

STATE LEASE

MF100657

CONTROL

BASEFILE

COUNTY

~~56-029553~~ 000 - AUSTIN /008  
65-900023

✓  
**EXPIRED**  
*[Signature]*

SURVEY : ~~HIGHWAYS & PUBLIC TRANSPORTATION~~  
BLOCK : COUNTY ROADS  
TOWNSHIP : 00  
SECTION/TRACT:  
PART :  
ACRES : 1.23  
DEPTH LIMITS : NO

Rentals:

Lease

Admin:

Mineral

Maps: GIS *HA*

LESSEE : UNION PACIFIC RESOURCES COMPANY  
LEASE DATE : Jun 21 1999  
PRIMARY TERM : 3 yrs  
BONUS (\$) : 153.00  
RENTAL (\$) : 0.00  
ROYALTY : 0.18750000  
VAR ROYALTY :



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# The State of Texas



Austin, Texas

PAID-UP  
OIL AND GAS LEASE NO. M-100657  
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 Company**, whose address is **801 Cherry Street, Fort Worth, TX 76102**, hereinafter called "Lessee".

1. Lessor, in consideration of **One Hundred Fifty Three and 00/100 Dollars (\$153.00)**, receipt of which is hereby acknowledged, and of the covenants and agreements of Lessee hereinafter contained, does hereby grant, lease, and let unto Lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil, gas, and all other hydrocarbons, produced from the land covered hereby. The land covered hereby, herein called "said land" is located in the County of **Austin**, State of Texas, and is described as follows:

**1.23** acres of land, more or less, situated in said **Austin** County, Texas, more particularly described in Exhibit "A" attached hereto and made a part hereof together with a plat, attached hereto as Exhibit "B", depicting said right-of-way and surrounding area for purposes of illustration only.

For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain **1.23** 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 **June 21, 1999**, 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 **three-sixteenths (3/16)** 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 **three-sixteenths (3/16)** 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 **three-sixteenths (3/16)** 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 **three-sixteenths (3/16)** 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.



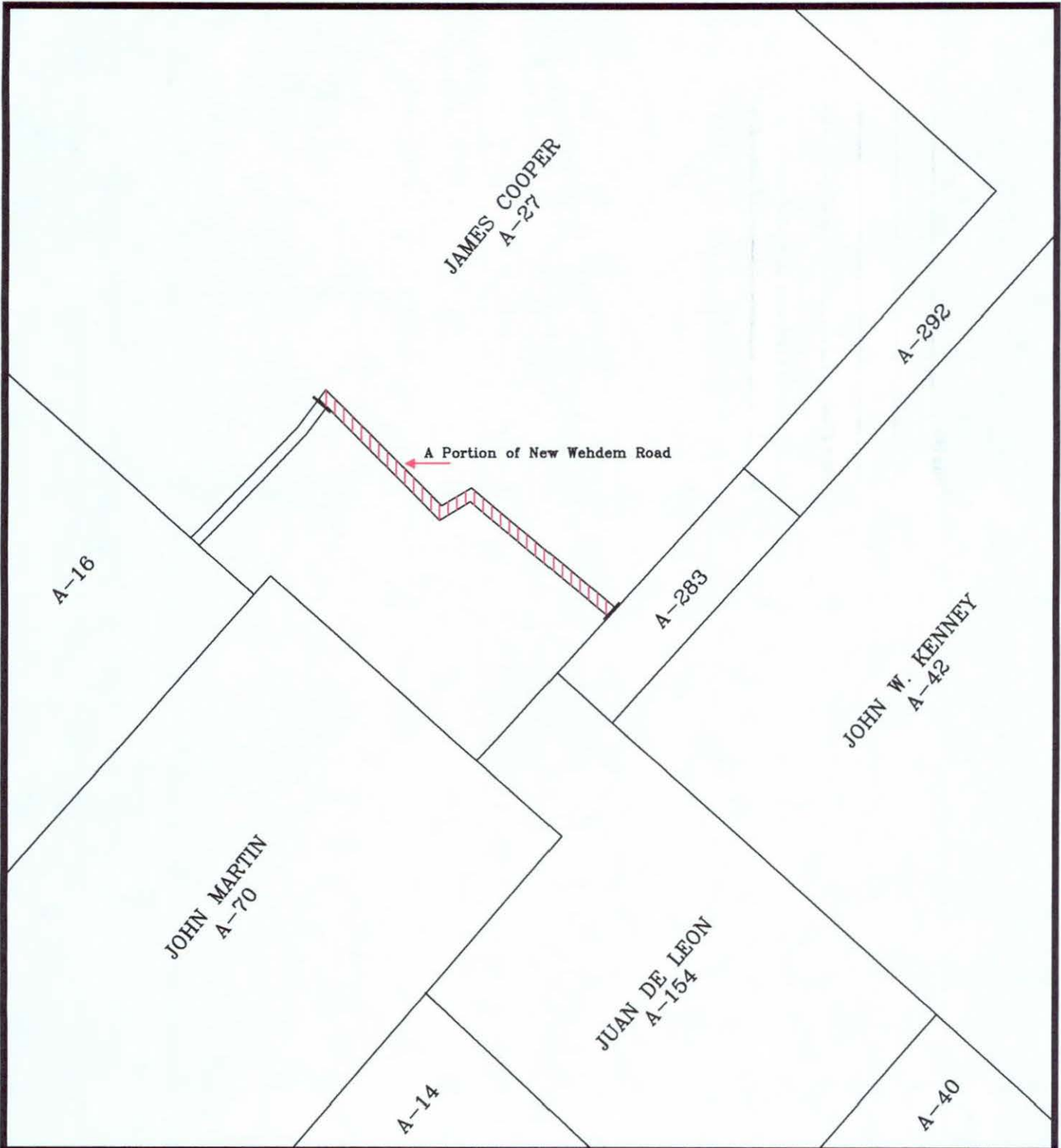
\_\_\_\_\_  
DAVID DEWHURST  
COMMISSIONER OF THE GENERAL LAND OFFICE  
OF THE STATE OF TEXAS

Approved: \_\_\_\_\_  
Energy:   *RDH*    
Legal:   *MA*    
Deputy:   *SA*    
Executive:   *AS*

## **Exhibit "A"**

Acreage to be Leased from the State of Texas in Austin  
County, Texas, New Wehdem Rd.

1.23 acres of land, more or less, situated in the James Cooper League, A-27, and the Martin Ruter Heirs Sur., A-283, Austin, County, Texas and being a strip of land ten (10) feet in width adjacent to the northeasterly line of the 65.3 acres of land described in that certain deed dated January 1, 1911 from J.C. Lueckemeyer et ux to Theodore Henske, filed of record in Volume 39, Page 457 of the Deed Records of Austin County, Texas and adjacent to the northeasterly line of the 87.5 acres of land described in that certain deed dated September 22, 1947 from Mollie Ueckert, et al to alicie Goeke, filed of record in Volume 165, Page 148 of the Deed Records of Austin County, Texas; said 1.23 acres, being a portion of the land described in that certain deed dated December 22, 1907, from F.C. Schomburg, et al to the County of Austin, Texas, filed in Volume 33, Page 533, Deed Records of Austin County, Texas.



New Wehdem Rd/ft/06-99

MAP SHOWING  
A PORTION OF NEW WEHDEM ROAD  
1.23 ACRES  
APPROXIMATELY 2 MILES NW OF KENNEY  
AUSTIN COUNTY

File No. MF100657

Lead

Date Filed: 5/10/99

By: David Dewhurst, Commissioner

RECEIVED  
MAY 10 1999  
STATE OF NEW YORK  
DEPARTMENT OF TAXATION AND FINANCE

THIS LEASE AGREEMENT is made effective the 24th day of February, 19 97,  
between META HENSKE, A WIDOW

as Lessor (whether one or more), whose address is 2404 AIRLINE DRIVE, BRENHAM, TX 77833

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

AUSTIN County, Texas, to-wit:

74.22 acres of land, more or less, out of the JAMES COOPER SURVEY, A-27, Austin County, Texas, being the same land described as  
Tracts 3, 4, 5 and 6 containing 110.79 acres, more or less, in that certain Deed dated December 5, 1953 from W. H. Loesch and wife,  
Augusta Loesch to Arthur Henske and wife, Meta Henske, recorded in Volume 209, Page 468 of the Deed Records of Austin County, Texas;  
LESS AND EXCEPT: 36.57 acres of land, more or less, being a portion of Tract 3 above, and being the same land described in that certain  
Deed dated September 1, 1996 from Arthur Henske and wife, Meta Henske to R. F. Amoldy, recorded in Volume 277, Page 104 of the Deed  
Records of Austin County, Texas.

FOR CONTINUATION OF LEASE SEE ATTACHED EXHIBIT 'A' WITH PARAGRAPHS 12 - 15

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 74.2200 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 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:

Meta Henske  
META HENSKE

STATE OF TEXAS )  
) ss.  
COUNTY WASHINGTON )

This instrument was acknowledged before me this 24<sup>th</sup> day of February, 19 97, by Meta Henske.

Linda S. Barton  
Notary Public, State of Texas

My Commission Expires:



STATE OF \_\_\_\_\_ )  
) ss.  
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 February 24, 1997 by and between META HENSKA, A WIDOW, as Lessor, and UNION PACIFIC RESOURCES COMPANY as Lessee.

Exhibit A

DAMAGE/CLEAN UP

12. Lessee agrees and obligates itself to conduct its operations upon the leased premises as a reasonable and prudent operator. Lessee, its successors and/or assigns shall fill and level all pits and/or excavations made by it or them in connection with operations hereunder after termination of use thereof and shall construct and maintain fences surrounding such pits and/or excavations to turn livestock until such time as said pits and/or excavations are leveled. Lessee, its successors and/or assigns shall pay for all actual damage done or caused by Lessee, its successors and/or assigns in its operation hereunder to any buildings, fences, road, culverts, merchantable timber, growing crops, or any other improvements on said land, or to livestock on said land. Also, it is expressly agreed and provided that if any salt water or other deleterious substances shall come from or in any manner be extracted or produced from any well as the result of any drilling operations hereunder, Lessee, its successors and/or assigns shall not permit same to flow on and over Lessor's land, but shall confine same in pits or excavations adjacent to the drilling site. Lessee, its successors and/or assigns shall construct and maintain gates and/or cattle guards wherever Lessee enters said premises, so constructed as to turn livestock from the drilling site. Lessee, its successors and/or assigns shall bury all subsurface pipelines below plow depth.

OIL & GAS ONLY/EXCLUDED MINERALS

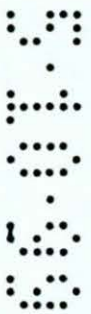
13. Notwithstanding anything herein to the contrary, this Lease covers only oil and gas, including other liquid and gaseous hydrocarbons, as well as such other minerals or substances as may be produced incidental to and as a part of or mixed with oil, gas and other liquid or gaseous hydrocarbons, but 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

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

SHUT-IN

15. The payment or tender of any shut-in royalty may be in currency, or by check or by draft, deposited in the U. S. Mail addressed to Lessor or delivered to same on or before due date.



FILED

97 MAY -8 AM 11:06

M. H  
LESSOR INITIALS

Carrie Gregor  
COUNTY CLERK  
AUSTIN COUNTY, TEXAS

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.  
STATE OF TEXAS COUNTY OF AUSTIN  
I hereby certify that this instrument was filed on the date and at the time stamped hereon by me and was duly RECORDED in the OFFICIAL PUBLIC RECORDS OF AUSTIN COUNTY, TEXAS, in the Volume and Page as shown hereon.



Carrie Gregor  
Carrie Gregor County Clerk  
Austin County, Texas

MEMORANDUM OF OIL, GAS AND MINERAL LEASE

STATE OF TEXAS

COUNTY OF AUSTIN

KNOW ALL MEN BY THESE PRESENTS, that ALLAN F. RHODES, TRUSTEE OF THE SUSAN ARNOLDY HANSEN TRUST UTA DATED JUNE 5, 1985, whose address is P.O. Box 40472, Houston, Texas 77240-0472, (referred to herein as "Lessor" ) has entered into an Oil, Gas and Mineral Lease (referred to herein as Lease), with UNION PACIFIC RESOURCES COMPANY whose address is 801 Cherry Street, Fort Worth, Texas 76102 (referred to herein as Lessee), with an effective date of March 2, 1999, covering and affecting the mineral interest owned by Lessor in and under the following described lands in Austin County, Texas:

67.32 acres of land, more or less, in the James Cooper Survey, A-27, Austin County, Texas, being described in two tracts, to wit:

TRACT ONE: 36.57 acres of land described as First Tract in Exhibit A to that Deed dated October 14, 1985, from Roman F. Arnoldy et al, to Roman F. Arnoldy, Trustee, recorded in Volume 527, Page 580, Official Records, Austin County, Texas;

TRACT TWO: 30.75 acres of land described as Second Tract in Exhibit A to that Deed dated October 14, 1985, from Roman F. Arnoldy et al, to Roman F. Arnoldy, Trustee, recorded in Volume 527, Page 580, Official Records, Austin County, Texas.

The Lease provides for a primary term of three years (with an option to extend for an additional one year) from and after the effective date thereof and as long thereafter as a mineral or minerals (as defined in the Lease) is produced in paying quantities from the Leased Premises or lands pooled therewith or said lease is maintained in any manner provided for therein, Subject to all terms and provisions set forth in said Lease, reference to the original Lease is herein made for all purposes.

IN WITNESS WHEREOF, this instrument 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 herein as Lessor.

*[Handwritten Signature]*

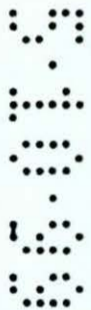
ALLAN F. RHODES, TRUSTEE OF THE SUSAN ARNOLDY HANSEN TRUST UTA DATED JUNE 5, 1985

STATE OF TEXAS )  
COUNTY OF Harris ) ss.

This instrument was acknowledged before me this 22nd day of March, 1999, by ALLAN F. RHODES, TRUSTEE OF THE SUSAN ARNOLDY HANSEN TRUST UTA DATED JUNE 5, 1985.

*[Handwritten Signature]*  
Notary Public

My Commission Expires: 5/24/02



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99 APR 27 AM 8: 09  
*Carrie Gregor*  
COUNTY CLERK  
AUSTIN COUNTY, TEXAS

STATE OF TEXAS COUNTY OF AUSTIN  
I certify that this instrument was filed on the date and time stamped by me and was duly RECORDED in the OFFICIAL PUBLIC RECORDS OF AUSTIN COUNTY, TEXAS.



*Carrie Gregor*  
Carrie Gregor, County Clerk  
Austin County, Texas

9/11.00

992305

RATIFICATION OF OIL, GAS AND MINERAL LEASE

STATE OF TEXAS

§  
§  
§

KNOW ALL MEN BY THESE PRESENTS THAT:

COUNTY OF AUSTIN

WHEREAS, under date of October 14, 1985, Roman F. Arnoldy and Lillian E. Arnoldy executed a Deed (hereinafter referred to as the Deed) in favor of Roman F. Arnoldy as Trustee of the Roman and Lillian Family Trust (therein referred to as Grantee) which consist of the John Scott Arnoldy Trust and the Susan Arnoldy Hansen Trust created and administered pursuant to a certain Trust Agreement dated June 5, 1985 (hereinafter referred to as the Trust Agreement). The Deed is recorded in Volume 527, Page 580, Official Records, Austin County, Texas and covers 67.32 acres, more or less, located in the JAMES COOPER SURVEY, A-27, Austin County, Texas.

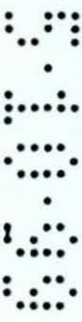
WHEREAS, the undersigned, Allan F. Rhodes, is successor Trustee to Roman F. Arnoldy under the Trust Agreement.

WHEREAS, under effective date of March 2, 1999, Allan F. Rhodes, Trustee of the John Scott Arnoldy Trust UTA dated June 5, 1985, as Lessor, did execute and deliver to UNION PACIFIC RESOURCES COMPANY, as Lessee, an Oil, Gas and Mineral Lease (hereinafter referred to as "Lease"), a Memorandum of which is recorded under County Clerk's File # 992304, Official Records of Austin County, Texas, covering 67.32 acres described in the Deed.

WHEREAS, under effective date of March 2, 1999, Allan F. Rhodes, Trustee of the Susan Arnoldy Hansen Trust UTA dated June 5, 1985, as Lessor, did execute and deliver to UNION PACIFIC RESOURCES COMPANY, as Lessee, an Oil, Gas and Mineral Lease (hereinafter referred to as "Lease"), a Memorandum of which is recorded under County Clerk's File # 992303, Official Records of Austin County, Texas, covering 67.32 acres described in the Deed.

WHEREAS, the undersigned, in his capacity as Successor to Roman F. Arnoldy, Trustee, has the authority execute oil and gas leases which provide for pooling, covering all the interest covered in the Deed, and desires to adopt, ratify and confirm the Lease(s) and all of the terms and provisions thereof.

NOW, THEREFORE, for and in consideration of the premises and other valuable consideration in hand paid, the receipt of which is hereby acknowledged and confessed, the undersigned does hereby adopt, ratify and confirm said Lease, as to all of the terms and provisions therein, and does hereby lease, grant, demise, and let the interest of the undersigned in the land covered by the said Lease, unto Lessee, its successors and assigns, subject to and in accordance with all of the terms and provisions of the said Lease, as fully and completely as if the undersigned had originally executed, acknowledged and delivered the same.



THE UNDERSIGNED hereby further declares that the said Lease in all of it terms and provisions is a valid and subsisting Oil, Gas and Mineral Leases and declares that said Lease is binding upon the undersigned, and the undersigned's successors and assigns.

IN WITNESS WHEREOF, this instrument is executed this 22 day of March, 1999.

*Allan F. Rhodes*

Allan F. Rhodes, Trustee of the Roman and Lillian Family Trusts

ACKNOWLEDGMENT

STATE OF TEXAS §

COUNTY OF Harris §

This instrument was acknowledged before me on the 22nd day of March, 1999, by Allan F. Rhodes, Trustee of the Roman and Lillian Family Trusts.

Becky Israel  
Notary Public, State of Texas



FILED  
99 APR 27 AM 8: 10  
Carrie Gregor  
COUNTY CLERK  
AUSTIN COUNTY, TEXAS

STATE OF TEXAS COUNTY OF AUSTIN  
I certify that this instrument was filed on the date and time stamped by me and was duly RECORDED in the OFFICIAL PUBLIC RECORDS OF AUSTIN COUNTY, TEXAS.  
Carrie Gregor  
Carrie Gregor, County Clerk  
Austin County, Texas



992305

THIS LEASE AGREEMENT is made effective the 2nd day of March, 1999,between Allan F. Rhodes, Trustee of the Susan Arnoldy Hansen Trust UTA dated June 5, 1985as Lessor (whether one or more), whose address is P.O. Box 40472, Houston, TX 77240-0472and 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

AUSTIN County, Texas, to-wit:

67.32 acres of land, more or less, in the James Cooper Survey, A-27, Austin County, Texas, being described in two tracts, to wit:

TRACT ONE: 36.57 acres of land described as First Tract in Exhibit A to that Deed dated October 14, 1985, from Roman F. Arnoldy et al, to Roman F. Arnoldy, Trustee, recorded in Volume 527, Page 580, Official Records, Austin County, Texas;

TRACT TWO: 30.75 acres of land described as Second Tract in Exhibit A to that Deed dated October 14, 1985, from Roman F. Arnoldy et al, to Roman F. Arnoldy, Trustee, recorded in Volume 527, Page 580, Official Records, Austin County, Texas.

**SEE EXHIBIT A ATTACHED HERETO AND MADE A PART HEREOF FOR ADDITIONAL TERMS AND 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 67.3200 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 3/16 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 3/16 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 #

[Redacted]

LESSOR:

*Allan F. Rhodes*

Allan F. Rhodes, Trustee of the Susan Arnoldy Hansen Trust UTA dated June 5, 1985

STATE OF TEXAS )

COUNTY Harris )

ss.

This instrument was acknowledged before me this 22nd day of March, 1999, by ALLAN F. RHODES, TRUSTEE OF THE SUSAN ARNOLDY HANSEN TRUST UTA DATED JUNE 5, 1985.

*Becky Israel*  
Notary Public

My Commission Expires:

5/24/02



## Exhibit A

### DAMAGE/CLEANUP

12. It is understood and agreed that Lessee, its successors and assigns, shall pay Lessor for any damages to Lessor's crops or Lessor's livestock caused as a direct result of Lessee's operations on the leased premises. In addition, Lessee shall either pay for actual damages to Lessor's roads, culverts, bridges, fences and other improvements on Lessor's land if such improvements are damaged as a direct result of Lessee's operations on the leased premises or in lieu of paying the damages referred to above and at Lessee's option, Lessee may effect repair of damaged improvements to a condition comparable to the condition of the improvement prior to the damage. Upon the abandonment of the leased premises or surrender thereof, Lessee shall level all levees around slush pits and other excavations and generally restore the surface of the land covered hereby as nearly to its present condition as reasonably possible.

### DRILL SITES

13. In advance of any actual drilling operations for oil or gas, Lessee shall propose in writing, and Lessor and Lessee shall mutually agree on the location of drill-sites no larger than four (4) acres to be reduced by Lessee to not more than one (1) acre for a producing well and its associated production equipment, to be located (along with access and pipeline routes thereto) on a map signed by Lessor and Lessee, and to be the exclusive areas for oil and gas drilling operations on the premises. Such drill-sites shall be located so as to permit reasonable development by Lessee for oil and gas, and at the same time provide reasonable protection for the development by Lessor of the surface.

