PAID UP OIL AND GAS LEASE

STATE OF TEXAS §
§
COUNTY OF WEBB §

This **OIL AND GAS LEASE** made this 3rd day of January, 2022 by and between **John P. Healey**, whose address is 90804 Alvadore Rd., Junction city, OR 97448, **Mary E. Scarborough**, 1933 SW Broadleaf Dr., Portland, OR 97219, **Kathleen A. Bartholomew,** whose address is 12624 SW 56th Ct., Portland, OR 97219, **James M. Healey, Jr.,** whose address is 3802 N. Frace Ave., Tacoma, WA 98407, and **Patricia E. Healey**, whose address is P.O. Box 2425, Cortaro, AZ 85652-2425, as Lessor (whether one or more), and **SEGUNDO NAVARRO DRILLING, LTD.,** whose address is 10101 Reunion Place, Suite 1000, San Antonio, Texas 78216, as Lessee.

W I T N E S S E T H:

DEFINITIONS: The parties hereto agree that for purposes of this lease, the following definitions shall be applicable:

a. "production", "production in paying quantities", "producing in paying quantities", "production in commercial quantities", "production in paying or commercial quantities" or words of similar import shall have the same meaning for purposes of this lease, namely production in quantities sufficient to yield a return to the holders of the working interest excluding severance taxes, in excess of operating and equipping expenses and costs including such overhead and depreciation of assets which are directly attributable to this lease (which along with any other costs and expenses are legally recognized by law in Texas as chargeable against revenues for purposes of determining whether production is in paying quantities), even though drilling costs may never be recouped by working interest owners. Production in less than paying or commercial quantities shall never be considered as production for purposes of this lease.

b. "oil and/or gas" shall have the meanings or definitions derived from the statutes, laws and court precedent of Texas, as such definitions or meanings may change from time to time.

c. "operations for drilling", "drilling operations", "commencement of operations", "commence operations", "commence drilling operations", "commences drilling operations", "commencement of a well", "actual drilling operations" or words of similar import shall have the same meaning being (1) the actual entry of the rotating drillbit of a drilling rig, capable of achieving the total depth permitted and approved by the Railroad Commission of Texas, into the soil of leased premises and the timely prosecution of such actual drilling operations in good faith and with reasonable diligence toward the completion of same as a dry hole or commercial well and (2) the actual re-entry into an existing wellbore with a drilling or workover rig capable of re-entering such well for the purpose of completing such well in previously uncompleted and unproduced zones and the timely prosecution of such actual re-entry operations in good faith and with reasonable diligence, toward the completion of such previously uncompleted and unproduced zone or zones encountered in such wellbore, as either producing or dry zones.

e. "operations" and "other operations" shall be defined as all other lease operations which may be conducted by Lessee under this lease except those defined in c. and d. above. "Operations" and "other operations" as defined in this subparagraph e. shall never be the basis for perpetuating this lease or the partial termination provisions set forth herein.

f. "completed", or "completion" shall have the same meaning and the date a well is completed shall be on (1) the date of plugging for a dry hole, or (2) the date of first production for a commercial well.

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g. "shut-in": A well shall be considered and defined as "shut-in" on the day that a commercial well ceases actual production.

h. Standard of Conduct: The standard of conduct of Lessee in performing all expressed as well as implied obligations, covenants and conditions imposed upon Lessee arising out of this agreement, shall be that a reasonably prudent operator. Further, Lessee agrees to comply with all valid and applicable laws, rules and regulations, both Federal and State, and any agency thereof.

i. "horizontal well" shall mean a well that has been classified and permitted by the Railroad Commission of Texas or other regulatory authority as a "horizontal well" and having a horizontal drain hole which is deviated a minimum of seventy (70) degrees from the vertical and is a minimum of five hundred (500') feet in length measured between the point at which the drain hole penetrates the top of the formation to be produced and the end point or terminus of the horizontal drain hole.

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j. "vertical well" shall mean any well that is not defined in this Lease as a horizontal well.

1. GRANTING CLAUSE: Lessor in consideration of TEN AND NO/100TH ($10.00) DOLLARS, in hand paid, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, (including all liquid hydrocarbons and casinghead gas or other products produced from any well classified as an oil well or oil wells by Governmental authority) and gas (the term "gas" as used herein in defined as to include natural gas, condensate, distillate or other by-products recovered from well specified as gas wells by any Governmental authority), conducting exploration, geologic and geophysical surveys by seismograph, core test, gravity and magnetic methods, injecting gas, water and other fluids, and air into subsurface strata, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor to produce, save, take care of, treat, transport and own said products, and housing its employees, the following described land in Webb County, Texas, to-wit:

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2. **PROPERTY DESCRIPTION**:

Leased Premises: 1,238.7016 acres of land, more or less, being described as follows:

Tract 1: 296.46522 acres of land, more or less, lying and being situated in Porcion 9, Blas Maria Diaz Original Grantee, Abstract 41, Webb County, Texas, being described in two (2) separate tracts, as follows:

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Tract One: 243.23631 acres of land, more or less, lying and being situated in Porcion 9, Blas Maria Diaz Original Grantee, Abstract 41, Webb County, Texas, described more particularly as "Tract I" on "Exhibit A-1" in that certain Warranty Deed dated November 12, 1986, from August C. Richter and wife, Elizabeth Nell Richter, to Douglas M. Brice, being recorded in Volume 1207, Page 69 of the Deed Records of Webb County, Texas.

Tract Two: 53.22891 acres of land, more or less, lying and being situated in Porcion 9, Blas Maria Diaz Original Grantee, Abstract 41, Webb County, Texas, being more particularly described as "Tract III" of "Exhibit A-2" in that certain Warranty Deed dated November 12, 1986, from August C. Richter and wife, Elizabeth Nell Richter to Douglas M. Brice, being recorded in Volume 1207, Page 69 of the Deed Records of Webb County, Texas.

