

STATE LEASE

MF100919

CONTROL	BASEFILE	COUNTY
56-029553	000 -	AUSTIN /008

SURVEY : HIGHWAYS & PUBLIC TRANSPORTATI  
BLOCK :  
TOWNSHIP : 00  
SECTION/TRACT:  
PART :  
ACRES : 13.69  
DEPTH LIMITS : NO

LESSEE : UNION PACIFIC RESOURCES COMPANY  
LEASE DATE : Feb 14 2000  
PRIMARY TERM : 3 yrs  
BONUS (\$) : 1389.54  
RENTAL (\$) : 0.00  
ROYALTY : 0.16666600  
VAR ROYALTY :

Rentals:

Lease

Admin:

Mineral

Maps:

✓ EXPIRED

F991320

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# The State of Texas



PAID-UP  
OIL AND GAS LEASE NO. MF100919  
GENERAL LAND OFFICE  
AUSTIN, TEXAS

THIS AGREEMENT made and entered into by and between the Commissioner of the General Land Office of the State of Texas, whose address is Stephen F. Austin Building, 1700 North Congress, Austin, Texas, 78701, hereinafter called "Lessor", hereunto authorized by the School Land Board, pursuant to the provisions of Chapters 32 and 52 of the Natural Resources Code (hereinafter called N.R.C.), and amendments thereto, and all applicable rules promulgated by the School Land Board, and Union Pacific Resources Co., whose address is 801 Cherry St., Fort Worth, TX 76102-6803, hereinafter called "Lessee".

1. Lessor, in consideration of One Thousand Three Hundred Eighty Nine dollars and Fifty Four Cents (\$1,389.54), 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:

13.69 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 13.69 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 Years (3 yrs.), Paid-Up from February 14th, 2000, 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:
4. To deliver to the credit of Lessor, in the pipe line to which Lessee may connect its well, the equal One Sixth (1/6) part of all oil produced and saved by Lessee from said land, or from time to time, at the option of Lessee, to pay Lessor the average posted market price of such One Sixth (1/6) part of such oil at the wells as of the day it is run to the pipe line or storage tanks, Lessor's interest, in either case, to bear none of the cost of treating oil to render it marketable pipe line oil;

5. To pay Lessor on gas and casinghead gas produced from said land (1) when sold by lessee One Sixth (1/6) of the amount realized by Lessee, computed at the mouth of the well, or (2) when used by Lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of One Sixth (1/6) of such gas and casinghead gas.
6. 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.
7. 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.
8. 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 Twenty Five Dollars (\$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.
9. 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 5<sup>th</sup> 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 15<sup>th</sup> 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.

10. 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.

11. 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.

12. 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.
13. MINERAL USE: Lessee shall have the use, free from royalty, of oil and gas produced from said land in all operations hereunder.
14. 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.
15. 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.
16. 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.
17. 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.
18. 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.

19. 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.
20. 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 Fifty Dollars (\$50.00), and shall maintain this lease in effect for so long as such payments are made as provided herein.
21. 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

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

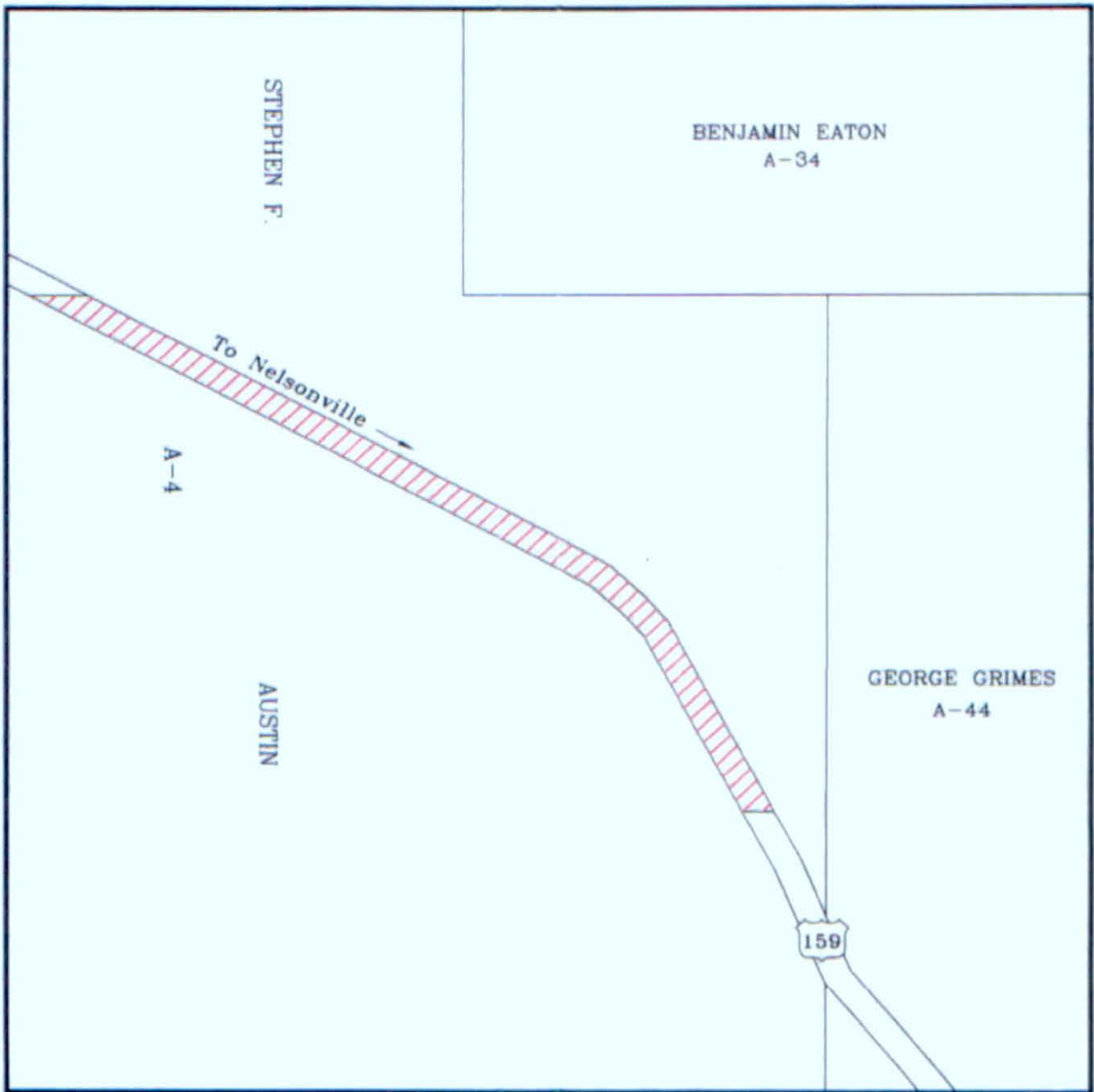
Approved:  
 Energy: EBH  
 Legal: [Signature]  
 Deputy: [Signature]  
 Executive: [Signature]

## Exhibit "A"

Attached hereto and made a part that certain oil and gas lease dated February 14th, 2000, by and between the State of Texas, as lessor, and Union Pacific Resources Co., as lessee, covering the following described lands, to-wit:

- 1). Judgment Approving Report, dated September 9, 1929, between the Commissioners Court of Austin County, Texas, for Road District No. 6, and August Roeslet and the heirs of his deceased wife, recorded in Volume P, Page 223 of the Commissioners Court Minutes of Austin County, Texas, covered 4.86 acres of land in the S. F. Austin 4 League Survey, A-4 described in the FIRST STRIP therein.
- 2). Right-of-Way Deed, dated June 27, 1935, from Vince Chaloupka and wife, Albina Chaloupka, to the State of Texas, recorded in Volume 109, Page 427 of the Deed Records of Austin County, Texas, covered 1.38 acres of land in the Geo. Gdmes Grant (S. F. Austin 4 League Survey, A-4).
- 3). Right-of-Way Deed, dated July 5, 1935, from Frank Schovajsa and wife, Frantisk Schovajsa, to the State of Texas, recorded in Volume 109, Page 440 of the Deed Records of Austin County, Texas, covered 2.46 acres of land in the Geo. Grimes Grant (S. F. Austin 4 League Survey, A-4).
- 4). Right-of-Way Deed, dated June 27, 1935, from Joe Sisa and wife, Alvina Sisa, to the State of Texas, recorded in Volume 109, Page 443 of the Deed Records of Austin County, Texas, covered 1.93 acres of land in the Geo. Grimes Grant (S. F. Austin 4 League Survey, A-4).
- 5). Right-of-Way Deed, dated July 2, 1935, from Frank Vacusek, to the State of Texas, recorded in Volume 109, Page 450 of the Deed Records of Austin County, Texas, covering 2.44 acres of land in the Geo. Gdmes Grant (S. F. Austin 4 League Survey, A-4) described in Tract No. 2 therein.
- 6). Right-of-Way Deed, dated June 27, 1935, from Albert G. Ueckert and wife, Malinde Ueckert, to the State of Texas, recorded in Volume 109, Page 447 of the Deed Records of Austin County, Texas, covering 0.62 acres of land in the Geo. Gdmes Grant (S. F. Austin 4 League Survey, A-4).

Exhibit "B"



SlHwy159\fl\02-00

MAP SHOWING  
A PORTION OF HIGHWAY 159  
13.69 ACRES  
APPROXIMATELY 1/2 MILE NW OF NELSONVILLE  
AUSTIN COUNTY

1

File No. 17 F100919  
Dease  
Date Fil- 9/13/00  
By [Signature]



# MEMORANDUM

Texas General Land Office • David Dewhurst • Commissioner

**To:** Judy Powell / School Land Board  
**From:** Drew Reid / Minerals Leasing  
**Date:** February 4, 2000  
**Re:** Applications To Lease Highway Right-of-Way

M-100919

- A) Applicant – Union Pacific Resources Co.  
Description – 13.69 ac. along State Hwy 159, situated in the Stephan F. Austin 4 League Sur., A-4 in Austin Co.  
Terms - \$100.00/Ac. Bonus, 1/6 Royalty, 3 Years Paid-up
- B) Applicant – EOG Resources, Inc.  
Description – 11 ac. along FM 529, situated in the J.M. Dement Sur., A-228 in Harris Co.  
Terms - \$75.00/Ac. Bonus, 1/5 Royalty, 3 Years Paid-up
- C) Applicant – Apache Corp.  
Description – 9.3 ac. along Co. Rd. 141, situated in the Joseph Love Sur., A- 62 in Freestone Co.  
Terms - \$100.00/Ac. Bonus, 1/4 Royalty, 2 Years Paid-up
- D) Applicant – Harper Hefte, Inc.  
Description – 7ac. along Interstate 37, situated in the C. Nolan Sur., A-401 in San Patricio Co.  
Terms - \$35.00/Ac. Bonus, 1/6 Royalty, 2 Years Paid-up
- E) Applicant – Chi Energy, Inc.  
Description – 6.846 ac. along St. Hwy. 180, situated in the NW/4 of Sec. 20, T&P Ry. Co. Sur., T-5-N, Blk. 33 in Dawson Co.  
Terms - \$100.00/Ac. Bonus, 1/5 Royalty, 3 Years Paid-up
- F) Applicant – Marathon Oil Co.  
Description – 4.839 ac. along St. Hwy. 7, situated in the G. W. Savell Sur., A- 705 in Shelby Co.  
Terms - \$50.00/Ac. Bonus, 1/8 Royalty, 1 Year

1369.00  
20.54  
1389.54

- G) Applicant – Dynamic Production, Inc.  
Description – 3.93 ac. along St. Hwy. 102, situated in the John C. Clark Sur., A-13  
In Wharton Co.  
Terms - \$250.00/Ac. Bonus, 1/4 Royalty, 2 Years Paid-up
- H) Applicant – Mist Petroleum Co.  
Description – 3 ac. along St. Hwy. 80, situated in Sec. 25, Blk. 24, T&P Ry. Co. Sur.,  
In Nolan Co.  
Terms - \$40.00/Ac. Bonus, 1/6 Royalty, 2 Years Paid-up
- I) Applicant – Union Pacific Resources Co.  
Description – 2.889 ac. along South Berlin Rd., situated in the Isaac Jameison League, A-67  
In Washington Co.  
Terms - \$100.00/Ac. Bonus, 1/5 Royalty, 1 Year
- J) Applicant – Union Pacific Resources Co.  
Description – 2.801 ac. along FM 389, situated in the James Schrier League, A-98  
In Washington Co.  
Terms - \$100.00/Ac. Bonus, 1/5 Royalty, 1 Year
- K) Applicant – J. Martin  
Description – 1 ac. along Bischoff Rd., situated in the Manuel Marquez Sur., A-84  
In Victoria Co.  
Terms - \$52.64/Ac. Bonus, 1/5 Royalty, 1 Year
- L) Applicant – Union Pacific Resources Co.  
Description – .96 ac. along an Abandoned Rd., situated in the I. Jameison League, A- 67  
In Washington Co.  
Terms - \$75.00/Ac. Bonus, 1/6 Royalty, 3 Years Paid-up
- M) Applicant – Chesapeake Exploration Limited Partnership  
Description – 17 ac. along St. Hwy. 36, situated in the J.Carrington Sur., A- 120  
In Washington Co.  
Terms - \$452.00/Ac. Bonus, 1/4 Royalty, 3 Years Paid-up
- N) Applicant – Chesapeake Exploration Limited Partnership  
Description – 5.97 ac. along Salem & Apperson Rd., situated in the N. Smith Sur., A-100  
In Washington Co.  
Terms - \$125.00/Ac. Bonus, 1/6 Royalty, 3 Years Paid-up

- O) Applicant – Chesapeake Exploration Limited Partnership  
Description – 14.3 ac. along St. Hwy. 36, situated in the C. Carmona Sur., A-125  
In Washington Co.  
Terms - \$125.00/Ac. Bonus, 3/16 Royalty, 3 Years Paid-up
- P) Applicant – Texaco Exploration and Production Inc.  
Description – 35.54 ac. along Ward, Oak, Fannin and East Streets, situated in the  
Maria De Jesus Ybarbo Sur., A-50 in Goliad Co.  
Terms - \$240.00/Ac. Bonus, 1/4 Royalty, 3 Years Paid-up
- Q) Applicant – Anadarko Petroleum Corp.  
Description – 9.13 ac. along St. Hwy. 75, situated in the F.M. Woodard Sur., A-665  
In Freestone Co.  
Terms - \$150.00/Ac. Bonus, 1/5 Royalty, 3 Years Paid-up
- R) Applicant – Coastal Oil & Gas USA, LP and ANR Production Co.  
Description – 9.8494378 net ac. / 16.0375 gross ac. along St. Hwy 111 & 77 situated  
in the Philip Smith Sur., A- 405 in Lavaca Co.  
Terms - \$125.00/Ac. Bonus, 1/5 Royalty, 3 Years Paid-up
- S) Applicant – Coastal Oil & Gas USA, LP and ANR Production Co.  
Description – 13.183713 net ac. / 15.46 gross ac. along St. Hwy. 111, situated  
in the Paul Scarborough Sur., A-402 in Lavaca Co.  
Terms - \$125.00/Ac. Bonus, 1/5 Royalty, 3 Years Paid-up
- T) Applicant – Coastal Oil & Gas Usa, LP and ANR Production Co.  
Description – 12.6 net ac. / 15.28 gross ac. along st. Hwy. 77, situated  
in the W.M. Stephenson Sur., A-470 in Lavaca Co.  
Terms - \$125.00/Ac. Bonus, 1/5 Royalty, 3 Years Paid-up



# MEMORANDUM

Texas General Land Office • David Dewhurst • Commissioner

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Description – 7ac. along Interstate 37, situated in the C. Nolan Sur., A-401 in San Patricio Co.  
Terms - \$35.00/Ac. Bonus, 1/6 Royalty, 2 Years Paid-up
- E) Applicant – Chi Energy, Inc.  
Description – 6.846 ac. along St. Hwy. 180, situated in the NW/4 of Sec. 20, T&P Ry. Co. Sur., T-5-N, Blk. 33 in Dawson Co.  
Terms - \$100.00/Ac. Bonus, 1/5 Royalty, 3 Years Paid-up
- F) Applicant – Marathon Oil Co.  
Description – 4.839 ac. along St. Hwy. 7, situated in the G. W. Savell Sur., A- 705 in Shelby Co.  
Terms - \$50.00/Ac. Bonus, 1/8 Royalty, 1 Year

- G) Applicant – Dynamic Production, Inc.  
Description – 3.93 ac. along St. Hwy. 102, situated in the John C. Clark Sur., A-13  
In Wharton Co.  
Terms - \$250.00/Ac. Bonus, 1/4 Royalty, 2 Years Paid-up
- H) Applicant – Mist Petroleum Co.  
Description – 3 ac. along St. Hwy. 80, situated in Sec. 25, Blk. 24, T&P Ry. Co. Sur.,  
In Nolan Co.  
Terms - \$40.00/Ac. Bonus, 1/6 Royalty, 2 Years Paid-up
- I) Applicant – Union Pacific Resources Co.  
Description – 2.889 ac. along South Berlin Rd., situated in the Isaac Jameison League, A-67  
In Washington Co.  
Terms - \$100.00/Ac. Bonus, 1/5 Royalty, 1 Year
- J) Applicant – Union Pacific Resources Co.  
Description – 2.801 ac. along FM 389, situated in the James Schrier League, A-98  
In Washington Co.  
Terms - \$100.00/Ac. Bonus, 1/5 Royalty, 1 Year
- K) Applicant – J. Martin  
Description – 1 ac. along Bischoff Rd., situated in the Manuel Marquez Sur., A-84  
In Victoria Co.  
Terms - \$52.64/Ac. Bonus, 1/5 Royalty, 1 Year
- L) Applicant – Union Pacific Resources Co.  
Description – .96 ac. along an Abandoned Rd., situated in the I. Jameison League, A- 67  
In Washington Co.  
Terms - \$75.00/Ac. Bonus, 1/6 Royalty, 3 Years Paid-up
- M) Applicant – Chesapeake Exploration Limited Partnership  
Description – 17 ac. along St. Hwy. 36, situated in the J.Carrington Sur., A- 120  
In Washington Co.  
Terms - \$452.00/Ac. Bonus, 1/4 Royalty, 3 Years Paid-up
- N) Applicant – Chesapeake Exploration Limited Partnership  
Description – 5.97 ac. along Salem & Apperson Rd., situated in the N. Smith Sur., A-100  
In Washington Co.  
Terms - \$125.00/Ac. Bonus, 1/6 Royalty, 3 Years Paid-up

- O) Applicant – Chesapeake Exploration Limited Partnership  
Description – 14.3 ac. along St. Hwy. 36, situated in the C. Carmona Sur., A-125  
In Washington Co.  
Terms - \$125.00/Ac. Bonus, 3/16 Royalty, 3 Years Paid-up
- P) Applicant – Texaco Exploration and Production Inc.  
Description – 35.54 ac. along Ward, Oak, Fannin and East Streets, situated in the  
Maria De Jesus Ybarbo Sur., A-50 in Goliad Co.  
Terms - \$240.00/Ac. Bonus, 1/4 Royalty, 3 Years Paid-up
- Q) Applicant – Anadarko Petroleum Corp.  
Description – 9.13 ac. along St. Hwy. 75, situated in the F.M. Woodard Sur., A-665  
In Freestone Co.  
Terms - \$150.00/Ac. Bonus, 1/5 Royalty, 3 Years Paid-up
- R) Applicant – Coastal Oil & Gas USA, LP and ANR Production Co.  
Description – 9.8494378 net ac. / 16.0375 gross ac. along St. Hwy 111 & 77 situated  
in the Philip Smith Sur., A- 405 in Lavaca Co.  
Terms - \$125.00/Ac. Bonus, 1/5 Royalty, 3 Years Paid-up
- S) Applicant – Coastal Oil & Gas USA, LP and ANR Production Co.  
Description – 13.183713 net ac. / 15.46 gross ac. along St. Hwy. 111, situated  
in the Paul Scarborough Sur., A-402 in Lavaca Co.  
Terms - \$125.00/Ac. Bonus, 1/5 Royalty, 3 Years Paid-up
- T) Applicant – Coastal Oil & Gas Usa, LP and ANR Production Co.  
Description – 12.6 net ac. / 15.28 gross ac. along st. Hwy. 77, situated  
in the W.M. Stephenson Sur., A-470 in Lavaca Co.  
Terms - \$125.00/Ac. Bonus, 1/5 Royalty, 3 Years Paid-up

2.

File No. PIF 100919

Geo Memo

Date Filed 2/4/00

By   
David J. ...  
...

# Lease Purchase Report

Mineral File Number: MF100919

Lessee: Union Pacific Resources Co.

801 Cherry St.

Fort Worth, TX, Zip

(817) 877-7953

Legal Description: 1). Judgment Approving Report, dated September 9, 1929, between the Commissioners Court of Austin County, Texas, for Road District No. 6, and August Roeslet and the heirs of his deceased wife, recorded in Volume P, Page 223 of the Commissioners Court Minutes of Austin County, Texas, coveredng 4.86 acres of land in the S. F. Austin 4 League Survey, A-4 described in the FIRST STRIP therein.

2). Right-of-Way Deed, dated June 27, 1935, from Vince Chaloupka and wife, Albina Chaloupka, to the State of Texas, recorded in Volume 109, Page 427 of the Deed Records of Austin County, Texas, coveredng 1.38 acres of land in the Geo. Gdmes Grant (S. F. Austin 4 League Survey, A-4).

3). Right-of-Way Deed, dated July 5, 1935, from Frank Schovajsa and wife, Frantisk Schovajsa, to the State of Texas, recorded in Volume 109, Page 440 of the Deed Records of Austin County, Texas, coveredng 2.46 acres of land in the Geo. Grimes Grant (S. F. Austin 4 League Survey, A-4).

4). Right-of-Way Deed, dated June 27, 1935, fram Joe Sisa and wife, Alvina Sisa, to the State of Texas, recorded in Volume 109, Page 443 of the Deed Records of Austin County, Texas, coveredrig 1.93 acres of land in the Geo. Grimes Grant (S. F. Austin 4 League Survey, A-4).

5). Right-of-Way Deed, dated July 2, 1935, from Frank Vacusek, to the State of Texas, recorded in Volume 109, Page 450 of the Deed Records of Austin County, Texas, covering 2.44 acres of land in the Geo. Gdmes Grant (S. F. Austin 4 League Survey, A-4) described in Tract No. 2 therein.

6). Right-of-Way Deed, dated June 27, 1935, from Albert G. Ueckert and wife, Malinde Ueckert, to the State of Texas, recorded in Volume 109, Page 447 of the Deed Records of Austin County, Texas, covering 0.62 acres of land in the Geo. Gdmes Grant (S. F. Austin 4 League Survey, A-4).

Acreage: 13.69

Lease Term: Three Years (3 yrs.), Paid-Up

Date of Lease: February 14th, 2000

Royalty: One Sixth (1/6)

County: Austin

Total Bonus: \$1,389.54

STEPHEN F.

BENJAMIN EATON  
A-34

To Nelsonville →

A-4

AUSTIN

GEORGE GRIMES  
A-44

159

StHwy159\ft\02-00

MAP SHOWING  
A PORTION OF HIGHWAY 159  
13.69 ACRES  
APPROXIMATELY 1/2 MILE NW OF NELSONVILLE  
AUSTIN COUNTY

3.

File No. MF100919

Purchase Report + Map

Date Filed

9/13/80

By

Pat Soper

JONES & ZWIENER, INC.  
PROFESSIONAL LAND SERVICES  
1010 LAMAR, STE. 650  
HOUSTON, TX 77002

November 6, 1999

TEXAS GENERAL LAND OFFICE  
Attn: Mr. Drew Reid  
Ste. 600  
1700 North Congress Ave.  
Austin, TX 78701-1495  
Attn: Mr. Drew Reid,

100.00  
Y6  
3yr Paid-up  
25.00 shut in

1161  
COCY 100.00  
Jones & Zwiener

RE: Application to Lease  
13.69 acres, State Highway 159  
Stephan F. Austin 4 League Survey, A-4  
Austin County, Texas

00014499

Dear Mr. Reid,

In accord with our telephone conversation, enclosed please find the following requisite information submitted on behalf of UNION PACIFIC RESOURCES COMPANY for leasing the above referenced tract:

1. Names and addresses of adjacent mineral owners.
2. A check in the amount of \$100.00 for processing.
3. Written Waiver of Statutory Notice.
4. Copies of adjacent leases.
5. Copies of lease assignments.
6. A notarized Affidavit of consideration paid.
7. A Landman's Statement reviewing the mineral ownership under the subject road.
8. Plats depicting the subject tract, adjacent leases and original source conveyances.

ENERGY RESOURCES

99 NOV 15 PM 3:33

RECEIVED



Thank you for your consideration in this regard and if you have any questions, feel free to contact me @ (409)251-7791 (Rm. 124) weekdays or correspond to me c/o Verna Lammers, 2800 N. Park St., Brenham, TX 77833 (409)830-8819.

Yours Truly,

A handwritten signature in cursive script, appearing to read "Bill Pruitt". The signature is written in dark ink on a white background.

William A. (Bill) Pruitt

Fc1/enclosure.  
WAP/bp

5  
2  
4  
3

41

File No. MF100919

Letter

Date Filed: 11/5/99

By David S. Hurns, Secretary

11.12.99

SEND INQUIRIES TO P.O BOX 7  
FORT WORTH, TX 76101

VENDOR NO. 456782

UNION PACIFIC RESOURCES COMPANY ✓

CHECK NO. 10405201

Any questions, please call UPR's Automated AP Inquiry System 1-800-370-9867

VOUCHER NUMBER	INVOICE NUMBER	PURCHASE ORDER	INVOICE DATE	AMOUNT	DISCOUNT	NET AMOUNT
03-AP-1506 X6760 M PHI	CR456782C00 NNEY		03/07/00	1,389.54	0.00	<i>Cex</i> 1,389.54
				<i>121</i>		
						<i>036544</i>
		TOTALS		1,389.54	0.00	1,389.54

# JONES & ZWIENER, INC.

2800 N. Park Street • Brenham, TX 77833 • (979) 830-8819 • Fax: (979) 830-8819

March 13, 2000

Mr. Drew Reid  
Texas General Land Office  
Stephen F. Austin Building  
1700 North Congress Avenue, Suite 600  
Austin, Texas 78701-1495

Re: Lease No. M-100919  
Portion of Highway 159  
13.69 acres, S. F. Austin Survey, A-4  
Austin County, Texas

Dear Drew:

Please find attached Union Pacific Resources Company check no. 10405201 in the amount of \$1,389.54, which represents \$1,369.00 bonus (\$100/acre) and \$20.54 sales fee in connection with the above captioned lease.

Should you have any questions or need any additional information, please give me a call at (979) 830-8819.

Sincerely,



Verna Lammers  
Petroleum Landman

Attachment

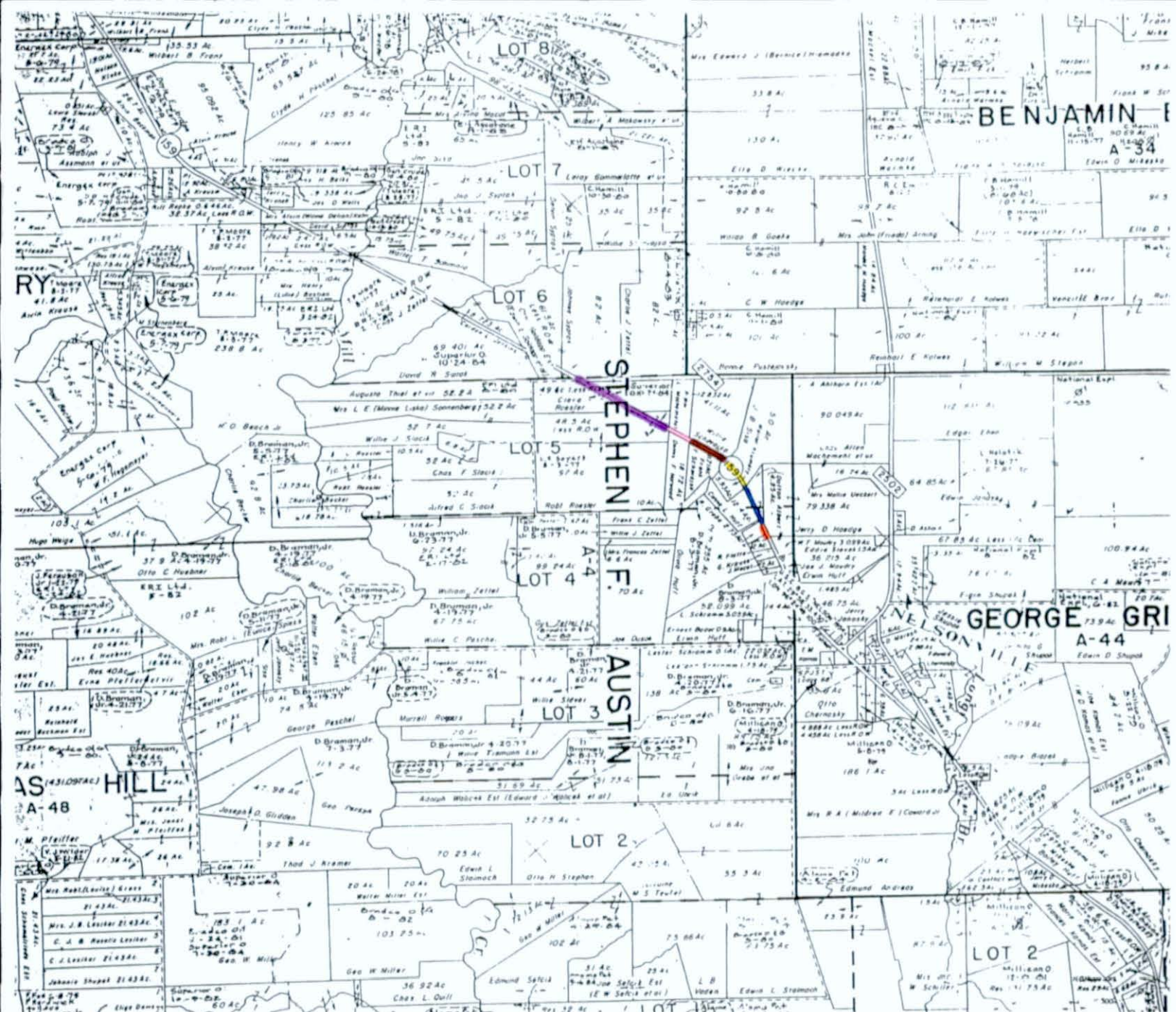
5.

