	1/8	\$40.00	\$10.00 ◀
Tract 6: Dorothy L. Gause, et al	738/540	1/6	\$75.00	Paid-Up
Tract 7: James Michael Hillsman	750/503	1/6	\$50.00	Paid-Up

Affiant further states that said lands listed as Tract 1 through Tract 7 herein, correspond to the lands listed as same on the attached map, labeled Exhibit "A" and including the subject area of Milam County, Texas.

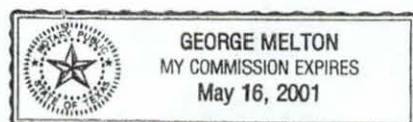
Further affiant sayeth not.  
Dated this 2<sup>nd</sup> day of July 1997.

  
Bill Kutner

SUBSCRIBED AND SWORN BEFORE ME THIS 2<sup>ND</sup> DAY OF JULY 1997.

  
George Melton  
Notary Public, State of Texas

My Commission Expires  
May 16, 2001



④  
# 98474  
ITEM Affidavit  
TO  
FROM  
DATE 7-2-97



## Tract Ownership Profile (Expanded)

Tract #: 146E  
Tract Name: MILAM COUNTY, TEXAS  
State: TX  
County: MILAM  
Acres: 1.3260  
Lands Described: 1.326 ACRES OF LAND, MORE OR LESS, SITUATED IN THE JENNETT BOWING LEAGUE, A-95, MILAM COUNTY, TEXAS, BEING THE SAME LAND DESCRIBED IN THAT DEED DATED JANUARY 29, 1924, FROM J. W. PITTS TO MILAM COUNTY, TEXAS, RECORDED IN VOLUME 171, PAGE 153, DEED RECORDS, MILAM COUNTY, TEXAS.

Type	Code	Survey	Block	Section	Qtr/Qtr	Labor	Lot	Acres	Description
A	95	BOWNING JENNETT						1.3260	

Owner Name	Surface	Mineral	Working	Revenue	Type
MILAM COUNTY, TEXAS	1.00000000	1.00000000	0.00000000	1.00000000	UNLEASED
***TOTALS***	1.00000000	1.00000000	0.00000000	1.00000000	

1.326 ACRES, JENNETT BOWING LG., A-95, MILAM CO., TX.

MEMORANDUM OF TITLE

DESCRIPTION OF LANDS

1.326 ACRES OF LAND, MORE OR LESS, SITUATED IN THE JENNETT BOWING LEAGUE, A-95, MILAM COUNTY, TEXAS, BEING THE SAME LAND DESCRIBED IN THAT DEED DATED JANUARY 29, 1924, FROM J. W. PITTS TO MILAM COUNTY, TEXAS, RECORDED IN VOLUME 171, PAGE 153, DEED RECORDS, MILAM COUNTY, TEXAS.

MATERIALS EXAMINED

THIS MEMORANDUM OF TITLE IS BASED UPON THE REVIEW OF THE RECORDS OF THE COUNTY CLERK'S OFFICE AND OF THE DISTRICT CLERK'S OFFICE OF MILAM COUNTY, TEXAS MADE BY DON SIKES OF JIM BURGIN & ASSOCIATES, INC., AND COVERING THE TIME PERIOD FROM DECEMBER 23, 1896 THROUGH MAY 02, 1997 AT 5:00 P. M.

OWNERSHIP

Surface Ownership

MILAM COUNTY, TEXAS	1.00000000
Total Ownership	1.00000000

Executive Rights & Mineral Fee

MILAM COUNTY, TEXAS	1.00000000
Total Ownership	1.00000000

Working Interest

	Expense	Revenue	Source
MILAM COUNTY, TEXAS	1.00000000	1.00000000	
Total Working Interest	1.00000000	1.00000000	

## LIMITATIONS

THIS MEMORANDUM OF TITLE IS MADE SPECIFICALLY SUBJECT TO THE FOLLOWING LIMITING CONDITIONS: (1) THE LEGAL DESCRIPTION FURNISHED TO US BY UNION PACIFIC RESOURCES IS ASSUMED TO BE CORRECT. (2) THIS MEMORANDUM OF TITLE IS NOT INTENDED TO BE USED AS A TITLE OPINION, AND IT IS NOT TO BE CONSTRUED AS A LEGAL OPINION WITH REGARD TO ANY OF THE MATTERS SET OUT HEREIN. IN THE EVENT YOU SHOULD DESIRE A LEGAL OPINION YOU SHOULD RETAIN THE SERVICES OF A COMPETENT ATTORNEY TO RENDER SUCH TITLE OPINION. (3) ANY MAPS OR PLATS ATTACHED TO THIS MEMORANDUM OF TITLE ARE INCLUDED FOR THE SOLE PURPOSE OF IDENTIFYING THE GENERAL LOCATION OF THE CAPTIONED PROPERTY. WE HAVE NOT OBTAINED A SURVEY OF THE PROPERTY, NOR DO WE ASSUME ANY RESPONSIBILITY IN CONNECTION WITH SUCH MATTERS. (4) POSSESSION OF THIS MEMORANDUM OF TITLE DOES NOT CARRY WITH IT THE RIGHT OF PUBLICATION, NOR MAY IT BE USED FOR ANY PURPOSE BY ANYONE OTHER THAN UNION PACIFIC RESOURCES WITHOUT PRIOR WRITTEN CONSENT OF JIM BURGIN & ASSOCIATES, INC., AND IN ANY EVENT, ONLY WITH PROPER QUALIFICATIONS. (5) WE ARE NOT REQUIRED TO GIVE TESTIMONY OR ATTENDANCE IN COURT BY REASON OF PREPARATION OF THIS MEMORANDUM OF TITLE WITH REFERENCE TO THE CAPTIONED PROPERTY UNLESS PREVIOUS ARRANGEMENTS HAVE BEEN MADE THEREFOR. (6) THIS MEMORANDUM OF TITLE WAS PREPARED FROM THOSE DOCUMENTS ON FILE IN THE OFFICIAL RECORDS OF THE COUNTY OR COUNTIES CAPTIONED HEREIN. FOR THE PURPOSES OF PREPARING THIS MEMORADUM OF TITLE, ONLY THE INSTRUMENTS IN THE BASIC CHAIN OF TITLE TO THE MINERAL ESTATE, ROYALTY ESTATE AND LEASEHOLD ESTATEWERE COVERED. WE HAVE NOT FOLLOWED THE CHAINS OF TITLE WITH REGARD TO ANY LIENS, JUDGMENTS, EASEMENTS, RIGHTS-OF-WAY OR OTHER ENCUMBRANCES UNLESS OTHERWISE SPECIFICALLY SET OUT HEREIN.

EXHIBIT A - CERTIFICATION OF BURDEN RELATIONSHIPS

MILAM COUNTY, TEXAS

1.00000000

UNLEASED

Total Ownership

1.00000000

TITLE RUNSHEET

State: TX  
County: MILAM  
Acres: 1.3260  
Number: 146E  
Name: MILAM COUNTY, TEXAS

1.326 ACRES OF LAND, MORE OR LESS, SITUATED IN THE JENNETT BOWING LEAGUE, A-95, MILAM COUNTY, TEXAS, BEING THE SAME LAND DESCRIBED IN THAT DEED DATED JANUARY 29, 1924, FROM J. W. PITTS TO MILAM COUNTY, TEXAS, RECORDED IN VOLUME 171, PAGE 153, DEED RECORDS, MILAM COUNTY, TEXAS.

Remark:

**Runsheets Doc. No: 1**

Doc Type: BRIDGE DOCUMENT  
County: MILAM  
Document Date: 12/17/1850  
Effective Date: 12/17/1850  
Grantor(s): PREVIOUS OWNERS  
Grantee(s): MILAM COUNTY, TEXAS  
Document Context: THIS INSTRUMENT IS FOR CONVEYANCE PURPOSES  
Lands Described: 1.326 ACRES, JENNETT BOWING LG., MILAM CO., TX.

**Runsheets Doc. No: 2**

Recorded: DEED - B: 13, P: 413  
Doc Type: PATENT  
County: MILAM  
Filing Date: 08/28/1884  
Document Date: 12/18/1850  
Effective Date: 12/18/1850  
Grantor(s): P. H. BELL, GOVERNOR OF THE STATE OF TEXAS  
Grantee(s): JENEATTE BOWING  
Document Context: PATENT ON ONE LEAGUE OF LAND, KNOWN AS LG. NO. 2,  
IN MILAM CO., TX., ON THE BANK OF THE BRAZOS RIVER  
Lands Described: ONE LEAGUE OF LAND

**Runsheets Doc. No: 3**

Recorded: DEED - B: 15, P: 130  
Doc Type: DEED  
County: MILAM  
Filing Date: 03/25/1885  
Document Date: 01/30/1874  
Effective Date: 01/30/1874  
Grantor(s): F. M. ADAMS, ADM.  
Grantee(s): W. B. STREETMAN  
S. L. GOHLMAN  
Document Context: CONVEYANCE OF 100 ACRES; M & B; BEING PART OF  
1500 ACRES; SAID 100 ACRES MADE UP OF TWO 40 ACRE  
TRACTS, AND ONE 20 ACRE TRACT, BEING TRACTS 36,37  
& 38, RESPECTIVELY; CONSIDERATION OF \$214 IN  
CASH; GRANTOR IS ADMINISTRATOR OF THE ESTATE OF  
W. H. WHITE

Lands Described: 100 ACRES, JENNETT BOWEN LG. MILAM CO., TX.

**Runsheets Doc. No: 4**

Recorded: DEED - B: A1, P: 3  
Doc Type: DEED  
County: MILAM  
Filing Date: 04/21/1874  
Document Date: 04/15/1874  
Effective Date: 04/15/1874  
Grantor(s): S. L. GOHLMAN  
Grantee(s): W. B. STREETMAN  
Document Context: CONVEYANCE OF HIS UNDIVIDED 1/2 INTEREST IN 100  
ACRE TRACT; CONSIDERATION OF \$250  
Lands Described: 100 ACRES, JENNETT BOWEN LG., MILAM CO., TX.

**Runsheets Doc. No: 5**

Recorded: DEED - B: 25, P: 346  
Doc Type: DEED  
County: MILAM  
Filing Date: 11/19/1889  
Document Date: 11/18/1889  
Effective Date: 11/18/1889  
Grantor(s): W. B. STREETMAN  
Grantee(s): J. M. DOLLAR  
Document Context: CONVEYANCE OF ABOUT 60 ACRES, MORE OR LESS, AFTER  
EXCEPTING 50 ACRES ON THE SOUTH END OF TRACT;  
CONSIDERATION OF \$240  
Lands Described: 60 ACRES, JENNETT BOWEN LG., MILAM CO., TX.

**Runsheets Doc. No: 6**

Recorded: DEED - B: 48, P: 268  
Doc Type: DEED  
County: MILAM  
Filing Date: 01/31/1898  
Document Date: 12/23/1896  
Effective Date: 12/23/1896  
Grantor(s): J. M. DOLLAR

Grantee(s): J. W. PITTS  
Document Context: CONVEYANCE OF 65.9420 ACRES; M & B; CONSIDERATION  
OF \$250  
Lands Described: 65.942 ACRES, JENNETT BOWEN LG., MILAM CO., TX.

**Runsheets Doc. No: 7**

Recorded: DEED - B: 63, P: 296  
Doc Type: OTHER  
County: MILAM  
Filing Date: 11/18/1902  
Document Date: 11/13/1902  
Effective Date: 11/13/1902  
Grantor(s): J. W. PITTS & WF., MRS. ELLEN PITTS  
Grantee(s): THE PUBLIC  
Document Context: DESIGNATION OF 65 5315/5645 ACRES, FIRST OF TWO  
TRACTS, AS PART OF HOMESTEAD; M & B; 160 ACRE  
TRACT FORMS THE OTHER PART OF HOMESTEAD  
Lands Described: 65.942 ACRES, JENNETTE BOWEN LG., MILAM CO., TX.

**Runsheets Doc. No: 8**

Recorded: DEED - B: 63, P: 413  
Doc Type: OTHER  
County: MILAM  
Filing Date: 12/22/1902  
Document Date: 12/20/1902  
Effective Date: 12/20/1902  
Grantor(s): J. W. PITTS & WF., MRS. ELLEN PITTS  
Grantee(s): THE PUBLIC  
Document Context: DESIGNATION OF 60 ACRES, FIRST OF TWO TRACTS, AS  
PART OF HOMESTEAD; M & B; 160 ACRE TRACT FORMS  
THE OTHER PART OF HOMESTEAD  
Lands Described: 60 ACRES, JENNETTE BOWEN LG., MILAM CO., TX.

**Runsheets Doc. No: 9**

Recorded: DEED - B: 120, P: 597  
Doc Type: OTHER  
County: MILAM

Filing Date: 06/23/1913  
Document Date: 08/08/1910  
Effective Date: 08/08/1910  
Grantor(s): LEROY PITTS  
Grantee(s): J. W. PITTS  
Document Context: IN THIS INSTRUMENT, GRANTOR RELINGUISHES ANY CLAIM HE MIGHT HOLD AGAINST J. W. PITTS, THROUGH HIS DECEASED MOTHER, ELLEN PITTS, WIFE OF J. W. PITTS, FOR \$100

**Runsheets Doc. No: 10**

Recorded: MARRIAGE RECORD - B: 13, P: 413  
Doc Type: CERTIFICATE  
County: MILAM  
Document Date: 09/09/1913  
Effective Date: 09/09/1913  
Document Context: J. W. PITTS AND MRS. EMMA BARKER MARRIED ON 09-09-1913, IN MILAM CO., TX. (NOTE: HIS FIRST WIFE, ELLEN WAS DECEASED. THERE IS NO RECORD OF HER DEATH IN MILAM CO., TX.)

**Runsheets Doc. No: 11**

Recorded: JUDGEMENT - B: H, P: 123FF  
Doc Type: JUDGMENT  
County: MILAM  
Filing Date: 06/02/1914  
Document Date: 06/01/1914  
Effective Date: 06/01/1914  
Grantor(s): DISTRICT COURT OF MILAM COUNTY, TEXAS  
Grantee(s): J. W. PITTS  
Document Context: IN THIS CAUSE NO. 6926 IN THE DISTRICT COURT OF MILAM COUNTY, TEXAS, THE COURT PARTITIONS CERTAIN LANDS BETWEEN I. B. PITTS, HENRY PITTS, & JOHN DENSON PITTS, PLAINTIFFS, AND J. W. PITTS, DEFENDANT. THE SHARES ALLOTTED TO EACH OF THE PLAINTIFFS WAS 1/6 SHARE EACH, AND THE SHARE ALLOTTED TO THE DEFENDANT WAS 1/2. THOSE LANDS ALLOTTED TO J. W. PITTS WERE: THE SUBJECT TRACT OF 65 5315/5645 ACRES, A 47 1/2 ACRE TRACT AND A 213 1/4 ACRE TRACT. PLATS ARE GIVEN. THE TRACTS GIVEN TO THE PLAINTIFFS ARE GIVEN AND SHOWN ALSO ON A PLAT. THOSE TRACTS ALLOTTED TO THE DEFENDANTS WERE AS FOLLOWS: FIRST, TO JOHN

DENSON PITTS, 50 AND 65 ACRE TRACTS; 2ND, TO HENRY PITTS, 65 AND 130 1/2 ACRE TRACTS, AND TO I. B. PITTS, 57 1/2 AND 65 ACRE TRACTS. THOSE LANDS PARTITIONED WERE: 1ST TRT, 205 ACRES, JENNETT BOWEN LG., 2ND, 65 5315/5645 ACRES, JENNETT BOWEN LG.; 3RD, 144 ACRES, KIDD 1/3 LG.; 4TH 200 ACRES, KIDD 1/3 LG., AND 5TH, 160 ACRES, RODRIGUEZ GRANT.

Lands Described: TRT. 1, 65 5315/5645 ACRES, (JENNETT BOWEN LG.), MILAM CO., TX.

**Runsheets Doc. No: 12**

Recorded: DEED - B: 129, P: 110  
Doc Type: LEASE - OIL & GAS  
County: MILAM  
Filing Date: 05/19/1915  
Document Date: 05/12/1915  
Effective Date: 05/12/1915  
Grantor(s): J. W. PITTS & WF., EMMA PITTS  
Grantee(s): LOUIS JAMES BOWLING, ALLEN VARNER & ROGER KILLOUGH  
Document Context: OGML ON 113 2492/5645 ACRES, BOTH IN THE JANETTE BOWEN LG., MILAM CO., TX., MADE UP OF TWO TRACTS: 1ST TRT., 65 5315/5645 ACRES; M & B; AND 2ND TRT., 47 1/2 ACRES; M & B; 25 YEAR LEASE FROM THE DISCOVERY OF OGM, AND AS LONG AS PAYING QUANTITIES ARE PRODUCED THEREON, BUT IF WELL IS NOT COMMENCED WITHIN ONE YEAR THEN GRANT BECOMES NULL AND VOID; 1/8 ROYALTY  
Lands Described: 113.4415 ACRES, JANETTE BOWEN LG., MILAM CO., TX.

**Runsheets Doc. No: 13**

Recorded: DEED - B: 129, P: 298  
Doc Type: DEED  
County: MILAM  
Filing Date: 10/26/1915  
Document Date: 10/23/1915  
Effective Date: 10/23/1915  
Grantor(s): EMMA PITTS  
Grantee(s): J. W. PITTS  
Document Context: CONVEYANCE OF INTEREST IN THREE TRACTS, 243 1/2 ACRES; 65 5315/5645 ACRES, & 47.5 ACRES; M & B GIVEN OF EACH TRACT. THE 65 5315/5645 ACRE TRACT IS SUBJECT TRACT; CONSIDERATION OF \$1.00

Lands Described: 2ND TRT., 65 5315/5645 ACRES, (JENNET BOWING LG.), MILAM CO., TX.

**Runsheets Doc. No: 14**

Recorded: DEED - B: 135, P: 383  
Doc Type: DEED  
County: MILAM  
Filing Date: 04/25/1916  
Document Date: 04/17/1916  
Effective Date: 04/17/1916  
Grantor(s): J. W. PITTS  
Grantee(s): JOHN DENSON PITTS  
HENRY PITTS  
I. B. PITTS

Document Context: THIS QUIT CLAIM DEED IS USED FOR REFERENCE ONLY PURPOSES IN THAT IT SHOWS THAT IN THE SESSION OF THE APRIL TERM, 1914, OF THE DISTRICT COURT, THERE WAS SET ASIDE TO J. W. PITTS THE 113.5 ACRES. THERE WAS IN THIS DEED THE PARTITIONING OF LANDS OTHER THAN SUBJECT LAND.

Lands Described: 113.5 ACRES, (JENNETT BOWING LG.), MILAM CO., TX.

**Runsheets Doc. No: 15**

Recorded: DEED - B: 171, P: 153  
Doc Type: DEED  
County: MILAM  
Filing Date: 03/26/1924  
Document Date: 01/29/1924  
Effective Date: 01/29/1924  
Grantor(s): J. W. PITTS  
Grantee(s): JEFF T. KEMP COUNTY JUDGE MILAM COUNTY

Document Context: CONVEYANCE OF STRIP OF LAND 50 FEET WIDE BY 1155 FEET OR 415 8/10 VARAS OFF THE NORTH SIDE OF HIS 65 ACRE TRACT, A PART OF THE JENNETT BOWEN SURVEY CONSIDERATION OF \$100

Lands Described: 1.3258 ACRE, JENNETTE BOWEN SURVEY, MILAM CO., TX.

Runsheets Doc. No: 16

Recorded: DEED - B: 171, P: 183  
Doc Type: AFFIDAVIT  
County: MILAM  
Filing Date: 03/29/1924  
Document Date: 03/29/1924  
Effective Date: 03/29/1924  
Grantor(s): T. G. Sampson  
J. M Tucker  
Grantee(s): The Public  
Document Context: Affidavit stating the Milam County Court House was destroyed by fire on April 09, 1874. All of the records which were in the Court House were completely destroyed

Runsheets Doc. No: 17

Doc Type: OTHER  
County: MILAM  
Document Date: 05/02/1997  
Effective Date: 05/02/1997  
Grantor(s): Jim Burgin & Associates, Inc.  
Grantee(s): Union Pacific Resources  
Document Context: Landman's/Broker's Limitation and Disclaimer of Liability  
Prepared by Don Sikes from December 23, 1896 through May 02, 1997.  
This runsheet is based upon a review of the real property records in the office of the County Clerk, Milam County, Texas.  
Lands Described: This Runsheet is subject to the following limiting conditions:  
1. The legal description furnished to us is assumed to be correct. We have made no survey of the property and assume no responsibility in connection with such matters.  
2. We assume no responsibility for matters legal in character, nor do we render any opinion as to title to the property in question or any interest therein.  
3. Possession of this Runsheet does not carry with it the right of publication, nor may it be used for any purpose by any but the applicant without the previous written consent of Jim Burgin & Associates, Inc., and in any event,

only with proper qualifications.

5. We are not required to give testimony or attendance in court by reason of preparation of this Runsheet with reference to the property in question unless arrangements have been previously made therefor.

6. No search of the County Clerk's indices was made to determine chains of title or current ownership of any original easement or right-of-way, or any lienhold interest created upon such easement or right-of-way estate.

7. A complete title search was made for all interests in the most recent unreleased Oil, Gas and Mineral Leases, whereas Working Interest title only was followed for the next preceding Lease. Leasehold title to older Oil, Gas and Mineral Leases, which are time-expired by their terms in the absence of production, was not followed. However, a diligent search was made to determine whether any party or entity gave a written Release of any such Lease to the original Lessor(s), or to subsequent mineral owner(s), if any.

This Runsheet is prepared for, and accepted by you upon the express stipulation that Jim Burgin & Associates, Inc. and the undersigned assume no liability or responsibility for errors or omissions in the record contained herein, and any liability is limited to any actual amounts paid to Jim Burgin & Associates, Inc. for the preparation of this Runsheet.

5

MF \_\_\_\_\_  
ITEM 98474  
TO TRAC Pro File  
FROM \_\_\_\_\_  
DATE

25364

trj. 1

OIL, GAS & MINERAL LEASE

PROD 88 (REV 8/93)  
PAID UP

THIS LEASE AGREEMENT is made effective the fifteenth day of March, 19 96

between Mrs. R. E. Thompson

as Lessor (whether one or more), whose address is 1011 Hackney, Houston, TX 770233309  
and UNION PACIFIC RESOURCES COMPANY, as Lessee,

whose address is 801 CHERRY STREET, FORT WORTH, TX 76102. All printed portions of this lease were prepared by Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. Description. Lessor, in consideration of Ten Dollars And No Cents

Dollars (\$ 10.00), in hand paid, of the royalties herein provided and the covenants herein contained, hereby grants, leases and lets exclusively to Lessee, for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith including helium, carbon dioxide and other commercial gases as well as hydrocarbon gases (referred to herein as "covered minerals"), the following described land (the "leased premises") in

MILAM County, Texas, to-wit:

15.92 acres, more or less, in the Jennett Bowling Survey, Abstract No. 95, Milam County, Texas, and being the same land described in that certain Deed dated February 15, 1982 from Frances Pettey, et al, to Mrs. R. E. Thompson and recorded in Volume 478, Page 277 of the Deed Records of Milam County, Texas.

See Exhibit A attached hereto and made a part hereof.

This lease also covers accretions and any small strips or parcels of land now or hereafter owned or hereafter claimed by Lessor which are contiguous or adjacent to the leased premises whether or not such parcels are known to exist by Lessor or Lessee, and for the aforementioned consideration, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any rentals and shut-in royalties hereunder, said land shall be deemed to be comprised of 15.9200 acres, whether it actually comprises more or less.

2. Term of Lease. This lease shall be in force for a primary term of three years from the effective date hereof, and for as long thereafter as a covered mineral is produced in paying quantities from the leased premises or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalty. Royalties on covered minerals produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's held separator facilities, the royalty shall be 0.12500000 of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead posted price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity less a proportionate part of ad valorem taxes and production, severance, or other excise taxes, (b) for gas (including casinghead gas) and all other

covered minerals, the royalty shall be 1/8 of the net proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and (c) if during or after the primary term one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut-in or production therefrom is not being sold by Lessee for a period of 90 consecutive days, then Lessee may pay shut-in royalty of one dollar per acre of land then covered by this lease, such payment to be made to Lessor on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in and it shall be considered that such well is producing in paying quantities for all purposes hereof during any period for which such shut-in royalty is tendered; provided that if this lease is otherwise being maintained by the payment of rentals or by operations, or if a well or wells on the leased premises is producing in paying quantities, no shut-in royalty shall be due until the end of the 90-day period next following the end of the rental period or the cessation of such operations or production, as the case may be. Lessee shall have free use of oil, gas, water, and other substances produced from said land, except water from Lessor's wells or ponds, for all operations hereunder, and Lessor's royalty shall be computed after deducting any so used.

4. Operations. If, after expiration of the primary term, Lessee drills a dry hole on the leased premises or if all production of covered minerals should permanently cease from any cause either voluntary or involuntary (and if this lease is not otherwise being maintained), this lease shall remain in effect if Lessee commences drilling, reworking or other operations on the leased premises within 90 days thereafter. If, at or after expiration of the primary term, this lease is not otherwise being maintained but Lessee is then engaged in drilling, reworking or other operations calculated to obtain or restore production from the leased premises, this lease shall remain in effect so long as such operations are conducted with no cessation of more than 90 consecutive days and, if such operations result in the production of a covered mineral, as long thereafter as there is production from the leased premises. After production has been established on the leased premises, Lessee shall drill such additional wells as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or (b) protect the leased premises from uncompensated drainage by a well producing a covered mineral in paying quantities located within 330 feet of and draining the leased premises. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

5. Pooling. Lessee shall have the continuing and recurring right, but not the obligation, to pool all or any part of the leased premises or interest therein with any other lands, leases or interests, as to any or all depths or zones, and as to any or all covered minerals, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently explore, develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands, leases or interests. A unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for an oil well which is a horizontal completion or a gas well shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that larger units may be formed for an oil well or a gas well, whether or not horizontally completed, in order to conform to any well spacing or density pattern permitted by any governmental authority having jurisdiction over such matters. The terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or by regulations of the governmental authority which has jurisdiction over such matters. The term "horizontal completion" shall mean an oil well or a gas well in which the horizontal component of the gross completion interval exceeds 100 feet in length. Lessee may pool or combine land covered by this lease or any portions thereof, as above provided as to oil in any one or more strata and as to gas in any one or more strata. Units formed by pooling as to any stratum or strata need not conform in size or area with units formed as to any other stratum or strata, and oil units need not conform as to area with gas units. To exercise its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit, and the effective date of pooling shall be the date of filing unless provided otherwise in such declaration. Lessee wholly at its option may exercise its authority to pool either before or after commencing operations for or completing an oil or gas well on lands lying within a unit and any unit may include, but is not required to include, lands or leases upon which a well producing or capable of producing oil or gas in paying quantities has theretofore been completed, or upon which operations have theretofore been commenced. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises, regardless of whether such production was secured or such drilling or reworking operations were commenced before or after the execution of this lease or the instrument designating the pooled unit, shall be treated for all purposes (except the payment of royalties on production from the pooled unit) as if they were production, drilling or reworking operations on the leased premises and references herein to production from or operations on the leased premises shall be deemed to include production from or operations on any portion of such pooled unit; provided that if after creation of a pooled unit a well is drilled on land within the unit area (other than the leased premises) which well is not classified as the type of well for which the unit was created (oil, gas or other minerals as the case may be), such well shall be considered a dry hole for purposes of applying the additional drilling and reworking provisions hereof. If a gas well on a gas unit, which includes all or a portion of the leased premises, is reclassified as an oil well, with respect to all lands which are included within the unit (other than the lands on which the well is located), the date of such reclassification shall be considered as the date of cessation of production for purposes of applying the provisions of this lease covering additional drilling and reworking. The production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent that such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall, without the joinder of Lessor, have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority, or court order, or when to do so would, in the judgment of Lessee, promote the conservation of covered minerals in and under and that

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may be produced from the leased premises. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and the effective date of revision shall be the date of filing unless provided otherwise in such declaration. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly, and such adjustment shall be made effective as of the effective date of the revision. Lessee may at any time dissolve any unit formed hereunder by filing a written declaration describing the unit, and the effective date of dissolution shall be the date of filing unless provided otherwise in such declaration. 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 with consequent allocation of production as herein provided. As used herein 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. Pooling hereunder shall not constitute a cross-conveyance of interests.

6. **Ancillary Rights.** In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises, in primary or enhanced recovery, Lessor hereby grants and conveys to Lessee the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and transport production. In exploring, developing, producing or marketing from the leased premises, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises. No surface location for a well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder without Lessor's consent, and Lessee shall pay for actual damage caused by its operations to buildings and other improvements now on the leased premises, or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within 180 days following the expiration thereof.

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

8. **Warranty of Title.** Lessor hereby warrants and agrees to defend title to the interest conveyed to Lessee hereunder. Lessee, at its option, may pay or discharge any tax, mortgage or lien existing against the leased premises and, in the event that it does so, Lessee shall be subrogated to the rights of the party to whom payment is made and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. If Lessor owns less than the full mineral estate in all or any part of the leased premises, payment of royalties and shut-in royalties hereunder shall be reduced proportionately to the amount that Lessor's interest in the leased premises bears to the entire mineral estate in the leased premises.

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

10. **Regulation and Delay.** Lessee's obligations under the lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells. Notwithstanding the provisions of paragraph 2 above, when drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control (commonly referred to as "force majeure"), this lease shall not terminate because of such prevention or delay and, at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

11. **Breach or Default.** An alleged breach or default by Lessee of any obligation hereunder or the failure of Lessee to satisfy any condition or limitation contained herein shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part, and no litigation shall be initiated by Lessor with respect to any alleged breach or default by Lessee hereunder, for a period of at least ninety (90) days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy or commence to remedy the breach or default within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so. Nothing in this instrument or in the relationship created hereby shall be construed to establish a fiduciary relationship, a relationship of trust or confidence or a principle - agent relationship between Lessor and Lessee for any purpose.

IN WITNESS WHEREOF, this lease is executed effective the date first written above, and upon execution shall be binding upon the signatory whether or not the lease has been executed by all parties named herein as Lessor.

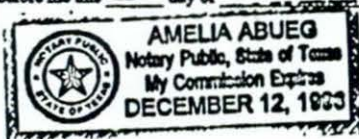
SS# AND/OR TAX ID #

LESSOR:

*Mrs. R. E. Thompson*  
Mrs. R. E. Thompson

STATE OF TEXAS )  
COUNTY OF HARRIS ) ss.

This instrument was acknowledged before me this 26<sup>th</sup> day of MARCH, 1996, by Mrs. R. E. Thompson.