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Tract 2: 207.13626 acres of land, more or less, lying and being situated in Porcion 9, Blas Maria Diaz Original Grantee, Abstract 41, Webb County, Texas, being more particularly described as two separate tracts, being 198.0366 acres described in metes and bounds as "Tract 1" and 9.09966 acres described in metes and bounds as "Parcel 2", both being a part of "Tract No. I" in that certain Warranty Deed with Vendor's Lien dated July 6, 1990, from Ermilo Richer, Jr. and wife, Adriana Mounetou De Richer, to City Ready Mix, Inc., being recorded in Volume 1433, Page 1 of the Deed Records of Webb County, Texas.

Tract 3: 80.21497 acres of land, more or less, lying and being situated in Porcion 9, Abstract 41, Blas Maria Diaz Original Grantee, Webb County, Texas, being more particularly described as a 103.23497 acre tract of land, more or less, described in metes and bounds in that certain Warranty Deed dated December 18, 1990, from Douglas M. Brice and Thomas G. Wilson, Trustee of the JPJ Trust, to Rodolfo Garcia, being recorded in Volume 1464, Page 594 of the Real Property Records of Webb County, Texas, **SAVE AND EXCEPT** 23.02 acres of land, more or less, being described in that certain Warranty Deed dated April 4, 2016, from Laredo Sand and Gravel to W.W. Rowland Investment Co., Inc., being recorded in Volume 4028, Page

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805 of the Official Public Records of Webb County, Texas, **LEAVING IN AGGREGATE 80.21497 acres of land, more or less.**

Tract 4: 631.86515 acres of land, more or less, being described as 1,261.95 acres lying and being situated in Porcion 9, Blas Maria Diaz Original Grantee, Abstract 41, Webb County, Texas, being the same land described in metes in bounds in that certain Warranty Deed dated July 31, 1967, from Sam Stockbridge, et al to Thomas G. Wilson, et al, recorded in Volume 352, Page 226 of the Deed Records of Webb County, Texas, **SAVE AND EXCEPT** 296.46522 acres of land, more or less, being the same land described by metes and bounds in that certain Warranty Deed dated November 12, 1986, from August C. Richter, et ux to Douglas C. Brice, being recorded in Volume 1207, Page 69 of the Deed Records of Webb County, Texas, **FURTHER SAVE AND EXCEPT** 207.13626 acres of land, more or less, being the same land described more particularly as "Tract No. I" in that certain Warranty Deed with Vendor's Lien dated July 6, 1990, from Ermilo Richer, Jr., et ux to City Ready Mix, Inc., being recorded in Volume 1433, Page 1 of the Deed Records of Webb County, Texas, **FURTHER SAVE AND EXCEPT** 103.23497 acres of land, more or less, being the same land described by metes and bounds in that certain Warranty Deed dated December 18, 1990, from Thomas G. Wilson, Trustee of the JPJ Trust, to Rodolfo Garcia, being recorded in Volume 1464, Page 594 of the Real Property Records of Webb County, Texas, **FURTHER SAVE AND EXCEPT** 13.2717 acres of land, more or less, being the same land described by metes and bounds in that certain Warranty Deed dated June 13, 1972, from Thomas G. Wilson, et al to James W. Knight, et ux, being recorded in Volume 423, Page 252 of the Deed Records of Webb County, Texas, **FURTHER SAVE AND EXCEPT** 9.9767 acres of land, more or less, being the same land described in metes and bounds in that certain Special Warranty Deed dated May 21, 1992, from International Bank of Commerce to Motorola, Inc., being recorded in Volume 38, Page 69 of the Official Public Records of Webb County, Texas **LEAVING IN AGGREGATE 631.86515 acres of land, more or less.**

Tract 5: 23.02 acres of land, more or less, lying and being situated in Porcion 9, Blas Maria Diaz Original Grantee, Abstract 41, Webb County, Texas, being the same land described in "Exhibit B" in that certain Warranty Deed with Vendor's Lien dated April 4, 2016, from Laredo Sand and Gravel Co. to W.W. Rowland Investment Co., Inc., being recorded in Volume 4028, Page 805 of the Official Public Records of Webb County, Texas.

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3. **RESERVATIONS**: There is EXCEPTED from this lease and Lessor RESERVES unto Lessor and Lessor's successors, administrators and assigns:

3.1 all minerals except oil, gas and all other liquid, solid and gaseous hydrocarbons and sulphur that are necessarily produced with such oil or gas;

3.2 equal and concurrent rights of occupancy, use and possession of the surface estate by (1) Lessor, (2) surface owners and (3) Lessor's or surface owner's other mineral, surface, grazing and recreational lessees or assignees, together with the right of ingress to and egress from the above described lands for all purposes including exploring, developing and operating said lands for oil, gas and other minerals of whatever nature which are not covered by this lease or which may hereafter be released from this lease and the concurrent right to complete water source wells on the leased premises for mineral exploration operations; provided, however, Lessor agrees not to use the surface of the premises affected hereby in any manner that will interfere unduly with any of Lessee's rights in exploring, developing, producing, treating, processing, transporting, marketing and caring for oil, gas and other hydrocarbons under said lands. As between lessee herein and subsequent mineral lessees, this leasehold estate shall be considered dominant.

3.3 all rights granted to Lessee in this lease shall be limited to the lands and depths described and covered by this lease together with such ingress to and egress from leased premises and Lessor expressly reserves all rights, privileges and usage which relate to lands not described herein or which may be released herefrom. Specifically, but not by way of limitation, Lessee is prohibited from utilizing any right or privilege granted under this lease for use or benefit of or as a convenience in operating on lands not covered by this lease, whether such other lands are owned by Lessor or the owner of the surface of leased premises or third parties, unless such right is granted in writing by surface owner.

3.4 Lessee shall not have the right to reenter any wells or well bores heretofore drilled on the leased premises without the written consent of Lessor and Lessee does not, by the terms of this lease, acquire any rights to any property now on the leased premises.