File No. MF100919  
Letter Payment  
 Date Filed 3/7/09  
 By [Signature]  
Deputy Township Commissioner

18204

F

00733

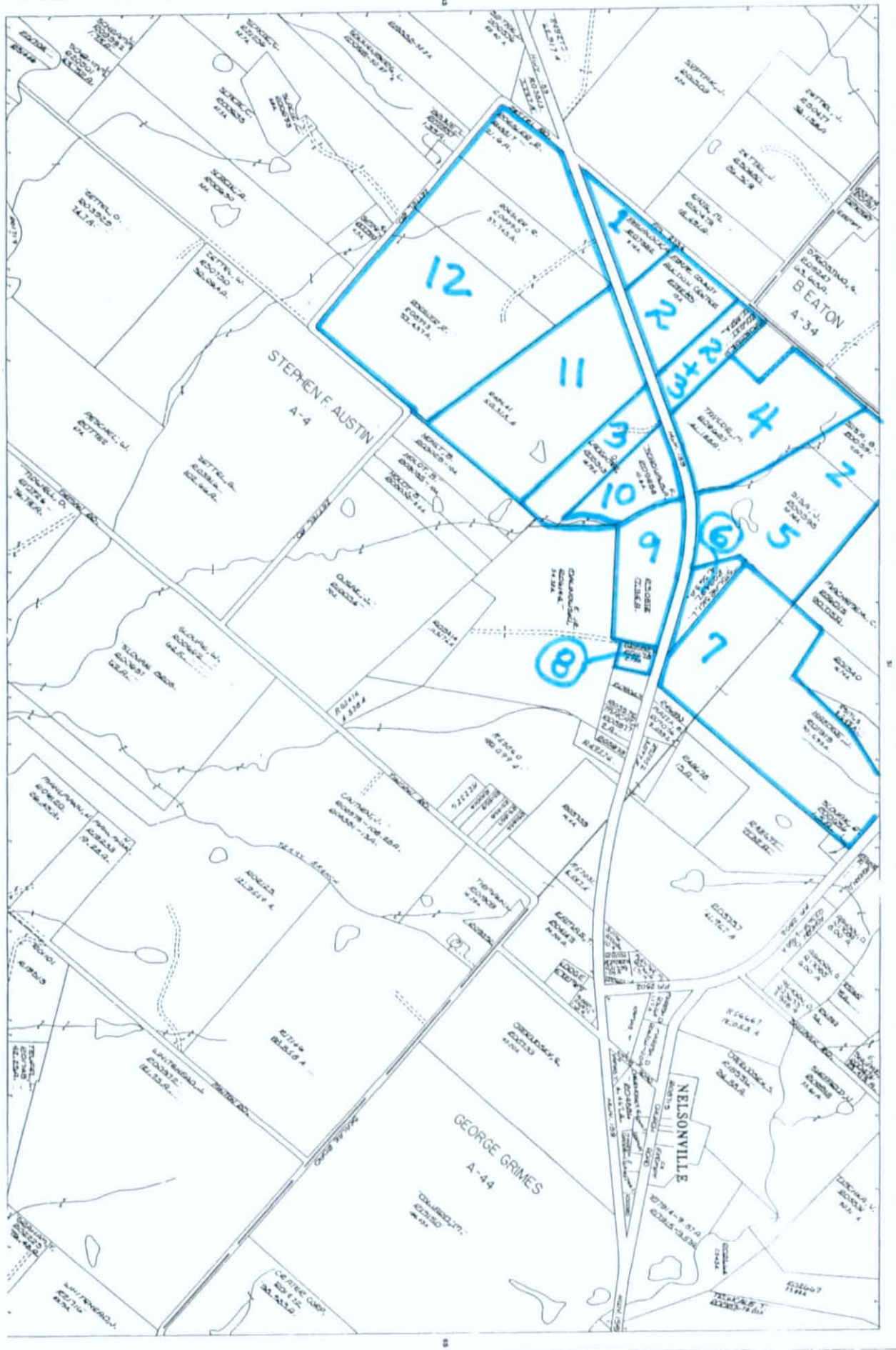


STATE HIGHWAY # 159  
 S. F. AUSTIN 4 LEAGUE SURVEY, A-4  
 AUSTIN COUNTY, TEXAS



-  4.86 acres @ P/223 CCM (1st. Strip)
-  1.38 acres @ 109/427 DR
-  2.46 acres @ 109/440 DR
-  1.93 acres @ 109/443 DR
-  2.44 acres @ 109/450 DR (Tr. 2)
-  0.62 acres @ 109/447 DR

Scale: 1" = 3,000'



STATE

STATE HIGHWAY # 159  
S. F. AUSTIN 4 LEAGUE SURVEY, A-4  
AUSTIN COUNTY, TEXAS

ADJACENT LEASE TRACTS

Scale: 1" = 3,000'

6.

File No. MF100919  
Scott  
Date Filed 11/15/99  
By [Signature]  
Deputy Clerk



000000

AFFIDAVIT OF FACT

STATE OF TEXAS }

COUNTY OF AUSTIN }

200.00  
1/6  
3yr Paid-up

BEFORE ME, the undersigned authority, a Notary Public in and for the State of Texas, on this day personally appeared William A. Pruitt, to me well known to be a credible person, and who, after being by me duly sworn, on his oath did state:

I have been advised by UNION PACIFIC RESOURCES COMPANY that the following mineral owners received the following consideration for their respective Oil, Gas and Mineral Leases:

Lessor: Ambrose Pavalock and wife, Doris Pavalock  
Lessee: YEGUA OIL & GAS CO.  
Bonus per acre: \$100.00 (100% under tract 1)  
Rental per acre: Paid-up Lease  
Term: Three (3) years from 8/28/1997  
Royalty: 1/6th  
Recorded: Volume 793, Page 691, Official Records, Austin County, Texas

Lessor: Four County Auction Center  
Lessee: YEGUA OIL & GAS CO.  
Bonus per acre: \$100.00 (100% under tract 2 & 50% under tract 2 & 3)  
Rental per acre: Paid-up Lease  
Term: Three (3) years from 9/22/1997  
Royalty: 1/6th  
Recorded: Volume 796, Page 171, Official Records, Austin County, Texas

Lessor: Ueckert Partners, LTD.  
Lessee: YEGUA OIL & GAS CO.  
Bonus per acre: \$100.00 (50% under tract 2 & 3 and 50% under tract 3)  
Rental per acre: Paid-up Lease  
Term: Three (3) years from 11/5/1997  
Royalty: 3/16th  
Recorded: Reception # 980372, Official Records, Austin County, Texas

Lessor: Douglas D. Laughter and wife, Nelda R. Laughter, Bret Laughter and wife, Laura Ann Laughter  
Lessee: UNION PACIFIC RESOURCES COMPANY  
Bonus per acre: \$100.00 (50% under tract 3)  
Rental per acre: Paid-up Lease  
Term: Three (3) years from 8/24/1999  
Royalty: 1/6th  
Recorded: Reception # 996276, Official Records, Austin County, Texas

Lessor: Travis James Leigh and wife, Betty J. Leigh  
Lessee: YEGUA OIL & GAS CO.  
Bonus per acre: \$100.00 (100% under tract 4)  
Rental per acre: Paid-up Lease  
Term: Three (3) years from 10/15/1997  
Royalty: 1/6th  
Recorded: Reception # 980085, Official Records, Austin County, Texas

Lessor: B. W. Sisa and wife, Sandra Sisa  
Lessee: YEGUA OIL & GAS CO.  
Bonus per acre: \$100.00 (100% under tract 5)  
Rental per acre: Paid-up Lease  
Term: Three (3) years from 8/19/1997  
Royalty: 1/6th  
Recorded: Volume 795, Page 160, Official Records, Austin County, Texas



Lessor: Brian Craig Duve and wife, Frances E. Duve  
Lessee: YEGUA OIL & GAS CO.  
Bonus per acre: \$100.00 (100% under tract 6)  
Rental per acre: Paid-up Lease  
Term: Three (3) years from 11/17/1997  
Royalty: 1/6th  
Recorded: Reception # 981361, Official Records, Austin County, Texas

Lessor: Helen Joyce Haedge, Executrix of the Estate of J. D. Haedge  
Lessee: YEGUA OIL & GAS CO.  
Bonus per acre: \$100.00 (100% under tract 7)  
Rental per acre: Paid-up Lease  
Term: Three (3) years from 8/6/1997  
Royalty: 1/6th  
Recorded: Volume 790, Page 472, Official Records, Austin County, Texas

Lessor: Vlasta F. Grebe, separate property  
Lessee: YEGUA OIL & GAS CO.  
Bonus per acre: \$100.00 (100% under tract 8)  
Rental per acre: Paid-up Lease  
Term: Three (3) years from 11/18/1997  
Royalty: 1/6th  
Recorded: Reception # 980114, Official Records, Austin County, Texas

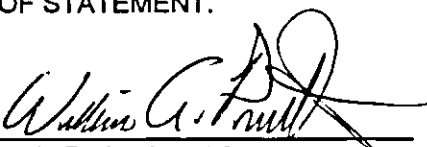
Lessor: Connie Huff and wife, Teola Huff  
Lessee: YEGUA OIL & GAS CO.  
Bonus per acre: \$100.00 (100% under tract 9)  
Rental per acre: Paid-up Lease  
Term: Three (3) years from 9/3/1997  
Royalty: 1/6th  
Recorded: Volume 793, Page 636, Official Records, Austin County, Texas

Lessor: James R. Alexander and wife, Cynthia J. Alexander  
Lessee: YEGUA OIL & GAS CO.  
Bonus per acre: \$100.00 (100% under tract 10)  
Rental per acre: Paid-up Lease  
Term: Three (3) years from 11/25/1997  
Royalty: 1/6th  
Recorded: Reception # 981126, Official Records, Austin County, Texas

Lessor: Gregory P. Carrier and wife, Kathleen Carrier  
Lessee: YEGUA OIL & GAS CO.  
Bonus per acre: \$100.00 (50% under tract 11)  
Rental per acre: Paid-up Lease  
Term: Three (3) years from 8/27/1997  
Royalty: 3/16th  
Recorded: Volume 798, Page 533, Official Records, Austin County, Texas

Lessor: Lina R. Honish and Leona I. Roesler, sisters  
Lessee: YEGUA OIL & GAS CO.  
Bonus per acre: \$100.00 (50% under tract 11 & 100% under tract 12)  
Rental per acre: Paid-up Lease  
Term: Three (3) years from 8/17/1997  
Royalty: 1/6th  
Recorded: Volume 793, Page 628, Official Records, Austin County, Texas

END OF STATEMENT.

  
William A. Pruitt, Agent for  
UNION PACIFIC RESOURCES COMPANY

SUBSCRIBED AND SWORN TO BEFORE ME, this 9<sup>th</sup> day of November, 1999.



Verna Lammers  
Notary Public, State of Texas

STATE OF TEXAS            }

COUNTY OF WASHINGTON }

This instrument was acknowledged before me, this 9<sup>th</sup> day of November, 1999,  
by William A. Pruitt.



Verna Lammers  
Notary Public, State of Texas

9  
11  
2  
11  
11

7.

File No. MF100919

Affidavit of Fact

Date Filed 4/15/99

By [Signature] Deputy Sheriff



REC-11

WAIVER OF STATUTORY NOTICE

STATE OF TEXAS }

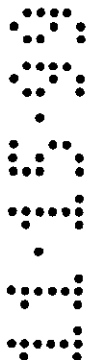
COUNTY OF AUSTIN }

WHEREAS, Union Pacific Resources Company of Fort Worth, Texas, proposes to exercise its preferential right to lease certain lands underneath State Highway 159, Austin County, Texas, and hereby waives the Statutory Notice of the intent of the State to lease of which it is entitled.

EXECUTED, this the 6<sup>th</sup> day of November, 1999.

UNION PACIFIC RESOURCES COMPANY

By:   
William A. Pruitt, Agent



8.

File No. MF 100919

Order of Solution Notice

Date Filed: 11/15/99

By David DeSautels  
*David DeSautels*

11.15.99

**NAMES AND ADDRESSES OF ADJACENT MINERAL OWNERS:**

- TRACT 1: 9.164 acres, - Ambrose Pavalock and wife, Doris Pavalock  
Union Pacific Resources Company  
P. O. Box 7  
Ft. Worth, TX 76101
- TRACT 2: 15.0 acres (Lease Tr. Two), - Four County Auction Center  
Union Pacific Resources Company  
P. O. Box 7  
Ft. Worth, TX 76101
- TRACT 2&3: 12.843 acres (Lease Tr. One - Four County Auction Center & Pt. of  
39.368 ac. Lease Tr. Two - Ueckert Partners, LTD.), - Four County  
Auction Center & Ueckert Partners, LTD.  
Union Pacific Resources Company  
P. O. Box 7  
Ft. Worth, TX 76101
- TRACT 3: 18.72 acres (Pt. of 39.368 ac. Lease Tr. Two), - Ueckert Partners, LTD.  
& Douglas D. Laughter and wife, Nelda R. Laughter, Bret Laughter and  
wife, Laura Ann Laughter  
Union Pacific Resources Company  
P. O. Box 7  
Ft. Worth, TX 76101
- TRACT 4: 35.046 acres, - Travis James Leigh and wife, Betty J. Leigh  
Union Pacific Resources Company  
P. O. Box 7  
Ft. Worth, TX 76101
- TRACT 5: 51.57 acres, - B. W. Sisa and wife, Sandra Sisa  
Union Pacific Resources Company  
P. O. Box 7  
Ft. Worth, TX 76101
- TRACT 6: 4.563 acres, - Brian Craig Duve and wife, Frances E. Duve  
Union Pacific Resources Company  
P. O. Box 7  
Ft. Worth, TX 76101
- TRACT 7: 79.338 acres (Lease Tr. One as Amended), - Helen Joyce Haedge,  
Executrix of the Estate of J. D. Haedge  
Union Pacific Resources Company  
P. O. Box 7  
Ft. Worth, TX 76101
- TRACT 8: 2.732 acres, - Vlasta F. Grebe, separate property  
Union Pacific Resources Company  
P. O. Box 7  
Ft. Worth, TX 76101
- TRACT 9: 18.33 acres, - Connie Huff and wife, Teola Huff  
Union Pacific Resources Company  
P. O. Box 7  
Ft. Worth, TX 76101
- TRACT 10: 10.71 acres, - James R. Alexander and wife, Cynthia J. Alexander  
Union Pacific Resources Company  
P. O. Box 7  
Ft. Worth, TX 76101
- TRACT 11: 50.318 acres (Pt. of 97.0 ac. Tr. One and 48.5 ac. Tr. Two on Lina R.  
Honish, et al Lease), - Gregory P. Carrier and wife, Kathleen Carrier &  
Lina R. Honish and Leona I. Roesler  
Union Pacific Resources Company  
P. O. Box 7  
Ft. Worth, TX 76101
- TRACT 12: 114.647 acres (164.965 ac., as amended, LESS 50.318 ac in Tr. 11),  
- Lina R. Honish and Leona I. Roesler  
Union Pacific Resources Company  
P. O. Box 7  
Ft. Worth, TX 76101



9.

File No. MF/00919

Adjacent Mineral Owners

Date Filed 11/15/99

By [Signature]  
For Secretary, Comptroller

11.22.99

**JONES & ZWIENER, INC.**  
PROFESSIONAL LAND SERVICES  
**1010 LAMAR, STE. 650**  
**HOUSTON, TX 77002**  
TEL (713)650-0903  
FAX (713)650-3547


**LANDMAN'S STATEMENT**

In connection with the preparation of certain Oil, Gas and Mineral Leases for my client, UNION PACIFIC RESOURCES COMPANY, I have reviewed the following:

- 1). Judgment Approving Report, dated September 9, 1929, between the Commissioners Court of Austin County, Texas, for Road District No. 6, and August Roesler and the heirs of his deceased wife, recorded in Volume P, Page 223 of the Commissioners Court Minutes of Austin County, Texas, covering 4.86 acres of land in the S. F. Austin 4 League Survey, A-4 described in the FIRST STRIP therein.
- 2). Right-of-Way Deed, dated June 27, 1935, from Vince Chaloupka and wife, Albina Chaloupka, to the State of Texas, recorded in Volume 109, Page 427 of the Deed Records of Austin County, Texas, covering 1.38 acres of land in the Geo. Grimes Grant (S. F. Austin 4 League Survey, A-4).
- 3). Right-of-Way Deed, dated July 5, 1935, from Frank Schovajsa and wife, Frantisk Schovajsa, to the State of Texas, recorded in Volume 109, Page 440 of the Deed Records of Austin County, Texas, covering 2.46 acres of land in the Geo. Grimes Grant (S. F. Austin 4 League Survey, A-4).
- 4). Right-of-Way Deed, dated June 27, 1935, from Joe Sisa and wife, Alvina Sisa, to the State of Texas, recorded in Volume 109, Page 443 of the Deed Records of Austin County, Texas, covering 1.93 acres of land in the Geo. Grimes Grant (S. F. Austin 4 League Survey, A-4).
- 5). Right-of-Way Deed, dated July 2, 1935, from Frank Vacusek, to the State of Texas, recorded in Volume 109, Page 450 of the Deed Records of Austin County, Texas, covering 2.44 acres of land in the Geo. Grimes Grant (S. F. Austin 4 League Survey, A-4) described in Tract No. 2 therein.
- 6). Right-of-Way Deed, dated June 27, 1935, from Albert G. Ueckert and wife, Malinde Ueckert, to the State of Texas, recorded in Volume 109, Page 447 of the Deed Records of Austin County, Texas, covering 0.62 acres of land in the Geo. Grimes Grant (S. F. Austin 4 League Survey, A-4).

These deeds contain identical granting clauses, which in my opinion, along with the Judgment Approving Report referenced above, unequivocally grant and convey to the State of Texas, a fee simple interest in the subject lands. Therefore, based on my review of the instruments, it appears that fee simple title to the surface and mineral estate of the property was vested in the State of Texas and the Commissioners Court of Austin County, Texas, for Road District No. 6, by virtue of said deeds and Judgment.

END OF STATEMENT.

  
William A. Pruitt

10.

File No. MF 100 919

Handwritten Statement

Date Filed 11/15/99

By David J. [Signature]

2000

THE STATE OF TEXAS, )  
County of Austin. )

Be it remembered that on this, the 9th. day of September, A.D., 1929, the Honorable Commissioners' Court of Austin County, Texas, met in the Court House in Bellville, for the regular September Term, A.D., 1929, of said Court.

- Present: Hon. C. D. Duncan, County Judge;
- |                  |                              |
|------------------|------------------------------|
| Wm. J. Reinecke, | Commissioner Precinct No. 1; |
| Ed. O. Maeckel,  | Commissioner Precinct No. 2; |
| W. C. Kliem,     | Commissioner Precinct No. 3; |
| W. F. Boelsche,  | Commissioner Precinct No. 4; |
| Ed. Batla,       | Clerk;                       |
| A. J. Remmert,   | Sheriff.                     |

Court opened by proclamation of the Sheriff at the Court House door. Whereupon the following proceedings were had, to-wit:

IN THE COMMISSIONERS' COURT OF AUSTIN COUNTY, TEXAS, REGULAR SEPTEMBER TERM, A.D., 1929

On this, the 9th. day of September, A.D., 1929, upon a day of the regular term of said Court, all members thereof being present, came on to be heard and considered the resignation of J. Lee Dittert as County Attorney of Austin County, Texas; his request that the same be accepted and that it take effect immediately, whereupon a motion was made and seconded and carried that said resignation be and the same is hereby accepted, and the office of County Attorney of said Austin County, Texas, is declared vacant.

Thereafter came on to be heard and considered the application of C. R. Johnson for appointment to the office of said County Attorney of said County, to fill out the unexpired term of said J. Lee Dittert, resigned; and it appearing to the Court that such appointment be made, a motion being made and seconded to that effect, and the same having duly carried:

It is therefore ordered, adjudged and decreed by the Court that said C. R. Johnson be and he is hereby appointed County Attorney of Austin County, Texas, to fill out the unexpired term of the said J. Lee Dittert, and he shall give a good and sufficient bond as directed and conditioned by law for the faithful discharge of his duties as such, which said bond shall be approved by this Court.

Done in open Court, this the 9th. day of September, A.D., 1929.

Attest: C. D. Duncan, County Judge of Austin County, Texas.  
Ed. Batla, Clerk of the County Court and  
Ex-officio Clerk, Commissioners' Court,  
Austin County, Texas.

IN THE COMMISSIONERS' COURT OF AUSTIN COUNTY, TEXAS, REGULAR SEPTEMBER TERM, A.D., 1929.

On this, the 9th. day of September, A.D., 1929, upon a day of the regular term of said Court, all members thereof being present, came on to be considered the Official Bond of C. R. Johnson as County Attorney of Austin County, Texas, he having heretofore been appointed by this Court as such to fill out the unexpired term of J. Lee Dittert, resigned; and it appearing to the Court that said bond is made and executed in conformity with the law and the order of this Court:

It is therefore ordered by the Court that the said bond of C. R. Johnson as County Attorney of Austin County, Texas, be and the same is hereby accepted and approved and ordered entered of record.

Done in open Court this 9th. day of September, A.D., 1929.

Attest: C. D. Duncan, County Judge of Austin County, Texas.  
Ed. Batla, Clerk of the County Court and  
Ex-officio Clerk Commissioners' Court,  
Austin County, Texas.

In the matter of the petition ) In Commissioners' Court of Austin County, Texas.  
of W. H. Gaskamp, et al. ) September Term, 1929.

On this, the 9th. day of September, 1929, upon a day of the regular session of the Commissioners' Court of Austin County, Texas, all members thereof being present, came on for consideration the matter of the report of the Jury of View in the matter of the petition of W. H. Gaskamp and nine others, freeholders residing in the precinct through which a public road was proposed to be run, which said road is better described in the report of the jury of view signed by Frank Sobcata, W. C. Hohlt, James Rinn, John Herr and H. W. Strickler, filed in the office of the Clerk of the County Court of said County on the 9th. day of September, A.D. 1929, which said road is also described as follows, to-wit:

Two strips of land 90 feet wide to be used as a part of State Highway No. 73-A; being a part of the Stephen F. Austin 4 leagues grant in Austin County, Texas, conveyed by deed to August Roesler, recorded in Vol. 6, page 120, records of deeds of Austin County. Said 90 feet strips are more fully described as follows, to-wit:

FIRST STRIP: BEGINNING on the center line of State Highway No. 73-A, at Station 358/28 feet where the center line of State Highway No. 73-A intersects the dividing line of land owned by August Roesler and Vince Chaloupka, Thence along said dividing line in a southeastern direction to a point 45 feet from and right angle to the center line of State Highway No. 73-A. Thence 45 feet from and parallel to the center line of State Highway No. 73-A, S. 73° 21' W. to a point on the southeast right of way line of the present Nelsonville-Industry public road; Thence along said southeast right of way line across State Highway No. 73-A at Station 381/79 feet to a point 45 feet from and right angle to the center line of State Highway No. 73-A; Thence 45 feet from and parallel to the center line of State Highway No. 73-A, N. 73° 21' E. to a point in the dividing line of land now owned by August Roesler and Vince Chaloupka; Thence

along said dividing line to the point of beginning, containing 4.80 acres of land.

**SECOND STRIP:** BEGINNING on the center line of State Highway No. 73-A, at Station 384/58 feet where the center line of State Highway No. 73-A intersects the southwest right of way line of the present Nelsonville-Industry road; Thence along said southwest right of way line in a southeastern direction to a point 45 feet from and right angle to the center line of State Highway No. 73-A; Thence 45 feet from and parallel to the center line of State Highway No. 73-A, S.73°21'W. to a point on the dividing line of land now owned by August Roesler and Walter Machemehl; Thence along said dividing line across State Highway No. 73-A, at Station 393/68 feet to a point 45 feet from and right angle to the center line of State Highway No. 73-A; Thence 45 feet from and parallel to the center line of State Highway No. 73-A N.73°21'E. to a point on the southwest right of way line of the present Nelsonville-Industry road; Thence along said southwest right of way line to the point of beginning, containing 1.91 acres of land.

And it appearing to the Court that the jury of view, in accordance with law and in a manner satisfactory to the statute, gave notice to all persons over whose land said proposed road is to run, and after an inspection of said road, the beginning and terminus thereof being definitely established, and after viewing out the best course along which said road should be established, the same being as above described, and after having received the written statements of the land owners over whose land said road is to run, and after hearing all arguments, pro and con, not only with the feasibility and practicability of said road but as well as the amount of damage and injury sustained by the parties over whose land said road is run, the jury of view allowed the following persons the following amounts set opposite their names as a full and complete compensation for the injury sustained in the laying out of said road upon and across the premises of said parties, to-wit:

August Roesler and the heirs of his deceased wife - - - - - \$743.15

And it appearing to the Court that the said jury of view has complied with all the duties imposed upon them by virtue of their appointment, and in a manner agreeable to and in substantial compliance with the law:

Wherefore, it is ordered, adjudged and decreed by the Court that the report of the Jury of View, as aforesaid, be and the same is hereby approved and adopted by the Court, and said report of the jury of view is hereby made a part of the judgment of this Court, and it is hereby ordered that the sums herein above set out opposite the names of the parties herein above named and set out be set aside to them, their credit or their order, in the Treasury of Austin County, Texas, out of the fund of Road District No. 6 of Austin County, Texas: said sums are directed by this Court to be paid to said above named parties by the County Treasurer of said County.

Attest: Ed. Batla  
Clerk County Court, and ex-officio  
Clerk, Commissioners' Court,  
Austin County, Texas.

C. D. Duncan  
County Judge of Austin County, Texas.

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The report of Ben Stern, supervisor of all road construction and maintenance work done on the lateral roads in Road District No. 3 of Austin County, Texas, during the period of time beginning December 8th., 1928, and ending April 26th., 1929, was this day examined and approved by the Court.

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The monthly reports of the following precinct officers of Austin County, Texas, were this day examined and approved by the Court, to-wit:

Gus. Bregenzler, Justice of the Peace, Precinct No. 5; W. M. Crump, Justice of the Peace of Precinct No. 6; W. E. Brown, Justice of the Peace of Precinct No. 8.

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Whereupon the Court adjourned until Saturday, September 14th., A.D., 1929, at 9:00 o'clock.

SATURDAY, SEPTEMBER 14th., A.D., 1929.

Court opened pursuant to adjournment.

Present: Hon. C. D. Duncan, County Judge;  
Wm. J. Reinecke, Commissioner Precinct No. 1;  
Bl. O. Maschel, Commissioner Precinct No. 2;  
W. C. Kline, Commissioner Precinct No. 3;  
W. F. Foelsche, Commissioner Precinct No. 4;  
Ed. Batla, Clerk;  
A. J. Remmert, Sheriff.

IN COMMISSIONERS' COURT OF AUSTIN COUNTY, TEXAS, REGULAR SEPTEMBER TERM, A.D., 1929.

On this, the 14th. day of September, A.D., 1929, the Honorable Commissioners' Court of Austin County, Texas, being in regular session, all members thereof being present, upon motion made and seconded it is ordered by the court that W. F. Foelsche, Commissioner of Precinct No. 4 of said Austin County, Texas, be and he is hereby authorized and directed to sell the following described property situated in said County, to O. E. Linnstaedter for a consideration of One Hundred, Twenty-five & no/100 Dollars, he being the highest and best bidder therefor, which said tract or parcel of land is described more fully as follows, to-wit: A part of the D. Shelby 1/2 league in Austin County, Texas, on the west prong of Hill Creek, Beginning 45 varas S.43°W. of Geo. Wassermann's N.E. corner, which is also Henwel's N. corner; Thence N.84 1/2°E. 107 varas to corner a stake in Wassermann's line; Thence S.55°W. 106 varas to another corner; Thence S.9°W. 190 varas to its most southern corner in line of Henwel's; Thence N.43°E. 368 varas with said boundary line to place of beginning, containing in said limits 27.942 square varas or 4-9/10 acres of land, and being the said tract of land

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(284. Right-of-Way Deed. Vincenc Chaloupka, et ux. to State of Texas.)

STATE HIGHWAY DEPARTMENT OF TEXAS  
RIGHT-OF-WAY DEED

STATE OF TEXAS, |  
County of Austin |

Know all Men by these Presents; That Vince Chaloupka of the County of Austin in the State of Texas, for and in consideration of the sum of Thirty-five (\$35.00) Dollars, to me in hand paid by the State of Texas, acting through the State Highway Commission receipt of which is hereby acknowledged, have this day sold, and do by these presents grant, bargain, sell and convey unto the State of Texas all that certain tract or parcel of land situated in the County of Austin, State of Texas, and being part of a survey originally granted to \_\_\_ by Patent No. \_\_, Vol. \_\_, Abstract No. \_\_, and being a part of a tract of \_\_ acres conveyed by \_\_ to \_\_ by deed dated the \_\_ day of \_\_ 19\_\_, and recorded in Volume No. \_\_, page No. \_\_, of the Deed Records of \_\_ County, Texas, said tract or parcel of land herein conveyed, being more particularly described as follows: A strip of land 120 feet wide out of a tract of land owned by Vince Chaloupka out of the Geo. Grimes Grant, Austin County, Texas, more particularly described as follows: Sixty feet on either side of the center line of State Highway 159, beginning at Sta. 353/27, a point the intersection of this center line with the East property line of the Vince Chaloupka tract. Thence S. 73 deg. 21' W. to Sta. 358/27 the intersection of said center line with the west line of said Chaloupka tract, containing 1.38 acres, of which 1.03 acres is present right of way as recorded in Vol. 81, Page 396, Deed Records of Austin County. And it is further agreed that the said Vince Chaloupka in consideration of the benefits above set out, will remove from the property above described such fences, buildings and other obstructions as may be found upon said property. To Have and to Hold the above described premises, together with all and singular the rights and hereditaments thereunto in anywise belonging unto the said State of Texas and its assigns; And I hereby bind myself my heirs, executors and administrators to forever warrant and defend the rights and title to said premises unto the said State of Texas against every person whomsoever lawfully claiming or to claim the same or any part thereof.

Witness our hands this the 27 day of June, A. D. 1935.

Vincenc Chaloupka  
Albina Chaloupka

STATE OF TEXAS |  
County of Austin |

Before me, Sam Huber, a notary public in and for said county and State, on this day personally appeared Vince Chaloupka, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office, this the 27 day of June A. D. 1935.

(seal) Sam Huber J. P. Exofficio Notary Public, for Austin County, Texas.