*Amelia Abueg*  
Notary Public

My Commission Expires:

12-12-98

EOF \_\_\_\_\_ )  
NTY \_\_\_\_\_ ) ss.

This instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_.

Notary Public

My Commission Expires:

Exhibit A

EXTENSION OPTION

Lessee is hereby given the option, to be exercised on or before the end of the primary term hereof, of extending this Lease for a period of two years as to all or any portion of the acreage then held hereunder, which would expire unless so extended, the only action required by Lessee to exercise this option being the payment to Lessor, at Lessor's address above, of the additional consideration of twenty-five dollars \$25.00 per net mineral acre for each acre so extended, which payment shall cover the extended term of two 2 years. Lessor acknowledges that there will be no rentals due to extend this lease, nor during the extended term.




CLERK'S NOTICE: ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE, IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED  
AT 8 O'CLOCK A M  
ON THE 23rd DAY OF August  
A.D., 19 96

STATE OF TEXAS  
COUNTY OF MILAM  
I hereby certify that this instrument was FILED on the date and at the time stamped hereon by me and was duly RECORDED in the Volume and Page of the Official Records of Milam County, Texas.

La Verne Soefje  
COUNTY CLERK, MILAM COUNTY, TEXAS  
BY Joan Pratt DEPUTY

  
La Verne Soefje  
County Clerk, Milam County, Texas  
VOL. 733 PAGE 117  
RECORDED 08-23-96 @ 5:00pm  
BY Joan Pratt DEPUTY

{ JOAN PRATT

25365

Int. 2

OIL, GAS & MINERAL LEASE

PROD 88 (REV 8/93)  
PAID UP

THIS LEASE AGREEMENT is made effective the twenty first day of March, 19 98

between FRANCIS PETTEY

as Lessor (whether one or more), whose address is 3707 ALDES, TILLAMOOK, OR 97141

and UNION PACIFIC RESOURCES COMPANY, as Lessee,

whose address is 801 CHERRY STREET, FORT WORTH, TX 76102. All printed,

portions of this lease were prepared by Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. Description, Lessor, in consideration of Ten Dollars And No Cents

Dollars (\$ 10.00

), in hand paid,

of the royalties herein provided and the covenants herein contained, hereby grants, leases and lets exclusively to Lessee, for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith including helium, carbon dioxide and other commercial gases as well as hydrocarbon gases (referred to herein as "covered minerals"), the following described land (the "leased premises") in

MILAM

County, Texas, to-wit:

15.92 acres, more or less, in the Jennett Bowling Survey, Abstract No. 95, Milam County, Texas, and being the same land described in that certain Deed dated July 9, 1982 from Frances Pettey to Dorothy Spradling and recorded in Volume 480, Page 375 of the Deed Records of Milam County, Texas.

See Exhibit A attached hereto and made a part hereof.

This lease also covers accretions and any small strips or parcels of land now or hereafter owned or claimed by Lessor which are contiguous or adjacent to the leased premises whether or not such parcels are known to exist by Lessor or Lessee, and for the aforementioned consideration, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any rentals

and shut-in royalties hereunder, said land shall be deemed to be comprised of 15.9200 acres, whether it actually comprises more or less.

2. Term of Lease. This lease shall be in force for a primary term of three years from the effective date hereof, and for as long thereafter as a covered mineral is produced in paying quantities from the leased premises or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalty. Royalties on covered minerals produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated

at Lessor's held separator facilities, the royalty shall be 0.12500000 of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead posted price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity less a proportionate part of ad valorem taxes and production, severance, or other excise taxes, (b) for gas (including casinghead gas) and all other

covered minerals, the royalty shall be 1/8 of the net proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and (c) if during or after the primary term one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut-in or production therefrom is not being sold by Lessee for a period of 90 consecutive days, then Lessee may pay shut-in royalty of one dollar per acre of land then covered by this lease, such payment to be made to Lessor on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in and it shall be considered that such well is producing in paying quantities for all purposes hereof during any period for which such shut-in royalty is derived; provided that if this lease is otherwise being maintained by the payment of rentals or by operations, or if a well or wells on the leased premises is producing in paying quantities, no shut-in royalty shall be due until the end of the 90-day period next following the end of the rental period or the cessation of such operations or production, as the case may be. Lessee shall have free use of oil, gas, water, and other substances produced from said land, except water from Lessor's wells or ponds, for all operations hereunder, and Lessor's royalty shall be computed after deducting any so used.

4. Operations. If, after expiration of the primary term, Lessee drills a dry hole on the leased premises or if all production of covered minerals should permanently cease for any cause either voluntary or involuntary (and if this lease is not otherwise being maintained), this lease shall remain in effect if Lessee commences drilling, reworking or operations on the leased premises within 90 days thereafter. If, at or after expiration of the primary term, this lease is not otherwise being maintained but Lessee is then engaged in drilling, reworking or other operations calculated to obtain or restore production from the leased premises, this lease shall remain in effect so long as such operations conducted with no cessation of more than 90 consecutive days and, if such operations result in the production of a covered mineral, as long thereafter as there is production on the leased premises. After production has been established on the leased premises, Lessee shall drill such additional wells as a reasonably prudent operator would drill in the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or (b) protect leased premises from uncompensated drainage by a well producing a covered mineral in paying quantities located within 330 feet of and draining the leased premises. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

5. Pooling. Lessee shall have the continuing and recurring right, but not the obligation, to pool all or any part of the leased premises or interest therein with any other lands, leases or interests, as to any or all depths or zones, and as to any or all covered minerals, either before or after the commencement of production, whenever Lessee deems necessary or proper to do so in order to prudently explore, develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands, leases or interests. A unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for an oil well which is a horizontal completion or a gas well shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that larger units may be formed for an oil well or a gas well, whether or not horizontally completed, in order to conform to any well spacing or density pattern permitted by any governmental authority having jurisdiction over such matters. The terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or by regulations of the governmental authority which has jurisdiction over such matters. The term "horizontal completion" shall mean an oil well or a gas well in which the horizontal component of the gross section interval exceeds 100 feet in length. Lessee may pool or combine land covered by this lease or any portions thereof, as above provided as to oil in any one or more strata, and as to gas in any one or more strata. Units formed by pooling as to any stratum or strata need not conform in size or area with units formed as to any other stratum, and oil units need not conform as to area with gas units. To exercise its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit, the effective date of pooling shall be the date of filing unless provided otherwise in such declaration. Lessee wholly at its option may exercise its authority to pool either before or after commencing operations for or completing an oil or gas well on lands lying within a unit and any unit may include, but is not required to include, lands or leases which a well producing or capable of producing oil or gas in paying quantities has theretofore been completed, or upon which operations have theretofore been commenced. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises, regardless of whether such production was derived from such drilling or reworking operations were commenced before or after the execution of this lease or the instrument designating the pooled unit, shall be treated for purposes (except the payment of royalties on production from the pooled unit) as if they were production, drilling or reworking operations on the leased premises and Lessee's royalty on production from or operations on the leased premises shall be deemed to include production from or operations on any portion of such pooled unit; provided that after creation of a pooled unit a well is drilled on land within the unit area (other than the leased premises) which well is not classified as the type of well for which the unit was created (oil, gas or other minerals as the case may be), such well shall be considered a dry hole for purposes of applying the additional drilling and reworking provisions hereof. If a gas well on a gas unit, which includes all or a portion of the leased premises, is reclassified as an oil well, with respect to all lands which are included in the unit (other than the lands on which the well is located), the date of such reclassification shall be considered as the date of cessation of production for purposes of the provisions of this lease covering additional drilling and reworking. The production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent that such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall, without the joinder of Lessor, have the right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority, or court order, or when to do so would, in the judgment of Lessee, promote the conservation of covered minerals in and under and that

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may be produced from the leased premises. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and the effective date of revision shall be the date of filing unless provided otherwise in such declaration. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly, and such adjustment shall be made effective as of the effective date of the revision. Lessee may at any time dissolve any unit formed hereunder by filing a written declaration describing the unit, and the effective date of dissolution shall be the date of filing unless provided otherwise in such declaration. 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 with consequent allocation of production as herein provided. As used herein 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. Pooling hereunder shall not constitute a cross-conveyance of interests.

6. **Ancillary Rights.** In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises, in primary or enhanced recovery, Lessor hereby grants and conveys to Lessee the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and transport production. In exploring, developing, producing or marketing from the leased premises, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises. No surface location for a well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder without Lessor's consent, and Lessee shall pay for actual damage caused by its operations to buildings and other improvements now on the leased premises, or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within 180 days following the expiration thereof.

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

8. **Warranty of Title.** Lessor hereby warrants and agrees to defend title to the interest conveyed to Lessee hereunder. Lessee, at its option, may pay or discharge any tax, mortgage or lien existing against the leased premises and, in the event that it does so, Lessee shall be subrogated to the rights of the party to whom payment is made and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. If Lessor owns less than the full mineral estate in all or any part of the leased premises, payment of royalties and shut-in royalties hereunder shall be reduced proportionately to the amount that Lessor's interest in the leased premises bears to the entire mineral estate in the leased premises.

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

10. **Regulation and Delay.** Lessee's obligations under the lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells. Notwithstanding the provisions of paragraph 2 above, when drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control (commonly referred to as "force majeure"), this lease shall not terminate because of such prevention or delay and, at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

11. **Breach or Default.** An alleged breach or default by Lessee of any obligation hereunder or the failure of Lessee to satisfy any condition or limitation contained herein shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part, and no litigation shall be initiated by Lessor with respect to any alleged breach or default by Lessee hereunder, for a period of at least ninety (90) days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy or commence to remedy the breach or default within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so. Nothing in this instrument or in the relationship created hereby shall be construed to establish a fiduciary relationship, a relationship of trust or confidence or a principle - agent relationship between Lessor and Lessee for any purpose.

IN WITNESS WHEREOF, this lease is executed effective the date first written above, and upon execution shall be binding upon the signatory whether or not the lease has been executed by all parties named herein as Lessee.

SS# AND/OR TAX ID #

[Redacted]

LESSOR:

*Francis M. Petty & Earl Petty P.O.A.*  
FRANCIS PETTEY

STATE OF Oregon )  
COUNTY Tillamook ) ss.

This instrument was acknowledged before me this 27<sup>th</sup> day of March, 1996, by Francis Petty.

*Juan L. Zuidema*  
Notary Public

My Commission Expires:  
9-5-98



STATE OF \_\_\_\_\_ )  
COUNTY \_\_\_\_\_ ) ss.

This instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_.

Notary Public

My Commission Expires:

Exhibit A

EXTENSION OPTION

Lessee is hereby given the option, to be exercised on or before the end of the primary term hereof, of extending this Lease for a period of two years as to all or any portion of the acreage then held hereunder, which would expire unless so extended, the only action required by Lessee to exercise this option being the payment to Lessor, at Lessor's address above, of the additional consideration of twenty-five dollars \$25.00 per net mineral acre for each acre so extended, which payment shall cover the extended term of two 2 years. Lessor acknowledges that there will be no rentals due to extend this lease, nor during the extended term.




CLERK'S NOTICE: ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE, IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED  
AT 8 O'CLOCK A M  
ON THE 23rd DAY OF August  
A.D., 19 96

STATE OF TEXAS  
COUNTY OF MILAM  
I hereby certify that this instrument was FILED on the date and at the time stamped hereon by me and was duly RECORDED in the Volume and Page of the Official Records of Milam County, Texas.

La Verne Soefje  
COUNTY CLERK, MILAM COUNTY, TEXAS  
BY Joan Pratt DEPUTY

  
La Verne Soefje  
County Clerk, Milam County, Texas  
VOL. 733 PAGE 120  
RECORDED 08-23-96 @ 5:00 PM  
BY Joan Pratt DEPUTY

JOAN PRATT

25362

HW, 3

OIL, GAS & MINERAL LEASE

PROD 88 (REV 8/93)  
PAID UP

THIS LEASE AGREEMENT is made effective the fifteenth day of March, 19 96  
between Patricia Ellouise Watkins

as Lessor (whether one or more), whose address is 808 South Laurel, Luling, TX 78848  
and UNION PACIFIC RESOURCES COMPANY, as Lessee,  
whose address is 801 CHERRY STREET, FORT WORTH, TX 76102. All printed  
portions of this lease were prepared by Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. Description, Lessor, in consideration of Ten Dollars And No Cents

Dollars (\$ 10.00), in hand paid,  
of the royalties herein provided and the covenants herein contained, hereby grants, leases and lets exclusively to Lessee, for the purpose of exploring for, developing, producing  
and marketing oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith including helium, carbon dioxide and other commercial  
gases as well as hydrocarbon gases (referred to herein as "covered minerals"), the following described land (the "leased premises") in

MILAM County, Texas, to-wit:

15.92 acres, more or less, in the Jennett Bowing Survey, Abstract No. 95, Milam County, Texas, and being the same land described in  
that certain Deed dated February 15, 1982 from Frances Pettey, et al, to Patriola Ellouise Watkins and recorded in Volume 478, Page  
269 of the Deed Records of Milam County, Texas.

See Exhibit A attached hereto and made a part hereof.

This lease also covers accretions and any small strips or parcels of land now or hereafter owned or claimed by Lessor which are contiguous or adjacent to the leased  
premises whether or not such parcels are known to exist by Lessor or Lessee, and for the aforementioned consideration, Lessor agrees to execute at Lessee's request any  
additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any rentals  
and shut-in royalties hereunder, said land shall be deemed to be comprised of 15.9200 acres, whether it actually comprises more or less.

2. Term of Lease, This lease shall be in force for a primary term of three years from the effective date hereof, and for as long thereafter as a covered  
mineral is produced in paying quantities from the leased premises or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalty, Royalties on covered minerals produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated  
at Lessee's held separator facilities, the royalty shall be 0.12500000 of such production, to be delivered at Lessee's option to Lessor at the wellhead or to  
Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead posted price then  
prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of  
similar grade and gravity less a proportionate part of ad valorem taxes and production, severance, or other excise taxes, (b) for gas (including casinghead gas) and all other

covered minerals, the royalty shall be 1/8 of the net proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem  
taxes and production, severance, or other excise taxes, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price  
paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing  
price) less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and (c) if during or after the primary term one or more wells on the leased  
premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut-in or  
production therefrom is not being sold by Lessee for a period of 90 consecutive days, then Lessee may pay shut-in royalty of one dollar per acre of land then covered by this  
lease, such payment to be made to Lessor on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the  
well or wells are shut-in and it shall be considered that such well is producing in paying quantities for all purposes hereof during any period for which such shut-in royalty is  
tendered; provided that if this lease is otherwise being maintained by the payment of rentals or by operations, or if a well or wells on the leased premises is producing in paying  
quantities, no shut-in royalty shall be due until the end of the 90-day period next following the end of the rental period or the cessation of such operations or production, as the  
case may be. Lessee shall have free use of oil, gas, water, and other substances produced from said land, except water from Lessor's wells or ponds, for all operations  
hereunder, and Lessor's royalty shall be computed after deducting any so used.

4. Operations, If, after expiration of the primary term, Lessee drills a dry hole on the leased premises or if all production of covered minerals should permanently cease  
from any cause either voluntary or involuntary (and if this lease is not otherwise being maintained), this lease shall remain in effect if Lessee commences drilling, reworking or  
other operations on the leased premises within 90 days thereafter. If, at or after expiration of the primary term, this lease is not otherwise being maintained but Lessee is then  
engaged in drilling, reworking or other operations calculated to obtain or restore production from the leased premises, this lease shall remain in effect so long as such operations  
are conducted with no cessation of more than 90 consecutive days and, if such operations result in the production of a covered mineral, as long thereafter as there is production  
from the leased premises. After production has been established on the leased premises, Lessee shall drill such additional wells as a reasonably prudent operator would drill  
under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or (b) protect  
the leased premises from uncompensated drainage by a well producing a covered mineral in paying quantities located within 330 feet of and draining the leased premises. There  
shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

5. Pooling, Lessee shall have the continuing and recurring right, but not the obligation, to pool all or any part of the leased premises or interest therein with any other  
lands, leases or interests, as to any or all depths or zones, and as to any or all covered minerals, either before or after the commencement of production, whenever Lessee deems  
it necessary or proper to do so in order to prudently explore, develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other  
lands, leases or interests. A unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of  
10%, and for an oil well which is a horizontal completion or a gas well shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that larger units may  
be formed for an oil well or a gas well, whether or not horizontally completed, in order to conform to any well spacing or density pattern permitted by any governmental  
authority having jurisdiction over such matters. The terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or by regulations of the governmental  
authority which has jurisdiction over such matters. The term "horizontal completion" shall mean an oil well or a gas well in which the horizontal component of the gross  
completion interval exceeds 100 feet in length. Lessee may pool or combine land covered by this lease or any portions thereof, as above provided as to oil in any one or more  
strata and as to gas in any one or more strata. Units formed by pooling as to any stratum or strata need not conform in size or area with units formed as to any other stratum  
or strata, and oil units need not conform as to areas with gas units. To exercise its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit,  
and the effective date of pooling shall be the date of filing unless provided otherwise in such declaration. Lessee wholly at its option may exercise its authority to pool either  
before or after commencing operations for or completing an oil or gas well on lands lying within a unit and any unit may include, but is not required to include, lands or leases  
upon which a well producing or capable of producing oil or gas in paying quantities has theretofore been completed, or upon which operations have theretofore been  
commenced. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises, regardless of whether such production was  
secured or such drilling or reworking operations were commenced before or after the execution of this lease or the instrument designating the pooled unit, shall be treated for  
all purposes (except the payment of royalties on production from the pooled unit) as if they were production, drilling or reworking operations on the leased premises and  
references herein to production from or operations on the leased premises shall be deemed to include production from or operations on any portion of such pooled unit provided  
that if after creation of a pooled unit a well is drilled on land within the unit area (other than the leased premises) which well is not classified as the type of well for which the  
unit was created (oil, gas or other minerals as the case may be), such well shall be considered a dry hole for purposes of applying the additional drilling and reworking  
provisions hereof. If a gas well on a gas unit, which includes all or a portion of the leased premises, is reclassified as an oil well, with respect to all lands which are included  
within the unit (other than the lands on which the well is located), the date of such reclassification shall be considered as the date of cessation of production for purposes of  
applying the provisions of this lease covering additional drilling and reworking. The production on which Lessor's royalty is calculated shall be that proportion of the total unit  
production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent that such proportion of unit  
production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall, without the joinder of Lessor, have the  
recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to  
conform to the well spacing or density pattern permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such  
governmental authority, or court order, or when to do so would, in the judgment of Lessee, promote the conservation of covered minerals in and under and that

L-76 (08-93)

TXI-00080135 MB VOL 733 PAGE 111  
OFFICIAL RECORDS  
MILAM COUNTY, TEXAS

may be produced from the leased premises. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and the effective date of revision shall be the date of filing unless provided otherwise in such declaration. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly, and such adjustment shall be made effective as of the effective date of the revision. Lessee may at any time dissolve any unit formed hereunder by filing a written declaration describing the unit, and the effective date of dissolution shall be the date of filing unless provided otherwise in such declaration. 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 with consequent allocation of production as herein provided. As used herein 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. Pooling hereunder shall not constitute a cross-conveyance of interests.

6. **Ancillary Rights.** In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises, in primary or enhanced recovery, Lessor hereby grants and conveys to Lessee the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and transport production. In exploring, developing, producing or marketing from the leased premises, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises. No surface location for a well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder without Lessor's consent, and Lessee shall pay for actual damage caused by its operations to buildings and other improvements now on the leased premises, or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within 180 days following the expiration thereof.

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

8. **Warranty of Title.** Lessor hereby warrants and agrees to defend title to the interest conveyed to Lessee hereunder. Lessee, at its option, may pay or discharge any tax, mortgage or lien existing against the leased premises and, in the event that it does so, Lessee shall be subrogated to the rights of the party to whom payment is made and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. If Lessor owns less than the full mineral estate in all or any part of the leased premises, payment of royalties and shut-in royalties hereunder shall be reduced proportionately to the amount that Lessor's interest in the leased premises bears to the entire mineral estate in the leased premises.

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

10. **Regulation and Delay.** Lessee's obligations under the lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells. Notwithstanding the provisions of paragraph 2 above, when drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control (commonly referred to as "force majeure"), this lease shall not terminate because of such prevention or delay and, at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

11. **Breach or Default.** An alleged breach or default by Lessee of any obligation hereunder or the failure of Lessee to satisfy any condition or limitation contained herein shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part, and no litigation shall be initiated by Lessor with respect to any alleged breach or default by Lessee hereunder, for a period of at least ninety (90) days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy or commence to remedy the breach or default within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so. Nothing in this instrument or in the relationship created hereby shall be construed to establish a fiduciary relationship, a relationship of trust or confidence or a principle - agent relationship between Lessor and Lessee for any purpose.

IN WITNESS WHEREOF, this lease is executed effective the date first written above, and upon execution shall be binding upon the signatory whether or not the lease has been executed by all parties named herein as Lessor.

SS# AND/OR TAX ID #

[Redacted]

LESSOR:

*Patricia Eloise Watkins*  
Patricia Eloise Watkins

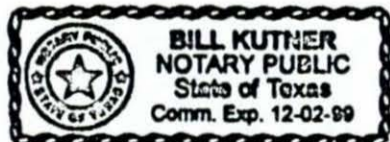
STATE OF TEXAS )  
COUNTY OF CALDWELL ) ss.

This instrument was acknowledged before me this 16th day of March, 1996, by PATRICIA ELLOUISE WATKINS.

*Bill Kutner*  
Notary Public **BILL KUTNER**

My Commission Expires:

12-2-99



STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

This instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_.

Notary Public

My Commission Expires:

Exhibit A

EXTENSION OPTION

Lessee is hereby given the option, to be exercised on or before the end of the primary term hereof, of extending this Lease for a period of two years as to all or any portion of the acreage then held hereunder, which would expire unless so extended, the only action required by Lessee to exercise this option being the payment to Lessor, at Lessor's address above, of the additional consideration of twenty-five dollars \$25.00 per net mineral acre for each acre so extended, which payment shall cover the extended term of two 2 years. Lessor acknowledges that there will be no rentals due to extend this lease, nor during the extended term.



CLERK'S NOTICE: ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE, IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED  
AT 8 O'CLOCK A M  
ON THE 23 DAY OF August  
A.D., 19 96

La Verne Soefje  
COUNTY CLERK, MILAM COUNTY, TEXAS  
BY Joan Pratt DEPUTY

STATE OF TEXAS  
COUNTY OF MILAM  
I hereby certify that this instrument was FILED on the date and at the time stamped hereon by me and was duly RECORDED in the Volume and Page of the Official Records of Milam County, Texas.



La Verne Soefje  
County Clerk, Milam County, Texas  
VOL. 733 PAGE 111  
RECORDED 08-23-96 @ 5:00 PM  
BY Joan Pratt DEPUTY

[ JOAN PRATT

13K

25363

OIL, GAS & MINERAL LEASE

PROD 88 (REV 8/93)  
PAID UP

THIS LEASE AGREEMENT is made effective the fifteenth day of March, 19 96  
between Dorothy Spradling

as Lessor (whether one or more), whose address is 1007 Roper, Houston, TX 770341113  
and UNION PACIFIC RESOURCES COMPANY, as Lessee,  
whose address is 801 CHERRY STREET, FORT WORTH, TX 76102. All printed  
portions of this lease were prepared by Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. Description, Lessor, in consideration of Ten Dollars And No Cents

Dollars (\$ 10.00), in hand paid,  
of the royalties herein provided and the covenants herein contained, hereby grants, leases and lets exclusively to Lessee, for the purpose of exploring for, developing, producing  
and marketing oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith including helium, carbon dioxide and other commercial  
gases as well as hydrocarbon gases (referred to herein as "covered minerals"), the following described land (the "leased premises") in

MILAM County, Texas, to-wit:

15.92 acres, more or less, in the Jennett Bowling Survey, Abstract No. 95, Milam County, Texas, and being the same land described in  
that certain Deed dated February 15, 1982 from Frances Pettley, et al, to Dorothy Spradling and recorded in Volume 478, Page 273 of the  
Deed Records of Milam County, Texas.

See Exhibit A attached hereto and made a part hereof.

This lease also covers accretions and any small strips or parcels of land now or hereafter owned or claimed by Lessor which are contiguous or adjacent to the leased  
premises whether or not such parcels are known to exist by Lessor or Lessee, and for the aforementioned consideration, Lessor agrees to execute at Lessee's request any  
additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any rentals  
and shut-in royalties hereunder, said land shall be deemed to be comprised of 15.9200 acres, whether it actually comprises more or less.

2. Term of Lease, This lease shall be in force for a primary term of three years from the effective date hereof, and for as long thereafter as a covered  
mineral is produced in paying quantities from the leased premises or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalty, Royalties on covered minerals produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated  
at Lessee's held separator facilities, the royalty shall be 0.12500000 of such production, to be delivered at Lessee's option to Lessor at the wellhead or to  
Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead posted price then  
prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of  
similar grade and gravity less a proportionate part of ad valorem taxes and production, severance, or other excise taxes, (b) for gas (including casinghead gas) and all other  
covered minerals, the royalty shall be 1/8 of the net proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem  
taxes and production, severance, or other excise taxes, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price  
aid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing  
price) less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and (c) if during or after the primary term one or more wells on the leased  
premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut-in or  
reduction therefrom is not being sold by Lessee for a period of 90 consecutive days, then Lessee may pay shut-in royalty of one dollar per acre of land then covered by this  
lease, such payment to be made to Lessor on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the  
oil or wells are shut-in and it shall be considered that such well is producing in paying quantities for all purposes hereof during any period for which such shut-in royalty is  
advised; provided that if this lease is otherwise being maintained by the payment of rentals or by operations, or if a well or wells on the leased premises is producing in paying  
quantities, no shut-in royalty shall be due until the end of the 90-day period next following the end of the rental period or the cessation of such operations or production, as the  
case may be. Lessee shall have free use of oil, gas, water, and other substances produced from said land, except water from Lessor's wells or ponds, for all operations  
hereunder, and Lessor's royalty shall be computed after deducting any so used.

4. Operations, If, after expiration of the primary term, Lessee drills a dry hole on the leased premises or if all production of covered minerals should permanently cease  
in any cause either voluntary or involuntary (and if this lease is not otherwise being maintained), this lease shall remain in effect if Lessee commences drilling, reworking or  
other operations on the leased premises within 90 days thereafter. If, at or after expiration of the primary term, this lease is not otherwise being maintained but Lessee is then  
engaged in drilling, reworking or other operations calculated to obtain or restore production from the leased premises, this lease shall remain in effect so long as such operations  
conducted with no cessation of more than 90 consecutive days and, if such operations result in the production of a covered mineral, as long thereafter as there is production  
on the leased premises. After production has been established on the leased premises, Lessee shall drill such additional wells as a reasonably prudent operator would drill  
under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or (b) protect  
leased premises from uncompensated drainage by a well producing a covered mineral in paying quantities located within 330 feet of and draining the leased premises. There  
shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

5. Pooling, Lessee shall have the continuing and recurring right, but not the obligation, to pool all or any part of the leased premises or interest therein with any other  
lands, leases or interests, as to any or all depths or zones, and as to any or all covered minerals, either before or after the commencement of production, whenever Lessee deems  
necessary or proper to do so in order to prudently explore, develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other  
lands, leases or interests. A unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of  
10%, and for an oil well which is a horizontal completion or a gas well shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that larger units may  
be formed for an oil well or a gas well, whether or not horizontally completed, in order to conform to any well spacing or density pattern permitted by any governmental  
authority having jurisdiction over such matters. The terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or by regulations of the governmental  
authority which has jurisdiction over such matters. The term "horizontal completion" shall mean an oil well or a gas well in which the horizontal component of the gross  
completion interval exceeds 100 feet in length. Lessee may pool or combine land covered by this lease or any portions thereof, as above provided as to oil in any one or more  
strata and as to gas in any one or more strata. Units formed by pooling as to any stratum or strata need not conform in size or area with units formed as to any other stratum  
or strata, and oil units need not conform as to area with gas units. To exercise its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit,  
the effective date of pooling shall be the date of filing unless provided otherwise in such declaration. Lessee wholly at its option may exercise its authority to pool either  
before or after commencing operations for or completing an oil or gas well on lands lying within a unit and any unit may include, but is not required to include, lands or leases  
which a well producing or capable of producing oil or gas in paying quantities has theretofore been completed, or upon which operations have theretofore been  
conducted. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises, regardless of whether such production was  
started or such drilling or reworking operations were commenced before or after the execution of this lease or the instrument designating the pooled unit, shall be treated for  
purposes (except the payment of royalties on production from the pooled unit) as if they were production, drilling or reworking operations on the leased premises and  
royalties on production from or operations on the leased premises shall be deemed to include production from or operations on any portion of such pooled unit; provided  
that after creation of a pooled unit a well is drilled on land within the unit area (other than the leased premises) which well is not classified as the type of well for which the  
unit was created (oil, gas or other minerals as the case may be), such well shall be considered a dry hole for purposes of applying the additional drilling and reworking  
provisions hereof. If a gas well on a gas unit, which includes all or a portion of the leased premises, is reclassified as an oil well, with respect to all lands which are included  
in the unit (other than the lands on which the well is located), the date of such reclassification shall be considered as the date of cessation of production for purposes of  
applying the provisions of this lease covering additional drilling and reworking. The production on which Lessor's royalty is calculated shall be that proportion of the total unit  
production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent that such proportion of unit  
production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall, without the joinder of Lessor, have the  
right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to  
conform to the well spacing or density pattern permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such  
governmental authority, or court order, or when to do so would, in the judgment of Lessee, promote the conservation of covered minerals in and under and that

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may be produced from the leased premises. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and the effective date of revision shall be the date of filing unless provided otherwise in such declaration. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly, and such adjustment shall be made effective as of the effective date of the revision. Lessee may at any time dissolve any unit formed hereunder by filing a written declaration describing the unit, and the effective date of dissolution shall be the date of filing unless provided otherwise in such declaration. 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 with consequent allocation of production as herein provided. As used herein 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. Pooling hereunder shall not constitute a cross-conveyance of interests.

6. Ancillary Rights. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises, in primary or enhanced recovery, Lessor hereby grants and conveys to Lessee the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and transport production. In exploring, developing, producing or marketing from the leased premises, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises. No surface location for a well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder without Lessor's consent, and Lessee shall pay for actual damage caused by its operations to buildings and other improvements now on the leased premises, or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within 180 days following the expiration thereof.

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

8. Warranty of Title. Lessor hereby warrants and agrees to defend title to the interest conveyed to Lessee hereunder. Lessee, at its option, may pay or discharge any tax, mortgage or lien existing against the leased premises and, in the event that it does so, Lessee shall be subrogated to the rights of the party to whom payment is made and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. If Lessor owns less than the full mineral estate in all or any part of the leased premises, payment of royalties and shut-in royalties hereunder shall be reduced proportionately to the amount that Lessor's interest in the leased premises bears to the entire mineral estate in the leased premises.