3.5 Lessor reserves unto itself and its successors, assignees, contractors, agents and lessees the concurrent right to use any access to and from the above lands and to conduct operations on the surface of the above land in order to explore for, drill to, produce, develop, transport, store, treat and market oil, gas and other minerals from (1) depths not covered hereby from time to time; (2) other lands of Lessor or any one or more of Lessor; and (3) other lands not owned by Lessor, and to drill through said above described property and depths held under this lease from time to time in order to explore for, develop, produce and market oil, gas or other minerals from below the above property or from any other lands of Lessor or from any other lands not owned by Lessor. In this regard, it is agreed that surface use shall be such that will not interfere unduly with Lessee's operations but Lessee agrees to cooperate with any other operator in regard to surface operations.

3.6 It is understood and agreed that Lessor and/or surface owner have expressly reserved the concurrent right hereafter to grant seismic permits or agreements to third parties providing for seismic surveys on over and across the land covered by the lease and Lessee may negotiate with such seismic operator for copies of data obtained from the Leased Premises. Lessee agrees to execute any permits requiring Lessee's permission for such seismic surveys and further agrees that all compensation paid as a result of such seismic surveys shall be paid to Lessor.

4. <u>HABENDUM CLAUSE</u>: This is a paid up lease and subject to the other provisions herein contained, this lease shall be for a term beginning on January 3, 2022 and ending

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at 11:59:59 p.m. on January 2, 2027(called "Primary Term") and as long thereafter, as oil, gas or other liquid hydrocarbons are produced in paying quantities from the Leased Premises or lands pooled therewith.

5. ROYALTY CLAUSE: The oil and gas royalties to be calculated and paid by Lessee to Lessor on production from the Leased Premises or lands pooled therewith are subject to and controlled by the following provisions:

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5.1 OIL AND FIELD LIQUIDS: On oil and other liquid hydrocarbons ("field liquids") separated from gas on said lands by a field-type separator or other comparable equipment ordinarily used in the industry for the purpose of separating, extracting and saving liquid and liquefiable hydrocarbons recoverable from the gas ("field separation equipment"), twenty-five (25%) percent of the gross production, or the market value thereof, at the option of the Lessor, plus any premiums paid. "Market value" for purposes of accounting for all liquid hydrocarbons royalty, including oil, shall be deemed to be the gross proceeds received by Lessee and/or its affiliates or related entities for the sale of such liquid hydrocarbons from the first non-affiliated purchaser in an arms-length transaction.

5.2 GAS: On all gas produced from the Leased Premises, twenty-five (25%) percent times the gross Mcf volume of gas produced, times the greater of (1) the price realized per MMBtu by Lessee or its affiliated or related entities for gas from the first non-affiliated purchaser of gas produced herefrom or (2) 97% of the price first published monthly in Inside F.E.R.C.'s Gas Market Report (published by McGraw-Hill) under the heading of "Market Center Spot-Gas Prices, East Texas, Houston Ship Channel, Index" for the month of delivery and without any deduction for expenses incurred save unreimbursed severance taxes actually paid by Lessee (in the event the above index ceases publication or in the event Lessor or Lessee or a reputable, knowledgeable third party determines that such index is being artificially manipulated or the methodology used in arriving at index prices is flawed, defective or not truly representative of the on-shore spot gas prices being paid for gas delivered to pipelines in the Houston Ship Channel/Beaumont area, then Lessor and Lessee shall agree on another comparable index for current on-shore spot gas prices then being paid by purchasers in the Houston-Beaumont, Texas area). For purposes of calculating royalties under (1) above, in the event that the contract under which the gas produced herefrom is being sold calls for a term in excess of six (6) months and provides for a fixed price that is NOT tied to an index comparable to the index provided under prong (2) above, then any such gas contract shall call for and require a price re-determination at least semi-annually. However, in the event that said contract provides for a price that is fixed to an index comparable to the index provided under prong (2) above, then such gas contract shall call for and require a re-determination of the price and other related terms at least every three years. All gas production from this lease shall be measured at each wellhead at Standard Measurement, as prescribed by the Natural Resources Code, Section 91.052, Texas Revised Civil Statutes.

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5.3 GAS PROCESSING: If gas produced from the Leased Premises is processed through an extraction, absorption, pressuring or other plant for the production of condensate and all other liquid products ("Plant Liquids"), then with respect to residue gas and Plant Liquids produced from any well or wells producing under this Lease, Lessor shall be paid twenty-five percent (25%) of the net proceeds received by Lessee and/or its affiliates or related

entities from the sale of residue gas and Plant Liquids from the first non-affiliated entity plus any premiums paid. Notwithstanding anything herein to the contrary, it is expressly understood and agreed that this Paragraph 5.3 constitutes Lessor's only means of receiving any additional royalty from the proceeds obtained by Lessee from the sale of Plant Liquids extracted when gas produced under the Lease is processed through an extraction, absorption, pressuring or other plant, and it is further understood and agreed that no other provision contained in the Lease shall be construed to entitle Lessor to any additional royalty from the proceeds obtained by Lessee from the sale of such Plant Liquids.

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5.4 OTHER ROYALTY: On all oil or gas (including helium, carbon dioxide and other substances produced from the leased premises and sold or used) for which no royalty is otherwise specified in this lease, Lessor shall be paid as royalty twenty-five (25%) percent of the greater of the gross amount realized from any sale or the market value at the Lessee's, or its affiliates or related entities' point of sale or use of all such substances sold or used.

5.5 FREE ROYALTY: Except for the volumetric deduction provided in 5.2 and as expressly provided in Paragraph 5.3 above, Lessee agrees that all royalties accruing under this Lease shall be without deductions for the costs of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, fractionating, transporting and otherwise making the oil or gas produced hereunder ready or marketable for sale or use, which are incurred prior to delivery of such oil or gas into the main pipeline system or at the first point of sale to the first non-affiliated purchaser, whichever occurs later.