STATE OF TEXAS, |  
County of Austin |

Before me, Sam Huber, a notary public in and for said county and State, on this day personally appeared Albina Chaloupka, wife of Vince Chaloupka, known to me to be the person whose name is subscribed to the foregoing instrument, and having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said Albina Chaloupka acknowledged such instrument to be her act and deed, and declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

Given under my hand and seal of office, this the 27 day of June, A. D. 1935.

(seal) Sam Huber J. P. Exofficio Notary Public, for Austin County, Texas.

Filed for record July 6-A. D. 1935, at 11:50 o'clock A. M. Ed. Eatla, Clerk. By Lawrence Dittert, Deputy. Recorded at 11:40 o'clock A. M. July 8th. A. D., 1935.

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(1935)

to me to be the person whose name is subscribed to the foregoing instrument, and having been examined by me privily and apart from her husband and having the same fully explained to her, she, the said Adele Peschel acknowledged such instrument to be her act and deed, and declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

Given under my hand and seal of office, this the 26 day of June A. D. 1935.

(Seal) Sam Huber J. P. Exofficio Notary Public, for Austin County, Texas.

Filed for record July 6- A. D. 1935, at 11:50 o'clock A. M. Ed. Batla, Clerk. By Lawrence Dittert, Deputy. Recorded at 11:40 o'clock A. M. July 9th. A. D., 1935.

Ed. Batla, Clerk, County Court, Austin County, Texas.

By *J. Lawrence Dittert*, Deputy.

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(206. Right of Way Deed. Frank Schovajsa et ux. to State of Texas.)

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STATE HIGHWAY DEPARTMENT OF TEXAS  
RIGHT-OF-WAY DEED  
(\$0.50 Revenue Stamp attached and cancelled.)

STATE OF TEXAS, |  
County of Austin |

KNOW ALL MEN BY THESE PRESENTS: That Frank Schovajsa of the County of Austin in the State of Texas, for and in consideration of the sum of One Hundred and Thirty one (\$131.00) Dollars, to me in hand paid by the State of Texas, acting through the State Highway Commission, receipt of which is hereby acknowledged, have this day sold, and do by these presents grant, bargain, sell and convey unto the State of Texas all that certain tract or parcel of land situated in the County of Austin, State of Texas, and being part of a survey originally granted to \_\_, by Patent No. \_\_, Vol. \_\_, Abstract No. \_\_, and being a part of a tract of \_\_ acres conveyed by \_\_ to \_\_ by deed dated the \_\_ day of \_\_ 19\_\_ , and recorded in Volume No. \_\_, page No. \_\_, of the Deed Records of Austin County, Texas; said tract or parcel of land herein conveyed, being more particularly described as follows: A strip of land 120 feet wide out of a tract of land owned by Frank Schovajsa in the Geo. Grimes Grant, Austin County, Texas, more particularly described as follows: Sixty feet on either side of the center line of State Highway 159, beginning at Sta. 344/33 the intersection of this center line with the east property line of the Frank Schovajsa tract. Thence in a Southwestern direction around a three degree curve to P. T. Sta. 348/68.7. Thence S. 73 deg. 21' W. to Sta. 353/27 a point the intersection of said center line with the west property line of the Frank Schovajsa tract, containing 2.46 acres, of which 1.95 acres is present right of way as recorded in Vol. 78, Page 490, Deed Records of Austin County. And it is further agreed that the said Frank Schovajsa in consideration of the benefits above set out, will remove from the property above described such fences, buildings and other obstructions as may be found upon said property. To Have and to Hold the described premises, together with all and singular the rights and hereditaments therein in anywise belonging unto the said State of Texas and its assigns; And I hereby bind myself my heirs, executors and administrators to forever warrant and defend the rights and title to said premises unto the said State of Texas against every person whomsoever lawfully claiming to claim the same or any part thereof.

Witness our hands, this the 5 day of July, A. D. 1935.

Frank Schovajsa  
Frantisk Schovajsa

OF TEXAS |  
County of Austin |

Before me, Sam Huber \_ a notary public in and for said county and State, on this day personally appeared Frank Schovajsa, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office, this the 5 day of July A. D. 1935.

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(seal) Sam Huber J. P. Exofficio Notary Public, for Austin County, Texas.

STATE OF TEXAS, |

County of Austin. | Before me, Sam Huber, a notary public in and for said county and State, on this day personally appeared Frantisk Schovajsa, wife of Frank Schovajsa, known to me to be the person whose name is subscribed to the foregoing instrument, and having been examined by me privily and apart from her husband and having the same fully explained to her, she the said Frantisk Schovajsa acknowledged such instrument to be her act and deed, and declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

Given under my hand and seal of office, this the 5 day of July, A. D. 1935.

(seal) Sam Huber J. P. Exofficio Notary Public, for Austin County, Texas.

Filed for record July 6 A. D. 1935 at 11:50 o'clock A. M. Ed. Batla, Clerk. By Lawrence Dittert, Deputy. Recorded at 1:10 o'clock P. M. July 9th. A. D., 1935.

Ed. Batla, Clerk, County Court, Austin County, Texas.

By *Ed. Batla*, Deputy.

(297. Right-of-Way Deed. Frank Sebesta, et ux. to State of Texas.)

STATE HIGHWAY DEPARTMENT OF TEXAS  
RIGHT-OF-WAY DEED  
(\$0.50 Revenue Stamp attached and cancelled)

STATE OF TEXAS, |

County of Austin | Know all Men by These Presents: That Frank Sebesta of the County of Austin in the State of Texas, for and in consideration of the sum of one Hundred and fifty-seven Dollars, to me in hand paid by the State of Texas, acting through the State Highway Commission, receipt of which is hereby acknowledged, have this day sold, and do by these presents grant, bargain, sell and convey unto the State of Texas all that certain tract or parcel of land situated in the County of Austin, State of Texas, and being part of a survey originally granted to \_\_, by Patent No. \_\_, Vol. \_\_, Abstract No. \_\_, and being a part of a tract of \_\_ acres conveyed by \_\_ to \_\_ by deed dated the \_\_ day of \_\_ 19\_\_, and recorded in Volume No. \_\_, page No. \_\_, of the Deed Records of \_\_ County, Texas; said tract or parcel of land herein conveyed, being more particularly described as follows: The property herein conveyed is a part of and out of the Stephen F. Austin 4 League Grant, Austin County, Texas. Beginning at Sta. 94/18, a point where center line of State Highway 159 crosses the east line of the Frank Sebesta tract. Thence N. E. along said line to a point 50 feet from and right angles to center line. Thence N. 62° 47' W. 50 feet from and parallel to center line to a point opposite Sta. 95/00. Thence N. W. to a point 60 feet from and right angles to center line opposite Sta. 96/00. Thence N. 62° 47' W. 60 feet from and parallel to center line 800 feet to a point opposite Sta. 104/00. Thence N. W. to a point 50 feet from and right angle to center line opposite Sta. 105/00. Thence N. 62° 47' W. 50 feet from and parallel to center line to west line of Frank Sebesta tract. Thence S. E. along said west line, crossing center line State Highway 159 at Sta. 105/30 to a point 50 feet South from and right angle to center line. Thence S. 62° 47' E. 50 feet from and parallel to center line to a point opposite Sta. 105/00. Thence S. E. to a point 60 feet from and right angle to center line opposite Sta. 104/00. Thence S. 62° 47' E. 60 feet from and parallel to center line 800 feet to a point opposite and South from Sta. 96/00. Thence S. E. to a point 50 feet from and right angle to center line opposite Sta. 95/00. Thence S. 62° 47' E. 50 feet from and parallel to center line to East line of Frank Sebesta tract. Thence N. E. along said east line to point of beginning and containing 2.97 acres of which 2.30 acres is present right of way, as recorded in Vol. 81, Page 380, Deed Records of Austin County. And it is further agreed that the said \_\_ in consideration of the benefits above set out, will remove from the property

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81, Page 403, Deed Records of Austin County. And it is further agreed that the said Joe Sebesta in consideration of the benefits above set out, will remove from the property above described such fences, buildings and other obstructions as may be found upon said property. To Have and to Hold the above described premises, together with all and singular the rights and hereditaments thereunto in anywise belonging unto the said State of Texas and its assigns; And I hereby bind myself, my heirs, executors and administrators to forever warrant and defend the rights and title to said premises unto the said State of Texas against every person whosoever lawfully claiming or to claim the same or any part thereof.

Witness our hands, this the 26 day of June, A. D. 1935.

Joe Sebesta  
Anna Sebesta

STATE OF TEXAS |  
County of Austin |

Before Me, Sam Huber J. P. Exofficio a notary public in and for said county and State, on this day personally appeared Joe Sebesta, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office, this the 26 day of June, A. D. 1935.

(seal) Sam Huber J. P. Exofficio Notary Public, for Austin County, Texas.

STATE OF TEXAS, |  
County of Austin |

Before me, Sam Huber J. P. Exofficio notary public in and for said county and State, on this day personally appeared Anna Sebesta, wife of Joe Sebesta, known to me to be the person whose name is subscribed to the foregoing instrument, and having been examined by me privily and apart from her husband and having the same fully explained to her, she the said Anna Sebesta acknowledged such instrument to be her act and deed, and declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

Given under my hand and seal of office, this the 26day of June, A. D. 1935.

(seal) Sam Huber J P Exofficio Notary Public, for Austin County, Texas.

Filed for record July 6- A. D. 1935, at 11:50 o'clock A. M. Ed. Batla, Clerk. By Lawrence Dittart, Deputy. Recorded at 2:00 o'clock P. M. July 9th. A. D., 1935.

Ed. Batla, Clerk, County Court, Austin County, Texas.  
By \_\_\_\_\_, Deputy.

(299. Right-of-way Deed. Joe Sisa, et ux. to State of Texas.)

STATE HIGHWAY DEPARTMENT OF TEXAS  
RIGHT-OF-WAY DEED

STATE OF TEXAS, |  
County of Austin |

KNOW ALL MEN BY THESE PRESENTS: That Joe Sisa of the County of Austin in State of Texas, for and in consideration of the sum of Fifty Dollars Dollars, to me in hand paid by the State of Texas, acting through the State Highway Commission, receipt of which is hereby acknowledged, have this day sold, and do by these presents grant, bargain, sell and convey unto the State of Texas all that certain tract or parcel of land situated in the County of Austin, State of Texas, and being part of a survey originally granted to \_\_, by Patent No. Vol. \_\_, Abstract No. \_\_, and being a part of a tract of \_\_ acres conveyed by \_\_ to \_\_ by deed dated the \_\_ day of \_\_ 19\_\_, and recorded in Volume No. \_\_, page No. \_\_, of the Deed Records of \_\_ County, Texas; said tract or parcel of land herein conveyed, being more particularly described as follows: A strip of land 120 feet wide out of a tract of land owned by the Frank Sisa Estate, in the Geo. Grimes Grant, Austin County, Texas, more particularly described as follows: Sixty feet on either side of the center line of State Highway 159, beginning at Sta. 337/33, the intersection of this center line with the east line of the Frank Sisa Estate tract. Thence

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line with the west property line of said Sisa Estate tract, containing 1.93 acres, of which 1.45 acres is present right of way, as recorded in Vol. 81, Page 313, Deed Records of Austin County. And it is further agreed that the said Joe Sisa in consideration of the benefits above set out, will remove from the property above described such fences, buildings and other obstructions as may be found upon said property. To Have and to Hold the above described premises, together with all and singular the rights and hereditaments thereunto in anywise belonging unto the said State of Texas and its assigns; And I hereby bind myself my heirs, executors and administrators to forever warrant and defend the rights and title to said premises unto the said State of Texas against every person whomsoever lawfully claiming or to claim the same or any part thereof.

Witness our hands, this the 27 day of June, A. D. 1935.

Joe Sisa  
Alvina Sisa

STATE OF TEXAS            |  
                              |  
County of Austin        |     Before me, Sam Huber, a notary public in and for said county and State,  
on this day personally appeared Joe Sisa, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office, this the 27 day of June, A. D. 1935.

(seal) Sam Huber J. P. Exofficio Notary Public, for Austin County, Texas.

STATE OF TEXAS,         |  
                              |  
County of Austin        |     Before me, Sam Huber, a notary public in and for said county and State,  
on this day personally appeared Alvina Sisa, wife of Joe Sisa, known to me to be the person whose name is subscribed to the foregoing instrument, and having been examined by me privily and apart from her husband and having the same fully explained to her, she, the said Alvina Sisa acknowledged such instrument to be her act and deed, and declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

Given under my hand and seal of office, this the 27 day of June A. D. 1935.

(seal) Sam Huber J. P. ExOfficio Notary Public, for Austin County, Texas.

Filed for record July 6 A. D. 1935 at 11:50 o'clock A. M. Ed. Batla, Clerk. By Lawrence Dittert, Deputy. Recorded at 2:30 o'clock P. M. July 9th. A. D., 1935.

Ed. Batla, Clerk, County Court, Austin County, Texas.

By *Lawrence Dittert*, Deputy.

(300. Right-of-Way Deed. John Slacik, et ux. to State of Texas.)

STATE HIGHWAY DEPARTMENT OF TEXAS  
RIGHT-OF-WAY DEED

STATE OF TEXAS,         |  
                              |  
County of Austin        |     KNOW ALL MEN BY THESE PRESENTS: That John Slacik of the County of  
Austin in the State of Texas . for and in consideration of the sum of Fifteen Dollars, to me  
in ~~paid~~ paid by the State of Texas, acting through the State Highway Commission, receipt of  
which ~~is~~ hereby acknowledged, have this day sold, and do by these presents grant, bargain, sell  
and convey unto the State of Texas all that certain tract or parcel of land situated in the  
County of Austin, State of Texas, and being part of a survey originally granted to \_ by Patent  
No. ~~Vol.~~ Vol. \_\_, Abstract No. \_\_, and being a part of a tract of \_ acres conveyed by \_ to \_ by  
deed dated the \_ day of \_ 19\_, and recorded in Volume No. \_ page No. \_\_, of the Deed Records of  
\_ County, Texas; said tract or parcel of land herein conveyed, being more particularly describ-  
ed as follows: The property herein conveyed is a part of and out of the Stephen F. Austin 4  
League Grant. A strip of land 50 feet wide, 50 feet on the Northern side of center line for a

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STATE OF TEXAS, |

County of Austin | Before me, Sam Huber J. P. Exofficio, a notary public in and for said county and State, on this day personally appeared Fannie Uhrik, wife of Frank Uhrik, known to me to be the person whose name is subscribed to the foregoing instrument, and having been examined by me privily and apart from her husband and having the same fully explained to her, she, the said Fannie Uhrik acknowledged such instrument to be her act and deed, and declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

Given under my hand and seal of office, this the 27 day of June A. D. 1935.

(seal) Sam Huber J. P. Exofficio Notary Public, for Austin County, Texas.

Filed for record July 6- A. D. 1935, at 11:50 o'clock A. M. Ed. Batla, Clerk. By Lawrence Pittert, Deputy. Recorded at 8:40 o'clock A. M. July 10th. A. D., 1935.

Ed. Batla, Clerk, County Court, Austin County, Texas.

By *Lawrence Pittert*, Deputy.

(305. Right of Way Deed. Frank Vacusek to State of Texas.)

STATE HIGHWAY DEPARTMENT OF TEXAS  
RIGHT-OF-WAY DEED

STATE OF TEXAS, |

County of Austin | KNOW ALL MEN BY THESE PRESENTS: That Frank Vacusek of the County of Austin in the State of Texas, for and in consideration of the sum of Seventy Seven (\$77.00) Dollars to me in hand paid by the State of Texas, acting through the State Highway Commission, receipt of which is hereby acknowledged, have this day sold, and do by these presents grant, bargain, sell and convey unto the State of Texas all that certain tract or parcel of land situated in the County of Austin, State of Texas, and being part of a survey originally granted \_ by Patent No. \_\_, Vol. \_\_, Abstract No. \_\_, and being a part of a tract of \_ acres conveyed by \_ to \_ by deed dated the \_ day of \_ 19\_\_, and recorded in Volume No. \_\_, page No. \_\_, of the Deed Records of \_ County, Texas; said tract or parcel of land herein conveyed, being more particularly described as follows: Tract No. 1. A strip of land 100 feet wide out of a tract of land owned by Frank Vacusek in the Geo. Grimes Grant, Austin County, Texas, more particularly described as follows: Fifty feet on either side of the center line of State Highway 159, beginning at Sta. 314/72 the intersection of this center line with the East property line of said Vacusek tract. Thence N. 70 deg. 50' W. to Sta. 325/37 the intersection of said center line with the west line of Frank Vacusek tract, containing 2.45 acres, of which 2.20 acres is present right of way, as recorded in Vol. 81, Page 404 of Deed Records of Austin Co. Tract No. 2. Beginning at a point the intersection of the center line of State Highway 159, Sta. 328/07 with the East property line of Frank Vacusek tract and the west line of the Albert Ueckert tract out of the Geo. Grimes Grant, Austin County, Texas. Thence in a Northwest direction along said east line to a point north of and 50 feet from center line measured at right angles. Thence N. 70 deg. 50' W. feet from center line to a point opposite Sta. 330/00. Thence N. W. to a point North of and 60 feet from center line measured at right angles to Sta. 331/00. Thence N. 70 deg. 50' W. 60 feet from center line to P. C. of curve Sta. 336/79.3 around a three degree curve to left. Thence N. W. 60 feet from center line to the west property line of the Vacusek tract. Thence S. 14 deg. W. along said west line, crossing center line at Sta. 337/33 to a point South of and 60 feet from center line measured at right angles. Thence S. E. 60 feet from center line around a three degree curve to right to P. C. Sta. 336/79.3. Thence S. 70 deg. 50' W. 60 feet from center line to a point opposite Sta. 331/00. Thence S. W. to a point 50 feet from center line measured at right angles to Sta. 331/00.

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35.)

center line to the East line of said Vacusek tract. Thence N. W. along said east line to point of beginning, containing 2.44 acres, of which 1.92 acres is present right of way, as recorded in Vol. 81, Page 401 of Deed Records of Austin County. And it is further agreed that the said Frank Vacusek in consideration of the benefits above set out, will remove from the property above described such fences, buildings and other obstructions as may be found upon said property. To Have and to Hold the above described premises, together with all and singular the rights and hereditaments thereunto in anywise belonging unto the said State of Texas and its assigns; And I hereby bind myself my heirs, executors and administrators to forever warrant and defend the rights and title to said premises unto the said State of Texas against every person whomsoever lawfully claiming or to claim the same or any part thereof.

Witness my hand, this the 2 day of July, A. D. 1935.

Frank Vacusek

STATE OF TEXAS |  
County of Austin |

Before me, Sam Huber, a notary public in and for said county and State, on this day personally appeared Frank Vacusek, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office, this the 2 day of July A. D. 1935.

(seal) Sam Huber J. P. Exofficio Notary Public, for Austin County, Texas.

Filed for record July 6- A. D. 1935 at 11:50 o'clock A. M. Ed. Batla, Clerk. By Lawrence Dittert, Deputy. Recorded at 9:30 o'clock A. M. July 10th. A. D., 1935.

Ed. Batla, Clerk, County Court, Austin County, Texas.

By *Ed. Batla*, Deputy.

(306. Right of Way Deed. Chas. J. Zettel, et ux. to State of Texas.)

STATE HIGHWAY DEPARTMENT OF TEXAS  
RIGHT-OF-WAY DEED

STATE OF TEXAS, |  
County of Austin |

KNOW ALL MEN BY THESE PRESENTS: That Chas. Zettel of the County of Austin in the State of Texas, for and in consideration of the sum of Sixty one Dollars, to me in hand paid by the State of Texas, acting through the State Highway Commission, receipt of which is hereby acknowledged, have this day sold, and do by these presents grant, bargain, sell and convey unto the State of Texas all that certain tract or parcel of land situated in the County of Austin, State of Texas, and being part of a survey originally granted to \_\_, by Patent No. Vol. \_\_, Abstract No. \_\_, and being a part of a tract of \_\_ acres conveyed by \_\_ to \_\_ by deed dated the \_\_ day of \_\_ 19\_\_, and recorded in Volume No. \_\_, page No. \_\_ of the Deed Records of \_\_ County, Texas; said tract or parcel of land herein conveyed, being more particularly described as follows: A strip of land 100 feet wide out of a tract of land owned by Chas. Zettel out of the Geo. Grimes Grant, Austin County, Texas, more particularly described as follows: Fifty feet on either side of the center line of State Highway 159, beginning at Station 412/00, a point the intersection of this center line with the east property line of the Chas. Zettel tract, Thence S. 74 deg. 29' W. to Sta. 432/40 a point in the center line of West Mill Creek and the intersection of this center line with the west property line of the Zettel tract, containing 4.80 acres, of which 4.19 acres is present right of way, as recorded in Vol. 81, Page 405 Deed Records of Austin County. And it is further agreed that the said Chas Zettel in consideration of the benefits above set out, will remove from the property above described such fences, buildings and other obstructions as may be found upon said property. To Have and to Hold the above described premises, together with all and singular the rights and hereditaments thereunto in anywise belonging unto the said State of Texas and its assigns; And I

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Ed. Batla, Clerk, County Court, Austin County, Texas.

By *Sam Huber*, Deputy.

(302. Right-of-Way Deed. Albert G. Ueckert, et ux. to State of Texas.)

STATE HIGHWAY DEPARTMENT OF TEXAS

RIGHT-OF-WAY DEED

STATE OF TEXAS, |  
County of Austin |

KNOW ALL MEN BY THESE PRESENTS: That Albert Ueckert of the County of Austin in the State of Texas, for and in consideration of the sum of Twelve (\$12.00) Dollars, to me in hand paid by the State of Texas, acting through the State Highway Commission, receipt of which is hereby acknowledged, have this day sold, and do by these presents grant, bargain, sell and convey unto the State of Texas all that certain tract or parcel of land situated in the County of Austin, State of Texas, and being part of a survey originally granted to \_\_, by Patent No. \_\_, Vol. \_\_, Abstract No. \_\_, and being a part of a tract of \_\_ acres conveyed by \_\_ to \_\_ by deed dated the \_\_ day of \_\_ 19\_\_, and recorded in Volume No. \_\_, page No. \_\_, of the Deed Records of \_\_ County, Texas; said tract or parcel of land herein conveyed, being more particularly described as follows: A strip of land 100 feet wide out of a tract of land owned by Albert Ueckert out of the Geo. Grimes Grant, Austin County, Texas, more particularly described as follows: Fifty feet on either side of the center line of State Highway 159, beginning at Sta. 325/37 a point the intersection of this center line with the East property line of the Albert Ueckert tract. Thence N. 70 deg. 50' W, to Sta. 328/07 the intersection of this center line with the west property line of the Albert Ueckert tract, containing 0.62 acres, of which 0.55 acres is present right of way; as recorded in Vol. 81, Page 374, Deed Records of Austin County. And it is further agreed that the said Albert Ueckert in consideration of the benefits above set out, will remove from the property above described such fences, buildings and other obstructions as may be found upon said property. To Have and to Hold the above described premises, together with all and singular the rights and hereditaments thereunto in anywise belonging unto the said State of Texas and its assigns; And I hereby bind myself, my heirs, executors and administrators to forever warrant and defend the rights and title to said premises unto the said State of Texas against every person whomsoever lawfully claiming or to claim the same or any part thereof.

Witness our hands, this the 27 day of June, A. D. 1935.

Albert G Ueckert  
Malinde Ueckert

STATE OF TEXAS, |  
County of Austin |

Before me, Sam Huber, a notary public in and for said county and State, on this day personally appeared Albert Ueckert, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office, this the 27 day of June A. D. 1935.

(seal) Sam Huber J. P. Exofficio Notary Public, for Austin County, Texas.

STATE OF TEXAS, |  
County of Austin |

Before me, Sam Huber, a notary public in and for said county and State, on this day personally appeared Malinde Ueckert, wife of Albert Ueckert, known to me to be the person whose name is subscribed to the foregoing instrument, and having been examined by me privily and apart from her husband and having the same fully explained to her, she the said Malinde Ueckert acknowledged such instrument to be her act and deed, and declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

Given under my hand and seal of office, this the 27 day of June A. D. 1935.

(seal) Sam Huber J. P. ExOfficio Notary Public, for Austin County, Texas.

109/447 DR

(302.)

Filed for record July 6- A. D. 1935, at 11:50 o'clock A. M. Ed. Batla, Clerk. By Lawrence Dittert, Deputy. Recorded at 4:20 o'clock P. M. July 9th. A. D., 1935.

Ed. Batla, Clerk, County Court, Austin County, Texas.

By *Lawrence Dittert*, Deputy.

(303. Right-of-Way Deed. P. G. Ueckert to State of Texas.)

STATE HIGHWAY DEPARTMENT OF TEXAS  
RIGHT-OF-WAY DEED

STATE OF TEXAS, |

County of Austin | Know all Men by these Presents: That P. G. Ueckert of the County of Austin in the State of Texas, for and in consideration of the sum of Sixty-five Dollars, to me in hand paid by the State of Texas, acting through the State Highway Commission, receipt of which is hereby acknowledged, have this day sold, and do by these presents grant, bargain, sell and convey unto the State of Texas all that certain tract or parcel of land situated in the County of Austin, State of Texas, and being part of a survey originally granted to \_\_, by Patent No. \_\_, Vol. \_\_, Abstract No. \_\_, and being a part of a tract of \_\_ acres conveyed by \_\_ to \_\_ by deed dated the \_\_ day of \_\_ 19\_\_, and recorded in Volume No. \_\_, page No. \_\_, of the Deed Records of \_\_ County, Texas; said tract or parcel of land herein conveyed, being more particularly described as follows: Beginning at a point the intersection of the center line of State Highway 159 and east property line of P. G. Ueckert tract out of the Stephen F. Austin 4 League Grant, Austin County, Texas. Thence Northeasterly along said line to a point north of and 50 feet from the center line measured at right angles. Thence S. 74° 15' W. 50 feet from center line to P. C. of a curve Station 13/13.3. Thence around said 0° 30' curve 50 feet from center line to P. T. Station 16/80.0. Thence S. 72° 25' W. 50 feet from center line to Station 24/00. Thence Southwest to a point 60 feet from center line measured at right angles. Thence S. 72° 25' W. 60 feet from center line to P. C. of curve Station 27/36.8 Thence Southwest to a point 50 feet from center line measured at right angles opposite Station 38/36.8. Thence Southwest and Northwest 50 feet from center line around a 2 degree curve to right to P. T. of curve Station 59/76.8 Thence N. 62° 47' W. 50 feet from center line to west property line of P. G. Ueckert. Thence S. 45° 30' along said property line, crossing center line at Station 70/98.5 to a point South of, 50 feet from center line measured at right angles. Thence S. 62° 47' E. 50 feet from center line to P. T. of curve Sta. 59/76.8. Thence around 2 degree curve to left 50 feet from center line to Sta. 38/36.8. Thence Northeast to P. C. Sta. 37/36.8 a point South of and 60 feet from center line measured at right angles. Thence N. 72° 25' W. 60 feet from center line to Sta. 25/00. Thence Northwest to a point 50 feet from center line measured at right angles opposite Sta. 24/00. Thence N. 72° 25' W. 50 feet from center line to P. T. of curve Sta. 16/80.0. Thence Northeast 50 feet from center line around a 0° 30" curve to Rt to P. C. of curve Sta. 13/13.3. Thence N. 74° 15' E. 50 feet from center line to East property line of the P. G. Ueckert tract. Thence Northeast along said property line to point of beginning, containing 16.02 acres, of which 13.93 acres is present right of way as recorded in Vol. 78, Page 521, Deed Records of Austin County. It is further agreed that the said P. G. Ueckert in consideration of the benefits above set out, will remove from the property above described such fences, buildings and other obstructions as may be found upon said property. To Have and to Hold the above described premises, together with all and singular the rights and hereditaments thereunto in anywise belonging unto the said State of Texas and its assigns; And I hereby bind myself, myself my heirs, executors and administrators to forever warrant and defend the rights and title to said premises unto the said State of Texas against every person whomsoever lawfully claiming or to claim the same or any part thereof.

11.

File No. MF100919  
Deed  
Date Filed 4/13/99  
By [Signature]

4234

PAID UP OIL AND GAS LEASE

THIS LEASE AGREEMENT is made as of the 28th day of August, 1997, between AMBROSE PAVALOCK and wife, DORIS PAVALOCK, as Lessor (whether one or more), Route 1, Box 50, <sup>Bellville, Texas</sup> 77418, and YEGUA OIL & GAS CO., as Lessee, P.O. Box 248, Somerville, Texas 77879. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

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

9.164 acres, more or less, out of the Stephen F. Austin Survey, A-4, Austin County, Texas, and being more fully described in that certain Deed dated August 7, 1972, conveying 24.164 acres, more or less, from Robert Roesler to Ambrose Pavalock and wife, Doris Pavalock, recorded in Volume 344, Page 30, Deed Records of Austin County, Texas. LESS 15.0 acres, more or less, conveyed in a Warranty Deed with Vendor's Lien dated October 13, 1979, from Ambrose Pavalock, et ux, to David Skweres, recorded in Volume 420, Page 538, Deed Records of Austin County, Texas. LEAVING 9.164 acres, more or less.

in the County of Austin, State of Texas, containing 9.164 gross acres, more or less, (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

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 9.164 acres, whether it actually comprises more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of THREE (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be ONE-SIXTH (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 market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be ONE-SIXTH (1/6) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to 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) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

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

instrument naming another institution as depository agent to receive payments.

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

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

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

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

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases 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. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor nor or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 400 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 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 reasonable time thereafter.

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

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offer or, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final 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.

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

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

LESSOR (WHETHER ONE OR MORE)

SS NO. OR TAX ID

Ambrose Pavalock  
Ambrose Pavalock

[REDACTED]

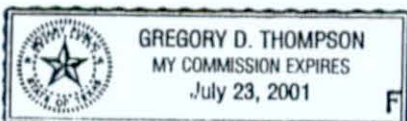
Doris Pavalock  
Doris Pavalock

[REDACTED]

ACKNOWLEDGMENT

STATE OF TEXAS }  
COUNTY OF AUSTIN }

This instrument was acknowledged before me on the 25<sup>th</sup> day of August, 1997, by AMBROSE PAVALOCK and wife, DORIS PAVALOCK.



