

iNut 9998

Unit 2846

iNut 11458

STATE LEASE

MF099010

CONTROL	BASEFILE	COUNTY	
56-031069	000 -	MILAM	/166

SURVEY : HIGHWAYS & PUBLIC TRANSPORTATION
 BLOCK :
 TOWNSHIP : 00
 SECTION/TRACT:
 PART :
 ACRES : 4.50
 DEPTH LIMITS : NO

Rentals: *YMT.*

Lease Admin: *DR.*

Mineral *DK*

Maps:

LESSEE : UNION PACIFIC RESOURCES COMPANY
 LEASE DATE : Mar 17 1998
 PRIMARY TERM : 3 yrs
 BONUS (\$) : 337.50
 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

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~~Two Lease Pk~~

3.17.98

GENERAL LAND OFFICE

GARRY MAURO
COMMISSIONER

MEMORANDUM

Docket # # 103

DATE: 3.11.98

TO: Linda Fisher / School Land Board

From: Drew Reid / Minerals Leasing

RE: Applications To Lease Highway Right-of-Way

99010

A) Applicant - UPRC
Description - 4.5 ac. along State Hwy. 43, situated in the Thomas J. Chambers Sur., A-6 in Milam Co.
Terms - \$75.00/Ac. Bonus, 1/6 Royalty, 3 Years Paid-up

337.50
9.06

11 B) Applicant - Allegro Investments, Inc.
Description - 25.9 ac. along FM 234, situated in the Juan Fernandez One League Grant, A-21; the Carlos Lasso One League Grant, A-40 and the CB Mixon Sur., A-227, in Jackson Co.
Terms - \$250.00/Ac. Bonus, 1/4 Royalty, 2 years Paid-up

* 26.739 Gross ac
18.9195 Net ac

4,729.88
70.95

12 C) Applicant - Louis Dreyfus Natural gas Corp..
Description - 4.55 ac. along State Hwy. 77, situated in the OH Stapp Sur., A-397 in Lavaca Co.
Terms - \$125.00/Ac. Bonus, 1/6 Royalty, 3 Year Paid-up

568.75
8.53

13 D) Applicant - Edge Petroleum Exploration Company
Description - 84 ac. along Hwy. 59, situated in the H & GN Ry. Co. Sur., A-242; the CB Ferrell Sur., A-497; the DR Fant Sur., A-574; the TA Blair Sur., A-691; the Pat Burke Sur., A-688 and the AB & M Ry. Co. Sur., A-684 in Live Oak Co.
Terms - \$150.00/Ac. Bonus, 1/5 Royalty, 3 Years Paid-up

12,600.00
189.00

- E) Applicant - Adobe Energy, Inc.
 99014 Description - 17.5 ac. along Hwy. 36, situated in the H & TCRR Sur., A-205, the CF Machemehl Sur., A-401 and the CF Machemehl Sur., A-387 and the H & TCRR Sur., A-204 in Austin Co.
 Terms - \$140.00/Ac. Bonus, 1/5 Royalty, 3 Years Paid-up 2450.00
 36.75
- F) Applicant - UPRC
 15 Description - 5.475 ac. along State Hwy. 77, situated in the TO Berry Sur., A-127, the GW Robinson Sur., A-279 and the J Ellender Sur., A-179 in Fayette Co.
 Terms - \$200.00/Ac. Bonus, 28.125 % Royalty, 1 Year Paid-up 7095.00
 16.43
- G) Applicant - Columbus Energy Corp.
 16 Description - 8.9 ac. along State Hwy. 35, situated in the PTR Stone League, A-127, the Bowman & Williams Sur., A-9 and Elisha Hall League in Harris Co.
 Terms - \$50.00/Ac. Bonus, 1/5 Royalty, 1 Year Paid-up 445.00
 6.68
- H) Applicant - Talon Development Company.
 17 Description - 11.20 ac., along US Hwy. 77, situated in the Paul Scarborough Sur., A-403 in Lavaca Co.
 Terms - \$125.00/Ac. Bonus, 1/5 Royalty, 3 Years Paid-up 400.00
 21.00
- I) Applicant - John C. Todd
 18 Description - 14.313 ac. along Hwy. 91 (East side only), situated in the J. Manning Sur. in Grayson Co.
 Terms - \$40.00/Ac. Bonus, 1/8 Royalty, 10 Years Paid-up 572.52
 8.59
- J) Applicant - Hugoton Energy Corporation
 19 Description - 22.893 ac. along State Hwy. 7, situated in the Thos. Woolridge Sur., A-583 in Limestone County Co.
 Terms - \$100.00/Ac. Bonus, 3/16 Royalty, 3 Years Paid-up 2289.30
 34.34
- K) Applicant - Clayton Williams Energy, Inc.
 20 Description - 6.370 ac. along FM Hwy. 50, situated in the GA Nixon Sur., A-31 in Robertson Co.
 Terms - \$100.00/Ac. Bonus, 1/5 Royalty, 1 Year Paid-up 637.00
 9.56
- L) Applicant - Clayton Williams Energy, Inc. 50% and Union Pacific Resources 50%
 21 Description - 1.439 ac. along Hwy. 79, situated in the GA Nixon Sur., A-31 in Robertson Co.
 Terms - \$150.00/Ac. Bonus, 22% Royalty, 1 Year Paid-up 215.85
 3.24
- M) Applicant - Nueces Energy Company
 22 Description - 4.5 ac. along Co. Rd. 1041, situated in the H. Howard Sur. in Freestone Co.
 Terms - \$60.00/Ac. Bonus, 1/6 Royalty, 3 Years Paid-up 270.00
 4.05

N) Applicant - Titan Resources, L.P.

99023

Description - 8.9876 ac. total- 1.9284 ac. along Adamek Rd., 3.168 ac. along Oil Field Rd., .4132 ac. along Parkinsons Lane and 3.478 ac. along FM 332, situated in the SM Williams Sur., A-110 and the H. Hensley Sur., A-59 in Washington Co.

Terms - \$200.00/Ac. Bonus, 1/5 Royalty, 3 Years Paid-up

1,797.52

26.96

O) Applicant - UPRC

24

Description - 24.4 ac. along Hwy. 389 (13.69 ac.) and Hwy. 332 (10.06 ac.), situated in the James Schrier Lea., A-98 and the Phillip H. Coe Sur., A-31 in Washington Co.

Terms - \$150.00/Ac. Bonus, 1/5 Royalty, 3 Years Paid-up

3660.00

54.90

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.

MP _____
ITEM App to Bid
TO _____
FROM _____
DATE 3-11-98

The State of Texas



Austin, Texas

PAID-UP
OIL AND GAS LEASE NO. M-99010
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 Three Hundred Thrity Seven Dollars and 50/100 (\$337.50), receipt of which is hereby acknowledged, and of the covenants and agreements of Lessee hereinafter contained, does hereby grant, lease, and let unto Lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil, gas, and all other hydrocarbons, produced from the land covered hereby. The land covered hereby, herein called "said land" is located in the County of Milam, State of Texas, and is described as follows:

4.5 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 4.5 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 March 17, 1998, 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.

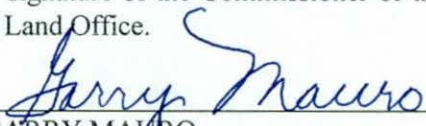
12. WELL INFORMATION: Lessee agrees to forthwith furnish Lessor, upon written request, with copies of all drilling logs, electrical logs, cores and core records and other information pertaining to all wells drilled by lessee either on the leased premises or acreage pooled therewith, when requested to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

IN TESTIMONY WHEREOF, witness the signature of the Commissioner of the General Land Office of the State of Texas under the seal of the General Land Office.


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

Approved:
Energy: RH
Executive: SR

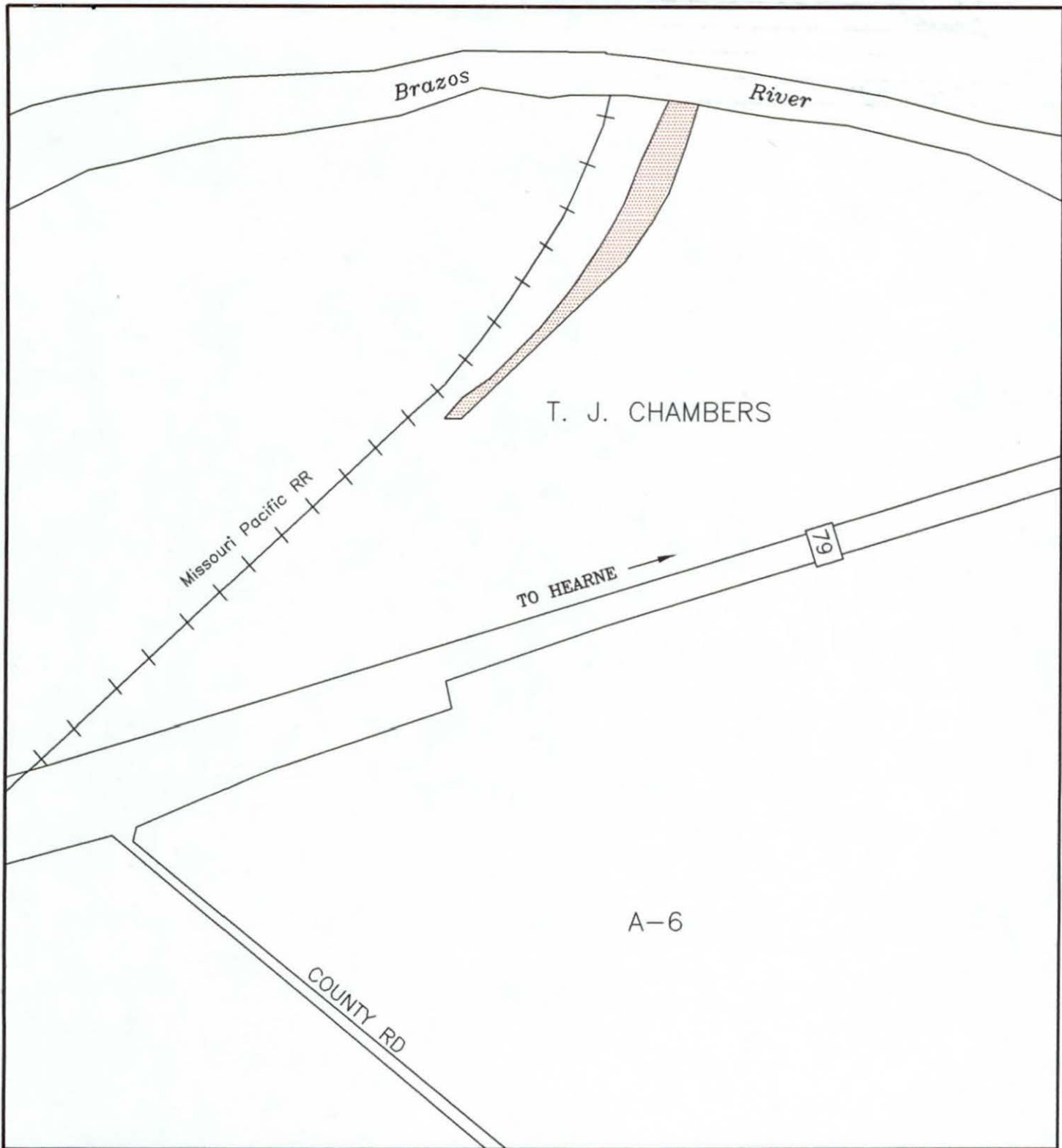


Exhibit "A"

Acreage to be Leased from the State of Texas in Milam
County, Texas, being part of St. Hwy. 43

4.5 acres of land, more or less, situated in the T.J. Chambers Sur., A-6 in Milam County, Texas and being the same land described in the following Deed, Recorded in the Deed Records of Milam County, Texas:

1. Deed from H.M. Lange and wife, Nora Lange to the State of Texas, dated 12/31/36 and recorded in V.218, P.573, of the Deed Records of Milam County, Texas.



STHWY43/RH/3-98

MAP SHOWING
A PORTION OF STATE HIGHWAY 43 (ABANDONED)
4,5 ACRES
10 MILES SOUTHWEST OF HEARNE
MILAM COUNTY

② MF 99010
ITEM Lead
TO _____
FROM _____
DATE 3-17-98

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 4.5 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 STATE HIGHWAY NO. 43;

4.5 acres of land, more or less, in the T. J. Chambers Survey, A-6, Milam County, Texas, and being the same land described as follows, to-wit:

4.5 acres being the same land described in that certain Warranty Deed dated December 31, 1936, from H. M. Lange and wife, Mrs. Nora Lange to State of Texas, and recorded in Volume 218, Page 573 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: W. B. Bailey	735/704	1/6	\$75.00	Paid-Up
Tract 2: Betty Joyce Stuckey, et al	759/378	1/6	\$50.00	Paid-Up
Tract 3: Open (Title for Adverse Possession in progress)				
Tract 4: Dwain L. Mills, et ux	741/442	1/6	\$50.00	Paid-Up

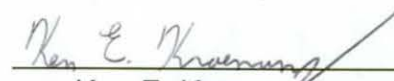
Affiant further states that said lands listed as Tract 1 through Tract 4 herein, correspond to the lands listed as same on the attached map, labeled Exhibit "A" and including the subject area of Milam County, Texas.

Further affiant sayeth not.

Dated this 19th day of February, 1998.

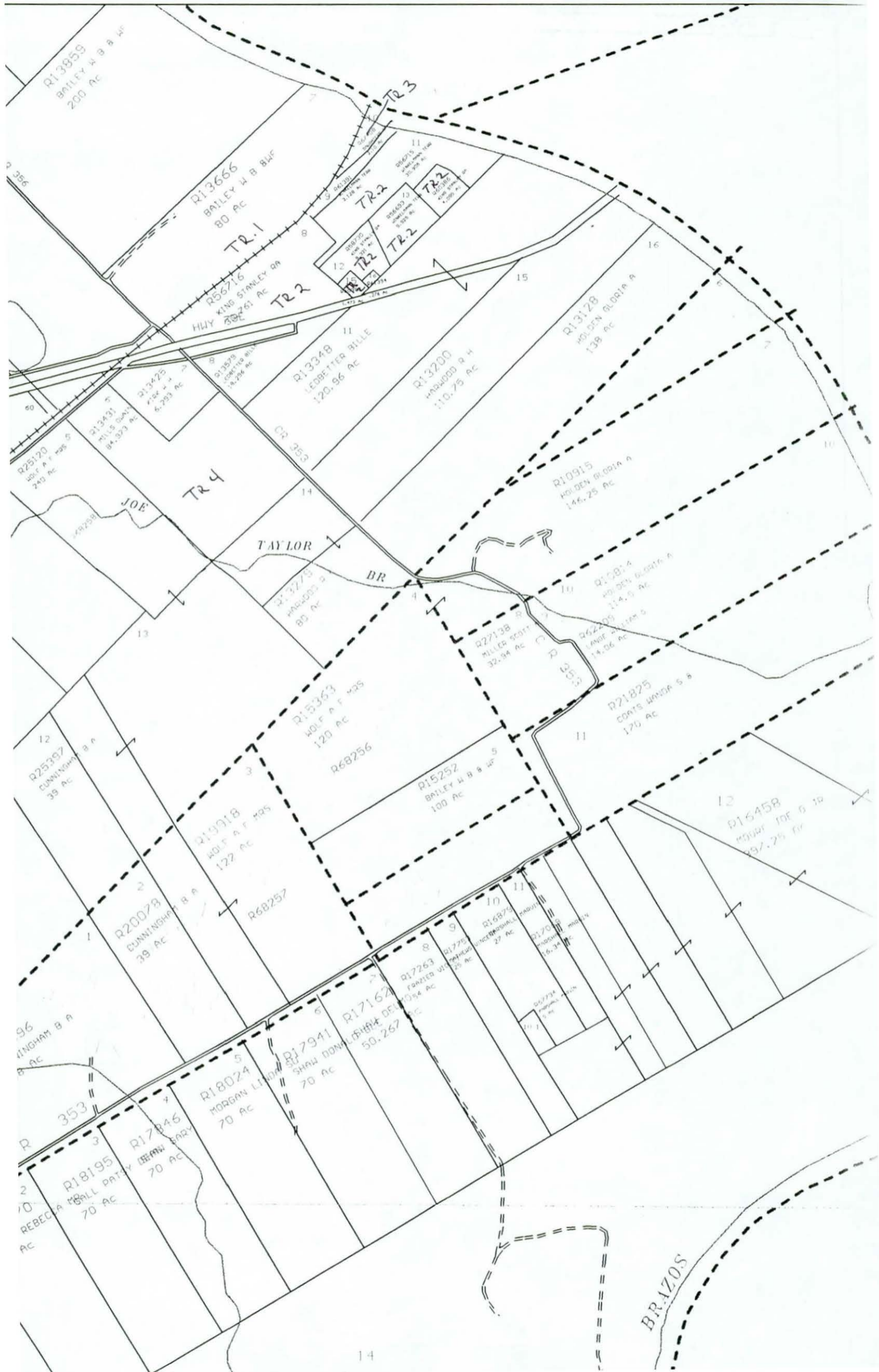

Bill Kutner

SUBSCRIBED AND SWORN BEFORE ME THIS 19th DAY OF February, 1998.


Ken E. Kroenung
Notary Public, State of Texas

My Commission Expires
December 30, 2001





3) 99010
ITEM Affidavit
TO
FROM
DATE 2-19-98

3-17-98 (A)

JIM BURGIN AND ASSOCIATES, INC.