### INGRESS/EGRESS

14. Notwithstanding the making of any partial release or releases, Lessee, its successors or assigns, shall, so long as any portion of this lease remains in force, have the right of ingress and egress over all of the lands originally covered by this lease as a means of access to and from any portion of the same remaining in effect, including the right to install and maintain pipe lines, or to build and maintain roads over and across the same for transportation and marketing production from this lease.

### LANDS HELD

15. Notwithstanding any other provision hereof, drilling or reworking operations upon and production of oil and gas or either of them, from the lands with which a portion of the land covered hereby is pooled, (including drilling or reworking operations upon and production of oil and gas, or either of them, from that portion or portions of the leased premises included in the pooled unit or units), shall not maintain this lease in force and effect beyond the primary term as to any land covered hereby and not included in such unit or units.

### LEASE EXTENSION

16. Lessor hereby grants to Lessee the right and option to extend the primary term of this lease from three (3) years to four (4) years by paying or tendering to Lessor or to the credit of Lessor on or before the expiration of the third year of this lease the sum of Fifty Dollars (\$50.00) per acre for all or that part of the land which Lessee elects to continue to hold hereunder, which payment or tender, if made, shall also have the effect of constituting payment or tender with respect to such land for the fourth year of this lease as extended. The provisions of this Paragraph shall be binding upon Lessor and Lessee and their heirs, successors, representatives, sub-lessees and assigns. In the event Lessee elects to exercise the option referred to above on less than all of the original leasehold acreage, the Lessee shall include with its payment a tender, a plat indicating which acreage the tender or payment is designed to cover along with a written description thereof.

### MEMORANDUM OF LEASE

17. It is agreed and understood that a Memorandum of Oil and Gas Lease will be filed of record for the purpose of providing record notice of the existence of this Lease in lieu of recording the executed original. Said Memorandum of Oil and Gas Lease shall be recorded in the Records of Austin County, Texas, within a reasonable period of time by Lessee and upon request by Lessor, a copy thereof will be furnished to Lessor.

### OIL AND GAS ONLY/EXCLUDED MINERALS

18. It is expressly understood and agreed that this lease covers oil, gas, sulfur and other gaseous and liquid hydrocarbons and other mineral substances produced incidental to and as part of or mixed therewith, along with the products and by-products thereof, but this lease does not cover any other minerals of any type including uranium, thorium and other fissionable materials, iron ore, copper, coal, lignite, or any minerals of any type, and Lessor reserves such excepted minerals and metals, and the right to the use of the surface to investigate, explore, prospect, drill and mine for and produce such excepted minerals and metals, provided that such use shall not interfere with the reasonable use by Lessee of said surface in the exercise of the right and estate herein granted.

### POOLING

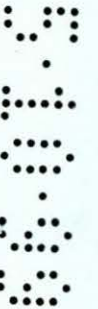
19. Notwithstanding any other provision herein to the contrary, Lessee shall have the right and power to pool and unitize, for horizontal drain-hole wells as such wells are defined or recognized by the Railroad Commission of Texas ("Commission"), all or part of the lands covered by this lease with any other land for oil or gas to form pooled units of such size as may be permitted by the Commission for the assignment of acreage to the horizontal drain-hole well or wells in question. In exercising its pooling rights for horizontal drain-hole wells under this paragraph, Lessee shall file of record in the county where the lands to be pooled are located a written declaration describing the unit and stating the effective date of pooling. Lessee shall have the recurring right but not the obligation to revise any unit formed for horizontal drain-hole wells 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 Commission, or to conform to any productive acreage determination

Attached hereto and made a part hereof that certain Oil and Gas Lease dated March 2, 1999 by and between Allan F. Rhodes, Trustee of the Susan Arnoldy Hansen Trust UTA dated June 5, 1985, as Lessor, and UNION PACIFIC RESOURCES COMPANY as Lessee.

made by such agency. In making such revision, Lessee shall file of record in the county where the lands are located a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable under this paragraph shall be adjusted accordingly as of the effective date for the revised unit. The effective date for any unit formed for horizontal drain-hole wells under this paragraph or any revision thereof shall be the date set forth as the effective date by Lessee in the written declaration that is filed of record for such unit or revision thereof.

**SHUT IN**

20. This lease cannot be continued in force by the shut-in royalty payments provided for in Paragraph 3 above, for a period of more than two (2) years beyond the expiration of the primary term hereof except from time to time thereafter for nonconsecutive periods of not more than one year each.



992304

Tr. 546

MEMORANDUM OF OIL, GAS AND MINERAL LEASE

STATE OF TEXAS

COUNTY OF AUSTIN

KNOW ALL MEN BY THESE PRESENTS, that ALLAN F. RHODES, TRUSTEE OF THE JOHN SCOTT ARNOLDY TRUST UTA DATED JUNE 5, 1985, whose address is P.O. Box 40472, Houston, Texas 77240-0472, (referred to herein as "Lessor") has entered into an Oil, Gas and Mineral Lease (referred to herein as Lease), with UNION PACIFIC RESOURCES COMPANY whose address is 801 Cherry Street, Fort Worth, Texas 76102 (referred to herein as Lessee), with an effective date of March 2, 1999, covering and affecting the mineral interest owned by Lessor in and under the following described lands in Austin County, Texas:

67.32 acres of land, more or less, in the James Cooper Survey, A-27, Austin County, Texas, being described in two tracts, to wit:

TRACT ONE: 36.57 acres of land described as First Tract in Exhibit A to that Deed dated October 14, 1985, from Roman F. Arnoldy et al, to Roman F. Arnoldy, Trustee, recorded in Volume 527, Page 580, Official Records, Austin County, Texas;

TRACT TWO: 30.75 acres of land described as Second Tract in Exhibit A to that Deed dated October 14, 1985, from Roman F. Arnoldy et al, to Roman F. Arnoldy, Trustee, recorded in Volume 527, Page 580, Official Records, Austin County, Texas.

The Lease provides for a primary term of three years (with an option to extend for an additional one year) from and after the effective date thereof and as long thereafter as a mineral or minerals (as defined in the Lease) is produced in paying quantities from the Leased Premises or lands pooled therewith or said lease is maintained in any manner provided for therein, Subject to all terms and provisions set forth in said Lease, reference to the original Lease is herein made for all purposes.

IN WITNESS WHEREOF, this instrument 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 herein as Lessor.

*Allan F Rhodes*

ALLAN F. RHODES, TRUSTEE OF THE JOHN SCOTT ARNOLDY TRUST UTA DATED JUNE 5, 1985

STATE OF TEXAS )  
COUNTY OF Harris ) ss.

This instrument was acknowledged before me this 22nd day of March, 1999, by ALLAN F. RHODES, TRUSTEE OF THE JOHN SCOTT ARNOLDY TRUST UTA DATED JUNE 5, 1985.

*Becky Israel*  
Notary Public

My Commission Expires: 5/24/02



FILED  
99 APR 27 AM 8:09  
*Carrie Gregor*  
COUNTY CLERK  
AUSTIN COUNTY, TEXAS

STATE OF TEXAS COUNTY OF AUSTIN  
I certify that this instrument was filed on the date and time stamped by me and was duly RECORDED in the OFFICIAL PUBLIC RECORDS OF AUSTIN COUNTY, TEXAS.



*Carrie Gregor*  
Carrie Gregor, County Clerk  
Austin County, Texas

992304

11.00

992305

RATIFICATION OF OIL, GAS AND MINERAL LEASE

STATE OF TEXAS

§  
§  
§

KNOW ALL MEN BY THESE PRESENTS THAT:

COUNTY OF AUSTIN

WHEREAS, under date of October 14, 1985, Roman F. Arnoldy and Lillian E. Arnoldy executed a Deed (hereinafter referred to as the Deed) in favor of Roman F. Arnoldy as Trustee of the Roman and Lillian Family Trust (therein referred to as Grantee) which consist of the John Scott Arnoldy Trust and the Susan Arnoldy Hansen Trust created and administered pursuant to a certain Trust Agreement dated June 5, 1985 (hereinafter referred to as the Trust Agreement). The Deed is recorded in Volume 527, Page 580, Official Records, Austin County, Texas and covers 67.32 acres, more or less, located in the JAMES COOPER SURVEY, A-27, Austin County, Texas.

WHEREAS, the undersigned, Allan F. Rhodes, is successor Trustee to Roman F. Arnoldy under the Trust Agreement.

WHEREAS, under effective date of March 2, 1999, Allan F. Rhodes, Trustee of the John Scott Arnoldy Trust UTA dated June 5, 1985, as Lessor, did execute and deliver to UNION PACIFIC RESOURCES COMPANY, as Lessee, an Oil, Gas and Mineral Lease (hereinafter referred to as "Lease"), a Memorandum of which is recorded under County Clerk's File #992304, Official Records of Austin County, Texas, covering 67.32 acres described in the Deed.

WHEREAS, under effective date of March 2, 1999, Allan F. Rhodes, Trustee of the Susan Arnoldy Hansen Trust UTA dated June 5, 1985, as Lessor, did execute and deliver to UNION PACIFIC RESOURCES COMPANY, as Lessee, an Oil, Gas and Mineral Lease (hereinafter referred to as "Lease"), a Memorandum of which is recorded under County Clerk's File #992303, Official Records of Austin County, Texas, covering 67.32 acres described in the Deed.

WHEREAS, the undersigned, in his capacity as Successor to Roman F. Arnoldy, Trustee, has the authority execute oil and gas leases which provide for pooling, covering all the interest covered in the Deed, and desires to adopt, ratify and confirm the Lease(s) and all of the terms and provisions thereof.

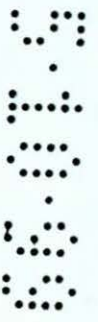
NOW, THEREFORE, for and in consideration of the premises and other valuable consideration in hand paid, the receipt of which is hereby acknowledged and confessed, the undersigned does hereby adopt, ratify and confirm said Lease, as to all of the terms and provisions therein, and does hereby lease, grant, demise, and let the interest of the undersigned in the land covered by the said Lease, unto Lessee, its successors and assigns, subject to and in accordance with all of the terms and provisions of the said Lease, as fully and completely as if the undersigned had originally executed, acknowledged and delivered the same.

THE UNDERSIGNED hereby further declares that the said Lease in all of it terms and provisions is a valid and subsisting Oil, Gas and Mineral Leases and declares that said Lease is binding upon the undersigned, and the undersigned's successors and assigns.

IN WITNESS WHEREOF, this instrument is executed this 22 day of March, 1999.

*Allan F. Rhodes*

Allan F. Rhodes, Trustee of the Roman and Lillian Family Trusts



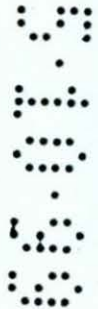
ACKNOWLEDGMENT

STATE OF TEXAS §

COUNTY OF Harris §

This instrument was acknowledged before me on the 22nd day of March, 1999, by Allan F. Rhodes, Trustee of the Roman and Lillian Family Trusts.

Becky Israel  
Notary Public, State of Texas



FILED  
99 APR 27 AM 8: 10  
Carrie Gregor  
COUNTY CLERK  
AUSTIN COUNTY, TEXAS

STATE OF TEXAS COUNTY OF AUSTIN  
I certify that this instrument was filed on the date and time stamped by me and was duly RECORDED in the OFFICIAL PUBLIC RECORDS OF AUSTIN COUNTY, TEXAS.  
Carrie Gregor  
Carrie Gregor, County Clerk  
Austin County, Texas



992305

THIS LEASE AGREEMENT is made effective the 2nd day of March, 1999,  
between Allan F. Rhodes, Trustee of the John Scott Arnoldy Trust UTA dated June 5, 1985

as Lessor (whether one or more), whose address is P.O. Box 40472, Houston, TX 77240-0472

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

AUSTIN County, Texas, to-wit:

67.32 acres of land, more or less, in the James Cooper Survey, A-27, Austin County, Texas, being described in two tracts, to wit:

TRACT ONE: 36.57 acres of land described as First Tract in Exhibit A to that Deed dated October 14, 1985, from Roman F. Arnoldy et al, to Roman F. Arnoldy, Trustee, recorded in Volume 527, Page 580, Official Records, Austin County, Texas;

TRACT TWO: 30.75 acres of land described as Second Tract in Exhibit A to that Deed dated October 14, 1985, from Roman F. Arnoldy et al, to Roman F. Arnoldy, Trustee, recorded in Volume 527, Page 580, Official Records, Austin County, Texas.

SEE EXHIBIT A ATTACHED HERETO AND MADE A PART HEREOF FOR ADDITIONAL TERMS AND 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 67.3200 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 3/16 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 3/16 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 #

[Redacted]

LESSOR:

*Allan F. Rhodes*

Allan F. Rhodes, Trustee of the John Scott Arnoldy Trust  
UTA dated June 5, 1985

STATE OF TEXAS )  
COUNTY Harris ) ss.

This instrument was acknowledged before me this 22nd day of March, 1999, by ALLAN F. RHODES, TRUSTEE OF THE JOHN SCOTT ARNOLDY TRUST UTA DATED JUNE 5, 1985.

My Commission Expires:

5/24/02

*Becky Israel*  
Notary Public



## Exhibit A

### DAMAGE/CLEANUP

12. It is understood and agreed that Lessee, its successors and assigns, shall pay Lessor for any damages to Lessor's crops or Lessor's livestock caused as a direct result of Lessee's operations on the leased premises. In addition, Lessee shall either pay for actual damages to Lessor's roads, culverts, bridges, fences and other improvements on Lessor's land if such improvements are damaged as a direct result of Lessee's operations on the leased premises or in lieu of paying the damages referred to above and at Lessee's option, Lessee may effect repair of damaged improvements to a condition comparable to the condition of the improvement prior to the damage. Upon the abandonment of the leased premises or surrender thereof, Lessee shall level all levees around slush pits and other excavations and generally restore the surface of the land covered hereby as nearly to its present condition as reasonably possible.

### DRILL SITES

13. In advance of any actual drilling operations for oil or gas, Lessee shall propose in writing, and Lessor and Lessee shall mutually agree on the location of drill-sites no larger than four (4) acres to be reduced by Lessee to not more than one (1) acre for a producing well and its associated production equipment, to be located (along with access and pipeline routes thereto) on a map signed by Lessor and Lessee, and to be the exclusive areas for oil and gas drilling operations on the premises. Such drill-sites shall be located so as to permit reasonable development by Lessee for oil and gas, and at the same time provide reasonable protection for the development by Lessor of the surface.

### INGRESS/EGRESS

14. Notwithstanding the making of any partial release or releases, Lessee, its successors or assigns, shall, so long as any portion of this lease remains in force, have the right of ingress and egress over all of the lands originally covered by this lease as a means of access to and from any portion of the same remaining in effect, including the right to install and maintain pipe lines, or to build and maintain roads over and across the same for transportation and marketing production from this lease.

### LANDS HELD

15. Notwithstanding any other provision hereof, drilling or reworking operations upon and production of oil and gas or either of them, from the lands with which a portion of the land covered hereby is pooled, (including drilling or reworking operations upon and production of oil and gas, or either of them, from that portion or portions of the leased premises included in the pooled unit or units), shall not maintain this lease in force and effect beyond the primary term as to any land covered hereby and not included in such unit or units.

### LEASE EXTENSION

16. Lessor hereby grants to Lessee the right and option to extend the primary term of this lease from three (3) years to four (4) years by paying or tendering to Lessor or to the credit of Lessor on or before the expiration of the third year of this lease the sum of Fifty Dollars (\$50.00) per acre for all or that part of the land which Lessee elects to continue to hold hereunder, which payment or tender, if made, shall also have the effect of constituting payment or tender with respect to such land for the fourth year of this lease as extended. The provisions of this Paragraph shall be binding upon Lessor and Lessee and their heirs, successors, representatives, sub-lessees and assigns. In the event Lessee elects to exercise the option referred to above on less than all of the original leasehold acreage, the Lessee shall include with its payment a tender, a plat indicating which acreage the tender or payment is designed to cover along with a written description thereof.

### MEMORANDUM OF LEASE

17. It is agreed and understood that a Memorandum of Oil and Gas Lease will be filed of record for the purpose of providing record notice of the existence of this Lease in lieu of recording the executed original. Said Memorandum of Oil and Gas Lease shall be recorded in the Records of Austin County, Texas, within a reasonable period of time by Lessee and upon request by Lessor, a copy thereof will be furnished to Lessor.

### OIL AND GAS ONLY/EXCLUDED MINERALS

18. It is expressly understood and agreed that this lease covers oil, gas, sulfur and other gaseous and liquid hydrocarbons and other mineral substances produced incidental to and as part of or mixed therewith, along with the products and by-products thereof, but this lease does not cover any other minerals of any type including uranium, thorium and other fissionable materials, iron ore, copper, coal, lignite, or any minerals of any type, and Lessor reserves such excepted minerals and metals, and the right to the use of the surface to investigate, explore, prospect, drill and mine for and produce such excepted minerals and metals, provided that such use shall not interfere with the reasonable use by Lessee of said surface in the exercise of the right and estate herein granted.

### POOLING

19. Notwithstanding any other provision herein to the contrary, Lessee shall have the right and power to pool and unitize, for horizontal drain-hole wells as such wells are defined or recognized by the Railroad Commission of Texas ("Commission"), all or part of the lands covered by this lease with any other land for oil or gas to form pooled units of such size as may be permitted by the Commission for the assignment of acreage to the horizontal drain-hole well or wells in question. In exercising its pooling rights for horizontal drain-hole wells under this paragraph, Lessee shall file of record in the county where the lands to be pooled are located a written declaration describing the unit and stating the effective date of pooling. Lessee shall have the recurring right but not the obligation to revise any unit formed for horizontal drain-hole wells 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 Commission, or to conform to any productive acreage determination

made by such agency. In making such revision, Lessee shall file of record in the county where the lands are located a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable under this paragraph shall be adjusted accordingly as of the effective date for the revised unit. The effective date for any unit formed for horizontal drain-hole wells under this paragraph or any revision thereof shall be the date set forth as the effective date by Lessee in the written declaration that is filed of record for such unit or revision thereof.

**SHUT IN**

20. This lease cannot be continued in force by the shut-in royalty payments provided for in Paragraph 3 above, for a period of more than two (2) years beyond the expiration of the primary term hereof except from time to time thereafter for nonconsecutive periods of not more than one year each.

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MEMORANDUM OF OIL, GAS, AND MINERAL LEASE

STATE OF TEXAS

COUNTY OF AUSTIN

KNOW ALL MEN BY THESE PRESENTS, that GENEVIEVE SIKORA, A WIDOW, whose address is P.O. BOX 1248, Wharon, Texas, 77488 (referred to herein as "Lessor") has entered into an Oil, Gas, and Mineral Lease (referred to herein as Lease) with, Union PacificResources Company, whose address is 801 Cherry Street, Fort Worth, Texas 76102 (referred to herein as Lessee), with an effective date of September 29, 1998, covering and affecting the mineral interest owned by Lessor in and under the following described lands in Austin County, Texas.

30.75 acres of land, more or less, located in the James Cooper Survey, A-27 Austin County, Texas, being that same land described in that Deed dated September 11, 1964, from Robert M. Breckenridge, et ux, to R.F. Arnoldy recorded in Volume 277, Page 102, Deed Records, Austin County, Texas.

The Lease provides for a primary term of three (3) years from and after the effective date thereof and as long thereafter as a mineral or minerals (as defined in the Lease) is produced in paying quantities from the Leased premises or lands pooled therewith or said lease is maintained in any manner provided for therein, subject to all terms and provisions set forth in said Lease, reference to the original Lease is herein made for all purposes.

IN WITNESS WHEREOF, the instruments 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 herein as Lessor.

*Genevieve Sikora*  
GENEVIEVE SIKORA

SS# [REDACTED]

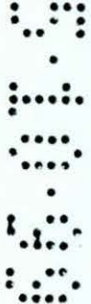
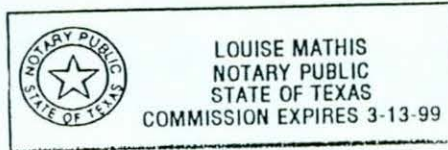
ACKNOWLEDGMENT

STATE OF TEXAS

COUNTY OF WHARTON

This instrument was acknowledged before me on the 15<sup>th</sup> day of October 1998, by GENEVIEVE SIKORA

*Louise Mathis*  
Notary Public State of Texas



→ Rtn: O. X. Batte, Jr.

STATE OF TEXAS

COUNTY OF AUSTIN

FILED

98 DEC -1 PM 2: 33

*Carrie Gregor*  
COUNTY CLERK  
AUSTIN COUNTY, TEXAS

I certify that this instrument was filed on the date and time stamped by me and was duly RECORDED in the OFFICIAL PUBLIC RECORDS OF AUSTIN COUNTY, TEXAS.



*Carrie Gregor*  
Carrie Gregor, County Clerk  
Austin County, Texas

987598

THIS LEASE AGREEMENT is made effective the 29th day of September, 1998,  
between Genevieve Sikora, a widow

as Lessor (whether one or more), whose address is P.O. Box 1248, Wharton, TX 77488

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

AUSTIN County, Texas, to-wit:

30.75 acres of land, more or less, located in the JAMES COOPER SURVEY, A-27, Austin County, Texas, being that same land described in that Deed dated September 11, 1964, from Robert M. Breckenridge, et ux., to R. F. Arnoldy, recorded in Volume 277, Page 102, Deed Records, Austin County, Texas.