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5.6 IN KIND ROYALTY: Lessor and Lessee herein agree that Lessor reserves and shall have the continuing option to take all or any part of twenty-five (25%) of all of the gas production produced from this lease in kind (such 25% of all gas production from this lease, sometimes referred to herein as "Royalty Gas"), and Lessor shall be entitled, upon not less than sixty (60) days prior written notice mailed to the Operator of the lease, to require that Lessee commence, as of the effective date and hour of Lessor's election, delivering to the connecting gas gathering and transmission systems for the account of the owners of the Royalty Gas or their designated marketer or purchaser, all or some designated volume of the subsequent accruing Royalty Gas, on a daily basis, for such duration or period as Lessor designates in its written notice to Lessee (hereinafter called "in kind gas") which delivery into such Gas Gathering and Transmission Systems shall be made ratably and transported and delivered by the Lessee and its transporters in accordance with the instructions of Lessor, or Lessor's designated marketer or purchaser. Any Royalty Gas not actually taken in kind by Lessor shall be marketed and sold by Lessee, and Lessee shall account to Lessor for all Royalty Gas not actually taken in kind as provided herein. Lessee further commits and obligates itself to reasonably cooperate with Lessor and Lessor's designated representative in arranging for any such deliveries in kind.

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In the event Lessor elects to take the Royalty Gas as provided herein, Lessee and Lessor shall enter into a gas balancing agreement. All costs and expenses attributable to Royalty Gas shall be borne solely by Lessor. Should Lessor elect not to take in kind its royalty share of any production hereunder after having done so Lessor shall notify Lessee by giving Lessee not less than sixty (60) days advance written notice of Lessor's desire to no longer take said royalty in kind, and it shall be Lessee's obligation thereafter to market said production for Lessor and to pay

Lessor's royalty according to the terms of this lease. An election by Lessor to take in kind or to have Lessee market Lessor's royalty share of such production shall be effective for a period of not less than twelve (12) months.

The right of Lessor to elect, from time to time, to take all or some designated portion of the Royalty Gas as in kind gas shall in no manner relieve the Lessee of its duty to market all gas (with the exception of any gas which Lessor expressly designations as in kind gas) and to account to the royalty owners herein, for their royalties on the basis as provided for herein.

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5.7 REIMBURSEMENTS: Lessee further agrees to reimburse Lessor for Lessor's proportionate part of any reimbursement which Lessee or its assignees may obtain from a gatherer or purchaser for severance taxes or any other expense which Lessor may have directly or indirectly shared in.

5.8 METER, MEASUREMENT AND TESTING CLAUSE: Lessee specifically agrees to install, maintain and operate a properly calibrated gas metering device at each gas wellhead for the purpose of measurement of all gas production produced from each gas well on this lease, which gas measurement shall be made pursuant to the Measurement law referred to under Section 5.2 of this lease. Such gas meter shall be available for inspection as to its calibration, orifice size and measurements at any time or times by Lessor (or Lessor's representative). Each such gas metering device and orifice plates shall be inspected and re-calibrated periodically, consistent with good industry practices, by Lessee. Lessee shall be required to perform a gas analysis on all gas production, on a well-by-well basis, periodically, as is consistent with good industry practices, which analysis shall extend to the BTU content of such gas production and other commercial constituents thereof. A copy of such gas analysis shall be furnished to Lessor upon written request to the Lessee.

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5.9 TIME, METHOD AND MANNER OF PAYMENT OF ROYALTY:

5.9.1 Except for any reasonable delay at the inception of production from the lands covered hereby occasioned by delay in Lessee or the purchaser of production being furnished with and examining abstracts of title, all royalties payable hereunder shall be due and payable within a period of sixty (60) days following each month's production of oil or gas produced and sold from the premises. Thereafter, such payments shall be delinquent and will bear interest at the rate of two percent (2%) over the rate provided for under Chapter 91 of the Natural Resources Code as amended; however, no interest shall be due on royalty payments that are delayed because of the absence of executed division orders without fault on Lessee's part.

5.10 ACCOUNTING FOR ROYALTY PAYMENTS: Lessee shall be required on a monthly basis, to account to royalty owner separately for each well on the leased premises based upon the volume of production at each wellhead, with a statement reflecting the gross production of each well, the gross price per unit of production (gas being expressed in thousand cubic feet and oil being expressed in barrels of 42 gals.), the royalty interest in such production, any permitted deductions from royalty, the amount of severance taxes actually paid on behalf of royalty owner and the amount owed and paid to such royalty interest owner. Except as provided for herein, Lessee shall not be authorized to make any deductions or adjustments (other than

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routine ones which are hereby permitted) to Lessor's royalties previously paid without first notifying Lessor with a full explanation therefor, and giving Lessor fifteen (15) days to respond thereto.

Further Lessor shall be entitled, within thirty (30) days of request in writing, to inspect at Lessee's offices all purchase or sales agreements affecting the sale of oil or gas from the Leased Premises which have a term of one (1) year or more, together with any and all subsequent amendments thereto, provided that Lessee can provide such agreements without violating confidentiality obligations to third parties. Lessor shall keep the terms of such agreements confidential except to the extent of their use by Lessor in connection with Lessee's obligations hereunder. In the event Lessee withholds any windfall profits tax (or any other similar types of tax by any governmental authority) from any royalty payment hereunder, then in such event, from and after a period of six (6) months following initial production and upon request in writing, Lessor shall be entitled to be furnished with full facts and information respecting the calculation and deduction of such windfall profit tax or other tax upon production, together with evidence of payment of such tax by Lessee. Lessee shall be authorized to withhold from such royalty payment only that windfall profit tax proportionately related to such royalty interest which is legally owed to governmental authority and actually paid by Lessee in behalf of such royalty interest owner. Severance taxes directly or indirectly paid by Lessee to the State of Texas, which are not reimbursed from this lease, shall be deducted by Lessee in proportion to Lessor's royalty interest, on a month-by-month basis, from Lessee's payment of such royalties to Lessor. It is agreed that any severance tax on production from this lease which is paid by the Purchaser of oil or gas production and/or reimbursed by the Purchaser to Lessee, shall not be charged or deducted from Lessor's royalties.