Gregory D. Thompson  
Notary Public, State of Texas

FILED

97 OCT 30 PM 3: 13

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

## PAID UP OIL AND GAS LEASE

THIS LEASE AGREEMENT is made as of the 22nd day of September, 1997, between FOUR COUNTY AUCTION CENTER, as Lessor (whether one or more), P.O. Box 319, Industry, Texas 78944, and YEGUA OIL & GAS CO., as Lessee, P.O. Box 248, Somerville, Texas 77879. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

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

**27.843 acres**, more or less, out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, and being more fully described in Two Tracts of land as follows, to-wit:

**TRACT ONE:** 12.843 acres of land, more or less, out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, and being more fully described in that certain Deed dated November 1, 1993 conveyed from William L. Machemehl, et ux, to Four County Auction Center, recorded in Volume 691, Page 951, Official Records of Austin County, Texas. 1/2

**TRACT TWO:** 15.0 acres of land, more or less, out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, and being more fully described in that certain Deed dated May 31, 1985, conveyed from William Preston Fellers and wife, Dusky Ann Fellers, to Four County Auction Center, recorded in Volume 517, Page 409, Official Records of Austin County, Texas. 100%

in the County of Austin, State of Texas, containing **27.843 gross acres**, more or less, (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

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 **27.843 acres**, whether it actually comprises more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of **THREE (3) years** from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be **ONE-SIXTH (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 market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be **ONE-SIXTH (1/6)** of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to 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) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

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

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

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

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

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

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases 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. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor nor or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 400 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 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 reasonable time thereafter.

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

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offer or, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final 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.

14. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its rights,

may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties or shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

15. In the event a portion of the land herein leased is pooled leased or utilized so as to form a pool oil unit designation, operations on or commercially reasonable production from such pool or unit will maintain this lease in force only as to the land included in such pool or unit. This lease, as to the land included in such pool or unit, may be maintained in force and effect after the primary term of this lease by drilling or reworking operations as provided in this lease agreement. As to all other lands included within this lease as are not included within a pool or unit in which are not being held by continuing drilling or reworking operations under this lease, this lease shall terminate absolutely upon the expiration of said primary term.

16. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, LESSEE SHALL HAVE NO RIGHT TO USE THE SURFACE OF THE LEASED PREMISES FOR ANY PURPOSE. ALL EXPLORATION AND PRODUCTION OPERATIONS UNDER THE TERMS OF THIS LEASE SHALL BE ACCOMPLISHED BY MEANS OF POOLING UNDER THE TERMS HEREOF, OR BY MEANS OF DIRECTIONAL OR HORIZONTAL DRILLING FROM THE SURFACE LOCATION OFF OF THE LEASED PREMISES WITH NO OPERATIONS ON THE SURFACE OF THE LEASED PREMISES OR WITHIN A DEPTH OF 500 FEET FROM THE SURFACE.

17. The following Exhibit "A" agreements and provisions are attached to and are expressly made a part of this lease and shall supercede and govern the provisions in the printed text of this lease whenever such printed form is in conflict herewith.

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

LESSOR (WHETHER ONE OR MORE)

SS NO. OR TAX ID

By: Kenneth Richardson  
Four County Auction Center

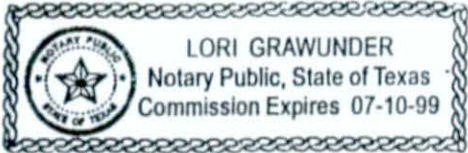
[REDACTED]

ACKNOWLEDGMENT

STATE OF TEXAS     }  
                                  }  
COUNTY OF AUSTIN   }

This instrument was acknowledged before me on the 20<sup>th</sup> day of September, 1997, by KENNETH RICHARDSON, PRESIDENT, FOUR COUNTY AUCTION CENTER.

Lori Grawunder  
Notary Public, State of Texas



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## "EXHIBIT A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL, GAS AND MINERAL LEASE EXECUTED BY FOUR COUNTY AUCTION CENTER, INC., LESSOR, IN FAVOR OF YEGUA OIL & GAS CO., LESSEE DATED SEPTEMBER \_\_\_\_\_, 1997.

ADDENDUM

18. 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 22 whichever occurs later, this lease shall automatically expire as to all depths lying deeper than 100 feet below the deepest depth drilled.

19. 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.

20. 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.

21. 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.

22. Notwithstanding anything to the contrary herein contained, drilling operations on or production from a pooled unit or units established under the provision of Paragraph 6 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 preceding 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.

23. 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.

24. 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.

25. 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.

26. 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.

27. 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.

28. Notwithstanding anything to the contrary hereinabove, by the acceptance hereof, Lessee agrees that no drilling, exploration or production operations will be conducted, nor any pipe line, structure or facility will be constructed upon the surface of said land without the prior written consent (in recordable form) of the then surface owner. Provided however, Lessee shall have the right to drill, explore and produce minerals from said land by operations which Lessee may conduct on adjoining or nearby acreage through the drilling, operating and maintaining of directional wells on such adjoining or nearby acreage or by operations which Lessee may conduct upon acreage with which said land or any part thereof may be pooled or unitized.

29. 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.

30. 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.

31. 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.

32. 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.

33. 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.

34. 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.

35. In the event any of the acreage covered by this lease is released by operation of the terms of Paragraph 22 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.

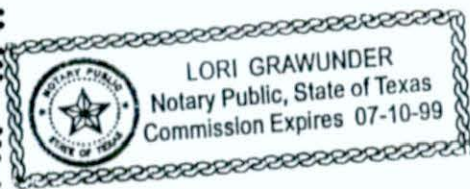
FOUR COUNTY AUCTION CENTER, INC., having caused these presents to be executed by the officer whose signature appears hereinbelow, this the 22<sup>nd</sup> day of SEPTEMBER, 1997.

FOUR COUNTY AUCTION CENTER, INC.

BY: Kenneth Richardson  
Kenneth Richardson, its  
file

THE STATE OF TEXAS §  
COUNTY OF AUSTIN §

This instrument was acknowledged before me on the 26<sup>th</sup> day of September, A.D., 1997, by KENNETH RICHARDSON, PRESIDENT of FOUR COUNTY AUCTION CENTER, INC., on behalf of said Corporation.



Lori Grawunder  
Notary Public, State of Texas

Printed/Stamped Name of Notary and Commission Expiration Date

GM/lg 017/Rider/Four

→ San Smith

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. COUNTY OF AUSTIN STATE OF TEXAS 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 hereon.



Carrie Gregor  
Carrie Gregor County Clerk  
Austin County, Texas

FILED  
97 NOV 24 PM 2:38  
Carrie Gregor  
COUNTY CLERK  
AUSTIN COUNTY, TEXAS

**PAID UP OIL AND GAS LEASE**

THIS LEASE AGREEMENT is made as of the 22nd day of September, 1997, between FOUR COUNTY AUCTION CENTER, as Lessor (whether one or more), P.O. Box 319, Industry, Texas 78944, and YEGUA OIL & GAS CO., as Lessee, P.O. Box 248, Somerville, Texas 77879. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

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

**27.843 acres**, more or less, out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, and being more fully described in Two Tracts of land as follows, to-wit:

**TRACT ONE:** 12.843 acres of land, more or less, out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, and being more fully described in that certain Deed dated November 1, 1993 conveyed from William L. Machemehl, et ux, to Four County Auction Center, recorded in Volume 691, Page 951, Official Records of Austin County, Texas. 1/2

**TRACT TWO:** 15.0 acres of land, more or less, out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, and being more fully described in that certain Deed dated May 31, 1985, conveyed from William Preston Fellers and wife, Dusky Ann Fellers, to Four County Auction Center, recorded in Volume 517, Page 409, Official Records of Austin County, Texas. 100'

in the County of Austin, State of Texas, containing **27.843 gross acres**, more or less, (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

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 **27.843 acres**, whether it actually comprises more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of **THREE (3) years** from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be **ONE-SIXTH (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 market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be **ONE-SIXTH (1/6)** of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to 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) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

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

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

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

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

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

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases 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. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor nor or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 400 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 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 reasonable time thereafter.

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

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offer or, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final 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.

14. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its rights,

may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties or shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

15. In the event a portion of the land herein leased is pooled leased or utilized so as to form a pool oil unit designation, operations on or commercially reasonable production from such pool or unit will maintain this lease in force only as to the land included in such pool or unit. This lease, as to the land included in such pool or unit, may be maintained in force and effect after the primary term of this lease by drilling or reworking operations as provided in this lease agreement. As to all other lands included within this lease as are not included within a pool or unit in which are not being held by continuing drilling or reworking operations under this lease, this lease shall terminate absolutely upon the expiration of said primary term.

16. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, LESSEE SHALL HAVE NO RIGHT TO USE THE SURFACE OF THE LEASED PREMISES FOR ANY PURPOSE. ALL EXPLORATION AND PRODUCTION OPERATIONS UNDER THE TERMS OF THIS LEASE SHALL BE ACCOMPLISHED BY MEANS OF POOLING UNDER THE TERMS HEREOF, OR BY MEANS OF DIRECTIONAL OR HORIZONTAL DRILLING FROM THE SURFACE LOCATION OFF OF THE LEASED PREMISES WITH NO OPERATIONS ON THE SURFACE OF THE LEASED PREMISES OR WITHIN A DEPTH OF 500 FEET FROM THE SURFACE.

17. The following Exhibit "A" agreements and provisions are attached to and are expressly made a part of this lease and shall supercede and govern the provisions in the printed text of this lease whenever such printed form is in conflict herewith.

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

LESSOR (WHETHER ONE OR MORE)

SS NO. OR TAX ID

By: Kenneth Richardson  
Four County Auction Center

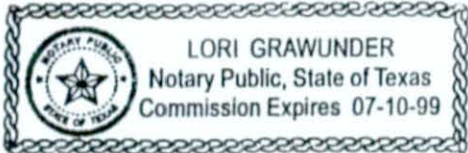
[REDACTED]

ACKNOWLEDGMENT

STATE OF TEXAS        )  
                                  )  
COUNTY OF AUSTIN    )

This instrument was acknowledged before me on the 21<sup>st</sup> day of September, 1997, by KENNETH RICHARDSON, PRESIDENT, FOUR COUNTY AUCTION CENTER.

Lori Grawunder  
Notary Public, State of Texas



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## "EXHIBIT A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL, GAS AND MINERAL LEASE EXECUTED BY FOUR COUNTY AUCTION CENTER, INC., LESSOR, IN FAVOR OF YEGUA OIL & GAS CO., LESSEE DATED SEPTEMBER \_\_\_\_\_, 1997.

ADDENDUM

18. 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 22 whichever occurs later, this lease shall automatically expire as to all depths lying deeper than 100 feet below the deepest depth drilled.

19. 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.

20. 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.

21. 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.

22. Notwithstanding anything to the contrary herein contained, drilling operations on or production from a pooled unit or units established under the provision of Paragraph 6 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 preceding 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.

23. 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.

24. 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.

25. 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.

26. 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.

27. 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.

28. Notwithstanding anything to the contrary hereinabove, by the acceptance hereof, Lessee agrees that no drilling, exploration or production operations will be conducted, nor any pipe line, structure or facility will be constructed upon the surface of said land without the prior written consent (in recordable form) of the then surface owner. Provided however, Lessee shall have the right to drill, explore and produce minerals from said land by operations which Lessee may conduct on adjoining or nearby acreage through the drilling, operating and maintaining of directional wells on such adjoining or nearby acreage or by operations which Lessee may conduct upon acreage with which said land or any part thereof may be pooled or unitized.

29. 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.

30. 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.

31. 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.

32. 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.

33. 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.

34. 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 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.

35. In the event any of the acreage covered by this lease is released by operation of the terms of Paragraph 22 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.

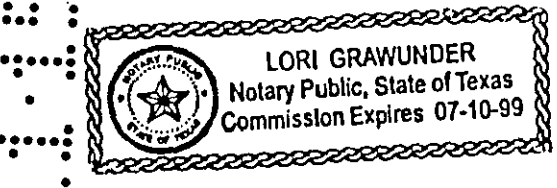
FOUR COUNTY AUCTION CENTER, INC., having caused these presents to be executed by the officer whose signature appears hereinbelow, this the 22<sup>nd</sup> day of SEPTEMBER, 1997.

FOUR COUNTY AUCTION CENTER, INC.

BY: Kenneth Richardson  
Kenneth Richardson, its  
Pres

THE STATE OF TEXAS §  
 COUNTY OF AUSTIN §

This instrument was acknowledged before me on the 26<sup>th</sup> day of September, A.D., 1997, by KENNETH RICHARDSON, PRESIDENT of FOUR COUNTY AUCTION CENTER, INC., on behalf of said Corporation.



Lori Grawunder  
 Notary Public, State of Texas

Printed/Stamped Name of Notary and Commission Expiration Date

GM/lg 017/Rider/Four

→ Dan Smith

FILED  
 97 NOV 24 PM 2: 38  
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 of race is invalid and unenforceable under federal law.  
 COUNTY OF AUSTIN  
 STATE OF TEXAS  
 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

## PAID UP OIL AND GAS LEASE

THIS LEASE AGREEMENT is made as of the 5th day of November, 1997, between UECKERT PARTNERS, LTD, as Lessor (whether one or more) 454 hwy 159 West, Bellville, Texas 77418, and YEGUA OIL & GAS CO., as Lessee, P.O. Box 248, Somerville, Texas 77879. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

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

**69.493 acres**, more or less, out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, and being more fully described in Two (2) Tracts of land as follows, to-wit:

**TRACT ONE:** 30.125 acres of land, more or less, out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, and being more fully described as Tract Eleven (11) in that certain Deed dated October 5, 1990, conveyed from Otis A. Ueckert to Ueckert Partners, LTD, recorded in Volume 645, Page 525, Official Records of Austin County, Texas.

**TRACT TWO:** 39.368 acres of land, more or less, out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, and being comprised of Three (3) Tracts of 7.816 acres, 18.720 acres and 12.832 acres and being the same land more fully described as Tract A, Tract B, and Tract C of Tract Twenty-Two (22) in that certain Correction Warranty Deed dated October 5, 1990, conveyed from Otis A. Ueckert to Ueckert Partners, LTD, recorded in Volume 645, Page 525, Official Records of Austin County, Texas.

in the County of Austin, State of Texas, containing **69.493 gross acres**, more or less, (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

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 **69.493 acres**, whether it actually comprises more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of **THREE (3) years** from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be **THREE-SIXTEENTHS (3/16ths)** 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 market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be **THREE-SIXTEENTHS (3/16ths)** of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to 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) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith shall cease to produce oil, gas or other substances in paying quantities, then the lease shall not terminate provided the Lessee commences the payment of shut-in royalties as hereinafter provided. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of **One Dollar (\$1.00) per acre** then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Notwithstanding any terms herein to the contrary, this lease shall not be continued in force solely by the payment of shut-in royalties for any one shut-in period of more than two (2) consecutive years.

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

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

from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The 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 a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an individual gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests. Notwithstanding anything to the contrary contained in this lease, if a pooled unit is established hereunder which includes land not covered by this lease and such unit does not include within the boundaries of the unit all of the land covered by this lease (the land covered by this lease located outside of the boundaries of such pooled unit being referred to herein as "unpooled land"), then it is agreed that drilling or reworking operations on a well within such unit, or production of a utilized mineral from any such unit, shall serve to continue this lease in force as to all land within the unit, as to all depths thereunder, but shall not serve to continue this lease in force as to such unpooled land; provided, any drilling or reworking operations on land covered by this lease within any such pooled unit with respect to a non-utilized horizon from land covered by this lease within any such pooled unit, as well as operations on or production from a pooled unit consisting entirely of lands covered by this lease, shall serve to continue this lease in force as to all lands covered hereby as to all depths thereunder in accordance with the other provisions of this lease as through no such unit had been formed.

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

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

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

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

12. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period.

13. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its obligations,

may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties or shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

14. (a) In the event a portion of the land herein leased is pooled leased or utilized so as to form a pool oil unit designation, operations on or commercially reasonable production from such pool or unit will maintain this lease in force only as to the land included in such pool or unit. This lease, as to the land included in such pool or unit, may be maintained in force and effect after the primary term of this lease by drilling or reworking operations as provided in this lease agreement. As to all other lands included within this lease as are not included within a pool or unit in which are not being held by continuing drilling or reworking operations under this lease, this lease shall terminate absolutely upon the expiration of said primary term. (b) Notwithstanding the provisions of the printed portions of this lease as permit Lessee to pool the lands covered by this lease with lands belonging to persons other than Lessor, and the immediately preceding paragraph, Lessee covenants and agrees that Lessee shall utilize and include 100% of Lessor's land in a pool or unit designated should Lessee elect to place a well on Lessor's lands and to pool or utilize the leased premises with lands belonging to others. As to any well drilled on land other than said land ("other land") where Lessee desires to exercise its option to pool or utilize any portion of said land with such other lands, it is understood that at least one-half (1/2) of the lands covered by any such pool or unit shall be out of the lands covered by this lease.

15. Lessee's right to lay pipelines shall be limited to such lines as are necessary to transport oil and gas from wells located upon the leased premises or upon property with which Lessor's land has been pooled to form a pool or unit for the purpose of production to the nearest pipeline to which said oil and gas is to be delivered. Lessee shall have no right to lay pipelines across Lessor's property to carry production from any well or wells which are not located upon the leased premises as aforesaid. Lessee agrees to bury all pipelines as a depth not less than 60 inches (or not less than 60" on plowed ground) below the surface of the ground and shall be located all pipelines as near to the boundary of said lands as reasonably possible and shall consult and mutually agree with Lessor prior to the laying of any such pipelines regarding the proposed locations of such pipelines.

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

LESSOR (WHETHER ONE OR MORE)

SS NO. OR TAX ID

By: Otis A. Ueckert  
Otis A. Ueckert, General Partner

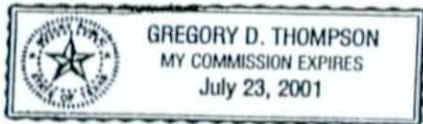
[Redacted]

ACKNOWLEDGMENT

STATE OF TEXAS )  
                                  )  
COUNTY OF AUSTIN )

This instrument was acknowledged before me on the 12<sup>th</sup> day of December, 1997, by OTIS A. UECKERT, General Partner for UECKERT PARTNERS, LTD.

Gregory D. Thompson  
Notary Public, State of Texas



→ Jack Howe

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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 duly RECORDED in the OFFICIAL PUBLIC RECORDS AUSTIN COUNTY, TEXAS. In the presence of: [Redacted]

FILED  
98 JAN 20 PM 4:47  
Carrie Gregor  
COUNTY CLERK  
AUSTIN COUNTY, TEXAS



Carrie Gregor  
Carrie Gregor County Clerk  
Austin County, Texas

## PAID UP OIL AND GAS LEASE

THIS LEASE AGREEMENT is made as of the 5th day of November, 1997, between UECKERT PARTNERS, LTD, as Lessor (whether one or more) 454 hwy 159 West, Bellville, Texas 77418, and YEGUA OIL & GAS CO., as Lessee, P.O. Box 248, Somerville, Texas 77879. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

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

**69.493 acres**, more or less, out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, and being more fully described in Two (2) Tracts of land as follows, to-wit:

**TRACT ONE:** 30.125 acres of land, more or less, out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, and being more fully described as Tract Eleven (11) in that certain Deed dated October 5, 1990, conveyed from Otis A. Ueckert to Ueckert Partners, LTD, recorded in Volume 645, Page 525, Official Records of Austin County, Texas.

**TRACT TWO:** 39.368 acres of land, more or less, out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, and being comprised of Three (3) Tracts of 7.816 acres, 18.720 acres and 12.832 acres and being the same land more fully described as Tract A, Tract B, and Tract C of Tract Twenty-Two (22) in that certain Correction Warranty Deed dated October 5, 1990, conveyed from Otis A. Ueckert to Ueckert Partners, LTD, recorded in Volume 645, Page 525, Official Records of Austin County, Texas.

in the County of Austin, State of Texas, containing 69.493 gross acres, more or less, (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

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 69.493 acres, whether it actually comprises more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of THREE (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be THREE-SIXTEENTHS (3/16ths) 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 market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be THREE-SIXTEENTHS (3/16ths) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to 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) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith shall cease to produce oil, gas or other substances in paying quantities, then the lease shall not terminate provided the Lessee commences the payment of shut-in royalties as hereinafter provided. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of One Dollar (\$1.00) per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Notwithstanding any terms herein to the contrary, this lease shall not be continued in force solely by the payment of shut-in royalties for any one shut-in period of more than two (2) consecutive years.

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

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

from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The 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 a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an individual gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests. Notwithstanding anything to the contrary contained in this lease, if a pooled unit is established hereunder which includes land not covered by this lease and such unit does not include within the boundaries of the unit all of the land covered by this lease (the land covered by this lease located outside of the boundaries of such pooled unit being referred to herein as "unpooled land"), then it is agreed that drilling or reworking operations on a well within such unit, or production of a unutilized mineral from any such unit, shall serve to continue this lease in force as to all land within the unit, as to all depths thereunder, but shall not serve to continue this lease in force as to such unpooled land; provided, any drilling or reworking operations on land covered by this lease within any such pooled unit with respect to a non-utilized horizon from land covered by this lease within any such pooled unit, as well as operations on or production from a pooled unit consisting entirely of lands covered by this lease, shall serve to continue this lease in force as to all lands covered hereby as to all depths thereunder in accordance with the other provisions of this lease as though no such unit had been formed.

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

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

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

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

12. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period.

13. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its costs,

may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties or shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

14. (a) In the event a portion of the land herein leased is pooled leased or utilized so as to form a pool oil unit designation, operations on or commercially reasonable production from such pool or unit will maintain this lease in force only as to the land included in such pool or unit. This lease, as to the land included in such pool or unit, may be maintained in force and effect after the primary term of this lease by drilling or reworking operations as provided in this lease agreement. As to all other lands included within this lease as are not included within a pool or unit in which are not being held by continuing drilling or reworking operations under this lease, this lease shall terminate absolutely upon the expiration of said primary term. (b) Notwithstanding the provisions of the printed portions of this lease as permit Lessee to pool the lands covered by this lease with lands belonging to persons other than Lessor, and the immediately preceding paragraph, Lessee covenants and agrees that Lessee shall utilize and include 100% of Lessor's land in a pool or unit designated should Lessee elect to place a well on Lessor's lands and to pool or utilize the leased premises with lands belonging to others. As to any well drilled on land other than said land ("other land") where Lessee desires to exercise its option to pool or utilize any portion of said land with such other lands, it is understood that at least one-half (1/2) of the lands covered by any such pool or unit shall be out of the lands covered by this lease.

15. Lessee's right to lay pipelines shall be limited to such lines as are necessary to transport oil and gas from wells located upon the leased premises or upon property with which Lessor's land has been pooled to form a pool or unit for the purpose of production to the nearest pipeline to which said oil and gas is to be delivered. Lessee shall have no right to lay pipelines across Lessor's property to carry production from any well or wells which are not located upon the leased premises as aforesaid. Lessee agrees to bury all pipelines as a depth not less than 60 inches (or not less than 60" on plowed ground) below the surface of the ground and shall be located all pipelines as near to the boundary of said lands as reasonably possible and shall consult and mutually agree with Lessor prior to the laying of any such pipelines regarding the proposed locations of such pipelines.

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

LESSOR (WHETHER ONE OR MORE)

SS NO. OR TAX ID

By: Otis A. Ueckert  
Otis A. Ueckert, General Partner

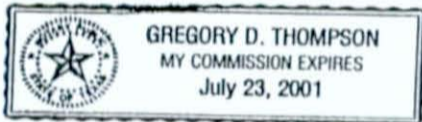
[Redacted]

ACKNOWLEDGMENT

STATE OF TEXAS )  
                                          )  
COUNTY OF AUSTIN )

This instrument was acknowledged before me on the 12<sup>th</sup> day of November, 1997, by OTIS A. UECKERT, General Partner for UECKERT PARTNERS, LTD.

Gregory D. Thompson  
Notary Public, State of Texas



→ Jack Howe

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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 duly RECORDED in the OFFICIAL PUBLIC RECORDS of AUSTIN COUNTY, TEXAS, in the Subdivision and Map of [Redacted]

FILED  
98 JAN 20 PM 4:47  
Carrie Gregor  
COUNTY CLERK  
AUSTIN COUNTY, TEXAS



Carrie Gregor  
Carrie Gregor County Clerk  
Austin County, Texas

THIS LEASE AGREEMENT is made effective the 24<sup>th</sup> day of August, 19 99,

between Douglas D. Laughter and wife, Nelda R. Laughter, Bret Laughter and wife, Laura Ann Laughter

as Lessor (whether one or more), whose address is 15806 Tumbling Rapids, Houston, TX 77084

and UNION PACIFIC RESOURCES COMPANY, as Lessee,

whose address is 777 Main 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:

18.720 acres of land, more or less, out of and a part of the Stephen F. Austin Survey, A-4, Austin County, Texas, and being more particularly described in that certain Deed dated January 28, 1998, from Douglas D. Laughter and wife, Nelda R. Laughter to Bret Laughter and wife, Laura Ann Laughter recorded under File No. 980559 Real Property Records, Austin County, Texas.

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

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

and shut-in royalties hereunder, said land shall be deemed to be comprised of 18.7200 acres, whether it actually comprises more or less.

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

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

at Lessee's held separator facilities, the royalty shall be 1/6 of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead posted price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity less a proportionate part of ad valorem taxes and production, severance, or other excise taxes, (b) for gas (including casinghead gas) and all other

covered minerals, the royalty shall be 1/6 of the net proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and (c) if during or after the primary term one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut-in or production therefrom is not being sold by Lessee for a period of 90 consecutive days, then Lessee may pay shut-in royalty of one dollar per acre of land then covered by this lease, such payment to be made to Lessor on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in and it shall be considered that such well is producing in paying quantities for all purposes hereof during any period for which such shut-in royalty is tendered; provided that if this lease is otherwise being maintained by the payment of rentals or by operations, or if a well or wells on the leased premises is producing in paying quantities, no shut-in royalty shall be due until the end of the 90-day period next following the end of the rental period or the cessation of such operations or production, as the case may be. Lessee shall have free use of oil, gas, water, and other substances produced from said land, except water from Lessor's wells or ponds, for all operations hereunder, and Lessor's royalty shall be computed after deducting any so used.

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

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

may be produced from the leased premises. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and the effective date of revision shall be the date of filing unless provided otherwise in such declaration. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly, and such adjustment shall be made effective as of the effective date of the revision. Lessee may at any time dissolve any unit formed hereunder by filing a written declaration describing the unit, and the effective date of dissolution shall be the date of filing unless provided otherwise in such declaration. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but Lessee shall nevertheless have the right to pool or unitize as provided in this paragraph with consequent allocation of production as herein provided. As used herein the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises. Pooling hereunder shall not constitute a cross-conveyance of interests.

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

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

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

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

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

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

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

SS# AND/OR TAX ID #

000-00-0000

000-00-0000

LESSOR:

*Douglas D. Laughter*  
Douglas D. Laughter

*Nelda R. Laughter*  
Nelda R. Laughter

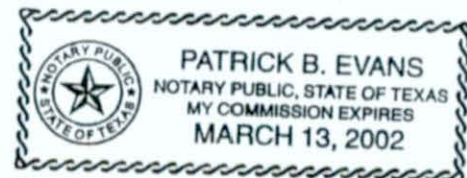
STATE OF TEXAS )

COUNTY OF HARRIS )

) ss.

This instrument was acknowledged before me this 4<sup>th</sup> day of September, 1999, by Douglas D. Laughter and wife, Nelda R. Laughter.

*Patrick B. Evans*  
Notary Public, State of Texas



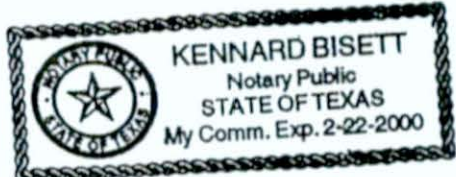
STATE OF TEXAS )

COUNTY OF AUSTIN )

) ss.

This instrument was acknowledged before me this 14<sup>th</sup> day of October, 1999, by Bret Laughter and wife, Laura Ann Laughter.

*Kennard Bisett*  
Notary Public, State of Texas



Attached hereto and made a part hereof that certain Oil and Gas Lease dated August 24, 1999 by and between Douglas D. Laughter and wife, et. al., as Lessor, and UNION PACIFIC RESOURCES COMPANY as Lessee.

SS # AND/OR TAX ID #:

LESSOR: *Bret Laughter*  
Bret Laughter

*Laura Ann Laughter*  
Laura Ann Laughter

2  
5  
3

*DL N.A.L.*  
LESSOR INITIALS

### Exhibit A

#### 12. DAMAGE/CLEAN UP

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

#### 13. 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.

#### 14. 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.

#### 15. PUGH VERTICAL

At the end of the primary term hereof, this Lease shall expire as to all depths below 100 feet below the deepest depth drilled, provided however, if Lessee is then engaged in drilling operations on the leased premises or on acreage pooled therewith, this Lease shall remain in full force and effect as to all depths so long as no more than ninety (90) days elapse between the completion or abandonment of one well and the commencement of operations for the drilling of another well.

#### NON SURFACE USE

It is agreed and understood that no surface operations may be conducted, and no new roads, pipelines or sites may be built on the surface of the leased premises herein without the express prior written consent of Lessor, which consent can be withheld. It is agreed that Lessee shall have no rights of ingress or access to surface of the herein leased premises for any purpose whatsoever. It is further understood and agreed that Lessee shall have the right to drill and operate directional wells with a surface location on other lands and drill and operate through and under said land irrespective of the bottom hole locations of said wells, and in such event Lessor hereby grants a subsurface easement for all purposes associated with such directional wells.

.....  
.....

*DDL M.B.L. D.L. B.D.*  
LESSOR INITIALS

853

Return to:  
→ Verna Lammers  
2800 N Park  
Brenham TX  
77833

FILED  
99 OCT 18 AM 11:12  
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

996276 5

## PAID UP OIL AND GAS LEASE

THIS LEASE AGREEMENT is made as of the 15th day of October, 1997, between TRAVIS JAMES LEIGH and wife, BETTY J. LEIGH, as Lessor (whether one or more), 789 FM 2764, Bellville, Texas 77418, and YEGUA OIL & GAS CO., as Lessee, P.O. Box 248, Somerville, Texas 77879. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

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

35.046 acres, more or less, out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, and being more fully described in that certain Warranty Deed dated September 5, 1991, conveyed from Brenham National Bank to Travis J. Leigh and wife, Betty J. Leigh, recorded in Volume 645, Page 645, Official Records of Austin County, Texas.

in the County of Austin, State of Texas, containing 35.046 gross acres, more or less, (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

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 35.046 acres, whether it actually comprises more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of THREE (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be ONE-SIXTH (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 market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be ONE-SIXTH (1/6) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to 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) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of ONE DOLLAR (\$1.00) per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

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

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

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The 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 a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition

is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an individual gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

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

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

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases 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. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor nor hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house, barn or other structure now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within reasonable time thereafter.