SEE EXHIBIT A ATTACHED HERETO AND MADE A PART HEREOF FOR ADDITIONAL TERMS AND 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 30.7500 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 3/16 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 3/16 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 large 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



## Exhibit A

### MEMORANDUM OF LEASE

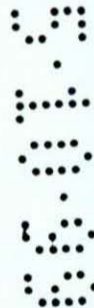
It is agreed and understood that a Memorandum of Oil and Gas Lease will be filed of record for the purpose of providing record notice of the existence of this Lease in lieu of recording the executed original. Said Memorandum of Oil and Gas Lease shall be recorded in the Records of Austin County, Texas, within a reasonable period of time by Lessee and upon request by Lessor, a copy thereof will be furnished to Lessor.

### OIL & GAS ONLY/EXCLUDED MINERALS

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

### PUGH HORIZONTAL

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



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Tr. 6

MEMORANDUM OF OIL, GAS, AND MINERAL LEASE

STATE OF TEXAS

COUNTY OF AUSTIN

KNOW ALL MEN BY THESE PRESENTS, that SHIRLEY SCHNITZER, A WIDOW, whose address is 11410 St. Michael, Dallas, Texas, 75230(referred to herein as "Lessor") has entered into an Oil, Gas, and Mineral Lease (referred to herein as Lease) with, Union Pacific Resources Company, whose address is 801 Cherry Street, Fort Worth, Texas 76102 (referred to herein as Lessee), with an effective date of December 31, 1998, covering and affecting the mineral interest owned by Lessor in and under the following described lands in Austin County, Texas.

30.75 acres of land, more or less, located in the JAMES COOPER SURVEY, A-27, Austin County, Texas, being that same land described in that Deed dated September 11, 1964, from Robert M. Breckenridge, et ux, to R .F. Arnoldy, recorded in Volume 277, Page 102, Deed Records, Austin County, Texas.

The Lease provides for a primary term of three (3) years from and after the effective date thereof and as long thereafter as a mineral or minerals (as defined in the Lease) is produced in paying quantities from the Leased premises or lands pooled therewith or said lease is maintained in any manner provided for therein, subject to all terms and provisions set forth in said Lease, reference to the original Lease is herein made for all purposes.

IN WITNESS WHEREOF, the instruments 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 herein as Lessor.

*Shirley Schnitzer*  
SHIRLEY SCHNITZER

SS#

[REDACTED]

ACKNOWLEDGMENT

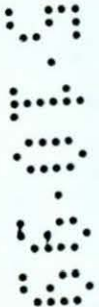
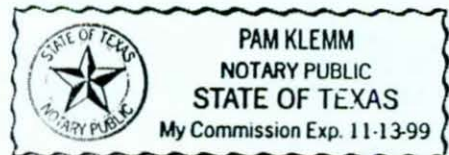
STATE OF TEXAS

COUNTY OF Dallas

This instrument was acknowledged before me on the 19 day of January 1999, by SHIRLEY SCHNITZER

*Pam Klemm*  
Notary Public State of Texas

*Ann Davethanson*



FILED

STATE OF TEXAS

COUNTY OF AUSTIN

99 MAR -8 PM 2: 03

I certify that this instrument was filed on the date and time stamped by me and was duly RECORDED in the OFFICIAL PUBLIC RECORDS OF AUSTIN COUNTY, TEXAS.

*Carrie Gregor*  
COUNTY CLERK  
AUSTIN COUNTY, TEXAS



*Carrie Gregor*  
Carrie Gregor, County Clerk  
Austin County, Texas

THIS LEASE AGREEMENT is made effective the 31 st day of December, 19 98  
between Shirley Schnitzer, a widow

as Lessor (whether one or more), whose address is 11410 St. Michael, Dallas, TX 75230

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

AUSTIN County, Texas, to-wit:

30.75 acres of land, more or less, located in the JAMES COOPER SURVEY, A-27, Austin County, Texas, being that same land described in that Deed dated September 11, 1964, from Robert M. Breckenridge, et ux., to R. F. Arnoldy, recorded in Volume 277, Page 102, Deed Records, Austin County, Texas.

SEE EXHIBIT A ATTACHED HERETO AND MADE A PART HEREOF FOR ADDITIONAL TERMS AND 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 rental

and shut-in royalties hereunder, said land shall be deemed to be comprised of 30.7500 acres, whether it actually comprises more or less.

**2. Term of Lease.** This lease shall be in force for a primary term of 3 YEARS & 3 MONTHS 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 3/16 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 3/16 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.

SSH# AND/OR TAX ID #

000-00-0000

LESSOR:

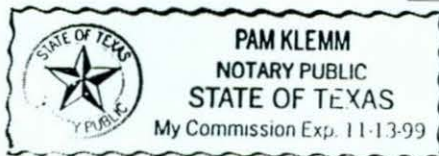
*Shirley Schnitzer*  
Shirley Schnitzer

STATE OF Texas )  
COUNTY Dallas ) ss.

This instrument was acknowledged before me this 19 day of January, 1999, by SHIRLEY SCHNITZER

*Pam Klemm*  
Notary Public

My Commission Expires: 11-13-99



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

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

Notary Public

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

**Exhibit A**

**MEMORANDUM OF LEASE**

It is agreed and understood that a Memorandum of Oil and Gas Lease will be filed of record for the purpose of providing record notice of the existence of this Lease in lieu of recording the executed original. Said Memorandum of Oil and Gas Lease shall be recorded in the Records of Austin County, Texas, within a reasonable period of time by Lessee and upon request by Lessor, a copy thereof will be furnished to Lessor.

**OIL & GAS ONLY/EXCLUDED MINERALS**

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

**PUGH HORIZONTAL**

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

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LESSOR INITIALS

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MEMORANDUM OF OIL, GAS, AND MINERAL LEASE

STATE OF TEXAS

COUNTY OF AUSTIN

KNOW ALL MEN BY THESE PRESENTS, that BARBARA WAGNER, A MARRIED WOMEN DEALING AS HER SOLE AND SEPARATE NON-HOMESTEAD PROPERTY, whose address is 5234 Caversham, Houston, Texas, 77096 (referred to herein as "Lessor") has entered into an Oil, Gas, and Mineral Lease (referred to herein as Lease) with, Union Pacific Resources Company, whose address is 801 Cherry Street, Fort Worth, Texas 76102 (referred to herein as Lessee), with an effective date of December 31, 1998, covering and affecting the mineral interest owned by Lessor in and under the following described lands in Austin County, Texas.

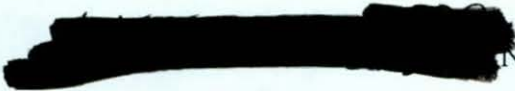
30.75 acres of land, more or less, located in the JAMES COOPER SURVEY, A-27, Austin County, Texas, being that same land described in that Deed dated September 11, 1964, from Robert M. Breckenridge, et ux, to R. F. Arnoldy, recorded in Volume 277, Page 102, Deed Records, Austin County, Texas.

The Lease provides for a primary term of three (3) years from and after the effective date thereof and as long thereafter as a mineral or minerals (as defined in the Lease) is produced in paying quantities from the Leased premises or lands pooled therewith or said lease is maintained in any manner provided for therein, subject to all terms and provisions set forth in said Lease, reference to the original Lease is herein made for all purposes.

IN WITNESS WHEREOF, the instruments 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 herein as Lessor.

Barbara A. Wagner
BARBARA WAGNER

SS#



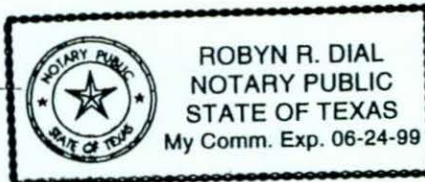
ACKNOWLEDGMENT

STATE OF TEXAS

COUNTY OF HARRIS

This instrument was acknowledged before me on the 20th day of January 1999, by BARBARA WAGNER

Robyn R. Dial
Notary Public State of Texas
Dave Thomson
FILED



99 MAR -8 PM 2: 03

STATE OF TEXAS

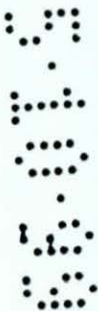
COUNTY OF AUSTIN

I certify that this instrument was filed on the date and time stamped by me and was duly RECORDED in the OFFICIAL PUBLIC RECORDS OF AUSTIN COUNTY, TEXAS.



Carrie Gregor
Carrie Gregor, County Clerk
Austin County, Texas

Carrie Gregor
COUNTY CLERK
AUSTIN COUNTY, TEXAS



(1)

THIS LEASE AGREEMENT is made effective the 31 st day of December, 19 98  
between Barbara Wagner, a married women dealing in her sole and separate non-homestead property

as Lessor (whether one or more), whose address is 5234 Caversham, Houston, TX 77096  
and UNION PACIFIC RESOURCES COMPANY, as Lessee,  
whose address is 801 CHERRY STREET, FORT WORTH, TX 76102. All print  
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 pay 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

AUSTIN County, Texas, to-wit:

30.75 acres of land, more or less, located in the JAMES COOPER SURVEY, A-27, Austin County, Texas, being that same land described that Deed dated September 11, 1964, from Robert M. Breckenridge, et ux., to R. F. Arnoldy, recorded in Volume 277, Page 102, Deed Records, Austin County, Texas.

SEE EXHIBIT A ATTACHED HERETO AND MADE A PART HEREOF FOR ADDITIONAL TERMS AND 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 rent

and shut-in royalties hereunder, said land shall be deemed to be comprised of 30.7500 acres, whether it actually comprises more or less.

2. **Term of Lease.** This lease shall be in force for a primary term of 3 years, B.A.W. 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 3/16 of such production, to be delivered at Lessee's option to Lessor at the wellhead or 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 3/16 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 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 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 lease 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, tank 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 to 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 an 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 been 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 principal-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.

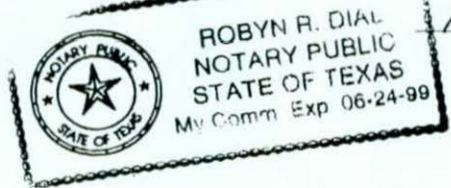
SS# AND/OR TAX ID #  
000-00-0000

LESSOR:  
*Barbara C. Wagner*  
Barbara Wagner

STATE OF Texas )  
COUNTY Harris ) ss.

This instrument was acknowledged before me this 20<sup>th</sup> day of January, 1999, by BARBARA WAGNER

My Commission Expires:



*Robyn R. Dial*  
Notary Public

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

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

My Commission Expires:

Notary Public

### Exhibit A

#### MEMORANDUM OF LEASE

It is agreed and understood that a Memorandum of Oil and Gas Lease will be filed of record for the purpose of providing record notice of the existence of this Lease in lieu of recording the executed original. Said Memorandum of Oil and Gas Lease shall be recorded in the Records of Austin County, Texas, within a reasonable period of time by Lessee and upon request by Lessor, a copy thereof will be furnished to Lessor.

#### OIL & GAS ONLY/EXCLUDED MINERALS

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

#### PUGH HORIZONTAL

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

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991337

MEMORANDUM OF OIL, GAS AND MINERAL LEASE

STATE OF TEXAS §  
COUNTY OF AUSTIN § KNOW ALL MEN BY THESE PRESENTS:  
§

THAT WHEREAS **NANCY DAVIS DASKY**, a married woman dealing in her sole and separate non-homestead property, whose address is 6226 Hummingbird Street, Houston, Texas, 77096 (referred to herein as "Lessor"), has entered into an Oil, Gas and Mineral Lease (referred to herein as "Lease"), with **UNION PACIFIC RESOURCES COMPANY**, whose address is P. O. Box 7, Fort Worth, Texas 76101 (referred to herein as "Lessee"), with an effective date of December 22, 1998, covering and affecting mineral interest owned by Lessor in and under the following described lands in Austin County, Texas:

30.75 acres of land, more or less, out of the James Cooper Survey, A-27, Austin County, Texas, and being the same land as described in that certain Deed dated September 11, 1964, from Robert M. Breckenridge and wife, Page C. Breckenridge to R. F. Arnoldy, recorded in Volume 277, Page 102, Deed Records of Austin County, Texas.

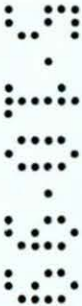
The Lease provides for a primary term of three (3) years from and after the effective date thereof and as long thereafter as a mineral or minerals (as defined in the Lease) is produced in paying quantities from the Leased Premises or lands pooled therewith or said Lease is maintained in any manner provided for therein, subject to all other terms and provisions set forth in said Lease, reference to the original Lease is herein made for all purposes.

IN WITNESS WHEREOF, this instrument is executed this 4<sup>th</sup> day of February, 1999, but effective for all purposes as of 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 Lessors.

*Nancy Davis Dasky*  
NANCY DAVIS DASKY  
SS# [REDACTED]

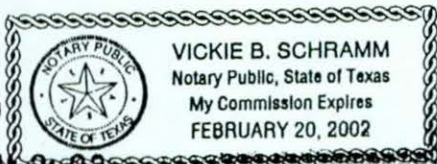
ACKNOWLEDGEMENT

STATE OF TEXAS §  
COUNTY OF HARRIS §



This instrument was acknowledged before me on this 4 day of FEBRUARY, 1999, by **NANCY DAVIS DASKY**.  
*Rebecca Thomson*

*Rebecca Thomson*  
Notary Public, State of Texas



FILED

99 MAR -8 PM 2:03

STATE OF TEXAS COUNTY OF AUSTIN

I certify that this instrument was filed on the date and time stamped by me and was duly RECORDED in the OFFICIAL PUBLIC RECORDS OF AUSTIN COUNTY, TEXAS.

*Carrie Gregor*  
COUNTY CLERK  
AUSTIN COUNTY, TEXAS



*Carrie Gregor*  
Carrie Gregor, County Clerk  
Austin County, Texas

991337

THIS LEASE AGREEMENT is made effective the 22nd day of December, 19 98  
between NANCY DAVIS DASKY, a married woman dealing in her sole and separate non-homestead property

as Lessor (whether one or more), whose address is 6226 HUMMINGBIRD STREET, HOUSTON, TX 77096

and UNION PACIFIC RESOURCES COMPANY, as Lessee

whose address is 801 CHERRY STREET, FORT WORTH, TX 76102

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

AUSTIN County, Texas, to-wit:

30.75 acres of land, more or less, out of the James Cooper Survey, A-27, Austin County, Texas, and being the same land as described in the certain Deed dated September 11, 1964, from Robert M. Breckenridge and wife, Page C. Breckenridge to R. F. Arnoldy, recorded in Volume 277, Page 102, Deed Records of Austin County, Texas.

FOR CONTINUATION OF LEASE SEE EXHIBIT 'A' PARAGRAPHS 12-16.

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 30.7500 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 separate at Lessee's held separator facilities, the royalty shall be 3/16 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 3/16 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 lands 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 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 as 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 the

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 enhance 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 lease 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 of 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 an 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, service 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 hereunder shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part, 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 #

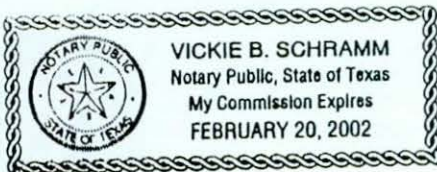
[Redacted]

LESSOR:

*Nancy Davis Darsky*  
Nancy Davis Darsky

STATE OF TEXAS )  
 ) ss.  
COUNTY HARRIS )

This instrument was acknowledged before me this 4 day of FEBRUARY, 19 99, by Nancy Davis Darsky.



*[Signature]*  
Notary Public

## Exhibit A

### 12. SHUT-IN ROYALTY PAYMENT

The payment or tender of any shut-in royalty may be made in currency, or by check, or by draft, deposited in the U. S. Mail, addressed to Lessor at address listed above, or delivered to same on or before the due date.

### 13. MEMORANDUM OF LEASE

It is agreed and understood that a Memorandum of Oil and Gas Lease will be filed of record for the purpose of providing record notice of the existence of this Lease in lieu of recording the executed original. Said Memorandum of Oil and Gas Lease shall be recorded in the Records of Austin County, Texas, within a reasonable period of time by Lessee and upon request by Lessor, a copy thereof will be furnished to Lessor.

### 14. OIL & GAS ONLY/EXCLUDED MINERALS

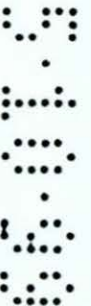
Notwithstanding anything herein to the contrary, this Lease covers only oil and gas, including other liquid and gaseous hydrocarbons, as well as such other minerals or substances as may be produced incidental to and as a part of or mixed with oil, gas and other liquid or gaseous hydrocarbons, but this 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.

### 15. PUGH HORIZONTAL

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

### 16. LEASE EXTENSION

Lessor hereby grants Lessee the option to extend the primary term of this lease for an additional two (2) years from the expiration of the original primary term hereof as to all or any portion of the acreage then held hereunder which would expire unless so extended. This option may be exercised by Lessee, or its successors and assigns, at any time during the primary term hereof by paying to Lessor or to Lessor's credit at the depository bank which may be named herein, the sum of Fifty Dollars (\$50.00) per net mineral acre for each acre so extended, which payment shall cover the two (2) years of the extended term and Lessor acknowledges that there will be no rental payments due for or during the extended term. Payment may be made by check or draft mailed or delivered to Lessor or to said depository bank which may be named herein. Should this option be exercised as herein provided, it is agreed that Lessee may execute and file of record an appropriate record an appropriate recordable instrument evidencing the exercise of this option.



*ND*

LESSOR INITIALS

9.00(1)

MEMORANDUM OF OIL, GAS AND MINERAL LEASE

STATE OF TEXAS §  
COUNTY OF AUSTIN § KNOW ALL MEN BY THESE PRESENTS:  
§

THAT WHEREAS **ELISSA DAVIS DUBINSKY**, a married woman dealing in her sole and separate non-homestead property, whose address is 5143 Kingfisher, Houston, Texas, 77035 (referred to herein as "Lessor"), has entered into an Oil, Gas and Mineral Lease (referred to herein as "Lease"), with **UNION PACIFIC RESOURCES COMPANY**, whose address is P. O. Box 7, Fort Worth, Texas 76101 (referred to herein as "Lessee"), with an effective date of December 22, 1998, covering and affecting mineral interest owned by Lessor in and under the following described lands in Austin County, Texas:

30.75 acres of land, more or less, out of the James Cooper Survey, A-27, Austin County, Texas, and being the same land as described in that certain Deed dated September 11, 1964, from Robert M. Breckenridge and wife, Page C. Breckenridge to R. F. Arnoldy, recorded in Volume 277, Page 102, Deed Records of Austin County, Texas.

The Lease provides for a primary term of three (3) years from and after the effective date thereof and as long thereafter as a mineral or minerals (as defined in the Lease) is produced in paying quantities from the Leased Premises or lands pooled therewith or said Lease is maintained in any manner provided for therein, subject to all other terms and provisions set forth in said Lease, reference to the original Lease is herein made for all purposes.

IN WITNESS WHEREOF, this instrument is executed this 4th day of February, 1999, but effective for all purposes as of 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 Lessors.

Elissa Davis Dubinsky  
**ELISSA DAVIS DUBINSKY**  
SS# [REDACTED]

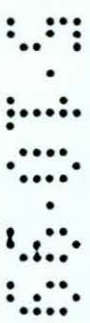
ACKNOWLEDGEMENT

STATE OF TEXAS §  
COUNTY OF HARRIS §

This instrument was acknowledged before me on this 4th day of February 1999 by **ELISSA DAVIS DUBINSKY**.

→ Ann Dwyer Hanson

Leeann R. Venizelos  
Notary Public, State of Texas

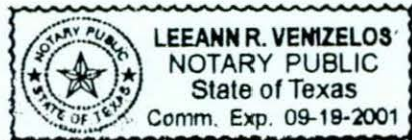


STATE OF TEXAS COUNTY OF AUSTIN

I certify that this instrument was filed on the date and time stamped by me and was duly RECORDED in the OFFICIAL PUBLIC RECORDS OF AUSTIN COUNTY, TEXAS.



Carrie Gregor  
Carrie Gregor, County Clerk  
Austin County, Texas



FILED  
99 MAR -8 PM 2: 03

Carrie Gregor  
COUNTY CLERK  
AUSTIN COUNTY, TEXAS

- THIS LEASE AGREEMENT is made effective the 22 nd day of December, 19 98

between ELISSA DAVIS DUBINSKY, a married woman dealing in her sole and separate non-homestead property

as Lessor (whether one or more), whose address is 5143 KINGFISHER, HOUSTON, TX 77035

and UNION PACIFIC RESOURCES COMPANY, as Lessee

whose address is 801 CHERRY STREET, FORT WORTH, TX 76102

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

AUSTIN County, Texas, to-wit:

30.75 acres of land, more or less, out of the James Cooper Survey, A-27, Austin County, Texas, and being the same land as described in the certain Deed dated September 11, 1964, from Robert M. Breckenridge and wife, Page C. Breckenridge to R. F. Arnoldy, recorded in Volume 277, Page 102, Deed Records of Austin County, Texas.

FOR CONTINUATION OF LEASE SEE EXHIBIT 'A' PARAGRAPHS 12-16.