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

10. Regulation and Delay. Lessee's obligations under the lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells. Notwithstanding the provisions of paragraph 2 above, when drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control (commonly referred to as "force majeure"), this lease shall not terminate because of such prevention or delay and, at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

11. Breach or Default. An alleged breach or default by Lessee of any obligation hereunder or the failure of lessee to satisfy any condition or limitation contained herein shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part, and no litigation shall be initiated by Lessor with respect to any alleged breach or default by Lessee hereunder, for a period of at least ninety (90) days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy or commence to remedy the breach or default within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so. Nothing in this instrument or in the relationship created hereby shall be construed to establish a fiduciary relationship, a relationship of trust or confidence or a principle - agent relationship between Lessor and Lessee for any purpose.

IN WITNESS WHEREOF, this lease is executed effective the date first written above, and upon execution shall be binding upon the signatory whether or not the lease has been executed by all parties named herein as Lessee.

SS# AND/OR TAX ID #

[Redacted]

LESSOR:

*Dorothy Spradling*  
Dorothy Spradling

STATE OF Texas )  
COUNTY Harris ) ss.

This instrument was acknowledged before me this 28<sup>th</sup> day of March, 1996, by She Dorothy Spradling



*Sylvia Honeycutt*  
Notary Public

My Commission Expires: \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY \_\_\_\_\_ ) ss.

This instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

Exhibit A

EXTENSION OPTION

Lessee is hereby given the option, to be exercised on or before the end of the primary term hereof, of extending this Lease for a period of two years as to all or any portion of the acreage then held hereunder, which would expire unless so extended, the only action required by Lessee to exercise this option being the payment to Lessor, at Lessor's address above, of the additional consideration of twenty-five dollars \$25.00 per net mineral acre for each acre so extended, which payment shall cover the extended term of two 2 years. Lessor acknowledges that there will be no rentals due to extend this lease, nor during the extended term.



CLERK'S NOTICE: ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE, IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED  
AT 8 O'CLOCK A M  
ON THE 23<sup>rd</sup> DAY OF August  
A.D., 19 96

STATE OF TEXAS  
COUNTY OF MILAM  
I hereby certify that this instrument was FILED on the date and at the time stamped hereon by me and was duly RECORDED in the Volume and Page of the Official Records of Milam County, Texas.



La Verne Soefje  
County Clerk, Milam County, Texas  
VOL. 733 PAGE 114  
RECORDED 08-23-96 @ 5:00 Pm  
BY Joan Pratt DEPUTY

La Verne Soefje  
COUNTY CLERK, MILAM COUNTY, TEXAS  
BY Joan Pratt DEPUTY

JOAN PRATT

7-1-5

# OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 17th day of NOVEMBER 1995, between

MRS. R.E. THOMPSON, A FEME SOLE

Lessor (whether one or more), whose address is: 1011 HACKNEY HOUSTON, TEXAS 77023  
and CLAYTON WILLIAMS ENERGY, INC. SIX DESTA DRIVE SUITE 300 MIDLAND, TEXAS 79705, Lessee, WITNESSETH:

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

## SEE ADDITIONAL ADDENDUMS AND EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

This lease also covers and includes, in addition to that above described, all land, if any, contiguous or adjacent to or adjoining the land above described and (a) owned or claimed by lessor by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which lessor has a preference right of acquisition. Lessor agrees to execute any supplemental instrument requested by lessee for a more complete or accurate description of said land. For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain 97.50 acres, whether actually containing more or less, and the above recital of acreage in any tract shall be deemed to be the true acreage thereof. Lessor accepts the bonus as lump sum consideration for this lease and all rights and options hereunder.

2. Unless sooner terminated or longer kept in force under other provisions hereof, this lease shall remain in force for a term of 30000 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. three (3)

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-ins, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, lessee shall pay or tender, by check or draft of lessee, as royalty, a sum equal to one dollar (\$1.00) for each acre of land then covered hereby. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive

the royalties which would be paid under this lease if the wells were producing, and may be deposited in the FIRST INTERSTATE BANK OF TEXAS, N.A. 10225 ALMEDA-GENOA RD HOUSTON, TEXAS 77075 Bank at 8100267668

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

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

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

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

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

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

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

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

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

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

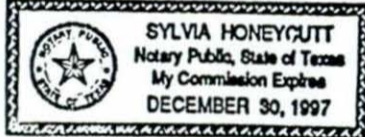
*Mrs. R.E. Thompson*  
MRS. R.E. THOMPSON, A FEME SOLE

LESSOR SS. OR TAX I.D. NO. LESSOR SS. OR TAX I.D. NO.

ACKNOWLEDGEMENT

STATE OF TEXAS  
COUNTY OF HARRIS

This instrument was acknowledged before me on the 27th day of NOVEMBER, 1995, by RS. R.E. THOMPSON A FEME SOLE.



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

ACKNOWLEDGEMENT

STATE OF TEXAS  
COUNTY OF

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_

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

CORPORATE ACKNOWLEDGEMENT

STATE OF TEXAS  
COUNTY OF

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

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

Producers 88 (7/89) - Paid Up with 640 Acres Pooling Provision

No. \_\_\_\_\_  
**Oil, Gas and Mineral Lease**  
FROM \_\_\_\_\_  
TO \_\_\_\_\_

Dated \_\_\_\_\_, 19\_\_\_\_  
No. Acres \_\_\_\_\_  
County, \_\_\_\_\_  
Term \_\_\_\_\_

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

By \_\_\_\_\_ County Clerk  
Deputy \_\_\_\_\_  
When recorded return to \_\_\_\_\_

VOL 719 PAGE 601  
OFFICIAL RECORDS  
MILAM COUNTY, TEXAS

GROUND PRINTING & STATIONERY COMPANY  
4703-C RICHMOND, HOUSTON, TEXAS 77027 (713) 552-9797

EXHIBIT "A"

A parcel of land totalling 97.50 acres, more or less, out of the J. Bowen Survey, A-95, Milam County, Texas and being more particularly described in two (2) tracts as follows:

TRACT ONE: 82.00 acres, more or less, and being more particularly described in that certain Warranty Deed dated April 23, 1957 from I.B. Pitts et ux, Mary Florence Pitts to J.P. Thompson, recorded in Volume 299, Page 454 of the Deed Records of Milam County, Texas.

TRACT TWO: 15.50 acres, more or less, and being more particularly described in that certain Warranty Deed dated June 1, 1961 from I.B. Pitts et ux, Mary Florence Pitts to J.P. Thompson, recorded in Volume 318, Page 169 of the Deed Records of Milam County, Texas.

ADDENDUM

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL, GAS AND MINERAL LEASE DATED NOVEMBER 17, 1995, MRS. R. E. THOMPSON, A FEME SOLE, LESSOR AND CLAYTON WILLIAMS ENERGY, INC., AS LESSEE:

12. Notwithstanding any other provision herein contained to the contrary, it is herein agreed by Lessor and Lessee that wherever the fraction one-eighth (1/8) appears in paragraph three (3) of this lease the same shall read one-sixth (1/6), and in all cases the royalty interest herein provided shall be one-sixth (1/6).

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

14. On or before the date of expiration of the original primary term of this lease set out in paragraph 2 hereof, Lessee may at its option pay to Lessor or to Lessor's credit at the depository bank named herein, \$10.00 per net mineral acre for each acre covered by this lease and not maintained by drilling operations or production. If said consideration is timely tendered, then the said original primary term shall be extended for an additional one (1) year period from the end of the said original primary term. Lessor and Lessee further agree that the consideration paid by the Lessee in connection with this extension provision shall satisfy all conditions and obligation for the payment of delay rentals under the terms of this lease and that there shall be no further delay rental due during the extension period of said primary term.

Filed 18 day of Dec  
in 1995, At 8a. M.  
LA VERNE SOEFJE  
County Clerk, Milam County, Texas  
By Barbara Kansa  
Deputy

SIGNED FOR IDENTIFICATION

22098 Mrs. R.E. Thompson  
MRS. R.E. THOMPSON

CLERK'S NOTICE: ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE, IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

THE STATE OF TEXAS  
COUNTY OF MILAM

I hereby certify that this instrument was FILED on the date and at the time stamped hereon by me and was duly RECORDED in the Official Records of Milam County, Texas, in the Volume and Page as noted hereon by me.



Laverne Soefje  
County Clerk, Milam County Texas

By Joan Pratt : JOAN PRATT Deputy  
RECORDED: 12-18-95 @ 5:00 P.M.  
OFFICIAL PUBLIC RECORDS, Volume 719, Page 600

Clayton Williams  
15.00 K

VOL 719 PAGE 603  
OFFICIAL RECORDS  
MILAM COUNTY, TEXAS

26803  
OIL, GAS & MINERAL LEASE

COUNTY CLERK'S MEMO,  
PORTIONS OF THIS  
DOCUMENT NOT  
REPRODUCIBLE  
WHEN RECORDED

PROD 88 (REV 8/93)  
PAID UP

THIS LEASE AGREEMENT is made effective the eleventh day of January, 19 98.

between DOROTHY L. GAUSE, ALSO KNOWN AND DOROTHY JEAN GAUSE AND DOROTHY LEWIS GAUSE, ROBERT BILL GAUSE, JR., JAMES MARK GAUSE, V. V. TURNER, MARGARET JEAN GAUSE BENSON, JOHN LEWIS GAUSE

as Lessor (whether one or more), whose address is P. O. BOX 126, GAUSE, TX 77857  
and UNION PACIFIC RESOURCES COMPANY, as Lessee,  
whose address is 801 CHERRY STREET, FORT WORTH, TX 76102. All printed  
portions of this lease were prepared by Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. Description. Lessor, in consideration of Ten Dollars And No Cents

Dollars (\$ 10.00)

in hand paid, of the royalties herein provided and the covenants herein contained, hereby grants, leases and lets exclusively to Lessee, for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith including helium, carbon dioxide and other commercial gases as well as hydrocarbon gases (referred to herein as "covered minerals"), the following described land (the "leased premises") in MILAM County, Texas, to-wit:

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

This lease also covers accretions and any small strips or parcels of land now or hereafter owned or claimed by Lessor which are contiguous or adjacent to the leased premises whether or not such parcels are known to exist by Lessor or Lessee, and for the aforementioned consideration, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any rentals and shut-in royalties hereunder, said land shall be deemed to be comprised of 690.5999 whether it actually comprises more or less.

2. Term of Lease. This lease shall be in force for a primary term of three years from the effective date hereof, and for as long thereafter as a covered mineral is produced in paying quantities from the leased premises or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalty. Royalties on covered minerals produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's held separator facilities, the royalty shall be 1/8 of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead posted price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity less a proportionate part of ad valorem taxes and production, severance, or other excise taxes; (b) for gas (including casinghead gas) and all other covered minerals, the royalty shall be 1/8 of the net proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and (c) if during or after the primary term one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut-in or production therefrom is not being sold by Lessee for a period of 90 consecutive days, then Lessee may pay shut-in royalty of one dollar per acre of land then covered by this lease, such payment to be made to Lessor on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in and it shall be considered that such well is producing in paying quantities for all purposes hereof during any period for which such shut-in royalty is tendered; provided that if this lease is otherwise being maintained by the payment of rentals or by operations, or if a well or wells on the leased premises is producing in paying quantities, no shut-in royalty shall be due until the end of the 90-day period next following the end of the rental period or the cessation of such operations or production, as the case may be. Lessee shall have free use of oil, gas, water, and other substances produced from said land, except water from Lessor's wells or ponds, for all operations hereunder, and Lessor's royalty shall be computed after deducting any so used.

4. Operations. If, after expiration of the primary term, Lessee drills a dry hole on the leased premises or if all production of covered minerals should permanently cease from any cause either voluntary or involuntary (and if this lease is not otherwise being maintained), this lease shall remain in effect if Lessee commences drilling, reworking or other operations on the leased premises within 90 days thereafter. If, at or after expiration of the primary term, this lease is not otherwise being maintained but Lessee is then engaged in drilling, reworking or other operations calculated to obtain or restore production from the leased premises, this lease shall remain in effect so long as such operations are conducted with no cessation of more than 90 consecutive days and, if such operations result in the production of a covered mineral, as long thereafter as there is production from the leased premises. After production has been established on the leased premises, Lessee shall drill such additional wells as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or (b) protect the leased premises from uncompensated drainage by a well producing a covered mineral in paying quantities located within 330 feet of and draining the leased premises. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

5. Pooling. Lessee shall have the continuing and recurring right, but not the obligation, to pool all or any part of the leased premises or interest therein with any other lands, leases or interests, as to any or all depths or zones, and as to any or all covered minerals, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently explore, develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands, leases or interests. A unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for an oil well which is a horizontal completion or a gas well shall not exceed 640 acres plus a maximum acreage tolerance of 10%, provided that larger units may be formed for an oil well or a gas well, whether or not horizontally completed, in order to conform to any well spacing or density pattern permitted by any governmental authority having jurisdiction over such matters. The terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or by regulations of the governmental authority which has jurisdiction over such matters. The term "horizontal completion" shall mean an oil well or a gas well in which the horizontal component of the gross completion interval exceeds 100 feet in length. Lessee may pool or combine land covered by this lease or any portions thereof, as above provided as to oil in any one or more strata and as to gas in any one or more strata. Units formed by pooling as to any stratum or strata need not conform in size or area with units formed as to any other stratum or strata, and oil units need not conform as to area with gas units. To exercise its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit, and the effective date of pooling shall be the date of filing unless provided otherwise in such declaration. Lessee wholly at its option may exercise its authority to pool either before or after commencing operations for or completing an oil or gas well on lands lying within a unit and any unit may include, but is not required to include, lands or leases upon which a well producing or capable of producing oil or gas in paying quantities has theretofore been completed, or upon which operations have theretofore been commenced. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises, regardless of whether such production was secured or such drilling or reworking operations were commenced before or after the execution of this lease or the instrument designating the pooled unit, shall be treated for all purposes (except the payment of royalties on production from the pooled unit) as if they were production, drilling or reworking operations on the leased premises and references herein to production from or operations on the leased premises shall be deemed to include production from or operations on any portion of such pooled unit; provided that if after creation of a pooled unit a well is drilled on land within the unit area (other than the leased premises) which well is not classified as the type of well for which the unit was created (oil, gas or other minerals as the case may be), such well shall be considered a dry hole for purposes of applying the additional drilling and reworking provisions hereof. If a gas well on a gas unit, which includes all or a portion of the leased premises, is reclassified as an oil well, with respect to all lands which are included within the unit (other than the lands on which the well is located), the date of such reclassification shall be considered as the date of cessation of production for purposes of applying the provisions of this lease covering additional drilling and reworking. The production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent that such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall, without the joinder of Lessor, have the recurring right, but not the obligation, to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority, or court order, or when to do so would, in the judgment of Lessee, promote the conservation of covered minerals in and under and that

L-76 (08-93)



Attached hereto and made a part hereof that certain Oil and Gas Lease dated January 11, 1990 by and between DOROTHY L. GAUSE, ALSO KNOWN AND DOROTHY JEAN GAUSE AND DOROTHY LEWIS GAUSE, et. al., as Lessor, and UNION PACIFIC RESOURCES COMPANY as Lessee.

SS # AND/OR TAX ID #:

LESSOR:

*James Mark Gause*  
JAMES MARK GAUSE

*V. V. Turner*  
V. V. TURNER

*John Lewis Gause*  
JOHN LEWIS GAUSE

*Margaret Jean Gause Benson*  
MARGARET JEAN GAUSE BENSON

Attached hereto and made a part hereof that certain Oil and Gas Lease dated January 11, 1996 by and between DOROTHY L. GAUSE, ALSO KNOWN AND DOROTHY JEAN GAUSE AND DOROTHY LEWIS GAUSE, et. al., as Lessor, and UNION PACIFIC RESOURCES COMPANY as Lessee.

STATE OF TEXAS  
COUNTY OF Robertson

This instrument was acknowledged before me on this 26 of January, 1996, by  
Luanne Lockhart &  
James Mark Gause

Luanne Lockhart  
Notary Public, State of TEXAS  
Printed Name: Luanne Lockhart  
Commission Expires: 5-12-97



STATE OF TEXAS  
COUNTY Robertson

This instrument was acknowledged before me this 26 day of January, 1996, by  
V.V. Turner &  
Luanne Lockhart  
Daniel L. Giles  
Notary Public

My Commission Expires:  
5-12-97



STATE OF TEXAS  
COUNTY BRAZOS

This instrument was acknowledged before me this 26th day of JANUARY, 1996, by JOHN LEWIS GAUSE  
Dan L. Giles  
Notary Public

My Commission Expires:  
\_\_\_\_\_



STATE OF \_\_\_\_\_  
COUNTY \_\_\_\_\_

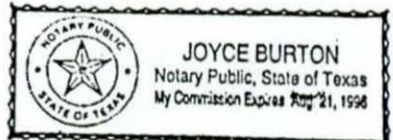
This instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_  
Notary Public

My Commission Expires:  
8-21-1996

STATE OF Texas  
COUNTY Travis

This instrument was acknowledged before me this 27 day of January, 1996, by  
Margaret Jean Gause Benson  
Joyce Burton  
Notary Public

My Commission Expires:  
\_\_\_\_\_



STATE OF \_\_\_\_\_  
COUNTY \_\_\_\_\_

This instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_  
Notary Public

My Commission Expires:  
\_\_\_\_\_

STATE OF \_\_\_\_\_  
COUNTY \_\_\_\_\_

This instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_  
Notary Public

My Commission Expires:  
\_\_\_\_\_

## Exhibit A

### DAMAGE/CLEAN UP

Lessee agrees and obligates itself to conduct its operations upon the leased premises as a reasonable and prudent operator and in such a way as to cause a minimum of damage to the land and improvements thereon, including fences; and that should it become necessary to make any opening in the fences, Lessee will properly brace the fence on each side of the opening to prevent slackening of the wires and shall place substantial metal gates and cattle guards in such openings. Said gates and cattle guards shall be installed before drilling operations commence and said gates and cattle guards shall remain on said property unless otherwise directed by Lessors. Lessee agrees that within one hundred twenty 120 days after any operation hereunder, Lessee shall repair the damaged land to the fullest practical extent, including the filling and leveling of all holes, pits, ruts, roads or excavations in the areas no longer to be used by Lessee; and upon termination hereof, to fully repair all damaged land not already repaired to the end that the land will be rendered to substantially the same condition as it was prior to commencement of such operations. Lessee shall pay for all actual injury or damage done or caused by Lessee in its operations hereunder to any buildings, fences, roads, roadway easements, culverts, merchantable timber, growing crops or other improvements on said land or to livestock on said land which is not replaced or repaired by Lessee according to the terms of this Lease.

### MISCELLANEOUS

Lessee is hereby given the option, to be exercised on or before the end of the primary term hereof, of extending this Lease for a period of two 2 years as to all or any portion of the acreage then held hereunder, which would expire unless so extended, the only action required by Lessee to exercise this option being the payment to Lessor, at Lessor's address above, of the additional consideration of fifty dollars \$50.00 per net mineral acre for each acre so extended, which payment shall cover the extended term of two 2 years. Lessor acknowledges that there will be no rentals due to extend this Lease, nor during the extended term.

### NO HUNTING/FIREARMS

There shall be no hunting or fishing allowed on the leased premises, nor shall any firearms be brought on the leased premises by the Lessee or his assigns, or by any employee, agent, contractor or representative of the Lessee or Lessee's assigns without the prior written consent of the Lessor.

### OIL & GAS ONLY/EXCLUDED MINERALS

Notwithstanding anything herein to the contrary, this Lease covers only oil and gas, including other liquid and gaseous hydrocarbons, as well as such other minerals or substances as may be produced incidental to and as a part of or mixed with oil, gas and other liquid or gaseous hydrocarbons, but this lease does not cover gravel, uranium, fissionable materials, coal, lignite or any hard minerals or substances of any type which shall be produced from the leased premises separate and apart from, or independently of, oil, gas or other liquid and gaseous hydrocarbons.

### PUGH HORIZONTAL

Notwithstanding any provision herein to the contrary, upon the expiration of the primary term of this Lease or the expiration of any extension or renewal thereof, or upon the expiration of ninety 90 days following the completion of the last well drilled on the leased premises or acreage pooled therewith whether completed as a well capable of production in paying quantities or as a dry hole, whichever is the later date, this Lease shall terminate as to any lands not included in a pooled unit, proration unit or other unit from which any well located thereon is producing or may be capable of producing in paying quantities, or upon which drilling, reworking or other operations calculated to restore production are being pursued as herein provided. After the expiration of the primary term of this Lease, if production on any pooled, proration or other unit permanently ceases from any cause either voluntary or involuntary and if this Lease is not otherwise being maintained, this Lease shall terminate as to such unit unless Lessee within ninety 90 days thereafter commences reworking operations or the actual drilling of a new well thereon. In such event, this Lease will continue in effect as to such unit so long as such drilling or reworking is prosecuted with no cessation of such operations for more than ninety 90 consecutive days until production is restored.

Exhibit B

LEGAL DESCRIPTION

690.51 ACRES OUT OF THE A. W. SILLEVAN SUR., A--326, D. M. FARMER SUR., A-164, AZRA WEBB, A-387, AND J. G. ELDRIDGE SUR., A-156, MILAM COUNTY, TEXAS BEING DESCRIBED AS 11 TRACTS.

1. 54 ACRES, MORE OR LESS, AS DESCRIBED AS 57 ACRES IN A DEED FROM OALA GAUSE ET AL TO BILL GAUSE RECORDED IN VOLUME 210, PAGE 199, DEED RECORDS, MILAM COUNTY, TEXAS; SAVE AND EXCEPT THREE 3 ACRES, MORE OR LESS, DESCRIBED IN A DEED FROM BILL GAUSE TO J. P. HARLAN RECORDED IN VOLUME 213, PAGE 81, DEED RECORDS, MILAM COUNTY, TEXAS.
2. 85 ACRES, MORE OR LESS, AS DESCRIBED IN A DEED, DATED AUGUST 7, 1943, FROM AUSTIN B. TAYLOR TO BILL GAUSE RECORDED IN VOLUME 239, PAGE 513, DEED RECORDS, MILAM COUNTY, TEXAS.
3. 6 ACRES, MORE OR LESS, AS DESCRIBED IN A DEED, DATED SEPTEMBER \_\_, 1946, FROM MARY G SMITH TO BILL GAUSE RECORDED IN VOLUME 239, PAGE 513, DEED RECORDS, MILAM COUNTY, TEXAS.
4. 86 ACRES, MORE OR LESS, AS DESCRIBED IN A DEED, DATED MAY 2, 1951, FROM J. P. HARLAN ET UX. TO BILL GAUSE RECORDED IN VOLUME 272, PAGE 414, DEED RECORDS, MILAM COUNTY, TEXAS.
5. 22.51 ACRES, MORE OR LESS, AS DESCRIBED IN A DEED, DATED OCTOBER 15 1952, FROM MARY G. SMITH ET VIR TO ROBERT BILL GAUSE RECORDED IN VOLUME 239, PAGE 513, DEED RECORDS, MILAM COUNTY, TEXAS.
6. 200 ACRES, MORE OR LESS, AS DESCRIBED IN A DEED, DATED AUGUST 26 1958., FROM WILLIAM V. ADAMS TO ROBERT B. GAUSE RECORDED IN VOLUME 303, PAGE 525, DEED RECORDS, MILAM COUNTY, TEXAS.
7. 75 ACRES, MORE OR LESS, AS DESCRIBED IN A DEED, DATED OCTOBER 16 1959, FROM MW. E. SELF ET UX. TO ROBERT BILL GAUSE RECORDED IN VOLUME 309, PAGE 198, DEED RECORDS, MILAM COUNTY, TEXAS.
8. 72 ACRES, MORE OR LESS, AS DESCRIBED IN A DEED, DATED MARCH 24, 1967, FROM PRESTON T. BOWLING TO SARAH T. BOWLING RECORDED IN VOLUME 344, PAGE 588, DEED RECORDS, MILAM COUNTY, TEXAS.
9. 64 ACRES, MORE OR LESS, AS DESCRIBED IN A DEED, DATED DECEMBER 3, 1981, FROM O. L. GAUSE HARLAN, ET AL. TO ROBERT BILL GAUSE RECORDED IN VOLUME 476, PAGE 463, DEED RECORDS, MILAM COUNTY, TEXAS.
10. 21 ACRES, MORE OR LESS, AS DESCRIBED IN A DEED, DATED APRIL 6 1983, FROM O. L. GAUSE HARLAN TO ROBERT BILL GAUSE RECORDED IN VOLUME 489, PAGE 243, DEED RECORDS, MILAM COUNTY, TEXAS.
11. 5 ACRES, MORE OR LESS, AS DESCRIBED IN A DEED, DATED JANUARY 9, 1961, FROM HOMER COBB ET VIR TO R. B. GAUSE RECORDED IN VOLUME 314, PAGE 246, DEED RECORDS, MILAM COUNTY, TEXAS.



CLERK'S NOTICE: ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE, IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED  
AT 8 O'CLOCK A M  
ON THE 12 DAY OF Nov  
A.D., 19 96

STATE OF TEXAS  
COUNTY OF MILAM  
I hereby certify that this instrument was FILED on the date and at the time stamped hereon by me and was duly RECORDED in the Volume and Page of the Official Records of Milam County, Texas.

La Verne Soefje  
COUNTY CLERK, MILAM COUNTY, TEXAS



La Verne Soefje  
County Clerk, Milam County, Texas  
VOL 738 PAGE 540

BY Joan Pratt DEPUTY

RECORDED 11-12-96 @ 5:00 PM  
BY Joan Pratt DEPUTY

JOAN PRATT

19K

30327

## OIL, GAS &amp; MINERAL LEASE

PROD 88 (REV 1  
PAIDUP

THIS LEASE AGREEMENT is made effective the 10 th day of April, 19 97  
between James Michael Hillsman

as Lessor (whether one or more), whose address is 7011-B Brittmoore Road, Houston, TX 77041  
and UNION PACIFIC RESOURCES COMPANY, as Lessee,  
whose address is 801 CHERRY STREET, FORT WORTH, TX 76102. All printed  
portions of this lease were prepared by Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. **Description.** Lessor, in consideration of Ten Dollars And No Cents

Dollars (\$ 10.00), in hand paid to Lessee, hereby grants, leases and lets exclusively to Lessee, for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith including helium, carbon dioxide and other commercial gases as well as hydrocarbon gases (referred to herein as "covered minerals"), the following described land (the "leased premises") in

MILAM County, Texas, to-wit:

Twenty-Five (25) Acres, more or less, a part of the Augustine W. Sillaven Survey, A-328, Milam County, Texas, being the same land described in Warranty Deed dated February 11, 1935, recorded in Volume 212, Page 272 of the Deed Records of Milam County, Texas, from F. M. Adams and wife Katherine Adams to Jennybel Thomas.

This lease also covers accretions and any small strips or parcels of land now or hereafter owned or claimed by Lessor which are contiguous or adjacent to the leased premises whether or not such parcels are known to exist by Lessor or Lessee, and for the aforementioned consideration, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any rentals and shut-in royalties hereunder, said land shall be deemed to be comprised of 25.0000 acres, whether it actually comprises more or less.

2. **Term of Lease.** This lease shall be in force for a primary term of three years from the effective date hereof, and for as long thereafter as a covered mineral is produced in paying quantities from the leased premises or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. **Royalty.** Royalties on covered minerals produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's held separator facilities, the royalty shall be 1/8 of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead posted price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity less a proportionate part of ad valorem taxes and production, severance, or other excise taxes, (b) for gas (including casinghead gas) and all other

covered minerals, the royalty shall be 1/8 of the net proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and (c) if during or after the primary term one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut-in or production therefrom is not being sold by Lessee for a period of 90 consecutive days, then Lessee may pay shut-in royalty of one dollar per acre of land then covered by this lease, such payment to be made to Lessor on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in and it shall be considered that such well is producing in paying quantities for all purposes hereof during any period for which such shut-in royalty is tendered; provided that if this lease is otherwise being maintained by the payment of rentals or by operations, or if a well or wells on the leased premises is producing in paying quantities, no shut-in royalty shall be due until the end of the 90-day period next following the end of the rental period or the cessation of such operations or production, as the case may be. Lessee shall have free use of oil, gas, water, and other substances produced from said land, except water from Lessor's wells or ponds, for all operations hereunder, and Lessor's royalty shall be computed after deducting any so used.

4. **Operations.** If, after expiration of the primary term, Lessee drills a dry hole on the leased premises or if all production of covered minerals should permanently cease from any cause either voluntary or involuntary (and if this lease is not otherwise being maintained), this lease shall remain in effect if Lessee commences drilling, reworking or other operations on the leased premises within 90 days thereafter. If, at or after expiration of the primary term, this lease is not otherwise being maintained but Lessee is then engaged in drilling, reworking or other operations calculated to obtain or restore production from the leased premises, this lease shall remain in effect so long as such operations are conducted with no cessation of more than 90 consecutive days and, if such operations result in the production of a covered mineral, as long thereafter as there is production from the leased premises. After production has been established on the leased premises, Lessee shall drill such additional wells as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or (b) protect the leased premises from uncompensated drainage by a well producing a covered mineral in paying quantities located within 330 feet of and draining the leased premises. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

5. **Pooling.** Lessee shall have the continuing and recurring right, but not the obligation, to pool all or any part of the leased premises or interest therein with any other lands, leases or interests, as to any or all depths or zones, and as to any or all covered minerals, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently explore, develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands, leases or interests. A unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for an oil well which is a horizontal completion or a gas well shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that larger units may be formed for an oil well or a gas well, whether or not horizontally completed, in order to conform to any well spacing or density pattern permitted by any governmental authority having jurisdiction over such matters. The terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or by regulations of the governmental authority which has jurisdiction over such matters. The term "horizontal completion" shall mean an oil well or a gas well in which the horizontal component of the gross completion interval exceeds 100 feet in length. Lessee may pool or combine land covered by this lease or any portions thereof, as above provided as to oil in any one or more strata and as to gas in any one or more strata. Units formed by pooling as to any stratum or strata need not conform in size or area with units formed as to any other stratum or strata, and oil units need not conform as to area with gas units. To exercise its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit, and the effective date of pooling shall be the date of filing unless provided otherwise in such declaration. Lessee wholly at its option may exercise its authority to pool either before or after commencing operations for or completing an oil or gas well on lands lying within a unit and any unit may include, but is not required to include, lands or leases upon which a well producing or capable of producing oil or gas in paying quantities has theretofore been completed, or upon which operations have theretofore been commenced. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises, regardless of whether such production was secured or such drilling or reworking operations were commenced before or after the execution of this lease or the instrument designating the pooled unit, shall be treated for all purposes (except the payment of royalties on production from the pooled unit) as if they were production, drilling or reworking operations on the leased premises and references herein to production from or operations on the leased premises shall be deemed to include production from or operations on any portion of such pooled unit; provided that if after creation of a pooled unit a well is drilled on land within the unit area (other than the leased premises) which well is not classified as the type of well for which the unit was created (oil, gas or other minerals as the case may be), such well shall be considered a dry hole for purposes of applying the additional drilling and reworking provisions hereof. If a gas well on a gas unit, which includes all or a portion of the leased premises, is reclassified as an oil well, with respect to all lands which are included within the unit (other than the lands on which the well is located), the date of such reclassification shall be considered as the date of cessation of production for purposes of applying the provisions of this lease covering additional drilling and reworking. The production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent that such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall, without the joinder of Lessor, have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority, or court order, or when to do so would, in the judgment of Lessee, promote the conservation of covered minerals in and under and that

may be produced from the leased premises. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and the effective date of revision shall be the date of filing unless provided otherwise in such declaration. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly, and such adjustment shall be made effective as of the effective date of the revision. Lessee may at any time dissolve any unit formed hereunder by filing a written declaration describing the unit, and the effective date of dissolution shall be the date of filing unless provided otherwise in such declaration. 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 with consequent allocation of production as herein provided. As used herein 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. Pooling hereunder shall not constitute a cross-conveyance of interests.