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

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offer or, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final 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.

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

15. In the event a portion of the land herein leased is pooled leased or unitized so as to form a pool oil unit designation, operations on or commercially reasonable production from such pool or unit will maintain this lease in force only as to the land included in such pool or unit. This lease, as to the land included in such pool or unit, may be maintained in force and effect after the primary term of this lease by drilling or reworking operations as provided in this lease agreement. As to all other lands included within this lease as are not included within a pool or unit in which are not being held by continuing drilling or reworking operations under this lease, this lease shall terminate absolutely upon the expiration of said primary term. Notwithstanding the provisions of the printed portions of this

lease as permit Lessee to pool the lands covered by this lease with lands belonging to persons other than Lessor, and the immediately preceding paragraph, Lessee covenants and agrees that Lessee shall utilize and include 100% of Lessor's land in a pool or unit designated should Lessee elect to place a well on Lessor's lands and to pool or utilize the leased premises with lands belonging to others. As to any well drilled on land other than said land ("other land") where Lessee desires to exercise its option to pool or utilize any portion of said land with such other lands, it is understood that at least one-half (1/2) of the lands covered by any such pool or unit shall be out of the lands covered by this lease.

16. Lessee shall pay for all damages caused by its operations hereunder to houses, buildings, fences, wells, roads, gates, cattle guards, terraces, culverts, bridges and other improvements, cattle and other livestock, growing crops, trees and grasses within one hundred eighty (180) days from the date damages are sustained by Lessor. Within six (6) months after the termination of operations on the particular area requiring restoration, the Lessee shall fill in and cover all slush pits and other excavations made in the course of its operations hereunder and shall clean up the drill site and restore the surface to as near the original condition (prior to operations) as is practicable. Lessor shall not be responsible for violation of the Environmental Protection Act or any other governmental rules, regulations, ordinances and statutes as may pertain to the surface and/or subsurface storage or disposal of environmental or hazardous waste of any kind or character. All operations shall be conducted to prevent contamination of any and all soils, and of any and all surface and subsurface waters in, under or on said leased premises. Any violation by Lessee or Lessee's subcontractors, representatives, agents, or assigns are the responsibility of Lessee. LESSEE, ITS SUCCESSORS AND ASSIGNS AGREE TO INDEMNIFY AND HOLD LESSOR AND LESSOR'S HEIRS AND ASSIGNS HARMLESS FROM ANY AND ALL CLAIMS ARISING OUT OF OR INCIDENT TO LESSEE'S, ITS SUCCESSORS OR ASSIGNS, EXPLORATION AND DEVELOPMENT OPERATIONS, INCLUDING WITHOUT LIMITATION, LIABILITY AND DAMAGES FOR SOIL AND/OR WATER CONTAMINATION OR OTHER ENVIRONMENTAL HAZARDS. LESSEE SHALL BE RESPONSIBLE FOR ANY VIOLATION BY LESSEE OR LESSEE'S SUBCONTRACTORS, AGENTS, REPRESENTATIVES OR EMPLOYEES OF ANY GOVERNMENTAL RULE, REGULATION, ORDINANCE OR STATUTE; AND SHALL INDEMNIFY AND HOLD LESSOR HARMLESS FROM ALL LIABILITY ARISING THEREFROM.

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

LESSOR (WHETHER ONE OR MORE)

SS NO. OR TAX ID

*Travis James Leigh by Betty Leigh POA*  
Travis James Leigh

[Redacted]

*Betty J. Leigh*  
Betty J. Leigh

[Redacted]

ACKNOWLEDGMENT

STATE OF TEXAS }  
WASHINGTON }  
COUNTY OF AUSTIN }

This instrument was acknowledged before me on the 5th day of <sup>Nov</sup>~~October~~, 1997, by TRAVIS JAMES LEIGH and wife, BETTY J. LEIGH.

*Pat Tomachevsky*  
Notary Public, State of Texas



980035

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. COUNTY OF AUSTIN STATE OF TEXAS 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.

FILED

98 JAN -7 PM 3:41

*Carrie Gregor*

COUNTY CLERK  
AUSTIN COUNTY, TEXAS



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

975847

124

Producers 88 (4-89) - Paid Up  
With 610 Acres Pooling Provision

C/25

### PAID UP OIL AND GAS LEASE

THIS LEASE AGREEMENT is made as of the 19th day of August, 1997, between B.W. SISA and wife, SANDRA SISA, as Lessor (whether one or more) 759 FM 2754, Bellville, Texas 77418, and YEGUA OIL & GAS CO., as Lessee, P.O. Box 248, Somerville, Texas 77879. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

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

**51.570 acres**, more or less, out of the Stephen F. Austin Survey, A-4, Austin County, Texas, and being more fully described in the following Two Tracts, to-wit:

**TRACT ONE:** 57.5 acres of land, more or less, out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, and being more fully described in that certain Deed of Gift dated June 14, 1994, conveyed from J.B. Sisa and wife, Otilie Sisa, to B.W. Sisa and wife, Sandra Sisa, recorded in Volume 708, Page 124, Deed Records of Austin County, Texas. **LESS, HOWEVER, that certain 5.93 acre tract**, more or less, conveyed to Connie Huff, et ux, from J.B. Sisa, et al, by Deed dated April 20, 1970 and recorded in Volume 318, Page 348, Deed Records of Austin County, Texas; **AND, LESS ALSO, HOWEVER, that certain 11.0148 acre tract**, conveyed to B.W. Sisa, et ux, from J.B. Sisa, et al, by Deed dated April 1, 1978, recorded in Volume 398, Page 467, Deed Records of Austin County, Texas: **LEAVING 40.5552 acres**, more or less.

**TRACT TWO:** 11.0148 acres of land, more or less, out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, and being more fully described in that Deed dated April 1, 1978, conveyed from J.B. Sisa, et al, to B.W. Sisa, et ux, recorded in Volume 398, Page 467, Deed Records of Austin County, Texas.

in the County of Austin, State of Texas, containing **51.570 gross acres**, more or less, (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

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 **51.570 acres**, whether it actually comprises more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of **THREE (3) years** from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be **ONE-SIXTH (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 market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be **ONE-SIXTH (1/6)** of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to 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) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) If at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

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

5. If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in

paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

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

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

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

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases 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. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor nor or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 600 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 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 reasonable time thereafter.

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

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offer or, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the

breach or default, within such period. In the event the matter is litigated and there is a final 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.

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

15. In the event a portion of the land herein leased is pooled leased or utilized so as to form a pool oil unit designation, operations on or commercially reasonable production from such pool or unit will maintain this lease in force only as to the land included in such pool or unit. This lease, as to the land included in such pool or unit, may be maintained in force and effect after the primary term of this lease by drilling or reworking operations as provided in this lease agreement. As to all other lands included within this lease as are not included within a pool or unit in which are not being held by continuing drilling or reworking operations under this lease, this lease shall terminate absolutely upon the expiration of said primary term.

16. Lessee shall pay for all damages caused by its operations hereunder to houses, buildings, fences, wells, roads, gates, cattle guards, terraces, culverts, bridges and other improvements, cattle and other livestock, growing crops, trees and grasses within one hundred eighty (180) days from the date damages are sustained by Lessor. Within six (6) months after the termination of operations on the particular area requiring restoration, the Lessee shall fill in and cover all slush pits and other excavations made in the course of its operations hereunder and shall clean up the drill site and restore the surface to as near the original condition (prior to operations) as is practicable. Lessor shall not be responsible for violation of the Environmental Protection Act or any other governmental rules, regulations, ordinances and statutes as may pertain to the surface and/or subsurface storage or disposal of environmental or hazardous waste of any kind or character. All operations shall be conducted to prevent contamination of any and all soils, and of any and all surface and subsurface waters in, under or on said leased premises. Any violation by Lessee or Lessee's subcontractors, representatives, agents, or assigns are the responsibility of Lessee. LESSEE, ITS SUCCESSORS AND ASSIGNS AGREE TO INDEMNIFY AND HOLD LESSOR AND LESSOR'S HEIRS AND ASSIGNS HARMLESS FROM ANY AND ALL CLAIMS ARISING OUT OF OR INCIDENT TO LESSEE'S, ITS SUCCESSORS OR ASSIGNS, EXPLORATION AND DEVELOPMENT OPERATIONS, INCLUDING WITHOUT LIMITATION, LIABILITY AND DAMAGES FOR SOIL AND/OR WATER CONTAMINATION OR OTHER ENVIRONMENTAL HAZARDS. LESSEE SHALL BE RESPONSIBLE FOR ANY VIOLATION BY LESSEE OR LESSEE'S SUBCONTRACTORS, AGENTS, REPRESENTATIVES OR EMPLOYEES OF ANY GOVERNMENTAL RULE, REGULATION, ORDINANCE OR STATUTE; AND SHALL INDEMNIFY AND HOLD LESSOR HARMLESS FROM ALL LIABILITY ARISING THEREFROM.

17. Lessee shall have no right to pool Lessor's acreage unless the acreage within the pooled unit is at least Fifty Percent (50%) acreage from Lessor's property. Lessee may form a pooled unit which has within its boundaries less than Fifty Percent (50%) of its acreage from Lessor's property only with the prior written consent of the Lessor. However, in the event, Lessee sites a well on Lessor's property, then 100% of Lessor's property shall be included in the pooled acreage.

SEE EXHIBIT "A" HEREIN ATTACHED AND MADE A PART OF THIS LEASE.

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

LESSOR (WHETHER ONE OR MORE)

SS NO. OR TAX ID

B.W. Sisa  
B.W. Sisa

[Redacted]

Sandra Sisa  
Sandra Sisa

[Redacted]

ACKNOWLEDGMENT

STATE OF TEXAS )  
COUNTY OF AUSTIN )

This instrument was acknowledged before me on the 22nd day of September, 1997, by B.W. SISA and wife, SANDRA SISA.

Sharon Pieper  
Notary Public, State of Texas



"EXHIBIT A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL, GAS AND MINERAL LEASE EXECUTED BY B. W. SISA and wife, SANDRA SISA, LESSOR, IN FAVOR OF YEGUA OIL & GAS CO., LESSEE DATED AUGUST 19, 1997.

ADDENDUM

18. 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 22 whichever occurs later, this lease shall automatically expire as to all depths lying deeper than 100 feet below the deepest depth drilled.

19. 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.

20. 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.

21. 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.

22. Notwithstanding anything to the contrary herein contained, drilling operations on or production from a pooled unit or units established under the provision of Paragraph 6 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 preceding provision, upon the expiration of the primary term if operations for drilling are being conducted or if there exists a well capable of producing 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.

23. 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.

24. 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.

25. 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.

26. 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.

27. 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.

28. 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 72 hours after receipt of such notice from Lessee. If Lessor has not responded within this 72 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.

29. 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.

30. 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.

31. 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.

32. 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.

33. 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.

34. 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 41 hereof. Roads constructed by Lessee shall be maintained, during the term of this Lease, in a condition satisfactory to Lessor.

35. 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.

36. 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.

37. 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 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.

38. 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, nor can there be any alcohol or illegal drugs brought upon the premises.

39. 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.

40. 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.

41. 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. The parties hereto agree that the damages and rental for the drillsite, roadways, flowline, storage and treatment facilities during the duration of this Lease shall be the greater of (i) \$10,000.00 or (ii) \$5,000.00 per acre of land consumed by said drillsite, roadways, flowlines, storage and treatment facilities; and said moneys shall be payable prior to commencement of drilling activities.

42. In the event Lessee installs a water well on the subject property to facilitate drilling operations, Lessee agrees, upon abandonment of such water well, to install for the benefit of Lessor, permanent casing and strainer. Such water well, casing and strainer shall become the sole property of Lessor upon abandonment of such water well by Lessee.

43. 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.

44. In the event any of the acreage covered by this lease is released by operation of the terms of Paragraph 22 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 19th day of August, A.D., 1997.

B.W. Sisa  
B. W. SISA

Sandra Sisa  
SANDRA SISA

THE STATE OF TEXAS §  
COUNTY OF AUSTIN §

This instrument was acknowledged before me on the 17<sup>th</sup> day of September, A.D., 1997, by B. W. SISA and wife, SANDRA SISA.

Larry Macha  
Notary Public, State of Texas



Printed/Stamped Name of Notary  
and Commission Expiration Date

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.  
COUNTY OF AUSTIN  
STATE OF TEXAS  
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



FILED  
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Carrie Gregor  
COUNTY CLERK  
AUSTIN COUNTY, TEXAS

**PAID UP OIL AND GAS LEASE**

THIS LEASE AGREEMENT is made as of the 17th day of November, 1997, between BRIAN CRAIG DUVE and wife, FRANCES E. DUVE, as Lessor (whether one or more), P.O. Box 174, Industry, Texas 78944-0174, and YEGUA OIL & GAS CO., as Lessee, P.O. Box 248, Somerville, Texas 77879. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

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

4.563 acres of land, more or less, out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, and being more fully described in that certain Warranty Deed dated April 12, 1994, conveyed from Leonard M. Stolarski, Trustee, to Brian Craig Duve and wife, Frances E. Duve, recorded in Volume 702, Page 196, Official Records of Austin County, Texas.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, LESSEE SHALL HAVE NO RIGHT TO USE THE SURFACE OF THE LEASED PREMISES FOR ANY PURPOSE. ALL EXPLORATION AND PRODUCTION OPERATIONS UNDER THE TERMS OF THIS LEASE SHALL BE ACCOMPLISHED BY MEANS OF POOLING UNDER THE TERMS HEREOF, OR BY MEANS OF DIRECTIONAL OR HORIZONTAL DRILLING FROM THE SURFACE LOCATION OFF OF THE LEASED PREMISES WITH NO OPERATIONS ON THE SURFACE OF THE LEASED PREMISES OR WITHIN A DEPTH OF 500 FEET FROM THE SURFACE.

in the County of Austin, State of Texas, containing 4.563 gross acres, more or less, (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

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 4.563 acres, whether it actually comprises more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of THREE (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be ONE-SIXTH (1/6th) 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 market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be ONE-SIXTH (1/6th) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to 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) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of ONE DOLLAR (\$1.00) per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

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

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

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the

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

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

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

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases 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. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor nor or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house, barn or other structure now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within reasonable time thereafter.

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

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offer or, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final 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.

14. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties or shut-in royalties hereunder,

without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

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

LESSOR (WHETHER ONE OR MORE)

SS NO. OR TAX ID

Brian Craig Duve  
Brian Craig Duve

[REDACTED]

Frances E. Duve  
Frances E. Duve

[REDACTED]

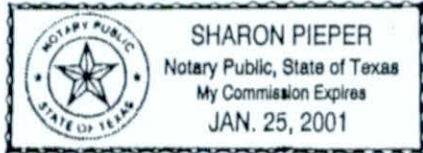
ACKNOWLEDGMENT

STATE OF TEXAS

COUNTY OF AUSTIN

This instrument was acknowledged before me on the 2nd day of MARCH, 1998, by BRIAN CRAIG DUVE and wife, FRANCES E. DUVE.

Sharon Pieper  
Notary Public, State of Texas



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FILED

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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

Producers 88 (4/89) - Paid Up  
With 640 Acres Pooling Provision

C/15.00

PAID UP OIL AND GAS LEASE

THIS LEASE AGREEMENT is made as of the 6th day of August, 1997, between HELEN JOYCE HAEDGE, Executrix of the Estate of J.D. Haedge, as Lessor (whether one or more), 650 Ueckert Road West, Bellville, Texas 77418, and YEGUA OIL & GAS CO., as Lessee, P.O. Box 248, Somerville, Texas 77879. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

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

150.2015 acres, more or less, out of the George Grimes League Survey, A-44 and the S.F. Austin Survey, A-4, Austin County, Texas, being more fully described in Two Tracts of land, to-wit:

TRACT ONE: 70.693 acres of land, more or less, out of the George Grimes League Survey, A-44 and the S.F. Austin Survey, A-4, Austin County, Texas, being all of the 79.338 acres, more or less, described in that certain Deed dated August 12, 1963, conveyed from Albert G. Ueckert to Jerry D. Haedge and wife, Lucille Haedge, recorded in Volume 270, Page 202, Deed Records of Austin County, Texas.

TRACT TWO: 95.216 acres of land, more or less, out of the George Grimes League Survey, A-44, Austin County, Texas, being a part of that certain 100 acre tract described in that certain Deed dated January 6, 1913, conveyed from Veronika Blazek, et al, to William Krause et ux, recorded in Volume 44, Page 67, Deed Records of Austin County, Texas. LESS AND HOWEVER, 4.784 acres to the First National Bank of Bellville in a Partition Deed by Jerry D. Haedge, et al, dated February 13, 1989 and recorded in Volume 597, Page 324, Deed Records of Austin County, Texas. LEAVING 95.216 acres, more or less.

in the County of Austin, State of Texas, containing 150.2015 gross acres, more or less, (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

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 150.2015 acres, whether it actually comprises more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of THREE (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be ONE-SIXTH (1/6th) 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 market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be ONE-SIXTH (1/6th) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to 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) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee

from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

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

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

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

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

8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each own. 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

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failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases 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. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor nor or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 500 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 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 reasonable time thereafter.

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

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final 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.

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

15. Lessee shall pay for all damages caused by its operations hereunder to houses, buildings, fences, wells, roads, gates, cattle guards, terraces, culverts, bridges and other improvements, cattle and other livestock, growing crops, trees and grasses within one hundred eighty (180) days from the date damages are sustained by Lessor. Within six (6) months after the termination of operations on the particular area requiring restoration, the Lessee shall fill in and cover all slush pits and other excavations made in the course of its operations hereunder and shall clean up the drill site and restore the surface to as near the original condition (prior to operations) as is practicable. Lessor shall not be responsible for violation of the Environmental Protection Act or any other governmental rules, regulations, ordinances and statutes as may pertain to the surface and/or subsurface storage or disposal of environmental or hazardous waste of any kind or character. All operations shall be conducted to prevent contamination of any and all soils, and of any and all surface and subsurface waters in, under or on said leased premises. Any violation by Lessee or Lessee's subcontractors, representatives, agents, or assigns are the responsibility of Lessee. LESSEE, ITS SUCCESSORS AND ASSIGNS AGREE TO INDEMNIFY AND HOLD LESSOR AND LESSOR'S HEIRS AND ASSIGNS HARMLESS FROM ANY AND ALL CLAIMS ARISING OUT OF OR INCIDENT TO LESSEE'S, ITS SUCCESSORS OR ASSIGNS, EXPLORATION AND DEVELOPMENT OPERATIONS, INCLUDING WITHOUT LIMITATION, LIABILITY AND DAMAGES FOR SOIL AND/OR WATER CONTAMINATION OR OTHER ENVIRONMENTAL HAZARDS. LESSEE SHALL BE RESPONSIBLE FOR ANY VIOLATION BY LESSEE OR LESSEE'S SUBCONTRACTORS, AGENTS, REPRESENTATIVES OR EMPLOYEES OF ANY GOVERNMENTAL RULE, REGULATION, ORDINANCE OR STATUTE; AND SHALL INDEMNIFY AND HOLD LESSOR HARMLESS FROM ALL LIABILITY ARISING

THEREFROM.

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

LESSOR (WHETHER ONE OR MORE)

SS NO. OR TAX ID

*Helen Joyce Haedge*  
Helen Joyce Haedge, Executrix of the  
Estate of Jerry D. Haedge

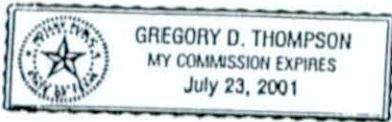
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ACKNOWLEDGMENT

STATE OF TEXAS )

COUNTY OF AUSTIN )

This instrument was acknowledged before me on the 23<sup>rd</sup> day of August, 1997, by HELEN JOYCE HAEDGE, Executrix of the ESTATE of JERRY D. HAEDGE.



*Gregory D Thompson*  
Notary Public, State of Texas

→ Dan Smith

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*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. COUNTY OF AUSTIN, STATE OF TEXAS. 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 hereon.



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

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### AGREEMENT TO CORRECT LAND DESCRIPTION CONTAINED IN OIL AND GAS LEASE

State (situs of land): TEXAS  
 County (situs of land): AUSTIN

Lessor: HELEN JOYCE HAEDGE, Executrix of the Estate of J.D. HAEDGE  
 Lessor's Address: 650 Ueckert Road  
 Bellville, Texas 77418

Lessee: YEGUA OIL & GAS CO.  
 Lessee's Address: P.O. Box 248  
 Somerville, Texas 77879

Effective Date: August 6, 1997

Lessee named above, is the present owner and holder of the Oil and Gas Lease (the "Lease"), dated August 6, 1997, executed by Lessor, named above, and recorded in Volume 790, Page 472, of the Deed Records of the County and State named above.

At the time this Lease was entered into, the description of lands contained in the Lease was believed by Lessor and Lessee to cover, and was intended by them to cover, all the lands and interests owned by Lessor, as described below:

**150.2015 acres**, more or less, out of the George Grimes League Survey, A-44, and the Stephen F. Austin League Survey, A-4, Austin County, Texas and more fully described in Two Tracts of land as follows, to-wit:

**TRACT ONE:** 70.693 acres of land, more or less, out of the George Grimes League Survey, A-44, and the Stephen F. Austin League Survey, A-4, Austin County, Texas and being all of the 79.338 acres, more or less, described in that certain Deed dated August 12, 1963, conveyed from Albert G. Ueckert to Jerry D. Haedge and wife, Lucille Haedge, recorded in Volume 270, Page 202, Deed Records of Austin County, Texas.

**TRACT TWO:** 95.216 acres of land, more or less, out of the George Grimes League Survey, A-44, Austin County, Texas and being a part of that certain 100 acre tract described in that certain Deed dated January 6, 1913, conveyed from Veronika Blazek, et al, to William Krause, et ux, recorded in Volume 44, Page 67, Deed Records of Austin County, Texas. **LESS AND EXCEPT: 4.784 acres**, more or less, to the First National Bank of Bellville in a Partition Deed by Jerry D. Haedge, et al, dated February 13, 1989 and recorded in Volume 597, Page 324, Deed Records of Austin County, Texas. LEAVING 95.216 acres, more or less.

Since the execution and delivery of the Lease, it has been discovered that the description of lands contained in the Lease did not adequately describe the lands it was the intend of the Lessor to lease to the Lessee. It is the desire of Lessor and Lessee to amend and correct the description of lands in the Lease to accurately identify the lands to be covered by the Lease.

For adequate consideration and the further consideration of the obligations and agreements contained in the Lease, Lessor hereby acknowledges and agrees that the Lease is amended and the description of the lands covered by the Lease is hereby changed so that the Lease now covers the following lands (the "amended Lands") in the County and State named above:

**174.554 gross acres**, more or less, out of the George Grimes League Survey, A-44, Austin County, Texas, and more fully described in Two Tracts of land to-wit:

**TRACT ONE:** 79.338 acres of land, more or less, out of the George Grimes League Survey, A-44, Austin County, Texas, being more fully described in that certain Deed dated August 12, 1963, conveyed from Albert G. Ueckert to Jerry D. Haedge and wife, Lucille Haedge, recorded in Volume 270, Page 202, Deed Records of Austin County, Texas.

**TRACT TWO:** 95.216 acres of land, more or less, out of the George Grimes League Survey, A-44, Austin County, Texas, and being a part of that certain 100 acre tract described in that certain Deed dated January 6, 1913, conveyed from Veronika Blazek, et al, to William Krause, et ux, recorded in Volume 44, Page 67, Deed Records of Austin County, Texas.

Lessor ratifies, adopts and confirms the Lease and extends the Lease to cover the amended lands to the same extent as if the Amended Lands had been originally included in the Lease. Further, Lessor grants, and lets to Lessee, its successors and assigns, the Amended Lands for the purpose and upon the terms, conditions and provisions as contained in the Lease.

This Agreement shall be binding for all purposes on Lessor and Lessor's successors, heirs and assigns.

LESSOR:

*Helen Joyce Haedge*  
 Helen Joyce Haedge, Executrix  
 of the Estate of Jerry D. Haedge

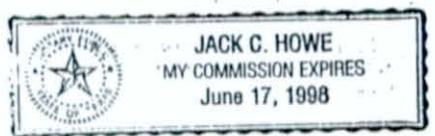
LESSEE:

*Greg Thompson*  
 Greg Thompson, Lease Agent  
 Yegua Oil & Gas Co.

ACKNOWLEDGMENT

STATE OF TEXAS        )  
                                   )  
 COUNTY OF AUSTIN    )

This instrument was acknowledged before me on the 31st day of November, 1997, by HELEN JOYCE HAEDGE, Executrix for the Estate of Jerry D. Haedge, and in the capacity therein stated.



*Jack C. Howe*  
 Notary Public, State of Texas

## PAID UP OIL AND GAS LEASE

THIS LEASE AGREEMENT is made as of the 18th day of November, 1997, between VLASTA F. GREBE, dealing herein in her sole and separate property, as Lessor (whether one or more), 504 Tison, Brenham, Texas 77833, and YEGUA OIL & GAS CO., as Lessee, P.O. Box 248, Somerville, Texas 77879. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

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

2.732 acres of land, more or less, out of the Stephen F. Austin League Survey, A-4, and the George Grimes League Survey, A-44, situated in Austin County, Texas, and being more fully described in that certain Deed dated June 20, 1963, conveyed from Olivia Huff to Reuben J. Grebe and wife, Vlasta F. Grebe, recorded in Volume 269, Page 416, Official Records of Austin County, Texas.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, LESSEE SHALL HAVE NO RIGHT TO USE THE SURFACE OF THE LEASED PREMISES FOR ANY PURPOSE. ALL EXPLORATION AND PRODUCTION OPERATIONS UNDER THE TERMS OF THIS LEASE SHALL BE ACCOMPLISHED BY MEANS OF POOLING UNDER THE TERMS HEREOF, OR BY MEANS OF DIRECTIONAL OR HORIZONTAL DRILLING FROM THE SURFACE LOCATION OFF OF THE LEASED PREMISES WITH NO OPERATIONS ON THE SURFACE OF THE LEASED PREMISES OR WITHIN A DEPTH OF 500 FEET FROM THE SURFACE.

in the County of Austin, State of Texas, containing 2.732 gross acres, more or less, (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

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 2.732 acres, whether it actually comprises more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of THREE (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be ONE-SIXTH (1/6th) 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 market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be ONE-SIXTH (1/6th) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to 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) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of ONE DOLLAR (\$1.00) per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

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

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

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other

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

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

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

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases 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. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor nor or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house, barn or other structure now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within reasonable time thereafter.

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

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offer or, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final 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.

14. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made



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→ Paid Up  
 Acres Pooling Provision

## PAID UP OIL AND GAS LEASE

THIS LEASE AGREEMENT is made as of the 3rd day of September, 1997, between CONNIE HUFF and wife, TEOLA HUFF, as Lessor (whether one or more), 1005 Hwy 159 West, Bellville, Texas 78418, and YEGUA OIL & GAS CO., as Lessee, P.O. Box 248, Somerville, Texas 77879. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

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

**18.33 acres, more or less, out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, and being more fully described in Two Tracts of land as follows, to-wit:**

**TRACT ONE:** 12.4 acres of land, more or less, out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, and being more fully described in that certain Deed dated February 15, 1951, conveyed from Olivea Huff, Grantor, to Connie Huff, Grantee, recorded in Volume 196, Page 194, Deed Records of Austin County, Texas.

**TRACT TWO:** 5.93 acres of land, more or less, out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, and being more fully described in that certain General Warranty Deed dated April 22, 1970, conveyed from J.B. Sisa and wife, Otilie Sisa, to Connie Huff and wife, Teola Huff, recorded in Volume 318, Page 348, Deed Records of Austin County, Texas.

in the County of Austin, State of Texas, containing 18.33 gross acres, more or less, (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

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 18.33 acres, whether it actually comprises more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of THREE (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be ONE-SIXTH (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 market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be ONE-SIXTH (1/6) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to 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) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

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

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

exploratory wells or any additional wells except as expressly provided herein.

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

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

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

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases 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. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor nor or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 400 feet from any house, barn or other structure now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within reasonable time thereafter.

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

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offer or, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final 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.

14. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee

exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties or shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

15. Lessee shall pay for all damages caused by its operations hereunder to houses, buildings, fences, wells, roads, gates, cattle guards, terraces, culverts, bridges and other improvements, cattle and other livestock, growing crops, trees and grasses within one hundred eighty (180) days from the date damages are sustained by Lessor. Within six (6) months after the termination of operations on the particular area requiring restoration, the Lessee shall fill in and cover all slush pits and other excavations made in the course of its operations hereunder and shall clean up the drill site and restore the surface to as near the original condition (prior to operations) as is practicable. Lessor shall not be responsible for violation of the Environmental Protection Act or any other governmental rules, regulations, ordinances and statutes as may pertain to the surface and/or subsurface storage or disposal of environmental or hazardous waste of any kind or character. All operations shall be conducted to prevent contamination of any and all soils, and of any and all surface and subsurface waters in, under or on said leased premises. Any violation by Lessee or Lessee's subcontractors, representatives, agents, or assigns are the responsibility of Lessee. LESSEE, ITS SUCCESSORS AND ASSIGNS AGREE TO INDEMNIFY AND HOLD LESSOR AND LESSOR'S HEIRS AND ASSIGNS HARMLESS FROM ANY AND ALL CLAIMS ARISING OUT OF OR INCIDENT TO LESSEE'S, ITS SUCCESSORS OR ASSIGNS, EXPLORATION AND DEVELOPMENT OPERATIONS, INCLUDING WITHOUT LIMITATION, LIABILITY AND DAMAGES FOR SOIL AND/OR WATER CONTAMINATION OR OTHER ENVIRONMENTAL HAZARDS. LESSEE SHALL BE RESPONSIBLE FOR ANY VIOLATION BY LESSEE OR LESSEE'S SUBCONTRACTORS, AGENTS, REPRESENTATIVES OR EMPLOYEES OF ANY GOVERNMENTAL RULE, REGULATION, ORDINANCE OR STATUTE; AND SHALL INDEMNIFY AND HOLD LESSOR HARMLESS FROM ALL LIABILITY ARISING THEREFROM.

16. In the event a portion of the land herein leased is pooled leased or utilized so as to form a pool oil unit designation, operations on or commercially reasonable production from such pool or unit will maintain this lease in force only as to the land included in such pool or unit. This lease, as to the land included in such pool or unit, may be maintained in force and effect after the primary term of this lease by drilling or reworking operations as provided in this lease agreement. As to all other lands included within this lease as are not included within a pool or unit in which are not being held by continuing drilling or reworking operations under this lease, this lease shall terminate absolutely upon the expiration of said primary term.