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 lease 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 30.7500 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 separate at Lessee's held separator facilities, the royalty shall be 3/16 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 3/16 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 lease 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 (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 the 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 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 as 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 the

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, tank 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 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 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 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 30 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 to 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 an 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 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 a 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, service 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 hereunder shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part, 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 this lease 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 signature area]

LESSOR:

*Elissa Davis Dubinsky*  
Elissa Davis Dubinsky

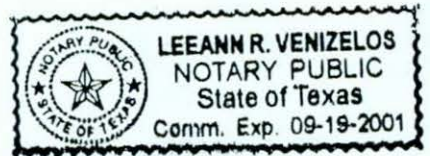
STATE OF TEXAS

)  
) ss.

COUNTY HARRIS

This instrument was acknowledged before me this 16th day of February 1999 by Elissa Davis Dubinsky.

*Leeann R. Venizelos*  
Notary Public



**Exhibit A**

**12. SHUT-IN ROYALTY PAYMENT**

The payment or tender of any shut-in royalty may be made in currency, or by check, or by draft, deposited in the U. S. Mail, addressed to Lessor at address listed above, or delivered to same on or before the due date.

**13. MEMORANDUM OF LEASE**

It is agreed and understood that a Memorandum of Oil and Gas Lease will be filed of record for the purpose of providing record notice of the existence of this Lease in lieu of recording the executed original. Said Memorandum of Oil and Gas Lease shall be recorded in the Records of Austin County, Texas, within a reasonable period of time by Lessee and upon request by Lessor, a copy thereof will be furnished to Lessor.

**14. OIL & GAS ONLY/EXCLUDED MINERALS**

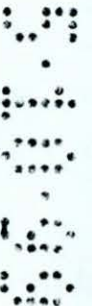
Notwithstanding anything herein to the contrary, this Lease covers only oil and gas, including other liquid and gaseous hydrocarbons, as well as such other minerals or substances as may be produced incidental to and as a part of or mixed with oil, gas and other liquid or gaseous hydrocarbons, but this 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.

**15. PUGH HORIZONTAL**

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

**16. LEASE EXTENSION**

Lessor hereby grants Lessee the option to extend the primary term of this lease for an additional two (2) years from the expiration of the original primary term hereof as to all or any portion of the acreage then held hereunder which would expire unless so extended. This option may be exercised by Lessee, or its successors and assigns, at any time during the primary term hereof by paying to Lessor or to Lessor's credit at the depository bank which may be named herein, the sum of Fifty Dollars (\$50.00) per net mineral acre for each acre so extended, which payment shall cover the two (2) years of the extended term and Lessor acknowledges that there will be no rental payments due for or during the extended term. Payment may be made by check or draft mailed or delivered to Lessor or to said depository bank which may be named herein. Should this option be exercised as herein provided, it is agreed that Lessee may execute and file of record an appropriate record an appropriate recordable instrument evidencing the exercise of this option.



*EDD*

LESSOR INITIALS

THIS LEASE AGREEMENT is made effective the 25 th day of February, 19 97,  
between ALIETHA M. LOESCH RICHTER, A MARRIED WOMAN DEALING IN HER SOLE AND SEPARATE NON-HOMESTEAD PROPERTY

as Lessor (whether one or more), whose address is 302 GOESSLER, BRENHAM, TX 77833

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

AUSTIN County, Texas, to-wit:

151.49 acres of land, more or less, out of the James Cooper Survey, A-27, and Martin Ruter Survey, A-283 and the John P. Stevens Survey, A-292, Austin County, Texas, being the same land described as 159 1/2 acres in that certain Deed dated August 14, 1945 from John Henry Honerkamp and wife, Marie Honerkamp to Robert Loesch and wife, Nettie Loesch, recorded in Volume 151, Page 626 of the Deed Records of Austin County, Texas; LESS AND EXCEPT: 4.0 acres of land, more or less, described in that certain Deed dated May 6, 1944 from John Henry Honerkamp and wife, Mary Honerkamp to William Enax, recorded in Volume 143, Page 330 of the Deed Records of Austin County, Texas; AND ALSO LESS AND EXCEPT: 4.010 acres of land, more or less, described in that certain Deed dated November 22, 1972 from Robert Loesch and wife, Nettie Loesch to H. O. Sander and wife, Elsie Sander, recorded in Volume 349, Page 130 of the Deed Records of Austin County, Texas.

FOR CONTINUATION OF LEASE SEE ATTACHED EXHIBIT 'A' FOR PARAGRAPHS 12-15.

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 151.4900 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 this lease has been executed by all parties named herein as Lessor.

SS# AND/OR TAX ID #

[Redacted]

LESSOR:

*Alietha M. Loesch Richter*  
ALIETHA M. LOESCH RICHTER

STATE OF TEXAS )  
 ) ss.  
COUNTY WASHINGTON )

This instrument was acknowledged before me this 26<sup>th</sup> day of February, 19 97, by Alietha M. Loesch Richter.

*Linda S. Barton*  
Notary Public, State of Texas

My Commission Expires:



STATE OF \_\_\_\_\_ )  
 ) ss.  
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 February 25, 1997 by and between ALIETHA M. LOESCH RICHTER, A MARRIED WOMAN DEALING IN HER SOLE AND SEPARATE NON-HOMESTEAD PROPERTY, as Lessor, and UNION PACIFIC RESOURCES COMPANY as Lessee.

### Exhibit A

#### DAMAGE/CLEAN UP

12. Lessee agrees and obligates itself to conduct its operations upon the leased premises as a reasonable and prudent operator. Lessee, its successors and/or assigns shall fill and level all pits and/or excavations made by it or them in connection with operations hereunder after termination of use thereof and shall construct and maintain fences surrounding such pits and/or excavations to turn livestock until such time as said pits and/or excavations are leveled. Lessee, its successors and/or assigns shall pay for all actual damage done or caused by Lessee, its successors and/or assigns in its operation hereunder to any buildings, fences, road, culverts, merchantable timber, growing crops, or any other improvements on said land, or to livestock on said land. Also, it is expressly agreed and provided that if any salt water or other deleterious substances shall come from or in any manner be extracted or produced from any well as the result of any drilling operations hereunder, Lessee, its successors and/or assigns shall not permit same to flow on and over Lessor's land, but shall confine same in pits or excavations adjacent to the drilling site. Lessee, its successors and/or assigns shall construct and maintain gates and/or cattle guards wherever Lessee enters said premises, so constructed as to turn livestock from the drilling site. Lessee, its successors and/or assigns shall bury all subsurface pipelines below plow depth.

#### OIL & GAS ONLY/EXCLUDED MINERALS

13. 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

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

#### SHUT-IN

15. The payment or tender of any shut-in royalty may be in currency, or by check or by draft, deposited in the U. S. Mail addressed to Lessor or delivered to same on or before the due date.

*ALM*

LESSOR INITIALS

# LEASE PURCHASE REPORT

CHG CODE: A3437

STATE: TX

COUNTY/PARISH: AUSTIN

LESSOR	ADDRESS	TAX ID #
ALIETHA M. LOESCH RICHTER, A MARRIED WOMAN DEALING IN HER SOLE AND SEPARATE NON-HOMESTEAD PROPERTY	302 GOESSLER BRENHAM, TX 77833	[REDACTED]

LESSEE: UNION PACIFIC RESOURCES COMPANY

LEASE IS: New Lease  TOP Lease \_\_\_\_\_ Renewal/Extension \_\_\_\_\_ Counterpart to \_\_\_\_\_  
 Paid Up  Confidential \_\_\_\_\_ Producing \_\_\_\_\_ Agency Lease # \_\_\_\_\_

LEASE DATE: 02/25/1997 ROY: 1/8 BONUS/ACRE: \$75.00 RENTALS/ACRE: \$1.00

EFFECTIVE DATE: 02/25/1997 ORRI: TOTAL BONUS: \$11,361.75 TOTAL DRAFTS: 1

EXPIRATION DATE: 02/25/2000 PRIMARY TERM: 36 MONTH(S) OPTION TERM: MONTH(S)

**BRIEF DESCRIPTION OF LANDS ACQUIRED**

151.49 acres of land, more or less, out of the James Cooper Survey, A-27, and Martin Ruter Survey, A-283 and the John P. Stevens Survey, A- 292. Austin County, Texas, being the same land described as 159 1/2 acres in that certain Deed dated August 14, 1945 from John Henry Honerkamp and wife, Marie Honerkamp to Robert Loesch and wife, Nettie Loesch, recorded in Volume 151, Page 626 of the Deed Records of Austin County, Texas; LESS AND EXCEPT: 4.0 acres of land, more or less, described in that certain Deed dated May 6, 1944 from John Henry Honerkamp and wife, Mary Honerkamp to William Enax, recorded in Volume 143, Page 330 of the Deed Records of Austin County, Texas; AND ALSO LESS AND EXCEPT: 4.010 acres of land, more or less, described in that certain Deed dated November 22, 1972 from Robert Loesch and wife, Nettie Loesch to H. O. Sander and wife, Elsie Sander, recorded in Volume 349, Page 130 of the Deed Records of Austin County, Texas.

GROSS ACRES	NET ACRES
151.4900	151.4900

FOR CONTINUE OF LEASE SEE ATTACHED EXHIBIT 'A' FOR PARAGRAPHS 12- 15.

**CHANGES AND PROVISIONS TO LEASE FORM:**

DAMAGE/CLEAN UP, OIL & GAS ONLY/EXCLUDED MINERALS, PUGH (HORIZONTAL), SHUT-IN

DRAFT #: 121450000000032

CONTRACT #:

**ATTACHMENT(S):**

<input checked="" type="checkbox"/> ORIGINAL LEASE / TO BE RECORDED BY	SIMMONS & ASSOCIATES, INC.	<input checked="" type="checkbox"/> DESCRIPTION DEED
<input checked="" type="checkbox"/> COPY OF LEASE	_____ ORIGINAL LEASE ATTACHED TO DRAFT	_____ ASSIGNMENT
<input checked="" type="checkbox"/> COPY OF DRAFT	<input checked="" type="checkbox"/> MINERAL OWNERSHIP BREAKDOWN	<input checked="" type="checkbox"/> PLAT
<input checked="" type="checkbox"/> CERTIFICATE OF NON-FOREIGN STATUS		_____ OTHER

COMMENTS:

PREPARED BY: Linda Barton  
LINDA BARTON

DATE: March 31, 1997

BROKER FIRM: SIMMONS & ASSOCIATES, INC.

LEASE #: \_\_\_\_\_

IN HOUSE LANDMAN: CLAY BLUM

LEASE ID: 121450000000092

Mr. Richter  
836-3771  
1-8-99 - helicopters

Tr. 2

973579

VOL 785 PAGE 206

M  
24.00

# OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 6th day of June 19 97, between

WALDO B. GOEKE and ANGELIE GOEKE, husband and wife,  
Angelie Goeke also known as Angelie Annie Meyer Goeke,

Lessor (whether one or more), whose address is: Route 1, Box 271, Brenham, Texas 77833  
and TITAN RESOURCES, L.P., 500 W. Texas, Suite 500, Midland, TX 79701, Lessee. WITNESSETH:

1. Lessor in consideration of ONE HUNDRED AND OTHER GOOD AND VALUABLE CONSIDERATIONS Dollars

(\$ 100.00 & OVC ), in hand paid, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas and all other minerals, conducting exploration, geologic and geophysical surveys by seismograph, core test, gravity and magnetic methods, injecting gas, water and other fluids, and air into subsurface strata, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport and own said products, and housing its employees, the following described land in

AUSTIN County, Texas, to-wit:

FOR DESCRIPTION, SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF CONSISTING OF 2 (TWO) PAGES.

FOR ADDENDUM AND SPECIAL PROVISIONS, SEE EXHIBIT "B" ATTACHED HERETO AND MADE A PART HEREOF CONSISTING OF 7 (SEVEN) PAGES AND CONTAINING PARAGRAPHS NUMBERED 11 (ELEVEN) THROUGH 38 (THIRTY-EIGHT).

For all purposes of this lease, said land is estimated to comprise 486.381 acres, whether it actually comprises, more or less.

This lease also covers and includes all land owned or claimed by Lessor adjacent or contiguous to the land particularly described above, whether the same be in said survey or surveys or in adjacent surveys, although not included within the boundaries of the land particularly described above

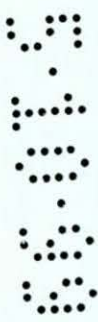
2. This is a paid up lease and subject to the other provisions herein contained, this lease shall be for a term of 3 years from this date (called "primary term") and as long thereafter as oil, gas or other mineral is produced from said land or land with which said land is pooled hereunder.

3. As royalty, lessee covenants and agrees: (a) To deliver to the credit of lessor, in the pipelines to which lessee may connect its wells, the equal one-eighth part of all oil produced and saved by lessee from said land, or from time to time, at the option of lessee, to pay lessor the average posted market price of such one-eighth part of such oil at the wells as of the day it is run to the pipe line or storage tanks, lessor's interest, in either case, to bear one-eighth of the cost of treating oil to render it marketable pipe line oil; (b) to pay lessor for gas and casinghead gas produced from said land (1) when sold by lessee, one-eighth of the amount realized by lessee, computed at the mouth of the well, or (2) when used by lessee off said land or in the manufacture of gasoline or other products, one-eighth of the amount realized from the sale of gasoline or other products extracted therefrom and one-eighth of the amount realized from the sale of residue gas after deducting the amount used for plant fuel and/or compression; (c) To pay lessor on all other minerals mined and marketed or utilized by lessee from said land, one-tenth either in kind or value at the well or mine at lessee's election, except that on sulphur mined and marketed the royalty shall be one dollar (\$1.00) per long ton. If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, lessee shall pay or tender, by check or draft of lessee, as royalty, a sum equal to one dollar (\$1.00) for each acre of land then covered hereby. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under

this lease if the wells were producing, and may be deposited in the TEXAS NATIONAL

Bank at BRENHAM, TEXAS 77833 or its successors, which shall continue as the depositories, regardless of changes in the ownership of shut-in royalty. If at any time that lessee pays or tenders shut-in royalty, two or more parties are, or claim to be, entitled to receive same, lessee may, in lieu of any other method of payment herein provided, pay or tender shut-in royalty, in the manner above specified, either jointly to such parties or separately to each in accordance with their respective ownerships thereof, as lessee may elect. Any payment hereunder may be made by check or draft of lessee deposited in the mail or delivered to the party entitled to receive payment or to a depository bank provided for above on or before the last date for payment. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In the event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owners of this lease, severally as to acreage owned by each.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof as to oil and gas, or either of them, with any other land covered by this lease, and/or with any other land, lease or leases in the immediate vicinity thereof to the extent hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises in compliance with the spacing rules of the Railroad Commission of Texas, or other lawful authority, or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of ten percent (10%) thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, for the drilling or operation of a well at a regular location or for obtaining maximum allowable from any well to be drilled, drilling or already drilled, units thereafter created may conform substantially in size with those prescribed or permitted by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit; and upon such recordation the unit shall be effective as to all parties hereto, their heirs, successors, and assigns, irrespective of whether or not the unit is likewise effective as to all other owners of surface, mineral, royalty, or other rights in land included in such unit. Lessee may at its election exercise its pooling option before or after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. In the event of operations for drilling or production of oil or gas from any part of a pooled unit which includes all or a portion of the land covered by this lease, regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument designating the pooled unit, such operations shall be considered as operations for drilling or production of oil or gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease and in such event operations for drilling shall be deemed to have been commenced on said land within the meaning of paragraph 5 of this lease; and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled unit. Such allocation shall be on an acreage basis—that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease (or in each such separate tract) and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land. The production from an oil well will be considered as production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. The formation of any unit hereunder shall not have the effect of changing the ownership of any shut-in production royalty which may become payable under this lease. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interest as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but Lessee shall nevertheless have the right to pool as provided above with consequent allocation of production as above provided. As used in this paragraph 4, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.



5. If at the expiration of the primary term, oil, gas, or other mineral is not being produced on said land, or from the land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas, or other mineral is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil, gas, or other mineral is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil, gas, or other mineral, so long thereafter as oil, gas, or other mineral is produced from said land, or from land pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within 330 feet of and draining the leased premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

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

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns; but no change or division in ownership of the land, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U.S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part, liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

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

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty in event of failure of title, it is agreed that if this lease covers a less interest in the oil, gas, sulphur, or other minerals in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not), or no interest therein, then the royalties, and other monies accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by Lessor) shall be paid out of the royalty herein provided. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

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

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

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

STATE OF  
COUNTY OF

ACKNOWLEDGMENT

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

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

STATE OF  
COUNTY OF

ACKNOWLEDGMENT

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

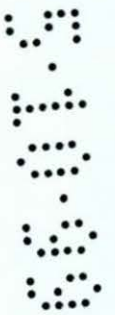
\_\_\_\_\_  
Notary Public, State of Texas  
Notary's name (printed):  
Notary's commission expires:

STATE OF  
COUNTY OF

CORPORATE ACKNOWLEDGMENT

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

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



## EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL, GAS AND MINERAL LEASE EXECUTED BY WALDO B. GOEKE ET UX, LESSOR, IN FAVOR OF TITAN RESOURCES, L. P., LESSEE, DATED JUNE 6, 1997.

DESCRIPTION

TRACT NO. 1: 314.817 acres of land, more or less, situated in and being a part of the John Martin Survey, A-70, Austin County, Texas, and being described as follows:

A) 80.1 acres of land, more or less, a part of the John Martin Survey, A-70, and being the same land described as Tract One and Tract Two of 78 acres and 2.10 acres, respectively, in that certain Deed from William Schomburg et al to Henry Goeke dated February 18, 1929, recorded in Volume 80, Page 597 of the Deed Records, Austin County, Texas,

B) 110.9 acres of land, more or less, a part of the John Martin Survey, A-70, and being the same land described in that certain Deed from Otto Meyer et al to Waldo B. Goeke et ux dated May 15, 1972, recorded in Volume 342, Page 455 of the Deed Records, Austin County, Texas,

C) 30.14 acres of land, more or less, a part of the John Martin Survey, A-70, and being the same land described as "First Tract" in that certain Correction Deed from John H. Goeke et al to Waldo B. Goeke dated January 24, 1951, recorded in Volume 189, Page 225 of the Deed Records, Austin County, Texas,

D) 25.25 acres of land, more or less, a part of the John Martin Survey, A-70, and being the same land described in that certain Correction Deed from Herbert Goeke et ux to Waldo B. Goeke dated January 18, 1951, recorded in Volume 189, Page 223 of the Deed Records, Austin County, Texas,

E) 10.24 acres of land, more or less, a part of the John Martin Survey, A-70, and being the same land described in that certain Deed of Gift from Ella D. Wiecker to Waldo B. Goeke dated October 30, 1956, recorded in Volume 228, Page 318 of the Deed Records, Austin County, Texas,

F) 33.66 acres of land, more or less, a part of the John Martin Survey, A-70, and being the same land described in four tracts of 12 acres, 13.59 acres, 4.63 and 3.44 acres, respectively, in that certain Deed of Gift from F. H. Haevischer et al to Waldo B. Goeke dated October 30, 1956, recorded in Volume 228, Page 320 of the Deed Records, Austin County, Texas,

G) 16.389 acres of land, more or less, a part of the John Martin Survey, A-70, and being the same land described in two tracts of 9.876 acres and 6.513 acres, respectively, in that certain Deed from Casper Balke et ux to Waldo B. Goeke et ux dated October 3, 1959, recorded in Volume 246, Page 84 of the Deed Records, Austin County, Texas,

H) 8.138 acres of land, more or less, a part of the John Martin Survey, A-70, and being the same land described as 31.75 acres being "The second tract" in that certain Deed from Ella D. Wiecker et al to Alice E. Goeke dated January 29, 1931, recorded in Volume 90, Page 479 of the Deed Records, Austin County, Texas LESS AND EXCEPT 23.612 acres being described in three tracts of 22.330 acres, 1.236 acres and 0.046 acres, respectively, in that certain Deed from Waldo B. Goeke et ux to Casper Balke et ux dated October 3, 1959, recorded in Volume 246, Page 80 of the Deed Records, Austin County, Texas;

SIGNED FOR IDENTIFICATION:

Waldo B. Goeke  
Waldo B. Goeke

Angeli Goeke  
Angeli Goeke

EXHIBIT "A" con't

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL, GAS AND MINERAL LEASE EXECUTED BY WALDO B. GOEKE ET UX, LESSOR, IN FAVOR OF TITAN RESOURCES, L. P., LESSEE, DATED JUNE 6, 1997.

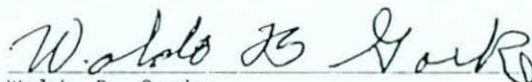
DESCRIPTION

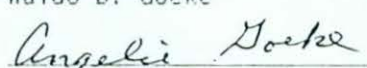
TRACT 2: 85.5 acres of land, more or less, a part of the James Cooper League, A-27, and a part of the M. Ruter Survey, A-283, and being the same land described in that certain Deed of Gift from Waldo B. Goeke et ux to Charles Otto Goeke dated January 7, 1997, recorded in Volume 769, Page 443 of the Official Public Records, Austin County, Texas;

TRACT 3: 86.064 acres of land, more or less, a part of the Benjamin Eaton Survey, A-134, and being the same land described in that certain Deed of Gift from Waldo B. Goeke et ux to Kathryn Ann Buck dated January 7, 1997, recorded in Volume 769, Page 439 of the Official Public Records, Austin County, Texas;

CONTAINING IN THE ABOVE 3 (THREE) TRACTS AN AGGREGATE OF 486.381 ACRES OF LAND, MORE OR LESS.