6. Ancillary Rights. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises, in primary or enhanced recovery, Lessor hereby grants and conveys to Lessee the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and transport production. In exploring, developing, producing or marketing from the leased premises, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises. No surface location for a well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder without Lessor's consent, and Lessee shall pay for actual damage caused by its operations to buildings and other improvements now on the leased premises, or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within 180 days following the expiration thereof.

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

8. Warranty of Title. Lessor hereby warrants and agrees to defend title to the interest conveyed to Lessee hereunder. Lessee, at its option, may pay or discharge any tax, mortgage or lien existing against the leased premises and, in the event that it does so, Lessee shall be subrogated to the rights of the party to whom payment is made and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. If Lessor owns less than the full mineral estate in all or any part of the leased premises, payment of royalties and shut-in royalties hereunder shall be reduced proportionately to the amount that Lessor's interest in the leased premises bears to the entire mineral estate in the leased premises.

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

10. Regulation and Delay. Lessee's obligations under the lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells. Notwithstanding the provisions of paragraph 2 above, when drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control (commonly referred to as "force majeure"), this lease shall not terminate because of such prevention or delay and, at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

11. Breach or Default. An alleged breach or default by Lessee of any obligation hereunder or the failure of lessee to satisfy any condition or limitation contained herein shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part, and no litigation shall be initiated by Lessor with respect to any alleged breach or default by Lessee hereunder, for a period of at least ninety (90) days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy or commence to remedy the breach or default within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so. Nothing in this instrument or in the relationship created hereby shall be construed to establish a fiduciary relationship, a relationship of trust or confidence or a principle - agent relationship between Lessor and Lessee for any purpose.

IN WITNESS WHEREOF, this lease is executed effective the date first written above, and upon execution shall be binding upon the signatory whether or not the lease has been executed by all parties named herein as Lessor.

SSN AND/OR TAX ID #

000-00-0000

LESSOR

*James Michael Hillsman*  
James Michael Hillsman

STATE OF TEXAS )

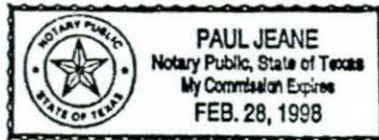
COUNTY OF HARRIS )

This instrument was acknowledged before me this 10<sup>TH</sup> day of April, 1997, by James Michael Hillsman.

*Paul Jeane*  
Notary Public

My Commission Expires:

2-28-98



STATE OF \_\_\_\_\_ )

COUNTY \_\_\_\_\_ )

This instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_.

Notary Public

My Commission Expires:

VOL. 750 PAGE 504

OFFICIAL RECORDS  
MILAM COUNTY, TEXAS

Exhibit A

LEASE EXTENSION MILAM CO., TX

Lessee is hereby given the option, to be exercised on or before the end of the primary term hereof, to extend this Lease for a period of two (2) years as to all or any portion of the acreage then held hereunder, which would expire unless so extended; the only action required by Lessee to exercise this option is to pay to Lessor, at Lessor's above address, the additional consideration of twenty-five dollars (\$25.00) per net mineral acre for each acre so extended, which payments shall cover the extended term of two (2) years. Lessor acknowledges that there will be no rentals due to extend this lease, nor during the extended term.

30327

*[Signature]*

LESSOR INITIALS

13.00 A  
Whitmine



CLERK'S NOTICE: ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE, IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED  
AT 2:40 O'CLOCK P. M.  
ON THE 9 DAY OF June  
A.D., 19 97

La Verne Soefje  
COUNTY CLERK, MILAM COUNTY, TEXAS  
BY *Barbara Vanda* DEPUTY

STATE OF TEXAS  
COUNTY OF MILAM  
I hereby certify that this instrument was FILED on the date and at the time stamped hereon by me and was duly RECORDED in the Volume and Page of the Official Records of Milam County, Texas.



*La Verne Soefje*  
County Clerk, Milam County, Texas  
VOL. 750 PAGE 503  
RECORDED 6-9-97 @ 5PM  
BY *Barbara Vanda* DEPUTY

⑥ MF 98474  
ITEM D-6. Lease  
TO \_\_\_\_\_  
FROM \_\_\_\_\_  
DATE 3-15-96



The State of Texas)  
 County of Milam ) Before me, H.M. Roark, County Clerk in and for Milam County, Texas, on  
 this day personally appeared J.W. Pitts, known to me to be the person whose name is sub-  
 scribed to the foregoing instrument, and acknowledged to me that he executed the same for  
 the purposes and consideration therein expressed.

Given under my hand and seal of office, this 29th day of January A.D. 1924.

(seal)

H.M. Roark, Co. Clerk, Milam County, Texas.

Filed for record this the 26th day of March A.D. 1924 at 8 O'clock A.M.

H.M. Roark, Clerk County Court, Milam County, Texas,

By J.O. Hughes, Deputy.

D. Hargis et al

To: Extension Contract

The State of Texas)

J.T. Hamman

County of Milam )

KNOW ALL MEN BY THESE PRESENTS:-

Whereas, B.N. Ashley and J.T. Hamman did on the 10th day of November, 1919, execute and deliver to R.L. Hale and R.L. Scarbrough, eight certain promissory notes, all of even date with said deed, in the principal sum of \$500.00 each, due, 1, 2, 3, 4, 5, 6, 7, and 8 years respectively, from date, bearing seven per cent interest from date, payable annually, and containing the usual past due interest, default and ten per cent attorney fee clauses, and which said notes are secured by a vendor's lien retained in a deed executed by the said R.L. Hale and R.L. Scarbrough to the said B.N. Ashley and J.T. Hamman, conveying a tract of 250 acres of land, a part of the William Thompson Grant in Milam County, Texas, fully described in said deed, which deed is duly recorded in the deed records of Milam County, Texas, in Book 151, at page 525, and

Whereas, in due course of trade the said above described eight notes were transferred and assigned by the said R.L. Hale and R.L. Scarbrough to J.R. and D. Hargis, which said transfer is recorded in Book 155, at page 148, of the Milam County Deed Records, and

Whereas, Note No. one was paid and discharged to the said J.R. and D. Hargis, and

Whereas, since the transfer of said notes and the payment of said note No. one, J.R. Hargis has died, and

Whereas, the said D. Hargis, Mrs. <sup>Nannie</sup> ~~1917~~ Tompkins, a widow, Mrs. Leona Lytton Kennison wife of R.E. Kennison, Ruth Lytton, a feme sole, and Lee Lytton, constitute all of the heirs at law of the said J.R. Hargis, and

Whereas, since the death of the said J.R. Hargis, the said J.T. Hamman has assumed the payment of said last seven notes, and is now the owner of said land, and has paid said notes Nos. 2, 3 and 4.

Whereas, all of said seven notes have been sued on in the District Court of Milam

⑦ MF 98474  
ITEM Warranty Deed  
TO \_\_\_\_\_  
FROM \_\_\_\_\_  
DATE 3-22-24



Texas General Land Office  
Garry Mauro, Commissioner

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

April 20, 1998

UNION PACIFIC RESOURCES COMPANY  
PO BOX 7 MS 3110  
ATTN MARTHA ENGLISH  
FORT WORTH TX 76101-0007

Re: Property Name: BAILEY-HANN UNIT, WELL NO. 1  
Field: AUSTIN CHALK  
Mineral File No. MF-098474  
Property Number: 4289201

Dear Sir/Madam,

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

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

If you should have any questions, please feel free to call me at (512) 463-5261.

Sincerely,

Ernesto Garza  
Accounts Examiner  
Royalty and Revenue Processing  
Energy Resources

**DIVISION ORDER**

STATE OF TEXAS  
COMMISSIONER OF GENERAL LAND  
1700 CONGRESS AVE RM 640  
AUSTIN , TX 78701

Property Number: 4289201  
Property Name: BAILEY-HANN UNIT, WELL NO. 1  
Product: (05) (ALL PRODUCTS)  
Status: (N/A) (NOT APPLICABLE)  
County/State: MILAM TEXAS  
Effective Date: 09/07/1997  
Owner Number: 488965  
Owner Tax ID:  
Interest Type: RI ROYALTY INTEREST  
Interest: 0.00007978

THIS AGREEMENT DOES NOT AMEND ANY LEASE OR OPERATING AGREEMENT BETWEEN THE INTEREST OWNERS AND THE LESSEE OR OPERATOR OR ANY OTHER CONTRACTS FOR THE PURCHASE OF OIL OR GAS.

The following provisions apply to each interest owner ("owner") who executes this agreement.

**TERMS OF SALE:** Said owner will be paid in accordance with the division of interest as shown. The payor shall pay all parties for gas according to the underlying lease, operating agreement and/or other contracts applicable to each party's interest. The payor shall pay all parties at the price agreed to by the operator for oil to be sold pursuant to this division order.

Purchaser shall compute quantity and make corrections for gravity and temperature and make deductions for impurities.

**PAYMENT:** From the effective date, payment is to be made monthly by payor's check, based on this division of interest, for oil run during the preceding calendar month and for gas sold during the second preceding calendar month from the property listed above, less taxes required by law to be deducted and remitted by payor as purchaser. Payments of less than \$25 may be accrued before disbursement until the total amount equals \$25 or more, or until December 31 of each year, whichever occurs first. Payee agrees to refund to payor any amounts attributable to an interest that payee does not own.

**INDEMNITY:** The owner agrees to indemnify and hold payor harmless from all liability resulting from payments made to the owner in accordance with such division of interest, including but not limited to attorney fees or judgements in connection with any suit that affects the owner's interest to which payor is made a party.

**DISPUTE, WITHHOLDING OF FUNDS:** If a suit is filed that affects the interest of the owner, written notice shall be given to payor by the owner together with a copy of the complaint or petition filed. In the event of a claim or dispute that affects title to the division of interest credited herein, payor is authorized to withhold payments accruing to such interest, without interest unless otherwise required by applicable statute, until the claim or dispute is settled.

**TERMINATION:** Termination of this agreement is effective on the first day of the month that begins after the 30th day after the date written notice of termination is received by either party.

**NOTICES:** The owner agrees to notify payor in writing of any change in the division of interest, including changes of interest contingent on payment of money or expiration of time. No change of interest is binding on payor until the recorded copy of the instrument of change or documents satisfactorily evidencing such change are furnished to payor at the time the change occurs.

Any change of interest shall be made effective on the first day of the month following receipt of such notice by payor. Any correspondence regarding this agreement shall be furnished to the addresses listed unless otherwise advised by either party.

In addition to the legal rights provided by the terms and provisions of this division order, an owner may have certain statutory rights under state laws.

YOUR COPY

\_\_\_\_\_  
Signature of Witness #1

\_\_\_\_\_  
Owner Signature/Corporate Title

\_\_\_\_\_  
Address if different from above

\_\_\_\_\_  
Signature of Witness #2

\_\_\_\_\_  
Owner Signature/Corporate Title

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
Owner Phone #

\_\_\_\_\_  
Tax ID Number if different from above

Failure to furnish your Social Security/Tax ID number will result in withholding tax in accordance with federal law and any tax withheld will not be refundable by payor.

Return to: Union Pacific Resources Company  
P.O. Box 7, MS 3110  
Attn  
Fort Worth, Texas, 76101-0007

Date Prepared: 11/07/1997  
Prepared by: English, Martha

Division Order - EXHIBIT "A"

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**Property Number:** 4289201  
**Property Name:** BAILEY-HANN UNIT, WELL NO. 1  
**Product:** ALL PRODUCTS  
**Status:** NOT APPLICABLE  
**County/State:** MILAM/TEXAS  
**Effective Date:** 09/07/1997

**Lands covered by this Division Order include:**

*Tract: (15) TRACT 13; 20.46 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (16) TRACT 14; 20.44 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (17) TRACT 15; 65.48 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (18) TRACT 16; 20.97 ACRES*

SULLIVAN A W ABST/ID# 326

*Tract: (19) TRACT 17; 6.23 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (20) TRACT 18; 19.59 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (21) TRACT 19; 19.97 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (22) TRACT 20; 0.35 ACRES*

BOWING JEANETTE ABST/ID# 95

S: 12/1/97  
98474

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**TO ALL INTEREST OWNERS:**

- Enclosed please find two copies of the Division Order(s) or Transfer Order(s). Please return one fully executed copy to the following address. **KEEP ONE COPY FOR YOUR RECORDS.**

**UNION PACIFIC RESOURCES COMPANY  
P.O. BOX 7, Mail Station 3110  
Fort Worth, Texas 76101-0007  
Fax # (817) 877-7486  
Voicemail # (800) 370-9702  
Customer Relations # (800) 359-1692**

- Sign exactly as shown on the Division Order or Transfer Order. Signatures must be witnessed by two people. If joint ownership, all owners must sign.
- Signatures by Agents, Attorneys-in-Fact, Guardians or Trustees, must be verified by attaching evidence of the rights vested in the signatory party.
- Include the correct Social Security Number or Tax Identification Number in the space provided below your signature. Federal Income Tax law states 31% of proceeds must be withheld if not provided.
- If you have any questions and do not know your area representative, leave a message at this **VOICEMAIL** number (800) 370-9702. Our goal is to return your call within 48 hours. Please provide the following information which will assist us in serving you:

- 1) Owner number
- 2) County and state where well is located
- 3) Well name and/or property number
- 4) Telephone number with **AREA CODE**
- 5) Reason for the call

- **Address Changes** must be submitted in writing to the above address. Provide your owner number, social security number, old address, new address and telephone number.
- **Name/Ownership Changes** must be submitted in writing to the above address. Please include proper documentation confirming the changes such as a Marriage Certificate, Divorce Decree, Certificate of Merger, Deed, Will, Assignment, etc. **NOTE:** Documents which convey interest must be recorded in the county in which the property is located prior to sending them to our office.
- **Settlement Check/Stop Payment** requests must be submitted in writing to the address below. Please wait ten (10) working days before submitting request. Include owner number and date of check. **NOTE:** Funds will be replaced during our regular settlement cycle within the next 6 to 8 weeks.

Union Pacific Resources Company  
Attn: Stop Payment  
P.O. Box 7, MS 2605  
Fort Worth, Texas 76101-0007

**-KEEP THIS INFORMATION FOR FUTURE REFERENCE-**

Division Order - EXHIBIT "A"

---

**Property Number:** 4289201  
**Property Name:** BAILEY-HANN UNIT, WELL NO. 1  
**Product:** ALL PRODUCTS  
**Status:** NOT APPLICABLE  
**County/State:** MILAM/TEXAS  
**Effective Date:** 09/07/1997

**Lands covered by this Division Order include:**

*Tract: (7) TRACT 5; 36.21 ACRES*

BOWING JEANETTE ABST/ID# 95



*Tract: (8) TRACT 6; 16.06 ACRES*

BOWING JEANETTE ABST/ID# 95



*Tract: (9) TRACT 7; 24.24 ACRES*

BOWING JEANETTE ABST/ID# 95



*Tract: (10) TRACT 8; 16.11 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (11) TRACT 9; 16.09 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (12) TRACT 10; 16.06 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (13) TRACT 11; 17.14 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (14) TRACT 12; 50.69 ACRES*

BOWING JEANETTE ABST/ID# 95

Division Order - EXHIBIT "A"

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**Property Number:** 4289201  
**Property Name:** BAILEY-HANN UNIT, WELL NO. 1  
**Product:** ALL PRODUCTS  
**Status:** NOT APPLICABLE  
**County/State:** MILAM/TEXAS  
**Effective Date:** 09/07/1997

**Lands covered by this Division Order include:**

*Total Division Order; 731.2 ACRES*

BOWING JEANETTE ABST/ID# 95

SULLIVAN A W ABST/ID# 326

*Tract: (1) TRACT 1; 96.5 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (2) TRACT 2; 75.38 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (3) TRACT 3-A; 128.3 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (4) TRACT 3-B; 11.57 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (5) TRACT 4-A; 50.28 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (6) TRACT 4-B; 3.08 ACRES*

BOWING JEANETTE ABST/ID# 95

**Division Order - EXHIBIT "A"**

Property Number: 4289201

Property Name: BAILEY-HANN UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
<b>Tract: (1) TRACT 1 (Factor: 0.13197484)</b>			
<b>ROYALTY INTEREST</b>			
485666	CLAUDE C CULVER	0.03125000	0.00412421
485950	FAUSTENE D BUNDICK	0.06250000	0.00824843
488226	CHARLES L BUNDICK	0.03125000	0.00412421
	<b>Total</b>	<u>0.12500000</u>	<u>0.01649685</u>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.87500000	0.11547799
	<b>Total</b>	<u>0.87500000</u>	<u>0.11547799</u>
	<b>Total Tract 1 Interest</b>	<u><u>1.00000000</u></u>	<u><u>0.13197484</u></u>

**Tract: (2) TRACT 2 (Factor: 0.10309081)**

**NON-PARTICIPATING ROYALTY**

514687	ELEANOR ANNE NEWTON FUNK TR, TRUSTEE U/W/O	0.02083333	0.00214772
514707	ELEANOR ANNE NEWTON FUNK	0.06250000	0.00644318
	<b>Total</b>	<u>0.08333333</u>	<u>0.00859090</u>

**OVERRIDING ROYALTY INTEREST**

423705	CLAYTON WILLIAMS ENERGY INC	0.06333333	0.00652908
	<b>Total</b>	<u>0.06333333</u>	<u>0.00652908</u>

**ROYALTY INTEREST**

514631	FREEMAN JEROME SPRADLING, AND DOROTHY M S	0.08333334	0.00859090
	<b>Total</b>	<u>0.08333334</u>	<u>0.00859090</u>

**WORKING INTEREST**

999001	UNION PACIFIC RESOURCES COMPANY	0.77000000	0.07937993
	<b>Total</b>	<u>0.77000000</u>	<u>0.07937993</u>
	<b>Total Tract 2 Interest</b>	<u><u>1.00000000</u></u>	<u><u>0.10309081</u></u>

**Tract: (3) TRACT 3-A (Factor: 0.17546499)**

**OVERRIDING ROYALTY INTEREST**

422396	RICHARD G JONES	0.00125000	0.00021933
448942	WILLIAM T MALOY	0.01000000	0.00175465
514639	R D MOTLEY TRUSTEE	0.00125000	0.00021933
	<b>Total</b>	<u>0.01250000</u>	<u>0.00219331</u>

**Division Order - EXHIBIT "A"**

Property Number: 4289201

Property Name: BAILEY-HANN UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
<b>Tract: (3) TRACT 3-A (Factor: 0.17546499)</b>			
<b>ROYALTY INTEREST</b>			
480108	FARM CREDIT BANK OF TEXAS	0.06250000	0.01096656
514687	ELEANOR ANNE NEWTON FUNK TR, TRUSTEE U/W/O	0.02343750	0.00411246
514707	ELEANOR ANNE NEWTON FUNK	0.07031250	0.01233738
514782	DONALD G MCBEE, MAXINE MCBEE	0.03125000	0.00548328
	<b>Total</b>	<u>0.18750000</u>	<u>0.03289968</u>
<b>WORKING INTEREST</b>			
151440	SAGE ENERGY COMPANY	0.77600000	0.13616084
422396	RICHARD G JONES	0.00800000	0.00140372
448942	WILLIAM T MALOY	0.00800000	0.00140372
514639	R D MOTLEY TRUSTEE	0.00800000	0.00140372
	<b>Total</b>	<u>0.80000000</u>	<u>0.14037200</u>
	<b>Total Tract 3 Interest</b>	<u>1.00000000</u>	<u>0.17546499</u>
<b>Tract: (4) TRACT 3-B (Factor: 0.01582330)</b>			
<b>OVERRIDING ROYALTY INTEREST</b>			
422396	RICHARD G JONES	0.00125000	0.00001978
448942	WILLIAM T MALOY	0.01000000	0.00015823
514639	R D MOTLEY TRUSTEE	0.00125000	0.00001978
	<b>Total</b>	<u>0.01250000</u>	<u>0.00019779</u>
<b>ROYALTY INTEREST</b>			
480108	FARM CREDIT BANK OF TEXAS	0.06250000	0.00098896
514687	ELEANOR ANNE NEWTON FUNK TR, TRUSTEE U/W/O	0.02343750	0.00037086
514707	ELEANOR ANNE NEWTON FUNK	0.07031250	0.00111258
514782	DONALD G MCBEE, MAXINE MCBEE	0.03125000	0.00049448
	<b>Total</b>	<u>0.18750000</u>	<u>0.00296688</u>
<b>WORKING INTEREST</b>			
151440	SAGE ENERGY COMPANY	0.77600000	0.01227888
422396	RICHARD G JONES	0.00800000	0.00012657
448942	WILLIAM T MALOY	0.00800000	0.00012659

**Division Order - EXHIBIT "A"**

Property Number: 4289201

Property Name: BAILEY-HANN UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
<b>Tract: (4) TRACT 3-B (Factor: 0.01582330)</b>			
<b>WORKING INTEREST</b>			
514639	R D MOTLEY TRUSTEE	0.00800000	0.00012659
		<b>Total</b>	<b>0.80000000</b>
<b>Total Tract 4 Interest</b>		<b>1.00000000</b>	<b>0.01582330</b>
<b>Tract: (5) TRACT 4-A (Factor: 0.06876368)</b>			
<b>OVERRIDING ROYALTY INTEREST</b>			
422396	RICHARD G JONES	0.00125000	0.00008595
448942	WILLIAM T MALOY	0.01000000	0.00068764
514639	R D MOTLEY TRUSTEE	0.00125000	0.00008595
		<b>Total</b>	<b>0.01250000</b>
<b>ROYALTY INTEREST</b>			
514687	ELEANOR ANNE NEWTON FUNK TR, TRUSTEE U/W/O	0.02343750	0.00161165
514707	ELEANOR ANNE NEWTON FUNK	0.07031250	0.00483495
514782	DONALD G MCBEE, MAXINE MCBEE	0.09375000	0.00644660
		<b>Total</b>	<b>0.18750000</b>
<b>WORKING INTEREST</b>			
151440	SAGE ENERGY COMPANY	0.77600000	0.05336062
422396	RICHARD G JONES	0.00800000	0.00055010
448942	WILLIAM T MALOY	0.00800000	0.00055011
514639	R D MOTLEY TRUSTEE	0.00800000	0.00055011
		<b>Total</b>	<b>0.80000000</b>
<b>Total Tract 5 Interest</b>		<b>1.00000000</b>	<b>0.06876368</b>
<b>Tract: (6) TRACT 4-B (Factor: 0.00421225)</b>			
<b>OVERRIDING ROYALTY INTEREST</b>			
422396	RICHARD G JONES	0.00125000	0.00000527
448942	WILLIAM T MALOY	0.01000000	0.00004212
514639	R D MOTLEY TRUSTEE	0.00125000	0.00000527
		<b>Total</b>	<b>0.01250000</b>
<b>ROYALTY INTEREST</b>			
514687	ELEANOR ANNE NEWTON FUNK TR, TRUSTEE U/W/O	0.02343750	0.00009872

**Division Order - EXHIBIT "A"**

Property Number: 4289201

Property Name: BAILEY-HANN UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
<b>Tract: (6) TRACT 4-B (Factor: 0.00421225)</b>			
<b>ROYALTY INTEREST</b>			
514707	ELEANOR ANNE NEWTON FUNK	0.07031250	0.00029617
514782	DONALD G MCBEE, MAXINE MCBEE	0.09375000	0.00039490
<b>Total</b>		0.18750000	0.00078979
<b>WORKING INTEREST</b>			
151440	SAGE ENERGY COMPANY	0.77600000	0.00326871
422396	RICHARD G JONES	0.00800000	0.00003369
448942	WILLIAM T MALOY	0.00800000	0.00003370
514639	R D MOTLEY TRUSTEE	0.00800000	0.00003370
<b>Total</b>		0.80000000	0.00336980
<b>Total Tract 6 Interest</b>		1.00000000	0.00421225
<b>Tract: (7) TRACT 5 (Factor: 0.04952133)</b>			
<b>OVERRIDING ROYALTY INTEREST</b>			
422396	RICHARD G JONES	0.00125000	0.00006190
448942	WILLIAM T MALOY	0.01000000	0.00049521
514639	R D MOTLEY TRUSTEE	0.00125000	0.00006190
<b>Total</b>		0.01250000	0.00061901
<b>ROYALTY INTEREST</b>			
514638	ROY W HANN JR	0.04687500	0.00232131
514687	ELEANOR ANNE NEWTON FUNK TR, TRUSTEE U/W/O	0.02343750	0.00116066
514707	ELEANOR ANNE NEWTON FUNK	0.07031250	0.00348197
514783	ANN M MARSH	0.04687500	0.00232131
<b>Total</b>		0.18750000	0.00928525
<b>WORKING INTEREST</b>			
151440	SAGE ENERGY COMPANY	0.77600000	0.03842855
422396	RICHARD G JONES	0.00800000	0.00039618
448942	WILLIAM T MALOY	0.00800000	0.00039617
514639	R D MOTLEY TRUSTEE	0.00800000	0.00039617
<b>Total</b>		0.80000000	0.03961707
<b>Total Tract 7 Interest</b>		1.00000000	0.04952133

**Division Order - EXHIBIT "A"**

Property Number: 4289201

Property Name: BAILEY-HANN UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
<b>Tract: (8) TRACT 6 (Factor: 0.02196389)</b>			
<b>OVERRIDING ROYALTY INTEREST</b>			
422396	RICHARD G JONES	0.00125000	0.00002745
448942	WILLIAM T MALOY	0.01000000	0.00021964
514639	R D MOTLEY TRUSTEE	0.00125000	0.00002745
	<b>Total</b>	<b>0.01250000</b>	<b>0.00027454</b>
<b>ROYALTY INTEREST</b>			
514687	ELEANOR ANNE NEWTON FUNK TR, TRUSTEE U/W/O	0.02343750	0.00051478
514707	ELEANOR ANNE NEWTON FUNK	0.07031250	0.00154434
514779	EDWARD HOWARD CAMP	0.02343750	0.00051478
514780	CIVIL ENGINEERING SYSTEMS INC	0.04687500	0.00102956
514865	DEBORAH CAMP NEWSOME	0.02343750	0.00051478
	<b>Total</b>	<b>0.18750000</b>	<b>0.00411824</b>
<b>WORKING INTEREST</b>			
514440	SAGE ENERGY COMPANY	0.77600000	0.01704397
422396	RICHARD G JONES	0.00800000	0.00017572
448942	WILLIAM T MALOY	0.00800000	0.00017571
514639	R D MOTLEY TRUSTEE	0.00800000	0.00017571
	<b>Total</b>	<b>0.80000000</b>	<b>0.01757111</b>
	<b>Total Tract 8 Interest</b>	<b>1.00000000</b>	<b>0.02196389</b>

**Tract: (9) TRACT 7 (Factor: 0.03315098)**

**OVERRIDING ROYALTY INTEREST**

422396	RICHARD G JONES	0.00125000	0.00004144
448942	WILLIAM T MALOY	0.01000000	0.00033151
514639	R D MOTLEY TRUSTEE	0.00125000	0.00004144
	<b>Total</b>	<b>0.01250000</b>	<b>0.00041439</b>

**ROYALTY INTEREST**

514638	ROY W HANN JR	0.04687500	0.00155395
514687	ELEANOR ANNE NEWTON FUNK TR, TRUSTEE U/W/O	0.02343750	0.00077698
514707	ELEANOR ANNE NEWTON FUNK	0.07031250	0.00233093
514783	ANN M MARSH	0.04687500	0.00155395
	<b>Total</b>	<b>0.18750000</b>	<b>0.00621581</b>

**Division Order - EXHIBIT "A"**

Property Number: 4289201

Property Name: BAILEY-HANN UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
<b>Tract: (9) TRACT 7 (Factor: 0.03315098)</b>			
<b>WORKING INTEREST</b>			
151440	SAGE ENERGY COMPANY	0.77600000	0.02572517
422396	RICHARD G JONES	0.00800000	0.00026519
448942	WILLIAM T MALOY	0.00800000	0.00026521
514639	R D MOTLEY TRUSTEE	0.00800000	0.00026521
		<b>Total</b>	<b>0.80000000 0.02652078</b>
<b>Total Tract 9 Interest</b>		<b>1.00000000</b>	<b>0.03315098</b>
<b>Tract: (10) TRACT 8 (Factor: 0.02203228)</b>			
<b>ROYALTY INTEREST</b>			
514633	R E THOMPSON ( MRS )	0.12500000	0.00275404
		<b>Total</b>	<b>0.12500000 0.00275404</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.87500000	0.01927824
		<b>Total</b>	<b>0.87500000 0.01927824</b>
<b>Total Tract 10 Interest</b>		<b>1.00000000</b>	<b>0.02203228</b>
<b>Tract: (11) TRACT 9 (Factor: 0.02200492)</b>			
<b>ROYALTY INTEREST</b>			
514634	FRANCES PETTEY	0.12500000	0.00275062
		<b>Total</b>	<b>0.12500000 0.00275062</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.87500000	0.01925430
		<b>Total</b>	<b>0.87500000 0.01925430</b>
<b>Total Tract 11 Interest</b>		<b>1.00000000</b>	<b>0.02200492</b>
<b>Tract: (12) TRACT 10 (Factor: 0.02196389)</b>			
<b>ROYALTY INTEREST</b>			
514635	PATRICIA E WATKINS	0.12500000	0.00274549
		<b>Total</b>	<b>0.12500000 0.00274549</b>