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

LESSOR (WHETHER ONE OR MORE)

SS NO. OR TAX ID

*Connie Huff*  
\_\_\_\_\_  
Connie Huff  
*Teola Huff*  
\_\_\_\_\_  
Teola Huff

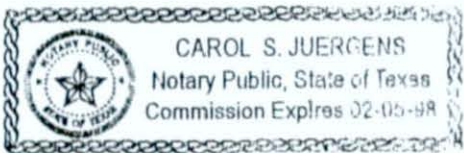
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[REDACTED]

ACKNOWLEDGMENT

STATE OF TEXAS        }  
                                  }  
COUNTY OF AUSTIN    }

This instrument was acknowledged before me on the 10 day of September, 1997, by **CONNIE HUFF** and wife, **TEOLA HUFF**.

*Carol S. Juergens*  
\_\_\_\_\_  
Notary Public, State of Texas



97  
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PM  
3:03

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.

FILED  
97 OCT 30 PM 3:03  
*Carrie Gregor*  
\_\_\_\_\_  
COUNTY CLERK  
AUSTIN COUNTY, TEXAS



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

981126

Producers 88 (4-89) - Paid Up  
With 60 Acres Pooling Provision

261

## PAID UP OIL AND GAS LEASE

THIS LEASE AGREEMENT is made as of the 25th day of November, 1997, between JAMES R. ALEXANDER and wife, CYNTHIA J. ALEXANDER, as Lessor (whether one or more), P.O. Box 231, New Ulm, Texas 78950, and VEGUA OIL & GAS CO., as Lessee, P.O. Box 248, Somerville, Texas 77879. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

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

10.710 acres of land, more or less, out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, and being more fully described in that certain Contract for Deed dated May 20, 1996, by and between Raymond W. Schovajsa and Gloria J. Brooks and James R. Alexander and wife, Cynthia J. Alexander, concerning all that certain tract or parcel of land containing 10.710 acres of land, more or less, being more fully described in a General Warranty Deed dated December 16, 1970 from Willie Schovajsa, Ben Schovajsa, Ladgie Schovajsa and Adela Schovajsa Chaloupka to Frank E. Schovajsa, recorded in Volume 324, Page 22, Official Records of Austin County, Texas.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, LESSEE SHALL HAVE NO RIGHT TO USE THE SURFACE OF THE LEASED PREMISES FOR ANY PURPOSE. ALL EXPLORATION AND PRODUCTION OPERATIONS UNDER THE TERMS OF THIS LEASE SHALL BE ACCOMPLISHED BY MEANS OF POOLING UNDER THE TERMS HEREOF, OR BY MEANS OF DIRECTIONAL OR HORIZONTAL DRILLING FROM THE SURFACE LOCATION OFF OF THE LEASED PREMISES WITH NO OPERATIONS ON THE SURFACE OF THE LEASED PREMISES OR WITHIN A DEPTH OF 500 FEET FROM THE SURFACE.

in the County of Austin, State of Texas, containing 10.710 gross acres, more or less, (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

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 10.710 acres, whether it actually comprises more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of THREE (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be ONE-SIXTH (1/6th) 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 market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be ONE-SIXTH (1/6th) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to 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) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of ONE DOLLAR (\$1.00) per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

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

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

capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

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

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

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

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases 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. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor nor or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house, barn or other structure now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within reasonable time thereafter.

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

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offer or, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final 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.

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

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

LESSOR (WHETHER ONE OR MORE)

SS NO. OR TAX ID

*James R. Alexander*  
James R. Alexander  
*Cynthia J. Alexander*  
Cynthia J. Alexander

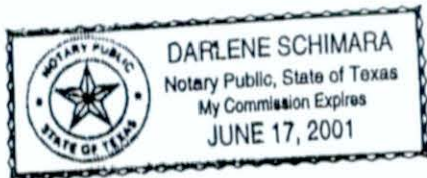
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ACKNOWLEDGMENT

STATE OF TEXAS }  
COUNTY OF *Austin* }  
~~HARRIS~~

This instrument was acknowledged before me on the 13 day of December, 1997, by JAMES R. ALEXANDER and wife, CYNTHIA J. ALEXANDER.

*Darlene Schimara*  
Notary Public, State of Texas



981126

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  
98 FEB 27 PM 12:47  
*Carrie Gregor*  
COUNTY CLERK  
AUSTIN COUNTY, TEXAS

981126

976648

Producers 88 (4/89) - Paid Up  
With 640 Acres Pooling Provision

**PAID UP OIL AND GAS LEASE**

THIS LEASE AGREEMENT is made as of the 27th day of August, 1997, between GREGORY P. CARRIER and wife, KATHLEEN CARRIER, as Lessor (whether one or more), 10307 Scofield Lane, Houston, Texas 77098, and YEGUA OIL & GAS CO., as Lessee, P.O. Box 248, Somerville, Texas 77879. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

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

**50.318 acres**, more or less, out of the Stephen F. Austin Survey, A-4, Austin County, Texas, and being more fully described in that certain Deed dated May 30, 1997, conveyed from J.R. Broadnax, Jr. to Gregory P. Carrier and wife, Kathleen Carrier, recorded in Volume 781, Page 626, Deed Records of Austin County, Texas.

in the County of Austin, State of Texas, containing **50.318 gross acres**, more or less, (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

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 **50.318 acres**, whether it actually comprises more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of **THREE (3) years** from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be **THREE-SIXTEENTHS (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 market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be **THREE-SIXTEENTHS (3/16)** of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to 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) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any term thereafter one or more wells on the leased premises are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of **ONE DOLLAR (\$1.00)** per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production.

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

5. If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises.

After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The 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 a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an individual gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal



completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

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

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

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases 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. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas and/or water produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease by Lessor in writing. Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 400 feet from any house, barn or structure on the leased premises, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements on the leased premises, and to 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 ninety (90) days time thereafter.

*J.P.C.*  
K.C.

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

12. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least thirty (30) days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a thirty (30) days after said judicial determination to remedy the breach or default and Lessee fails to do so.

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

14. In the event a portion of the land herein leased is pooled leased or unitized so as to form a pool oil unit designation, operations on or commercially reasonable production from such pool or unit will maintain this lease in force only as to the land included in such pool or unit. This lease, as to the land included in such pool or unit, may be maintained in force and effect after the primary term of this lease by drilling or reworking operations as provided in this lease agreement. As to all other lands included within this lease as are not included within a pool or unit in which are not being held by continuing drilling or reworking operations under this lease, this lease shall terminate absolutely upon the expiration of said primary term.

15. Notwithstanding anything herein to the contrary, Lessee shall not maintain this lease solely by the payment of shut-in royalties for more than three (3) years. Shut-in privileges are cumulative and may be exercised from time to time, but limited to a maximum of three (3) years cumulative time. This paragraph in no way limits Lessee from maintaining this lease in force and effect by any other provisions or terms of this lease. Lessee shall pay as a shut-in royalty, ONE DOLLAR (\$1.00) for each mineral acre of the leased premises then contained in said pool or unit on which a well is shut-in or, before the end of said 90 day period provided in paragraph 3 of this lease, and thereafter on or before each anniversary of the end of said 90 day period while the well or wells are shut-in or production therefrom is not being sold by Lessee. The payment by Lessee to Lessor of such rentals shall in no manner relieve Lessee from the obligation of payment of all royalties as shall become due upon subsequent production of a well which has been shut-in under the terms of this lease; and in no event shall Lessee be entitled to credit against such royalties due Lessor such rental sums paid by Lessee to Lessor under the terms and provisions hereof.

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*J.P.C.*  
K.C.

*J.P.C.*  
K.C.

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

LESSOR (WHETHER ONE OR MORE)

SS NO. OR TAX ID

Gregory P. Carrier  
Gregory P. Carrier

[REDACTED]

Kathleen Carrier  
Kathleen Carrier

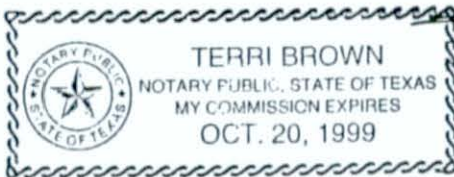
[REDACTED]

ACKNOWLEDGMENT

STATE OF TEXAS )

COUNTY OF HARRIS )

This instrument was acknowledged before me on the 22<sup>nd</sup> day of October, 1997, by GREGORY P. CARRIER and wife, KATHLEEN CARRIER.



Terri Brown  
Notary Public, State of Texas

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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  
I hereby certify that this instrument was filed on the \_\_\_\_\_ day of \_\_\_\_\_, 1997, at \_\_\_\_\_, \_\_\_\_\_, COUNTY OF AUSTIN, STATE OF TEXAS, 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 hereon.

FILED  
97 DEC 22 PM 4: 55  
Carrie Gregor  
COUNTY CLERK  
AUSTIN COUNTY, TEXAS



Carrie Gregor  
Carrie Gregor County Clerk  
Austin County, Texas

VOL 798 PAGE 535

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Producers 88 (4/89) - Paid Up  
With 640 Acres Pooling Provision

## PAID UP OIL AND GAS LEASE

THIS LEASE AGREEMENT is made as of the 17th day of ~~September~~<sup>August</sup>, 1997, between LINA R. HONISH and LEONA I. ROESLER, sisters, dealing herein in their sole and separate property, as Lessor (whether one or more), 1065 Hwy 159 West, Bellville, Texas 77418, and YEGUA OIL & GAS CO., as Lessee, P.O. Box 248, Somerville, Texas 77879. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

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

194.5 acres, more or less, out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, and being more fully described in Three tracts as follows, to-wit:

**TRACT ONE:** 97.0 acres of land, more ore less, out of the Stephen F. Austin League, A-4 Austin County, Texas, and being more fully described in that certain Warranty Deed dated December 3, 1917, conveyed from August Roesler, Grantor, et al, to Robert Roesler, recorded in Volume 68, Page 513, Official Records of Austin County, Texas.

**TRACT TWO:** 48.5 acres of land, more or less, out of the Stephen F. Austin League, A-4, Austin County, Texas, and being the same land described as Tract No. 1 of First Partition: of that certain Partition Deed dated March 15, 1943, between Robert Roesler and wife, Eleonora Roesler and Clara Roesler, recorded in Volume 139, Page 33, Official Records of Austin County, Texas.

**TRACT THREE:** 49.0 acres of land, more or less, out of the Stephen F. Austin League, A-4, Austin County, Texas, and being the same land described as Tract No. 1 of Second Parition: of that certain Partition Deed dated March 15, 1943, between Robert Roesler and wife, Eleonora Roesler and Clara Roesler, recorded in Volume 139, Page 33, Official Records of Austin County, Texas.

in the County of Austin, State of Texas, containing 194.5 gross acres, more or less, (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

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 194.5 acres, whether it actually comprises more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of THREE (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be ONE-SIXTH (1/6th) of such production, to be delivered free of cost 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 market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be ONE-SIXTH (1/6th) of the gross proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the reasonable costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, 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) pursuant to comparable third party arms length purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of ONE DOLLAR (\$1.00) per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such

the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

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

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

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

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

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

rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases 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. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor nor or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within reasonable time thereafter.

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

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offer or, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final 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.

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

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

LESSOR (WHETHER ONE OR MORE)

SS NO. OR TAX ID

*Lina R. Honish*

[Redacted]

Lina R. Honish

*Leona J. Roesler*

[Redacted]

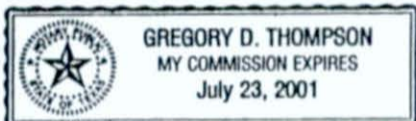
Leona J. Roesler

ACKNOWLEDGMENT

STATE OF TEXAS }  
COUNTY OF AUSTIN }

This instrument was acknowledged before me on the 20<sup>th</sup> day of August, 1997, by LINA R. HONISH and LEONA I. ROESLER, sisters, dealing herein in their sole and separate property.

Gregory D. Thompson  
Notary Public, State of Texas



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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.

FILED  
97 OCT 30 PM 3: 02  
Carrie Gregor  
COUNTY CLERK  
AUSTIN COUNTY, TEXAS



Carrie Gregor  
Carrie Gregor County Clerk  
Austin County, Texas

VOL 793 PAGE 631

AMENDMENT OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF AUSTIN §

WHEREAS, Lina R. Honish and Leona I. Roesler ("Lessor"), whether one or more, have heretofore executed and delivered to Yegua Oil & Gas Co., an Oil and Gas Lease (the "Lease") dated August 17, 1997, as recorded in Volume 793, Page 628 of the Official Records of Austin County, Texas, covering 194.5 acres of land, more or less, out of the Stephen F. Austin League Survey, A-4, Austin County, Texas,

WHEREAS, the Lease is currently owned by Union Pacific Resources Company and Nuevo Energy Company ("Lessee"), whether one or more,

WHEREAS, Lessor and Lessee wish to amend the Lease to correct the property description of the Lease in the manner set out below;

NOW, THEREFORE, for \$10.00 and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

The property description of the Lease is hereby deleted and the following description is substituted therefor and added in lieu thereof:

164.976 acres of land, more or less, out of the Stephen F. Austin Survey, A-4, Austin County, Texas, being more particularly described as follows:

Tract One: 97.00 acres of land, more or less, being described in a Deed dated December 3, 1917, from Aug. Roesler, et al, to Robert Roesler, recorded in Volume 68, Page 513, Deed Records, Austin County, Texas.

Tract Two: 67.976 acres of land, more or less, being 97.00 acres described as Tract No. 1 in a Partition Deed dated September 9, 1942, between Robert Roesler and wife, Eleonora Roesler and Otto Goldapp and wife, Alma Goldapp, et al, recorded in Volume 137, Page 545, Deed Records, Austin County, Texas; **LESS AND EXCEPT** 24.164 acres of land, described in a Deed dated August 7, 1972, from Robert Roesler to Ambrose Pavalock and wife, Doris Pavalock, recorded in Volume 344, Page 30, Deed Records, Austin County, Texas; **ALSO LESS AND EXCEPT** 4.86 acres of land, described as the First Strip in Volume P, Page 223, of the Commissioners Court Minutes of Austin County, Texas, dated September 9, 1929, styled In the matter of the petition of W. H. Gaskamp, et al.

The undersigned Lessor does hereby adopt, ratify and confirm the said Lease and any amendments thereto as to all of the terms and provisions therein, and does hereby lease, grant, demise and let the interest of the Lessor in all of the land covered by the said Lease unto the Lessee, its successors and assigns, in accordance with all of the terms and provisions of the said Lease as amended hereby.

This Amendment is hereby accepted by Lessee upon Lessee's duly recording the Amendment in the Official Records of Austin County, Texas.

EXECUTED this the 1 day of September, 1999.

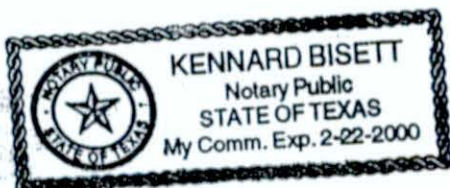
Lina R. Honish  
LINA R. HONISH

Leona I. Roesler  
LEONA I. ROESLER

STATE OF TEXAS §

COUNTY OF Austin §

This instrument was acknowledged before me on the 1 day of September, 1999, by Lina R. Honish and Leona I. Roesler.



Kennard Bisett  
Notary Public, State of Texas

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→ Dennis Engelmann  
Rt. 2 Box 61A1  
Caldwell, TX 77836

FILED

STATE OF TEXAS

COUNTY OF AUSTIN

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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

Carrie Gregor, County Clerk  
Austin County, Texas

COUNTY CLERK  
AUSTIN COUNTY, TEXAS

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Producers 88 (4/89) - Paid Up  
With 640 Acres Pooling Provision

## PAID UP OIL AND GAS LEASE

THIS LEASE AGREEMENT is made as of the 17th day of ~~September~~<sup>August</sup>, 1997, between LINA R. HONISH and LEONA I. ROESLER, sisters, dealing herein in their sole and separate property, as Lessor (whether one or more), 1065 Hwy 159 West, Bellville, Texas 77418, and YEGUA OIL & GAS CO., as Lessee, P.O. Box 248, Somerville, Texas 77879. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

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

**194.5 acres**, more or less, out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, and being more fully described in Three tracts as follows, to-wit:

**TRACT ONE:** **97.0 acres** of land, more ore less, out of the Stephen F. Austin League, A-4 Austin County, Texas, and being more fully described in that certain Warranty Deed dated December 3, 1917, conveyed from August Roesler, Grantor, et al, to Robert Roesler, recorded in Volume 68, Page 513, Official Records of Austin County, Texas.

**TRACT TWO:** **48.5 acres** of land, more or less, out of the Stephen F. Austin League, A-4, Austin County, Texas, and being the same land described as Tract No. 1 of First Partition: of that certain Partition Deed dated March 15, 1943, between Robert Roesler and wife, Eleonora Roesler and Clara Roesler, recorded in Volume 139, Page 33, Official Records of Austin County, Texas.

**TRACT THREE:** **49.0 acres** of land, more or less, out of the Stephen F. Austin League, A-4, Austin County, Texas, and being the same land described as Tract No. 1 of Second Parition: of that certain Partition Deed dated March 15, 1943, between Robert Roesler and wife, Eleonora Roesler and Clara Roesler, recorded in Volume 139, Page 33, Official Records of Austin County, Texas.

in the County of Austin, State of Texas, containing **194.5 gross acres**, more or less, (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

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 **194.5 acres**, whether it actually comprises more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of **THREE (3) years** from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. **Royalties** on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be **ONE-SIXTH (1/6th)** of such production, to be delivered free of cost 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 market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be **ONE-SIXTH (1/6th)** of the gross proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the reasonable costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, 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) pursuant to comparable third party arms length purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of **ONE DOLLAR (\$1.00)** per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such

the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

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

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

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

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

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

rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases 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. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor nor or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within reasonable time thereafter.

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

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offer or, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final 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.

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

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

LESSOR (WHETHER ONE OR MORE)

SS NO. OR TAX ID

*Lina R. Honish*

Lina R. Honish

[Redacted]

*Leona J. Roesler*  
Leona J. Roesler

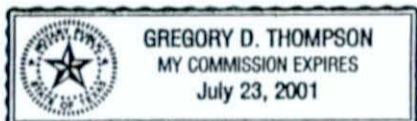
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ACKNOWLEDGMENT

STATE OF TEXAS }  
COUNTY OF AUSTIN }

This instrument was acknowledged before me on the 20<sup>th</sup> day of August, 1997, by LINA R. HONISH and LEONA I. ROESLER, sisters, dealing herein in their sole and separate property.

Gregory D. Thompson  
Notary Public, State of Texas



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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.

FILED  
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Carrie Gregor  
COUNTY CLERK  
AUSTIN COUNTY, TEXAS



Carrie Gregor  
Carrie Gregor County Clerk  
Austin County, Texas

VOL 793 PAGE 631

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AMENDMENT OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF AUSTIN §

WHEREAS, Lina R. Honish and Leona I. Roesler ("Lessor"), whether one or more, have heretofore executed and delivered to Yegua Oil & Gas Co., an Oil and Gas Lease (the "Lease") dated August 17, 1997, as recorded in Volume 793, Page 628 of the Official Records of Austin County, Texas, covering 194.5 acres of land, more or less, out of the Stephen F. Austin League Survey, A-4, Austin County, Texas,

WHEREAS, the Lease is currently owned by Union Pacific Resources Company and Nuevo Energy Company ("Lessee"), whether one or more,

WHEREAS, Lessor and Lessee wish to amend the Lease to correct the property description of the Lease in the manner set out below;

NOW, THEREFORE, for \$10.00 and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

The property description of the Lease is hereby deleted and the following description is substituted therefor and added in lieu thereof:

164.976 acres of land, more or less, out of the Stephen F. Austin Survey, A-4, Austin County, Texas, being more particularly described as follows:

Tract One: 97.00 acres of land, more or less, being described in a Deed dated December 3, 1917, from Aug. Roesler, et al, to Robert Roesler, recorded in Volume 68, Page 513, Deed Records, Austin County, Texas.

Tract Two: 67.976 acres of land, more or less, being 97.00 acres described as Tract No. 1 in a Partition Deed dated September 9, 1942, between Robert Roesler and wife, Eleonora Roesler and Otto Goldapp and wife, Alma Goldapp, et al, recorded in Volume 137, Page 545, Deed Records, Austin County, Texas; **LESS AND EXCEPT** 24.164 acres of land, described in a Deed dated August 7, 1972, from Robert Roesler to Ambrose Pavalock and wife, Doris Pavalock, recorded in Volume 344, Page 30, Deed Records, Austin County, Texas; **ALSO LESS AND EXCEPT** 4.86 acres of land, described as the First Strip in Volume P, Page 223, of the Commissioners Court Minutes of Austin County, Texas, dated September 9, 1929, styled In the matter of the petition of W. H. Gaskamp, et al.

The undersigned Lessor does hereby adopt, ratify and confirm the said Lease and any amendments thereto as to all of the terms and provisions therein, and does hereby lease, grant, demise and let the interest of the Lessor in all of the land covered by the said Lease unto the Lessee, its successors and assigns, in accordance with all of the terms and provisions of the said Lease as amended hereby.

This Amendment is hereby accepted by Lessee upon Lessee's duly recording the Amendment in the Official Records of Austin County, Texas.

EXECUTED this the 1 day of September, 1999.

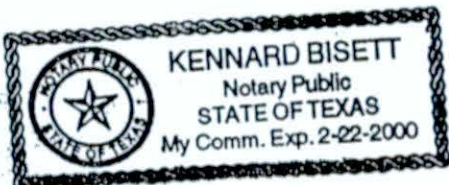
Lina R. Honish  
LINA R. HONISH

Leona I. Roesler  
LEONA I. ROESLER

STATE OF TEXAS §

COUNTY OF Austin §

This instrument was acknowledged before me on the 1 day of September, 1999, by Lina R. Honish and Leona I. Roesler.



Kennard Bisett  
Notary Public, State of Texas

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→ Dennis Engelmann  
Rt. 2 Box 61A  
Caldwell, TX 77836

FILED

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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

Carrie Gregor, County Clerk  
Austin County, Texas

COUNTY CLERK  
AUSTIN COUNTY TEXAS

995245

13.

File No. MF100919  
\_\_\_\_\_  
\_\_\_\_\_ *Shane*  
Date Fil. 11/5/99  
By *Shane*

3.2.99



EXHIBIT "A"

Exhibit "A" attached to and made a part of that certain Assignment of Oil, Gas and Mineral Leases dated March, 24<sup>th</sup>, 1998 between GEORGE C. WIGHT, Individually and d/b/a YEGUA OIL & GAS CO., as Assignor and NUEVO ENERGY COMPANY, A DELAWARE CORPORATION, as Assignee, covering the following Oil, Gas and Mineral Leases located in Austin County, Texas:

104A. Dated November 17, 1997 between Gordon Monroe Smith, Attorney in Fact for Monroe W. Smith, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 35.021 acres out of the George Grimes League Survey, A-44 and the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 981128, Official Records of Austin County, Texas.

135. Dated December 8, 1997 between Virgil Dean Tiemann and Diane Kay Detwiler, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 16.430 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 981129, Official Records of Austin County, Texas.

(A) 81. Dated December 8, 1997 between Henry M. Eberhardt, Husband of Georgie Ann Eberhardt, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 149.540 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in File Number 980376, Official Records of Austin County, Texas.

182. Dated December 23, 1997 between Pearlle Mae Sanders, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 8.03 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 980371, Official Records of Austin County, Texas.

184A. Dated November 5, 1997 between Ueckert Partners, LTD, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 69.493 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 980372, Official Records of Austin County, Texas.

(A) 214. Dated January 20, 1998 between Wilbert Holdt, dealing herein in his sole & separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 1.0745 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 980446, Official Records of Austin County, Texas.

225. Dated October 10, 1998 between Jennifer Anne Bowers, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 15.0 acres out of the George Grimes League Survey, A-4, Austin County, Texas, recorded in File Number 980442, Official Records of Austin County, Texas.

225A. Dated December 18, 1997 between Jennifer Anne Bowers (Veterans Land Board), dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 5.0 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in File Number 980443, Official Records of Austin County, Texas.

(A) 242. Dated January 20, 1998 between R.A. Coward, Jr., dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 7.0 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 980447, Official Records of Austin County, Texas.

254. Dated November 18, 1997 between Robert D. Nesbit and wife, Andrea D. Nesbit, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 5.364 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 981125, Official Records of Austin County, Texas.

258. Dated November 11, 1997, between Russell Henry Stone, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 5.734 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 980370, Official Records of Austin County, Texas.

260. Dated December 1, 1997 between Shannon Lyn Petrich, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 10.0 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in File Number 981131, Official Records of Austin County, Texas.

261. Dated November 25, 1997 between James R. Alexander and wife, Cynthia J. Alexander, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 10.710 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 981126, Official Records of Austin County, Texas.

A CERTIFIED COPY

Attest: April 17, 1998

CARRIE GREGOR, County Clerk  
Austin County, Texas

By: Dorothy J. Mittanck Deputy  
Dorothy J. Mittanck

262. Dated October 3, 1997 between Leon Calvin Bornstein (Veterans Land Board), dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 10.0 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in File Number 980368, Official Records of Austin County, Texas.

262A. Dated October 3, 1997 between Leon Calvin Bornstein (Veterans Land Board), dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 10.0 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in File Number 980369, Official Records of Austin County, Texas.

263. Dated November 17, 1997 between Kenneth Blezinger and wife, Charisse Blezinger, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 26.714 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 981132, Official Records of Austin County, Texas.

280. Dated December 19, 1997 between Ester D. Mikeska, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 5.054 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in File Number 980375, Official Records of Austin County, Texas.

281. Dated January 14, 1997 between Peggy Joyce Peschel and husband, Willroy H. Peschel, as Lessor, and Yegua Oil & Gas Co., as Lessee, covering 30.0 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 980448, Official Records of Austin County, Texas.

282. Dated December 23, 1997 between Anne Whitehouse, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 393.7 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 980374, Official Records of Austin County, Texas.

282A. Dated December 23, 1997 between Anne Whitehouse, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 186.1 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in File Number 980373, Official Records of Austin County, Texas.

283. Dated December 23, 1997 between Heather Whitehouse, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 393.7 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 980444, Official Records of Austin County, Texas.

283A. Dated December 23, 1997 between Heather Whitehouse, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 186.1 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in File Number 980445, Official Records of Austin County, Texas.

284. Dated December 29, 1997 between Derry J. Mikeska and wife, Dorothy J. Mikeska, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 9.22 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 980372, Official Records of Austin County, Texas.

286. Dated January 7, 1998 between Mrs. Pitman Z. Sullivan, dealing herein in heris sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 133.3333 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 980451, Official Records of Austin County, Texas.

287. Dated January 6, 1998 between Vernita Pauline Dopslauf, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 35.422 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in File Number 981133, Official Records of Austin County, Texas.

288. Dated November 12, 1997 between Sidney Levine, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 6.0 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in File Number 981130, Official Records of Austin County, Texas.

289. Dated November 17, 1997 between Brian Craig Duve and wife, Frances E. Duve, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 4.563 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 981361, Official Records of Austin County, Texas.

→ Torch Operating Co.  
1221 Lamar, Ste. 1600  
Houston, TX 77010-3039

FILED

STATE OF TEXAS

CITY OF AUSTIN

98 APR 16 PM 5: 01

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, TEXAS.

Carrie Gregor  
COUNTY CLERK  
AUSTIN COUNTY, TEXAS



Carrie Gregor  
County Clerk  
Austin County, Texas

A CERTIFIED COPY

Attest: April 17, 1998

CARRIE GREGOR, County Clerk  
Austin County, Texas

By: Dorothy J. Mitfanch Deputy  
Dorothy J. Mitfanch

982228



EXHIBIT "A"

Exhibit "A" attached to and made a part of that certain Assignment of Oil, Gas and Mineral Leases dated January 8, 1998 between GEORGE C. WIGHT, Individually and d/b/a YEGUA OIL & GAS CO., as Assignor and NUEVO ENERGY COMPANY, a Delaware corporation, as Assignee, covering the following Oil, Gas and Mineral Leases located in Austin County, Texas:

1. Dated June 26, 1997 between Everette A.A. Luhn, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 108.52 acres out of the Benjamin Eaton League Survey, A-34, of Austin County, Texas, recorded in Volume 788, Page 781, Deed Records of Austin County, Texas .
2. Dated July 7, 1997 between Theldick, Inc, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 143.652 acres out of the Elizabeth M. Kuykendall League Survey, A-60, and Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 788, Page 776, Deed Records of Austin County, Texas.
3. Dated July 7, 1997 between Jeanette Schovajsa Gaskamp, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 75.5 acres out of the Benjamin Eaton League Survey, A34 and Elizabeth M. Kuykendall League Survey, A-60, Austin County, Texas, recorded in Volume 788, Page 772, Deed Records of Austin County, Texas.
- 3A. Dated June 28, 1997 between Joe Raul Gonzales and wife, Abelina Gonzales, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 13.222 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 788, Page 813, Deed Records of Austin County, Texas.
5. Dated July 7, 1997 between Shirley Cmajdalka, a married person, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 28.8184 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 788, Page 768, Deed Records of Austin County, Texas.
6. Dated July 9, 1997 between Ronnie Hurtig and wife, Barbara Ann Hurtig, as Lessor , and Yegua Oil & Gas Co., as Lessee, covering 27.0 acres out of the Benjamin Eaton League Survey, A-34 and the Elizabeth M. Kuykendall League Survey, A-60, Austin County, Texas, recorded in Volume 788, Page 763, and Correction Amendment in Volume 798, Page 443, Deed Records of Austin County, Texas.
7. Dated July 9, 1997 between Vernell Hurtig Eben and husband, Leslie Eben, as Lessor and Yegua Oil & Gas Co., as Less, covering 25.0 acres out of the Benjamin Eaton League Survey, A-34 and the Elizabeth M. Kuykendall League Survey, A-60, Austin County, Texas, recorded in Volume 788, Page 758, Deed Records of Austin County, Texas.
8. Dated July 9, 1997 between Mabel H. Winkelmann, Ronnie Hurtig and Vernell Hurtig Eben, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 51.47 acres out of the Benjamin Eaton League Survey, A-34 and the Elizabeth M. Kuykendall League Survey, A-60, Austin County, Texas, recorded in Volume 788, Page 753, Deed Records of Austin County, Texas.
10. Dated July 12, 1997 between Dorothy Ann Shupak, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 26.1473 acres out of the Elizabeth M. Kuykendall Survey, A-60, and the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 788, Page 743, and Correction Amendment in Volume 798, Page 445, Deed Records of Austin County, Texas.
- 11A. Dated July 14, 1997, between Herbert Frank Schramm and wife, Emma Ida Schramm, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 108.193 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 793, Page 768, Deed Records of Austin County, Texas.
12. Dated July 16, 1997 between Terry Gene Shupak and wife, Lori Shupak, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 27.632 acres out of the Elizabeth M. Kuykendall League Survey, A-60, and the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 788, Page 808, Deed Records of Austin County, Texas.
14. Dated July 14, 1997 between Delbert N. Schramm and wife, Malinda Remmert Schramm, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 17.1424 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 788, Page 692, Deed Records of Austin County, Texas.
15. Dated July 18, 1997 between Katie Fick Dodd, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 28.8184 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 788, Page 734, Official Records of Austin County, Texas.
16. Dated July 17, 1997 between Jeanie Stoerner, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 60.110 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 788, Page 730, Deed Records of Austin County, Texas.
17. Dated July 17, 1997 between Joyce A. Norwood, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 60.110 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 788, Page 798, Deed Records of Austin County, Texas.