SIGNED FOR IDENTIFICATION:

  
\_\_\_\_\_  
Waldo B. Goeke

  
\_\_\_\_\_  
Angelie Goeke

4  
5  
6  
7  
8

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL, GAS AND MINERAL LEASE EXECUTED BY WALDO B. GOEKE ET UX, LESSOR, IN FAVOR OF TITAN RESOURCES, L.P., LESSEE DATED JUNE 6, 1997.

ADDENDUM

11. Wherever the words "one-eighth" appear in the printed form lease attached hereto, same is hereby changed to read "three-sixteenths (3/16ths)". Royalty for all oil, gas and all other minerals produced under this lease, including sulphur, shall be three-sixteenths (3/16ths) in accordance with the terms and provisions hereof.

12. At the end of the primary term hereof or 180 days after completion of any well being drilled at the end of the primary term, or upon cessation of continuous drilling provided below Paragraph 16 whichever occurs later, this lease shall automatically expire as to all depths lying deeper than 100 feet below the deepest depth drilled.

13. Lessee must furnish to Lessor within 60 days from receipt of written request after the termination of this lease with regard to any part of the herein leased premises from any cause a duly executed and acknowledged instrument releasing or evidencing the termination of the lease as to that part of the land upon which the lease has terminated.

14. Lessee agrees to indemnify, hold harmless and defend Lessor from any and all civil, criminal or environmental actions, judgments, suits, claims, demands or other liability arising by virtue of Lessee's activities hereunder or by virtue of any activities hereunder by the Lessee, its agents, employees and licensees, either to the Lessors, their heirs or assigns, or any third person, for damages to person or property. If same be recoverable against them, the Lessee specifically accepts responsibility and liability for any pollution, contamination or toxic damage caused by its operations. Should this lease terminate for any reason, Lessee shall remain responsible for all accrued liability resulting from operations of Lessee hereunder.

15. It is agreed and understood that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and otherwise making the oil, gas and associated by-products produced hereunder ready for sale or use; and, there shall be no deductions for gravity adjustments on oil or condensate if it is possible for Lessee to obtain a contract with a purchaser which provides for no such deduction.

16. Notwithstanding anything to the contrary herein contained, drilling operations on or production from a pooled unit or units established under the provision of Paragraph 4 hereof, embracing land covered hereby and other land, shall maintain this lease in force only as to land included in such unit or units. The lease may be maintained in force as to the remainder of the land in any manner herein provided for. Notwithstanding the proceeding provision, upon the expiration of the primary term if operations for drilling are being conducted or if there exists a well capable of producing in paying quantities on the leased premises or on land pooled therewith, the rights granted herein may be maintained as to all the leased premises by conducting continuous drilling operations in the sense that not more than one hundred eighty (180) days shall elapse between the completion abandonment of one well and commencing of the drilling of another, until such time as all the leased premises are developed. Upon cessation of such continuous drilling operations, the lease shall terminate as to all undeveloped land.

17. There shall be no pooling for oil. "Developed acreage" units for each producing oil well completed by Lessee on the leased premises under the terms of this lease shall not exceed 40 acres. Lessee is permitted to pool the leased premises for the production of gas as provided for in the printed lease form attached hereto subject to the following stipulations:

(a) Units for gas wells where the top of the producing interval is at or above 7,000 feet shall not exceed a total of 160 acres in size (plus 10% tolerance).

(b) Units for gas wells where the top of the producing interval is below 7,000 feet down to and including the subsurface depth of 10,000 feet shall not exceed a total of 320 acres in size (plus 10% tolerance)

(c) Units for gas wells where the top of the producing interval is below 10,000 feet shall not exceed 640 acres in size (plus 10% tolerance)

Lessee further agrees that for any gas unit formed hereunder by the drilling of a well on the leased premises, the unit shall (i) be comprised completely of acreage covered by this lease, or (ii) include all of the remaining unpooled acreage of this lease if less acreage is available for pooling than the unit sizes set forth above. Where the unit gas well is located on lands outside the leased premises, unitized acreage including any portion of the leased premises must include at least 10% of the acreage described in this lease if it is a 160 acre unit, 25% of the acreage described in this lease if it is a 320 acre unit and 50% of the acreage described in this lease if it is a 640 acre unit. Notwithstanding anything herein to the contrary, it is not the intention of Lessor to prevent or hinder the placing of fractional or remaining acreage of lesser amounts in units after the above requirements have been satisfied. "Developed acreage" units for each producing gas well completed by Lessee on the leased premises or lands pooled therewith under the terms of this lease shall be in accordance with the unit sizes set forth hereinabove. Lessee must receive written approval from Lessor before the creation of any unit or units hereunder that are not in compliance with the above terms and conditions. Lessee shall execute in writing and record in the conveyance records of Austin County, Texas, in instrument describing the pooled acreage, and Lessee shall mail to Lessor a copy of same with the recording data thereon. Royalties shall be paid to Lessor based on the first date of production regardless of when the unit is formed. Provided however, larger units may be formed for oil or gas wells to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so.

18. Lessor or his agents at their sole risk and liability shall have access to any well being drilled on the premises but must not interfere with Lessee's operations. At Lessor's request, Lessee must furnish Lessor or his agent with copies of logs, electrical well formation surveys and analyses of formation samples used by Lessee with regard to any well on the premises within 30 days after such information is released to the Railroad Commission of the State of Texas and is available to the public. Lessee shall furnish Lessor on request copies of sale contract concerning oil, gas and other minerals from any well on the land. All of the above are to be furnished Lessor at his address set out above.

19. The payment of Royalty shall be made 120 days following the first sale of production from, or the allocation of production to the leased premises, unless otherwise precluded by title examination and/or curative requirements, and in the event such, Lessee will advise Lessor. Thereafter, all royalty payments on actual production shall be payable monthly. In the event Lessee becomes delinquent in such payment, the Lessor must notify the Lessee of the default and if Lessee does not pay the delinquent amount within 30 days after Lessor has sent such notice of the delinquency to Lessee by certified mail at its address set out above, Lessee must pay interest on the delinquent royalty amount and on all other royalties subsequently becoming delinquent until all delinquent payments have been paid, the interest rate to be 12% per year and computed as each of the delinquent amounts beginning with the date each becomes due.

20. No Division Order shall increase nor diminish the agreements and provisions herein and Lessee shall be liable for same if such attempt is made whether or not caused by Lessor's execution of same. In other words, if such Division Order contains wording contrary to the provisions herein and Lessor executes same without amending such language, the agreements and provisions herein shall supersede those of the Division Order so executed.

21. Every obligation of Lessor and Lessee under this lease shall be fully performed in Austin County, Texas; and all monies due hereunder, including damages provided for or implied herein shall be due and payable to the address of Lessor herein, unless otherwise requested in writing by Lessor to Lessee, in addition to any litigation that may arise from the breach of this instrument. Lessor and Lessee hereby agree that proper venue for any dispute or legal action arising between the parties hereto shall be in the judicial districts or court of competent jurisdiction embracing or lying in Austin County, Texas. For any action brought by either Lessee or Lessor concerning the rights of either party under this lease where the Lessor ultimately prevails, Lessee shall be responsible for and reimburse Lessor for all of Lessor's legal and court costs.

22. Lessor has made and makes no representation or warranty of any kind as to the leased premises and Lessee shall satisfy itself as to all matters regarding the leased premises. This lease is made and accepted subject to all valid and subsisting restrictions, easements, rights-of-way, and other matters of record in Austin County, Texas, affecting the tract or tracts herein leased.

23. Lessor shall have the right, but not the obligation, to take over any well or water well drilled by Lessee on the leased premises if, and only if, Lessee elects to plug and abandon such well or wells, or ceases to have any further need for such well or wells. In the case of a well drilled for exploration and production purposes where Lessee intends to plug and abandon same and Lessor has elected to take such well over, Lessee shall proceed with standard plugging procedures and turn the well over to Lessor only after setting regulation cements plugs in the base of the surface casing and after removing, at Lessee's sole discretion, all other salvable equipment and tubulars therefrom. Lessee shall give written notice to Lessor of its intention to plug and abandon any well on the leased premises at the address set forth herein and Lessor shall inform Lessee of its election to either take over any such well or to not take over any such well within 24 hours after receipt of such notice from Lessee. If Lessor has not responded within this 24 hour period, Lessee shall assume that Lessor does not elect to take over such well, and Lessee shall proceed to plug and abandon same. Upon exercising its rights under this provision, Lessor agrees to promptly execute all necessary and appropriate forms and documents evidencing the transfer of the well from Lessee to Lessor. Thereafter, Lessor shall have all responsibility and liability concerning the transferred well, and Lessee shall have no responsibility or liability concerning the transferred well.

24. The operations of Lessee on the leased premises shall be conducted in such manner that the Lessee shall prevent the contamination of any and all fresh waters in, under or on said land, whether in surface tanks or any other type of storage, in creek beds or river beds, and any and all surface and subsurface fresh water bearing strata or formations by virtue of Lessee's drilling, development and production operations hereunder.

25. Lessor reserves the right to use all depths below the surface for other operations not inconsistent with the grant hereof including but not limited to the removal of fresh water, removal of salt water,



disposing of salt water, exploring for and producing oil, gas and other minerals from depths or acreage no longer held by this lease and operations other than the production of oil, gas and other minerals from strata leased to and held by Lessee hereunder, provided that no such operations by Lessor shall unduly interfere with Lessee's operations on the leased premises.

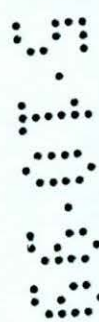
26. Lessee shall furnish Lessor one (1) copy each of any run sheet, title opinion or abstract of title prepared by or for Lessee concerning any portion of the leased premises.

27. If Lessee sells any gas under a contract with a parent, subsidiary or other entity with which Lessee is affiliated, or otherwise sells any gas other than through a bona fide, arm's length sale at the highest market price then obtainable in the area, all royalty provided for herein shall be computed at the higher of the actual price paid to Lessee, or 90.00% of the Houston Ship Channel Index ("Index") per MMBtu. The Index shall be the first monthly posting for the delivered spot gas index price (large packages only) Houston Ship Channel/Beaumont, Texas, as reported by "Inside F.E.R.C's Gas Market Report." Lessee agrees to permit Lessor to examine and copy any assignment, communitization agreement or other arrangement for the disposition of or combination of any interest in the leased premises, including, without limitation, any contractual arrangement for the sale or transportation of production from said leased premises.

28. It is hereby understood and agreed that Lessee may perform 2-D and 3-D seismic surveys (hereafter collectively called "Seismic Surveys") on the leased premises, provided that prior to Lessee's conduct of such Seismic Surveys, Lessee will negotiate and pay damages to Lessor in advance before conducting any Seismic Surveys covering all or any portion of the leased premises. Such damages shall be calculated on a per acre basis and shall be in accordance with similar damage payments in the area or as determined by agreement between the parties. Any such Seismic Surveys will be the subject of a subsequent written agreement between Lessor and Lessee specifying such damage payments and setting forth the special concerns and limitations of Lessor. The right to shoot seismic on the leased premises shall be exclusive to Lessee.

29. No extraction or treatment facilities shall be erected or installed on the leased premises except those which are necessary for production treatment or removal of oil, gas and associated hydrocarbons produced from the leased premises. Prior to installing or erecting any such facility on the leased premises, Lessee must secure the express written consent of Lessor. If Lessee fails to remove from the leased premises any equipment which Lessee has placed thereon within six (6) months after the termination of this lease, then Lessor may declare such equipment forfeited to Lessor by Lessee, or, at Lessor's sole option, pay to have same removed in which case Lessee shall be liable to Lessor for twice the cost of such removal. Nothing contained in this paragraph shall be construed as relieving Lessee of its obligation and requirement to secure the written consent of Lessor prior to conducting surface operations as stipulated in paragraph 36 hereof.

30. Lessee may assign this lease in whole or in part without the express prior written consent of Lessor. Lessee shall provide Lessor written notice of any assignment so made. This lease extends to the successors and permitted assigns of the parties hereto, but no change or division of ownership of the leased premises or any interest therein, however accomplished, operates to enlarge the obligations or diminish the rights of Lessee.



31. Lessee shall pay for all damages caused to growing crops on said land, including, but not limited to, hay crops, whether such crops belong to Lessor or Lessor's tenant, which payment shall be made to the owner of such crop, and to pay for all damage to the improvements, including, but not limited to, water wells, fences, roads, other personal property, buildings and other improvements on said land caused by any operations of the Lessee in investigating, exploring, prospecting, drilling, mining and operating for oil and gas on said land. Lessee also agrees that after the completion of any drilling operation on the land hereby leased, and within a reasonable time not to exceed six (6) months, it will clean, backfill and level pits, mounds and other excavations created by its operations and not being used in connection with Lessee's operations. Lessee further agrees, upon abandonment of any well, and within a reasonable time not to exceed six (6) months, after such abandonment, fill all excavations, level all mounds, fill all slush pits, and leave the ground in as near the same condition as reasonably possible as it was before such well was drilled. Lessee further agrees, in the event of development and/or production under this Lease, to erect and maintain, at its own risk and expense, a cattle barrier sufficient to turn cattle, and to keep closed all gates used by it and its agents, servants and employees during such time as it is engaged in such development and exploring for and/or producing oil and gas. Lessee further agrees to plow a fire break around all drilling sites sufficient to prevent any fire at such drilling site from spreading to the nearby pasture.

32. In the event Lessee shall desire to prospect and investigate for oil, gas and other minerals in, on and under any of said land by means of the use of explosives, Lessee shall not do any of said investigating and prospecting by the use of explosives within one thousand (1,000) feet of the irrigation water well situated on the property, and at any distance beyond the said one thousand (1,000) feet, the said Lessee shall be responsible for the damage incurred to said water well, caused by Lessee's operations.

33. This Lease does not cover or include any right or privilege to hunt with firearms or dogs on the leased premises or to fish thereon, all such hunting and fishing rights being expressly reserved by Lessor, and Lessee agrees that Lessee, its agents, servants or employees will not bring any firearms upon the leased premises for purposes of hunting or target practice, and will not fire any firearms thereon, and Lessee agrees to instruct its agents, servants, employees, contractors and subcontractors that they will not hunt any game and shall not fish on the premises or carry or discharge firearms thereon.

34. Any gravel, iron ore or similar road material placed upon the leased premises for road construction or maintenance purposes shall be and become the sole property of Lessor upon termination of this Lease; provided, however, that during the time that this Lease is in full force and effect, Lessee shall have the right to remove or relocate said road materials.

35. It is expressly understood and provided that this lease covers oil and gas and liquid hydrocarbons, along with the products and by-products thereof, but this lease does not cover any other minerals of any type. Notwithstanding anything to the contrary in this lease contained, Lessee shall at all times protect the herein leased land from drainage of oil and gas from wells on adjoining lands. It is further understood that this Lease does not include or cover the extraction or use of geothermal saline water, geopressure saline water, or any of the by-products.

36. Prior to staking location for the drilling of any well, Lessee shall first obtain the agreement and consent of Lessor to



such proposed drillsite, and necessary roads, flowline, storage and treatment facilities. Said agreement and consent of Lessor shall not be unreasonably withheld. It is controllingly agreed that nothing contained herein shall deny Lessee the right to drill at a reasonable location on lands covered hereby and not excluded by the above distance restriction. This paragraph is intended to provide that any drillsite selected shall, to the extent provided herein, be mutually agreeable between Lessee and Lessor.

37. Miscellaneous Provision:

a) Drilling & Reworking Operations: "Drilling operations", "operations for drilling" and similar terms shall mean and be confined to the erection of an actual rotary drilling rig on the leased premises or lands pooled therewith of a sufficient size to reach a formation from which there exists a bona fide possibility for production of oil or gas in paying quantities, and when such rig is rotating under power and actual drilling and "making hole" has started. A well (either productive or dry) shall be deemed to have been completed on the earliest of the following dates: (i) the date on which the well is tested for Railroad Commission's production allowable; (ii) ninety (90) days after the well attains total depth provided the rig which drilled said well has been released; or (iii) the date on which said well is plugged. Reworking operations on any well will be considered to have been commenced when a workover rig has been moved onto the well and set up to full working order, and when work has actually been commenced in the wellbore below the surface.

b) Breach: If at any time Lessor believes that Lessee is failing to comply with or has failed to comply with any substantial obligation of Lessee hereunder, Lessor shall notify Lessee in writing by U. S. Certified Mail setting forth specifically in what respects Lessee has breached this contract, and Lessee shall then have thirty (30) days after the date of mailing by Lessor to Lessee's designated address within in which to comply with or to commence to comply with the obligations imposed by this contract. The mailing of such notice shall be a precedent to the bringing of any action by Lessor on this lease because of such failure to comply. Any and all notices to be sent or given hereunder, and any and all payments to be made to Lessor under the terms of this instrument, shall be sent to the addresses set forth in the printed form lease attached hereto, unless otherwise specified herein. Any change of address for either party shall become effective only after thirty (30) days of receipt of U. S. Certified Mail, by one party from the party so changing its address.

38. In the event any of the acreage covered by this lease is released by operation of the terms of Paragraph 16 hereof, Lessee shall have the right of ingress and egress for production purposes across the released acreage to the acreage retained hereunder if such right is necessary for Lessee to have access to the retained acreage.

WITNESS OUR HANDS, this the 10<sup>th</sup> day of June, A.D., 1997.

Waldo B. Goeke  
WALDO B. GOEKE

Angelic Goeke  
ANGELIE GOEKE

THE STATE OF TEXAS §  
COUNTY OF AUSTIN §

This instrument was acknowledged before me on the 10<sup>th</sup> day of June, A.D., 1997, by WALDO B. GOEKE and wife, ANGELIE GOEKE.



*Larry Macha*  
\_\_\_\_\_  
Notary Public, State of Texas

Printed/Stamped Name of Notary  
and Commission Expiration Date

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FILED  
97 JUL 28 PM 3: 50  
*Carrie Gregor*  
COUNTY CLERK  
AUSTIN COUNTY, TEXAS

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.  
STATE OF TEXAS COUNTY OF AUSTIN  
I hereby certify that this instrument was filed on the date and at the time stamped hereon by me and was duly RECORDED in the OFFICIAL PUBLIC RECORDS OF AUSTIN COUNTY, TEXAS, in the Volume and Page as shown hereon.



*Carrie Gregor*  
Carrie Gregor County Clerk  
Austin County Texas

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# OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 6th day of June 19 97, between

CHARLES OTTO GOEKE and VICKIE LOU GOEKE, husband and wife;

Lessor (whether one or more), whose address is: Route 1, Box 260, Brenham, Texas 77833  
and TITAN RESOURCES, L.P., 500 W. Texas, Suite 500, Midland, TX 79701, Lessee, WITNESSETH:

I, Lessor in consideration of ONE HUNDRED AND OTHER GOOD AND VALUABLE CONSIDERATIONS Dollars

(\$ 100.00 & OVC ), in hand paid, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas and all other minerals, conducting exploration, geologic and geophysical surveys by seismograph, core test, gravity and magnetic methods, injecting gas, water and other fluids, and air into subsurface strata, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport and own said products, and housing its employees, the following described land in

AUSTIN County, Texas, to-wit:

FOR DESCRIPTION, SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF CONSISTING OF 1 (ONE) PAGE.

FOR ADDENDUM AND SPECIAL PROVISIONS; SEE EXHIBIT "B" ATTACHED HERETO AND MADE A PART HEREOF CONSISTING OF 7 (SEVEN) PAGES AND CONTAINING PARAGRAPHS NUMBERED 11 (ELEVEN) THROUGH 38 (THIRTY-EIGHT).

For all purposes of this lease, said land is estimated to comprise 204.17 acres, whether it actually comprises, more or less.

This lease also covers and includes all land owned or claimed by Lessor adjacent or contiguous to the land particularly described above, whether the same be in said survey or surveys or in adjacent surveys, although not included within the boundaries of the land particularly described above.

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

3. As royalty, lessee covenants and agrees: (a) To deliver in the credit of lessor, in the pipelines in which lessee may connect its wells, the equal one-eighth part of all oil produced and saved by lessee from said land, or from time to time, at the option of lessee, to pay lessor the average posted market price of such one-eighth part of such oil at the wells as of the day it is run to the pipe line or storage tanks, lessor's interest, in either case, to bear one-eighth of the cost of treating oil to render it marketable pipe line oil; (b) to pay lessor for gas and casinghead gas produced from said land (1) when sold by lessee, one-eighth of the amount realized by lessee, computed at the mouth of the well, or (2) when used by lessee off said land or in the manufacture of gasoline or other products, one-eighth of the amount realized from the sale of gasoline or other products extracted therefrom and one-eighth of the amount realized from the sale of residue gas after deducting the amount used for plant fuel and/or compression; (c) To pay lessor on all other minerals mined and marketed or utilized by lessee from said land, one-tenth either in kind or value at the well or mine at lessee's election, except that on sulphur mined and marketed the royalty shall be one dollar (\$1.00) per long ton. If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank; and shall not be required to settle labor trouble or to market gas upon terms unacceptable to lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, lessee shall pay or tender, by check or draft of lessee, as royalty, a sum equal to one dollar (\$1.00) for each acre of land then covered hereby. Lessee shall make like payments of tender 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 of tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under

this lease if the wells were producing, and may be deposited in the TEXAS NATIONAL Bank at BRENHAM, TEXAS 77833 or its successors, which shall continue as the depositories, regardless of changes in the ownership of shut-in royalty. If at any time that lessee pays or tenders shut-in royalty, two or more parties are, or claim to be, entitled to receive same, lessee may, in lieu of any other method of payment herein provided, pay or tender shut-in royalty, in the manner above specified, either jointly to such parties or separately to each in accordance with their respective ownerships thereof, as lessee may elect. Any payment hereunder may be made by check or draft of lessee deposited in the mail or delivered to the party entitled to receive payment or to a depository bank provided for above on or before the last date for payment. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In the event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owners of this lease, severally as to acreage owned by each.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease of any portion thereof as to oil and gas, or either of them, with any other land covered by this lease, and/or with any other land, lease or leases in the immediate vicinity thereof to the extent hereinafter stipulated. When in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises in compliance with the spacing rules of the Railroad Commission of Texas, or other lawful authority, or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of ten percent (10%) thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, for the drilling or operation of a well at a regular location or for obtaining maximum allowable from any well to be drilled, drilling or already drilled, units thereafter created may conform substantially in size with those prescribed or permitted by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit; and upon such recordation the unit shall be effective as to all parties hereto, their heirs, successors, and assigns, irrespective of whether or not the unit is likewise effective as to all other owners of surface, mineral, royalty, or other rights in land included in such unit. Lessee may at its election exercise its pooling option before or after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land of leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. In the event of operations for drilling on or production of oil or gas from any part of a pooled unit which includes all or a portion of the land covered by this lease, regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument designating the pooled unit, such operations shall be considered as operations for drilling on or production of oil or gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease and in such event operations for drilling shall be deemed to have been commenced on said land within the meaning of paragraph 5 of this lease; and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled unit. Such allocation shall be on an acreage basis—that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease for in each such separate tract and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land. The production from an oil well will be considered as production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. The formation of any unit hereunder shall not have the effect of changing the ownership of any shut-in production royalty which may become payable under this lease. If this lease now or hereafter covers separate tracts, no pooling or utilization of royalty interest as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but Lessee shall nevertheless have the right to pool as provided above with consequent allocation of production as above provided. As used in this paragraph 4, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that of any other part of the leased premises.