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

February 20, 1998

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
State Highway No. 43 (Abandoned)
4.5 acres
Milam County, Texas

75.00
1/6
3yr Paid-up

Dear Mr. Reid:

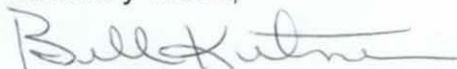
Union Pacific Resources Company is hereby making an application to lease a 4.5 acre right-of-way tract located along State Highway No. 43, Milam County, Texas. Union Pacific Resources Company is the adjacent mineral owner to this tract as a result of currently existing oil and gas leases.

Attached to this application is the following:

- 1.) Plat of the right-of-way tract showing the boundaries and dimensions of said tract:
- 2.) Vicinity map indicating the location of the 4.5 acres to be leased.
- 3.) Copy of the source deed into the State of Texas.

If you have any questions or comments, please don't hesitate to contact me at the above telephone number.

Sincerely Yours,



Bill Kutner

4. M 99010
ITEM Letter
TO
FROM
DATE 2-20-98

Faint handwritten text, possibly "Letter" and "2-20-98"



JIM BURGIN AND ASSOCIATES, INC.

Professionals in Land Services
105 E. Main Street
Cameron, Texas 76520
817-697-8097
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February 20, 1998

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
State Highway 43 (Abandoned)
4.5 acres
Milam County, Texas

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

5 MF 99010
ITEM Letter
TO _____
FROM _____
DATE 2-20-98

Post-it® Fax Note	7671	Date	2/27/98	# of pages	4
To	Drew Reid	From	John W.		
Co./Dept.		Co.			
Phone #		Phone #			
Fax #		Fax #			

STATE OF TEXAS
 TM 180J
 4.5 acres, T. J. Chambers, A-6
 Milam County, Texas
 Moore Unit #1

MEMORANDUM OF TITLE

DESCRIPTION OF LANDS

4.5 acres of land, more or less, out of the THOMAS J. CHAMBERS SURVEY, A-6, Milam County, Texas, described in that certain Deed dated December 31, 1936 from H. M. Lange and wife to the State of Texas and recorded in Volume 218, Page 573 of the Deed Records of Milam County, Texas.

MATERIALS EXAMINED

OWNERSHIP

Surface Ownership

STATE OF TEXAS
 1/1

1.00000000

Total Ownership

1.00000000

02/26/1998

Union Pacific Resources Group

Page 1

Executive Rights & Mineral Fee

STATE OF TEXAS 1/1	1.00000000
Total Ownership	1.00000000

Working Interest

	Expense	Revenue	Source
STATE OF TEXAS 1/1	1.00000000	1.00000000	
Total Working Interest	1.00000000	1.00000000	

DEEDS OF TRUST/MORTGAGES

DT, FOWLER - MONTEITH

Date: 07/01/1899
 Grantor(s): D. D. FOWLER et ux, EMILINE PATTY FOWLER
 Grantee(s): A. M. MONTEITH, TRUSTEE
 Filing Date: 08/01/1899
 Recorded: Book 014, Page 157, Deed Of Trust Records, Milam County, Texas
 Lands Described: 245 1/5 acres, J. T. Chambers, A-6.
 Interest Covered: DEED OF TRUST, intended as a trust for securing of George P. Wauty in payment of promissory note, \$1300, bearing 8% interest, due 7/1/1904. As a renewal and extension of balance due on 4 VL notes executed by H. K. Tidwell and D. D. Fowler on 12/20/1895, payable to Executor of the Estate of H. L. Lewis, dec'd.
 Principal Amount: \$ 1,300.00
 Maturity Date: 07/01/1904
 Subordination:
 Present Owner:
 Examiner's Note:

UNRELEASED LEASES

LEASE, Unr. LANGE - BOWLING ET AL

Date: 05/10/1916
Lessor(s): H. M. LANGE et ux, NORA LANGE
Lessee(s): RUDOLPH BOWLING, LOUIE JAMES BOWLING and C. S. CRITCHFIELD
Filing Date: 01/15/1917
Recorded: Book 139, Page 184, Deed Records, Milam County, Texas
Lands Described: 127 1/2 acres, T. J. Chambers, A-6 (and other property).
Primary Term: 36 Months
Present Owner:
Examiner's Note:

LEASE, Unr. LANGE - TREIBLE

Date: 11/22/1923
Lessor(s): H. LANGE et ux
Lessee(s): HENZE TREIBLE OIL & GAS
Filing Date: 02/05/1924
Recorded: Book 004, Page 513, Oil And Gas Records, Milam County, Texas
Lands Described: 80.00 acres, T. J. Chambers, A-6.
Primary Term: 60 Months
Present Owner:
Examiner's Note:

EXHIBIT A - CERTIFICATION OF BURDEN RELATIONSHIPS

STATE OF TEXAS

1.00000000

UNLEASD

Total Ownership

1.00000000

6

MF 99010
ITEM FAX
TO _____
FROM _____
DATE 2-27-98

POSTAGE WILL BE PAID BY ADDRESSEE

THIS LEASE AGREEMENT is made effective the 28 th day of May, 19 96,
between W. B. Bailey

as Lessor (whether one or more), whose address is P. O. Box 118, Gause, TX 77857

and UNION PACIFIC RESOURCES COMPANY

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 A ATTACHED HERETO AND MADE A PART HEREOF FOR THE DESCRIPTION OF THE LEASED PREMISES

SEE EXHIBIT B ATTACHED HERETO AND MADE A PART HEREOF FOR ADDITIONAL LEASE PROVISIONS

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 425.0442 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 1/6 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 1/6 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 if 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.

SS# AND/OR TAX ID #

[Redacted]

LESSOR:

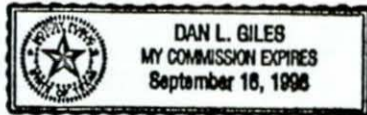
W. B. Bailey
W. B. Bailey

STATE OF TEXAS)
COUNTY MILAM) ss.

This instrument was acknowledged before me this 30th day of May, 1996, by W. B. Bailey

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:

Attached hereto and made a part hereof that certain Oil and Gas Lease dated May 28, 1998 by and between W. B. Bailey, as Lessor, and UNION PACIFIC RESOURCES COMPANY as Lessee.

Exhibit A

LEASE DESCRIPTION

425.0442 acres of land, more or less, in the T. J. Chambers One League Survey, Abstract No. 6, and the H.M.D. Nutt Survey, Abstract No. 284, Milam County, Texas, and being described in three tracts as follows:

TRACT 1: 200 acres of land, more or less, in the T. J. Chambers One League Survey, Abstract No. 6, Milam County, Texas, and being the same land described in that certain Warranty Deed dated January 9, 1920 from C. S. Critchfield and wife, Lillie B. Critchfield to W. H. Bailey and recorded in Volume 154, Page 515 of the Deed Records of Milam County, Texas.

TRACT 2: 80 acres of land, more or less, in the T. J. Chambers One League Survey, Abstract No. 6, Milam County, Texas, and being the same land described in that certain Warranty Deed dated November 19, 1927 from Oxsheer Smith and wife, Marion D. Smith to W. H. Bailey and recorded in Volume 189, Page 323 of the Deed Records of Milam County, Texas.

TRACT 3: 145.250/5645 acres of land, more or less, in the H.M.D. Nutt Survey, Abstract No. 284, Milam County, Texas and being the same land described as Tract 1 in that certain Warranty Deed dated June 15, 1955 from W.H. Bailey and wife, Peachie Bailey to W.B. Bailey and recorded in Volume 289, Page 626 of the Deed Records of Milam County, Texas.

LESSOR INITIALS

W.B. Bailey

VOL.

755

PAGE

706

Page 1 of 2

OFFICIAL RECORDS
MILAM COUNTY, TEXAS

Attached hereto and made a part hereof that certain Oil and Gas Lease dated May 28, 1996 by and between W. B. Bailey, as Lessor, and UNION PACIFIC RESOURCES COMPANY as Lessee.

Exhibit B

DAMAGE/CLEAN UP

1. Lessee agrees to use reasonable care in its operations on the leased premises, and within a reasonable period of time after the completion of any drilling operations on the leased premises, Lessee shall proceed with reasonable diligence to restore the surface of the leased premises to as near its original condition as reasonably practicable, and shall pay Lessor in full for all actual damages to crops, livestock, land or improvements situated on the leased premises caused by Lessee's operations. Upon written request by Lessor, Lessee shall bury pipelines and flowlines below ordinary plow depth.

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 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, in the event a portion or portions of the land herein leased is pooled or unitized with other land so as to form a pooled unit or units, operations on, completion of a well upon, or production from such unit or units will not maintain this Lease in force as to the land not included in such unit or units. This Lease may be maintained in force as to any land covered hereby and not included in such unit or units in any manner provided for herein; provided that if it be by rental payments, said rentals shall be reduced in proportion to the number of acres covered hereby and included in such unit or units.

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 4 DAY OF Oct
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. 735 PAGE 704
RECORDED 10-04-96 @ 5:00 PM
BY Joan Pratt DEPUTY

JOAN PRATT

W. B. Bailey
LESSOR INITIALS

VOL. 735 PAGE 707
OFFICIAL RECORDS
MILAM COUNTY, TEXAS

15R

THIS LEASE AGREEMENT is made effective the 8 th day of August, 19 97.between Charles Edward Lange, Nora Louise Cios, Betty Joyce Stuckey, Michael Wayne Langeas Lessor (whether one or more), whose address is 382 Connalt Way, Houston, TX 77015and 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 "A" ATTACHED HERETO AND MADE A PART HEREOF FOR THE LEGAL DESCRIPTION OF THE LEASED PREMISES

SEE EXHIBIT "B" ATTACHED HERETO AND A PART HEREOF FOR ADDITIONAL LEASE PROVISIONS

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 107.1850 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 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 #

[Redacted]
[Redacted]
000-00-0000

LESSOR:

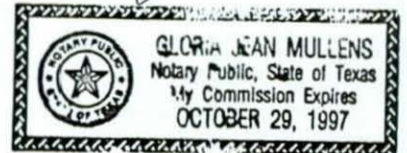
Charles Edward Lange
Charles Edward Lange
Nora Louise Steady
Nora Louise Steady C105

STATE OF Texas)
COUNTY Harris)

This instrument was acknowledged before me this 18 day of August, 1997, by CHARLES EDWARD LANGE

Gloria Jean Mullen
Notary Public

My Commission Expires:
4-8-2000

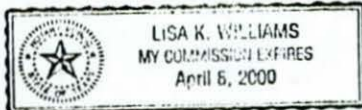


STATE OF Texas)
COUNTY Harris)

This instrument was acknowledged before me this 20th day of July, 1997, by _____

Lisa K. Williams
Notary Public

My Commission Expires:
4-8-2000



Attached hereto and made a part hereof that certain Oil and Gas Lease dated August 8, 1997 by and between Charles Edward Lange, et. al., as Lessor, and UNION PACIFIC RESOURCES COMPANY as Lessee.

SS # AND/OR TAX ID #:
000-00-0000

LESSOR:

Betty J. Stuckey
Betty Joyce Stuckey

000-00-0000

Michael Wayne Lange
Michael Wayne Lange

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MILAM COUNTY, TEXAS

LESSOR INITIALS

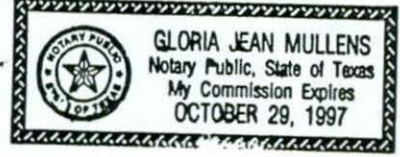
Page 1 of 4

Attached hereto and made a part hereof that certain Oil and Gas Lease dated August 8, 1997 by and between Charles Edward Lange, et. al., as Lessor, and UNION PACIFIC RESOURCES COMPANY as Lessee.

STATE OF TEXAS
COUNTY OF Harris

This instrument was acknowledged before me on this 18th of August, 1997, by
Betty J. Stuckey.

Gloria Jean Mullens
Notary Public, State of Texas
Printed Name: GLORIA JEAN Mullens
Commission Expires: 10-29-97



STATE OF TEXAS
COUNTY OF Harris

This instrument was acknowledged before me on this 18th of August, 1997, by
Michael Wayne Lange.

Gloria Jean Mullens
Notary Public, State of Texas
Printed Name: GLORIA JEAN Mullens
Commission Expires: 10-29-97

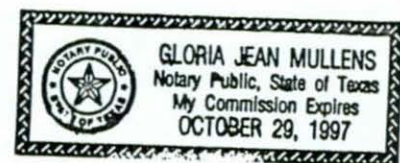


Exhibit A

LEGAL DESCRIPTION

107.185 acres of land, more or less, in the T. J. Chambers Survey, Abstract No. 6, Milam County, Texas, and being the same land described in four tracts as follows: Tract 1: 33.889 acres, and being the same land described in that certain Warranty Deed dated July 30, 1983 from Nora Louise Cios, et al, to Raebon Stanley King and wife, Karen Louise King and recorded in Volume 512, Page 4, of the Official Records of Milam County, Texas. Tract 2: 20 acres, being the same land described in that certain Warranty deed dated April 16, 1984, from Charles Edward Lange, et al, to The Veterans Land Board of the State of Texas, and recorded in Volume 511, Page 394 of the Official Records of Milam County, Texas. Tract 3: 18.296 acres, being the same land described in that certain Warranty Deed dated January 31, 1985 and described in a that certain Warranty Deed dated January 3, 1985, conveyed from Nora Louise Cios et al , to William Garlan Lange, and wife Melanie Lange , recorded in Volume 528, page 711 of the Official Records in Milam County, Texas. Tract 4: 35 acres being the same land described in that certain Warranty Deed dated July 28, 1983 of land being more described in a Warranty deed dated July 28, 1983, conveyed from Nora Louise Cios et al to Margaret R Cagianut and recorded in Volume 513, Page 576 of the Official Records of Milam County Texas.

*M. S. L.
B. G. S.
C. E. L.
D. J. C.*

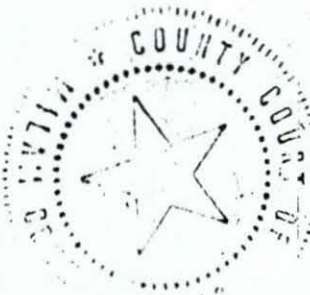
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OFFICIAL RECORDS
MILAM COUNTY, TEXAS

Attached hereto and made a part hereof that certain Oil and Gas Lease dated August 8, 1997 by and between Charles Edward Lange, et. al., as Lessor, and UNION PACIFIC RESOURCES COMPANY as Lessee.

Exhibit B

LEASE EXTENSION

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 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 11:15 O'CLOCK A.M.
ON THE 16 DAY OF Oct.
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

La Verne Soefje
COUNTY CLERK, MILAM COUNTY, TEXAS

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RECORDED 10-16-97 @ 5:00 PM

BY *Joan Pratt* DEPUTY

BY *Joan Pratt* DEPUTY

JOAN PRATT

*m. a. l.
B. J. S.
C. E. L.
NLC*

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OFFICIAL RECORDS
MILAM COUNTY, TEXAS

LESSOR INITIALS

190A

27551

OIL, GAS & MINERAL LEASE

PROD 88 (REV 8/93)
PAID UP

THIS LEASE AGREEMENT is made effective the 16th day of October, 1996.

between Dwain L. Mills and wife, Earlene A. Mills

as Lessor (whether one or more), whose address is P. O. Box 1432, Pasadena, TX 77501

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:

Eighty-Four And Nine Hundred Seventy-Three/One-Thousandths (84.973) Acres, more or less, a part of the T. J. Chambers Survey, A-6, Milam County, Texas, and being the same land described in Warranty Deed dated April 21, 1980, recorded in Volume 461, Page 919 of the Deed Records of Milam County, Texas, from W. H. Kirk et ux Claudia M. Kirk to Dwain L. Mills et ux Earlene A. Mills.

SEE EXHIBIT A ATTACHED HERETO FOR ADDITIONAL PROVISIONS.

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 84.9730 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 1/6 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 1/6 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.

SS# AND/OR TAX ID #

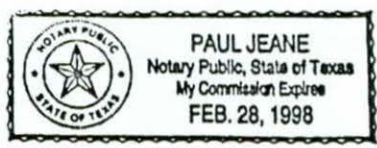
LESSOR:
Dwain L. Mills
Dwain L. Mills
Earlene A. Mills
Earlene A. Mills

STATE OF TEXAS)
COUNTY MILAM) ss.

This instrument was acknowledged before me this 16th day of October, 19 96, by Dwain L. Mills.

Paul Jeane
Notary Public

My Commission Expires:
2:28:98

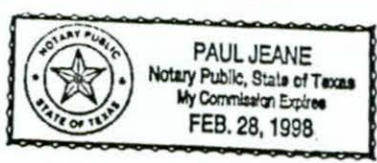


STATE OF TEXAS)
COUNTY MILAM) ss.

This instrument was acknowledged before me this 16th day of October, 19 96, by Earlene A. Mills.

Paul Jeane
Notary Public

My Commission Expires:
2:28:98



Attached hereto and made a part hereof that certain Oil and Gas Lease dated October 16, 1996 by and between Dwain L. Mills and wife, Earlene A. Mills, as Lessor, and UNION PACIFIC RESOURCES COMPANY as Lessee.