53. Dated July 28, 1997 between Doris Eben Kubicek, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 59.110 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 790, Page 468, Deed Records of Austin County, Texas.

54. Dated July 30, 1997 between Bobby Dale Warmke, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 39.234 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 793, Page 739, Deed Records of Austin County, Texas.

54A. Dated August 6, 1997 between Helen Joyce Haedge, Executrix of the Estate of J.D. Haedge, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 150.2015 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 790, Page 472, Deed Records of Austin County, Texas.

54B. Dated August 7, 1997 between Fred W. Jackson and wife, Wava L. Jackson, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 26.034 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 793, Page 639, Deed Records of Austin County, Texas.

55. Dated July 25, 1997 between Michael Bradley Arning and wife, Karen Arning, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 81.6845 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 790, Page 476, Deed Records of Austin County, Texas.

56. Dated August 1, 1997 between George V. D'Agostino, a single man, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 86.921 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 790, Page 480, Deed Records of Austin County, Texas.

57. Dated July 25, 1997 between Matthew Robert Arning, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 81.6845 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 790, Page 484, Deed Records of Austin County, Texas.

58. Dated July 24, 1997 between Albert A. Hughes, a married man, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 129.367 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 790, Page 488, Deed Records of Austin County, Texas.

59. Dated August 1, 1997 between Marian Balke, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 16.9757 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 793, Page 566, Deed Records of Austin County, Texas.

60. Dated August 7, 1997 between Kathryn Ann Goeke Buck, and husband, Curtis Wayne Buck, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 92.5 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 793, Page 592, Deed Records of Austin County, Texas.

61. Dated August 7, 1997 between Peggy J. Bertsch, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 33.72 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 793, Page 760, Deed Records of Austin County, Texas.

62. Dated August 8, 1997 between Alden O. Chernosky, Agent and Attorney in Fact for Sadie A. Chernosky, a widow, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 51.58 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 793, Page 748, Deed Records of Austin County, Texas.

63. Dated July 20, 1997 between Helen Bauer Harris, a married lady, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 20.594 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 793, Page 624, Deed Records of Austin County, Texas.

64. Dated August 7, 1997 between Dixon James Ashorn, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 32.469 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 793, Page 776, Deed Records of Austin County, Texas.

65. Dated August 7, 1997 between Pamela J. Butler, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 33.72 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 793, Page 764, Deed Records of Austin County, Texas.

66. Dated October 20, 1997 between Mark Gene Janosky, Individually and as Independent Executor of the Estate of Jerry Janosky, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 43.085 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 798, Page 436, Deed Records of Austin County, Texas.

67. Dated August 7, 1997 between Jenelle J. Ashorn, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 3.0 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 793, Page 743, Deed Records of Austin County, Texas.

68. Dated July 30, 1997 between Marvin Lee Warmke, dealing herein in his sole and separate property, as

Lessor and Yegua Oil & Gas Co., as Lessee, covering 39.234 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 793, Page 787, Deed Records of Austin County, Texas.

69. Dated July 25, 1997 between Thomas E. Kolwes, dealing herein in his sole & separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 33.48 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, and recorded in Volume 793, Page 752, Deed Records of Austin County, Texas.

70. Dated August 8, 1997 between C.E. Schmalriede, a single man, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 62.5 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 793, Page 697, Deed Records of Austin County, Texas.

71. Dated August 4, 1997 between Elgin F. Shupak, a married man, dealing herein in his sole & separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 24.075 acres out of the George Grimes League Survey, A-44, and the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 793, Page 705, Deed Records of Austin County, Texas.

72. Dated August 17, 1997 between Lina R. Honish and sister, Leona I. Roesler, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 194.5 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 793, Page 628, Deed Records of Austin County, Texas.

73. Dated August 19, 1997 between Marvin W. Maeckel, dealing herein in his sole and separate property, as Lessor, and Yegua Oil & Gas Co., as Lessee, covering 84.14 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 793, Page 667, Deed Records of Austin County, Texas.

74. Dated August 19, 1997 between Leland E. Maeckel, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 84.140 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 793, Page 658, Deed Records of Austin County, Texas.

75. Dated August 20, 1997 between Kenneth Lee Mikeska, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 30.0 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 793, Page 680, Deed Records of Austin County, Texas.

76. Dated August 19, 1997 between Coward Living Trust, c/o R.A. Coward and Mildred E. Coward, Trustees, as Lessor and Yegua Oil & Gas Co., as Less, covering 223.3012 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 794, Page 707, Deed Records of Austin County, Texas.

77. Dated August 4, 1997 between Thomas J. Yochim and wife, Linda I. Yochim, as Lessor, and Yegua Oil & Gas Co., as Lessee, covering 43.0935 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 793, Page 794, Deed Records of Austin County, Texas.

78. Dated July 31, 1997 between Lillie Mae Shupak, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 94.60 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 793, Page 709, Official Records of Austin County, Texas.

79. Dated August 7, 1997 between Patsy J. Chernosky, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 33.72 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 793, Page 602, Deed Records of Austin County, Texas.

80. Dated August 6, 1997 between Rhett W. Musick, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 5.0 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 793, Page 687, Deed Records of Austin County, Texas.

80A. Dated July 30, 1997 between Jean Arnell Ehler, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 39.234 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 793, Page 612, Deed Records of Austin County, Texas.

81. Dated August 19, 1997 between Slim Sonnier, a single man, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 54.744 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 793, Page 732, Deed Records of Austin County, Texas.

82. Dated August 19, 1997 between Augusta Slacik Thiel, a widow, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 52.2 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 793, Page 722, Deed Records of Austin County, Texas.

83. Dated August 28, 1997, between Eddie Dean Andreas, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 170.0 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 793, Page 781, Deed Records of Austin County, Texas.

84. Dated July 30, 1997 between Vernita Gross Lischka a married lady, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 50.307 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 793, Page 649, Deed Records of Austin County, Texas.

County, Texas.

85. Dated August 28, 1997 between Ona Faye Warmke, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 170.0 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 793, Page 784, Deed Records of Austin County, Texas.

86. Dated August 27, 1997 between Alfred C. Slacik and wife, Cinata Slacik, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 52.0 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 793, Page 719, Deed Records of Austin County, Texas.

87. Dated August 28, 1997 between Ambrose Pavalock and wife, Doris Pavalock, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 9.164 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 793, Page 691, Deed Records of Austin County, Texas.

88. Dated August 28, 1997 between David Maresh and wife, Grace Maresh, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 3.6667 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 793, Page 676, Deed Records of Austin County, Texas.

89. Dated August 4, 1997 between Virginia C. Hamblen, Executrix of the Estate of Tolar N. Hamblen, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 43.945 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 793, Page 620, Deed Records of Austin County, Texas.

90. Dated August 27, 1997 between Leroy P. Schuette, Leander J. Schuette, David Ray Schuette, Lenell Michalesky and Marye E. Collins, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 102.666 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 793, Page 701, Deed Records of Austin County, Texas.

91. Dated August 7, 1997 between Irene Sadie Sill, a widow, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 16.86 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 793, Page 773, Deed Records of Austin County, Texas.

92. Dated August 7, 1997 between Michael A. Jackson and wife Emma S. Jackson, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 20.0 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 793, Page 644, Deed Records of Austin County, Texas.

93. Dated September 3, 1997 between R.A. Coward and Wife, Mildred Coward, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 393.7 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 794, Page 704, Deed Records of Austin County, Texas.

94. Dated August 27, 1997 between Milbert C. Haedge and wife, Evelyn Haedge, as Lessor, and Yegua Oil & Gas Co., as Lessee, covering 21.299 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 796, Page 192, Deed Records of Austin County, Texas.

95. Dated September 3, 1997 between Katie Miller, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 72.13 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 793, Page 684, Deed Records of Austin County, Texas.

96. Dated September 3, 1997 between Walter T. Schimara, James R. Schimara and Linda Sue Surcek, each dealing in his/her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 81.250 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 794, Page 714, Deed Records of Austin County, Texas.

97. Dated August 19, 1997 between Leebert Andrew Brune and wife, Elna Joyce Brune, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 52.2 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 793, Page 587, Deed Records of Austin County, Texas.

98. Dated September 3, 1997 between Edmund Andreas and wife, Beatrice Andreas, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 323.992 acres out of the Stephen F. Austin League Survey, A-4 and the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 793, Page 563, Deed Records of Austin County, Texas.

99. Dated September 3, 1997 between Lorraine Margie Stephan Teufel, dealing herein in her sole and separate property, as Lessor, and Yegua Oil & Gas Co., as Lessee, covering 175.0 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 793, Page 757, Deed Records of Austin County, Texas.

100. Dated September 3, 1997 between Connie Huff and wife, Teola Huff, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 18.33 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 793, Page 636, Deed Records of Austin County, Texas.

101. Dated August 7, 1997 between Robert James Hromadka and wife, Suzanne M. Hromadka, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 2.815 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 793, Page 632, Deed Records of Austin County, Texas.

Austin County, Texas, and recorded in Volume 794, Page 720, Deed Records of Austin County, Texas.

120. Dated September 3, 1997 between Geraldine Faye Siptak, a married lady, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 47.447 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 794, Page 723, Deed Records of Austin County, Texas.

121. Dated August 17, 1997 between William C. Knolle, a married man, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 186.1 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 794, Page 676, Deed Records of Austin County, Texas.

122. Dated September 17, 1997 between William C. Knolle, a married man, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 452.593 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 794, Page 679, Deed Records of Austin County, Texas.

123. Dated August 19, 1997 between Loris T. Briles, a widow, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 53.703 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 795, Page 198, Deed Records of Austin County, Texas.

124. Dated August 19, 1997 between B.W. Sisa and wife, Sandra Sisa, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 51.570 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 795, Page 160, Deed Records of Austin County, Texas.

125. Dated September 15, 1997 between Edna Zettel Krenek, dealing herein in her sole & separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 15.025 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 795, Page 172, Deed Records of Austin County, Texas.

126. Dated September 16, 1997 between Billy D. Ralls and wife, Edith M. Ralls, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 80.157 acres out of the Benjamin Eaton League Survey, A-34 and the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 795, Page 169, Deed Records of Austin County, Texas.

127. Dated September 17, 1997 between Clifford W. Slovak and wife, Joyce Faye Slovak and Gene W. Slovak and wife, Alvy Ray Slovak, as Lessor, and Yegua Oil & Gas Co., as Lessee, covering 124.0 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 795, Page 150, Deed Records of Austin County, Texas.

128. Dated November 5, 1997 between W.A. Gabig and Helen A. Gabig, Trustees of the Gabig Family Living Trust, Under Trust Agreement dated April 8, 1992, Anne M. Wingo and husband, Kevin C. Wingo, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 98.3 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 796, Page 157, Deed Records of Austin County, Texas.

129. Dated August 22, 1997 between Charles E. Aeschbacher and wife, Verena S. Aeschbacher, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 104.7365 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 798, Page 460, Deed Records of Austin County, Texas.

130. Dated September 15, 1997 between James W. Zettel, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 25.542 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 795, Page 133, Deed Records of Austin County, Texas.

131. Dated September 15, 1997 between Lawrence W. Zettel, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 20.219 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 795, Page 207, Deed Records of Austin County, Texas.

132. Dated September 15, 1997 between Theresa Zettel Stark, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 14.475 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 795, Page 147, Deed Records of Austin County, Texas.

134. Dated September 25, 1997 between Eleanor C. Tiemann, a widow, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 158.0 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 795, Page 139, Deed Records of Austin County, Texas.

135. Dated September 25, 1997 between Eleanor Tiemann, a widow, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 16.430 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 795, Page 143, Deed Records of Austin County, Texas.

136. Dated August 6, 1997 between Goldie Janosky, a widow, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 170.36 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 795, Page 189, Deed Records of Austin County,

Texas.

137. Dated September 22, 1997 between Goldie Janosky, a widow, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 72.6 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 795, Page 194, Deed Records of Austin County, Texas.

138. Dated September 15, 1997 between Charlie F. Zettel, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 14.025 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 795, Page 136, Deed Records of Austin County, Texas.

139. Dated August 12, 1997 between Thomas J. Kamas, Attorney in Fact for Thomas Martin Kamas, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 43.3 acres out of the George Grimes League Survey, A-44, Austin County, Texas, and recorded in Volume 795, Page 180, Deed Records of Austin County, Texas.

140. Dated September 16, 1997 between Dalton P. Albert and wife, Ophelia Albert, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 460.54 acres out of the George Grimes League Survey, A-44 the E. Robbins Survey, A-83 and the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 795, Page 202, Deed Records of Austin County, Texas.

141. Dated September 16, 1997 between Clarence E. Mahlmann and wife, Oranell Mahlmann, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 134.683 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 797, Page 268, Deed Records of Austin County, Texas.

142. Dated September 22, 1997 between Four County Auction Center, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 27.843 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 796, Page 171, Deed Records of Austin County, Texas.

143. Dated September 3, 1997 between Earla B. Cauthen, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 121.280 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 796, Page 162, Deed Records of Austin County, Texas.

144. Dated September 25, 1997 between Eugene W. Sefcik, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 158.0 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 796, Page 178, Deed Records of Austin County, Texas.

145. Dated August 27, 1997 between Curtis F. Jones and wife, Terri Jones, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 34.0155 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 796, Page 182, Deed Records of Austin County, Texas.

146. Dated September 15, 1997 between Henry C. Zettel, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 14.457 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 796, Page 168, Deed Records of Austin County, Texas.

147. Dated July 28, 1997 between Clarence Alfred Zettel, Jr. and wife, Melody Lou Zettel, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 10.754 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 796, Page 150, Deed Records of Austin County, Texas.

148. Dated October 3, 1997 between Annie Zettel Schomburg, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 30.064 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 796, Page 189, Deed Records of Austin County, Texas.

149. Dated October 3, 1997 between Gilbert J. Schultz and James P. O'Jibway, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 44.655 acres out of the Stephen F. Austin League Survey, A-4, of Austin County, Texas, recorded in Volume 796, Page 186, Deed Records of Austin County, Texas.

150. Dated September 23, 1997 between Paul Becker, Individually and as Independent Executor of the Ida Becker Estate, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 190.046 acres out of the Bryant Dottery Survey, A-32, and the Thomas Hill Survey, A-48, Austin County, Texas, recorded in Volume 797, Page 224, Deed Records of Austin County, Texas.

151. Dated September 19, 1997 between Ray M. Niehuus and wife, Linda M. Niehuus, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 76.078 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 796, Page 165, Deed Records of Austin County, Texas.

152. Dated September 16, 1997 between Judith Marshall, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 26.7076 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 798, Page 427, Deed Records of Austin County, Texas.

153. Dated October 3, 1997 between Deidra Deann Oppermann, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 190.046 acres out of the Bryant Dottery Survey, A-32, and the Thomas Hill Survey, A-48, Austin County, Texas, recorded in Volume 797, Page 246, Deed Records of Austin County, Texas.

183. Dated September 26, 1997 between William Roy Peschel and wife, Bonnie Peschel, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 1.035 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 798, Page 488, Deed Records of Austin County, Texas.

184A. Dated November 5, 1997 between Ueckert Partnership, LTD, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 69.493 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 798, Page 457, Deed Records of Austin County, Texas.

186. Dated October 6, 1997 between J. Blaine Hickey and Odgen Robertson, each dealing herein in their sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 22.118 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 798, Page 495, Deed Records of Austin County, Texas.

187. Dated October 10, 1997 between Gilbert K. Lamb, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 65.308 acres out of the George Grimes League Survey, A-34, Austin County, Texas, recorded in Volume 798, Page 498, Deed Records of Austin County, Texas.

190. Dated September 25, 1997 between Lanier Joseph Ripple and Clinton Rugley Ripple, Brothers, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 102.0 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 798, Page 502, Deed Records of Austin County, Texas.

191. Dated October 9, 1997 between Marshall M. Stewart, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 276.177 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in Volume 798, Page 506, Deed Records of Austin County, Texas.

191A. Dated December 10, 1997 between Marshall M. Stewart, dealing herein in his sole and separate property, as Lessor, and Yegua Oil & Gas Co., as Lessee, covering 99.038 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in File Number 980081 of the Official Records of Austin County, Texas.

192. Dated November 10, 1997 between Mark Gene Janosky, Individually and as Independent Executor of the Estate of Jerry Janosky, Deceased, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 18.970 acres out of the Thomas Hill League Survey, A-48, Austin County, Texas, recorded in Volume 798, Page 432, Deed Records of Austin County, Texas.

194. Dated August 19, 1997 between Verdine E. Shunka, Attorney in Fact for Emilie L. Peschel, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 67.750 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 798, Page 509, Deed Records of Austin County, Texas.

195. Dated October 15, 1997 between Leon Flentge, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 11.949 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 798, Page 512, Deed Records of Austin County, Texas.

196. Dated October 3, 1997 between Crater Corporation, c/o Robert A. Small, as Lessor, and Yegua Oil & Gas Co., as Lessee, covering 98.983 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in File Number 980082 in the Official Records of Austin County, Texas.

197. Dated September 26, 1997 between Alan Edward Walicek and Sister, Patricia Ann Copeland, each dealing herein in their sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 52.611 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 798, Page 515, Deed Records of Austin County, Texas.

198. Dated October 1, 1997 between The Brenham National Bank, John Harskarl, Vice President, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 24.313 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 798, Page 518, Deed Records of Austin County, Texas.

199. Dated September 19, 1997 between Lloyd D. Van Horn and wife, Betty S. Van Horn, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 166.4546 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 798, Page 525, Deed Records of Austin County, Texas.

200. Dated October 3, 1997 between Edward Chernosky, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 4.467 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 798, Page 530, Deed Records of Austin County, Texas.

201. Dated August 27, 1997 between Gregory P. Carrier and wife, Kathleen Carrier, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 50.318 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 798, Page 533, Deed Records of Austin County, Texas.

203. Dated September 19, 1997, between Kelly Lee Scott, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 74.239 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in Volume 798, Page 536, Deed Records of Austin County, Texas.

206. Dated October 30, 1997 between Henry M. Brau and wife, M. Bernice Brau, as Lessor, and Yegua Oil & Gas Co., as Lessee, covering 7.0 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in Volume 798, Page 539, Deed Records of Austin County, Texas.

207. Dated September 16, 1997 between Carol Ann Byrd, dealing herein in her sole & separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 118.5348 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 980083 in the Official Records of Austin County, Texas.

209. Dated October 15, 1997 between Alfred F. Jochee, Glenn W. Jochee and Lloyd C. Jochee, Brothers, each dealing herein in their sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 10.0 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 980084 in the Official Records of Austin County, Texas.

210. Dated October 15, 1997 between Travis James Leigh and wife, Betty J. Leigh, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 35.046 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 980085 in the Official Records of Austin County, Texas.

211. Dated October 3, 1997 between Kenneth E. Shupak and wife, Starla A. Shupak, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 3.636 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 980086 in the Official Records of Austin County, Texas.

212. Dated October 9, 1997 between Kenneth E. Shupak and wife, Starla A. Shupak, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 3.387 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in File Number 980087 in the Official Records of Austin County, Texas.

213. Dated October 6, 1997 between Edward Donnell Sheffield, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 28.89 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in File Number 980088 in the Official Records of Austin County, Texas.

214. Dated November 5, 1997 between Wilbert Holdt, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 104.7365 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 980089 in the Official Records of Austin County, Texas.

215. Dated September 22, 1997 between Carmen K. Wieting, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 100.119 acres out of the George Grimes League Survey, A-44, Austin County, Texas., recorded in File Number 980090 in the Official Records of Austin County, Texas.

216. Dated October 15, 1997 between Sandra Joy Bradbury, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 10.108 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in File Number 980091 in the Official Records of Austin County, Texas.

217. Dated August 27, 1997 between Ernest Leach, Jr. and wife, Jacqueline Leach, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 10.0 acres out of the Benjamin Eaton League Survey, A-44, Austin County, Texas, recorded in File Number 980092 in the Official Records of Austin County, Texas.

219. Dated November 7, 1997 between Michael C. Troncale and wife, Rosemary Troncale, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 78.047 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in File Number 980093 in the Official Records of Austin County, Texas.

221. Dated October 31, 1997 between Brian K. Siemsglusz and wife, Sherry S. Siemsglusz, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 23.207 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in File Number 980094 in the Official Records of Austin County, Texas.

222. Dated November 6, 1997 between William D. Westendorf, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 9.22 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 980095 in the Official Records of Austin County, Texas.

223. Dated October 30, 1997 between Charles A. Fougeron and wife, Margaret L. Fougeron, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 12.058 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in File Number 980096 in the Official Records of Austin County, Texas.

226. Dated November 7, 1997 between Dottie M. Helwig, a widow, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 9.22 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 980097 in the Official Records of Austin County, Texas.

227. Dated September 25, 1997 between Laura M. Ripple, David Charles Ripple and Lanier Joseph Ripple, Jr. each dealing herein in their sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 56.0 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File



County, Texas.

267A. Dated December 23, 1997 between Barbara Elaine Dalby, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 393.7 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 980132 in the Official Records of Austin County, Texas.

269. Dated November 17, 1997 between Gladys Oakley, Stanley H. Jurchak, Bernita Buenger and Florence M. Jurchak, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 3.0 acres out of the Benjamin Eaton League Survey, A-34, Austin County, Texas, recorded in File Number 980133 in the Official Records of Austin County, Texas.

270. Dated December 1, 1997 between Jo Ann Remmert, a widow, dealing herein in her sole and separate property, as Lessor, and Yegua Oil & Gas Co., as Lessee, covering 1.0 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 980134 in the Official Records of Austin County, Texas.

272. Dated December 23, 1997 between William Miles Knolle, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 393.7 acres out of the Stephen F. Austin League Survey, A-4, of Austin County, Texas, recorded in File Number 980135 in the Official Records of Austin County, Texas.

272A. Dated December 23, 1997 between William Miles Knolle, dealing herein in his sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 186.1 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in File Number 980136 in the Official Records of Austin County, Texas.

273. Dated November 10, 1997 between Margaret Sue Ashmore, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 186.1 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in File Number 980137 in the Official Records of Austin County, Texas.

273A. Dated December 23, 1997 between Margaret Sue Ashmore, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 393.7 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 980138 in the Official Records of Austin County, Texas.

274. Dated December 23, 1997 between Knolle Operating Company, LTD, c/o William M. Knolle, General Partner, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 57.0 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 980139 in the Official Records of Austin County, Texas.

275. Dated December 23, 1997 between Ann Dorthea Hruska, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 393.7 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 980146 in the Official Records of Austin County, Texas.

275A. Dated December 23, 1997 between Ann Dorthea Hruska, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 186.1 acres out of the George Grimes League Survey, A-44, Austin County, Texas, recorded in File Number 980140 in the Official Records of Austin County, Texas.

278. Dated November 25, 1997 between Deborah Brooks Frazier, dealing herein in her sole and separate property, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 70.0 acres out of the Stephen F. Austin League Survey, A-4, Austin County, Texas, recorded in File Number 980141 in the Official Records of Austin County, Texas.

279. Dated December 9, 1997 between Annette Prokop, Individually and as Trustee of the Estate of Anne S. Zinnante, Deceased; Anthony Zinnante, Individually and as Executor of the Estate of Ross A. Zinnante, Deceased; Marian Taylor and Vincent Zinnante, as Lessor and Yegua Oil & Gas Co., as Lessee, covering 88.858 acres out of the Stephen F. Austin League Survey, A-42, Austin County, Texas, recorded in File Number 980142 in the Official Records of Austin County, Texas.

SIGNED FOR IDENTIFICATION:

*George C. Wight*  
GEORGE C. WIGHT, Individually and d/b/a  
YEGUA OIL & GAS CO.

NUEVO ENERGY COMPANY

By *J. B. Abney, Jr.*  
Name: J. B. ABNEY, JR  
Title: Attorney-in-Fact

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 is duly RECORDED in the OFFICIAL PUBLIC RECORDS of AUSTIN COUNTY, TEXAS. In the presence of \_\_\_\_\_  
MINOR CLERK

FILED  
98 JAN 14 PM 12: 58

*Carrie Greger*  
COUNTY CLERK  
AUSTIN COUNTY, TEXAS



*Carrie Greger*  
Carrie Greger, County Clerk

980255



Assignor does hereby grant unto Assignee, its successors and assigns, the right and option without further consent or joinder of Assignor, to unitize, combine and pool such overriding royalty interest in the manner provided for in the leases.

II.

This Assignment is made and accepted without representation or warranty of title, either expressed or implied except by, through and under Assignor. All of the terms, conditions and provisions hereof shall inure to and be binding upon the parties hereto, their respective heirs, executors, administrators, assigns and successors.

III.

Assignee accepts said assigned interest subject to the terms and provisions of the agreements listed below, and any other Letter Agreements, Assignments and/or other contracts relating thereto:

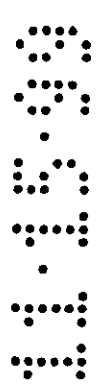
- 1. The terms and provisions of that certain Joint Development Agreement dated July 1, 1998, by and between Union Pacific Resources Company and Nuevo Energy Company.
- 2. All of the terms, conditions, reservations and exceptions contained in the Leases, including but limited to the Lessor's royalties, overriding royalties and other similar burdens out of or with respect to production from the Leases which are of record as of the date of this assignment.

IV.

All of the terms, conditions and provisions hereof shall inure to and be binding upon the parties hereto, its respective heirs, executors, administrators, assigns and successors.

TO HAVE AND TO HOLD the same unto Assignee, its successors and assigns forever, subject to all terms, provisions, covenants and obligations contained in said leases, all contracts and assignments relating thereto, except those expressly excluded in this Assignment, of all which Assignee hereby assume insofar as said are applicable to the interest hereby assigned.

IN WITNESS WHEREOF, this Assignment is executed this 10<sup>th</sup> day of August, 1998, but effective as of July 1, 1998



"ASSIGNOR"

NUEVO ENERGY COMPANY

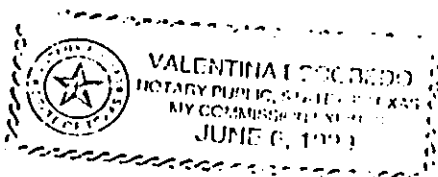
By: *J. B. Abney, Jr.*  
J. B. ABNEY, JR., ATTORNEY-IN-FACT

*J. B. Abney, Jr.*  
*Encl*

ACKNOWLEDGMENT

STATE OF TEXAS §  
COUNTY OF HARRIS?

The foregoing instrument was acknowledged before me this 10<sup>th</sup> day of August, 1998, by J. B. Abney, Jr., Attorney-In-Fact for Nuevo Energy Company, a Delaware corporation, who acknowledged to me that he executed the foregoing instrument on behalf of said corporation.



*Valentina Encinella*  
Notary Public in and for the State of Texas

*Attn Simmons & Associates  
P.O. Box 636  
Brenham TX 77834-0636*



"ASSIGNOR"

NUEVO ENERGY COMPANY

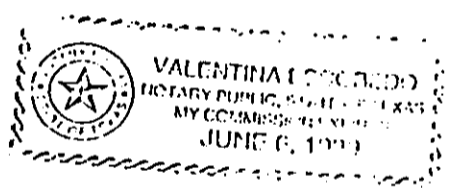
By: [Signature]  
J.B. ABNEY, JR., ATTORNEY-IN-FACT

[Signature]  
[Stamp]

ACKNOWLEDGMENT

STATE OF TEXAS    §  
COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this 10<sup>th</sup> day of August, 1998, by J. B. Abney, Jr., Attorney-In-Fact for Nuevo Energy Company, a Delaware corporation, who acknowledged to me that he executed the foregoing instrument on behalf of said corporation.