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5.11 FIRST LIEN: Lessor hereby retains a first and preferred lien and security interest in all (i) Leased Substances produced and saved from the Leased Premises and (ii) all proceeds from the sale, disposition, exchange or transfer of such Leased Substances and all accounts arising therefrom and (iii) all equipment and fixtures of Lessee located on the Leased Premises (the "Collateral") to secure Lessor in the payment to it of all sums owed to it under this Lease and to secure Lessee's full compliance with the other terms and provisions of this Lease. In the event of default by Lessee, Lessor shall have the right to take possession of the collateral and to receive the proceeds attributable thereto and to hold same as security for Lessee's obligations or to apply such proceeds on the amounts owing to Lessor hereunder. Notwithstanding the above, Lessee may give a lien to a third party against Lessee's leasehold interest herein conveyed for the purpose of securing said third party in the repayment of indebtedness advanced to Lessee for DRILLING AND OTHER OPERATIONS ON THE LEASED PREMISES or for CONSTRUCTION OF PRODUCTION, TREATMENT, TRANSPORTATION AND MARKETING FACILITIES WHICH SHALL BENEFIT PRODUCTION HEREFROM and in such event, the security herein granted to Lessor shall be secondary to said third party lien. Further, Lessor waives any right to require payment of revenues attributable to the working interest hereunder to be paid to Lessor until notice to Lessee and purchaser of Lessee's default and failure to remedy same within sixty (60) days after receipt of such default notice. Notwithstanding the above, Segundo Navarro Drilling, Ltd. (but only for so long as such entity is controlled by Rodney Ray Lewis) may give a lien to a third party against Lessee's leasehold interest herein conveyed and in such event, the security herein granted to Lessor shall be secondary to said third party lien. Notwithstanding

anything to the contrary herein, and in addition to any other remedies provided in this Lease, Lessor, as a secured party, may in the event of Lessee's default hereunder, enforce its rights as to such collateral under the Texas Property Code, the Texas Uniform Commercial Code or as otherwise provided by law. This Lease shall be deemed a financing statement under the Texas Uniform Commercial Code and all other applicable laws. The addresses of Lessor, as Secured Party, and Lessee, as Debtor, are as set forth above.

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6. SHUT-IN ROYALTY CLAUSE: Subject to the limitation hereinafter provided for, where gas from a well or wells located on said land, capable of producing gas in paying quantities with or without condensate, is not sold or used but is shut-in, and this lease is not being otherwise maintained, then Lessee may pay as shut-in gas well payments to Lessor, commencing on or before the dates hereinafter specified and annually thereafter on or before the anniversary date of such payment, an amount equal to the sum of Twenty-Five & No/100 Dollars ($25.00) per acre covered hereby, and while such payment is made, it will be considered that gas is being produced in paying quantities within the meaning of Paragraph 2 hereof for such entire annual period (whether or not there occurs periodic production during each annual period); provided, however, that no gas well may be held under the provisions hereof providing for payment of shut-in gas payments in lieu of actual production, for more than two (2) consecutive years after the expiration of the primary term; provided however, such well or wells may be temporarily shut-in after such period of time to negotiate a more favorable price or a market therefor by payment of such shut-in royalty, which will operate to extend such lease for six (6) month period or periods, only. Such shut-in payments to be timely, shall be made as follows: on or before ninety (90) days after the date the well is shut-in or, if the well is shut-in during the primary term, on or before ninety (90) days after the date on which said well is shut-in or ninety (90) days after the date this lease causes to be otherwise maintained, whichever is later. Payments under this paragraph shall be considered as a credit upon minimum income and force majeure payments payable to Lessor during such annual period. Nothing herein shall relieve Lessee of its duty to market such gas production pursuant to the Reasonably Prudent Operator Standard, as that Standard is defined by Texas case law, now or hereafter.

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7. POOLING CLAUSE AND PRODUCTION SHARING:

7.1 POOLING Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof as to oil and gas, or either of them, with any other land covered by this lease, and/or with any other land, lease or leases in the immediate vicinity thereof to the extent hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises in compliance with the spacing rules of the Railroad Commission of Texas, or other lawful authority, or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed forty (40) acres each in area, and units pooled for gas hereunder shall not substantially exceed in area six hundred forty (640) acres each plus a tolerance often percent (10%) for gas wells capable of producing gas in paying or commercial. Lessee under the provisions hereof may pool or combine acreage covered by this lease or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata, however, as to units with horizontal wells, the pooled unit shall be limited only to the formation from which

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such Horizontal Well is producing. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit; and upon such recordation the unit shall be effective as to all parties hereto, their heirs, successors, and assigns, irrespective of whether or not the unit is likewise effective as to all other owners of surface, mineral, royalty, or other rights in land included in such unit. Lessee may at its election exercise its pooling option before or after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. In the event of operations for drilling on or production of oil or gas from any part of a pooled unit which includes all or a portion of the land covered by this lease, regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument designating the pooled unit, such operations shall be considered as operations for drilling on or production of oil or gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease and in such event operations for drilling shall be deemed to have been commenced on said land within the definitions of this lease; and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) a pro rata portion of the oil and gas, or either of them, produced from the pooled. Such allocation shall be, at the election of lessor, on a pro-rata length of lateral basis, calculated from the first take point to the last point for a horizontal well or on an acreage basis-that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease (or in each such separate tract) and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed and paid on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land. The production from an oil well will be considered as production from, the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. The formation of any unit hereunder shall not have the effect of changing the ownership of any shut-in production royalty which may become payable under this lease.