Exhibit A

EXTENSION OPTION

Lessee is hereby given the option, to be exercised on or before the end of the primary term, 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 thirty-four dollars (\$34.00) 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 12:30 O'CLOCK P M
ON THE 3 DAY OF Jan
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

VOL. 741 PAGE 442

RECORDED 1-3-97 @ 5 PM

BY La Verne Soefje DEPUTY

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



DLM. E.A.M.
LESSOR INITIALS

A

218/2
573/3

Filed for record on the 31 day of December 1936 at 11:30 o'clock A.M.
Homer Nabours, County Clerk.

H.M.Lange et ux
TO: Right of Way
State of Texas

STATE OF TEXAS
COUNTY OF MILAM. KNOW ALL MEN BY THESE PRESENTS:

THAT we, H.M.Lange & wife of the County of Milam in the State of Texas, for and in consideration of the sum of Four Hundred and Fifty 00/100 dollars, to us in hand paid by the State of Texas, acting through the State Highway Commission, receipt of which is hereby acknowledged, have this day sold, and do by these presents grant, bargain, sell and convey unto the State of Texas all that certain tract or parcel of land situated in the County of Milam State of Texas, and being part of a survey originally granted to T.J.Chambers by Patent No. 165 Vol. 30 Abstract No.6 and being a part of a tract of 126 acres conveyed by D.D.Fowler to H.M.Lange by deed dated the 27th day of March 1911, and recorded in Volume No. 114 page No. 155 of the Deed Records of Milam County, Texas; said tract or parcel of land herein conveyed, being more particularly described as follows:

The land herein conveyed is a part of and out of the T.J. Chambers Survey in Milam County, Texas.

A strip of land on the East side of the present location of State Highway No. 43 from the Brazos River approximately 1730 feet South along the present location of Highway No. 43, as surveyed by the Resident Engineer of the Texas State Highway Department and more particularly described as follows:

Beginning at a point 54 feet to the Right and at right angles to Survey Station 588 - 80 for the place of beginning; Thence S 82-45 E a distance of 73 feet; Thence N 52-30 E a distance of 1047 feet; Thence around a 2 degree and 30 minute curve to the left a distance of 500 feet to end of said 2-30 curve and a distance of 200 feet from the center line of Highway No. 43; Thence N 25-33 E a distance of 250 feet to the Brazos River, Thence up the Brazos River in a Westerly direction a distance of 150 feet to the present Right-of-way line same being 50 feet from the center line of State Highway No. 43; Thence in a Southerly direction with the Present Right-of-way line a distance of 1782 feet to the place of beginning and containing 4.50 acres of land.

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

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

And we hereby bindg our heirs, executors and administrators to forever warrant

and defend the rights and title to said premises unto the said State of Texas against every person whomsoever lawfully claiming or to claim the same or any part thereof.

Witness our hands, this the 31st day of December A.D. 1936.

H.M.Lange

Mrs. Nora Lange

STATE OF TEXAS

COUNTY OF MILAM. Before me, the undersigned authority in and for said county and State, on this day personally appeared H.M.Lange, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office, this the 31 day of Dec. A.D. 1936.

Homer Nabours, County Clerk Milam County, Texas

(Seal)

STATE OF TEXAS

COUNTY OF MILAM. Before me, the undersigned authority in and for said county and State, on this day personally appeared Mrs. Nora Lange, wife of H.M. Lange, known to me to be the person whose name is subscribed to the foregoing instrument, and having been examined by me privily and apart from her husband and having the same fully explained to her, she the said Mrs. Nora Lange acknowledged such instrument to be her act and deed and declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

Given under my hand and seal of office, this the 31 day of Dec. A.D. 1936.

Homer Nabours, County Clerk Milam County, Texas

(Seal)

Filed for record on the 31 day of December 1936 at 11 o'clock A.M.

Homer Nabours, County Clerk.

ANDERSON, CLAYTON & CO.

TO: Cancellation of Lease Contract.

MRS. ANNE W. MC CLENDON ET VIR.

Cancellation of Lease Contract

PRESS MARK- "WATX"

THIS MEMORANDUM, entered into as of the 25th day of September 1936, by and between ANDERSON, CLAYTON & CO. of Houston, Texas, party of the first part, and Mrs. Anne W. McClendon, joined by her husband, J.W. McClendon of Austin, of the County of Travis, State of Texas, party of the second part, WITNESSETH:

That the parties hereto have, by mutual consent and agreement, cancelled and terminated that certain Lease Contract entered into and between them, dated Jan. 1, 1928, and duly recorded the 30th day of August, 1928, in Volume 189 at page 330, of the Deed Records of Milam County, State of Texas, whereby party of the first part leased to party of the Second

7.

MF 99010
ITEM Adjacent Leases
EQ _____
FROM _____
DATE 5-28-96



MEMORANDUM

TEXAS GENERAL LAND OFFICE • GEORGE P. BUSH • COMMISSIONER

DATE: May 7, 2019 **PSA# 00244**

TO: School Land Board

FROM: Pooling Committee

SUBJECT: Request from Treadstone Energy Partners to have the State enter into a Production Sharing Agreement for drilling of one or more allocation wells.

- **Treadstone Energy Partners** is the operator of the Moore Unit (GLO Unit 2846/ MF099010 and MF099118) in which the State has a royalty interest, and they are requesting that the royalty owners sign a Production Sharing Agreement, which the School Land Board has the authority to approve pursuant to Texas Natural Resources Code §52.154.
- The Production Sharing Agreement will allow the operator to drill the Cora 1HA Well, API No. 42-331-35056, which crosses the Moore Unit (GLO Unit 2846/ MF099010 and MF099118).
- The State's participation in the sharing wells will be based on productive lateral length from first take point to last take point.


POOLING COMMITTEE RECOMMENDATION:

The Pooling Committee recommends Board approval of the Production Sharing Agreement.



Mark Steinbach – Office of the Attorney General

4/25/19
Date



Robert Hatter – General Land Office

4/25/19
Date



Stacie Bennett – Office of the Governor

4/25/2019
Date

8

File No. MF099010

Milam County

Memo to SLB

Date Filed: 5/15/19

George P. Bush, Commissioner

By AA



MEMORANDUM

TEXAS GENERAL LAND OFFICE • GEORGE P. BUSH • COMMISSIONER

TIME SENSITIVE: Action Required by: (May 15, 2019)

DATE: May 7, 2019
TO: Commissioner Bush
FROM: Mary Beth Barnstone
SUBJECT: Production Sharing Agreement for signature

FILE COPY

.....
SUMMARY: Attached for your approval and signature are duplicate originals of a Production Sharing Agreement that was approved by the School Land Board on May 7, 2019.

DETAILS: The Production Sharing Agreement will allow for the drilling of additional horizontal development wells on existing units or leases that include State mineral or royalty interests. §52.154 of the Texas Natural Resources Code gives the School Land Board authority to approve, and gives the Commissioner authority to execute agreements that commit the royalty interest of the State for the benefits of production of oil and/or gas. This agreement has been reviewed and approved by Energy Resources staff and the Legal Services Division.

Document Name	Recipient
Production Sharing Agreement Cora 1HA Well State Unit 2846, Lease No. M-099010 and MF099118 Milam County, Texas	Treadstone Energy Partners

Recommendation: Please sign and return to Mary Beth Barnstone in Energy Resources

Attachment: Two Production Sharing Agreements

Thru: Ken Mills

9

File No. MF099010

Milam County

Memo to Commissioner

Date Filed: 8/15/19

By George P. Bush, Commissioner

[Signature]

FILED



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

May 14, 2019

Mr. Colton Sanford
Treadstone Energy Partners Operating, LLC
106 Vintage Park Blvd., Suite 100
Houston, Texas 77070

Re: Production Sharing Agreement
Cora 1HA Unit
State Unit 2846
State Leases M-099010 and M-099118
Milam County, Texas

FILE COPY

Dear Mr. Sanford:

On May 7, 2019, the School Land Board of the State of Texas approved your application to have the State enter into a Production Sharing Agreement ("PSA") for the referenced State Lease. Enclosed is an original of the PSA that has been executed by George P. Bush, Commissioner of the Texas General Land Office. We have retained the other original of the PSA for our files.

Please provide our office with a recorded copy of the PSA or a fully executed copy if it is not going to be recorded as soon as it is available. After a Sharing Well is drilled, please provide our office with the "Productive Drainhole Length / Allocation Factor" information and let us know what our participation in the well is going to be so we can get our lease records set up for the payment of royalties on the well.

Thank you for your assistance with this matter, if you have any questions or need anything further, please feel free to call.

Sincerely,

Mary Beth Barnstone
Geotech / Landman
Energy Resources Division
Texas General Land Office
Direct number: (512)463-6818
Email: mary.barnstone@glo.texas.gov

Enclosure

10

File No. MF 099010

Milam County

Letter to Treadstone

Date Filed: 5/15/19

George P. Bush, Commissioner

By AT

FILED

PRODUCTION SHARING AGREEMENT

WHEREAS, the undersigned is the owner of a royalty interest in one or more of the following described units, located in Milam County, Texas:

1. **Holden-Moore Unit No. 1**, as more particularly described in that certain Designation of Unit dated January 15, 1998, from the Union Pacific Resources Company, containing 1276.62 acres of land more or less, recorded in Volume 771, Page 280, Milam County, Texas; and
2. **Moore Unit No. 1**, as more particularly described in that certain Designation of Unit dated January 25, 2000, from the Union Pacific Resources Company, containing 880 acres of land more or less, recorded in Volume 813, Page 785, Milam County, Texas; and

WHEREAS, TreadStone Energy Partners II LLC, as the successor in interest to Union Pacific Resources Company, desires to drill, or cause to be drilled, the Cora 1HA Well (API No. 42-331-35056), at a location in the C. Boales Survey A-91, which well is intended to be a horizontal drainhole drilled within the stratigraphic limits of the Giddings (Austin Chalk 3) Field in, through and under a portion of each of the above described Units; and

WHEREAS, to avoid any uncertainties concerning the manner in which the owners of the royalty interests will share the proceeds of production attributable to that portion of the horizontal drainhole traversing any portion of the Units and the respective oil, gas and mineral leases and interests which contribute thereto, the undersigned royalty interest owner and the operator of said Cora 1HA Well desire to enter into this Agreement and to agree upon the basis for sharing and allocating the proceeds of production of hydrocarbons attributable to that portion of the horizontal drainhole traversing any portion of the lands covered by the Units.

NOW THEREFORE, in consideration of the premises, to comply with the terms and conditions of their mutual agreements, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned royalty interest owner hereby covenants and agrees to the following terms, conditions and provisions:

1. This consent and ratification shall terminate unless, on or before December 31, 2019 TreadStone Energy Partners II, LLC commences, or causes to be commenced, operations for the drilling of the Cora 1HA Well.
2. In the event that TreadStone Energy Partners II, LLC, or its operating agent, TreadStone Energy Partners Operating, LLC, drills and completes the Cora 1HA Well as a well capable of producing oil and/or gas in paying quantities, the following shall apply:
 - a. All production from the Cora 1HA shall be allocated between the respective Units based upon the length of productive horizontal drainhole underlying each respective Unit in proportion to the total length of the productive horizontal drainhole in the entirety of the Cora 1HA Well, as determined by an "As Drilled" survey (generated by a licensed Surveyor in the State of Texas) to be provided upon the completion of the well.
 - b. As evidenced by the Division Order for the Holden-Moore Unit No. 1 Lessee allocates production according to certain decimal interests in production from the Holden-Moore Unit No. 1-1 Well. The decimal interests for the Holden-Moore Unit No. 1-1 Well will not change as a result of this document, however, in addition to receiving that decimal interest in production from the Holden-Moore No. 1-1 Well, the royalty owners in and under the Holden-Moore Unit No. 1 shall also receive the same decimal interest of production from the Cora 1HA Well that is allocated to the Holden-Moore Unit No. 1 as set forth under Article 2 a. above.
 - c. As evidenced by the Division Order for the Moore Unit No. 1, Lessee allocates production according to certain decimal interests in production from the Moore Unit Well No. 1. The decimal interests for the Moore Unit Well No. 1 will not change as a result of this document, however, in addition to receiving that decimal interest in production from the Moore Unit Well No. 1, the royalty owners in and under the Moore Unit No. 1 shall also receive the same decimal interest of production from the Cora 1HA Well that is allocated to the Moore Unit Well No. 1 as set forth under Article 2 a. above.
 - d. By drilling the Cora 1HA Well and paying the mineral and royalty interest owners on production therefrom in accordance with the foregoing provisions, TreadStone Energy Partners II, LLC shall be deemed to be in compliance with the terms and provisions, specifically the pooling provisions, contained in the oil, gas and mineral leases covering the tracts which comprise the Units.
3. The parties recognize that TreadStone Energy Partners II, LLC's ability to accomplish the foregoing may be contingent upon TreadStone Energy Partners II, LLC's obtaining the ratifications of other mineral and/or royalty owners in the vicinity of the Cora 1HA Well. In the event TreadStone Energy Partners II, LLC is unable to obtain the ratification of any mineral owner and/or royalty owner that TreadStone Energy Partners II, LLC deems necessary in order to accomplish the objectives of this Production Sharing Agreement, TreadStone Energy Partners II, LLC may notify the undersigned in writing of that fact and this agreement shall have and be of no effect.
4. In addition to the foregoing, and for and in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned royalty owner, to the extent he/she owns an interest in any or all of the Units described above, ~~does hereby RATIFY, ADOPT, and CONFIRM the Units and the lease or leases under which such party's interest is derived~~

(individually and/or collectively the "Ratified Lease"), and does hereby GRANT, LEASE and LET unto the current lessee of the Ratified Lease, all of such Interest Owner's interest in the acreage covered by the Ratified Lease, subject to the same terms and conditions provided for therein, as same may have been previously amended, or amended herein, and further does hereby CONSENT and AGREE to the inclusion of the undersigned's interest in participating in the Cora 1HA Well under the terms and provisions set forth herein.

- 5. Unless terminated by TreadStone Energy Partners II, LLC, this document shall be effective as of the date of completion of the Cora 1HA Well as a well capable of producing oil and/or gas in paying quantities and shall continue in effect for so long as the Cora 1HA Well continues to produce in paying quantities.
- 6. The terms and provisions of this agreement and the covenants made herein shall be binding upon the undersigned, its heirs, successors and/or assigns.

EXECUTED THIS 10 DAY OF May, 2019

INTEREST OWNERS

Date Executed: 5/10/19

[Handwritten Signature]

By: George P. Bush, Commissioner
Commissioner of the General Land Office

Approved:
 min. leasing *[Signature]*
 content *[Signature]*
 legal *[Signature]*
 executive *[Signature]*

ACKNOWLEDGMENT

STATE OF TEXAS §

COUNTY OF TRAVIS §

This instrument was acknowledged before me this 10 day of May, 2019 by

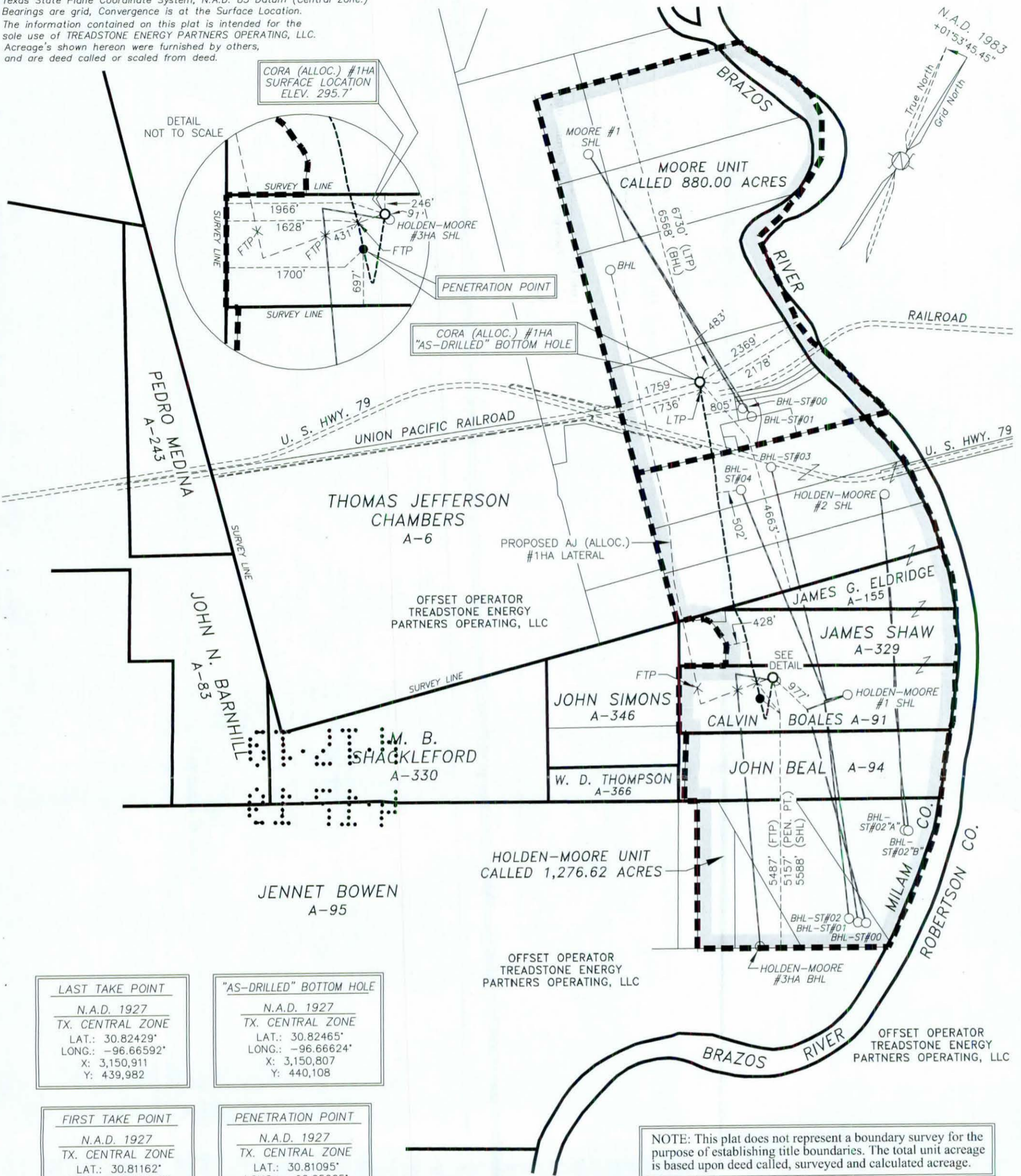
George P. Bush

Vicki Gonzales

NOTARY PUBLIC State of Texas
My Commission Expires: 7/25/21



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 N.A.D. 1927
 TX. CENTRAL ZONE
 LAT.: 30.82429°
 LONG.: -96.66592°
 X: 3,150,911
 Y: 439,982