**Division Order - EXHIBIT "A"**

Property Number: 4289201

Property Name: BAILEY-HANN UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
<b>Tract: (12) TRACT 10 (Factor: 0.02196389)</b>			
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.87500000	0.01921840
		<b>Total</b>	<b>0.87500000</b>
<b>Total Tract 12 Interest</b>		<b>1.00000000</b>	<b>0.02196389</b>
<b>Tract: (13) TRACT 11 (Factor: 0.02344092)</b>			
<b>ROYALTY INTEREST</b>			
514636	DOROTHY SPRADLING	0.12500000	0.00293012
		<b>Total</b>	<b>0.12500000</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.87500000	0.02051080
		<b>Total</b>	<b>0.87500000</b>
<b>Total Tract 13 Interest</b>		<b>1.00000000</b>	<b>0.02344092</b>
<b>Tract: (14) TRACT 12 (Factor: 0.06932440)</b>			
<b>OVERRIDING ROYALTY INTEREST</b>			
422396	RICHARD G JONES	0.00125000	0.00008666
448942	WILLIAM T MALOY	0.01000000	0.00069324
514639	R D MOTLEY TRUSTEE	0.00125000	0.00008666
		<b>Total</b>	<b>0.01250000</b>
<b>ROYALTY INTEREST</b>			
514638	ROY W HANN JR	0.04687500	0.00324958
514687	ELEANOR ANNE NEWTON FUNK TR, TRUSTEE U/W/O	0.02343750	0.00162479
514707	ELEANOR ANNE NEWTON FUNK	0.07031250	0.00487437
514783	ANN M MARSH	0.04687500	0.00324958
		<b>Total</b>	<b>0.18750000</b>
<b>WORKING INTEREST</b>			
151440	SAGE ENERGY COMPANY	0.77600000	0.05379574
422396	RICHARD G JONES	0.00800000	0.00055458
448942	WILLIAM T MALOY	0.00800000	0.00055460

**Division Order - EXHIBIT "A"**

Property Number: 4289201

Property Name: BAILEY-HANN UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
<b>Tract: (14) TRACT 12 (Factor: 0.06932440)</b>			
<b>WORKING INTEREST</b>			
514639	R D MOTLEY TRUSTEE	0.00800000	0.00055460
		<b>Total</b>	<b>0.80000000</b>
	<b>Total Tract 14 Interest</b>	<b>1.00000000</b>	<b>0.05545952</b>
<b>Tract: (15) TRACT 13 (Factor: 0.02798140)</b>			
<b>OVERRIDING ROYALTY INTEREST</b>			
422396	RICHARD G JONES	0.00062500	0.00001749
463741	CENTERLINE OIL & GAS INC	0.00500000	0.00013991
514639	R D MOTLEY TRUSTEE	0.00062500	0.00001749
		<b>Total</b>	<b>0.00625000</b>
		<b>Total</b>	<b>0.00017489</b>
<b>ROYALTY INTEREST</b>			
514637	JAMES PAUL BOWLING, AND RUTH M BOWLING	0.06250000	0.00174884
514638	ROY W HANN JR	0.04687500	0.00131163
514717	ANN M HANN	0.04687500	0.00131163
		<b>Total</b>	<b>0.15625000</b>
		<b>Total</b>	<b>0.00437210</b>
<b>WORKING INTEREST</b>			
151440	SAGE ENERGY COMPANY	0.40000000	0.01119255
999001	UNION PACIFIC RESOURCES COMPANY	0.43750000	0.01224186
		<b>Total</b>	<b>0.83750000</b>
	<b>Total Tract 15 Interest</b>	<b>1.00000000</b>	<b>0.02343441</b>
<b>Tract: (16) TRACT 14 (Factor: 0.02795405)</b>			
<b>ROYALTY INTEREST</b>			
514637	JAMES PAUL BOWLING, AND RUTH M BOWLING	0.06250000	0.00174713
514640	BILLY G SHAW, AND JOAN SHAW	0.03125000	0.00087356
514641	MURRAY KENT CLOUD	0.03125000	0.00087356
		<b>Total</b>	<b>0.12500000</b>
		<b>Total</b>	<b>0.00349425</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.87500000	0.02445980
		<b>Total</b>	<b>0.87500000</b>
	<b>Total Tract 16 Interest</b>	<b>1.00000000</b>	<b>0.02445980</b>

**Division Order - EXHIBIT "A"**

Property Number: 4289201

Property Name: BAILEY-HANN UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
<b>Tract: (17) TRACT 15 (Factor: 0.08955142)</b>			
<b>ROYALTY INTEREST</b>			
514637	JAMES PAUL BOWLING, AND RUTH M BOWLING	0.06250000	0.00559696
514642	MYRLIN LESIKAR	0.06250000	0.00559696
		<b>Total</b>	<b>0.12500000 0.01119392</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.87500000	0.07835750
		<b>Total</b>	<b>0.87500000 0.07835750</b>
<b>Total Tract 17 Interest</b>		<b>1.00000000</b>	<b>0.08955142</b>
<b>Tract: (18) TRACT 16 (Factor: 0.02867888)</b>			
<b>ROYALTY INTEREST</b>			
514644	JAMES MICHAEL HILLSMAN	0.16666666	0.00477981
		<b>Total</b>	<b>0.16666666 0.00477981</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333334	0.02389907
		<b>Total</b>	<b>0.83333334 0.02389907</b>
<b>Total Tract 18 Interest</b>		<b>1.00000000</b>	<b>0.02867888</b>
<b>Tract: (19) TRACT 17 (Factor: 0.00852024)</b>			
<b>ROYALTY INTEREST</b>			
514644	JAMES MICHAEL HILLSMAN	0.16666666	0.00142004
		<b>Total</b>	<b>0.16666666 0.00142004</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333334	0.00710020
		<b>Total</b>	<b>0.83333334 0.00710020</b>
<b>Total Tract 19 Interest</b>		<b>1.00000000</b>	<b>0.00852024</b>
<b>Tract: (20) TRACT 18 (Factor: 0.02679158)</b>			
<b>ROYALTY INTEREST</b>			
490810	W B BAILEY	0.16666667	0.00446526
		<b>Total</b>	<b>0.16666667 0.00446526</b>

**Division Order - EXHIBIT "A"**

Property Number: 4289201

Property Name: BAILEY-HANN UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
<b>Tract: (20) TRACT 18 (Factor: 0.02679158)</b>			
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333333	0.02232632
		<b>Total</b>	<b>0.83333333</b>
<b>Total Tract 20 Interest</b>		<b>1.00000000</b>	<b>0.02679158</b>
<b>Tract: (21) TRACT 19 (Factor: 0.02731127)</b>			
<b>ROYALTY INTEREST</b>			
490810	W B BAILEY	0.16666667	0.00455188
		<b>Total</b>	<b>0.16666667</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333333	0.02275939
		<b>Total</b>	<b>0.83333333</b>
<b>Total Tract 21 Interest</b>		<b>1.00000000</b>	<b>0.02731127</b>
<b>Tract: (22) TRACT 20 (Factor: 0.00047868)</b>			
<b>ROYALTY INTEREST</b>			
408965	STATE OF TEXAS, COMMISSIONER OF GENERAL LA	0.16666667	0.00007978
		<b>Total</b>	<b>0.16666667</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333333	0.00039890
		<b>Total</b>	<b>0.83333333</b>
<b>Total Tract 22 Interest</b>		<b>1.00000000</b>	<b>0.00047868</b>
<b>Total Property Interest</b>			<b>1.00000000</b>

M-98474 ⑧  
D.O.  
4-20-98

File No. HF-98474  
\_\_\_\_\_  
D.O.  
Date Filed: 4/20/98  
Jerry E. Patterson, Commissioner  
By \_\_\_\_\_

7523

**DIVISION ORDER**

STATE OF TEXAS  
1700 N CONGRESS AVENUE  
AUSTIN, TX 78701

RECEIVED  
APR 30 3:03 PM '98

ENERGY RESOURCES

M-98474

Property Number: 4272601  
Property Name: SHAW UNIT, WELL NO. 1  
Product: (05) (ALL PRODUCTS)  
Status: (BPO) (BEFORE PAYOUT)  
County/State: MILAM TEXAS  
Effective Date: 12/16/1997  
Owner Number: 470018  
Owner Tax ID:  
Interest Type: RI ROYALTY INTEREST  
Interest: 0.00010748

THIS AGREEMENT DOES NOT AMEND ANY LEASE OR OPERATING AGREEMENT BETWEEN THE INTEREST OWNERS AND THE LESSEE OR OPERATOR OR ANY OTHER CONTRACTS FOR THE PURCHASE OF OIL OR GAS.

The following provisions apply to each interest owner ("owner") who executes this agreement.

**TERMS OF SALE:** Said owner will be paid in accordance with the division of interest as shown. The payor shall pay all parties for gas according to the underlying lease, operating agreement and/or other contracts applicable to each party's interest. The payor shall pay all parties at the price agreed to by the operator for oil to be sold pursuant to this division order.

Purchaser shall compute quantity and make corrections for gravity and temperature and make deductions for impurities.

**PAYMENT:** From the effective date, payment is to be made monthly by payor's check, based on this division of interest, for oil run during the preceding calendar month and for gas sold during the second preceding calendar month from the property listed above, less taxes required by law to be deducted and remitted by payor as purchaser. Payments of less than \$25 may be accrued before disbursement until the total amount equals \$25 or more, or until December 31 of each year, whichever occurs first. Payee agrees to refund to payor any amounts attributable to an interest that payee does not own.

**INDEMNITY:** The owner agrees to indemnify and hold payor harmless from all liability resulting from payments made to the owner in accordance with such division of interest, including but not limited to attorney fees or judgements in connection with any suit that affects the owner's interest to which payor is made a party.

**DISPUTE, WITHHOLDING OF FUNDS:** If a suit is filed that affects the interest of the owner, written notice shall be given to payor by the owner together with a copy of the complaint or petition filed. In the event of a claim or dispute that affects title to the division of interest credited herein, payor is authorized to withhold payments accruing to such interest, without interest unless otherwise required by applicable statute, until the claim or dispute is settled.

**TERMINATION:** Termination of this agreement is effective on the first day of the month that begins after the 30th day after the date written notice of termination is received by either party.

**NOTICES:** The owner agrees to notify payor in writing of any change in the division of interest, including changes of interest contingent on payment of money or expiration of time. No change of interest is binding on payor until the recorded copy of the instrument of change or documents satisfactorily evidencing such change are furnished to payor at the time the change occurs.

Any change of interest shall be made effective on the first day of the month following receipt of such notice by payor. Any correspondence regarding this agreement shall be furnished to the addresses listed unless otherwise advised by either party.

In addition to the legal rights provided by the terms and provisions of this division order, an owner may have certain statutory rights under state laws.

_____ Signature of Witness #1	_____ Owner Signature/Corporate Title	_____ Address if different from above
_____ Signature of Witness #2	_____ Owner Signature/Corporate Title	_____ City, State, Zip Code
	_____ Owner Phone #	_____ Tax ID Number if different from above

Failure to furnish your Social Security/Tax ID number will result in withholding tax in accordance with federal law and any tax withheld will not be refundable by payor.

Return to: Union Pacific Resources Company  
P.O. Box 7, MS 3110  
Attn  
Fort Worth, Texas, 76101-0007

1924 JWP/ths

Date Prepared: 01/28/1998  
Prepared by: English, Martha

6391

M-98474

PLEASE RETURN THIS PAGE

Milam, Tx

Jeanette Bouvier  
A95

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**TO ALL INTEREST OWNERS:**

- Enclosed please find two copies of the Division Order(s) or Transfer Order(s). Please return one fully executed copy to the following address. **KEEP ONE COPY FOR YOUR RECORDS.**

**UNION PACIFIC RESOURCES COMPANY**

**P.O. BOX 7, Mail Station 3110**

**Fort Worth, Texas 76101-0007**

**Fax # (817) 877-7486**

**Voicemail # (800) 370-9702**

**Customer Relations # (800) 359-1692**

- Sign exactly as shown on the Division Order or Transfer Order. Signatures must be witnessed by two people. If joint ownership, all owners must sign.
- Signatures by Agents, Attorneys-in-Fact, Guardians or Trustees, must be verified by attaching evidence of the rights vested in the signatory party.
- Include the correct Social Security Number or Tax Identification Number in the space provided below your signature. Federal Income Tax law states 31% of proceeds must be withheld if not provided.
- If you have any questions and do not know your area representative, leave a message at this **VOICEMAIL** number (800) 370-9702. Our goal is to return your call within 48 hours. Please provide the following information which will assist us in serving you:

- 1) Owner number
- 2) County and state where well is located
- 3) Well name and/or property number
- 4) Telephone number with **AREA CODE**
- 5) Reason for the call

- **Address Changes** must be submitted in writing to the above address. Provide your owner number, social security number, old address, new address and telephone number.
- **Name/Ownership Changes** must be submitted in writing to the above address. Please include proper documentation confirming the changes such as a Marriage Certificate, Divorce Decree, Certificate of Merger, Deed, Will, Assignment, etc. **NOTE:** Documents which convey interest must be recorded in the county in which the property is located prior to sending them to our office.
- **Settlement Check/Stop Payment** requests must be submitted in writing to the address below. Please wait ten (10) working days before submitting request. Include owner number and date of check. **NOTE:** Funds will be replaced during our regular settlement cycle within the next 6 to 8 weeks.

Union Pacific Resources Company  
Attn: Stop Payment  
P.O. Box 7, MS 2605  
Fort Worth, Texas 76101-0007

**-KEEP THIS INFORMATION FOR FUTURE REFERENCE-**

Division Order - EXHIBIT "A"

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**Property Number:** 4272601  
**Property Name:** SHAW UNIT, WELL NO. 1  
**Product:** ALL PRODUCTS  
**Status:** BEFORE PAYOUT  
**County/State:** MILAM/TEXAS  
**Effective Date:** 12/16/1997

**Lands covered by this Division Order include:**

*Total Division Order; 1209.5 ACRES*

BOWING JEANETTE ABST/ID# 95  
CHEVALLIER CHARLES ABST/ID# 121  
ELDRIDGE JAMES G ABST/ID# 156  
FARMER D M ABST/ID# 164  
SULLIVAN A W ABST/ID# 326

*Tract: (1) TRACT #1; 76.89 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (2) TRACT #2; 18.58 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (3) TRACT #3; 50 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (4) TRACT #4; 57.66 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (5) TRACT #5; 116.72 ACRES*

BOWING JEANETTE ABST/ID# 95

Division Order - EXHIBIT "A"

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**Property Number:** 4272601  
**Property Name:** SHAW UNIT, WELL NO. 1  
**Product:** ALL PRODUCTS  
**Status:** BEFORE PAYOUT  
**County/State:** MILAM/TEXAS  
**Effective Date:** 12/16/1997

**Lands covered by this Division Order include:**

*Tract: (6) TRACT #6; 156.57 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (7) TRACT #7-A; 20.81 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (8) TRACT #7-B; 20.95 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (9) TRACT #7-C; 26 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (10) TRACT #7-D; 26 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (11) TRACT# 8; 1.18 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (12) TRACT #9; 6.36 ACRES*

BOWING JEANETTE ABST/ID# 95

*Tract: (13) TRACT #10; 15.31 ACRES*

BOWING JEANETTE ABST/ID# 95

Division Order - EXHIBIT "A"

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**Property Number:** 4272601  
**Property Name:** SHAW UNIT, WELL NO. 1  
**Product:** ALL PRODUCTS  
**Status:** BEFORE PAYOUT  
**County/State:** MILAM/TEXAS  
**Effective Date:** 12/16/1997

**Lands covered by this Division Order include:**

*Tract: (14) TRACT #11; 7.61 ACRES*  
BOWING JEANETTE ABST/ID# 95

*Tract: (15) TRACT #12; 1.09 ACRES*  
BOWING JEANETTE ABST/ID# 95

*Tract: (16) TRACT #13; 22.47 ACRES*  
BOWING JEANETTE ABST/ID# 95

*Tract: (17) TRACT #14; 22.29 ACRES*  
BOWING JEANETTE ABST/ID# 95

*Tract: (18) TRACT #15; 22.1 ACRES*  
BOWING JEANETTE ABST/ID# 95

*Tract: (19) TRACT #16; 28.43 ACRES*  
BOWING JEANETTE ABST/ID# 95

*Tract: (20) TRACT #17; 125.05 ACRES*  
CHEVALLIER CHARLES ABST/ID# 121

*Tract: (21) TRACT #18; 55.93 ACRES*  
BOWING JEANETTE ABST/ID# 95

Division Order - EXHIBIT "A"

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**Property Number:** 4272601  
**Property Name:** SHAW UNIT, WELL NO. 1  
**Product:** ALL PRODUCTS  
**Status:** BEFORE PAYOUT  
**County/State:** MILAM/TEXAS  
**Effective Date:** 12/16/1997

**Lands covered by this Division Order include:**

*Tract: (22) TRACT #19; 75.91 ACRES*  
ELDRIDGE JAMES G ABST/ID# 156

*Tract: (23) TRACT #20; 7.05 ACRES*  
FARMER D M ABST/ID# 164

*Tract: (24) TRACT #21; 22.24 ACRES*  
FARMER D M ABST/ID# 164

*Tract: (25) TRACT #22; 59.25 ACRES*  
FARMER D M ABST/ID# 164

*Tract: (26) TRACT #23; 3 ACRES*  
FARMER D M ABST/ID# 164

*Tract: (27) TRACT #24; 44.92 ACRES*  
FARMER D M ABST/ID# 164

*Tract: (28) TRACT #25; 42.6 ACRES*  
FARMER D M ABST/ID# 164

*Tract: (29) TRACT #26; 9.95 ACRES*  
ELDRIDGE JAMES G ABST/ID# 156

Division Order - EXHIBIT "A"

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**Property Number:** 4272601  
**Property Name:** SHAW UNIT, WELL NO. 1  
**Product:** ALL PRODUCTS  
**Status:** BEFORE PAYOUT  
**County/State:** MILAM/TEXAS  
**Effective Date:** 12/16/1997

**Lands covered by this Division Order include:**

*Tract: (30) TRACT #26-A; 1.77 ACRES*

ELDRIDGE JAMES G ABST/ID# 156

*Tract: (31) TRACT #27; 11.36 ACRES*

ELDRIDGE JAMES G ABST/ID# 156

*Tract: (32) TRACT #28; 3.61 ACRES*

ELDRIDGE JAMES G ABST/ID# 156

*Tract: (33) TRACT #29; 15.06 ACRES*

ELDRIDGE JAMES G ABST/ID# 156

*Tract: (34) TRACT #30; 19.12 ACRES*

ELDRIDGE JAMES G ABST/ID# 156

*Tract: (35) TRACT #31; 10.04 ACRES*

ELDRIDGE JAMES G ABST/ID# 156

*Tract: (36) TRACT #32; 4.84 ACRES*

ELDRIDGE JAMES G ABST/ID# 156

*Tract: (37) TRACT #33; 0.78 ACRES*

BOWING JEANETTE ABST/ID# 95

**Division Order - EXHIBIT "A"**

Property Number: 4272601

Property Name: SHAW UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
<b>Tract: (1) TRACT #1 (Factor: 0.06357172)</b>			
<b>OVERRIDING ROYALTY INTEREST</b>			
423705	CLAYTON WILLIAMS ENERGY INC	0.06333333	0.00402621
		<b>Total</b>	<b>0.06333333 0.00402621</b>
<b>ROYALTY INTEREST</b>			
514633	R E THOMPSON ( MRS )	0.16666667	0.01059529
		<b>Total</b>	<b>0.16666667 0.01059529</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.77000000	0.04895022
		<b>Total</b>	<b>0.77000000 0.04895022</b>
	<b>Total Tract 1 Interest</b>	<b>1.00000000</b>	<b>0.06357172</b>
<b>Tract: (2) TRACT #2 (Factor: 0.01536172)</b>			
<b>OVERRIDING ROYALTY INTEREST</b>			
423705	CLAYTON WILLIAMS ENERGY INC	0.06333333	0.00097291
		<b>Total</b>	<b>0.06333333 0.00097291</b>
<b>ROYALTY INTEREST</b>			
514633	R E THOMPSON ( MRS )	0.16666667	0.00256029
		<b>Total</b>	<b>0.16666667 0.00256029</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.77000000	0.01182852
		<b>Total</b>	<b>0.77000000 0.01182852</b>
	<b>Total Tract 2 Interest</b>	<b>1.00000000</b>	<b>0.01536172</b>
<b>Tract: (3) TRACT #3 (Factor: 0.04133940)</b>			
<b>NON-PARTICIPATING ROYALTY</b>			
516109	BRENDA NEAL SHAW	0.02083333	0.00086124
516110	JUDITH SHAW ROPER	0.02083333	0.00086124
516111	RONNIE JOE SHAW	0.02083333	0.00086124
516112	VERNON GENE SHAW	0.02083333	0.00086124
516275	CHARLES W HARTY	0.01562500	0.00064593
516276	DAN C HARTY	0.01562500	0.00064593
516277	MARY JANE SHADDOCK	0.01562500	0.00064593

**Division Order - EXHIBIT "A"**

Property Number: 4272601

Property Name: SHAW UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
<b>Tract: (3) TRACT #3 (Factor: 0.04133940)</b>			
<b>NON-PARTICIPATING ROYALTY</b>			
516278	W R HARTY JR	0.01562500	0.00064593
		<b>Total</b>	0.14583332
<b>ROYALTY INTEREST</b>			
516108	JOE NEAL SHAW	0.02083334	0.00086124
		<b>Total</b>	0.02083334
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333334	0.03444948
		<b>Total</b>	0.83333334
<b>Total Tract 3 Interest</b>			1.00000000
			0.04133940
<b>Tract: (4) TRACT #4 (Factor: 0.04767259)</b>			
<b>NON-PARTICIPATING ROYALTY</b>			
516109	BRENDA NEAL SHAW	0.02083333	0.00099318
516110	JUDITH SHAW ROPER	0.02083333	0.00099318
516111	RONNIE JOE SHAW	0.02083333	0.00099318
516112	VERNON GENE SHAW	0.02083333	0.00099318
516275	CHARLES W HARTY	0.01562500	0.00074488
516276	DAN C HARTY	0.01562500	0.00074488
516277	MARY JANE SHADDOCK	0.01562500	0.00074488
516278	W R HARTY JR	0.01562500	0.00074488
		<b>Total</b>	0.14583332
<b>ROYALTY INTEREST</b>			
516108	JOE NEAL SHAW	0.02083334	0.00099318
		<b>Total</b>	0.02083334
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333334	0.03972717
		<b>Total</b>	0.83333334
<b>Total Tract 4 Interest</b>			1.00000000
			0.04767259

**Division Order - EXHIBIT "A"**

Property Number: 4272601

Property Name: SHAW UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
<b>Tract: (5) TRACT #5 (Factor: 0.09650269)</b>			
<b>ROYALTY INTEREST</b>			
516113	J T TODD, BRUNELL TODD	0.16666667	0.01608378
		<b>Total</b>	0.16666667 0.01608378
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333333	0.08041891
		<b>Total</b>	0.83333333 0.08041891
	<b>Total Tract 5 Interest</b>	<b>1.00000000</b>	<b>0.09650269</b>
<b>Tract: (6) TRACT #6 (Factor: 0.12945019)</b>			
<b>ROYALTY INTEREST</b>			
496402	NELSON K LLOYD	0.03125000	0.00404532
516448	LARRY DWAIN GILLILAND	0.00520833	0.00067422
516449	BRENDA SUE GILLILAND REVILLA	0.00520833	0.00067422
516450	RONNIE DALE GILLILAND	0.00520833	0.00067422
516451	GARY S GILLILAND	0.00520833	0.00067422
516452	JOHNNIE BRUUN	0.01562500	0.00202266
516453	BOBBY L GILLILAND	0.00520833	0.00067422
516454	LOYD RODELL GILLILAND JR	0.00520833	0.00067422
516455	MAURINE LACY	0.01562500	0.00202266
516456	THOMAS WHITE	0.01562500	0.00202266
516457	CHARLES M PAYNE, MARY A PAYNE	0.01041667	0.00134844
516458	ROBERT N FLOYD	0.01041667	0.00134844
		<b>Total</b>	0.13020832 0.01685550
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.86979168	0.11259469
		<b>Total</b>	0.86979168 0.11259469
	<b>Total Tract 6 Interest</b>	<b>1.00000000</b>	<b>0.12945019</b>
<b>Tract: (7) TRACT #7-A (Factor: 0.01720546)</b>			
<b>NON-PARTICIPATING ROYALTY</b>			
516115	G H INGRAM JR TRUSTEE	0.06250000	0.00107534
		<b>Total</b>	0.06250000 0.00107534

**Division Order - EXHIBIT "A"**

Property Number: 4272601

Property Name: SHAW UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
<b>Tract: (7) TRACT #7-A (Factor: 0.01720546)</b>			
<b>ROYALTY INTEREST</b>			
516114	LARRY WAYNE MIKULEC	0.06250000	0.00107534
		<b>Total</b>	0.06250000 0.00107534
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.87500000	0.01505478
		<b>Total</b>	0.87500000 0.01505478
	<b>Total Tract 7 Interest</b>	1.00000000	0.01720546
<b>Tract: (8) TRACT #7-B (Factor: 0.01732121)</b>			
<b>NON-PARTICIPATING ROYALTY</b>			
516115	G H INGRAM JR TRUSTEE	0.06250000	0.00108258
		<b>Total</b>	0.06250000 0.00108258
<b>ROYALTY INTEREST</b>			
516127	ROBERT GLENN MIKULEC	0.06250000	0.00108258
		<b>Total</b>	0.06250000 0.00108258
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.87500000	0.01515605
		<b>Total</b>	0.87500000 0.01515605
	<b>Total Tract 8 Interest</b>	1.00000000	0.01732121
<b>Tract: (9) TRACT #7-C (Factor: 0.02149650)</b>			
<b>NON-PARTICIPATING ROYALTY</b>			
516115	G H INGRAM JR TRUSTEE	0.06250000	0.00134353
		<b>Total</b>	0.06250000 0.00134353
<b>ROYALTY INTEREST</b>			
516128	GEORGE MEDORD LAMBERT, VIRGINIA LAMBERT	0.06250000	0.00134353
		<b>Total</b>	0.06250000 0.00134353
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.87500000	0.01880944
		<b>Total</b>	0.87500000 0.01880944
	<b>Total Tract 9 Interest</b>	1.00000000	0.02149650

**Division Order - EXHIBIT "A"**

Property Number: 4272601

Property Name: SHAW UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
<b>Tract: (10) TRACT #7-D (Factor: 0.02149650)</b>			
<b>NON-PARTICIPATING ROYALTY</b>			
516115	G H INGRAM JR TRUSTEE	0.06250000	0.00134353
		<b>Total</b>	<b>0.06250000 0.00134353</b>
<b>ROYALTY INTEREST</b>			
516283	ROBERT J MIKULEC, LILLIE B MIKULEC	0.06250000	0.00134353
		<b>Total</b>	<b>0.06250000 0.00134353</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.87500000	0.01880944
		<b>Total</b>	<b>0.87500000 0.01880944</b>
	<b>Total Tract 10 Interest</b>	<b>1.00000000</b>	<b>0.02149650</b>
<b>Tract: (11) TRACT# 8 (Factor: 0.00097561)</b>			
<b>NON-PARTICIPATING ROYALTY</b>			
516115	G H INGRAM JR TRUSTEE	0.08333333	0.00008130
		<b>Total</b>	<b>0.08333333 0.00008130</b>
<b>ROYALTY INTEREST</b>			
490811	ROY K WELLS, ETUX JUDY L WELLS	0.08333333	0.00008130
		<b>Total</b>	<b>0.08333333 0.00008130</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333334	0.00081301
		<b>Total</b>	<b>0.83333334 0.00081301</b>
	<b>Total Tract 11 Interest</b>	<b>1.00000000</b>	<b>0.00097561</b>
<b>Tract: (12) TRACT #9 (Factor: 0.00525837)</b>			
<b>NON-PARTICIPATING ROYALTY</b>			
516115	G H INGRAM JR TRUSTEE	0.08333333	0.00043820
		<b>Total</b>	<b>0.08333333 0.00043820</b>
<b>ROYALTY INTEREST</b>			
490811	ROY K WELLS, ETUX JUDY L WELLS	0.08333333	0.00043820
		<b>Total</b>	<b>0.08333333 0.00043820</b>

**Division Order - EXHIBIT "A"**

Property Number: 4272601

Property Name: SHAW UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
<b>Tract: (12) TRACT #9 (Factor: 0.00525837)</b>			
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333334	0.00438197
		<b>Total</b>	<b>0.83333334</b>
	<b>Total Tract 12 Interest</b>	<b>1.00000000</b>	<b>0.00525837</b>
<b>Tract: (13) TRACT #10 (Factor: 0.01265812)</b>			
<b>NON-PARTICIPATING ROYALTY</b>			
516115	G H INGRAM JR TRUSTEE	0.06250000	0.00079113
516130	HERBERT H GRAEBER, DONNA S GRAEBER	0.03125000	0.00039557
		<b>Total</b>	<b>0.09375000</b>
<b>ROYALTY INTEREST</b>			
516134	DAVID CHARLES STEEL	0.01562500	0.00019778
516135	KARLA KAY SINGER	0.01562500	0.00019778
		<b>Total</b>	<b>0.03125000</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.87500000	0.01107586
		<b>Total</b>	<b>0.87500000</b>
	<b>Total Tract 13 Interest</b>	<b>1.00000000</b>	<b>0.01265812</b>
<b>Tract: (14) TRACT #11 (Factor: 0.00629186)</b>			
<b>NON-PARTICIPATING ROYALTY</b>			
516115	G H INGRAM JR TRUSTEE	0.08333334	0.00052432
		<b>Total</b>	<b>0.08333334</b>
<b>ROYALTY INTEREST</b>			
516293	DEBORAH GRACE BARNES	0.04166666	0.00026216
516294	DOLLY DUBOSE MARTINE	0.04166666	0.00026216
		<b>Total</b>	<b>0.08333332</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333334	0.00524322
		<b>Total</b>	<b>0.83333334</b>
	<b>Total Tract 14 Interest</b>	<b>1.00000000</b>	<b>0.00629186</b>

**Division Order - EXHIBIT "A"**

Property Number: 4272601

Property Name: SHAW UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
<b>Tract: (15) TRACT #12 (Factor: 0.00090120)</b>			
<b>NON-PARTICIPATING ROYALTY</b>			
516115	G H INGRAM JR TRUSTEE	0.08333334	0.00007510
		<b>Total</b>	<b>0.08333334 0.00007510</b>
<b>ROYALTY INTEREST</b>			
516293	DEBORAH GRACE BARNES	0.04166666	0.00003755
516294	DOLLY DUBOSE MARTINE	0.04166666	0.00003755
		<b>Total</b>	<b>0.08333332 0.00007510</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333334	0.00075100
		<b>Total</b>	<b>0.83333334 0.00075100</b>
		<b>Total Tract 15 Interest</b>	<b>1.00000000 0.00090120</b>