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7.2 PRODUCTION SHARING

7.2.1 Subject to Lessee obtaining any required permits from the Railroad Commission of Texas or any successor entity, Lessor hereby grants to Lessee the right to drill and produce Sharing Wells on the Leased Premises. Lessee may only exercise the foregoing right if and only if the drilling of a Sharing Well is required or advantageous in order to encourage the development of the Lease Premises via the drilling of horizontal wells, to prevent physical and economic waste and the drilling of unnecessary wells, and to increase the ultimate recovery of oil, gas and liquid hydrocarbons (including condensate, distillate, and other liquids) from the Leased Premises. Production volumes from each such Sharing Well shall be allocated among the affected leases based on the ratio that the length of the portion of the Productive Interval of the horizontal wellbore located on each tract traversed by the Sharing Well bears to the total length of the Productive Interval in the horizontal wellbore of the Sharing Well. A "Sharing Well" is a horizontal well traversing the Leased Premises into any of the lands adjacent to the Leased Premises and vice versa. "Productive Interval" as used herein is defined as that portion of the horizontal wellbore between the first Take Point and the last Take Point. A "Take Point" is defined as any point along the horizontal portion of the wellbore where oil and/or gas and liquid hydrocarbons (including condensate, distillate, and other liquids) can be produced into the wellbore from the reservoir or field interval. Lessee agrees to provide to Lessor (on or before the date of first production for each applicable Sharing Well) an "as-built" plat depicting the location of the horizontal wellbore and the first and last Take Points. Lessor agrees to execute Production Sharing Agreements which shall be consistent with and subject to the terms of this Paragraph 7.2 and which may be filed of record in Webb County, Texas.

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7.2.2 Operations on or production from each Sharing Well shall be treated as if they were actual operations on or production from the Leased Premises subject to the allocation set forth above. A Sharing Well shall be considered a well for purposes of Paragraph 10.2.

7.2.3 In accounting to royalty owners for their proportionate share of production from any such Sharing Well, the royalty provisions of each respective lease shall be used for calculating the royalty due and owed to the royalty owners under the terms of the lease covering their interest.

7.2.4 Upon the partial termination of this Lease, the acreage that may be retained around each Sharing Well shall comply with the acreage parameters set forth in Paragraph 10.1 below.

7.2.5 If the oil and gas rights covered by the Lease and subject to this production sharing clause are burdened by a non-participating royalty interest (or a non-executive mineral interest) and the owner(s) of said interest fail or refuse to ratify the terms of the production sharing provisions, then in no event shall Lessor's royalty share of the production from the affected Sharing Well be burdened with more than that amount of royalty which Lessor would have otherwise been burdened with had such non-participating royalty (or non-executive) interest owner(s) ratified the production sharing provisions.

7.2.6 The failure of any holder of an interest in the oil and gas rights in and under adjacent lands traversed by a Sharing Well (whether said interest is an executive, non-executive, royalty or any other interest in said oil and gas rights) to execute an agreement consistent with the production sharing provisions hereunder shall NOT affect the allocation of production volumes for the affected Sharing Well as set forth above in 7.2.1.

8. REPRESENTATIVE CLAUSE: All royalties or other payments or tenders of monies hereunder are payable to the Lessor at the address herein designated by Lessor, except shut-in gas payments which may be paid or tendered directly to Lessor or to the depository herein designated.

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9. DRILLING, DRY HOLE AND CESSATION OF PRODUCTION CLAUSE:

9.1 DRILLING OPERATIONS: If, at the expiration of the primary term, oil or gas is not being produced from the Leased Premises but Lessee is engaged in actual drilling operations thereon, or Lessee was engaged in actual drilling operations thereon within one hundred eighty (180) days prior to the expiration of the primary term, this lease shall remain in force as long as actual drilling operations on said well or for actual drilling of any additional wells are prosecuted with no cessation of more than one hundred ninety (90) consecutive days between the termination of drilling operations on one well and the commencement of actual drilling operations on a subsequent well, as defined in DEFINITIONS above, and if they result in production of oil or gas, so long thereafter as oil or gas or either of them is produced from said land in paying or commercial quantities.

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9.2 DRY HOLE OPERATIONS:

9.2.1 If, prior to discovery and production of oil and/or gas from the Leased Premises, Lessee should drill a dry hole or holes thereon, this lease shall not terminate if Lessee commences operations for actual drilling within ninety (90) days after completion of such dry hole.

9.2.2 If Lessee has drilled a dry hole on the Leased Premises within ninety (90) days prior to the end of the primary term, then this lease shall remain in force for a period of ninety (90) days after actual drilling operations on said dry hole have ceased and so long thereafter as actual drilling operations on a subsequent well or for actual drilling operations on any additional well or wells are prosecuted with no cessation of more than ninety (90) consecutive days between the termination of actual drilling operations on one well and the commencement of actual drilling operations on a subsequent well and if they result in the production of oil or gas, so long thereafter as oil, gas or either of them is produced from said land in paying or commercial quantities.

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9.3 CESSATION OF PRODUCTION IN PAYING OR COMMERCIAL QUANTITIES: If, after discovery and production of oil and/or gas, actual production thereof or production in paying or commercial quantities should cease from any cause, this lease shall not terminate if Lessee commences actual drilling operations within ninety (90) days after production ceases to be commercial or in paying quantities or production ceases altogether and continuously conducts actual drilling operations without cessation thereof for more than ninety

(90) consecutive days between the termination of actual drilling operations on a well and the commencement of actual drilling operations on a subsequent well and if they result in production in paying or commercial quantities of oil and/or gas, so long thereafter as oil, gas or either of them is produced from said land in paying or commercial quantities. If, within such ninety (90) day period after cessation of actual production or cessation of production in paying or commercial quantities, Lessee commences actual reworking operations, as opposed to drilling operations as defined in DEFINITIONS above, this lease shall not terminate so long as Lessee continuously conducts such actual reworking operations on such well and such actual reworking operations on such well result in re-establishment of production in paying quantities. If such actual reworking operations do not result in re-establishing production, Lessee shall have one ninety (90) days after the termination of such reworking operations within which to commence the drilling of a new well, but further reworking operations shall not perpetuate this lease.