"AS-DRILLED" BOTTOM HOLE
 N.A.D. 1927
 TX. CENTRAL ZONE
 LAT.: 30.82465°
 LONG.: -96.66624°
 X: 3,150,807
 Y: 440,108

FIRST TAKE POINT
 N.A.D. 1927
 TX. CENTRAL ZONE
 LAT.: 30.81162°
 LONG.: -96.65279°
 X: 3,155,182
 Y: 435,515

PENETRATION POINT
 N.A.D. 1927
 TX. CENTRAL ZONE
 LAT.: 30.81095°
 LONG.: -96.65205°
 X: 3,155,420
 Y: 435,276

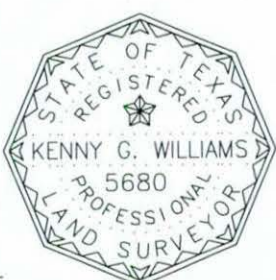
CORA (ALLOC.) #1HA SHL NAT. GROUND ELEV. 295.7'	
N.A.D. 1983	N.A.D. 1927
TX. CENTRAL ZONE LAT.: 30.81253° LONG.: 96.65228° X: 3,451,890 Y: 10,278,365	TX. CENTRAL ZONE LAT.: 30.81234° LONG.: 96.65203° X: 3,155,411 Y: 435,783

AS-DRILLED LATERAL LENGTH FROM FTP TO LTP		
HOLDEN-MOORE UNIT	4,807.39'	77.55%
MOORE UNIT	1,391.75'	22.45%
TOTAL	6,199.14'	100.00%

HOLDEN-MOORE UNIT	1,276.62 AC.
MOORE UNIT	880.00 AC.
(ALLOCATION) UNIT TOTAL	2,156.62 AC.
CORA #1HA	

NOTE: This plat does not represent a boundary survey for the purpose of establishing title boundaries. The total unit acreage is based upon deed called, surveyed and calculated acreage.

TBPLS FIRM REGISTRATION No. 10025700



I, the undersigned, do hereby certify that this plat is true and correct to the best of my knowledge and belief.
 BY: *Kenny Williams* DATE: 04/16/19

PREPARED BY:
STANGER SURVEYING TYLER LLC
 1595 E. GRANDE BLVD.
 TYLER, TEXAS 75703

"AS-DRILLED" PLAT
TREADSTONE ENERGY PARTNERS OPERATING, LLC
CORA (ALLOCATION) #1HA
MILAM COUNTY, TEXAS
SCALE: 1" = 2000'

"GAUSE" Quadrangle
 Situated S 84° E - 19.4 Miles from Cameron, TX.

File No: MF099010
Milam County
PSA
Date Filed: 5/15/19
George P. Bush, Commissioner
By: [Signature]

43
43
43
43



Information for processing an Internal Non Unit Transaction (iNut)
Length of Lateral

iNut No. 9998

GENERAL INFORMATION

Name of Well: Cora 1HA (Allocation) API # 42-331-35056
 Name of Operator: Treadstone Energy Partners RRC # 03-846681
 Operator Contact Person: Colton Sanford Phone: 713-482-2997
 County: Milam

ALLOCATION OF STATE UNITS AND/OR LEASES BASED ON LENGTH OF LATERAL

Lease Type	Unit/Lease No	Total Lateral Ft.	Unit or Lease Lateral Ft.	Unit or Lease Rylyty Decimal	Lease Royalty Decimal	RRAC Participation Factor	State Participation by Unit/Lease
HROW	2846/MF099010	6199.14	1391.75	0.00080114	0.16666700	0.00107917	0.00017986
UR	2846/MF099118	6199.14	1391.75	0.02430000	0.22500000	0.02424675	0.00545552
Totals:						0.02532592	0.00563538
Effective Date:	1/6/2019						State Net Royalty Revenue in Well

Name of Production Sharing Agreement, if any:

Comments: Well spud 1/6/2019, subject to PSA 00244

Attach a plat showing the iNut well with length of laterals marked and the State lands marked.

Lease Types: Relinquishment Act Land (RAL), State Fee (SF), Free Royalty (FR), Unleased Riverbed (UR), Highway Right of Way (HROW), Unleased Highway (UH), Criminal Justice (TDCJ), Parks & Wildlife (TPW), Mineral Production Allocation (MPAA), Dept. of Aging (DADS), School for the Blind (SBVI), Stephen F. Austin (SFA), TX A&M (A&M).

Prepared by: *CMB* Alamo updated by: *CMB* WI updated by: *CMB*
 RAM approval by: *VD* GIS updated by: *MC*

DO NOT DESTROY



Texas General Land Office UNIT AGREEMENT MEMO

INU190001

Unit Number 9998
Operator Name TreadStone Energy Partners Operating, LLC
Customer ID C000089588
Unit Name Cora IHA (allocation)
County 1 Milam **RRC District 1** 01
County 2 **RRC District 2**
County 3 **RRC District 3**
County 4 **RRC District 4**
Unit type iNut
State Net Revenue Interest Oil 0.00563538
State Part in Unit 0.02532592
Unit Depth Allow All Depths
From Depth
To Depth
Well
Formation
Participation Basis Length of Lateral
If Exclusions Apply: See Remarks

Lease Number	Tract No	Lease Acres in Unit	Total Unit Acres	Tract Participation	O/G	Lease Royalty	NRI of Lease in Unit	Royalty Rate Reduction Clause
MF099010		0.000000	0.000000	0.00107917	O/G	0.16666700	0.00017986	No
MF099118		0.000000	0.000000	0.02424675	O/G	0.22500000	0.00545552	No

API Number
4233135056

Remarks:

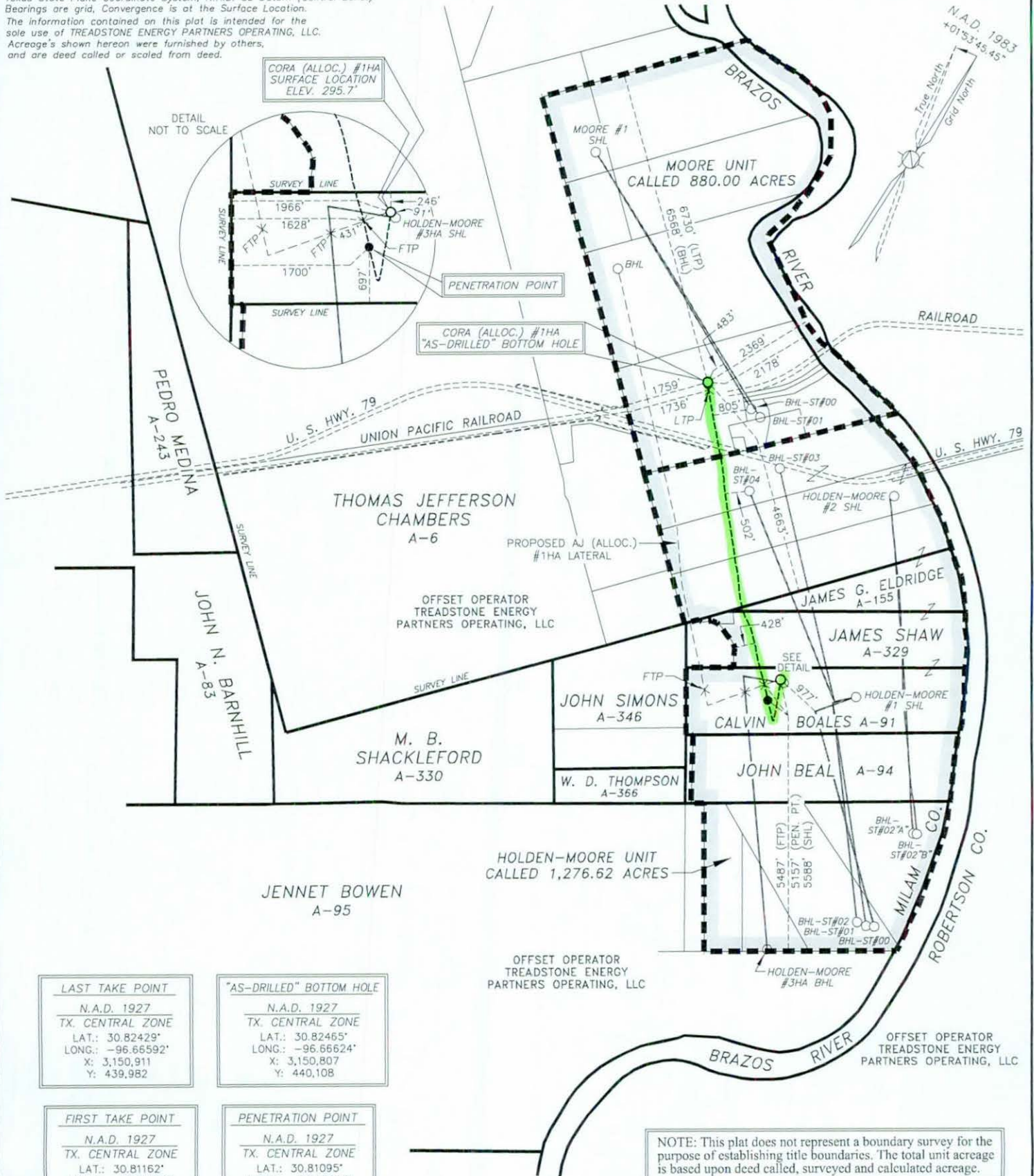
iNut crosses River Unit 2846. Well spud 1/6/2019 and is subject to PSA 00244. Final plat received 4/16/2019.

Prepared By: CMB **Prepared Date:** 4/25/19
GLO Base Updated By: CMB **GLO Base Date:** 4/25/19
RAM Approval By: VD **RAM Approval Date:** 4/25/19
GIS By: MC **GIS Date:** 5-22-19
Well Inventory By: CMB **WI Date:** 4/25/19

iNut 9998

42-331-35056

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N.A.D. 1927
TX. CENTRAL ZONE
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LONG.: -96.65592°
X: 3,150,911
Y: 439,982

"AS-DRILLED" BOTTOM HOLE
N.A.D. 1927
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LAT.: 30.82465°
LONG.: -96.65624°
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Y: 440,108

FIRST TAKE POINT
N.A.D. 1927
TX. CENTRAL ZONE
LAT.: 30.81162°
LONG.: -96.65279°
X: 3,155,182
Y: 435,515

PENETRATION POINT
N.A.D. 1927
TX. CENTRAL ZONE
LAT.: 30.81095°
LONG.: -96.65205°
X: 3,155,420
Y: 435,276

CORA (ALLOC.) #1HA SHL
NAT. GROUND ELEV. 295.7'
N.A.D. 1983 TX. CENTRAL ZONE
LAT.: 30.81253°
LONG.: 96.65228°
X: 3,451,890
Y: 10,278,365
N.A.D. 1927 TX. CENTRAL ZONE
LAT.: 30.81234°
LONG.: 96.65203°
X: 3,155,411
Y: 435,783

AS-DRILLED LATERAL LENGTH FROM FTP TO LTP

HOLDEN-MOORE UNIT	4,807.39'	77.55%
MOORE UNIT	1,391.75'	22.45%
TOTAL	6,199.14'	100.00%

HOLDEN-MOORE UNIT 1,276.62 AC.
MOORE UNIT 880.00 AC.
(ALLOCATION) UNIT TOTAL 2,156.62 AC.
CORA #1HA

NOTE: This plat does not represent a boundary survey for the purpose of establishing title boundaries. The total unit acreage is based upon deed called, surveyed and calculated acreage.

TBPLS FIRM REGISTRATION No. 10025700



PREPARED BY:
STANGER
SURVEYING TYLER LLC
1595 E. GRANDE BLVD.
TYLER, TEXAS 75703

"AS-DRILLED" PLAT
TREADSTONE ENERGY
PARTNERS OPERATING, LLC
CORA (ALLOCATION) #1HA
MILAM COUNTY, TEXAS
SCALE: 1" = 2000'

I, the undersigned, do hereby certify that this plat is true and correct to the best of my knowledge and belief.
BY: *Kenny Williams* DATE: 04/16/19

"GAUSE" Quadrangle
Situated S 84° E - 19.4 Miles from Cameron, TX.



TREADSTONE
ENERGY PARTNERS

VIA U.S. OVERNIGHT MAIL

April 16, 2019

Texas General Land Office
ATTN: Mary Barnstone
1700 N. Congress Avenue, Suite 840
Austin, TX 78701-1495

RE: PSA Agreement – Cora 1HA Allocation Well

Dear Mrs. Barnstone:

subject to PSA 00244

Enclosed please find TreadStone Energy Partners Operating, LLC's (C000089588) form Production Sharing Agreement, the as-drilled plat for the Cora 1HA allocation well, and a check in the amount of \$500.00. The Cora 1HA allocation well includes lands from State Lease # MF099010 and MF099118, and the **Moore Unit, GLO Unit #2846**. The allocation factor for GLO interests in the Cora 1HA is as follows:

- State Lease MF099010 = 4.23 Acres / 880 Acres = .00480682 (TPF) * .16666667 (1/6th Royalty) = .00080113 (NRI) * .2245 (Lateral length % in Moore Unit) = .00017985
- State Lease MF099118 = 95.04 Acres / 880 Acres = .10800000 (TPF) * .25000000 (1/4 Royalty) = .02700000 (NRI) * .2245 (Lateral length % in Moore Unit) = .00606150

Please do not hesitate to contact me if you have any questions or further requirements.

Sincerely,

Colton Sanford

Landman

TreadStone Energy Partners Operating, LLC
106 Vintage Park Blvd, Suite 100
Houston, Texas 77070

Colton Sanford
Landman
Telephone: 713-482-2997
Facsimile: 713-482-2992

42-331-35056

03-846681

spud 1/6/19

Giddings (AC-3)

File No. MF 099010

Milam County

iNut 9998 packet

Date Filed: 5/15/19

George P. Bush, Commissioner

By: AT

1 Nut 9998
MF 099010
DIVISION ORDER
MF 099118

TO: TreadStone Energy Partners Operating, LLC
106 Vintage Park Blvd Suite 100
Houston, TX 77070

Property No.: Cora 1HA
Effective Date: First Production

The undersigned severally and not jointly certifies it is the legal Owner of the interest set out below of all the oil, gas, and related liquid hydrocarbons produced and sold from the property described below:

Property Name: Cora 1HA
County: MILAM
State: TX
Legal Description: The Cora 1HA (API# 42-331-35056), at a location in the C. Boales Survey A-91, Milam County, Texas, more particularly described by the plat located on Exhibit "A".
Owner No.: O:2994
Name & Address: STATE OF TEXAS
1700 N CONGRESS AVENUE
STEPHEN F AUSTIN BLDG
AUSTIN, TX 78701-1436
Owner Tax ID # [REDACTED]

DIVISION OF INTEREST

Interest Type:
Interest: .00563538

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: The undersigned will be paid in accordance with the division of interest set out above. The Payor shall pay all parties at the price agreed to by the operator for oil, gas and related liquid hydrocarbons to be sold pursuant to this division order. The purchaser shall compute quantity and make corrections for gravity and temperature and make deductions for impurities in the oil. The proceeds for the sale of gas shall be calculated as to price and quality on the basis of and in the manner provided for in the contract with the purchaser of such gas product.

PAYMENT: From the effective date, payment is to be made monthly by Payor's check, based of this division of interest, for oil runs and gas produced and sold not later than 60 days after the end of the calendar month in which the oil and/or gas was sold from the property listed above, less taxes required by law to be deducted and remitted by Payor as purchaser. Payment of less than \$100 may be accrued before disbursement until the total amount equals \$100 or more, or until December 31st of each year, whichever occurs first. Payee agrees to refund to Payor any amounts attributable to an interest or part of 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's 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 on the first day of the month following receipt of such notice to Payor.

Any correspondence regarding this agreement shall be furnished to the addresses as provided herein 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 the laws of the State of Texas.

WITNESS: <i>(There must be two witnesses to each signature)</i>	OWNER SIGNATURE:	ADDRESS/TAX ID NUMBER:
_____ Signature of Witness #1	_____ STATE OF TEXAS	_____ 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 Number or Tax Identification Number will result in withholding tax in accordance with federal law and any tax withheld will not be refundable by Payor.