**Tract: (16) TRACT #13 (Factor: 0.01857792)**

<b>NON-PARTICIPATING ROYALTY</b>			
516115	G H INGRAM JR TRUSTEE	0.06770830	0.00125788
		<b>Total</b>	<b>0.06770830 0.00125788</b>
<b>ROYALTY INTEREST</b>			
516130	HERBERT H GRAEBER, DONNA S GRAEBER	0.02604170	0.00048380
516131	ADAM E VEZORAK, VIRGINIA L VEZORAK	0.04166667	0.00077408
		<b>Total</b>	<b>0.06770837 0.00125788</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.86458333	0.01606216
		<b>Total</b>	<b>0.86458333 0.01606216</b>
		<b>Total Tract 16 Interest</b>	<b>1.00000000 0.01857792</b>

**Tract: (17) TRACT #14 (Factor: 0.01842910)**

<b>NON-PARTICIPATING ROYALTY</b>			
516115	G H INGRAM JR TRUSTEE	0.06770830	0.00124780
		<b>Total</b>	<b>0.06770830 0.00124780</b>
<b>ROYALTY INTEREST</b>			
516130	HERBERT H GRAEBER, DONNA S GRAEBER	0.02604170	0.00047993

**Division Order - EXHIBIT "A"**

Property Number: 4272601

Property Name: SHAW UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
<b>Tract: (17) TRACT #14 (Factor: 0.01842910)</b>			
<b>ROYALTY INTEREST</b>			
516131	ADAM E VEZORAK, VIRGINIA L VEZORAK	0.04166667	0.00076788
		<b>Total</b>	<b>0.06770837</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.86458333	0.01593349
		<b>Total</b>	<b>0.86458333</b>
<b>Total Tract 17 Interest</b>		<b>1.00000000</b>	<b>0.01842910</b>
<b>Tract: (18) TRACT #15 (Factor: 0.01827201)</b>			
<b>NON-PARTICIPATING ROYALTY</b>			
516115	G H INGRAM JR TRUSTEE	0.06250000	0.00114200
		<b>Total</b>	<b>0.06250000</b>
<b>ROYALTY INTEREST</b>			
516128	GEORGE MEDORD LAMBERT, VIRGINIA LAMBERT	0.03125000	0.00057100
516130	HERBERT H GRAEBER, DONNA S GRAEBER	0.03125000	0.00057100
		<b>Total</b>	<b>0.06250000</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.87500000	0.01598801
		<b>Total</b>	<b>0.87500000</b>
<b>Total Tract 18 Interest</b>		<b>1.00000000</b>	<b>0.01827201</b>
<b>Tract: (19) TRACT #16 (Factor: 0.02350558)</b>			
<b>NON-PARTICIPATING ROYALTY</b>			
516115	G H INGRAM JR TRUSTEE	0.06250000	0.00146910
		<b>Total</b>	<b>0.06250000</b>
<b>ROYALTY INTEREST</b>			
516128	GEORGE MEDORD LAMBERT, VIRGINIA LAMBERT	0.03125000	0.00073455
516130	HERBERT H GRAEBER, DONNA S GRAEBER	0.03125000	0.00073455
		<b>Total</b>	<b>0.06250000</b>

**Division Order - EXHIBIT "A"**

**Property Number:** 4272601

**Property Name:** SHAW UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
<b>Tract: (19) TRACT #16 (Factor: 0.02350558)</b>			
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.87500000	0.02056738
	<b>Total</b>	0.87500000	0.02056738
	<b>Total Tract 19 Interest</b>	1.00000000	0.02350558
<b>Tract: (20) TRACT #17 (Factor: 0.10338983)</b>			
<b>ROYALTY INTEREST</b>			
516145	JAMES H S PIERSON TRUST, DIANE P MATSUI JUDIT	0.18750000	0.01938559
	<b>Total</b>	0.18750000	0.01938559
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.81250000	0.08400424
	<b>Total</b>	0.81250000	0.08400424
	<b>Total Tract 20 Interest</b>	1.00000000	0.10338983
<b>Tract: (21) TRACT #18 (Factor: 0.04624225)</b>			
<b>ROYALTY INTEREST</b>			
516123	JAMES T TODD, DIXIE A TODD	0.16666667	0.00770704
	<b>Total</b>	0.16666667	0.00770704
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333333	0.03853521
	<b>Total</b>	0.83333333	0.03853521
	<b>Total Tract 21 Interest</b>	1.00000000	0.04624225
<b>Tract: (22) TRACT #19 (Factor: 0.06276147)</b>			
<b>ROYALTY INTEREST</b>			
490806	DOROTHY L GAUSE	0.08333332	0.00523012
497826	DOROTHY L GAUSE LIFE ESTATE, JAMES M GAUSE	0.01666667	0.00104602
497827	DOROTHY L GAUSE LIFE ESTATE, JOHN L GAUSE R	0.01666667	0.00104602
497828	DOROTHY L GAUSE LIFE ESTATE, MARGARET G BE	0.01666667	0.00104602
497829	DOROTHY L GAUSE LIFE ESTATE, ROBERT BILL GA	0.01666667	0.00104602
497830	DOROTHY L GAUSE LIFE ESTATE, V V TURNER REM	0.01666667	0.00104602
	<b>Total</b>	0.16666667	0.01046022

**Division Order - EXHIBIT "A"**

Property Number: 4272601

Property Name: SHAW UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
<b>Tract: (22) TRACT #19 (Factor: 0.06276147)</b>			
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333333	0.05230125
		<b>Total</b>	<b>0.83333333</b>
<b>Total Tract 22 Interest</b>		<b>1.00000000</b>	<b>0.06276147</b>

**Tract: (23) TRACT #20 (Factor: 0.00582885)**

<b>ROYALTY INTEREST</b>			
497826	DOROTHY L GAUSE LIFE ESTATE, JAMES M GAUSE	0.03333333	0.00019429
497827	DOROTHY L GAUSE LIFE ESTATE, JOHN L GAUSE R	0.03333333	0.00019429
497828	DOROTHY L GAUSE LIFE ESTATE, MARGARET G BE	0.03333333	0.00019429
497829	DOROTHY L GAUSE LIFE ESTATE, ROBERT BILL GA	0.03333333	0.00019429
497830	DOROTHY L GAUSE LIFE ESTATE, V V TURNER REM	0.03333333	0.00019429
		<b>Total</b>	<b>0.16666665</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333335	0.00485740
		<b>Total</b>	<b>0.83333335</b>
<b>Total Tract 23 Interest</b>		<b>1.00000000</b>	<b>0.00582885</b>

**Tract: (24) TRACT #21 (Factor: 0.01838776)**

<b>ROYALTY INTEREST</b>			
490806	DOROTHY L GAUSE	0.08333333	0.00153231
497826	DOROTHY L GAUSE LIFE ESTATE, JAMES M GAUSE	0.01666667	0.00030646
497827	DOROTHY L GAUSE LIFE ESTATE, JOHN L GAUSE R	0.01666667	0.00030646
497828	DOROTHY L GAUSE LIFE ESTATE, MARGARET G BE	0.01666666	0.00030646
497829	DOROTHY L GAUSE LIFE ESTATE, ROBERT BILL GA	0.01666667	0.00030646
497830	DOROTHY L GAUSE LIFE ESTATE, V V TURNER REM	0.01666667	0.00030646
		<b>Total</b>	<b>0.16666667</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333333	0.01532315
		<b>Total</b>	<b>0.83333333</b>
<b>Total Tract 24 Interest</b>		<b>1.00000000</b>	<b>0.01838776</b>

**Division Order - EXHIBIT "A"**

Property Number: 4272601

Property Name: SHAW UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
<b>Tract: (25) TRACT #22 (Factor: 0.04898718)</b>			
<b>ROYALTY INTEREST</b>			
497826	DOROTHY L GAUSE LIFE ESTATE, JAMES M GAUSE	0.03333333	0.00163291
497827	DOROTHY L GAUSE LIFE ESTATE, JOHN L GAUSE R	0.03333333	0.00163291
497828	DOROTHY L GAUSE LIFE ESTATE, MARGARET G BE	0.03333333	0.00163291
497829	DOROTHY L GAUSE LIFE ESTATE, ROBERT BILL GA	0.03333333	0.00163291
497830	DOROTHY L GAUSE LIFE ESTATE, V V TURNER REM	0.03333333	0.00163291
	<b>Total</b>	0.16666665	0.00816455
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333335	0.04082263
	<b>Total</b>	0.83333335	0.04082263
	<b>Total Tract 25 Interest</b>	1.00000000	0.04898718

**Tract: (26) TRACT #23 (Factor: 0.00248036)**

<b>ROYALTY INTEREST</b>			
490806	DOROTHY L GAUSE	0.03125000	0.00007751
497826	DOROTHY L GAUSE LIFE ESTATE, JAMES M GAUSE	0.02708333	0.00006718
497827	DOROTHY L GAUSE LIFE ESTATE, JOHN L GAUSE R	0.02708333	0.00006718
497828	DOROTHY L GAUSE LIFE ESTATE, MARGARET G BE	0.02708333	0.00006718
497829	DOROTHY L GAUSE LIFE ESTATE, ROBERT BILL GA	0.02708333	0.00006718
497830	DOROTHY L GAUSE LIFE ESTATE, V V TURNER REM	0.02708333	0.00006718
	<b>Total</b>	0.16666665	0.00041341
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333335	0.00206695
	<b>Total</b>	0.83333335	0.00206695
	<b>Total Tract 26 Interest</b>	1.00000000	0.00248036

**Tract: (27) TRACT #24 (Factor: 0.03713931)**

<b>ROYALTY INTEREST</b>			
490806	DOROTHY L GAUSE	0.03125000	0.00116060
497826	DOROTHY L GAUSE LIFE ESTATE, JAMES M GAUSE	0.02708333	0.00100586
497827	DOROTHY L GAUSE LIFE ESTATE, JOHN L GAUSE R	0.02708333	0.00100586
497828	DOROTHY L GAUSE LIFE ESTATE, MARGARET G BE	0.02708333	0.00100586

**Division Order - EXHIBIT "A"**

Property Number: 4272601

Property Name: SHAW UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
<b>Tract: (27) TRACT #24 (Factor: 0.03713931)</b>			
<b>ROYALTY INTEREST</b>			
497829	DOROTHY L GAUSE LIFE ESTATE, ROBERT BILL GA	0.02708333	0.00100586
497830	DOROTHY L GAUSE LIFE ESTATE, V V TURNER REM	0.02708333	0.00100586
	<b>Total</b>	0.16666665	0.00618990
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333335	0.03094941
	<b>Total</b>	0.83333335	0.03094941
	<b>Total Tract 27 Interest</b>	1.00000000	0.03713931
<b>Tract: (28) TRACT #25 (Factor: 0.03522117)</b>			
<b>ROYALTY INTEREST</b>			
516136	SISTERS OF CHARITY OF THE INCARNATE, WORD H	0.16666667	0.00587020
516137	FATHERS FLANAGAN'S BOY TOWN	0.16666666	0.00587019
516138	ELIZABETH N JONES	0.13888889	0.00489183
516139	WILLIAM ROWLAND NEWTON III	0.13888889	0.00489183
516140	TURNER N NEWTON	0.13888889	0.00489183
516142	GEORGE M NEWTON	0.04166667	0.00146755
516143	JOSEPHINE NEWTON ANDERSON	0.04166666	0.00146755
516317	CITY OF CAMERON	0.02777778	0.00097837
	<b>Total</b>	0.86111111	0.03032935
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.13888889	0.00489182
	<b>Total</b>	0.13888889	0.00489182
	<b>Total Tract 28 Interest</b>	1.00000000	0.03522117
<b>Tract: (29) TRACT #26 (Factor: 0.00822654)</b>			
<b>ROYALTY INTEREST</b>			
516123	JAMES T TODD, DIXIE A TODD	0.16666667	0.00137109
	<b>Total</b>	0.16666667	0.00137109

**Division Order - EXHIBIT "A"**

Property Number: 4272601

Property Name: SHAW UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
<b>Tract: (29) TRACT #26 (Factor: 0.00822654)</b>			
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333333	0.00685545
		<b>Total</b>	<b>0.83333333</b>
<b>Total Tract 29 Interest</b>		<b>1.00000000</b>	<b>0.00822654</b>
<b>Tract: (30) TRACT #26-A (Factor: 0.00146341)</b>			
<b>ROYALTY INTEREST</b>			
516123	JAMES T TODD, DIXIE A TODD	0.16666667	0.00024390
		<b>Total</b>	<b>0.16666667</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333333	0.00121951
		<b>Total</b>	<b>0.83333333</b>
<b>Total Tract 30 Interest</b>		<b>1.00000000</b>	<b>0.00146341</b>
<b>Tract: (31) TRACT #27 (Factor: 0.00939231)</b>			
<b>ROYALTY INTEREST</b>			
516124	ROY CRAIG DENT, REBEKAH S DENT	0.16666667	0.00156539
		<b>Total</b>	<b>0.16666667</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333333	0.00782692
		<b>Total</b>	<b>0.83333333</b>
<b>Total Tract 31 Interest</b>		<b>1.00000000</b>	<b>0.00939231</b>
<b>Tract: (32) TRACT #28 (Factor: 0.00298470)</b>			
<b>ROYALTY INTEREST</b>			
516125	JAN TODD DENT	0.16666667	0.00049745
		<b>Total</b>	<b>0.16666667</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333333	0.00248725
		<b>Total</b>	<b>0.83333333</b>
<b>Total Tract 32 Interest</b>		<b>1.00000000</b>	<b>0.00298470</b>

**Division Order - EXHIBIT "A"**

Property Number: 4272601

Property Name: SHAW UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
<b>Tract: (33) TRACT #29 (Factor: 0.01245143)</b>			
<b>ROYALTY INTEREST</b>			
516126	MARY NELL TODD NEELY	0.16666667	0.00207524
		<b>Total</b>	<b>0.16666667 0.00207524</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333333	0.01037619
		<b>Total</b>	<b>0.83333333 0.01037619</b>
<b>Total Tract 33 Interest</b>		<b>1.00000000</b>	<b>0.01245143</b>
<b>Tract: (34) TRACT #30 (Factor: 0.01580819)</b>			
<b>ROYALTY INTEREST</b>			
516113	J T TODD, BRUNELL TODD	0.16666667	0.00263470
		<b>Total</b>	<b>0.16666667 0.00263470</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333333	0.01317349
		<b>Total</b>	<b>0.83333333 0.01317349</b>
<b>Total Tract 34 Interest</b>		<b>1.00000000</b>	<b>0.01580819</b>
<b>Tract: (35) TRACT #31 (Factor: 0.00830095)</b>			
<b>ROYALTY INTEREST</b>			
516432	TODD DEWAYNE DENT	0.16666667	0.00138349
		<b>Total</b>	<b>0.16666667 0.00138349</b>
<b>WORKING INTEREST</b>			
999001	UNION PACIFIC RESOURCES COMPANY	0.83333333	0.00691746
		<b>Total</b>	<b>0.83333333 0.00691746</b>
<b>Total Tract 35 Interest</b>		<b>1.00000000</b>	<b>0.00830095</b>
<b>Tract: (36) TRACT #32 (Factor: 0.00400165)</b>			
<b>ROYALTY INTEREST</b>			
516113	J T TODD, BRUNELL TODD	0.16666667	0.00066694
		<b>Total</b>	<b>0.16666667 0.00066694</b>

**Division Order - EXHIBIT "A"**

**Property Number:** 4272601

**Property Name:** SHAW UNIT, WELL NO. 1

Owner Number	Owner Name	Tract Interest	Unit Interest
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**Tract: (36) TRACT #32 (Factor: 0.00400165)**

**WORKING INTEREST**

999001	UNION PACIFIC RESOURCES COMPANY	0.83333333	0.00333471
	<b>Total</b>	<u>0.83333333</u>	<u>0.00333471</u>
	<b>Total Tract 36 Interest</b>	<u><u>1.00000000</u></u>	<u><u>0.00400165</u></u>

**Tract: (37) TRACT #33 (Factor: 0.00064489)**

**ROYALTY INTEREST**

470018	STATE OF TEXAS	0.16666667	0.00010748
	<b>Total</b>	<u>0.16666667</u>	<u>0.00010748</u>

**WORKING INTEREST**

999001	UNION PACIFIC RESOURCES COMPANY	0.83333333	0.00053741
	<b>Total</b>	<u>0.83333333</u>	<u>0.00053741</u>
	<b>Total Tract 37 Interest</b>	<u><u>1.00000000</u></u>	<u><u>0.00064489</u></u>

<b>Total Property Interest</b>	1.00000000
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\*\*\* OIL AND GAS 2/G 1 RECORD \*\*\*

INQUIRY  
RRC

API # 331 33484 SOURCE RRC  
 DIST 03 LSE/ID 23369 WELL# 1 TYPE OIL CNTY MILAM  
 FLD GIDDINGS (AUSTIN CHALK 3) LSE BAILEY HANN UNIT  
 OPER UNION PACIFIC RESOURCES COMPANY  
 COMPLETION 09 02 97 DRILLING PERMIT # 463950  
 2 G1 12 03 97 BUILT 01 12 98 R 37 EXCEP CASE #  
 ATTACHMENTS ON FILE WATER INJECT PERM #  
 KEY S TO VIEW ATTACH SALT WATER DISP #  
 DOCKET NUMBER

DRILL COMPLETED 08 22 97  
 ELEVATION 344 GR  
 TOTAL DEPTH 10767  
 PLUGBACK DEPTH 10767

WELLBORE PLUGGED

LOCATION SEC BLK  
 SUR AUGUSTINE SILLAVEN

ABST 326

SUR/SECT 000204 FT FROM SSE AND 002252 FT FROM NE

NOTE=> REMARKS ON FILE FOR THIS DATE

\* SCREEN OPTIONS 12=FORM/SQZE 13=REMARKS 14=WATER 19=PERMITS/WELLIDS  
 \* SELECT OPTION (01=RETURN TO MENU 00= HELP AND OTHER OPTIONS)

PRESS ENTER FOR NEXT SCREEN

M-98474

M-98474 (9)  
D.O.  
4.20.98

File No. HF-98474

D.O.

Date Filed: 4/20/98  
Jerry E. Patterson, Commissioner

By

# DO NOT DESTROY



## UNIT AGREEMENT MEMO

Unit No. 2655

Operator Union Pacific Resources Company

Unit Name Shaw Unit Well No. 1

County Milam

Effective Date \_\_\_\_\_

Unitized for: Oil  Gas  Oil & Gas

1. M.F. No. 098474  
Area Milam County Roads Tr. \_\_\_\_\_  
Sec. \_\_\_\_\_ Blk. \_\_\_\_\_ Survey \_\_\_\_\_  
 $\frac{.75}{1209.5} \times .16667 = .1075 \%$   
 $.000645 \times .16667 = .001075$

2. M.F. No. \_\_\_\_\_  
Area \_\_\_\_\_ Tr. \_\_\_\_\_  
Sec. \_\_\_\_\_ Blk. \_\_\_\_\_ Survey \_\_\_\_\_  
\_\_\_\_\_ x \_\_\_\_\_ = \_\_\_\_\_ %

3. M.F. No. \_\_\_\_\_  
Area \_\_\_\_\_ Tr. \_\_\_\_\_  
Sec. \_\_\_\_\_ Blk. \_\_\_\_\_ Survey \_\_\_\_\_  
\_\_\_\_\_ x \_\_\_\_\_ = \_\_\_\_\_ %

4. M.F. No. \_\_\_\_\_  
Area \_\_\_\_\_ Tr. \_\_\_\_\_  
Sec. \_\_\_\_\_ Blk. \_\_\_\_\_ Survey \_\_\_\_\_  
\_\_\_\_\_ x \_\_\_\_\_ = \_\_\_\_\_ %

### REMARKS:

Prepared by: <u>Ernesto GARCIA</u>	Date <u>04-28-98</u>
Map & GIS updated by: <u>[Signature]</u>	Date <u>8-24-98</u>
Keyed into database by: <u>M. T. Agin</u>	Date <u>8-25-98</u>

34149

DESIGNATION OF UNIT

SHAW UNIT NO. 1

STATE OF TEXAS §  
COUNTY OF MILAM §

KNOW ALL MEN BY THESE PRESENTS:

The undersigned, being the owner of valid and subsisting oil, gas and mineral leases listed in Exhibit "A", attached hereto and made a part hereof, insofar as said oil, gas and mineral leases cover and affect the land and depths described on Exhibit "B", do, by virtue of the authority conferred by the terms of such oil, gas and mineral leases and all amendments and corrections thereto, hereby pool, consolidate, combine and unitize said oil, gas and mineral leases, the leasehold rights, overriding royalty and royalty interests therein and thereunder, for the purpose of drilling for, development and production of oil, gas and liquid hydrocarbons (including condensate, distillate and other liquids). The unit (hereinafter "Unit") shall be comprised of the land and interval lying within the outline depicted on the Plat attached hereto as Exhibit "C" and shall include the leases, or portions thereof, and the interval (if any), as described on Exhibit "A".

If at any time any tract of land or interest within the Unit is not properly pooled or unitized hereby or is not otherwise committed to the Unit, such fact shall not affect, terminate, impair, or invalidate the Unit as to any interest properly pooled or unitized hereby or otherwise.

This Designation of Unit covers all production from the land and depths described on the attached Exhibits "A" and "B" which is produced from any well drilled to the unitized interval underlying the Unit area. Production from the Unit shall be allocated proportionately among all of the tracts within the Unit in the proportion which the number of surface acres in each of such tracts bears to the total number of surface acres in the Unit.

The undersigned reserves the right to amend this Designation of Unit from time to time, and at any time, in order to correct any error herein or to include in this Unit any newly acquired interests within the Unit boundaries or to enlarge or reduce the Unit area in accordance with the applicable rules and regulations of any governmental regulatory body or agency having jurisdiction insofar as such right is granted in the subject leases, by appropriate amendments or instruments.

By execution of this Designation of Unit, the undersigned does not exhaust its right to pool the leases and lands hereinabove described with other leases and lands as to any other minerals, horizon or strata covered thereby, and it expressly reserves to itself, its assignees, or successors in interest, the right and power to pool or unitize the above described leases and lands with any other leases, lands, horizons or strata in the vicinity and so far as the power, right and authority to do so is granted in the subject leases and various agreements and so long as such power and authority is exercised in accordance with applicable rules and regulations of any governmental regulatory body or agency having jurisdiction.

This Unit may not be ratified or joined in by any party who is not named

92178-96

hereinbelow without the consent of the parties hereto.

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

IN WITNESS WHEREOF, this Designation of Unit is executed on this 20th day of February, 1998.

UNION PACIFIC RESOURCES COMPANY

By: Carolyn J. David *rc*

Its: Attorney-in-Fact

STATE OF TEXAS  
COUNTY OF TARRANT

This instrument was acknowledged before me on the 20th day of February, 1998, by Carolyn J. David, the Attorney-in-Fact of UNION PACIFIC RESOURCES COMPANY, a Delaware corporation, on behalf of said corporation.



Lisa K. Morrow

Notary Public in and for the  
State of Texas  
My commission expires: 12-31-2001



Law Department Approved  
DESUNIT.2A

EXHIBIT "A"

ATTACHED TO DESIGNATION OF UNIT  
SHAW UNIT WELL NO. 1

1. TX1-91178 OIL GAS AND MINERAL LEASE DATED NOVEMBER 17, 1995, BY AND BETWEEN MRS. R. E. THOMPSON, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 719, PAGE 600 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
2. TX-83636 OIL GAS AND MINERAL LEASE DATED DECEMBER 10, 1995, BY AND BETWEEN JOE NEAL SHAW, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 742, PAGE 612 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
3. TX1-82407-06 OIL GAS AND MINERAL LEASE DATED SEPTEMBER 26, 1996, BY AND BETWEEN LARRY DWAIN GILLILAND, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 743, PAGE 250 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
4. TX1-82407-05 OIL GAS AND MINERAL LEASE DATED SEPTEMBER 26, 1996, BY AND BETWEEN BRENDA SUE REVILLA, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 741, PAGE 401 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
5. TX1-82407-03 OIL GAS AND MINERAL LEASE DATED SEPTEMBER 26, 1996, BY AND BETWEEN RONNIE DALE GILLILAND, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 739, PAGE 440 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
6. TX1-82407-01 OIL GAS AND MINERAL LEASE DATED SEPTEMBER 26, 1996, BY AND BETWEEN GARY S. GILLILAND, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 740, PAGE 181 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
7. TX1-82407-02 OIL GAS AND MINERAL LEASE DATED SEPTEMBER 26, 1996, BY AND BETWEEN JOHNNIE BRUUN, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 741, PAGE 419 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
8. TX1-82407-09 OIL GAS AND MINERAL LEASE DATED SEPTEMBER 26, 1996, BY AND BETWEEN BOBBY L. GILLILAND, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 743, PAGE 744 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
9. TX1-82407-08 OIL GAS AND MINERAL LEASE DATED SEPTEMBER 26, 1996, BY AND BETWEEN NELSON K. LLOYD, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 742, PAGE 825 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
10. TX1-82407-04 OIL GAS AND MINERAL LEASE DATED SEPTEMBER 26, 1996, BY AND BETWEEN LLOYD RODELL GILLILAND, JR., AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 739, PAGE 437 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
11. TX1-82407-07 OIL GAS AND MINERAL LEASE DATED OCTOBER 8, 1996, BY AND BETWEEN MAURINE LACY, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 741, PAGE 397 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
12. TX1-82407-10 OIL GAS AND MINERAL LEASE DATED MAY 12, 1997, BY AND BETWEEN THOMAS WHITE, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 752, PAGE 888 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.

13. ✓ TX1-82407-11 OIL GAS AND MINERAL LEASE DATED JULY 1, 1997, BY AND BETWEEN CHARLES MILTON PAYNE AND WIFE, MARY A. PAYNE, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 754, PAGE 393 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
14. TX1-82407-12 OIL GAS AND MINERAL LEASE DATED JULY 16, 1997, BY AND BETWEEN ROBERT N. FLOYD, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 757, PAGE 686 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
15. TX1-83643 OIL GAS AND MINERAL LEASE DATED FEBRUARY 9, 1996, BY AND BETWEEN LARRY WAYNE MIKULEC, TRUSTEE, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 725, PAGE 664 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
16. TX1-88223 MEMORANDUM OF OIL GAS AND MINERAL LEASE DATED OCTOBER 9, 1996, BY AND BETWEEN ROY K. WELLS, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 752, PAGE 572 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
17. TX1-80327-01 OIL GAS AND MINERAL LEASE DATED MARCH 19, 1996, BY AND BETWEEN DAVID CHARLES STEEL, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 735, PAGE 769 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
18. TX1-80327-02 OIL GAS AND MINERAL LEASE DATED MARCH 21, 1996, BY AND BETWEEN KARLA KAY SINGER, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 735, PAGE 744 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
19. TX1-91129 OIL GAS AND MINERAL LEASE DATED MARCH 19, 1997, BY AND BETWEEN DOLLY DUBOSE MARTINE, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 749, PAGE 858 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
20. TX1-81521-01 OIL GAS AND MINERAL LEASE DATED MARCH 26, 1996, BY AND BETWEEN HERBERT H. GRAEBER AND DONNA S. GRAEBER, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 735, PAGE 692 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
21. TX1-81521-02 OIL GAS AND MINERAL LEASE DATED MAY 8, 1997, BY AND BETWEEN ADAM E. VEZORAK AND VIRGINIA L. VEZORAK, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 752, PAGE 534 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
22. TX1-80137-01 OIL GAS AND MINERAL LEASE DATED MARCH 21, 1996, BY AND BETWEEN GEORGE MEDFORD LAMBERT, SR. AND VIRGINIA A. LAMBERT, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 733, PAGE 105 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
23. TX1-84900 OIL GAS AND MINERAL LEASE DATED JUNE 19, 1996, BY AND BETWEEN TRUST U/A JAMES H. S. PIERSON, DIANE P. MATSUI, JUDITH P. ALLEN, FIRST NATIONAL BANK OF MARSHALL, TRUSTEE, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 744, PAGE 610 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
24. TX1-79666 OIL GAS AND MINERAL LEASE DATED DECEMBER 1, 1995, BY AND BETWEEN JAMES T. TODD AND WIFE, DIXIE A. TODD, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 756, PAGE 58 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
25. TX1-81761- OIL GAS AND MINERAL LEASE DATED JANUARY 11, 1996, BY AND BETWEEN DOROTHY L. GAUSE, ET AL, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 738, PAGE 540 OF THE

OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.

26. TX1-88459-01 OIL GAS AND MINERAL LEASE DATED JUNE 19, 1997, BY AND BETWEEN CITY OF CAMERON, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 754, PAGE 388 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
27. TX1-88459-03 OIL GAS AND MINERAL LEASE DATED JUNE 24, 1997, BY AND BETWEEN FATHER FLANAGAN'S BOYS HOME, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 759, PAGE 898 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
28. TX1-80167- OIL GAS AND MINERAL LEASE DATED DECEMBER 1, 1995, BY AND BETWEEN ROY CRAIG DENT AND WIFE, REBEKAH S. DENT, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 730, PAGE 843 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
29. TX1-79670- OIL GAS AND MINERAL LEASE DATED DECEMBER 1, 1995, BY AND BETWEEN JAN TODD DENT, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 731, PAGE 505 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
30. TX1-79668- OIL GAS AND MINERAL LEASE DATED DECEMBER 1, 1995, BY AND BETWEEN MARY NELL TODD NEELY, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 731, PAGE 533 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
31. TX1-79730(1)- OIL GAS AND MINERAL LEASE DATED DECEMBER 1, 1995, BY AND BETWEEN J. T. TODD AND WIFE, BRUNELLE COX TODD, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 725, PAGE 882 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
32. TX1-79669- OIL GAS AND MINERAL LEASE DATED DECEMBER 1, 1995, BY AND BETWEEN TODD DEWAYNE DENT AND WIFE, TANYA LOU DENT, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 731, PAGE 509 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
33. TX2-90659- OIL GAS AND MINERAL LEASE DATED AUGUST 5, 1997, BY AND BETWEEN THE STATE OF TEXAS, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 759, PAGE 243 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.

INSOFAR AS SAID LEASES COVER INTERVALS FROM THE SURFACE OF THE EARTH TO THE TOP OF THE EDWARDS FORMATION.