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9.4 DILIGENT, GOOD FAITH OPERATIONS: All drilling and/or reworking operations, as those terms are used in this Paragraph 9 or elsewhere in this lease, shall and must be conducted in good faith, with reasonable diligence, with adequate equipment and in a good and workmanlike manner.

10. RELEASE CLAUSE:

10.1 At the expiration of the primary term of this Lease, or at the end of the extended period provided above, whichever is later, this Lease shall terminate SAVE and EXCEPT for "Well Tracts", Well Tracts to be determined as follows:

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(i) forty (40) acres of land surrounding each commercial vertical oil well;

(ii) eighty (80) acres of land surrounding each vertical gas well producing or capable of producing gas in paying or commercial quantities;

(iii) as to any producing or shut-in commercial horizontal well the size of the Well Tract shall be no greater than three hundred twenty (320) acres;

(iv) Each Well Tract shall be limited to those depths situated between the surface of the earth and 100' below the stratigraphic equivalent of the base of the deepest producing formation.

Lessee shall, within ninety (90) days after the expiration of this lease or parts thereof, file in the office of the County Clerk of Webb County, Texas, an instrument releasing this lease insofar as said lease has terminated, specifically describing by metes and bounds the retained tracts surrounding each producing well and the depth which may be retained by Lessee thereunder.

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10.2 Notwithstanding the provisions of Paragraph 9.1 or 9.2 above, beginning with the Lease Year that begins on January 3, 2027 and every subsequent Lease Year, in order to postpone the partial termination provisions of Paragraph 10.1 above after the expiration of the primary term, Lessee shall be obligated to drill and complete at least two (2) wells on the leased premises during each such Lease Year. In the event Lessee fails to drill and complete at least two

(2) wells on the Leased Premises during any given Lease Year, then the partial termination called for in Paragraph 10.1 shall become effective at the end of such Lease Year. For purposes of this paragraph 10.2, a Lease Year shall commence on January 3 at 12:00:01 A.M. and end on January 2, at 11:59:59 P.M of the following year.

10.3 At such time as a partial termination of this lease occurs under the provisions of this paragraph, each retained tract shall be considered as a separately leased tract, in the same manner as if Lessor had executed separate and distinct leases covering each such retained tract. Lessee shall not be obligated to protect against drainage, if any, between and among "separately leased tracts". Notwithstanding a partial termination of this lease under the above provisions, it is agreed that Lessee may continue to use the same ingress and egress over those lands partially released so as to enable Lessee to develop and operate the retained tracts. Further, it shall not be necessary for Lessee to remove or relocate any pipelines, tank batteries or other surface equipment or installations from any portions of this lease which have terminated for so long as same continue to be used for the development of and operations on such retained tracts.

10.4 Lessee may at any time execute and deliver to Lessor or place of record a release or releases as to all or any portion of the Leased Premises and thereafter surrender this lease as to such portion and if such release covers all depths under the lands described in such release, then the acreage covered hereby shall be reduced by said release or releases. However, this lease, as same applies to Lessee's obligation to protect against, restore and compensate the surface owner for surface damages, uses and restoration of the surface, shall survive Lessee's release of this lease or any portion thereof.

11. <u>ASSIGNMENT CLAUSE</u>: The rights of either party hereunder may be assigned in whole or in part as set forth herein, and the provisions hereof shall extend to their heirs, successors and assigns; but no change or division in ownership of the land, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U.S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. However, Lessee shall be prohibited from (i) permitting the operator of this Lease to be anyone other than Lessee named above or a wholly-owned subsidiary or affiliate of said Lessee and/or (ii) directly or indirectly transferring or assigning any portion of the leasehold working interest to any party without the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed. Likewise, any successor operator(s) or leasehold interest owners are prohibited from changing the operator or assigning all or a portion of this Lease without the prior written consent of Lessor which consent shall not be unreasonably withheld or delayed. It is further provided that any proposed transfer of operations or change of operator shall be conditioned upon such proposed operator being prudent, financially responsible and experienced in drilling and operating wells. The above-described consent requirements notwithstanding, Lessee may partially assign a leasehold interest in this Lease to a wholly owned subsidiary or a related or affiliated entity with prior notice to Lessor and without Lessor's prior consent, but Lessee (being the Assignor) shall remain liable for the interest so assigned. If Lessor desires to deny consent to a transfer or assignment which requires consent hereunder, then Lessor shall (i) give Lessee notice of denial of consent within ten (10) days after Lessor receives Lessee's request for consent and (ii) advise Lessee of its reasons therefore. If Lessor fails to timely respond to Lessee's request for consent, then Lessee may proceed with such transfer or assignment.

An assignment of this Lease shall not release Lessee from liability for breach of any obligation hereunder occurring prior to such assignment. Lessee or any subsequent owner or holder of any part of the working interest of this Lease shall provide Lessor with a copy of any proposed transfer or assignment of any interest in this Lease, and, for any proposed transfer or assignment for which consent must be obtained, such assignment shall not be valid unless consented to by Lessor or become effective until Lessor has received a recorded copy of such transfer.

If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

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12. <u>FORCE MAJEURE CLAUSE</u>: It is understood and agreed that should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon, or from producing oil or gas therefrom by reason of or as a result of acts of God, rebellion, insurrection, or any Federal or State law, or any order, ruling or regulation of governmental authority not the fault of Lessee, then while so prevented, Lessee's obligations to comply with such covenant shall be suspended and Lessee shall not be liable in damages for failure to comply therewith and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on, or from producing oil or gas from the Leased Premises, and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding, and while so prevented and for three (3) months thereafter, this lease shall nevertheless continue in effect. If within three (3) months Lessee commences operations on, or resumes production from the Leased Premises, as the case may be, this lease shall continue in effect thereafter (subject to its limitations, covenants and terms) as though the contingency provided for in this paragraph had not occurred. During such period of prevention and three (3) month period, Lessee must, irrespective of whether such prevention occurs in the primary term or thereafter and irrespective of whether oil or gas was being produced at the time of such prevention, in order for this paragraph to be in force and effect, on or before expiration of thirty (30) days from such prevention (and if applicable on or before the anniversary of such initial payment date) pay or tender to Lessor the sum of Twenty-Five & No/100 Dollars ($25.00) per acre per year for the acreage covered by this lease at the commencement of the year for which such payment is made. In no event is Lessor to refund to Lessee any part of such annual payment paid under terms of this paragraph. Notwithstanding the foregoing, this lease may not be extended by force majeure beyond the period in which such force majeure actually exists plus six (6) months thereafter.