Return To: TreadStone Energy Partners Operating, LLC
106 Vintage Park Blvd Suite 100
Houston, TX 77070

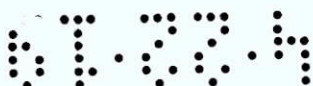
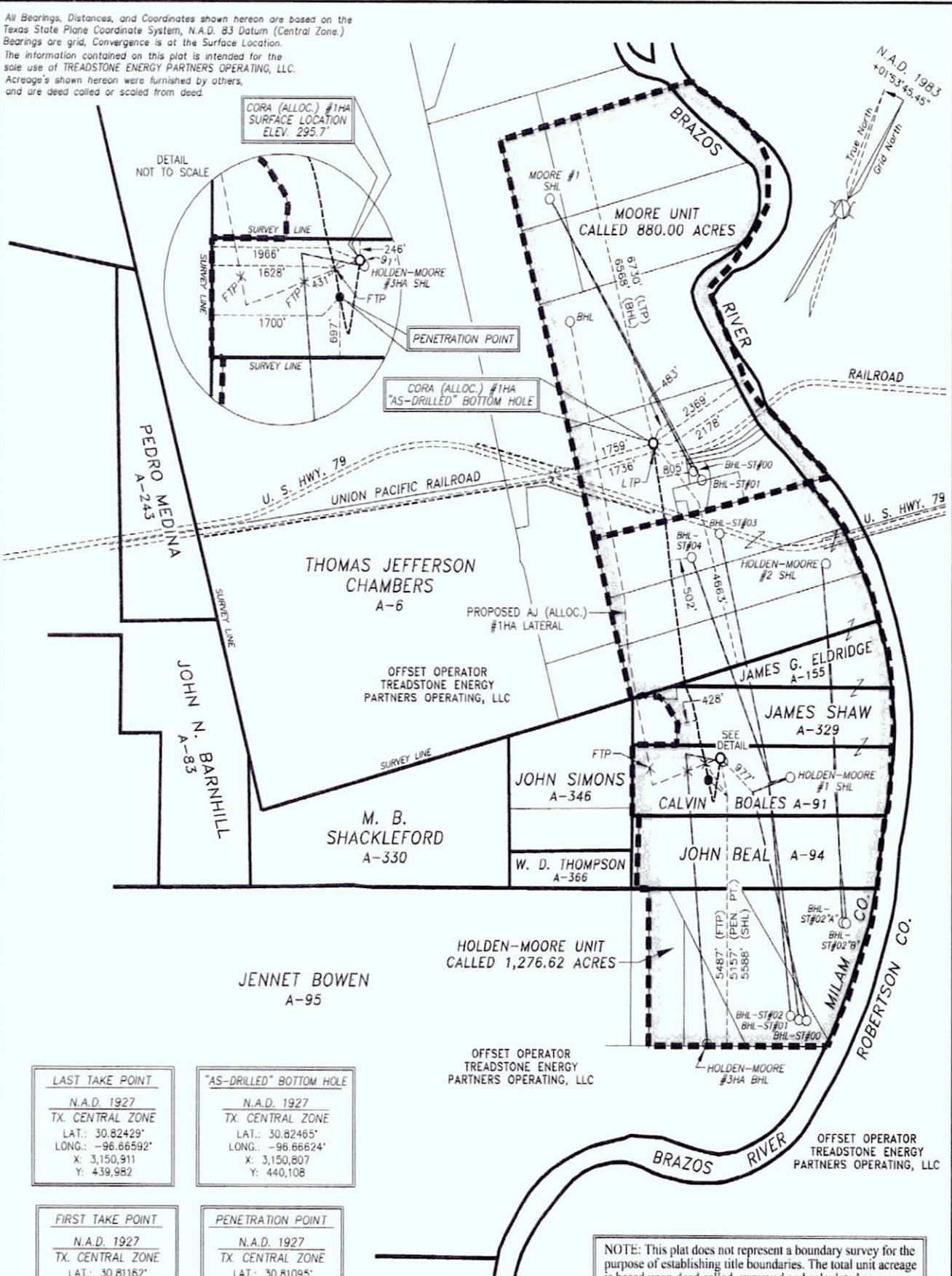


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MOORE UNIT	1,391.75'	22.45%
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TBPLS FIRM REGISTRATION No. 10025700



I, the undersigned, do hereby certify that this plat is true and correct to the best of my knowledge and belief.

By: *Kenny Williams* DATE: 04/16/19



PREPARED BY:
STANGER
SURVEYING TYLER LLC
1595 E. GRANDE BLVD.
TYLER, TEXAS 75703

"AS-DRILLED" PLAT
TREADSTONE ENERGY
PARTNERS OPERATING, LLC
CORA (ALLOCATION) #1HA
MILAM COUNTY, TEXAS
SCALE: 1" = 2000'

"GAUSE" Quadrangle
Sited 5 84° E - 19.4 Miles from Cameron, TX.

PRODUCTION SHARING AGREEMENT

WHEREAS, the undersigned is the owner of a royalty interest in one or more of the following described units, located in Milam County, Texas:

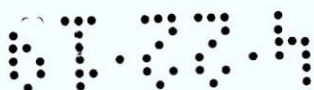
3. **Holden-Moore Unit No. 1**, as more particularly described in that certain Designation of Unit dated January 15, 1998, from the Union Pacific Resources Company, containing 1276.62 acres of land more or less, recorded in Volume 771, Page 280, Milam County, Texas; and
4. **Moore Unit No. 1**, as more particularly described in that certain Designation of Unit dated January 25, 2000, from the Union Pacific Resources Company, containing 880 acres of land more or less, recorded in Volume 813, Page 785, Milam County, Texas; and

WHEREAS, TreadStone Energy Partners II LLC, as the successor in interest to Union Pacific Resources Company, desires to drill, or cause to be drilled, the Cora 1HA Well (API No. 42-331-35056), at a location in the C. Boales Survey A-91, which well is intended to be a horizontal drainhole drilled within the stratigraphic limits of the Giddings (Austin Chalk 3) Field in, through and under a portion of each of the above described Units; and

WHEREAS, to avoid any uncertainties concerning the manner in which the owners of the royalty interests will share the proceeds of production attributable to that portion of the horizontal drainhole traversing any portion of the Units and the respective oil, gas and mineral leases and interests which contribute thereto, the undersigned royalty interest owner and the operator of said Cora 1HA Well desire to enter into this Agreement and to agree upon the basis for sharing and allocating the proceeds of production of hydrocarbons attributable to that portion of the horizontal drainhole traversing any portion of the lands covered by the Units.

NOW THEREFORE, in consideration of the premises, to comply with the terms and conditions of their mutual agreements, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned royalty interest owner hereby covenants and agrees to the following terms, conditions and provisions:

7. This consent and ratification shall terminate unless, on or before December 31, 2019 TreadStone Energy Partners II, LLC commences, or causes to be commenced, operations for the drilling of the Cora 1HA Well.
8. In the event that TreadStone Energy Partners II, LLC, or its operating agent, TreadStone Energy Partners Operating, LLC, drills and completes the Cora 1HA Well^[LV10] as a well capable of producing oil and/or gas in paying quantities, the following shall apply:
 - a. All production from the Cora 1HA shall be allocated between the respective Units based upon the length of productive horizontal drainhole underlying each respective Unit in proportion to the total length of the productive horizontal drainhole in the entirety of the Cora 1HA Well, as determined by an "As Drilled" survey (generated by a licensed Surveyor in the State of Texas) to be provided upon the completion of the well.
 - b. As evidenced by the Division Order for the Holden-Moore Unit No. 1 Lessee allocates production according to certain decimal interests in production from the Holden-Moore Unit No. 1-1 Well. The decimal interests for the Holden-Moore Unit No. 1-1 Well will not change as a result of this document, however, in addition to receiving that decimal interest in production from the Holden-Moore No. 1-1 Well, the royalty owners in and under the Holden-Moore Unit No. 1 shall also receive the same decimal interest of production from the Cora 1HA Well that is allocated to the Holden-Moore Unit No. 1 as set forth under Article 2 a. above.
 - c. As evidenced by the Division Order for the Moore Unit No. 1, Lessee allocates production according to certain decimal interests in production from the Moore Unit Well No. 1. The decimal interests for the Moore Unit Well No. 1 will not change as a result of this document, however, in addition to receiving that decimal interest in production from the Moore Unit Well No. 1, the royalty owners in and under the Moore Unit No. 1 shall also receive the same decimal interest of production from the Cora 1HA Well that is allocated to the Moore Unit Well No. 1 as set forth under Article 2 a. above.
 - d. By drilling the Cora 1HA Well and paying the mineral and royalty interest owners on production therefrom in accordance with the foregoing provisions, TreadStone Energy Partners II, LLC shall be deemed to be in compliance with the terms and provisions, specifically the pooling provisions, contained in the oil, gas and mineral leases covering the tracts which comprise the Units.
9. The parties recognize that TreadStone Energy Partners II, LLC's ability to accomplish the foregoing may be contingent upon TreadStone Energy Partners II, LLC's obtaining the ratifications of other mineral and/or royalty owners in the vicinity of the Cora 1HA Well. In the event TreadStone Energy Partners II, LLC is unable to obtain the ratification of any mineral owner and/or royalty owner that TreadStone Energy Partners II, LLC deems necessary in order to accomplish the objectives of this



Production Sharing Agreement, TreadStone Energy Partners II, LLC may notify the undersigned in writing of that fact and this agreement shall have and be of no effect.

10. In addition to the foregoing, and for and in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned royalty owner, to the extent he/she owns an interest in any or all of the Units described above, does hereby RATIFY, ADOPT, and CONFIRM the Units and the lease or leases under which such party's interest is derived (individually and/or collectively the "Ratified Lease"), and does hereby GRANT, LEASE and LET unto the current lessee of the Ratified Lease, all of such Interest Owner's interest in the acreage covered by the Ratified Lease, subject to the same terms and conditions provided for therein, as same may have been previously amended, or amended herein, and further does hereby CONSENT and AGREE to the inclusion of the undersigned's interest in participating in the Cora 1HA Well under the terms and provisions set forth herein.
11. Unless terminated by TreadStone Energy Partners II, LLC, this document shall be effective as of the date of completion of the Cora 1HA Well as a well capable of producing oil and/or gas in paying quantities and shall continue in effect for so long as the Cora 1HA Well continues to produce in paying quantities.
12. The terms and provisions of this agreement and the covenants made herein shall be binding upon the undersigned, its heirs, successors and/or assigns.

EXECUTED THIS ____ DAY OF _____, 2019

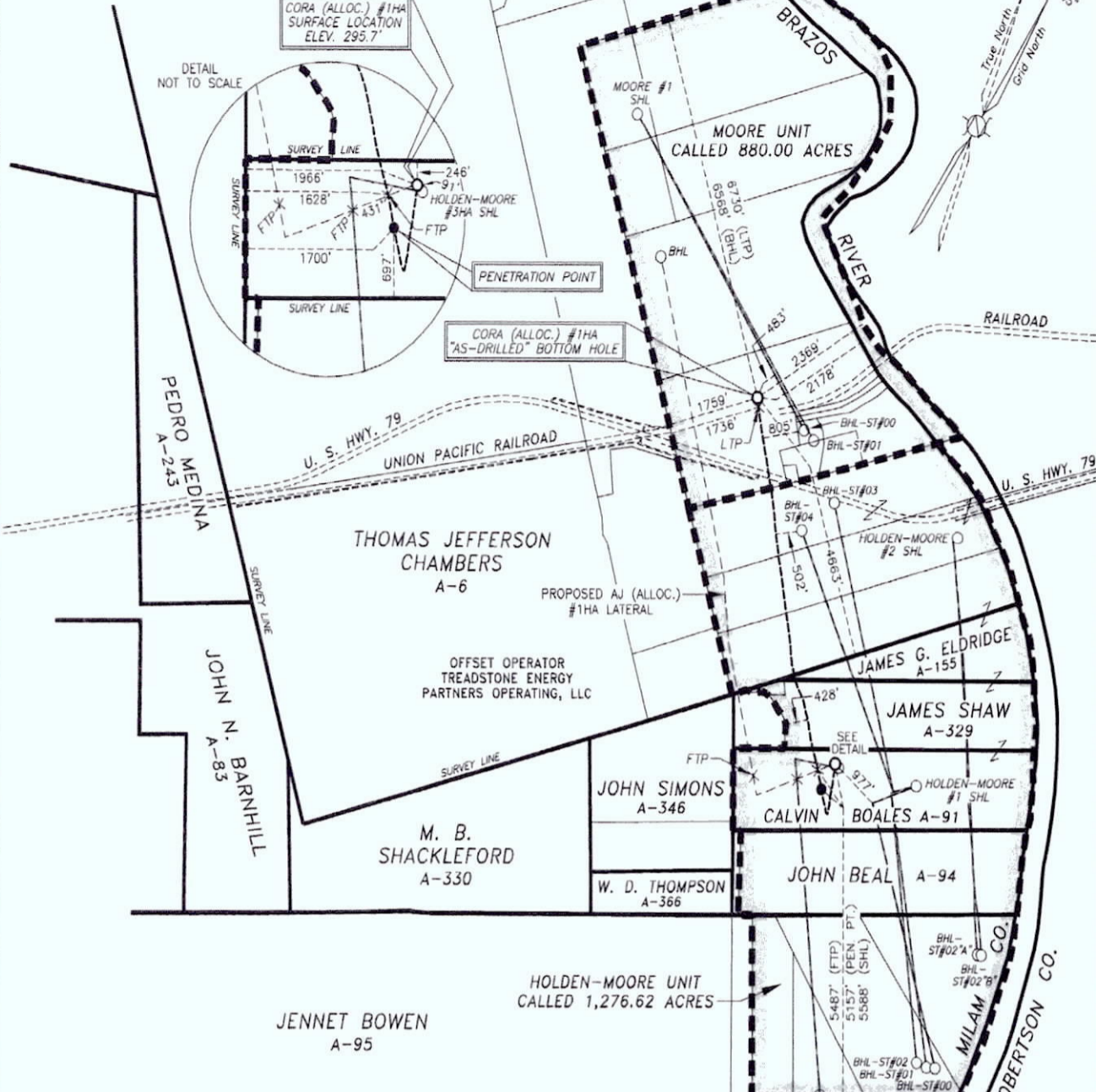
ROYALTY OWNER:

STATE OF TEXAS
1700 N CONGRESS AVENUE
STEPHEN F AUSTIN BLDG
AUSTIN, TX 78701-1436

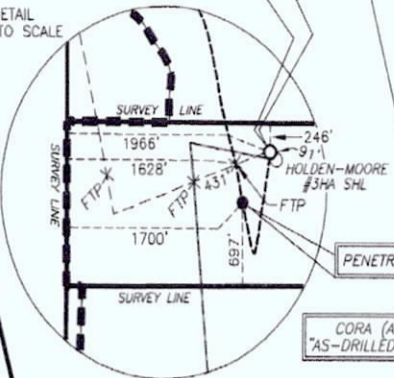


EXHIBIT "A"

All Bearings, Distances, and Coordinates shown hereon are based on the Texas State Plane Coordinate System, N.A.D. 83 Datum (Central Zone.) Bearings are grid, Convergence is at the Surface Location. The information contained on this plot is intended for the sole use of TREADSTONE ENERGY PARTNERS OPERATING, LLC. Acreage's shown hereon were furnished by others, and are deed called or scaled from deeds.



DETAIL NOT TO SCALE



LAST TAKE POINT	
N.A.D. 1927	
TX. CENTRAL ZONE	
LAT.: 30.82429°	LONG.: -96.66592°
X: 3,150,911	Y: 439,982

"AS-DRILLED" BOTTOM HOLE	
N.A.D. 1927	
TX. CENTRAL ZONE	
LAT.: 30.82465°	LONG.: -96.66624°
X: 3,150,807	Y: 440,108

FIRST TAKE POINT	
N.A.D. 1927	
TX. CENTRAL ZONE	
LAT.: 30.81162°	LONG.: -96.65279°
X: 3,155,182	Y: 435,515

PENETRATION POINT	
N.A.D. 1927	
TX. CENTRAL ZONE	
LAT.: 30.81095°	LONG.: -96.65205°
X: 3,155,420	Y: 435,276

CORA (ALLOC.) #1HA SHL	
NAT. GROUND ELEV. 295.7'	
N.A.D. 1983	
TX. CENTRAL ZONE	
LAT.: 30.81253°	LONG.: 96.65228°
X: 3,451,890	Y: 10,278,365
N.A.D. 1927	
TX. CENTRAL ZONE	
LAT.: 30.81234°	LONG.: 96.65203°
X: 3,155,411	Y: 435,783

AS-DRILLED LATERAL LENGTH FROM FTP TO LTP		
HOLDEN-MOORE UNIT	4,807.39'	77.55%
MOORE UNIT	1,391.75'	22.45%
TOTAL	6,199.14'	100.00%

HOLDEN-MOORE UNIT	1,276.62 AC.
MOORE UNIT	880.00 AC.
(ALLOCATION) UNIT TOTAL	2,156.62 AC.
CORA #1HA	

NOTE: This plat does not represent a boundary survey for the purpose of establishing title boundaries. The total unit acreage is based upon deed called, surveyed and calculated acreage.