[Signature]  
Notary Public in and for the State of Texas

→ Rtn Simmons & Associates  
P.O. Box 636  
Brenham Tx 77834-0636

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Marvin Lee Warmke	Yegua Oil & Gas Co	07/30/97	07/30/2000	793/787	TX13502-02
Bobby Dale Warmke	Yegua Oil & Gas Co	07/30/97	07/30/2000	793/739	TX13502-04
Darrell W Kolwes	Yegua Oil & Gas Co	07/25/97	07/25/2000	790/463	TX13503-01
Thomas E Kolwes	Yegua Oil & Gas Co	07/25/97	07/25/2000	795/175	TX13503-02
George V. D'Agostino	Yegua Oil & Gas Co	08/01/97	08/01/2000	790/480	TX13447
Kathryn Ann Goeke Buck	Yegua Oil & Gas Co	08/07/97	08/07/2000	793/592	TX13470
Sadie A. Chernosky by A/W/F	Yegua Oil & Gas Co	08/08/97	08/08/2000	793/748	TX13471
Tofar N. Hamblen Est by Virginia C. Hamblen	Yegua Oil & Gas Co	08/04/97	08/04/2000	793/620	TX13477
Dixon James Ashorn	Yegua Oil & Gas Co	08/07/97	08/07/2000	793/776	TX13472
Mark G. Janosky, Ind & Ind Exec.	Yegua Oil & Gas Co	10/20/97	10/20/2000	798/436	TX13537
Jenelle J. Ashorn	Yegua Oil & Gas Co	08/07/97	08/07/2000	793/743	TX13474
C. E. Schmalreide	Yegua Oil & Gas Co	08/08/97	08/08/2000	793/697	TX13459
Elgin F. Shupak	Yegua Oil & Gas Co	08/04/97	08/04/2000	793/705	TX13466
Kenneth Lee Mikeska	Yegua Oil & Gas Co	08/20/97	08/20/2000	793/680	TX13613-02
Paula B. Warren	Yegua Oil & Gas Co	07/02/97	07/02/2000	794/726	TX13613-01
Thomas J. Yochim, et ux	Yegua Oil & Gas Co	08/04/97	08/08/2000	793/794	TX13572
Lillie Mae Shupak	Yegua Oil & Gas Co	07/31/97	07/31/2000	793/709	TX13475
Slim Sonnier	Yegua Oil & Gas Co	08/19/97	08/19/2000	793/732	TX13460
Augusta Slacik Thiel	Yegua Oil & Gas Co	08/19/97	08/19/2000	793/722	TX13480
Vernita Gross Lischka	Yegua Oil & Gas Co	07/30/97	07/30/2000	793/649	TX13478
Alfred C. Slacik	Yegua Oil & Gas Co	08/27/97	08/27/2000	793/719	TX13463
Ambrose Pavalock, et vir	Yegua Oil & Gas Co	08/28/97	08/28/2000	793/691	TX13461
David Maresh, et ux	Yegua Oil & Gas Co	08/28/97	08/28/2000	793/676	TX13462
Leroy P. Schuette, et al	Yegua Oil & Gas Co	08/27/97	08/27/2000	793/701	TX13457
Katie Miller	Yegua Oil & Gas Co	09/03/97	09/03/2000	793/684	TX13479
Walter T. Schimara, et al	Yegua Oil & Gas Co	09/03/97	09/03/2000	794/714	TX13456
Leebert Andrew Brune, et ux	Yegua Oil & Gas Co	08/19/97	08/19/2000	793/587	TX13454
Connie Huff, et ux	Yegua Oil & Gas Co	09/03/97	09/03/2000	793/636	TX13481
Robert James Hromadka, et ux	Yegua Oil & Gas Co	08/07/97	08/07/2000	793/632	TX13573
Gordon Monroe Smith A/W/F	Yegua Oil & Gas Co	09/03/97	09/03/2000	793/729	TX13482
Janice Ann Plagens	Yegua Oil & Gas Co	09/03/97	09/03/2000	793/694	TX13487
Laura Mae Slacik	Yegua Oil & Gas Co	09/03/97	09/03/2000	793/726	TX13483
Timothy J. Hajdik, et ux	Yegua Oil & Gas Co	07/24/97	07/24/2000	793/616	TX13484
Cuba L. Burleson, et ux	Yegua Oil & Gas Co	08/27/97	08/27/2000	794/695	TX13493
Sandra Aschenbec, et al	Yegua Oil & Gas Co	08/28/97	08/28/2000	794/691	TX13485
Joyce Whitehead	Yegua Oil & Gas Co	09/05/97	09/05/2000	794/729	TX13490
Earnest A. Siptak Jr., et ux	Yegua Oil & Gas Co	09/03/97	09/03/2000	794/720	TX13574
Geraldine Faye Siptak	Yegua Oil & Gas Co	09/03/97	09/03/2000	794/723	TX13488
Loris R. Biles	Yegua Oil & Gas Co	08/19/97	08/19/2000	795/198	TX13464
B. W. Sisa, et ux	Yegua Oil & Gas Co	08/19/97	08/19/2000	795/160	TX13491
Edna Zettel Krenek	Yegua Oil & Gas Co	09/15/97	09/15/2000	795/172	TX13542
Clifford W. Slovak, et al	Yegua Oil & Gas Co	09/17/97	09/17/2000	795/150	TX13492
James W. Zettel	Yegua Oil & Gas Co	09/15/97	09/15/2000	795/133	TX13498
Lawrence W. Zettel	Yegua Oil & Gas Co	09/15/97	09/15/2000	795/207	TX13497
Theresa Zettel Stark	Yegua Oil & Gas Co	09/15/97	09/15/2000	795/147	TX13575
Goldie Janosky	Yegua Oil & Gas Co	08/06/97	08/06/2000	795/189	TX13496
Charlie F. Zettel	Yegua Oil & Gas Co	09/15/97	09/15/2000	795/136	TX13468
Eleanor Tieman	Yegua Oil & Gas Co	09/25/97	09/25/2000	795/143	TX13495
Henry C. Zettel	Yegua Oil & Gas Co	09/15/97	09/15/2000	796/168	TX13486
Ray M. Niehuus, et ux	Yegua Oil & Gas Co	09/19/97	09/19/2000	796/165	TX13494
Judith Marshall	Yegua Oil & Gas Co	09/16/97	09/16/2000	798/427	TX13576
Darlene Zettel, et al	Yegua Oil & Gas Co	10/01/97	10/1/2000	797/252	TX13577
Charles A. Perry, et ux	Yegua Oil & Gas Co	08/28/97	08/28/2000	797/277	TX13578
Russell A. Becker	Yegua Oil & Gas Co	09/26/97	09/26/2000	797/280	TX13579
Elgin F. Supak	Yegua Oil & Gas Co	10/03/97	10/03/2000	797/237	TX13580
Kenneth W. Renner	Yegua Oil & Gas Co	09/23/97	09/23/2000	797/227	TX13581
Joyelyn H. Pfluger	Yegua Oil & Gas Co	10/09/97	10/09/2000	797/292	TX13584
Rhonda Jean Richards Trust	Yegua Oil & Gas Co	09/26/97	09/26/2000	797/326	TX13585
Northbrook Engineering Co	Yegua Oil & Gas Co	09/16/97	09/16/2000	798/467	TX13586
L. Blaine Hickey & Ogden Robertson	Yegua Oil & Gas Co	10/06/97	10/06/2000	798/495	TX13587
Emilie L. Peschel under A/W/F by	Yegua Oil & Gas Co	08/19/97	08/19/2000	798/509	TX13588

Leon Flentge	Yegua Oil & Gas Co	10/15/97	10/15/2000	798/512	TX13589
Carolyn Oeser, et vir	Yegua Oil & Gas Co	09/24/97	09/24/2000	797/286	TX13582
Mark Gene Janosky, Ind. & Exec.	Yegua Oil & Gas Co	11/10/97	11/10/2000	798/432	TX13583
Alan E. Walicek & Patricia Ann Copeland	Yegua Oil & Gas Co	09/26/97	09/26/2000	798/515	TX13590
Edward Chernosky	Yegua Oil & Gas Co	10/03/97	10/03/2000	798/530	TX13591
Carol Ann Byrd	Yegua Oil & Gas Co	09/16/97	09/16/2000	980083	TX13592
Alfred F. Jochee, et al	Yegua Oil & Gas Co	10/15/97	10/15/2000	980084	TX13625
Travis James Leigh, et ux	Yegua Oil & Gas Co.	10/15/97	10/15/2000	980085	TX13593
Kenneth E. Shupak, et ux	Yegua Oil & Gas Co.	10/03/97	10/03/2000	980086	TX13594
Kenneth E. Shupak, et ux	Yegua Oil & Gas Co.	10/09/97	10/09/2000	980087	TX13595
Michael C. Troncale, et ux	Yegua Oil & Gas Co	11/07/97	11/7/2000	980093	TX13596
Thomas J. Kamas A/I/F, et al	Yegua Oil & Gas Co.	10/09/97	10/9/2000	798/470	TX13640-01
Joe J. Norris, et ux	Yegua Oil & Gas Co.	07/24/97	7/24/2000	790/451	TX13640-02
Gilbert K. Lamb	Yegua Oil & Gas Co.	10/19/97	10/19/2000	798/498	TX13640-03
Brian K. Siemsglusz, et ux	Yegua Oil & Gas Co.	10/03/97	10/03/2000	980094	TX13640-04
Henry M. Eberhardt, et ux	Yegua Oil & Gas Co	12/08/97	12/08/2000	980376	TX13640-05
William D. Westendorf	Yegua Oil & Gas Co	11/06/97	11/6/2000	980095	TX13597
Charles A. Fourgeron, et ux	Yegua Oil & Gas Co.	10/30/97	10/30/2000	980096	TX13598
Beatrice Hegemeyer	Yegua Oil & Gas Co	10/30/97	10/30/2000	980100	TX13599
Patsy J. Chernosky	Yegua Oil & Gas Co	08/07/97	08/07/2000	793/602	TX13509-01
Peggy J. Bertsch	Yegua Oil & Gas Co	08/07/97	08/07/2000	793/760	Tx13509-02
Pamela J. Butler	Yegua Oil & Gas Co	08/07/97	08/07/2000	793/764	Tx13509-03
Irene Sadie Sill	Yegua Oil & Gas Co	08/07/97	08/07/2000	793/773	Tx13509-04
Lina R. Honish, et al	Yegua Oil & Gas Co	08/17/97	08/17/2000	793/628	TX13552-01
Gregory P. Carrier, et ux	Yegua Oil & Gas Co.	08/27/97	08/25/2000	798/533	TX13552-02
Coward Living Trust	Yegua Oil & Gas Co.	08/19/97	08/19/2000	794/707	TX13507-01
William C. Knolle	Yegua Oil & Gas Co	08/17/97	08/17/2000	794/679	TX13507-02
Barbara Elaine Dalby	Yegua Oil & Gas Co	12/23/97	12/23/2000	980131	TX13507-03
William Miles Knolle	Yegua Oil & Gas Co.	12/23/97	12/23/2000	980136	TX13507-04
Margaret Sue Ashmore	Yegua Oil & Gas Co	12/23/97	12/23/2000	980137	TX13507-05
Ann Dorthea Hruska	Yegua Oil & Gas Co	12/23/97	12/23/2000	980140	TX13507-06
Heather Whitehouse	Yegua Oil & Gas Co	12/23/97	12/23/2000	980444	TX13507-07
Anne Whitehouse	Yegua Oil & Gas Co	12/23/97	12/23/2000	980374	TX13507-08
William C. Knolle	Yegua Oil & Gas Co	09/17/97	09/17/2000	794/676	TX13528-01
R. A. Coward, et ux	Yegua Oil & Gas Co.	09/03/97	09/03/2000	794/704	TX13528-06
William Miles Knolle	Yegua Oil & Gas Co	12/23/97	12/23/2000	980135	TX13528-02
Barbara Elaine Dalby	Yegua Oil & Gas Co	12/23/97	12/23/2000	980132	Tx13528-03
Margaret Sue Ashmore	Yegua Oil & Gas Co	12/23/97	12/23/2000	980138	TX13528-04
Ann Dorthea Hruska	Yegua Oil & Gas Co	12/23/97	12/23/2000	980146	TX13528-05
Knolle Operating Company	Yegua Oil & Gas Co.	12/23/97	12/23/2000	980139	TX13528-07
Anne Whitehouse	Yegua Oil & Gas Co	12/23/97	12/23/2000	980373	TX13528-08
Heather Whitehouse	Yegua Oil & Gas Co	12/23/97	12/23/2000	980445	TX13528-09
Dalton P. Albert, et ux	Yegua Oil & Gas Co.	09/16/97	09/16/2000	795/202	TX13621-01
Gabig Family Trust	Yegua Oil & Gas Co.	09/25/97	9/25/2000	796/157	TX13621-02
Marvin W. Maekel	Yegua Oil & Gas Co	08/19/97	08/19/2000	793/667	TX13504-01
Leland E. Maekel	Yegua Oil & Gas Co.	08/19/97	08/19/2000	793/658	TX13504-02
Lorene M. Brown	Yegua Oil & Gas Co	08/19/97	08/19/2000	793/579	TX13504-03
Edith M. Belts	Yegua Oil & Gas Co	08/19/97	08/19/2000	793/570	TX13504-04
Eleanor C. Tiemann	Yegua Oil & Gas Co.	09/25/97	09/25/2000	795/139	TX13618-03
Eugene W. Sefcik	Yegua Oil & Gas Co.	09/25/97	09/25/2000	796/178	TX13618-01
Lanier J. Ripple & Clinton R. Ripple	Yegua Oil & Gas Co	09/25/97	09/25/2000	798/502	TX13618-02
Laura M. Ripple, David & Lanier Jr.	Yegua Oil & Gas Co	09/25/97	09/25/2000	980098	TX13618-04
Billy D. Ralls, et ux	Yegua Oil & Gas Co	09/16/97	09/16/2000	795/169	TX13530-01
Leeland F. Schramm	Yegua Oil & Gas Co	09/03/97	09/03/2000	794/717	TX13526-01
Annie Zettel Schomburg	Yegua Oil & Gas Co	10/03/97	10/03/2000	796/189	TX13526-02
Kenneh W. Zelle, et ux	Yegua Oil & Gas Co.	10/01/97	10/01/2000	797/271	TX13526-03
Shannon Lyn Petrich	Yegua Oil & Gas Co	12/01/97	12/01/2000	981131	TX13526-04
James N. Hold	Yegua Oil & Gas Co	08/25/97	08/25/2000	794/711	TX13615-01
Charles E. Aeschbacher, et ux	Yegua Oil & Gas Co.	08/22/97	08/22/2000	798/460	TX13615-02
Wilbert Holdt	Yegua Oil & Gas Co	11/05/97	11/5/2000	980089	TX13615-03
Wilbert Holdt	Yegua Oil & Gas Co	11/05/97	11/5/2000	980446	TX13615-04

Donnie Mullins, et ux	Yegua Oil & Gas Co.	09/03/97	09/03/2000	794/688	TX13525-01
Earla B Caythen	Yegua Oil & Gas Co.	09/03/97	09/03/2000	796/162	TX13525-02
Clarence E. Mahlmann, et ux	Yegua Oil & Gas Co.	09/16/97	09/16/2000	797/268	TX13617-01
Annette Prokop, Ind. & Tstee, et al	Yegua Oil & Gas Co.	09/09/97	09/09/2000	980142	TX13617-02
Dale E. Whisnant	Yegua Oil & Gas Co.	09/03/97	09/03/2000	793/791	TX13523-01
Florence M. Jurchak	Yegua Oil & Gas Co.	12/09/97	12/09/2000	980130	TX13523-02
Edmund Andreas, et ux	Yegua Oil & Gas Co.	09/03/97	09/03/2000	793/563	TX13514-01
Darlyn June Andreas	Yegua Oil & Gas Co.	08/28/97	08/28/2000	794/685	TX13514-02
Ona Faye Warmke	Yegua Oil & Gas Co.	08/28/97	08/28/2000	793/784	TX13514-03
Eddie Dean Andreas	Yegua Oil & Gas Co.	08/28/97	08/28/2000	793/781	TX13514-04
Crater Corporation	Yegua Oil & Gas Co.	10/03/97	10/03/2000	980082	TX13514-05
Thomas J. Kamas, A/I/F	Yegua Oil & Gas Co.	08/12/97	8/12/2000	795/180	TX13489
Kelly Lee Scott	Yegua Oil & Gas Co.	09/19/97	09/19/2000	798/536	TX13553
Four County Auction Center	Yegua Oil & Gas Co.	09/22/97	09/22/2000	796/171	TX13635-02
Ueckert Partners Ltd.	Yegua Oil & Gas Co.	11/05/97	11/5/2000	798/457	TX13635-03
Ueckert Partners Ltd.	Yegua Oil & Gas Co.	11/05/97	11/5/2000	980372	TX13635-04
Gary Dale Holba, et ux	Yegua Oil & Gas Co.	10/15/97	10/15/2000	980099	TX13635-01
Curtis F Jones, et ux	Yegua Oil & Gas Co.	08/27/97	08/27/2000	796/182	TX13619-01
Irene Sadie Sill	Yegua Oil & Gas Co.	10/06/97	10/06/2000	797/323	TX13619-02
Alden Otto Chernosky	Yegua Oil & Gas Co.	10/06/97	10/06/2000	798/464	TX13619-03
J L. Huitt, et ux	Yegua Oil & Gas Co.	07/31/97	07/31/2000	790/439	TX13549
Clarence Alfred Zettel Jr., et ux	Yegua Oil & Gas Co.	07/28/97	7/28/2000	796/150	TX13550-01
Joyce Marie Brokmeyer	Yegua Oil & Gas Co.	12/01/97	12/01/2000	980121	TX13646-04
Mark Jeffery Arning	Yegua Oil & Gas Co.	07/25/97	07/25/2000	790/400	TX13500-01
Michael Bradley Arning, et ux	Yegua Oil & Gas Co.	07/25/97	07/25/2000	790/476	TX13500-02
Matthew Robert Arning	Yegua Oil & Gas Co.	07/25/97	07/25/2000	790/484	TX13500-03
Milbert C. Haedge, et ux	Yegua Oil & Gas Co.	08/27/97	08/27/2000	796/192	TX13539
L. B. Vaden	Yegua Oil & Gas Co.	10/06/97	10/06/2000	797/283	TX13623-01
Lloyd Barrett Graham	Yegua Oil & Gas Co.	08/28/97	08/28/2000	797/295	TX13623-02
Graham 1989 Children's Tst -Co-Tstees	Yegua Oil & Gas Co.	09/04/97	09/04/2000	797/304	TX13623-03
Bennie Shupak N. Sepulvado	Yegua Oil & Gas Co.	10/01/97	10/01/2000	797/249	TX13622-02
Jimmie Lee Huitt Sr. Family Ltd Part	Yegua Oil & Gas Co.	09/15/97	09/15/2000	797274	TX13622-01
Jennifer Bowers (V.L.B)	Yegua Oil & Gas Co.	10/10/97	10/10/2000	980443	TX13622-03
Jennifer Bowers	Yegua Oil & Gas Co.	10/10/97	10/10/2000	980442	TX13622-04
Goldie Janowsky	Yegua Oil & Gas Co.	09/22/97	09/22/2000	795/194	TX13616-01
Monroe A. Ashworth III	Yegua Oil & Gas Co.	09/19/97	09/19/2000	797/221	TX13616-02
Lloyd D Van Horn, et ux	Yegua Oil & Gas Co.	09/19/97	09/19/2000	798/525	TX13647-01
Robert Lamar Frnka	Yegua Oil & Gas Co.	12/05/97	12/5/2000	980076	TX13647-03
Robert Todd Frnka	Yegua Oil & Gas Co.	12/05/97	12/5/2000	980077	TX13647-04
Tricia Lea LaFontaine	Yegua Oil & Gas Co.	12/05/97	12/5/2000	980078	TX13647-05
Holy Gay Frnka	Yegua Oil & Gas Co.	12/05/97	12/5/2000	980079	TX13647-06
Kelly Frnka	Yegua Oil & Gas Co.	12/05/97	12/5/2000	980080	TX13647-07
Gilbert J. Schultz & James P O'Jibway	Yegua Oil & Gas Co.	10/03/97	10/03/2000	796/188	TX13647-02
Corraine Margie S. Teufel	Yegua Oil & Gas Co.	09/03/97	09/03/2000	793/757	TX13614-01
Randall Scott Teufel	Yegua Oil & Gas Co.	09/03/97	09/03/2000	794/682	TX13614-03
Robert Gregory Turner	Yegua Oil & Gas Co.	09/19/97	09/19/2000	980108	TX13614-02
Barbara G. Smith Family Interest Part.	Yegua Oil & Gas Co.	10/23/97	10/23/2000	980102	TX13501-01
H. H. Marek, et ux	Yegua Oil & Gas Co.	10/28/97	10/28/2000	980122	TX13501-02
Barbara G. Smith	Yegua Oil & Gas Co.	10/23/97	10/23/2000	980101	TX13501-03
Otis Marek	Yegua Oil & Gas Co.	11/07/97	11/7/2000	980104	TX13611
Edward Donnell Sheffield	Yegua Oil & Gas Co.	10/06/97	10/6/2000	980088	TX13610
James T. Brittain, et ux	Yegua Oil & Gas Co.	11/10/97	11/10/2000	980103	TX13624-01
Dottie M. Helwig	Yegua Oil & Gas Co.	11/10/97	11/10/2000	980105	TX13624-02
Reginal Darnell Crawford, et ux	Yegua Oil & Gas Co.	11/10/97	11/10/2000	980109	TX13600
J. C. White, et ux	Yegua Oil & Gas Co.	11/17/97	11/17/2000	980110	TX13601
R. A. Coward Jr.	Yegua Oil & Gas Co.	11/17/97	11/17/2000	980111	TX13627-01
Marjorie Deane Lagrone	Yegua Oil & Gas Co.	11/17/97	11/17/2000	980117	TX13627-02
Paul Ted Good II	Yegua Oil & Gas Co.	11/17/97	11/17/2000	980113	TX13627-03
Randy Klausmeyer, et ux	Yegua Oil & Gas Co.	11/10/97	11/10/2000	980123	TX13627-04
Gordon Monroe Smith A/I/F	Yegua Oil & Gas Co.	11/10/97	11/17/2000	981128	TX13627-05
R. A. Coward Jr.	Yegua Oil & Gas Co.	01/20/97	1/20/2000	980447	TX13627-06

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M. Bernice Brau	Yegua Oil & Gas Co.	10/30/97	10/30/2000	798/539	TX13627-07
Marie Huff	Yegua Oil & Gas Co.	11/10/97	11/10/2000	980112	TX13602
Vlasta F. Grebe	Yegua Oil & Gas Co.	11/18/97	11/18/2000	980114	TX13603
Ben P Zajicek, et ux	Yegua Oil & Gas Co.	11/11/97	11/11/2000	980115	TX13604
Henry Douglas Marek, et ux	Yegua Oil & Gas Co.	11/10/97	11/10/2000	980115	TX13605
Charles L. Vavricka Trustee	Yegua Oil & Gas Co.	08/22/97	08/22/2000	793/735	TX13630-01
T. A. Maddox	Yegua Oil & Gas Co.	12/09/97	12/09/2000	980075	TX13630-02
Marshall M. Stewart	Yegua Oil & Gas Co.	12/10/97	12/10/2000	980081	TX13630-03
John Thomas Morriss	Yegua Oil & Gas Co.	10/01/97	10/01/2000	980118	TX13632-01
Charles S. Clark, et ux	Yegua Oil & Gas Co.	10/01/97	10/01/2000	980124	TX13632-02
Billy R. Brau, et ux	Yegua Oil & Gas Co.	11/10/97	11/10/2000	980126	TX13606
Edwin Thomas Moudry, et ux	Yegua Oil & Gas Co.	11/11/97	11/11/2000	980127	TX13633-01
Russell Henry Stone	Yegua Oil & Gas Co.	11/11/97	11/11/2000	980128	TX13634-01
Penelope D. Pearson	Yegua Oil & Gas Co.	11/25/97	11/25/2000	980129	TX13609
Gladys Marie Oakley, et al	Yegua Oil & Gas Co.	11/17/97	11/17/2000	980133	TX13607
Jo Ann Remmert	Yegua Oil & Gas Co.	12/01/97	12/01/2000	980134	TX13608
Paul Becker & Ind. Exec of the Ida Becker Est	Yegua Oil & Gas Co.	09/23/97	09/23/2000	797/224	TX13638-01
Diedra Deann Oppermann	Yegua Oil & Gas Co.	10/03/97	10/03/2000	797/246	TX13638-02
Star Hill Cattle Company	Yegua Oil & Gas Co.	09/23/97	09/23/2000	797/243	TX13638-03
Patricia Marie Schubert, et vir	Yegua Oil & Gas Co.	09/26/97	09/26/2000	797/234	TX13638-04
Earl Yancy, et ux	Yegua Oil & Gas Co.	10/03/97	10/03/2000	797/289	TX13638-05
Sandra Joy Bradbury	Yegua Oil & Gas Co.	10/15/97	10/15/2000	980091	TX13637-01
Ester D. Mikeska	Yegua Oil & Gas Co.	12/19/97	12/19/2000	980375	TX13637-02
James Terry Strange, et ux	Yegua Oil & Gas Co.	12/08/97	12/8/2000	980074	TX13639-01
Robert L. Frnka	Yegua Oil & Gas Co.	10/09/97	10/9/2000	980073	TX13639-02
Dottie M. Helwig	Yegua Oil & Gas Co.	11/07/97	11/7/2000	980097	TX13641-01
Carmen K. Wieting	Yegua Oil & Gas Co.	09/22/97	9/22/2000	980090	TX13643-01
Wilroy Peschel, et ux	Yegua Oil & Gas Co.	09/26/97	9/26/2000	797/314	TX13642-02
William Roy Peschel, et ux	Yegua Oil & Gas Co.	09/26/97	09/26/2000	798/488	TX13642-01
Mrs. Pitman A. Sullivan	Yegua Oil & Gas Co.	01/07/97	1/7/2000	980451	TX13642-03
Peggy Joyce Peschel, et vir	Yegua Oil & Gas Co.	01/14/97	1/14/2000	980448	TX13642-04
Pearlie Maresh Sanders	Yegua Oil & Gas Co.	12/23/97	12/23/2000	980371	TX13642-05
John Thomas Morriss (VLB)	Yegua Oil & Gas Co.	10/01/97	10/01/2000	980119	TX13725
Nancy C. Sheffield	Yegua Oil & Gas Co.	10/06/97	10/6/2000	980106	TX13645-01
Vernita Pauline Dopslauf	Yegua Oil & Gas Co.	01/06/97	1/6/2000	981133	TX13645-02
Marshall M. Stewart	Yegua Oil & Gas Co.	10/09/97	10/9/2000	798/506	TX13650-01
T. A. Maddox	Yegua Oil & Gas Co.	10/01/97	10/1/2000	797/265	TX13650-02
Jimmy Rhinard Dietrich, et ux	Yegua Oil & Gas Co.	09/22/97	09/22/2000	793/606	TX13650-03
Jimmy Rhinard Dietrich, et ux (VLB)	Yegua Oil & Gas Co.	09/25/97	09/25/2000	794/742	TX13650-04
Jimmy Rhinard Dietrich, et ux	Yegua Oil & Gas Co.	09/22/97	9/22/2000	793/609	TX13650-05
Ernest Leach Jr., et ux	Yegua Oil & Gas Co.	08/27/97	08/27/2000	980092	TX13650-06
McIntosh Family Part. Ltd.	Yegua Oil & Gas Co.	09/03/97	09/03/2000	797/262	TX13650-07
Rhett W. Musick	Yegua Oil & Gas Co.	08/06/97	08/6/2000	793/687	TX13650-08
Monte A. Richards, et ux	Yegua Oil & Gas Co.	08/04/97	08/4/2000	980125	TX13650-09
Leon Calvin Bornstein (VLB)	Yegua Oil & Gas Co.	10/03/97	10/3/2000	980369	TX13650-11
Leon Calvin Bornstein (VLB)	Yegua Oil & Gas Co.	10/03/97	10/3/2000	980368	TX13650-12
Sydney S. Jurchak, et ux	Yegua Oil & Gas Co.	11/17/97	11/17/2000	980120	TX13649-01
Deborah Brooks Frazier	Yegua Oil & Gas Co.	11/15/97	11/25/2000	980141	TX13612
Nancy O. Westward	Yegua Oil & Gas Co.	03/06/98	3/6/2001	982569	TX13841
James R. Godwin, et ux	Yegua Oil & Gas Co.	03/06/98	3/6/2001	982572	TX13848
Frank W. Parker, et ux	Yegua Oil & Gas Co.	02/17/98	2/17/2001	982573	TX13866
Patrick Henry Naff, et ux	Yegua Oil & Gas Co.	03/06/98	3/6/2001	982567	TX13864
Lawrence H. Pfeffer, et ux	Yegua Oil & Gas Co.	03/06/98	3/6/2001	982575	TX13850
Scott Monroe Clearman, et ux	Yegua Oil & Gas Co.	03/17/98	3/17/2001	982564	TX13851
Casper O Balke, et ux	Yegua Oil & Gas Co.	04/15/98	4/15/2001	982566	TX13852
Marie H. Glidden	Yegua Oil & Gas Co.	03/17/98	3/17/2001	982571	TX13853
Dorothy Mohr Beach	Yegua Oil & Gas Co.	03/08/98	3/8/2001	982574	TX13856-01
Roy Oliver Beach III	Yegua Oil & Gas Co.	02/18/98	2/18/2001	982570	TX13856-02
Kirk Townsend, et ux	Yegua Oil & Gas Co.	02/17/98	2/17/2001	982577	TX13857-02
John F. Lancaster, et ux	Yegua Oil & Gas Co.	02/17/98	2/17/2001	982578	TX13857-01
Billy Dale Baker, et ux	Yegua Oil & Gas Co.	03/24/98	3/24/2001	982568	TX13858-01

Avery G. Rasbury, et ux	Yegua Oil & Gas Co.	03/24/98	3/24/2001	982576	TX13858-02
Cecil Clarence Peschel	Yegua Oil & Gas Co	2/1/8/98	2/1/8/2001	982579	TX13859-01
Cecil Wayne Peschel	Yegua Oil & Gas Co	2/1/8/98	2/1/8/2001	982580	TX13859-02
Vickie Lynn Ward, et vir	Yegua Oil & Gas Co	2/1/8/98	2/1/8/2001	982581	TX13859-03
William F. Stark	Yegua Oil & Gas Co	04/24/98	4/28/2001	982565	TX13855
Derry J. Mikeska, et ux	Yegua Oil & Gas Co	12/29/97	12/29/2000	980372	TX13546-01
Russell Henry Stone (VLB)	Yegua Oil & Gas Co.	11/11/97	11/11/2000	980370	TX13629-01
Helen Joyce Haedge Exec.	Yegua Oil & Gas Co	08/06/97	8/6/2000	974792	TX13646-01
Brenham Nat'l. Bank	Yegua Oil & Gas Co.	10/01/97	10/10/2000	798/518	TX13646-02
Kathleen H. Stewart	Yegua Oil & Gas Co	08/19/97	8/19/2000	980107	TX13646-03
Helen Joyce Haedge Exec.	Yegua Oil & Gas Co	10/01/97	10/1/2000	V797/P240	TX13646-05
Robert D. Nesbit, et ux	Yegua Oil & Gas Co	11/18/97	11/18/2000	981125	TX13729
James R. Alexander, et ux	Yegua Oil & Gas Co.	11/25/97	11/25/2000	981126	TX13731
Kenneth Blezinger, et ux	Yegua Oil & Gas Co	11/17/97	11/17/2000	981132	TX13734
Brian Craig Duve, et ux	Yegua Oil & Gas Co.	11/17/97	11/17/2000	981361	TX13736
Sidney Levine	Yegua Oil & Gas Co.	11/12/97	11/12/2000	981130	TX13738
Virgil Dean Tiemann, et al	Yegua Oil & Gas Co	12/08/97	12/08/2000	981129	TX13740

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*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

13.

File No. MF100919  
Assignment  
Date Filed 11/15/99  
By [Signature]  
Deputy [Signature]

00.00.00