## EXHIBIT "B"

Shaw Unit Well No. 1  
1209.50 Acre Unit  
Union Pacific Resources Company  
Chas. Chevallier Survey, A-121  
Jennett Bowing Survey, A-95  
J. G. Eldridge Survey, A-156  
D. M. Farmer Survey, A-164  
A. W. Sillaven Survey, A-326  
Milam County, Texas

Field notes of a 1209.50 acre tract or parcel of land, lying and being situated in the Chas. Chevallier Survey, Abstract No. 121, in the Jennett Bowing Survey, Abstract No. 95, in the J. G. Eldridge Survey, Abstract No. 156, in the D. M. Farmer Survey, Abstract No. 164 and in the A. W. Sillaven Survey, Abstract No. 326, Milam County, Texas, and consisting of the following tracts:

All of the called 82 acre tract described in the deed recorded in Volume 299, Page 454, of the Deed Records of Milam County, Texas;

All of the called 15.5 acre tract described in the deed recorded in Volume 318, Page 169, of the Deed Records of Milam County, Texas;

All of the called 57.5 acre - 1st Tract and all of the called 50 acre - 2nd Tract described in the deed recorded in Volume 503, Page 68, of the Official Records of Milam County, Texas;

All of the called 160 acre - 1st Tract, the 100 acre - 2nd Tract and the 40 acre - 3rd Tract described in the deed recorded in Volume 305, Page 37, of the Deed Records of Milam County, Texas;

All of the called 92.95 acre tract and  $\frac{1}{2}$  of the adjoining right-of-way of County Road No. 351, described in the deed recorded in Volume 448, Page 899, of the Deed Records of Milam County, Texas;

All of the called 1.000 acre tract and  $\frac{1}{2}$  of the adjoining right-of-way of County Road No. 351, described in the deed recorded in Volume 584, Page 719, of the Official Records of Milam County, Texas;

All of the called 6.130 acre tract and  $\frac{1}{2}$  of the adjoining right-of-way of County Road No. 351, described in the deed recorded in Volume 580, Page 155, of the Official Records of Milam County, Texas;

All of the called 1.00 acre - 1st Tract and  $\frac{1}{2}$  of the adjoining right-of-way of County Road No. 351, and all of the called 7.130 acre - 2nd Tract and  $\frac{1}{2}$  of the adjoining right-of-way of County Road No. 351, described in the deed recorded in Volume 560, Page 269, of the Official Records of Milam County, Texas;

All of the called 15.26 acre tract described in the deed recorded in Volume 671, Page 153, of the Official Records of Milam County, Texas;

All of the called 22.09 acre tract and  $\frac{1}{2}$  of the adjoining right-of-way of County Road No. 351, described in the deed recorded in Volume 442, Page 395, of the Deed Records of Milam County, Texas;

All of the called 22.11 acre tract and  $\frac{1}{2}$  of the adjoining right-of-way of County Road No. 351, described in the deed recorded in Volume 442, Page 555, of the Deed Records of Milam County, Texas;

All of the called 22.09 acre tract described in the deed recorded in Volume 448, Page 248, of the Deed Records of Milam County, Texas;

Shaw Unit Well No. 1  
1209.50 Acre Unit  
Union Pacific Resources Company  
Chas. Chevallier Survey, A-121, etc.  
Milam County, Texas  
Continued - Page 2

All of the called 28.19 acre tract described in the deed recorded in Volume 446, Page 787, of the Deed Records of Milam County, Texas;

All of the called 124.14 acre tract described in the deed recorded in Volume 613, Page 230, of the Official Records of Milam County, Texas;

All of the called 75 acre tract described in the deed recorded in Volume 309, Page 198, of the Deed Records of Milam County, Texas;

All of the called 5 acre - 2nd Tract described in the deed recorded in Volume 254, Page 122, of the Deed Records of Milam County, Texas;

All of the called 22.51 acre tract described in the deed recorded in Volume 279, Page 249, of the Deed Records of Milam County, Texas;

All of the called 57 acre tract described in the deed recorded in Volume 210, Page 199, of the Deed Records of Milam County, Texas;

Part of the called 93 acre - 1st Tract described in the deed recorded in Volume 272, Page 414, of the Deed Records of Milam County, Texas;

All of the called 40 acre tract described in the deed recorded in Volume 245, Page 393, of the Deed Records of Milam County, Texas;

All of the called 75 acre tract described in the deed recorded in Volume 254, Page 265, of the Deed Records of Milam County, Texas;

And part of the 50' wide road strip described in the deed recorded in Volume 171, Page 153, of the Deed Records of Milam County, Texas, and said 1209.50 acre tract being more particularly described as follows:

BEGINNING at a concrete monument found marking the east or southeast corner of the beforementioned 124.14 acre tract in the north line of County Road No. 351;

THENCE S 70° 34' 48" W along the south line of the beforementioned 124.14 acre tract, same being along the south line of the beforementioned Chevallier Survey, and skewing across County Road No. 351 for a distance of 3278.99 feet to the south corner of the 124.14 acre tract, near the center of County Road No. 351;

THENCE N 29° 32' 03" W along the southwest line of the beforementioned 124.14 acre tract, at a distance of 0.82 feet, pass a concrete monument (broken) found, continue on for a total distance of 1383.82 feet to a 3" concrete monument found marking the west corner of the 124.14 acre tract, same being in the common line between the beforementioned Bowing and Chevallier Surveys;

THENCE S 59° 06' 36" W along the southwest line of the beforementioned 22.11 acre tract for a distance of 551.71 feet to the center of County Road No. 351, from which a 14" post oak fence angle point across County Road No. 351 bears S 59° 06' 36" W - 59.0 feet;

THENCE along the average centerline of the existing travelway of County Road No. 351, as follows:

Shaw Unit Well No. 1  
1209.50 Acre Unit  
Union Pacific Resources Company  
Chas. Chevallier Survey, A-121, etc.  
Milam County, Texas  
Continued - Page 3

N 48° 37' 45" W for a distance of 1200.41 feet,  
N 45° 49' 05" W for a distance of 275.63 feet,  
N 38° 10' 49" W for a distance of 193.05 feet,  
N 31° 42' 37" W for a distance of 230.44 feet,  
N 29° 39' 06" W for a distance of 658.36 feet,  
N 29° 22' 25" W for a distance of 1158.56 feet,  
N 31° 02' 02" W for a distance of 3311.32 feet to the projected  
centerline intersection of County Road No. 353;

THENCE along the center of County Road No. 353 and County Road No. 358, as follows:

S 58° 32' 48" W for a distance of 818.47 feet,  
S 69° 16' 39" W for a distance of 84.41 feet,  
N 77° 33' 36" W for a distance of 81.10 feet,  
S 56° 39' 52" W for a distance of 19.35 feet,  
N 31° 45' 51" W for a distance of 1087.36 feet,  
N 33° 54' 48" W for a distance of 93.52 feet,  
N 50° 23' 07" W for a distance of 66.82 feet,  
N 61° 16' 41" W for a distance of 207.02 feet;

THENCE N 58° 54' 14" E along the northwest line of the beforementioned 5 acre tract, at a distance of 28.2 feet, pass a crosstie fence corner in the northeast line of County Road No. 358, continue on for a total distance of 191.23 feet to a crosstie fence corner marking the south corner of the beforementioned 22.51 acre tract;

THENCE along the westerly line of the beforementioned 22.51 acre tract, as follows:

26 N 16° 49' 14" W for a distance of 1161.70 feet to an 8" creosote post fence corner,  
21 N 59° 33' 54" E for a distance of 155.85 feet to a 5/8" iron pipe found at a crosstie fence corner,  
22 N 29° 58' 34" W for a distance of 105.71 feet to a 2" cedar post fence corner marking the most northerly west corner of the 22.51 acre tract;

THENCE N 57° 44' 27" E along the reconstructed northwest line of the beforementioned 22.51 acre tract, the beforementioned 5 acre tract and the beforementioned 57 acre tract for a distance of 1706.52 feet to the east corner of the Dorothy L. Gause - 6.55 acre - 3rd Tract described in the deed recorded in Volume 344, Page 588, of the Deed Records of Milam County, Texas, same being the most westerly south corner of the beforementioned 93 acre tract;

THENCE N 56° 44' 27" E along the northwest line of the beforementioned 57 acre tract and across the beforementioned 93 acre tract for a distance of 1954.59 feet to the southwest line of the beforementioned 40 acre tract;

THENCE along the common lines between the beforementioned 40 acre tract and the beforementioned 93 acre tract as follows:

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MILAM COUNTY, TEXAS

Shaw Unit Well No. 1  
1209.50 Acre Unit  
Union Pacific Resources Company  
Chas. Chevallier Survey, A-121, etc.  
Milam County, Texas  
Continued - Page 4

<sup>25</sup> N 31° 33' 14" W for a distance of 455.53 feet to a 4" cedar post  
fence corner,  
<sup>20</sup> N 57° 44' 27" E for a distance of 461.34 feet to the center of  
Dollar Creek;

THENCE along the center meanders of Dollar Creek, same being the  
northeasterly line of the beforementioned 40 acre tract, as located on-the-ground  
in October, 1997, as follows:

S 35° 44' 21" E for a distance of 8.48 feet,  
S 22° 22' 16" E for a distance of 46.41 feet,  
S 58° 15' 46" E for a distance of 90.22 feet,  
S 59° 29' 06" E for a distance of 129.92 feet,  
S 39° 41' 18" E for a distance of 145.70 feet,  
S 17° 10' 47" E for a distance of 37.36 feet,  
S 06° 30' 21" E for a distance of 72.73 feet,  
S 38° 16' 37" E for a distance of 82.29 feet,  
S 63° 11' 03" E for a distance of 72.28 feet,  
N 67° 00' 37" E for a distance of 64.04 feet,  
N 63° 16' 19" E for a distance of 61.21 feet.  
S 67° 19' 23" E for a distance of 54.89 feet,  
S 34° 27' 31" E for a distance of 71.43 feet,  
S 20° 21' 15" E for a distance of 38.39 feet,  
S 60° 48' 40" E for a distance of 75.45 feet,  
S 81° 51' 53" E for a distance of 33.91 feet,  
N 84° 03' 04" E for a distance of 344.52 feet,  
S 80° 52' 50" E for a distance of 54.18 feet,  
N 76° 25' 33" E for a distance of 81.84 feet to the most easterly  
north corner of the 40 acre tract in the northeast  
line of the beforementioned Farmer Survey;

THENCE S 31° 26' 12" E along the northeast line of the beforementioned  
40 acre tract and the beforementioned 75 acre tract for a distance of 2066.28  
feet to the center of County Road No. 353, from which a 10" steel post fence  
corner in the northwest line of County Road No. 353 bears N 34° 15' 35" W -  
24.9 feet;

THENCE along the center of the existing travelway of County Road No.  
353, as follows:

N 42° 56' 48" E for a distance of 33.71 feet,  
N 47° 19' 38" E for a distance of 133.54 feet,  
N 50° 07' 43" E for a distance of 38.12 feet,  
N 54° 31' 42" E for a distance of 69.96 feet,  
N 57° 48' 36" E for a distance of 182.24 feet;

THENCE along the occupied northeast line of the beforementioned 100 acre  
tract, same being the southwest line of the called 256.12 acre tract described in  
the deed recorded in Volume 654, Page 664, of the Official Records of Milam  
County, Texas, as follows:

Shaw Unit Well No. 1  
1209.50 Acre Unit  
Union Pacific Resources Company  
Chas. Chevallier Survey, A-121, etc.  
Milam County, Texas  
Continued - Page 5

S 28° 11' 32" E at a distance of 43.31 feet, pass a concrete right-of-way marker in the southeast line of County Road No. 353, continue on for a total distance of 534.83 feet to angle point corner,  
S 25° 27' 06" E for a distance of 667.51 feet to angle point corner,  
S 28° 38' 18" E for a distance of 746.93 feet to angle point corner,  
S 29° 30' 06" E for a distance of 1080.45 feet to a ½" iron rod found in fence line marking the south corner of the 256.12 acre tract;

THENCE S 32° 29' 35" E along the occupied northeast line of the beforementioned 100 acre tract for a distance of 194.92 feet to the east corner of the 100 acre tract, from which a 22" pecan tree fence angle point bears S 32° 29' 35" E - 3.7 feet;

THENCE S 58° 32' 53" W along the southeast line of the beforementioned 100 acre tract for a distance of 126.34 feet to the reconstructed north corner of the beforementioned 160 acre tract;

THENCE S 31° 27' 07" E at a distance of 74.2 feet, cross the fence line marking the common occupied line between the beforementioned 100 acre and 160 acre tracts, continue on along the northeast line of the 160 acre tract for a total distance of 3965.93 feet to the east corner of the 160 acre tract;

THENCE S 58° 31' 07" W along the southeast line of the beforementioned 160 acre tract for a distance of 448.44 feet to a concrete monument found marking the north corner of the beforementioned 124.14 acre tract;

THENCE S 29° 51' 44" E along the northeast line of the beforementioned 124.14 acre tract for a distance of 1998.06 feet to the PLACE OF BEGINNING, containing 1209.50 acres of land, more or less.

Bearings based on True North, as obtained by Solar Observation.

Prepared 01/16/98

ks98-01b:\shaw1209.50a

EXHIBIT "C"

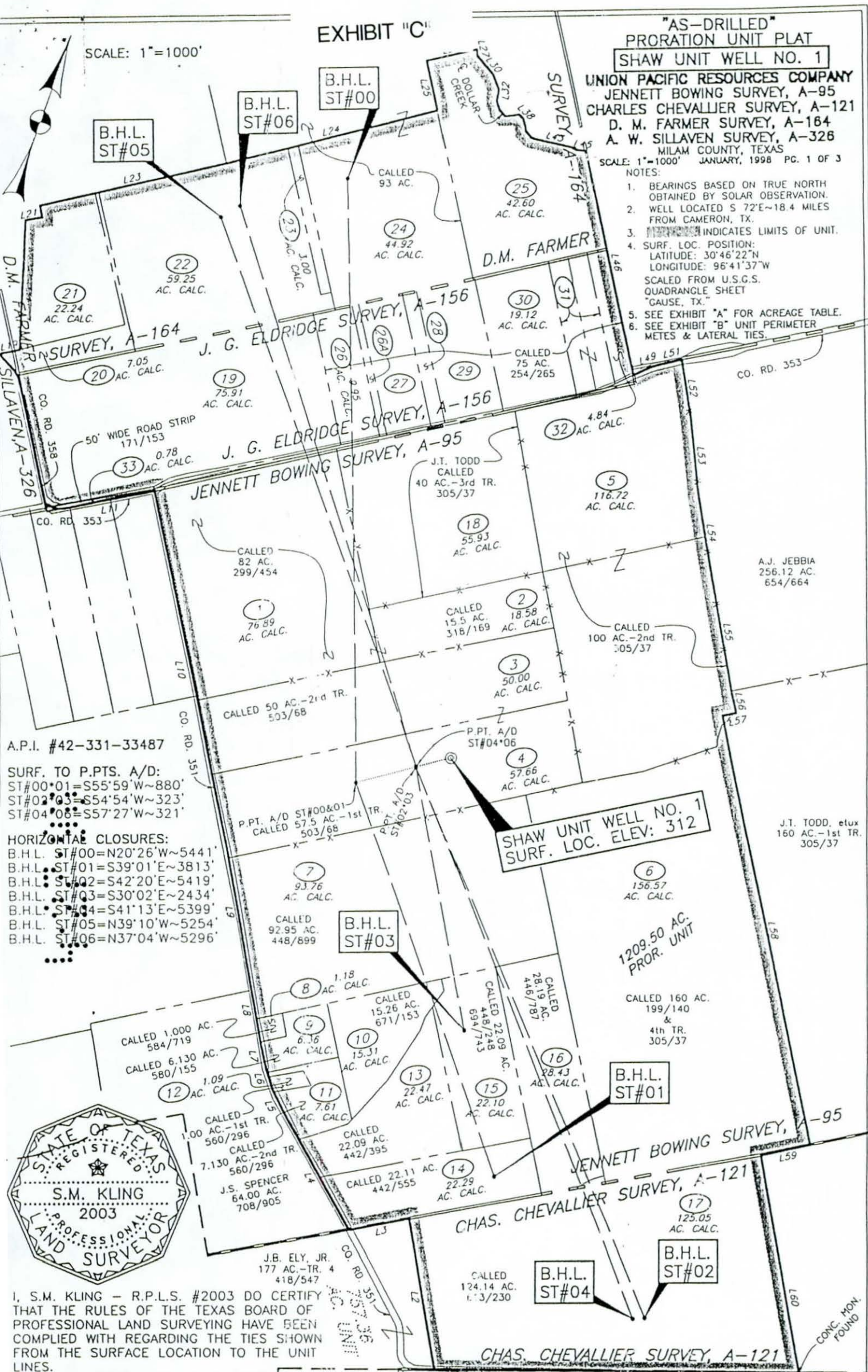
SCALE: 1"=1000'

"AS-DRILLED"  
PRORATION UNIT PLAT  
SHAW UNIT WELL NO. 1

UNION PACIFIC RESOURCES COMPANY  
JENNETT BOWING SURVEY, A-95  
CHARLES CHEVALLIER SURVEY, A-121  
D. M. FARMER SURVEY, A-164  
A. W. SILLAVEN SURVEY, A-326  
MILAM COUNTY, TEXAS

SCALE: 1"=1000' JANUARY, 1998 PG. 1 OF 3  
NOTES:

1. BEARINGS BASED ON TRUE NORTH OBTAINED BY SOLAR OBSERVATION.
2. WELL LOCATED S 72°E~18.4 MILES FROM CAMERON, TX.
3. [Symbol] INDICATES LIMITS OF UNIT.
4. SURF. LOC. POSITION:  
LATITUDE: 30°46'22"N  
LONGITUDE: 96°41'37"W  
SCALED FROM U.S.G.S. QUADRANGLE SHEET "GAUSE, TX."
5. SEE EXHIBIT "A" FOR ACREAGE TABLE.
6. SEE EXHIBIT "B" UNIT PERIMETER METES & LATERAL TIES.



A.P.I. #42-331-33487  
SURF. TO P.PTS. A/D:  
ST#00\*01=S55°59'W~880'  
ST#02\*03=S54°54'W~323'  
ST#04\*06=S57°27'W~321'

HORIZONTAL CLOSURES:  
B.H.L. ST#00=N20°26'W~5441'  
B.H.L. ST#01=S39°01'E~3813'  
B.H.L. ST#02=S42°20'E~5419'  
B.H.L. ST#03=S30°02'E~2434'  
B.H.L. ST#04=S41°13'E~5399'  
B.H.L. ST#05=N39°10'W~5254'  
B.H.L. ST#06=N37°04'W~5296'



I, S.M. KLING - R.P.L.S. #2003 DO CERTIFY THAT THE RULES OF THE TEXAS BOARD OF PROFESSIONAL LAND SURVEYING HAVE BEEN COMPLIED WITH REGARDING THE TIES SHOWN FROM THE SURFACE LOCATION TO THE UNIT LINES.

BY: *S.M. Kling*  
S.M. KLING R.P.L.S. NO. 2003

PRORATION UNIT PLAT  
PREPARED: 01/16/98

FERNANDO RODRIGUEZ SURVEY, A-53

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OFFICIAL RECORDS  
MILAM COUNTY, TEXAS

SHAW UNIT WELL NO. 1

PLAT TRACT #	COT#	ACREAGE IN UNIT	LEASE	VOL/PG
1	156A	76.89	MRS. R.E. THOMPSON	719/600
2	156B	18.58	MRS. R.E. THOMPSON	719/600
3	155	50.00	JOE NEAL SHAW	-
4	155A	57.66	JOE NEAL SHAW	-
5	158A	116.72	J.T. TODD, et ux	725/882
6	157	156.57	J.T. TODD, et ux GARY S. GILLILAND *	725/882
7	154	93.76	LARRY WAYNE MIKULEC, TRUSTEE	725/664
8	PT.152B	1.18	ROY K. WELLS, et ux	-
9	PT.152B	6.36	ROY K. WELLS, et ux	-
10	152A	15.31	KARLA KAY SINGER DAVID CHARLES STEEL	735/744 735/769
11	PT.152C	7.61	RAYMOND F. MARTINE, et ux DEBORAH GRACE BARNES	-
12	PT.152C	1.09	RAYMOND F. MARTINE, et ux DEBORAH GRACE BARNES	-
13	151	22.47	HERBERT H. & DONNA S. GRAEBER ADAM E. VEZORAK, et ux	735/692
14	149	22.29	HERBERT & DONNA S. GRAEBER ADAM E. VEZORAK, et ux	735/692
15	153	22.10	HERBERT & DONNA S. GRAEBER GEORGE MEDFORD LAMBERT, SR., et ux	735/692 733/105
16	150	28.43	HERBERT & DONNA S. GRAEBER GEORGE MEDFORD LAMBERT, SR., et ux	735/692 733/105
17	45	125.05	PIERSON TRUST	-
18	200	55.93	J.T. TODD, et ux	725/882
19	219	75.91	DOROTHY L. GAUSE, et ali	738/540
20	224A	7.05	DOROTHY L. GAUSE, et ali	738/540
21	224	22.24	DOROTHY L. GAUSE, et ali	738/540
22	220	59.25	DOROTHY L. GAUSE, et ali	738/540
23	215A	3.00	DOROTHY L. GAUSE, et ali	738/540
24	215	44.92	DOROTHY L. GAUSE, et ali	738/540
25	211	42.60	CITY OF CAMERON *	-
26	218	9.95	JAMES T. DODD, et ux	-
26A	218A	1.77	JAMES T. DODD, et ux AREA BETWEEN DEED LINE OF 10AC. & OCCUPATION LINE OF 11 AC. TR.	-
27	217	11.36	ROY CRAIG DENT, et ux	730/843
28	217A	3.61	JAN TODD DENT	731/505
29	216	15.06	MARY NELL TODD NEELY	731/533
30	210	19.12	J. T. TODD, et ux	725/882
31	210A	10.04	TODD DeWAYNE DENT	731/509
32	210B	4.84	J. T. TODD, et ux	725/882
33	-	0.78	STATE OF TEXAS - 50' WIDE ROAD STRIP - 171/153	-
1209.50 ACRE UNIT				

\* THIS TRACT COVERED BY SEVERAL LEASES NOT LISTED HERE.

EXHIBIT "A"

SHAW UNIT WELL NO. 1

UNION PACIFIC RESOURCES COMPANY  
JENNETT BOWING SURVEY, A-95  
CHARLES CHEVALLIER SURVEY, A-121  
D. M. FARMER SURVEY, A-164  
A. W. SILLAVEN SURVEY, A-326  
MILAM COUNTY, TEXAS

VOL. 766 PAGE 915

PRORATION UNIT PLAT  
PREPARED: 01/16/98

OFFICIAL RECORDS  
MILAM COUNTY, TEXAS

SCALE: 1"=1000' JANUARY, 1998 PG. 2 OF 3

⑩

UNIT DESIGNATION-SHAW  
M-98474

File No. HF-98474  
Unit Designation -  
Shaw

Date Filed: 8/25/98  
Jerry E. Patterson, Commissioner

By \_\_\_\_\_

2538

# DO NOT DESTROY



## UNIT AGREEMENT MEMO

Unit No. 2654

Operator Union Pacific Resources Company

Unit Name Bailey-Hann Unit Well No. 1

County Milam County

Effective Date \_\_\_\_\_

Unitized for: Oil \_\_\_ Gas \_\_\_ Oil & Gas

1. M.F. No. 98474  
Area Milam County Road Tr. \_\_\_\_\_  
Sec. \_\_\_\_\_ Blk. \_\_\_\_\_ Survey \_\_\_\_\_  
 $\frac{35}{731.20} \times \frac{1}{6} = .007978\%$   
.000478 .166667 .00007978

2. M.F. No. \_\_\_\_\_  
Area \_\_\_\_\_ Tr. \_\_\_\_\_  
Sec. \_\_\_\_\_ Blk. \_\_\_\_\_ Survey \_\_\_\_\_  
\_\_\_\_\_ x \_\_\_\_\_ %

3. M.F. No. \_\_\_\_\_  
Area \_\_\_\_\_ Tr. \_\_\_\_\_  
Sec. \_\_\_\_\_ Blk. \_\_\_\_\_ Survey \_\_\_\_\_  
\_\_\_\_\_ x \_\_\_\_\_ %

4. M.F. No. \_\_\_\_\_  
Area \_\_\_\_\_ Tr. \_\_\_\_\_  
Sec. \_\_\_\_\_ Blk. \_\_\_\_\_ Survey \_\_\_\_\_  
\_\_\_\_\_ x \_\_\_\_\_ %

### REMARKS:

Prepared by: Ernesto Garza

Date 04-28-98

Map & GIS updated by: [Signature]

Date 8-24-98

Keyed into database by: M. Tapin

Date 8-25-98

32944

AMENDED DESIGNATION OF UNIT

BAILEY-HANN UNIT NO. 1

STATE OF TEXAS §  
COUNTY OF MILAM §

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, a "Designation of Unit, Bailey-Hann Unit No. 1", (the "Unit") dated October 29, 1997, was executed by Union Pacific Resources Company and recorded in Volume 760, Page 294, of the Official Records of Milam County, Texas.

WHEREAS, Union Pacific Resources Company hereby exercises its right under said Designation of Unit, Bailey-Hann Unit No. 1, and under the terms and provisions of the oil, gas and mineral leases or portions thereof affected by said unit, to amend the unit to limit the unitized intervals from the surface to the earth to the base of the Georgetown formation.

The undersigned, being the owners of valid and subsisting oil, gas, and mineral leases listed in Exhibit "A", attached hereto and made a part hereof, insofar as said oil, gas, and mineral leases cover and affect the lands described on Exhibit "B", attached hereto and made a part hereof, do, by virtue of the authority conferred by the terms of such oil, gas, and mineral leases and all amendments and corrections thereto, hereby pool, consolidate, combine, and unitize said oil, gas, and mineral leases, the leasehold rights, overriding royalty, and royalty interests therein and thereunder, for the purpose of drilling for, development, and production of oil, gas, and liquid hydrocarbons (including condensate, distillate, and other liquids). The unit shall be comprised of the land described on the attached Exhibit "B", as depicted on the Plat attached hereto as Exhibit "C".

If at any time any tract of land or interest within the Unit is not properly pooled or unitized hereby or is not otherwise committed to the Unit, such fact shall not affect, terminate, impair, or invalidate the Unit as to any interest properly pooled or unitized hereby or otherwise.

This Designation of Unit covers all production from the lands described on the attached Exhibit "B" which is produced from any well drilled to the unitized intervals from the surface of the earth to the base of the Georgetown formation underlying the Unit area. Production from the Unit shall be allocated proportionately among all of the tracts within the Unit in the proportion which the number of surface acres in each of such tracts bears to the total number of surface acres in the Unit.

The undersigned reserves the right to amend this Designation of Unit from time to time, and at any time, in order to correct any error herein or to include in this Unit any newly acquired interests within the Unit boundaries or to enlarge or reduce the Unit area in accordance with the applicable rules and regulations of any governmental regulatory body or agency having jurisdiction insofar as such right is granted in the subject leases, by appropriate amendments or instruments.

By execution of this Designation of Unit, the undersigned do not exhaust

By execution of this Designation of Unit, the undersigned do not exhaust their right to pool the leases and lands hereinabove described with other leases and lands as to any other minerals, horizon, or strata covered thereby, and they expressly reserve to themselves, their assignees, or successors in interest, the right and power to pool or unitize the above described leases and lands with any other leases, lands, horizons, or strata in the vicinity and so far as the power, right, and authority to do so is granted in the subject leases and various agreements and so long as such power and authority is exercised in accordance with applicable rules and regulations of any governmental regulatory body or agency having jurisdiction.

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

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

IN WITNESS WHEREOF, this Designation of Unit is executed on this 11<sup>th</sup> day of November, 1997.

UNION PACIFIC RESOURCES COMPANY

By: [Signature]  
Its: Attorney-in-Fact

SAGE ENERGY COMPANY

By: [Signature]  
Its: President

STATE OF TEXAS  
COUNTY OF TARRANT

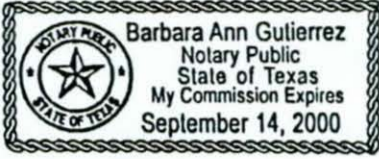
This instrument was acknowledged before me on the 11<sup>th</sup> day of November, 1997, by Andrew C. Rudderow, Attorney-in-Fact of UNION PACIFIC RESOURCES COMPANY, a Delaware corporation, on behalf of said corporation.



Cynthia Sewell  
Notary Public in and for the  
State of Texas  
My commission expires: 4/22/2001

STATE OF TEXAS  
COUNTY OF BEXAR

This instrument was acknowledged before me on the 19<sup>th</sup> day of November, 1997, by Jesse Minor, the President of Sage Energy Company, a Delaware corporation, on behalf of said corporation.



*Barbara Ann Gutierrez*  
Notary Public in and for the  
State of Texas  
My commission expires: 09.14.2000

Law Department Approved  
DESUNIT.1

55

**EXHIBIT "A"**

**ATTACHED TO AMENDED DESIGNATION OF UNIT  
BAILEY-HANN UNIT NO. 1**

1. TX1-49075(4) - OIL GAS AND MINERAL LEASE DATED DECEMBER 1, 1995, BY AND BETWEEN W. B. BAILEY, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 725, PAGE 887 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
2. TX1-84547(2) - OIL GAS AND MINERAL LEASE DATED MAY 24, 1996, BY AND BETWEEN CHARLES LEWIS BUNDICK, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 744, PAGE 875 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
3. TX1-84547(3) - OIL GAS AND MINERAL LEASE DATED APRIL 22, 1996, BY AND BETWEEN FAUSTENE D. BUNDICK, A WIDOW, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 744, PAGE 856 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
4. TX1-84547(1) - OIL GAS AND MINERAL LEASE DATED APRIL 22, 1996, BY AND BETWEEN CLAUDE CARYLL CULVER, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 744, PAGE 869 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
5. TX1-00080133 - OIL GAS AND MINERAL LEASE DATED MARCH 15, 1996, BY AND BETWEEN MRS. R. E. THOMPSON, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY; AS LESSEE, RECORDED IN VOLUME 733, PAGE 117 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
6. TX1-00080132 - OIL GAS AND MINERAL LEASE DATED MARCH 21, 1996, BY AND BETWEEN FRANCIS PETTEY, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 733, PAGE 120 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
7. TX1-00080135 - OIL GAS AND MINERAL LEASE DATED MARCH 15, 1996, BY AND BETWEEN PATRICIA ELLOUISE WATKINS, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 733, PAGE 111 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
8. TX1-00080134 - OIL GAS AND MINERAL LEASE DATED MARCH 15, 1996, BY AND BETWEEN DOROTHY SPRADLING, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 733, PAGE 114 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.
9. TX1-00080136(1) - OIL GAS AND MINERAL LEASE DATED MARCH 19, 1996, BY AND BETWEEN MYRLIN LESIKAR, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 733, PAGE 108 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.