TBPLS FIRM REGISTRATION No. 10025700

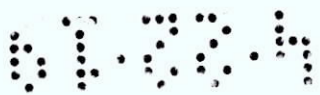


I, the undersigned, do hereby certify that this plot is true and correct to the best of my knowledge and belief.
 BY: *Kenny Williams* DATE: 04/16/19

PREPARED BY:
 STANGER SURVEYING TYLER LLC
 1595 E. GRANDE BLVD.
 TYLER, TEXAS 75703

"AS-DRILLED" PLAT
TREADSTONE ENERGY PARTNERS OPERATING, LLC
CORA (ALLOCATION) #1HA
MILAM COUNTY, TEXAS
SCALE: 1" = 2000'

"GAUSE" Quadrangle
 Situated S 84° E - 19.4 Miles from Cameron, TX.





TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

August 1, 2019

Chris Herrin
Division Order Analyst
TreadStone Energy Partners Operating, L.L.C.
106 Vintage Park Blvd., Suite 100
Houston, TX 77070

Re: State Lease No. MF099010 Cora 1HA iNut 9998

Dear Mr. Herrin:

The Texas General Land Office (GLO) has received your Division Order for the referenced unit. This Division Order has been filed in the appropriate mineral file.

The payment of royalties attributable to state-owned mineral and royalty interests is set by contract and applicable statutes and rules. The execution of division orders may, in some cases, affect the manner in which such payments are made or calculated. Therefore, Title 31, §9.32, of the Texas Administrative Code specifies that GLO staff cannot execute a division order or bind the state to any terms contained within it.

Subject to applicable state law and the state's right to take its production in-kind, the GLO acquiesces to the sale of oil and gas in accordance with the terms and conditions set out in the oil and gas leases. If you have questions concerning this matter, please feel free to e-mail me at the address below my signature.

We look forward to being placed on pay status as soon as you are able to set up the wells in our RRAC system.

Thank you,

Vivian Zamora
Landman, Energy Resources
512-475-0428
512-475-1404 (fax)
vivian.zamora@glo.texas.gov

File No. ME099010

Milam County

Division Order

Date Filed: 8-2-19

George P. Bush, Commissioner

By VB

DIVISION ORDER

TO: TreadStone Energy Partners Operating, LLC
106 Vintage Park Blvd Suite 100
Houston, TX 77070

9144 9997
MF 099010
MF 099118
MF 098524

Property No.: AJ 1HA
Effective Date: First Production

The undersigned severally and not jointly certifies it is the legal Owner of the interest set out below of all the oil, gas, and related liquid hydrocarbons produced and sold from the property described below:

Property Name: AJ 1HA
County: MILAM
State: TX
Legal Description: The AJ 1HA (API# 42-331-35055), at a location in the C. Boales Survey A-91, Milam County, Texas more particularly described on Exhibit "A".
Owner No.: O:2994
Name & Address: STATE OF TEXAS
1700 N CONGRESS AVENUE
STEPHEN F AUSTIN BLDG
AUSTIN, TX 78701-1436
Owner Tax ID # [REDACTED]

DIVISION OF INTEREST

Interest Type: Royalty
Interest: .01171927

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: The undersigned will be paid in accordance with the division of interest set out above. The Payor shall pay all parties at the price agreed to by the operator for oil, gas and related liquid hydrocarbons to be sold pursuant to this division order. The purchaser shall compute quantity and make corrections for gravity and temperature and make deductions for impurities in the oil. The proceeds for the sale of gas shall be calculated as to price and quality on the basis of and in the manner provided for in the contract with the purchaser of such gas product.

PAYMENT: From the effective date, payment is to be made monthly by Payor's check, based on this division of interest, for oil runs and gas produced and sold not later than 60 days after the end of the calendar month in which the oil and/or gas was sold from the property listed above, less taxes required by law to be deducted and remitted by Payor as purchaser. Payment of less than \$100 may be accrued before disbursement until the total amount equals \$100 or more, or until December 31st of each year, whichever occurs first. Payee agrees to refund to Payor any amounts attributable to an interest or part of 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's 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 on the first day of the month following receipt of such notice to Payor.

Any correspondence regarding this agreement shall be furnished to the addresses as provided herein 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 the laws of the State of Texas.

WITNESS:
(There must be two witnesses to each signature)

OWNER SIGNATURE:

ADDRESS/TAX ID NUMBER:

Signature of Witness #1

STATE OF TEXAS

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 Number or Tax Identification Number will result in withholding tax in accordance with federal law and any tax withheld will not be refundable by Payor.

Return To: TreadStone Energy Partners Operating, LLC
106 Vintage Park Blvd Suite 100
Houston, TX 77070



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

August 5, 2019

Chris Herrin
Division Order Analyst
TreadStone Energy Partners Operating, L.L.C.
106 Vintage Park Blvd., Suite 100
Houston, TX 77070

Re: State Lease No. MF099010 AJ 1HA iNut 9997

Dear Mr. Herrin:

The Texas General Land Office (GLO) has received your Division Order for the referenced unit. This Division Order has been filed in the appropriate mineral file.

The payment of royalties attributable to state-owned mineral and royalty interests is set by contract and applicable statutes and rules. The execution of division orders may, in some cases, affect the manner in which such payments are made or calculated. Therefore, Title 31, §9.32, of the Texas Administrative Code specifies that GLO staff cannot execute a division order or bind the state to any terms contained within it.

Subject to applicable state law and the state's right to take its production in-kind, the GLO acquiesces to the sale of oil and gas in accordance with the terms and conditions set out in the oil and gas leases. If you have questions concerning this matter, please feel free to e-mail me at the address below my signature.

We look forward to being placed on pay status as soon as you are able to set up the wells in our RRAC system.

Thank you,

Vivian Zamora
Landman, Energy Resources
512-475-0428
512-475-1404 (fax)
vivian.zamora@glo.texas.gov

File No. MFD09901D

Milam County

DIVISION ORDER

Date Filed: 8-7-19

George P. Bush, Commissioner

By VB



MEMORANDUM

TEXAS GENERAL LAND OFFICE • GEORGE P. BUSH • COMMISSIONER

DATE: October 17, 2021 **PSA# 00417**

TO: School Land Board

FROM: Pooling Committee

SUBJECT: Request from Treadstone Energy Partners to have the State enter into a Production Sharing Agreement for drilling the Tate 1HA allocation well.

- **Treadstone Energy Partners** is the operator of the Moore Unit (GLO Unit 2846/ MF099010 and MF099118) in which the State has a royalty interest, and they are requesting that the royalty owners sign a Production Sharing Agreement, which the School Land Board has the authority to approve pursuant to Texas Natural Resources Code §52.154.
- The Production Sharing Agreement will allow the operator to drill the Tate 1HA Well, API No. 42-331-35104, which crosses the Moore Unit (GLO Unit 2846/ MF099010 and MF099118).
- The State's participation in the sharing wells will be based on productive lateral length from first take point to last take point.

POOLING COMMITTEE RECOMMENDATION:

The Pooling Committee recommends Board approval of the Production Sharing Agreement.

DocuSigned by:

 Office of the Governor

10/19/2021

Date

DocuSigned by:

 General Land Office

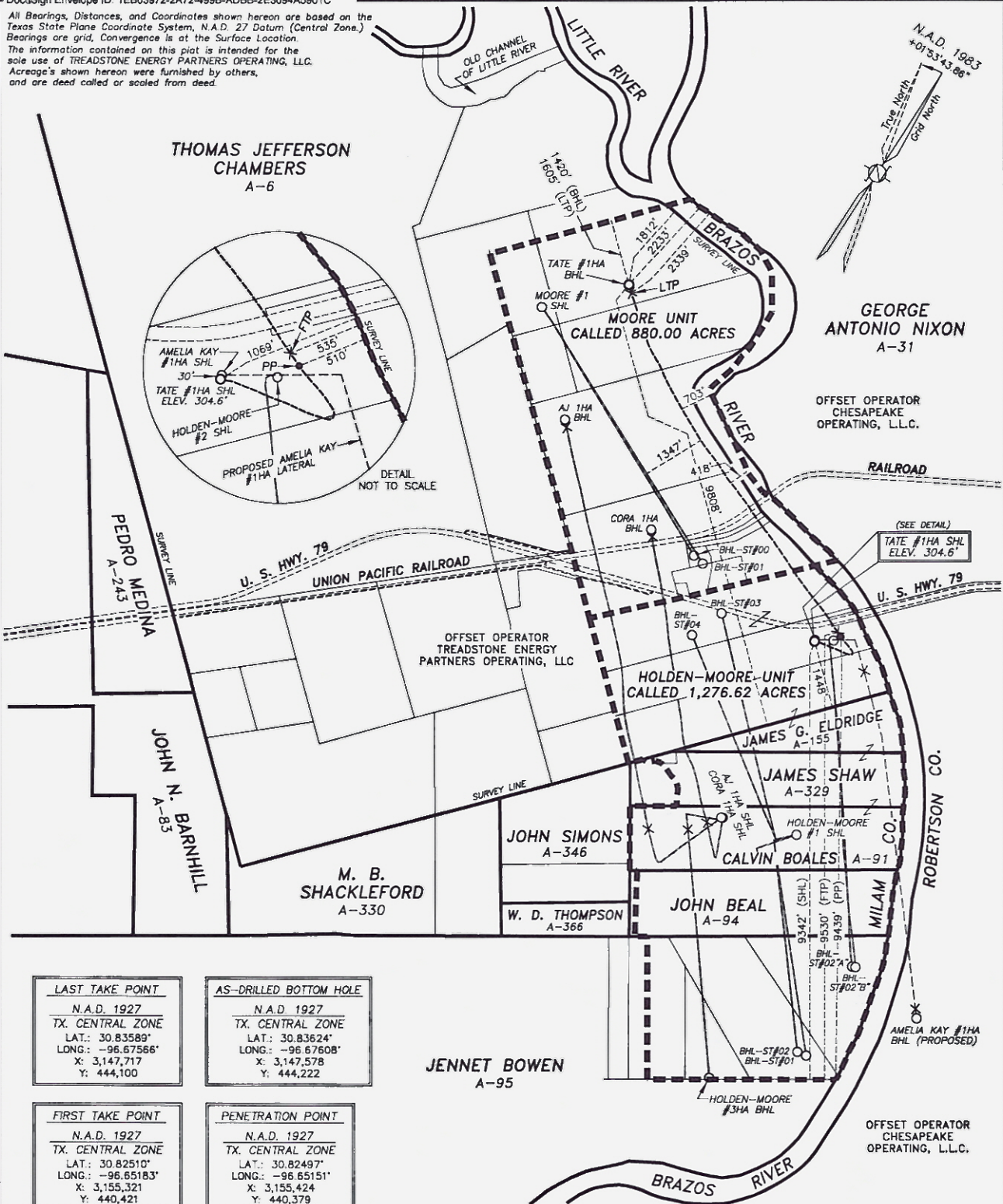
10/28/2021

Date

Office of the Governor

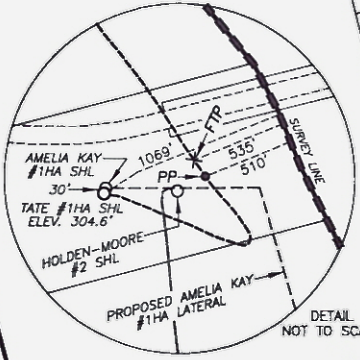
Date

All Bearings, Distances, and Coordinates shown hereon are based on the Texas State Plane Coordinate System, N.A.D. 27 Datum (Central Zone.) Bearings are grid. Convergence is at the Surface Location. The information contained on this plat is intended for the sole use of TREADSTONE ENERGY PARTNERS OPERATING, LLC. Acreage's shown hereon were furnished by others, and are deed called or scoled from deed.



THOMAS JEFFERSON CHAMBERS
A-6

GEORGE ANTONIO NIXON
A-31



OFFSET OPERATOR
CHESAPEAKE
OPERATING, L.L.C.

OFFSET OPERATOR
TREADSTONE ENERGY
PARTNERS OPERATING, LLC

HOLDEN-MOORE UNIT
CALLED 1,276.62 ACRES

JAMES G. ELDRIDGE
A-155

JAMES SHAW
A-329

JOHN SIMONS
A-346

CALVIN BOALES
A-91

M. B. SHACKLEFORD
A-330

W. D. THOMPSON
A-366

JOHN BEAL
A-94

LAST TAKE POINT

N.A.D. 1927
TX. CENTRAL ZONE
LAT.: 30.83589°
LONG.: -96.67566°
X: 3,147,717
Y: 444,100

AS-DRILLED BOTTOM HOLE

N.A.D. 1927
TX. CENTRAL ZONE
LAT.: 30.83624°
LONG.: -96.67608°
X: 3,147,578
Y: 444,222

FIRST TAKE POINT

N.A.D. 1927
TX. CENTRAL ZONE
LAT.: 30.82510°
LONG.: -96.65183°
X: 3,155,321
Y: 440,421

PENETRATION POINT

N.A.D. 1927
TX. CENTRAL ZONE
LAT.: 30.82497°
LONG.: -96.65151°
X: 3,155,424
Y: 440,379

TATE (ALLOC.) #1HA SHL	
NAT. GROUND ELEV. 304.6'	
N.A.D. 1983	N.A.D. 1927
TX. CENTRAL ZONE	TX. CENTRAL ZONE
LAT.: 30.82414°	LAT.: 30.82394°
LONG.: -96.65314°	LONG.: -96.65289°
X: 3,451,481	X: 3,155,003
Y: 10,282,573	Y: 439,991

AS-DRILLED LATERAL LENGTH FROM FTP TO LTP

HOLDEN-MOORE UNIT	1,622.36'	19.09%
MOORE UNIT	6,876.88'	80.91%
TOTAL	8,499.24'	100.00%

HOLDEN-MOORE UNIT	1,276.62 AC.
MOORE UNIT	880.00 AC.
(ALLOCATION) UNIT TOTAL	2,156.62 AC.
TATE #1HA	

NOTE: This plat does not represent a boundary survey for the purpose of establishing title boundaries. The total unit acreage is based upon deed called, surveyed and calculated acreage.

"AS-DRILLED" PLAT
TREADSTONE ENERGY
PARTNERS OPERATING, LLC
TATE (ALLOCATION) #1HA
MILAM COUNTY, TEXAS
SCALE: 1" = 2000'



I, the undersigned, do hereby certify that this plat is true and correct to the best of my knowledge and belief.

BY: *Kenny Williams* DATE: 09/17/2021



PREPARED BY:
STANGER
SURVEYING TYLER LLC
1595 E. GRANDE BLVD.
TYLER, TEXAS 75703

"CAUSE" Quadrangle
Situated S 84° E - 19.4 Miles from Cameron, TX.

Certificate Of Completion

Envelope Id: 1EB039722A72499BADBB2E3094A5901C
Subject: Please DocuSign - Energy Resources: Pooling Committee Recommendations (Texas GLO)
Source Envelope:
Document Pages: 39 Signatures: 26
Certificate Pages: 2 Initials: 0
AutoNav: Enabled
Enveloped Stamping: Enabled
Time Zone: (UTC-06:00) Central Time (US & Canada)

Status: Completed

Envelope Originator:
David Villafranca
1700 Congress Ave
Austin, TX 78701
david.villafranca@glo.texas.gov
IP Address: 136.49.149.46

Record Tracking

Status: Original
10/19/2021 7:58:05 AM

Holder: David Villafranca
david.villafranca@glo.texas.gov

Location: DocuSign

Signer Events

Catarina Gonzales
Catarina.Gonzales@gov.texas.gov
Security Level: Email, Account Authentication (None)

Signature

DocuSigned by:
Catarina Gonzales
EE9EA19C5EF64CC...

Signature Adoption: Pre-selected Style
Using IP Address: 204.65.226.3

Timestamp

Sent: 10/19/2021 8:05:22 AM
Resent: 10/28/2021 9:19:21 AM
Viewed: 10/28/2021 10:35:39 AM
Signed: 10/28/2021 10:38:39 AM

Electronic Record and Signature Disclosure:
Not Offered via DocuSign

Robert Hatter
robert.hatter@glo.texas.gov
Deputy Director
Texas General Land Office
Security Level: Email, Account Authentication (None)

DocuSigned by:
RHatter
6C1630CF0F2E4D3...

Signature Adoption: Uploaded Signature Image
Using IP Address: 165.225.34.50

Sent: 10/19/2021 8:05:22 AM
Viewed: 10/19/2021 9:31:07 AM
Signed: 10/19/2021 9:31:41 AM

Electronic Record and Signature Disclosure:
Not Offered via DocuSign

In Person Signer Events

Signature

Timestamp

Editor Delivery Events

Status

Timestamp

Agent Delivery Events

Status

Timestamp

Intermediary Delivery Events

Status

Timestamp

Certified Delivery Events

Status

Timestamp

Carbon Copy Events

Status

Timestamp

Mary Barnstone
Mary.Barnstone@GLO.TEXAS.GOV
Texas General Land Office
Security Level: Email, Account Authentication (None)

COPIED

Sent: 10/19/2021 8:05:21 AM
Viewed: 10/19/2021 8:20:31 AM

Electronic Record and Signature Disclosure:
Not Offered via DocuSign

Witness Events

Signature

Timestamp

Notary Events

Signature

Timestamp

Envelope Summary Events

Status

Timestamps

Envelope Sent

Hashed/Encrypted

10/19/2021 8:05:21 AM

Certified Delivered

Security Checked

10/19/2021 9:31:07 AM

Signing Complete

Security Checked

10/19/2021 9:31:41 AM

Completed

Security Checked

10/28/2021 10:38:39 AM

Payment Events

Status

Timestamps



MEMORANDUM

TEXAS GENERAL LAND OFFICE • GEORGE P. BUSH • COMMISSIONER

TIME SENSITIVE: Action Required by: (November 9, 2021)

DATE: October 19, 2021
TO: Commissioner Bush
FROM: Mary Beth Barnstone
SUBJECT: Production Sharing Agreement for signature

FILE COPY

.....
SUMMARY: Attached for your approval and signature are duplicate originals of a Production Sharing Agreement that was approved by the School Land Board on October 19, 2021.