5. If at the expiration of the primary term, oil, gas, or other mineral is not being produced on said land, or from the land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas, or other mineral is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil, gas, or other mineral is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil, gas, or other mineral, so long thereafter as oil, gas, or other mineral is produced from said land, or from land pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within 330 feet of and draining the leased premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

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

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns; but no change or division in ownership of the land, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U.S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part, liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

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

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty in event of failure of title, it is agreed that if this lease covers a less interest in the oil, gas, sulphur, or other minerals in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not), or no interest therein, then the royalties, and other monies accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by Lessor) shall be paid out of the royalty herein provided. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

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

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

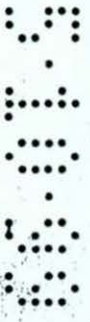
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\_\_\_\_\_  
\_\_\_\_\_  
STATE OF  
COUNTY OF

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
ACKNOWLEDGMENT

This instrument was acknowledged before me on the  
by

day of , 19

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



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

\_\_\_\_\_  
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\_\_\_\_\_  
ACKNOWLEDGMENT

This instrument was acknowledged before me on the  
by

day of , 19

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

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
STATE OF  
COUNTY OF  
by of  
a corporation, on behalf of said corporation.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
CORPORATE ACKNOWLEDGMENT

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

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL, GAS AND MINERAL LEASE EXECUTED BY CHARLES OTTO GOEKE ET UX, LESSOR, IN FAVOR OF TITAN RESOURCES, L. P., LESSEE, DATED JUNE 6, 1997.

DESCRIPTION

TRACT 1: 118 2/3 acres of land, more or less, a part of the John Martin Survey, A-70, a part of the Juan DeLeon Survey, A-154, a part of the M. Ruter Survey, A-203, and a part of the James Cooper League, A-27, Austin County, Texas described as follows:



A) 116 2/3 acres of land, more or less, and being the same land described in that certain Warranty Deed from Waldo D. Goeke et ux to Charles Otto Goeke dated August 31, 1971, recorded in Volume 331, Page 77 of the Deed Records, Austin County, Texas,

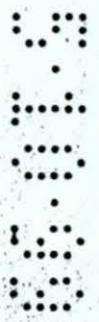
D) 2.0 acres of land, more or less, and being the same land described in that certain Warranty Deed from Waldo B. Goeke et ux to Charles Otto Goeke et ux dated March 16, 1981, recorded in Volume 441, Page 203 of the Deed Records, Austin County, Texas,

TRACT 2: 85.5 acres of land, more or less, a part of the James Cooper League, A-27, and a part of the M. Ruter Survey, A-203, and being the same land described in that certain Deed of Gift from Waldo D. Goeke et ux to Charles Otto Goeke dated January 7, 1997, recorded in Volume 769, Page 443 of the Official Public Records, Austin County, Texas,

CONTAINING IN THE ABOVE 2 (TWO) TRACTS AN AGGREGATE OF 204.17 ACRES OF LAND, MORE OR LESS.

SIGNED FOR IDENTIFICATION:

  
\_\_\_\_\_  
Charles Otto Goeke  
  
\_\_\_\_\_  
Vicki Lou Goeke



ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL, GAS AND MINERAL LEASE EXECUTED BY CHARLES OTTO GOEKE ET UX, LESSOR, IN FAVOR OF TITAN RESOURCES, L.P., LESSEE DATED JUNE 6, 1997.

ADDENDUM

11. Wherever the words "one-eighth" appear in the printed form lease attached hereto, same is hereby changed to read "three-sixteenths (3/16ths)". Royalty for all oil, gas and all other minerals produced under this lease, including sulphur, shall be three-sixteenths (3/16ths) in accordance with the terms and provisions hereof.

12. At the end of the primary term hereof or 180 days after completion of any well being drilled at the end of the primary term; or upon cessation of continuous drilling provided below Paragraph 16 whichever occurs later, this lease shall automatically expire as to all depths lying deeper than 100 feet below the deepest depth drilled.

13. Lessee must furnish to Lessor within 60 days from receipt of written request after the termination of this lease with regard to any part of the herein leased premises from any cause a duly executed and acknowledged instrument releasing or evidencing the termination of the lease as to that part of the land upon which the lease has terminated.

14. Lessee agrees to indemnify, hold harmless and defend Lessor from any and all civil, criminal or environmental actions, judgments, suits, claims, demands or other liability arising by virtue of Lessee's activities hereunder or by virtue of any activities hereunder by the Lessee, its agents, employees and licensees, either to the Lessors, their heirs or assigns, or any third person, for damages to person or property. If same be recoverable against them, the Lessee specifically accepts responsibility and liability for any pollution, contamination or toxic damage caused by its operations. Should this lease terminate for any reason, Lessee shall remain responsible for all accrued liability resulting from operations of Lessee hereunder:

15. It is agreed and understood that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and otherwise making the oil, gas and associated by-products produced hereunder ready for sale or use; and, there shall be no deductions for gravity adjustments on oil or condensate if it is possible for Lessee to obtain a contract with a purchaser which provides for no such deduction.

16. Notwithstanding anything to the contrary herein contained, drilling operations on or production from a pooled unit or units established under the provision of Paragraph 4 hereof, embracing land covered hereby and other land, shall maintain this lease in force only as to land included in such unit or units. The lease may be maintained in force as to the remainder of the land in any manner herein provided for. Notwithstanding the proceeding provision, upon the expiration of the primary term if operations for drilling are being conducted or if there exists a well capable of producing in paying quantities on the leased premises or on land pooled therewith, the rights granted herein may be maintained as to all the leased premises by conducting continuous drilling operations in the sense that not more than one hundred eighty (180) days shall elapse between the completion abandonment of one well and commencing of the drilling of another, until such time as all the leased premises are developed. Upon cessation of such continuous drilling operations, the lease shall terminate as to all undeveloped land.

17. There shall be no pooling for oil. "Developed acreage" units for each producing oil well completed by Lessee on the leased premises under the terms of this lease shall not exceed 40 acres; Lessee is permitted to pool the leased premises for the production of gas as provided for in the printed lease form attached hereto subject to the following stipulations:

(a) Units for gas wells where the top of the producing interval is at or above 7,000 feet shall not exceed a total of 160 acres in size (plus 10% tolerance).

(b) Units for gas wells where the top of the producing interval is below 7,000 feet down to and including the subsurface depth of 10,000 feet shall not exceed a total of 320 acres in size (plus 10% tolerance)

(c) Units for gas wells where the top of the producing interval is below 10,000 feet shall not exceed 640 acres in size (plus 10% tolerance)

Lessee further agrees that for any gas unit formed hereunder by the drilling of a well on the leased premises, the unit shall (i) be comprised completely of acreage covered by this lease, or (ii) include all of the remaining unpooled acreage of this lease if less acreage is available for pooling than the unit sizes set forth above. Where the unit gas well is located on lands outside the leased premises, unitized acreage including any portion of the leased premises must include at least 10% of the acreage described in this lease if it is a 160 acre unit, 25% of the acreage described in this lease if it is a 320 acre unit and 50% of the acreage described in this lease if it is a 640 acre unit. Notwithstanding anything herein to the contrary, it is not the intention of Lessor to prevent or hinder the placing of fractional or remaining acreage of lesser amounts in units after the above requirements have been satisfied. "Developed acreage" units for each producing gas well completed by Lessee on the leased premises or lands pooled therewith under the terms of this lease shall be in accordance with the unit sizes set forth hereinabove. Lessee must receive written approval from Lessor before the creation of any unit or units hereunder that are not in compliance with the above terms and conditions. Lessee shall execute in writing and record in the conveyance records of Austin County, Texas, in instrument describing the pooled acreage, and Lessee shall mail to Lessor a copy of same with the recording data thereon. Royalties shall be paid to Lessor based on the first date of production regardless of when the unit is formed. Provided however, larger units may be formed for oil or gas wells to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so.

18. Lessor or his agents at their sole risk and liability shall have access to any well being drilled on the premises but must not interfere with Lessee's operations. At Lessor's request, Lessee must furnish Lessor or his agent with copies of logs, electrical well formation surveys and analyses of formation samples used by Lessee with regard to any well on the premises within 30 days after such information is released to the Railroad Commission of the State of Texas and is available to the public. Lessee shall furnish Lessor on request copies of sale contract concerning oil, gas and other minerals from any well on the land. All of the above are to be furnished Lessor at his address set out above.

19. The payment of Royalty shall be made 120 days following the first sale of production from, or the allocation of production to the leased premises, unless otherwise precluded by title examination and/or curative requirements, and in the event such, Lessee will advise Lessor. Thereafter, all royalty payments on actual production shall be payable monthly. In the event Lessee becomes delinquent in such payment, the Lessor must notify the Lessee of the default and if Lessee does not pay the delinquent amount within 30 days after Lessor has sent such notice of the delinquency to Lessee by certified mail at its address set out above, Lessee must pay interest on the delinquent royalty amount and on all other royalties subsequently becoming delinquent until all delinquent payments have been paid, the interest rate to be 12% per year and computed as each of the delinquent amounts beginning with the date each becomes due.

20. No Division Order shall increase nor diminish the agreements and provisions herein and Lessee shall be liable for same if such attempt is made whether or not caused by Lessor's execution of same. In other words, if such Division Order contains wording contrary to the provisions herein and Lessor executes same without amending such language, the agreements and provisions herein shall supersede those of the Division Order so executed.

21. Every obligation of Lessor and Lessee under this lease shall be fully performed in Austin County, Texas; and all monies due hereunder, including damages provided for or implied herein shall be due and payable to the address of Lessor herein, unless otherwise requested in writing by Lessor to Lessee, in addition to any litigation that may arise from the breach of this instrument. Lessor and Lessee hereby agree that proper venue for any dispute or legal action arising between the parties hereto shall be in the judicial districts or court of competent jurisdiction embracing or lying in Austin County, Texas. For any action brought by either Lessee or Lessor concerning the rights of either party under this lease where the Lessor ultimately prevails, Lessee shall be responsible for and reimburse Lessor for all of Lessor's legal and court costs.

22. Lessor has made and makes no representation or warranty of any kind as to the leased premises and Lessee shall satisfy itself as to all matters regarding the leased premises. This lease is made and accepted subject to all valid and subsisting restrictions, easements, rights-of-way, and other matters of record in Austin County, Texas, affecting the tract or tracts herein leased.

23. Lessor shall have the right, but not the obligation, to take over any well or water well drilled by Lessee on the leased premises if, and only if, Lessee elects to plug and abandon such well or wells, or ceases to have any further need for such well or wells. In the case of a well drilled for exploration and production purposes where Lessee intends to plug and abandon same and Lessor has elected to take such well over, Lessee shall proceed with standard plugging procedures and turn the well over to Lessor only after setting regulation cements plugs in the base of the surface casing and after removing, at Lessee's sole discretion, all other salvable equipment and tubulars therefrom. Lessee shall give written notice to Lessor of its intention to plug and abandon any well on the leased premises at the address set forth herein and Lessor shall inform Lessee of its election to either take over any such well or to not take over any such well within 24 hours after receipt of such notice from Lessee. If Lessor has not responded within this 24 hour period, Lessee shall assume that Lessor does not elect to take over such well, and Lessee shall proceed to plug and abandon same. Upon exercising its rights under this provision, Lessor agrees to promptly execute all necessary and appropriate forms and documents evidencing the transfer of the well from Lessee to Lessor. Thereafter, Lessor shall have all responsibility and liability concerning the transferred well, and Lessee shall have no responsibility or liability concerning the transferred well.

24. The operations of Lessee on the leased premises shall be conducted in such manner that the Lessee shall prevent the contamination of any and all fresh waters in, under or on said land, whether in surface tanks or any other type of storage, in creek beds or river beds, and any and all surface and subsurface fresh water bearing strata or formations by virtue of Lessee's drilling, development and production operations hereunder.

25. Lessor reserves the right to use all depths below the surface for other operations not inconsistent with the grant hereof including but not limited to the removal of fresh water, removal of salt water,

disposing of salt water, exploring for and producing oil, gas and other minerals from depths or acreage no longer held by this lease and operations other than the production of oil, gas and other minerals from strata leased to and held by Lessee hereunder, provided that no such operations by Lessor shall unduly interfere with Lessee's operations on the leased premises.

26. Lessee shall furnish Lessor one (1) copy each of any run sheet, title opinion or abstract of title prepared by or for Lessee concerning any portion of the leased premises.

27. If Lessee sells any gas under a contract with a parent, subsidiary or other entity with which Lessee is affiliated, or otherwise sells any gas other than through a bona fide, arm's length sale at the highest market price then obtainable in the area, all royalty provided for herein shall be computed at the higher of the actual price paid to Lessee, or 90.00% of the Houston Ship Channel Index ("Index") per MMBtu. The Index shall be the first monthly posting for the delivered spot gas index price (large packages only) Houston Ship Channel/Beaumont, Texas, as reported by "Inside F.E.R.C.'s Gas Market Report." Lessee agrees to permit Lessor to examine and copy any assignment, communitization agreement or other arrangement for the disposition of or combination of any interest in the leased premises, including, without limitation, any contractual arrangement for the sale or transportation of production from said leased premises.

28. It is hereby understood and agreed that Lessee may perform 2-D and 3-D seismic surveys (hereafter collectively called "Seismic Surveys") on the leased premises, provided that prior to Lessee's conduct of such Seismic Surveys, Lessee will negotiate and pay damages to Lessor in advance before conducting any seismic surveys covering all or any portion of the leased premises. Such damages shall be calculated on a per acre basis and shall be in accordance with similar damage payments in the area or as determined by agreement between the parties. Any such Seismic Surveys will be the subject of a subsequent written agreement between Lessor and Lessee specifying such damage payments and setting forth the special concerns and limitations of Lessor. The right to shoot seismic on the leased premises shall be exclusive to Lessee.

29. No extraction or treatment facilities shall be erected or installed on the leased premises except those which are necessary for production treatment or removal of oil, gas and associated hydrocarbons produced from the leased premises. Prior to installing or erecting any such facility on the leased premises, Lessee must secure the express written consent of Lessor. If Lessee fails to remove from the leased premises any equipment which Lessee has placed thereon within six (6) months after the termination of this lease, then Lessor may declare such equipment forfeited to Lessor by Lessee, or, at Lessor's sole option, pay to have same removed in which case Lessee shall be liable to Lessor for twice the cost of such removal. Nothing contained in this paragraph shall be construed as relieving Lessee of its obligation and requirement to secure the written consent of Lessor prior to conducting surface operations as stipulated in paragraph 36 hereof.

30. Lessee may assign this lease in whole or in part without the express prior written consent of Lessor. Lessee shall provide Lessor written notice of any assignment so made. This lease extends to the successors and permitted assigns of the parties hereto, but no change or division of ownership of the leased premises or any interest therein, however accomplished, operates to enlarge the obligations or diminish the rights of Lessee.

31. Lessee shall pay for all damages caused to growing crops on said land, including, but not limited to, hay crops, whether such crops belong to Lessor or Lessor's tenant, which payment shall be made to the owner of such crop, and to pay for all damage to the improvements, including, but not limited to, water wells, fences, roads, other personal property, buildings and other improvements on said land caused by any operations of the Lessee in investigating, exploring, prospecting, drilling, mining and operating for oil and gas on said land. Lessee also agrees that after the completion of any drilling operation on the land hereby leased, and within a reasonable time not to exceed six (6) months, it will clean, backfill and level pits, mounds and other excavations created by its operations and not being used in connection with Lessee's operations. Lessee further agrees, upon abandonment of any well, and within a reasonable time not to exceed six (6) months, after such abandonment, fill all excavations, level all mounds, fill all slush pits, and leave the ground in as near the same condition as reasonably possible as it was before such well was drilled. Lessee further agrees, in the event of development and/or production under this Lease, to erect and maintain, at its own risk and expense, a cattle barrier sufficient to turn cattle, and to keep closed all gates used by it and its agents, servants and employees during such time as it is engaged in such development and exploring for and/or producing oil and gas. Lessee further agrees to plow a fire break around all drilling sites sufficient to prevent any fire at such drilling site from spreading to the nearby pasture.

32. In the event Lessee shall desire to prospect and investigate for oil, gas and other minerals in, on and under any of said land by means of the use of explosives, Lessee shall not do any of said investigating and prospecting by the use of explosives within one thousand (1,000) feet of the irrigation water well situated on the property, and at any distance beyond the said one thousand (1,000) feet, the said Lessee shall be responsible for the damage incurred to said water well, caused by Lessee's operations.

33. This Lease does not cover or include any right or privilege to hunt with firearms or dogs on the leased premises or to fish thereon; all such hunting and fishing rights being expressly reserved by Lessor, and Lessee agrees that Lessee, its agents, servants or employees will not bring any firearms upon the leased premises for purposes of hunting or target practice, and will not fire any firearms thereon, and Lessee agrees to instruct its agents, servants, employees, contractors and subcontractors that they will not hunt any game and shall not fish on the premises or carry or discharge firearms thereon.

34. Any gravel, iron ore or similar road material placed upon the leased premises for road construction or maintenance purposes shall be and become the sole property of Lessor upon termination of this Lease; provided, however, that during the time that this Lease is in full force and effect, Lessee shall have the right to remove or relocate said road materials.

35. It is expressly understood and provided that this lease covers oil and gas and liquid hydrocarbons, along with the products and by-products thereof, but this lease does not cover any other minerals of any type. Notwithstanding anything to the contrary in this lease contained, Lessee shall at all times protect the herein leased land from drainage of oil and gas from wells on adjoining lands. It is further understood that this lease does not include or cover the extraction or use of geothermal saline water, geopressure saline water, or any of the by-products.

36. Prior to staking location for the drilling of any well, Lessee shall first obtain the agreement and consent of Lessor to

such proposed drillsite, and necessary roads, flowline, storage and treatment facilities. Said agreement and consent of Lessor shall not be unreasonably withheld. It is controllingly agreed that nothing contained herein shall deny Lessee the right to drill at a reasonable location on lands covered hereby and not excluded by the above distance restriction. This paragraph is intended to provide that any drillsite selected shall, to the extent provided herein, be mutually agreeable between Lessee and Lessor.

37. Miscellaneous Provision:

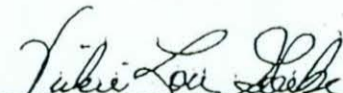
a) Drilling & Reworking Operations: "Drilling operations", "operations for drilling" and similar terms shall mean and be confined to the erection of an actual rotary drilling rig on the leased premises or lands pooled therewith of a sufficient size to reach a formation from which there exists a bona fide possibility for production of oil or gas in paying quantities, and when such rig is rotating under power and actual drilling and "making hole" has started. A well (either productive or dry) shall be deemed to have been completed on the earliest of the following dates: (i) the date on which the well is tested for Railroad Commission's production allowable; (ii) ninety (90) days after the well attains total depth provided the rig which drilled said well has been released; or (iii) the date on which said well is plugged. Reworking operations on any well will be considered to have been commenced when a workover rig has been moved onto the well and set up to full working order, and when work has actually been commenced in the wellbore below the surface.

b) Breach: If at any time Lessor believes that Lessee is failing to comply with or has failed to comply with any substantial obligation of Lessee hereunder, Lessor shall notify Lessee in writing by U. S. Certified Mail setting forth specifically in what respects Lessee has breached this contract, and Lessee shall then have thirty (30) days after the date of mailing by Lessor to Lessee's designated address within in which to comply with or to commence to comply with the obligations imposed by this contract. The mailing of such notice shall be a precedent to the bringing of any action by Lessor on this lease because of such failure to comply. Any and all notices to be sent or given hereunder, and any and all payments to be made to Lessor under the terms of this instrument, shall be sent to the addresses set forth in the printed form lease attached hereto, unless otherwise specified herein. Any change of address for either party shall become effective only after thirty (30) days of receipt of U. S. Certified Mail, by one party from the party so changing its address.