10. TX1-80136(4) - OIL GAS AND MINERAL LEASE DATED MARCH 19, 1996, BY AND BETWEEN MURRAY KENT CLOUD AND PAULA D. CLOUD, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME , PAGE OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.

11. TX1-81434(001) - OIL GAS AND MINERAL LEASE DATED MARCH 26, 1996, BY AND BETWEEN BILLY G. SHAW AND JOAN L. SHAW, AS LESSOR AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 735, PAGE 757 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.

12. TX245 - OIL GAS AND MINERAL LEASE DATED SEPTEMBER 24, 1996, BY AND BETWEEN DONALD G. MCBEE AND WIFE, MAXINE MCBEE, AS LESSOR AND CENTERLINE OIL & GAS, INC., AS LESSEE, RECORDED IN VOLUME 741, PAGE 482 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS

13. TX245 - OIL GAS AND MINERAL LEASE DATED SEPTEMBER 24, 1996, BY AND BETWEEN DONALD G. MCBEE AND WIFE, MAXINE MCBEE, AS LESSOR AND CENTERLINE OIL & GAS, INC., AS LESSEE, RECORDED IN VOLUME 741, PAGE 479 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.

14. TX1- - OIL GAS AND MINERAL LEASE DATED NOVEMBER 17, 1995, BY AND BETWEEN FREEMAN JEROME SPRADLING AND WIFE, DOROTHY M SPRADLING, AS LESSORS AND CLAYTON WILLIAMS ENERGY, INC., AS LESSEE, RECORDED IN VOLUME 719, PAGE 604 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.

15. TX245 - OIL GAS AND MINERAL LEASE DATED OCTOBER 4, 1996, BY AND BETWEEN ROY W. HANN, JR., AS LESSOR AND CENTERLINE OIL & GAS, INC., AS LESSEE, RECORDED IN VOLUME 741, PAGE 509 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.

16. TX245 - OIL GAS AND MINERAL LEASE DATED OCTOBER 4, 1996, BY AND BETWEEN CIVIL ENGINEERING SYSTEMS, INC., ACTING BY AND THROUGH ITS DULY AUTHORIZED PRESIDENT, ROY W. HANN, JR., AS LESSOR, AND CENTERLINE OIL & GAS, INC., AS LESSEE, RECORDED IN VOLUME 741, PAGE 513 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.

17. TX1-80136(3) - OIL GAS AND MINERAL LEASE DATED MARCH 26, 1996, BY AND BETWEEN JAMES PAUL BOWLING AND RUTH M. BOWLING, AS LESSORS, AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 743, PAGE 790 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.

18. TX1- - OIL GAS AND MINERAL LEASE DATED AUGUST 5, 1997, BY AND BETWEEN THE STATE OF TEXAS, AS LESSOR, AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 759, PAGE 243 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.

19. TX1- - OIL GAS AND MINERAL LEASE DATED APRIL 10, 1997, BY AND BETWEEN JAMES MICHAEL HILLSMAN, AS LESSOR, AND UNION PACIFIC RESOURCES COMPANY, AS LESSEE, RECORDED IN VOLUME 750, PAGE 503 OF THE OFFICIAL RECORDS OF MILAM COUNTY, TEXAS.

## EXHIBIT "B"

Bailey-Hann Unit Well No. 1  
731.20 Acre Unit  
Union Pacific Resources Company  
A. W. Sillaven Survey, A-326  
Jennett Bowling Survey, A-95  
Milam County, Texas

Field notes of a 731.20 acre tract or parcel of land, lying and being situated in the A. W. Sillaven Survey, Abstract No. 326 and in the Jennett Bowling Survey, Abstract No. 95, Milam County, Texas, and consisting of the following tracts:

All of the called 95.63 acre tract described in the deed recorded in Volume 589, Page 907, of the Official Records of Milam County, Texas;

All of the called 88 acre tract described in the deed recorded in Volume 426, Page 269, of the Deed Records of Milam County, Texas;

All of the called 53 acre - 1st Tract and all of the called 125 acre - 2nd Tract described in the deed recorded in Volume 441, Page 447, of the Deed Records of Milam County, Texas;

All of the called 50 acre - 1st Tract (and  $\frac{1}{2}$  of the adjoining right-of-way of County Road No. 351), all of the called 36 acre - 2nd Tract and all of the called 39 acre - 3rd Tract described in the deed recorded in Volume 653, Page 763, of the Official Records of Milam County, Texas;

All of the called 16.19 acre tract described in the deed recorded in Volume 489, Page 663, of the Official Records of Milam County, Texas;

All of the called 15.92 acre tract (and a portion of the adjoining right-of-way of County Road No. 353), described in the deed recorded in Volume 478, Page 277, of the Deed Records of Milam County, Texas;

All of the called 15.92 acre tract (and a portion of the adjoining right-of-way of County Road No. 353), described in the deed recorded in Volume 480, Page 375, of the Deed Records of Milam County, Texas;

All of the called 15.92 acre tract (and a portion of the adjoining right-of-way of County Road No. 353), described in the deed recorded in Volume 478, Page 269, of the Deed Records of Milam County, Texas;

All of the called 15.92 acre tract (and a portion of the adjoining right-of-way of County Road No. 353), (and  $\frac{1}{2}$  of the adjoining right-of-way of County Road No. 351), described in the deed recorded in Volume 478, Page 273, of the Deed Records of Milam County, Texas;

All of the called 20.14 acre tract (and  $\frac{1}{2}$  of the adjoining right-of-way of County Road No. 351), described in the deed recorded in Volume 489, Page 655, of the Official Records of Milam County, Texas;

All of the called 20.14 acre tract (and  $\frac{1}{2}$  of the adjoining right-of-way of County Road No. 351), described in the deed recorded in Volume 570, Page 878, of the Official Records of Milam County, Texas;

All of the remainder of the called 104.39 acre tract (and  $\frac{1}{2}$  of the adjoining right-of-way of County Road No. 351), described in the deed recorded in Volume 434, Page 178, of the Deed Records of Milam County, Texas;

Balley-Hann Unit Well No. 1  
731.20 Acre Unit  
Union Pacific Resources Company  
A. W. Sillaven Survey, A-326, etc.  
Milam County, Texas  
Continued - Page 2

Part of the called 91 acre - Tract 2 and part of the called 91 acre - Tract 3, described in the deed recorded in Volume 289, Page 626, of the Deed Records of Milam County, Texas;

All of the called 6.062 acre tract (and  $\frac{1}{2}$  of the adjoining right-of-way of County Road No. 353), described in the deed recorded in Volume 612, Page 598, of the Official Records of Milam County, Texas;

All of the called 20.00 acre tract (and  $\frac{1}{2}$  of the adjoining right-of-way of County Road No. 353 and  $\frac{1}{2}$  of the adjoining right-of-way of County Road No. 358), described in the deed recorded in Volume 612, Page 567, of the Official Records of Milam County, Texas;

And part of the 50' wide road strip described in the deed recorded in Volume 171, Page 153, of the Deed Records of Milam County, Texas, (being part of County Road No. 353), and said 731.20 acre tract being more particularly described as follows:

**BEGINNING** at the centerline intersection of County Road No. 353, and County Road No. 351, from which a  $\frac{1}{2}$ " iron pipe at a 6" creosote post fence corner marking the north corner of the beforementioned 15.92 acre tract (478/273) bears S 07° 23' 18" W - 42.86 feet;

**THENCE** along the centerline of the existing travelway of the beforementioned County Road No. 351, as follows:

S 31° 02' 02" E for a distance of 3311.32 feet,  
S 29° 22' 25" E for a distance of 1158.56 feet,  
S 29° 39' 06" E for a distance of 658.36 feet,  
S 31° 42' 37" E for a distance of 230.44 feet,  
S 38° 10' 49" E for a distance of 193.05 feet,  
S 45° 49' 05" E for a distance of 275.63 feet,  
S 48° 37' 45" E for a distance of 1200.41 feet to the southeast line of the beforementioned Bowling Survey, same being in the northwest line of the 757.36 acre unit surrounding the Burton-Wells Unit Well No. 1 and same being the northwest line of the J. B. Ely, Jr., called 177 acre - Tract 4 described in the deed recorded in Volume 418, Page 547, of the Deed Records of Milam County, Texas, from which a 3" concrete monument found marking the north corner of the 177 acre tract bears N 59° 06' 36" E - 551.71 feet;

**THENCE** along the lines of the beforementioned 64.00 acre tract, same being the lines of the beforementioned 117 acre tract and the called 218.41 acre - Tract 6 described in the deed recorded in Volume 418, Page 547, of the Deed Records of Milam County, Texas, and same being along the lines of the beforementioned 757.36 acre unit adjacent to a fence, as follows:

S 59° 06' 36" W for a distance of 58.95 feet to a 14" post oak tree fence corner,  
S 59° 57' 36" W for a distance of 1233.16 feet to an 8" post oak tree fence corner,

Balley-Hann Unit Well No. 1  
731.20 Acre Unit  
Union Pacific Resources Company  
A. W. Sillaven Survey, A-326, etc.  
Milam County, Texas  
Continued - Page 3

- N 29° 33' 11" W for a distance of 1317.28 feet to a 10" post oak tree fence angle point,  
N 71° 37' 53" W for a distance of 8.33 feet to an 8" post oak tree fence angle point,  
S 60° 07' 49" W for a distance of 682.38 feet to a crosstle fence corner marking the most westerly south corner of the 64.00 acre tract in the northwest line of the 218.41 acre tract, same being the occupied west corner of the beforementioned 125 acre tract;

THENCE along the common, occupied line between the beforementioned 218.41 acre tract, the beforementioned 125 acre tract and the beforementioned 88 acre tract, adjacent to a fence, as follows:

- S 41° 45' 01" W for a distance of 304.16 feet to a split creosote post fence angle point,  
S 53° 34' 50" W for a distance of 425.21 feet to a 4" cedar post fence angle point,  
S 60° 53' 44" W for a distance of 371.95 feet to a crosstle fence angle point,  
S 64° 47' 31" W for a distance of 1463.11 feet to a 12" creosote post fence corner marking the south corner of the 88 acre tract, same being the east corner of the Ely - 95.63 acre - Tract 7 described in Volume 418, Page 547, of the Deed Records of Milam County, Texas;

THENCE along the southwest line of the beforementioned 88 acre tract, adjacent to a fence, as follows:

- N 31° 23' 55" W for a distance of 1423.85 feet to a ½" Iron rod found at a 6" cedar post fence corner marking the north corner of the beforementioned 95.63 acre tract, same being the east of corner of the 95.63 acre tract described in Volume 407, Page 241, of the Deed Records of Milam County, Texas,  
N 31° 07' 41" W for a distance of 1421.93 feet to a ¾" Iron rod found at a 6" cedar post fence corner marking the north corner of the 95.63 acre tract (407/241) same being the east corner of the beforementioned 95.63 acre tract (589/907);

THENCE S 57° 55' 50" W along the common line between the beforementioned 95.63 acre tracts for a distance of 1465.42 feet to a ¾" Iron rod found at a crosstle fence corner marking the south corner of the 95.63 acre tract (589/907);

N 31° 39' 11" W along the southwest line of the beforementioned 95.63 acre tract (589/907), at a distance of 2886.84 feet, pass a ¾" Iron rod found at a crosstle fence corner in the southeast fenced line of the beforementioned County Road No. 353, continue on for a total distance of 2902.33 feet to center of County Road No. 353;

Balley-Hann Unit Well No. 1  
731.20 Acre Unit  
Union Pacific Resources Company  
A. W. Sillaven Survey, A-326, etc.  
Milam County, Texas  
Continued - Page 4

THENCE N 58° 50' 20" E along the center travelway of County Road No. 353 and its projection for a distance of 715.79 feet to the south corner of the beforementioned 91 acre tract (Tract 2), same being the intersection of the projected centerline of County Road No. 358;

THENCE N 30° 13' 45" W along the center of the travelway of County Road No. 358 at a distance of 494 feet, cross an existing petroleum pipeline, continue on for a total distance of 754.99 feet and corner;

THENCE N 59° 30' 45" E across the beforementioned 91 acre tract for a distance of 2169.29 feet to the northeast line of the 91 acre tract (Tract 3);

THENCE S 30° 10' 31" E along the northeast line of the beforementioned 91 acre tract (Tract 3) for a distance of 81.13 feet to a 4" cedar post fence corner marking the west corner of the beforementioned 6.062 acre tract;

THENCE N 61° 11' 34" E along the northwest line of the beforementioned 6.062 acre tract and the beforementioned 20.00 acre tract (612/567) at a distance of 1676.95 feet, pass a concrete monument (disturbed) found at a cross-tie fence corner in the southwest line of County Road No. 358, marking the north corner of the 20.00 acre tract, continue on for a total distance of 1702.77 feet to the center of the travelway of County Road No. 358;

THENCE along the average center of the existing travelway of County Road No. 358 and County Road No. 353, as follows:

S 31° 45' 51" E for a distance of 675.26 feet,  
N 56° 39' 52" E for a distance of 19.35 feet,  
S 77° 33' 36" E for a distance of 81.10 feet,  
N 69° 16' 39" E for a distance of 84.41 feet,  
N 58° 32' 48" E for a distance of 818.47 feet to the PLACE OF  
BEGINNING, containing 731.20 acres of land,  
more or less.

Bearings based on True North, as obtained by Solar Observation.

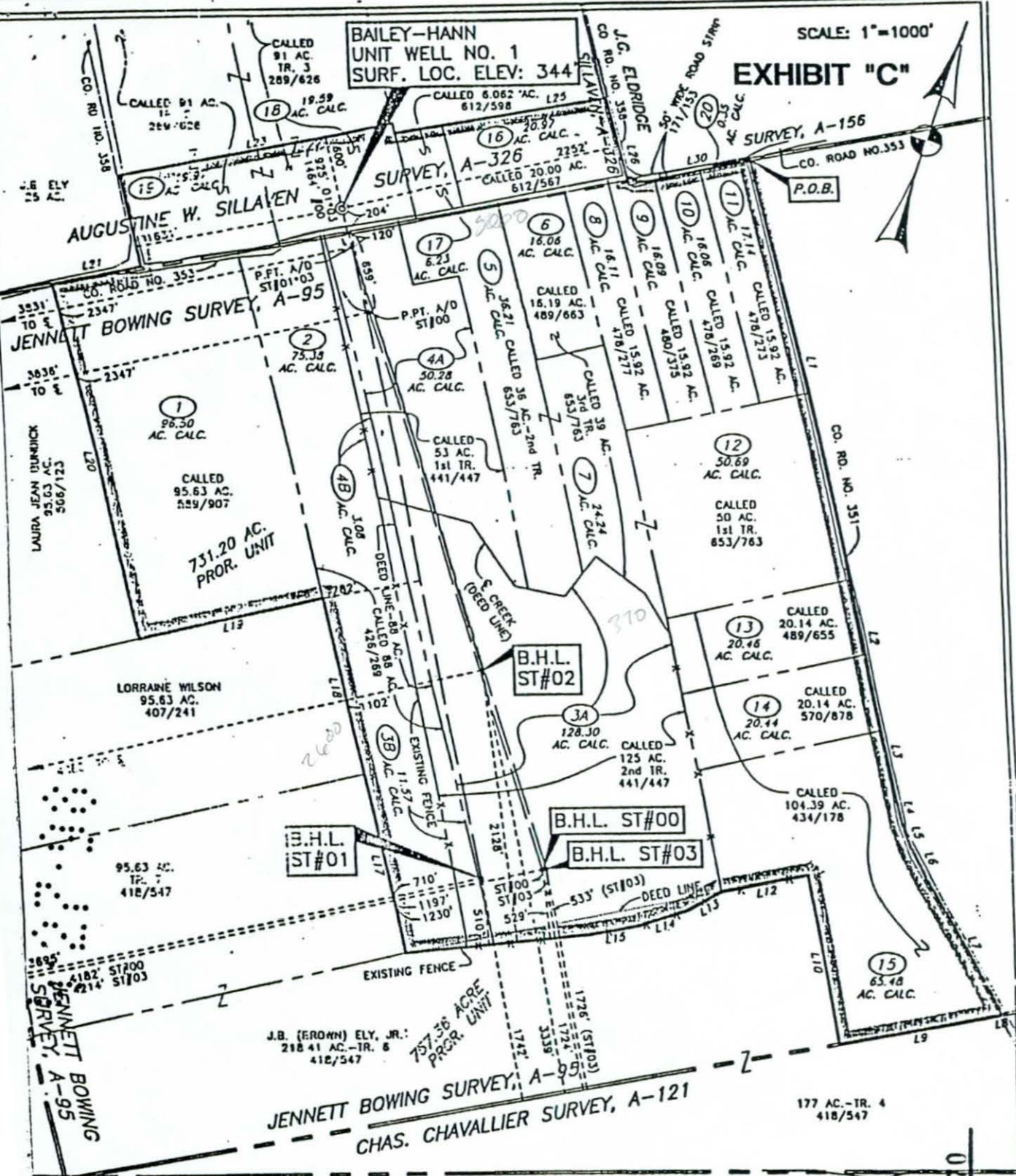
Prepared 9/30/97

kee97-02b:balleyhn.731

SCALE: 1"=1000'

# EXHIBIT "C"

**BAILEY-HANN  
UNIT WELL NO. 1  
SURF. LOC. ELEV: 344**



- NOTES:
1. BEARINGS BASED ON TRUE NORTH OBTAINED BY SOLAR OBSERVATION.
  2. WELL LOCATED 9 71'E-17.4 MILES FROM CAMERON, TX.
  3. **DASHED** INDICATES LIMITS OF UNIT.
  4. SURF. LOC. POSITION:  
LATITUDE: 30°46'22"N  
LONGITUDE: 96°42'48"W  
BOTTOM LOC. POSITION:  
LATITUDE: SEE HORIZONTAL CLOSURES  
LONGITUDE: SEE HORIZONTAL CLOSURES  
SCALED FROM U.S.G.S. QUADRANGLE SHEETS CAUSE, TX.
  5. SEE EXHIBIT "A" FOR ACREAGE TABLE & UNIT PERIMETER METES.
- I, S.M. KLING - R.P.L.S. #2003 DO CERTIFY THAT THE RULES OF THE TEXAS BOARD OF PROFESSIONAL LAND SURVEYING HAVE BEEN COMPLIED WITH REGARDING THE TIES SHOWN FROM THE SURFACE LOCATION TO THE UNIT LINES.



A.P.I. #42-331-33484  
 SURF. TO P.P.T. A/D  
 ST#00 = S 31°26'E~864'  
 ST#01=03 = S 31°05'E~325'

HORIZONTAL CLOSURES:  
 B.H.L. ST#00 = S 35°22'E~4602'  
 B.H.L. ST#01 = S 29°32'E~5099'  
 B.H.L. ST#02 = S 35°07'E~3519'  
 B.H.L. ST#03 = S 35°20'E~5142'

**"AS-DRILLED"  
 PRORATION UNIT PLAT  
 BAILEY-HANN  
 UNIT WELL NO. 1**

**UNION PACIFIC RESOURCES COMPANY  
 A. W. SILLAVEN SURVEY, A-326  
 JENNETT BOWING SURVEY, A-95  
 MILAM COUNTY, TEXAS**

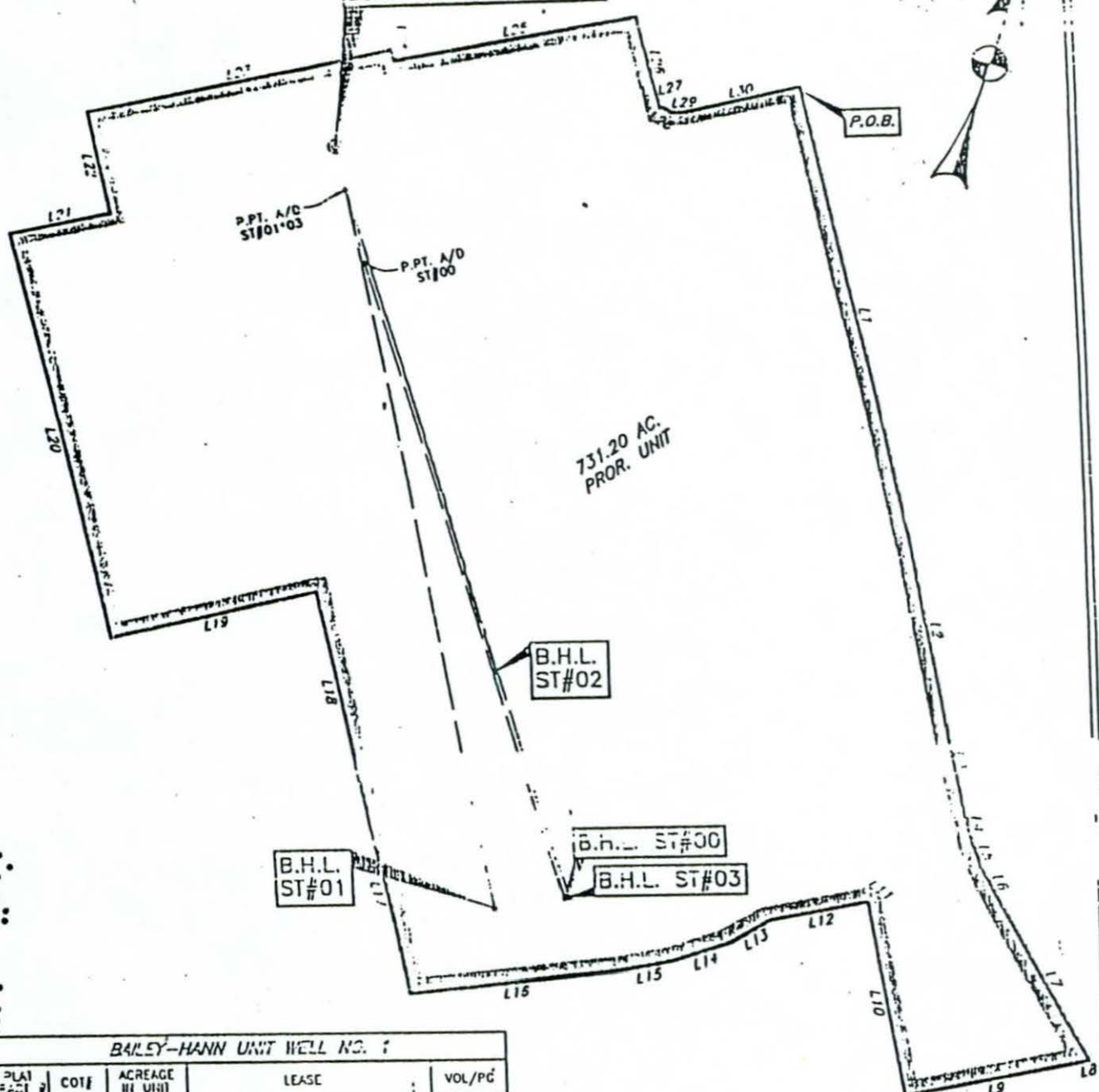
BY: *S.M. KLING*  
 S.M. KLING R.P.L.S. NO. 2003

SCALE: 1"=1000' SEPTEMBER, 1997 PAGE 1 OF 2

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 MILAM COUNTY, TEXAS

BAILEY-HANN  
UNIT WELL NO. 1  
SURF. LOC. ELEV: 344'

SCALE: 1"=1000'



BAILEY-HANN UNIT WELL NO. 1

PLAT NO.	COTE	ACREAGE IN UNIT	LEASE	VOL/PG
①	139	96.50	CLAUDE CARYLL CURVER CHARLES LEWIS BUNDICK FAUSTIENE D. BUNDICK, o wicow	--
②	140	75.38	FREEMAN JEROME SPRADLING, etux	719/604
③A	141	128.30	DONALD G. McBEE, etux	741/482
③B	140/141	11.57	AREA OF CONFLICT WHICH LIES WITHIN McBEE DEED LINE & WITHIN SPRAD. DEEDLINE-OCC. BY McBEE	
④A	142	50.28	DONALD G. McBEE, etux	741/479
④B	140/142	3.08	AREA OF CONFLICT WHICH LIES WITHIN McBEE DEED LINE & WITHIN SPRAD. DEEDLINE-OCC. BY McBEE	
⑤	143	36.21	ROY W. HANN, JR.	741/509
⑥	145A	16.06	CIVIL ENGINEERING SYSTEMS, INC.	741/513
⑦	145B	24.24	ROY W. HANN, JR.	741/509
⑧	146A	16.11	R.E. THOMPSON	733/117
⑨	146B	16.09	FRANCIS PETTIEY	733/120
⑩	146C	16.06	PATRICIA ELLOUISE WATKINS	733/111
⑪	146D	17.14	DOROTHY SPRADLING	733/114
⑫	147	50.69	ROY W. HANN, JR.	741/509
⑬	148A	20.48	ROY W. HANN, JR. JAMES PAUL & RUTH M. BOWLING	741/509
⑭	148B	20.44	MURRAY KENT, etux JAMES PAUL & RUTH M. BOWLING BILLY G. SHAW, etux	-- 735/757
⑮	148C	65.48	MYRLIN LESIKAR JAMES PAUL & RUTH M. BOWLING	733/108
⑯	227A	20.97	JAMES MICHAEL HILLSMAN F.M. ADAMS HEIRS	--
⑰	227B	6.23	JAMES MICHAEL HILLSMAN F.M. ADAMS HEIRS	--
⑱	228	19.59	W.B. BAILEY	725/887
⑲	230	19.97	W.B. BAILEY	725/887
⑳		0.35	STATE OF TEXAS-50' WIDE ROAD STRIP-171/153	-1
		731.20	ACRE UNIT	

UNIT PERIMETER METES:

LINE	BEARING	DIST.	LINE	BEARING	DIST.
1	S 31°02'02"E	3311.32	16	S 64°47'31"W	1463.11
2	S 29°22'25"E	1158.56	17	N 31°23'55"W	1423.85
3	S 29°39'06"E	658.36	18	N 31°07'41"W	1421.93
4	S 31°42'37"E	230.44	19	S 57°55'50"W	1465.42
5	S 38°10'49"E	193.05	20	N 31°39'11"W	2902.33
6	S 45°49'05"E	275.63	21	N 58°50'20"E	715.79
7	S 48°37'45"E	1200.41	22	N 30°13'45"W	754.99
8	S 59°06'36"W	58.95	23	N 59°30'45"E	2169.29
9	S 59°57'36"W	1233.16	24	S 30°10'31"E	81.13
10	N 29°33'11"W	1317.28	25	N 61°11'34"E	1702.77
11	N 71°37'53"W	8.33	26	S 31°45'51"E	675.26
12	S 60°07'49"W	682.38	27	N 56°39'52"E	19.35
13	S 41°45'01"W	304.16	28	S 77°33'36"E	81.10
14	S 53°34'50"W	425.21	29	N 69°16'39"E	84.41
15	S 60°53'44"W	371.95	30	N 58°32'48"E	818.47

PRORATION UNIT PLAT  
PREPARED: 09/25/97

EXHIBIT "A"

BAILEY-HANN  
UNIT WELL NO. 1

UNION PACIFIC RESOURCES COMPANY  
A. W. SILLAVEN SURVEY, A-326  
JENNETT BOWING SURVEY, A-95  
MILAM COUNTY, TEXAS.

SCALE: 1"=1000' SEPTEMBER, 1997 PAGE 2 OF 2

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OFFICIAL RECORDS  
MILAM COUNTY, TEXAS

VOL.




CLERK'S NOTICE: ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE, IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED  
AT 8 O'CLOCK A M  
ON THE 26 DAY OF Nov  
A.D., 19 97

STATE OF TEXAS  
COUNTY OF MILAM  
I hereby certify that this instrument was FILED on the date and at the time stamped hereon by me and was duly RECORDED in the Volume and Page of the Official Records of Milam County, Texas.

La Verne Soefje  
COUNTY CLERK, MILAM COUNTY, TEXAS  
BY Joan Pratt DEPUTY

  
La Verne Soefje  
County Clerk, Milam County, Texas  
VOL. 761 PAGE 861  
RECORDED 11-26-97 5:00 PM  
BY Joan Pratt DEPUTY

JOAN PRATT

SAGE ENERGY COMPANY  
10101 REDNION PLACE STE 800  
SAN ANTONIO TX 78226

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MILAM COUNTY, TEXAS

29K

Ⓜ 11

File No. MF-98474

unit designation-

Bailey-Hann

Date Filed: 8/25/98

Jerry E. Patterson, Commissioner

By \_\_\_\_\_

UNIT DESIGNATION - BAILEY-HANN

M-98474

4500



Oil & Gas Production Data Query

Production Data [FAQs](#) [PDQ Help](#)

General Production Query **Specific Lease Query**

Specific Lease Query Results

Query Path: [Search Criteria](#) > District 03, Lease: BAILEY-HANN UNIT

Date Range: Sep ▼ 2021 ▼ to Sep ▼ 2023 ▼

Unit 2656  
M-098474  
42-331-33484

Related Links

- [O&G Directory](#)
- [O&G Proration Schedule](#)
- [Offshore County Map](#)

View by: **Production and Total Disposition** [Disposition Details](#) [County Production](#)

Lease Name: BAILEY-HANN UNIT, Lease No: 23369

District 03  
Lease Production and Disposition  
Sept 2021 - Sept 2023

[View Page By Page](#)

Date	OIL (BBL)		Casinghead(MCF)		Operator Name	Operator No.	Field Name	Field No.
	Production	Disposition	Production	Disposition				
Sep 2021	68	0	0	0	TREADSTONE ENERGY PRTRN OP, LLC	866905	GIDDINGS (AUSTIN CHALK-3)	34733500
Oct 2021	180	183	0	0				
Nov 2021	66	0	0	0				
Dec 2021	0	243	0	0	LRR PECOS VALLEY, LLC	511724		
Jan 2022	38	186	248	248				
Feb 2022	0	0	224	224				
Mar 2022	8	0	21	21				
Apr 2022	0	0	0	0				
May 2022	0	0	0	0				
Jun 2022	0	0	0	0				
Jul 2022	0	0	0	0				
Aug 2022	0	0	0	0				
Sep 2022	0	0	0	0				
Oct 2022	0	0	0	0				
Nov 2022	0	0	0	0				
Dec 2022	0	0	0	0				
Jan 2023	0	0	0	0				
Feb 2023	0	0	0	0				
Mar 2023	0	0	0	0				
Apr 2023	0	0	0	0				
May 2023	0	0	0	0				
Jun 2023	0	0	0	0				
Jul 2023	0	0	0	0				
Aug 2023	0	0	0	0				

*90 day cessation*  
*unit terminated*  
*7/2022*

<b>Sep 2023</b>	NO RPT	NO RPT	NO RPT	NO RPT				
<b>Total</b>	360	612	493	493				

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2023-10-27 12:11 PM  
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File No. MF098474

Milam County

Termination info for Unit 2656

Date Filed: 10/27/23

Commissioner Dawn Buckingham, M.D.

By: MB Bamstap