DETAILS: The Production Sharing Agreement will allow for the drilling of additional horizontal development wells on existing units or leases that include State mineral or royalty interests. §52.154 of the Texas Natural Resources Code gives the School Land Board authority to approve, and gives the Commissioner authority to execute agreements that commit the royalty interest of the State for the benefits of production of oil and/or gas. This agreement has been reviewed and approved by Energy Resources staff and the Legal Services Division.

Document Name	Recipient
Production Sharing Agreement Tate 1HA Well State Unit 2846, Lease No. M-099010 and MF099118 Milam County, Texas	Treadstone Energy Partners

Recommendation: Please sign and return to Mary Beth Barnstone in Energy Resources

Attachment: Two Production Sharing Agreements

Thru: Larry Hargrave

16

MF 099010

Milam County

Memo to Commissioner

12/10/21

Mr. Bamstone

12/10/21
12/10/21
12/10/21
12/10/21



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

December 10, 2021

Mr. Colton Sanford
Treadstone Energy Partners Operating, LLC
106 Vintage Park Blvd., Suite 100
Houston, Texas 77070

FILE COPY

Re: Production Sharing Agreement
Tate 1HA
State Unit 2846
State Leases M-099010 and M-099118
Milam County, Texas

Dear Mr. Sanford:

On October 19, 2021, the School Land Board of the State of Texas approved your application to have the State enter into a Production Sharing Agreement (“PSA”) for the referenced State Lease. Enclosed is an original of the PSA that has been executed by George P. Bush, Commissioner of the Texas General Land Office. We have retained the other original of the PSA for our files.

Please provide our office with a recorded copy of the PSA or a fully executed copy if it is not going to be recorded as soon as it is available. After a Sharing Well is drilled, please provide our office with the “Productive Drainhole Length / Allocation Factor” information and let us know what our participation in the well is going to be so we can get our lease records set up for the payment of royalties on the well.

Thank you for your assistance with this matter, if you have any questions or need anything further, please feel free to call.

Sincerely,

Mary Beth Barnstone
Geotech / Landman
Energy Resources Division
Texas General Land Office
Direct number: (512)463-6818
Email: mary.barnstone@glo.texas.gov

Enclosure

⑦

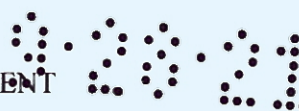
Lot No. MF099010

Milam County

Letter to Tread Stone

Date Rec'd 12/10/21

By MB Bamstone



WHEREAS, the undersigned is the owner of a royalty interest in one or more of the following described units, located in Milam County, Texas:

1. **Holden-Moore Unit No. 1**, as more particularly described in that certain Designation of Unit dated January 15, 1998, from the Union Pacific Resources Company, containing 1276.62 acres of land more or less, recorded in Volume 771, Page 280, Milam County, Texas; and
2. **Moore Unit No. 1**, as more particularly described in that certain Designation of Unit dated January 25, 2000, from the Union Pacific Resources Company, containing 880 acres of land more or less, recorded in Volume 813, Page 785, Milam County, Texas; and

WHEREAS, TreadStone Energy Partners II LLC, as the successor in interest to Union Pacific Resources Company, desires to drill, or cause to be drilled, the Tate 1HA Well (API No.42-331-35104), at a location in the James Shaw Survey, A-329, James G Eldridge Survey, A-155, Calvin Boales Survey, A-91, John Beal Survey, A-94, and Jennet Bowen Survey, A-95, which well is intended to be a horizontal drainhole drilled within the stratigraphic limits of the Giddings (Austin Chalk-3) Field in, through and under a portion of each of the above described Units; and

WHEREAS, to avoid any uncertainties concerning the manner in which the owners of the royalty interests will share the proceeds of production attributable to that portion of the horizontal drainhole traversing any portion of the Units and the respective oil, gas and mineral leases and interests which contribute thereto, the undersigned royalty interest owner and the operator of said Tate 1HA Well desire to enter into this Agreement and to agree upon the basis for sharing and allocating the proceeds of production of hydrocarbons attributable to that portion of the horizontal drainhole traversing any portion of the lands covered by the Units.

NOW THEREFORE, in consideration of the premises, to comply with the terms and conditions of their mutual agreements, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned royalty interest owner hereby covenants and agrees to the following terms, conditions and provisions:

1. This consent and ratification shall terminate unless, on or before December 31, 2021 TreadStone Energy Partners II, LLC commences, or causes to be commenced, operations for the drilling of the Tate 1HA Well.
2. In the event that TreadStone Energy Partners II, LLC, or its operating agent, TreadStone Energy Partners Operating, LLC, drills and completes the Tate 1HA Well as a well capable of producing oil and/or gas in paying quantities, the following shall apply:
 - a. All production from the Tate 1HA shall be allocated between the respective Units based upon the length of productive horizontal drainhole underlying each respective Unit in proportion to the total length of the productive horizontal drainhole in the entirety of the Tate 1HA Well, as determined by an "As Drilled" survey (generated by a licensed Surveyor in the State of Texas) to be provided upon the completion of the well.
 - b. As evidenced by the Division Order for the Holden-Moore Unit No. 1 Lessee allocates production according to certain decimal interests in production from the Holden-Moore Unit No. 1-1 Well. The decimal interests for the Holden-Moore Unit No. 1-1 Well will not change as a result of this document, however, in addition to receiving that decimal interest in production from the Holden-Moore No. 1-1 Well, the royalty owners in and under the Holden-Moore Unit No. 1 shall also receive the same decimal interest of production from the Tate 1HA Well that is allocated to the Holden-Moore Unit No. 1 as set forth under Article 2 a. above.
 - c. As evidenced by the Division Order for the Moore Unit No. 1, Lessee allocates production according to certain decimal interests in production from the Moore Unit Well No. 1. The decimal interests for the Moore Unit Well No. 1 will not change as a result of this document, however, in addition to receiving that decimal interest in production from the Moore Unit Well No. 1, the royalty owners in and under the Moore Unit No. 1 shall also receive the same decimal interest of production from the Tate 1HA Well that is allocated to the Moore Unit Well No. 1 as set forth under Article 2 a. above.
 - d. By drilling the Tate 1HA Well and paying the mineral and royalty interest owners on production therefrom in accordance with the foregoing provisions, TreadStone Energy Partners II, LLC shall be deemed to be in compliance with the terms and provisions, specifically the pooling provisions, contained in the oil, gas and mineral leases covering the tracts which comprise the Units.
3. The parties recognize that TreadStone Energy Partners II, LLC's ability to accomplish the foregoing may be contingent upon TreadStone Energy Partners II, LLC's obtaining the ratifications of other mineral and/or royalty owners in the vicinity of the Tate 1HA Well. In the event TreadStone Energy Partners II, LLC is unable to obtain the ratification of any mineral owner and/or royalty owner that TreadStone Energy Partners II, LLC deems necessary in order to accomplish the objectives of this Production Sharing Agreement, TreadStone Energy Partners II, LLC may notify the undersigned in writing of that fact and this agreement shall have and be of no effect.
4. In addition to the foregoing, and for and in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned royalty owner, to the extent he/she owns an interest in any or all of the Units described above, ~~does hereby~~ **RATIFY, ADOPT,**

~~and CONFIRM the Units and the lease or leases under which such party's interest is derived (individually and/or collectively the "Ratified Lease"), and does hereby GRANT, REASE and LET unto the current lessee of the Ratified Lease, all of such Interest Owner's interest in the acreage covered by the Ratified Lease, subject to the same terms and conditions provided for therein, as same may have been previously amended, or amended herein, and further~~ does hereby CONSENT and AGREE to the inclusion of the undersigned's interest in participating in the Tate 1HA Well under the terms and provisions set forth herein.

5. Unless terminated by TreadStone Energy Partners II, LLC, this document shall be effective as of the date of completion of the Tate 1HA Well as a well capable of producing oil and/or gas in paying quantities and shall continue in effect for so long as the Tate 1HA Well continues to produce in paying quantities.
6. The terms and provisions of this agreement and the covenants made herein shall be binding upon the undersigned, its heirs, successors and/or assigns.

EXECUTED THIS ____ DAY OF _____, 2021

ROYALTY OWNER:

EXECUTED on the dates subscribed below, but effective hereinabove provided.

Date Executed: 12/08/2021


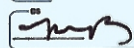


STATE OF TEXAS

By: 

George P. Bush, Commissioner

General Land Office

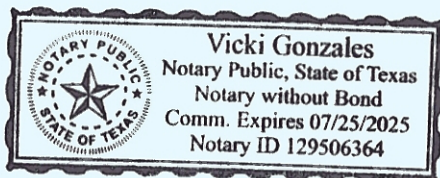
Approved:


min. leasing	<u></u>
content	<u></u>
legal	<u></u>
executive	<u></u>

STATE OF TEXAS

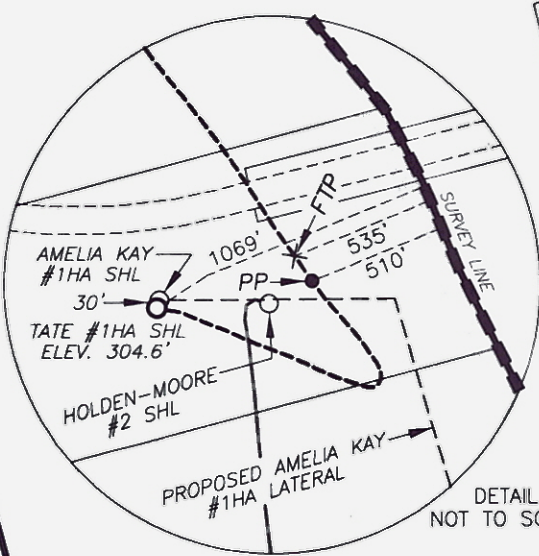
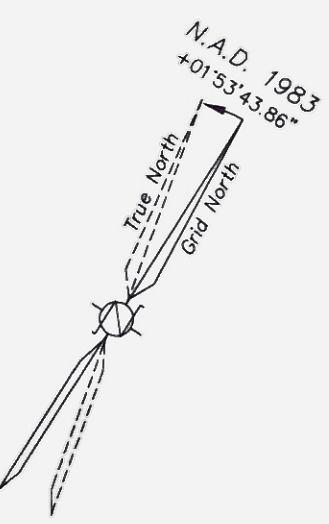
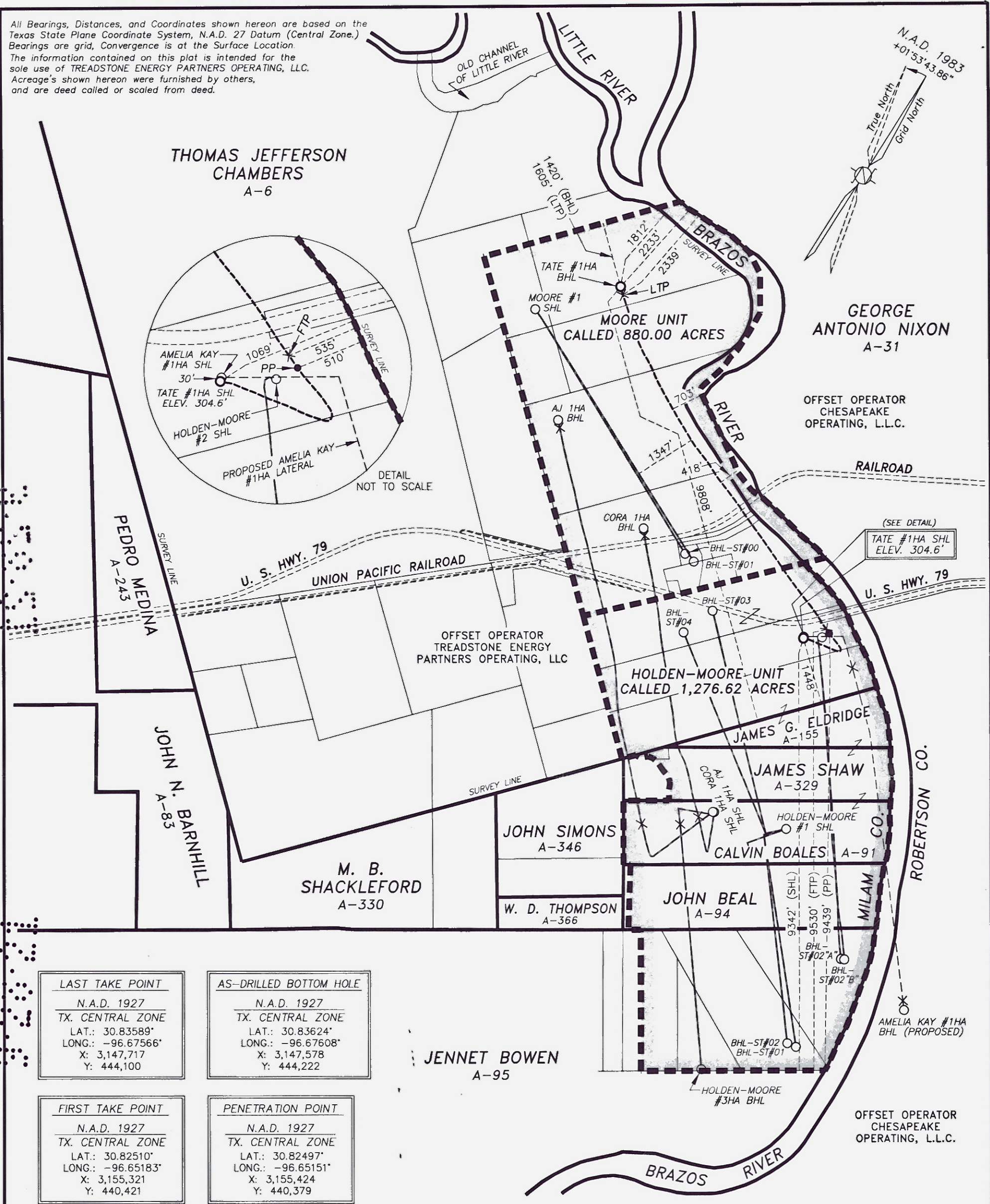
COUNTY OF TRAVIS

This instrument was acknowledged before me on December 8, 2021, by George P. Bush as Land Commissioner, Texas General Land Office.




Notary Public in and for the State of Texas

All Bearings, Distances, and Coordinates shown hereon are based on the Texas State Plane Coordinate System, N.A.D. 27 Datum (Central Zone.) Bearings are grid, Convergence is at the Surface Location. The information contained on this plat is intended for the sole use of TREADSTONE ENERGY PARTNERS OPERATING, LLC. Acreage's shown hereon were furnished by others, and are deed called or scaled from deed.



LAST TAKE POINT
 N.A.D. 1927
 TX. CENTRAL ZONE
 LAT.: 30.83589°
 LONG.: -96.67566°
 X: 3,147,717
 Y: 444,100

AS-DRILLED BOTTOM HOLE
 N.A.D. 1927
 TX. CENTRAL ZONE
 LAT.: 30.83624°
 LONG.: -96.67608°
 X: 3,147,578
 Y: 444,222

FIRST TAKE POINT
 N.A.D. 1927
 TX. CENTRAL ZONE
 LAT.: 30.82510°
 LONG.: -96.65183°
 X: 3,155,321
 Y: 440,421

PENETRATION POINT
 N.A.D. 1927
 TX. CENTRAL ZONE
 LAT.: 30.82497°
 LONG.: -96.65151°
 X: 3,155,424
 Y: 440,379

TATE (ALLOC.) #1HA SHL	
NAT. GROUND ELEV. 304.6'	
N.A.D. 1983	N.A.D. 1927
TX. CENTRAL ZONE	TX. CENTRAL ZONE
LAT.: 30.82414°	LAT.: 30.82394°
LONG.: -96.65314°	LONG.: -96.65289°
X: 3,451,481	X: 3,155,003
Y: 10,282,573	Y: 439,991

AS-DRILLED LATERAL LENGTH FROM FTP TO LTP		
HOLDEN-MOORE UNIT	1,622.36'	19.09%
MOORE UNIT	6,876.88'	80.91%
TOTAL	8,499.24'	100.00%

HOLDEN-MOORE UNIT 1,276.62 AC.
 MOORE UNIT 880.00 AC.
 (ALLOCATION) UNIT TOTAL 2,156.62 AC.
 TATE #1HA

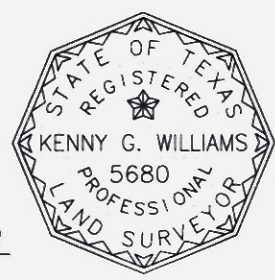
NOTE: This plat does not represent a boundary survey for the purpose of establishing title boundaries. The total unit acreage is based upon deed called, surveyed and calculated acreage.



TBEPLS FIRM REGISTRATION No. 10025700

I, the undersigned, do hereby certify that this plat is true and correct to the best of my knowledge and belief.