38. In the event any of the acreage covered by this lease is released by operation of the terms of Paragraph 16 hereof, Lessee shall have the right of ingress and egress for production purposes across the released acreage to the acreage retained hereunder if such right is necessary for Lessee to have access to the retained acreage.

WITNESS OUR HANDS, this the 10<sup>th</sup> day of June, A.D., 1997.

  
\_\_\_\_\_  
CHARLES OTTO GOEKE

  
\_\_\_\_\_  
VICKIE LOU GOEKE

THE STATE OF TEXAS §  
COUNTY OF AUSTIN §

This instrument was acknowledged before me on the 10<sup>th</sup> day of June, A.D., 1997, by CHARLES OTTO GOEKE and wife, VICKIE LOU GOEKE.



*Larry Macha*  
\_\_\_\_\_  
Notary Public, State of Texas

Printed/Stamped Name of Notary  
and Commission Expiration Date

4  
5  
6  
7  
8

FILED  
97 JUL 28 PM 3:50  
*Carrie Gregor*  
COUNTY CLERK  
AUSTIN COUNTY, TEXAS

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. STATE OF TEXAS COUNTY OF AUSTIN I hereby certify that this instrument was filed on the date and at the time stamped herein by me and was duly RECORDED in the OFFICIAL PUBLIC RECORDS OF AUSTIN COUNTY, TEXAS, in the Volume and Page as shown herein.



*Carrie Gregor*  
Carrie Gregor County Clerk  
Austin County, Texas

THIS LEASE AGREEMENT is made effective the 11 th day of March, 19 97

between H. V. GEHRING, JR. a/k/a HERMAN VICTOR GEHRING, JR. AND WIFE, MARTHA GEHRING, a/k/a MARTHA HOLLIS GEHRING

as Lessor (whether one or more), whose address is 736 KUHLMAN ROAD, HOUSTON, TX 77024

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

AUSTIN County, Texas, to-wit:

SEE EXHIBIT 'A' ATTACHED HERETO AND MADE A PART HEREOF FOR DESCRIPTION

FOR CONTINUATION OF LEASE SEE ATTACHED EXHIBIT 'B' FOR PARAGRAPHS 12 -17

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 80.6900 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 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; 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 #

[Redacted]

LESSOR: *H. V. Gehring, Jr.*  
H. V. GEHRING, JR. A/K/A HERMAN VICTOR GEHRING, JR.  
*Martha Gehring*  
MARTHA GEHRING, A/K/A MARTHA HOLLIS GEHRING

STATE OF TEXAS )  
COUNTY Austin ) ss.

This instrument was acknowledged before me this 21<sup>st</sup> day of March, 19 97, by H. V. Gehring, Jr. and wife, Martha Gehring.

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



*Linda S. Barton*  
Notary Public, State of Texas

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

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

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

Notary Public

Attached hereto and made a part hereof that certain Oil and Gas Lease dated March 11, 1997 by and between H. V. GEHRING, JR. a/k/a HERMAN VICTOR GEHRING, JR. AND WIFE, MARTHA GEHRING, a/k/a MARTHA HOLLIS GEHRING, as Lessor, and UNION PACIFIC RESOURCES COMPANY as Lessee.

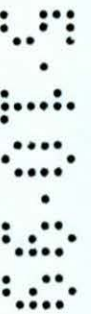
Exhibit A

LEGAL DESCRIPTION

80.69 acres of land, more or less, out of the JAMES COOPER SURVEY, A-27, Austin County, Texas, being more particularly described in the following two (2) tracts to-wit:

TRACT ONE: 51.69 acres of land, more or less, being the same land described in that certain Deed dated August 5, 1967 from Emilie Henske, et al to E. A. Gehring, recorded in Volume 295, Page 270 of the Deed Records of Austin County, Texas;

TRACT TWO: 29.0 acres of land, more or less, being the same land described in that certain Deed dated August 5, 1967 from Emilie Henske, et al to Herman Victor Gehring, Jr. and wife, Martha Gehring, recorded in Volume 295, Page 276 of the Deed Records of Austin County, Texas.



*HV*  
*MG*

LESSOR INITIALS

Attached hereto and made a part hereof that certain Oil and Gas Lease dated March 11, 1997 by and between H. V. GEHRING, JR. a/k/a HERMAN VICTOR GEHRING, JR. AND WIFE, MARTHA GEHRING, a/k/a MARTHA HOLLIS GE, as Lessor, and UNION PACIFIC RESOURCES COMPANY as Lessee.

**Exhibit B**

**CONSULTATION**

12. Lessee shall confer with Lessor prior to the selection of locations of easements (including points of ingress and egress), drill sites, tank batteries, roads, pipelines and other improvements, and the location of any surface operation(s) so that same can be located, insofar as reasonably practicable, to cause minimum interference with Lessor's surface operations and use of the land. Lessee shall use existing roads and gates whenever possible; provided, however, if it is absolutely necessary for Lessee to cut interior fences, Lessee will install gates or cattle guards at the location of the cuts and will reinforce the fence cuts.

**DAMAGE/CLEAN UP**

13. Lessee agrees and obligates itself to conduct its operations upon the leased premises as a reasonable and prudent operator. Lessee, its successors and/or assigns shall fill and level all pits and/or excavations made by it or them in connection with operations hereunder after termination of use thereof and shall construct and maintain fences surrounding such pits and/or excavations to turn livestock until such time as said pits and/or excavations are leveled. Lessee, its successors and/or assigns shall pay for all actual damage done or caused by Lessee, its successors and/or assigns in its operation hereunder to any buildings, fences, road, culverts, merchantable timber, growing crops, or any other improvements on said land, or to livestock on said land. Also, it is expressly agreed and provided that if any salt water or other deleterious substances shall come from or in any manner be extracted or produced from any well as the result of any drilling operations hereunder, Lessee, its successors and/or assigns shall not permit same to flow on and over Lessor's land, but shall confine same in pits or excavations adjacent to the drilling site. Lessee, its successors and/or assigns shall construct and maintain gates and/or cattle guards wherever Lessee enters said premises, so constructed as to turn livestock from the drilling site. Lessee, its successors and/or assigns shall bury all subsurface pipelines below plow depth.

**NO SURFACE LOCATION WITHIN 400 FEET**

14. It is hereby agreed and understood that all operations conducted by Lessee on the surface of herein leased premises shall be limited to the most northwesterly ~~400~~ <sup>1,000 feet</sup> feet of the leased tract; and further that no operations will be conducted upon the surface, nor any pipelines or any structures or any type of facilities will be constructed upon the surface of the herein leased premises, within 400 feet of the house, pond, barn and water well currently existing upon the leased tract.

**OIL & GAS ONLY/EXCLUDED MINERALS**

15. 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**

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

**SHUT-IN/U. S. MAIL**

17. The payment or tender of any shut-in royalty may be made in currency, or by check, or by draft, deposited in the U. S. Mail addressed to Lessor or delivered to same on or before the due date.

*Handwritten initials: HVG, MG*

FILED

97 MAY -8 AM 11: 08

*Carrie Gregor*  
COUNTY CLERK  
AUSTIN COUNTY, TEXAS

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.  
STATE OF TEXAS COUNTY OF AUSTIN  
I hereby certify that this instrument was filed on this date and at the time stamped hereon by me and was duly RECORDED in the OFFICIAL PUBLIC RECORDS OF AUSTIN COUNTY, TEXAS, in the Volume and Page as shown hereon.



*Carrie Gregor*  
Carrie Gregor County Clerk  
Austin County, Texas

LESSOR INITIALS

Page 2 of 2

VOL. 778 PAGE 891



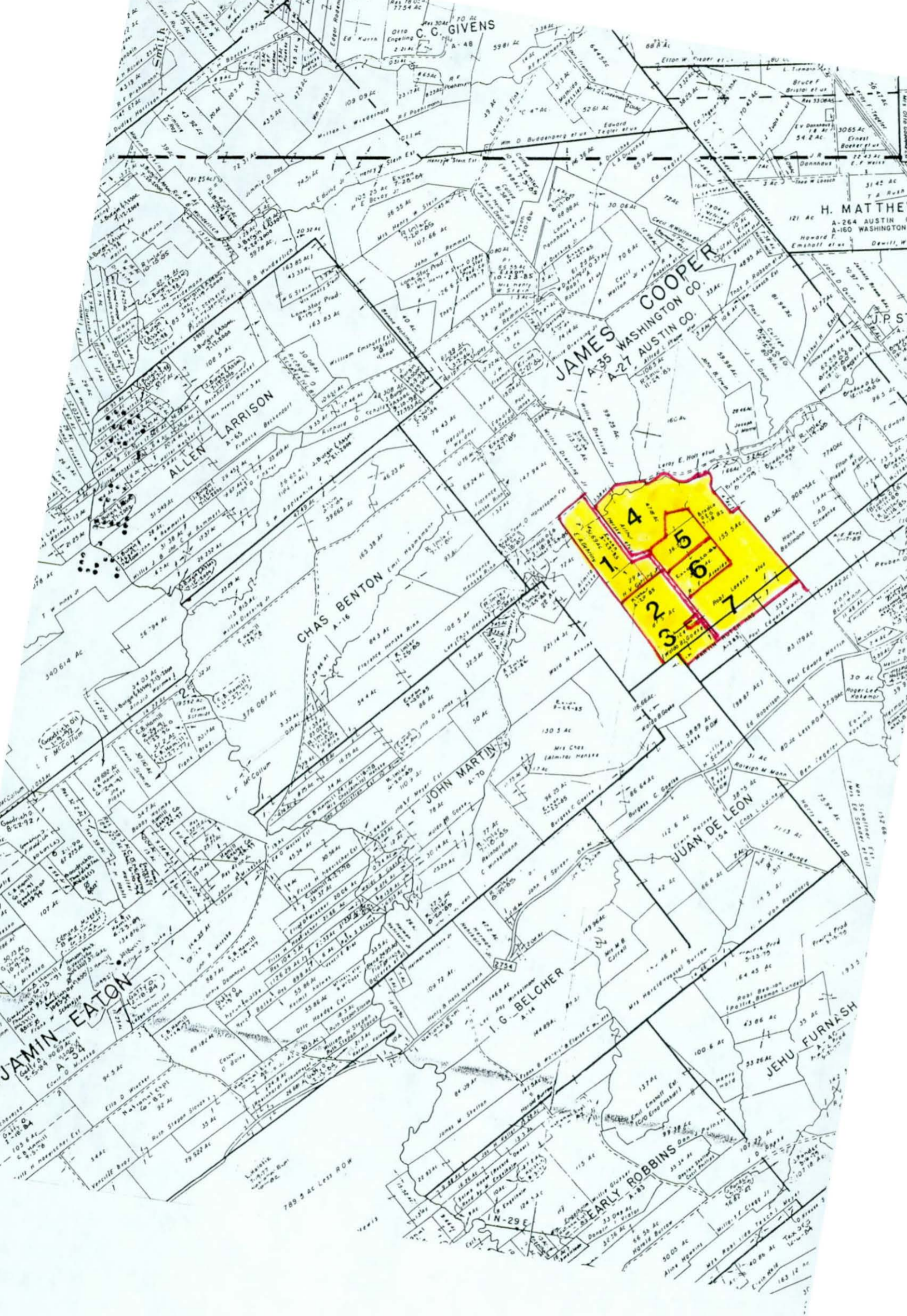


EXHIBIT "A"



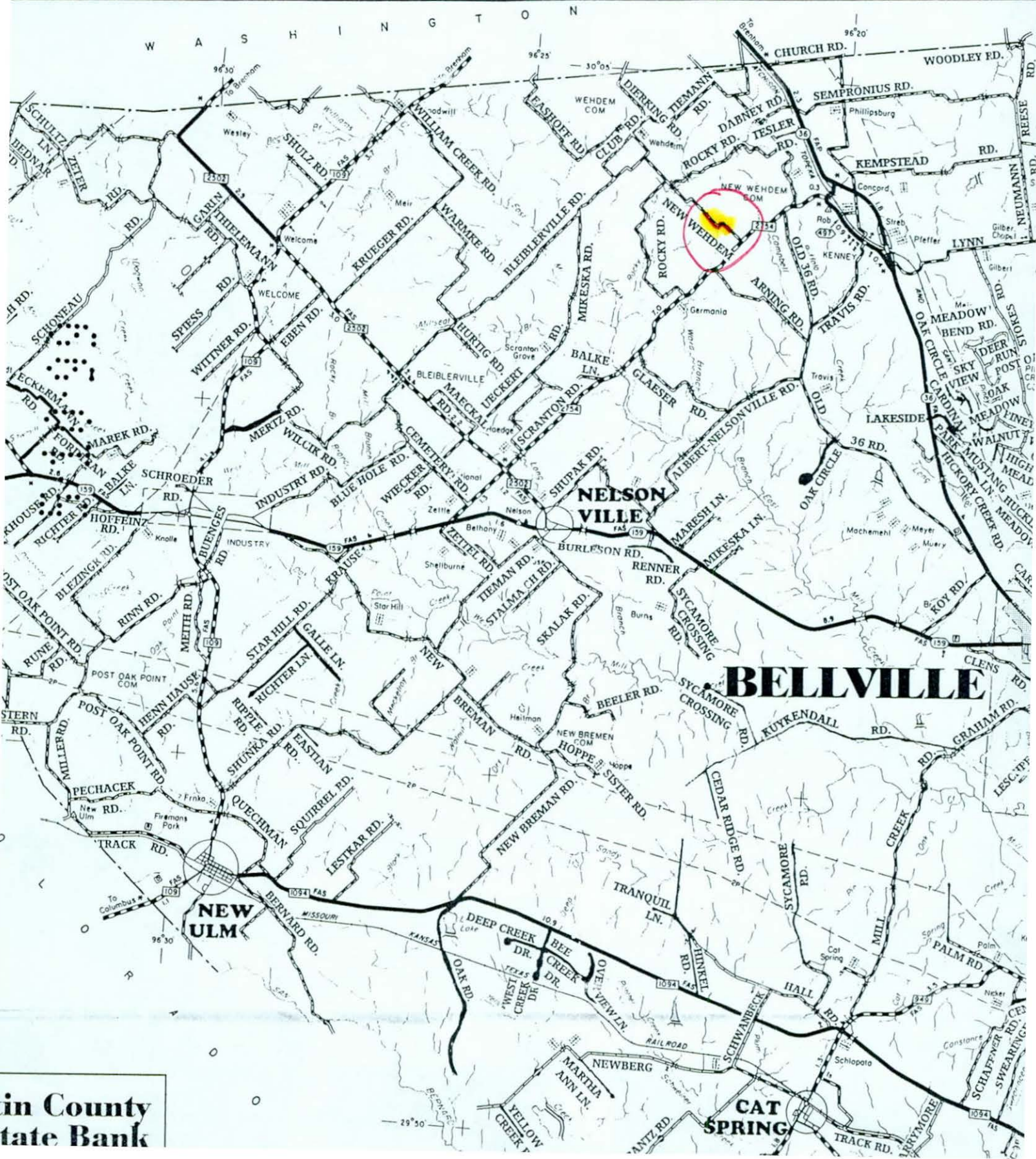
F,G-8	DIERKING RD.	D-1	GINDORF RD.	G-4	HILLBOLOT RD.	F-6	JURICA RD.	H-6	KUTENHALL RD.	E-7	MAECKAL RD.
I-7	DOCKAL RD.	A-2	GLAESER RD.	D-2	HILLCREST	G-7	KAECHELE RD.	H-9	LAKE FIELD	G-6	MALER RD.
E-1	E. LOOP RD.	G-2	GLEN MEADOW DR.	H-7	HINKEL RD.	E-5	KEMPSTEAD RD.	E-2	LAKE RD.	G,H-3	MANAK RD.
F-4	EAGLE LAKE RD.	F,G-7	GOELER	G-5	HINTZ RD.	G-7	KERSTEN RD.	H-7	LAKESIDE	E,F-2	MAREK RD.
D-1	EASHOFF RD.	D-1	GRAHAM RD.	F-4	HLUCHAN RD.	H-7	KIESEWITTER RD.	G,H-4	LAKEVIEW CT.	I-7	MARESH LN.
E-7	EASTIAN RD.	C-4	GRAMY RD.	E-7	HOFF RD.	G-3; H-4	KLOPSTECK RD.	G-8	LAKEVIEW RD.	G-6	MARGIE
I-8	EBEN RD.	C-2	GRANADA RD.	H-6	HOFFEINZ RD.	B-3	KLOSS RD.	F-6	LAMP RD.	F,G-4	MARTHA ANN LN.
G-4	ECKERMANN RD.	B-2	GRUBBS RD.	G-6	HOPPE SISTER RD.	D-4	KOEHN RD.	G-4	LANGBERG RD.	G-2	MATUSKA RD.
I-8	EVELINE RD.	H-7,8	HAHN RD.	E-6	HOSAK RD.	H-7	KORTHAUER RD.	G-2	LAZY RIVER RD.	I-6	MEADOW BEND RD.

**B**

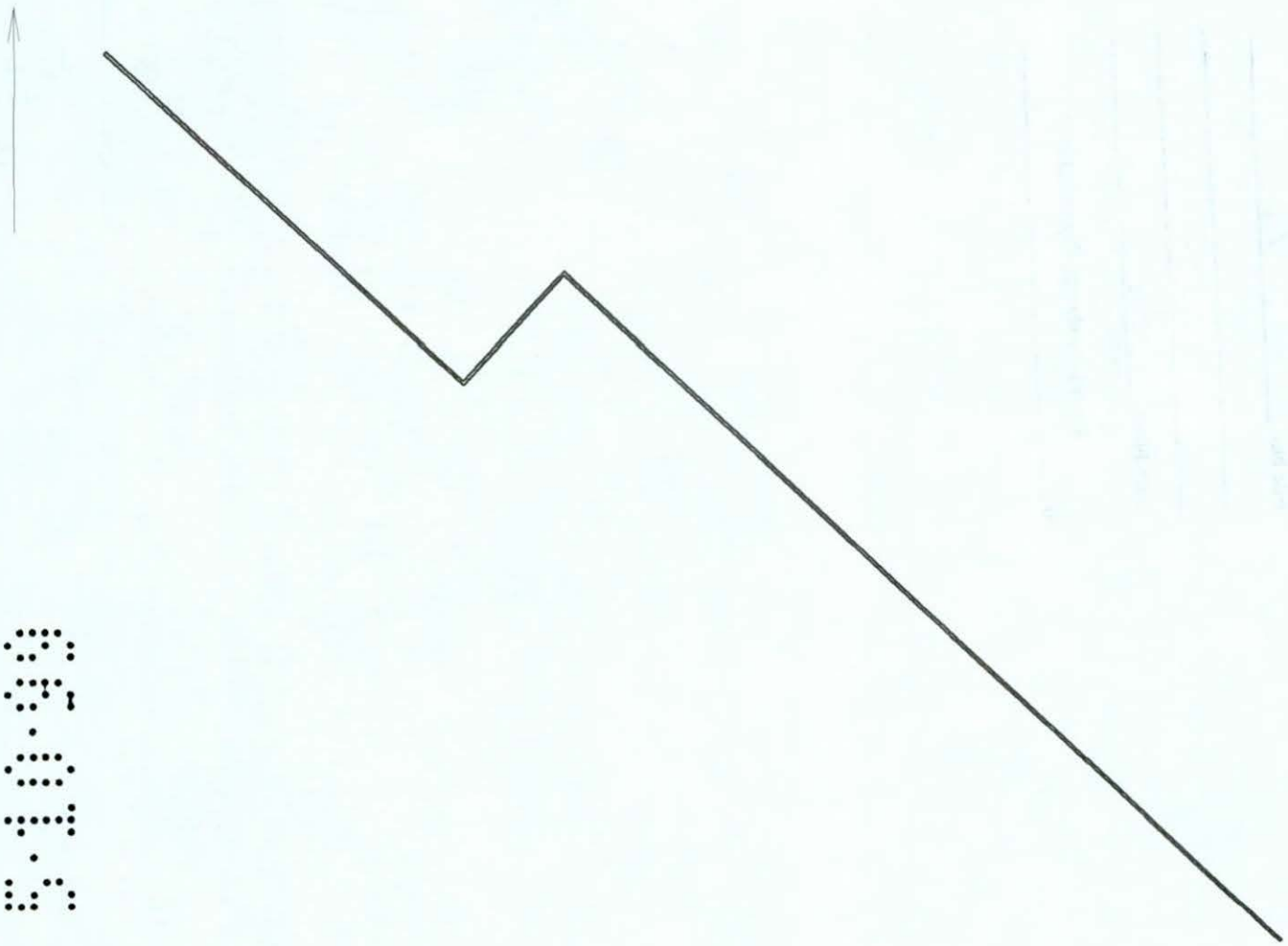
**C**

**D**

**E**



**Lin County State Bank**



Title: 1.23 ac. -- pt. of New Wehdem Road		Date: 05-06-1999
Scale: 1 inch = 600 feet	File:	
Tract 1: 1.231 Acres: 53620 Sq Feet: 4981.5 Sq Meters: No significant closure error. : Perimeter = 10744 feet		
001=n47w 2534.25	005=n43e 10	009=s47e 2544.25
002=n47w 713.89	006=s47e 1609.45	010=s43w 10
003=s43w 494.44	007=n43e 494.44	
004=n47w 1619.45	008=s47e 713.89	

31  
File No.

MF100657

Date Filed:

Step  
5/10/99

By

David Dewhurst, Commissioner



2006

AFFIDAVIT

STATE OF TEXAS

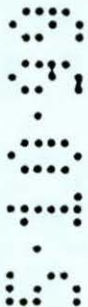
COUNTY OF AUSTIN

BEFORE ME, the undersigned authority, on this day personally appeared DENNIS MAHLMANN, 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 he is an independent landman currently engaged by Union Pacific Resources Company, and that he is aware that the proposed leasing of the following described right-of-way tracts is for the specific purpose of drilling a horizontal oil and gas well.