BY: *Kenny Williams* DATE: 09/17/2021



PREPARED BY:
STANGER SURVEYING TYLER LLC
 1595 E. GRANDE BLVD.
 TYLER, TEXAS 75703

"AS-DRILLED" PLAT
TREADSTONE ENERGY PARTNERS OPERATING, LLC
TATE (ALLOCATION) #1HA
MILAM COUNTY, TEXAS
SCALE: 1" = 2000'

"GAUSE" Quadrangle
 Situated S 84° E - 19.4 Miles from Cameron, TX.

Certificate Of Completion

Envelope Id: 678B693EE24042CAB86DBC0DA1DA1D5A
Subject: Please DocuSign - Energy Resources: PSA - Treadstone (Texas GLO)
Source Envelope:
Document Pages: 8 Signatures: 0
Certificate Pages: 2 Initials: 8
AutoNav: Enabled
EnvelopeId Stamping: Enabled
Time Zone: (UTC-06:00) Central Time (US & Canada)

Status: Completed

Envelope Originator:
David Villafranca
1700 Congress Ave
Austin, TX 78701
david.villafranca@glo.texas.gov
IP Address: 136.49.149.46

Record Tracking

Status: Original
10/19/2021 11:01:40 AM

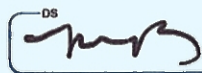
Holder: David Villafranca
david.villafranca@glo.texas.gov

Location: DocuSign

Signer Events

Mary Barnstone
Mary.Barnstone@GLO.TEXAS.GOV
Texas General Land Office
Security Level: Email, Account Authentication (None)

Signature



Signature Adoption: Drawn on Device
Using IP Address: 165.225.34.56

Timestamp

Sent: 10/19/2021 11:06:19 AM
Viewed: 10/22/2021 7:38:22 AM
Signed: 10/22/2021 7:38:43 AM

Electronic Record and Signature Disclosure:
Not Offered via DocuSign

Matthew Edling
matthew.edling@glo.texas.gov
Security Level: Email, Account Authentication (None)



Signature Adoption: Pre-selected Style
Using IP Address: 165.225.34.51

Sent: 10/22/2021 7:38:45 AM
Viewed: 10/22/2021 11:41:13 AM
Signed: 10/22/2021 11:41:57 AM

Electronic Record and Signature Disclosure:
Not Offered via DocuSign

Larry Hargrave
larry.hargrave@glo.texas.gov
Texas General Land Office
Security Level: Email, Account Authentication (None)



Signature Adoption: Pre-selected Style
Using IP Address: 165.225.34.80

Sent: 10/22/2021 11:41:59 AM
Viewed: 10/22/2021 11:42:41 AM
Signed: 10/22/2021 11:42:58 AM

Electronic Record and Signature Disclosure:
Not Offered via DocuSign

Mark A. Havens
Mark.Havens@GLO.TEXAS.GOV
Chief Clerk and Deputy Land Commissioner
Texas General Land Office
Security Level: Email, Account Authentication (None)



Signature Adoption: Drawn on Device
Using IP Address: 165.225.34.61

Sent: 10/22/2021 11:43:00 AM
Resent: 10/26/2021 1:03:15 PM
Resent: 11/4/2021 6:29:30 AM
Resent: 11/12/2021 8:28:18 AM
Viewed: 10/25/2021 1:33:09 PM
Signed: 12/2/2021 12:55:11 PM

Electronic Record and Signature Disclosure:
Not Offered via DocuSign

In Person Signer Events

Signature

Timestamp

Editor Delivery Events

Status

Timestamp

Agent Delivery Events

Status

Timestamp

Intermediary Delivery Events

Status

Timestamp

Certified Delivery Events

Status

Timestamp

Carbon Copy Events

Status

Timestamp

Ashley McDaniel

Ashley.McDaniel@glo.texas.gov

Security Level: Email, Account Authentication
(None)

Electronic Record and Signature Disclosure:
Not Offered via DocuSign



Sent: 10/22/2021 11:43:00 AM

Witness Events

Signature

Timestamp

Notary Events

Signature

Timestamp

Envelope Summary Events

Status

Timestamps

Envelope Sent

Hashed/Encrypted

10/19/2021 11:06:19 AM

Certified Delivered

Security Checked

10/25/2021 1:33:09 PM

Signing Complete

Security Checked

12/2/2021 12:55:11 PM

Completed

Security Checked

12/2/2021 12:55:11 PM

Payment Events

Status

Timestamps

Case No. MF099010
County Milam
PSA for Rate Hike
Date Filed 12/10/21
By MB Bamstorf
County Clerk, Comptroller

(18)



Information for processing an Internal Non Unit Transaction (iNut)
Length of Lateral

iNut No. 11458

GENERAL INFORMATION

Name of Well: Tate 1HA (Allocation)

API # 42-331-35104

Name of Operator: Treadstone Energy Partners

RRC # 03-868954

Operator Contact Person: Colton Sanford

Phone: 713-482-2997

County: Milam

ALLOCATION OF STATE UNITS AND/OR LEASES BASED ON LENGTH OF LATERAL

Lease Type	Unit/Lease No	Total Lateral Ft.	Unit or Lease Lateral Ft.	Unit or Lease Rylyty Decimal	Lease Royalty Decimal	RRAC Participation Factor	State Participation by Unit/Lease
HROW	2846/MF099010	8499.24	6876.88	0.00080114	0.16666700	0.00388929	0.00064822
UR	2846/MF099118	8499.24	6876.88	0.02430000	0.22500000	0.08738464	0.01966154
Totals:						0.09127393	0.02030976
Effective Date: 5/4/2021							State Net Royalty Revenue in Well

Name of Production Sharing Agreement, if any:

Comments: iNut crosses unit 2846. Well spud 5/4/2021, subject to PSA 00417. Final plat received 9/27/2021.

Attach a plat showing the iNut well with length of laterals marked and the State lands marked.

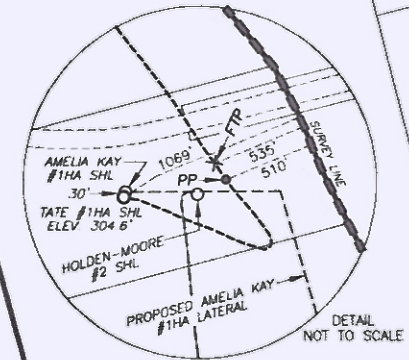
Lease Types: Relinquishment Act Land (RAL), State Fee (SF), Free Royalty (FR), Unleased Riverbed (UR), Highway Right of Way (HROW), Unleased Highway (UH), Criminal Justice (TDCJ), Parks & Wildlife (TPW), Mineral Production Allocation (MPAA), Dept. of Aging (DADS), School for the Blind (SBVI), Stephen F. Austin (SFA), TX A&M (A&M).

Prepared by: EMB Alamo updated by: EMB WI updated by: EMB

RAM approval by: VD GIS updated by: JL

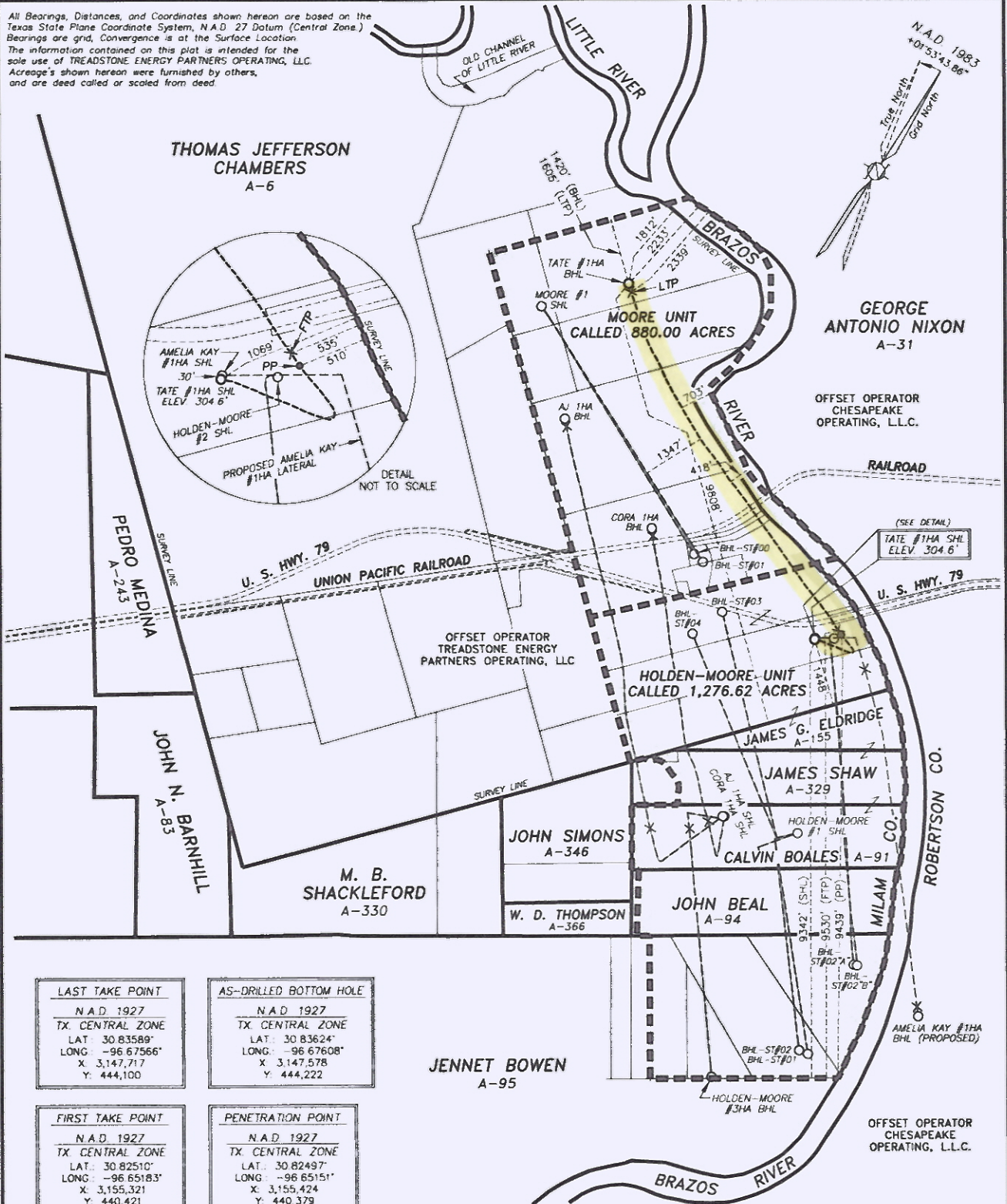
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THOMAS JEFFERSON CHAMBERS
A-6



GEORGE ANTONIO NIXON
A-31

OFFSET OPERATOR
CHESAPEAKE
OPERATING, L.L.C.



LAST TAKE POINT	
N.A.D. 1927	
TX. CENTRAL ZONE	
LAT. 30 83589"	
LONG. -96 67566"	
X. 3,147,717	
Y. 444,100	

AS-DRILLED BOTTOM HOLE	
N.A.D. 1927	
TX. CENTRAL ZONE	
LAT. 30 83624"	
LONG. -96 67608"	
X. 3,147,578	
Y. 444,222	

FIRST TAKE POINT	
N.A.D. 1927	
TX. CENTRAL ZONE	
LAT. 30 82510"	
LONG. -96 65183"	
X. 3,155,321	
Y. 440,421	

PENETRATION POINT	
N.A.D. 1927	
TX. CENTRAL ZONE	
LAT. 30 82497"	
LONG. -96 65151"	
X. 3,155,424	
Y. 440,379	

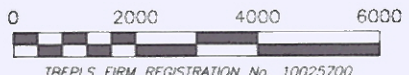
TATE (ALLOC.) #1HA SHL	
NAT. GROUND ELEV. 304.6'	
N.A.D. 1983	N.A.D. 1927
TX. CENTRAL ZONE	TX. CENTRAL ZONE
LAT. 30 82414"	LAT. 30 82394"
LONG. -96 65314"	LONG. -96 65289"
X. 3,451,481	X. 3,155,003
Y. 10,282,573	Y. 439,991

AS-DRILLED LATERAL LENGTH FROM FTP TO LTP		
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MOORE UNIT	6,876.88'	80.91%
TOTAL	8,499.24'	100.00%

HOLDEN-MOORE UNIT	1,276.62 AC.
MOORE UNIT	880.00 AC.
(ALLOCATION) UNIT TOTAL	2,156.62 AC.
TATE #1HA	

NOTE: This plat does not represent a boundary survey for the purpose of establishing title boundaries. The total unit acreage is based upon deed called, surveyed and calculated acreage.

"AS-DRILLED" PLAT
TREADSTONE ENERGY
PARTNERS OPERATING, LLC
TATE (ALLOCATION) #1HA
MILAM COUNTY, TEXAS
SCALE: 1" = 2000'



I, the undersigned, do hereby certify that this plat is true and correct to the best of my knowledge and belief.

BY *Kenny Williams* DATE: 09/17/2021



PREPARED BY:
STANGER
SURVEYING TYLER LLC
1595 E. GRANDE BLVD
TYLER, TEXAS 75703

"GAUSE" Quadrangle
Situated S 84° E - 19.4 Miles from Cameron, TX

Mary Barnstone

From: Colton Sanford <Colton.Sanford@treadstone-ep.com>
Sent: Monday, September 27, 2021 5:34 PM
To: Mary Barnstone; Verdis Daniels
Subject: [EXTERNAL] RE: RRAC ADDS: Lease 099710_ Amelia Kay 1HA: Leases 099010, 099118_Tate 1HA

Mary Beth,

Sorry I am not firing on all cylinders today, my apologies for all of the mistakes today! I am getting a slightly different result for M099118:

- State Lease MF099010 = 4.23 Acres / 880 Acres = .00480682 (TPF) * .16666667 (1/6th Royalty)= .00080114 (NRI) * .80911705 (Lateral length% in Moore Unit)= .00064821
- State Lease MF099118 = 95.04 Acres / 880 Acres = .10800000 (TPF) * .225000000 = .02430000 (NRI) * .80911705 (Lateral length% in Moore Unit)= .01966154

Perhaps I am missing something?

Appreciate your patience..

Thanks,

Colton Sanford
Landman
TreadStone Energy Partners Operating, LLC
106 Vintage Park Blvd, Suite 100
Houston, Texas 77070
713-482-2997 (Office)
281-455-5645 (Cell)

CONFIDENTIAL EMAIL: This email message is intended for the use of the individual or entity to which it is addressed and may contain information for purposes of settlement and negotiation, or, information that is privileged, confidential and exempt from disclosure under applicable law. The document may not be forwarded, used as evidence or disclosed to any third party without additional written authority of the sender. If the reader of this message has a question about whether they are the intended recipient or can make other use of this email, you are hereby notified that any dissemination, distribution or copy of this message is strictly prohibited and you are requested to please immediately notify us by email or telephone at 713.482.2987.

From: Mary Barnstone <Mary.Barnstone@GLO.TEXAS.GOV>
Sent: Monday, September 27, 2021 5:11 PM
To: Colton Sanford <Colton.Sanford@treadstone-ep.com>; Verdis Daniels <verdis.daniels@glo.texas.gov>
Subject: RE: RRAC ADDS: Lease 099710_ Amelia Kay 1HA: Leases 099010, 099118_Tate 1HA

*****EXTERNAL EMAIL*****

Hi Colton,

For the Tate 1HA, MF099118 royalty is .225, not 0.25, and I am getting NRI of 0.01977790 for that lease. Can you please confirm?

42-331-35104

01-868954



TREADSTONE
ENERGY PARTNERS

TreadStone Energy Partners Operating, LLC
106 Vintage Park Blvd, Suite 100
Houston, Texas 77070

Colton Sanford
Landman
Telephone: 713-482-2997
Facsimile: 713-482-2992

spud 5/4/2021

Giddings (AC-3)

subject to PSA
#00417

VIA U.S. OVERNIGHT MAIL

September 27, 2021

Texas General Land Office
ATTN: Mary Barnstone
1700 N. Congress Avenue, Suite 840
Austin, TX 78701-1495

RE: PSA Agreement – Tate 1HA Allocation Well (State lease #s MF099010, MF099118, Moore Unit GLO Unit #2846)

Dear Mrs. Barnstone:

Enclosed please find TreadStone Energy Partners Operating, LLC's (C000089588) form Production Sharing Agreement, the as-drilled plat for the Tate 1HA allocation well, and a check in the amount of \$500.00. The Tate 1HA allocation well includes lands from State Lease # MF099010, MF099118, the Moore Unit, Unit #2846. The allocation factor for the GLO interests in the Tate 1HA is as follows:

- State Lease MF099010 = 4.23 Acres / 880 Acres = .00480682 (TPF) * .16666667 (1/6th Royalty) = .00080114 (NRI) * .80911705 (Lateral length % in Moore Unit) = .00064821
- State Lease MF099118 = 95.04 Acres / 880 Acres = .10800000 (TPF) * ~~.25000000~~ (1/4) 0.225 Royalty) = ~~.02700000~~ (NRI) * .80911705 (Lateral length % in Moore Unit) = ~~.02184616~~
0.0243 0.019661540

Please do not hesitate to contact me if you have any questions or further requirements.

Sincerely,

Colton Sanford
Landman

Ins. No. MF099010
Milam County
Nat 11458
Date Paid 12/10/21
Mrs Bannister

(19)