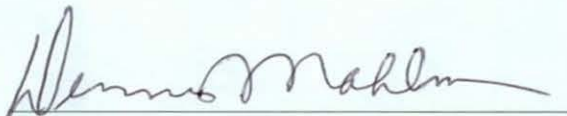
RIGHT-OF-WAY TRACT TO BE LEASED IN AUSTIN COUNTY, BEING A PORTION OF NEW WEHDEM ROAD.

1.23 acres of land, more or less, a part of the James Cooper League, A-27, and the Martin Ruter Heirs Survey, A-283, Austin County, Texas and being a strip of land ten (10) feet in width adjacent to the northeasterly line of the 65.3 acres of land described in that certain deed dated January 1, 1911 from J. C. Lueckemeyer et ux to Theodor Henske, filed of record in Volume 39, Page 457 of the Deed Records of Austin County, Texas and adjacent to the northeasterly line of the 87.5 acres of land described in that certain deed dated September 22, 1947 from Mollie Ueckert, et al to Alice Goeke, filed of record in Volume 165, Page 148 of the Deed Records of Austin County, Texas; said 1.23 acres, being a portion of the land described in that certain deed dated December 22, 1907, from F. C. Schomburg, et al to the County of Austin, Texas, filed in Volume 33, Page 533, Deed Records of Austin County, Texas.

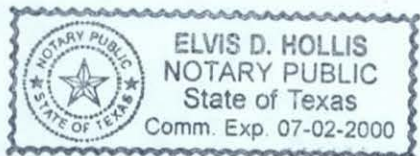


Further affiant sayeth not.

Dated this 7<sup>th</sup> day of May, 1999.

  
DENNIS MAHLMANN

SUBSCRIBED AND SWORN TO BEFORE ME this 7<sup>th</sup> day of May, 1999.



  
Notary Public, State of Texas

4.

File No. MF 100057

Applicant

Date Filed 5/10/99

By David Dewhurst, Commissioner

2000

AFFIDAVIT

STATE OF TEXAS

COUNTY OF AUSTIN

BEFORE ME, the undersigned authority, on this day personally appeared DENNIS MAHLMANN, 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 state that as an independent landman currently engaged by Union Pacific Resources Company, he is aware that the consideration paid for the oil and gas leases adjacent to the right-of-way tract listed below.

1.23 acres of land, more or less, a part of the James Cooper League, A-27, and the Martin Ruter Heirs Survey, A-283, Austin County, Texas and being a strip of land ten (10) feet in width adjacent to the northeasterly line of the 65.3 acres of land described in that certain deed dated January 1, 1911 from J. C. Lueckemeyer et ux to Theodor Henske, filed of record in Volume 39, Page 457 of the Deed Records of Austin County, Texas and adjacent to the northeasterly line of the 87.5 acres of land described in that certain deed dated September 22, 1947 from Mollie Ueckert, et al to Alice Goeke, filed of record in Volume 165, Page 148 of the Deed Records of Austin County, Texas; said 1.23 acres, being a portion of the land described in that certain deed dated December 22, 1907, from F. C. Schomburg, et al to the County of Austin, Texas, filed in Volume 33, Page 533, Deed Records of Austin County, Texas.

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

<u>LESSORS</u>	<u>REF.</u>	<u>ROYALTY</u>	<u>BONUS</u>	<u>RENTAL</u>
TRACT 1: 80.69 Acres H. V. Gehring, et ux	778/888	1/6	\$75/Ac	Pd Up
TRACT 2: 85.5 Acres Charles Otto Goeke, et ux	785/217	3/16	\$125/Ac	Pd Up
Waldo B. Goeke, et ux	785/206	3/16	\$125/Ac	Pd Up
TRACT 3: 2.00 Acres Charles Otto Goeke, et ux	785/217	3/16	\$125/Ac	Pd Up
TRACT 4: 74.22 Acres Meta Henske	778/834	1/6	\$75/Ac	Pd Up
TRACT 5: 36.57 Acres John Scott Arnoldy Trust	#992304	3/16	\$125/Ac.	Pd Up
Susan Arnoldy Hansen Trust	#992303	3/16	\$125/Ac.	Pd Up
TRACT 6: 30.75 Acres John Scott Arnoldy Trust	#992304	3/16	\$125/Ac.	Pd Up
Susan Arnoldy Hansen Trust	#992303	3/16	\$125/Ac.	Pd Up
Genevieve Sikorea	#987598	3/16	\$125/Ac.	Pd Up
Shirley Schnitzer	#991340	3/16	\$106.27/Ac.	Pd Up
Barbara Wagner	#991339	3/16	\$106.27/Ac.	Pd Up
Nancy Davis Darsky	#991337	3/16	\$106.75/Ac.	Pd Up
Elissa Davis Darsky	#991338	3/16	\$106.75/Ac.	Pd Up

TRACT 7: 151.49 Acres  
Alietha Mae Loesch Richter

776/610

1/6

\$75/Ac.

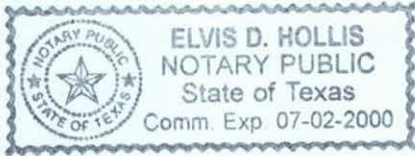
Pd Up


Affiant further states that said lands listed as TRACT 1 through TRACT 7, herein, correspond to the lands listed as same on the attached map, labeled Exhibit "A".

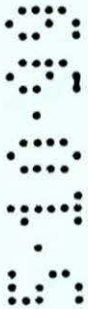
Dated this 7<sup>th</sup> day of May, 1999.

  
DENNIS MAHLMANN

SUBSCRIBED AND SWORN TO BEFORE ME this 7<sup>th</sup> day of May, 1999.



  
Notary Public, State of Texas



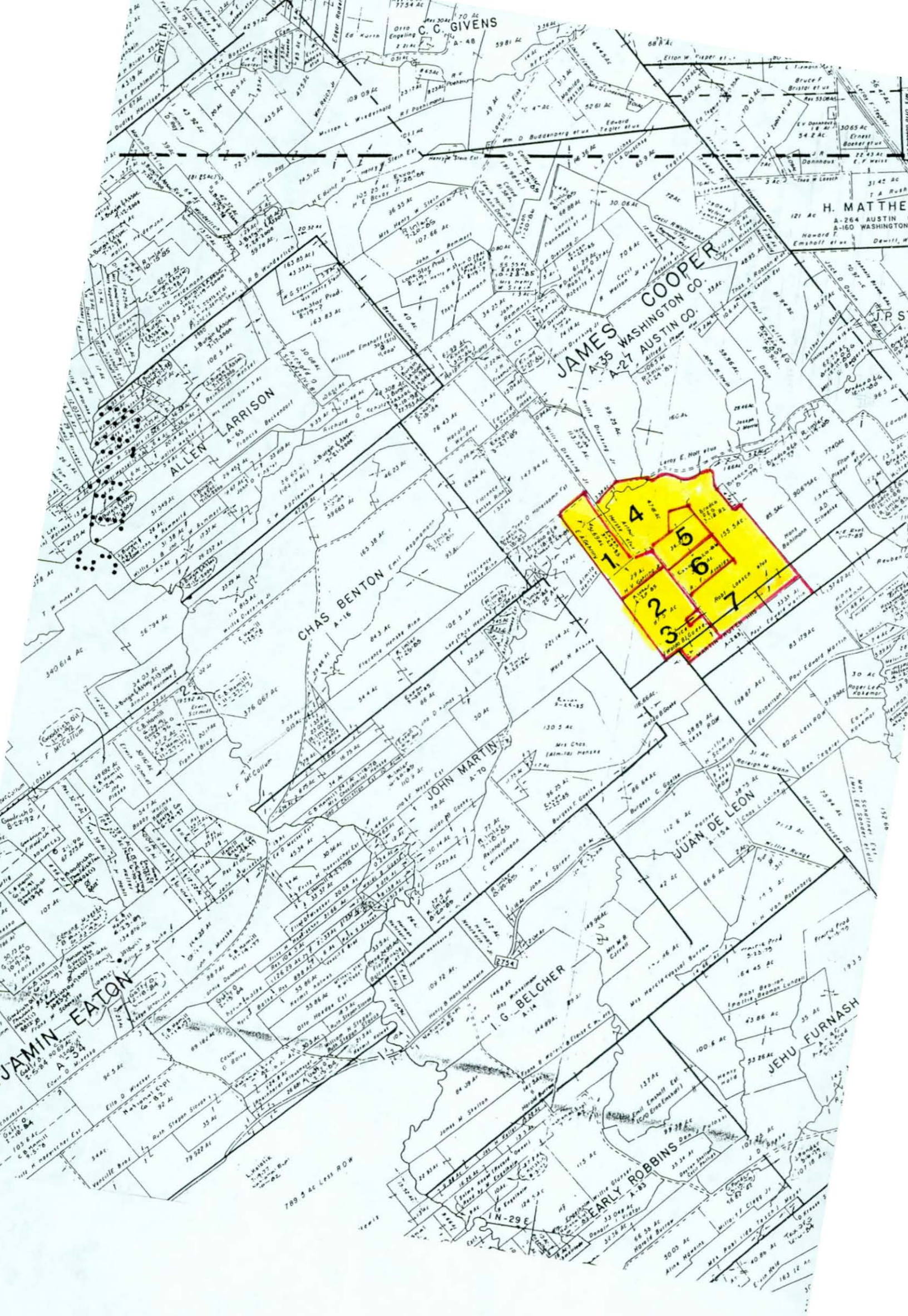


EXHIBIT "A"

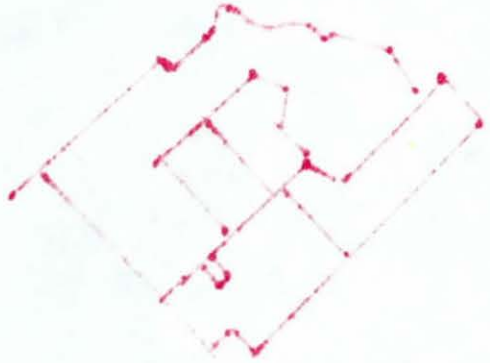
5.

File No. MF100657  
File No.

*Officer*

Date Filed: 10/10/99  
e Filed:

By *David Downham, Commissioner*  
David Downham, Commissioner



2003

125.00  
3/16  
3 yrs Paid up  
shut in 25.00

DENNIS MAHLMANN  
Petroleum Land Services  
208 W. Alamo  
Brenham, Texas 77833  
409/836-3260

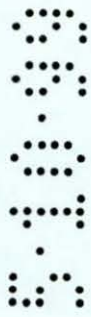
3044147  
170  
COCX 100.00  
Dennis Mahlmann  
Petroleum Land Services

May 7, 1999

Texas General Land Office  
Lease Administration  
1700 N. Congress Ave.  
Austin, Texas 78701

Attn.: Mr. Drew Reid

RE: Oil and Gas Lease, 1.23 acres of land,  
New Wehdem Road,  
Austin County, Texas



Dear Mr. Reid:

Attached please find the following items relating to the leasing of the above highway or right-of-way tract:

- 1) Check for \$100.00 to cover the processing fee;
- 2) Application to lease right-of-way, with attachments;
- 3) Waiver of notice by Union Pacific Resources Company;
- 4) Affidavit re: horizontal drilling;
- 5) Affidavit re: consideration paid for adjacent leases;
- 6) Map indicating ownership of adjacent tract;
- 7) Copies of leases on adjacent lands.

Thank you for this opportunity to develop these minerals. Please call on me if you have questions.

Sincerely yours,

Dennis Mahlmann  
Landman and Agent,  
Union Pacific Resources Company

ENERGY RESOURCES  
MAY 11 PM 2:19

Enclosures

RECEIVED

6

File No. MF 100657

*[Signature]*

Date Filed: 5/10/99

By David Dewhurst, Commissioner

*[Signature]*

*[Faint handwritten notes]*

2003

**DENNIS MAHLMANN**  
**Petroleum Land Services**  
208 W. Alamo  
Brenham, Texas 77833  
409/836-3260

May 7, 1999

Texas General Land Office  
Lease Administration  
1700 N. Congress Ave.  
Austin, Texas 78701

Attn.: Mr. Drew Reid

RE: Oil and Gas Lease, 1.23 acres of land,  
New Wehdem Road,  
Austin County, Texas

Dear Mr. Reid:

Union Pacific Resources Company hereby makes application to lease a 1.23 acre right-of-way tract located in Austin County, Texas. Union Pacific Resources Company is an "adjacent mineral owner" to the tract as a result of currently existing oil and gas leases.

Attached to this application are the following:

- 1) Plat or map of the right-of-way tract showing the boundaries of said tract;
- 2) Vicinity map indicating the location of the 1.23 acres to be leased;
- 3) Copies of source deed into the Austin County (Vol. 33, Page 533)

Please call me if you have any questions or if I can be of assistance.

Sincerely yours,



Dennis Mahlmann  
Landman and Agent,  
Union Pacific Resources Company

Enclosures

7.  
File No. MF100657

*[Signature]*

Date Filed: 7/10/99

By: David Dewhurst, Commissioner  
*[Signature]*

2000

THE STATE OF TEXAS,

Know all Men by these Presents:

County of Austin

THAT, L. H. Severinger & C. Schomburg, Mrs. J. Bierwinkal a joint sole, and J. G. Leuckemeyer of Austin at the County of Texas being desirous of having the land and in consideration of the sum of public road, no. 25 strip from a Block Class to a second Class road and to have Deeds, along the line hereafter indicated for and in consideration of the sum of two hundred and Twenty five Dollars to me paid in hand paid by Austin County, in the following partition to wit: Twenty two Dollars to me L. H. Severinger, forty seven Dollars to me, C. Schomburg, One Hundred and Twenty five Dollars to me J. G. Leuckemeyer, and Twelve Dollars to me Mrs. J. Bierwinkal, the receipt of which is fully acknowledged, Have Justice sold and conveyed, and by these presents, do Grant, Sell and convey unto the County of Austin in the State of Texas all that certain tract of land lying and being situated in Austin County, Texas and adjoining the Public Road no. 35, Beginning at the common corner of L. H. Severinger and A. Charles farms, a point on the N. E. line of John Kuehler's farm in the northeast and bearing thence N. 40° E. 160.00 along the line between said Severinger's and Charles farms to their common corner on N. H. Henskamp's & C. line: Thence S. 43° E. 210.00 to the common corner of said Henskamp and C. Schomburg's farms; Thence N. 47° E. 55.00 along the line between said Henskamp and Schomburg's farms to the common corner of the former and Geo Jackson's farms; Thence N. 47° E. 314.00 along the line between said Schomburg's and said Jackson's farms to the S. E. corner of the latter; Thence N. 47° E. 41.00 to common corner between said Schomburg and J. G. Leuckemeyer, the line N. 47° E. 45.00 to E. corner of said Leuckemeyer's farm, also S. E. corner of Blas's farm, Thence N. 47° E. along the line between said Blas and said Leuckemeyer's farms, at 50.00 over bridge over rocky creek, said Blas's & H. corner, at 83.00 over pass large stone at the common corner of said Leuckemeyer's two farms, being in the S. H. line of the Geo. Bierwinkal farm: Thence N. 47° E. 115.00 along the line between Christian Progeny and said Leuckemeyer's farms to their common corner, a stone, in the S. E. line of William Lecher's farm, Thence N. 43° E. 170.00 to said Robert S. E. corner: Thence N. 47° E. along the line between said Robert on the S. H. and the lands to C. Progeny and the St. Jacob Church Community on the N. E. to the Brennan road, the western end of said road, and to run along the land of L. H. Severinger, C. Schomburg, J. G. Leuckemeyer, and Mrs. J. Bierwinkal to make said road a full second class road, at every point along said road, and at no place less than ten feet in width, all along the line herein described, in addition to the width of the road as it now exists

ORIGINAL PAGE NOT LEGIBLE

TO HAVE AND TO HOLD the above described premises, together with all and singular the rights and appurtenances thereto in any wise belonging, unto the said County of Austin heirs, executors and administrators to warrant and forever defend all and singular the said premises unto the said County of Austin heirs and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof. But it is expressly agreed and stipulated that the Vendor's Lien is retained against the above described property, premises and improvements, until the above described note, and all interest thereon, are fully paid according to face and tenor, effect and reading, when this deed shall become absolute.

WITNESS our hand at this the 27 day of December A. D. 1907. Witnesses as Requested of Grantor: F. C. Schomburg, Mrs. Melissia Bierwinkal, J. G. Leuckemeyer, L. H. Severinger

THE STATE OF TEXAS, } County of Austin

in and for Austin County, Texas, on this day personally appeared J. C. Leuckemeyer, F. C. Schomburg and Mrs. J. Bierwinkal, a joint sole known to me to be the person of whose name we subscribed to the foregoing instrument, and acknowledged to me that we executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office, this 27 day of Dec 1907. L. H. Severinger Justice of the Peace, Office May, Dallas, on the 14th in Tex.

THE STATE OF TEXAS, } County of Austin

in and for Austin County, Texas, on this day personally appeared L. H. Severinger 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. And the said L. H. Severinger wife of the said L. H. Severinger having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said L. H. Severinger 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.

Given under my hand & seal of office, this 14 day of Feb A. D. 1908. C. S. Muegge County Judge, in and for Austin County, Texas

Filed for Record at 11:00 o'clock A. M. February 19 A. D. 1908, and Recorded at 2:00 o'clock P. M. February 27 A. D. 1908

By Ed. Batta Deputy. J. C. Leuckemeyer Clerk County Court, Austin County, Texas.

8.

File No. MF 100657

Deed

Date Filed: 5/10/99

By [Signature]  
David Dewhurst, Commissioner

2006



# MEMORANDUM

Texas General Land Office • David Dewhurst • Commissioner

---

**To:** Linda Fisher / School Land Board  
**From:** Drew Reid / Minerals Leasing  
**Date:** May 18, 1999  
**Re:** Applications To Lease Highway Right-of-Way

---

- A) Applicant – Chesapeake Exploration Limited Partnership  
Description – 10.75 ac. along F.M. 109, situated in the Nelson Smith Sur., A-100 in Washington Co.  
Terms - \$200.00/Ac. Bonus, 1/5 Royalty, 3 Years Paid-up
- B) Applicant – WCS Oil & Gas Corp.  
Description – 6.68 ac. along St. Hwy. 71, situated in the John Cooke Sur., A-34 in Fayette Co.  
Terms- \$75.00/Ac. Bonus, 3/16 Royalty, 1 Year
- 156.06 C) Applicant – Union Pacific Resources Company  
Description – 1.23 ac. along New Wehdem Rd., situated in the Martin Ruter Heirs Sur., A-283 and the James Cooper League, A-27 in Austin Co.  
Terms - \$125.00/Ac. Bonus, 3/16 Royalty, 3 Year Paid-up
- D) Applicant – Austin Resources Corporation  
Description – 8.95 ac. along Koenig/McCrabb Rd., situated in the Charles Linn Sur., A-309 and the James Quinn Sur., A-390 in DeWitt Co.  
Terms - \$170.00/Ac. Bonus, 1/5 Royalty, 3 Years Paid-up
- E) Applicant – Chesapeake Exploration Limited Partnership  
Description – 13.15 ac. along F.M. 109 and Salem Rd., situated in the John Carrington. League, A-120, in Washington Co.  
Terms- \$200.00/Ac. Bonus, 1/5 Royalty, 2 Year Paid-up
- F) Applicant – Anadarko Petroleum Corp.  
Description – 5.72 ac. along US Hwy. 75, situated in the R. H. Potter Sur., A-495, in Freestone Co.  
Terms - \$175.00/Ac. Bonus, 1/4 Royalty, 1 Year

9.

File No. MF 100657

Go Memo

Date Filed: 5/18/99

By David Pawhurst, Clerk

**DENNIS MAHLMANN**  
**Petroleum Land Services**  
**208 W. Alamo**  
**Brenham, Texas 77833**  
**409/836-3260**

July 26, 1999

Texas General Land Office  
Lease Administration  
1700 N. Congress Ave.  
Austin, Texas 78701

Attn.: Mr. Drew Reid

RE: Bonus Check, Oil and Gas Lease,  
Right-of-way tract,  
Austin County, Texas

Dear Mr. Reid:

Enclosed please find check from Union Pacific Resources Company covering the bonus and sales fee for the following Oil and Gas Lease which was approved by the School Land Board on June 21, 1999.

mineral file no.	acreage	check no.	amount
M-100657	1.23	10375050	\$153.75
		10375051	\$ 2.31

99057397

Thank you for your assistance in acquiring this lease.

99057398

*156*  
*CHECK 153.75*  
*2.31*  
*Union Pacific Resources*  
*Co.*

Sincerely yours,



Dennis Mahlmann  
Landman  
Union Pacific Resources Company

Enclosure

GENERAL LAND OFFICE  
ASSET MANAGEMENT

1999 JUL 29 AM 10:59

10.

File No. MF 100657

[Signature]

Date Filed: 7/29/99

By [Signature]  
Paul Dawhurst, Commissioner