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13. <u>INFORMATION CLAUSE</u>: Lessor shall be entitled, upon request in writing to Lessee, to be furnished with copies of any and all tests made of any gas production from the Leased Premises, setting forth the quality of such gas, its BTU content and any constituents of such gas, such as, but not limited to, distillate, ethane, propane, butane, etc. Further, Lessee agrees to furnish to Lessor at his written request, any sonic or electrical log of any such well, any core tests or any other test made of such well and its producing or productive zones, such logs and test information to be furnished not later than ninety (90) days following such request therefor. It is agreed that Lessee, in delivery of such logs or well information to Lessor, may stipulate that information on such well is not being reported or published (except as required by any governmental agency) and, in such event, Lessor agrees to cooperate with Lessee in maintaining confidentiality of such information until the termination of this lease; provided, however, that such confidentiality by Lessor shall not extend to

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obtaining interpretation or evaluations from their engineer or attorney, nor shall such extend to use of such logs or well information to enforce or protect rights of Lessor hereunder. Lessor shall be entitled, at Lessor's own cost, risk and expense, to install and maintain a check meter on any gas well upon such Leased Premises in order to verify the amount of production from any such well, so long as same is installed under the supervision of an engineer and after due notice to Lessee. In this connection, Lessee shall have the right to make such installation itself of Lessor's check meter at Lessor's expense in order that such installation does not interfere with Lessee's operations, provided such installation is performed by Lessee within a reasonable time, not exceeding thirty (30) days following written request of Lessor. Calibration of such meter, its maintenance, its charts, and computation of production, shall be performed by Lessor at Lessor's sole cost, risk and expense. In this connection, if requested by Lessee, Lessor shall calibrate such meter in the presence of Lessee.

14. INTENTIONALLY DELETED

15. NOTICES: Lessee agrees to designate in writing the name of the person or persons to be present from time to time on said premises as current operations are being conducted, with whom surface owner may resolve any claim for use, injury and damage to livestock, surface area or improvements on said premises occasioned by or arising from Lessee's operations or other activity on the said premises. In regard to notice of surface use, the surface owner shall be entitled to prior notice of such operations. Either party hereto may from time to time designate in writing a different address or agent. For all purposes other than those relating to surface and cattle operation, Lessor shall designate such agents from time to time. Notice to Lessee shall be at the address shown on Page 1 until further notice.

16. WARRANTY CLAUSE: This Lease is made without warranty. In event of failure of title, it is agreed that if this lease covers a less interest in the oil and gas in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not), or no interest therein, then the royalties, and other monies accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by Lessor) shall be paid out of the royalty herein provided. Should anyone or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

17. CORRELATIVE AND CONCURRENT SURFACE RIGHTS: It is agreed that Lessor may hereafter execute leases to third persons for the exploration, development and production of any minerals not covered by this lease including but not limited to uranium and other fissionable materials, and to grant rights to such third persons to use the surface for such purposes and to penetrate the strata and horizons covered hereby, providing that any subsequent lease expressly provides the same is subject to any existing oil and gas lease, but it is agreed that Lessee hereunder and any such subsequent mineral lessee shall have equal rights to use of the surface and subsurface so long as such use by either does not unduly interfere with such use by the other. No liability shall be incurred by Lessor in granting of rights to a third party lessee or by reasons of operations of such third party lessee, it being agreed that Lessee's rights shall be exercised only as against such third party lessee.

18. FORFEITURE CLAUSE: In the event Lessor considers that Lessee has not complied with any of its obligations hereunder, both express or implied, Lessor shall notify Lessee in writing, setting out specifically in what respects Lessee has breached this contract. Lessee shall then have ninety (90) days after receipt of said notice within which to cure or commence to cure all of the breaches alleged by Lessor. In the event, after expiration of such 90 day cure period during which Lessee has failed to cure or to commence to cure the alleged breaches, Lessor obtains a Judicial Final Judgment that Lessee is in breach of any of the covenants hereof, express or implied, then it is agreed that Lessor shall have the election, as to any or all breached covenants, of obtaining a decree providing for whole or partial cancellation or forfeiture of this lease in the event any such breach is not cured or commenced in good faith to be cured by lessee within ninety (90) days from date such decree becomes final, or for damages for any or all of such breached covenants or for partial damages and partial conditional termination, at Lessor's election. No obligation reasonably to develop the leased premises shall arise during the primary term.

19. INDEMNITY AGREEMENT: Lessee agrees to indemnify, protect and hold Lessor (and surface owner, if different from Lessor) harmless of and from any and all claims, demands, costs, (including but not limited to court costs, attorney's fees and costs of investigation) expenses, damages, losses, and causes of action or suits, **including all such claims alleging the negligence of Lessor**, for damages arising out of injury to persons (including death) and injury or damage to or loss of any property or improvements caused by or arising out of Lessee, its agents, employees, servants, contractors or any person acting under its direction or control. Further, neither Lessor, nor surface owner shall ever be liable for any claims, demands, costs, expenses, damages, losses and causes of action or suits**, including all such claims alleging the negligence of Lessor**, for damages because of injury to persons or property arising out of acts or omissions of Lessee, its agents, employees, servants, contractors, or any person acting under its direction and control on Lessor's property. Insofar as the rights of Lessor, its successors, assigns, lessees and tenants are concerned, any independent contractor entering upon Lessor's property for the purpose of performing any part of the operations of Lessee authorized hereby, and any servant or employee or other person entering with the permission of any such independent contractor, shall be deemed to be an agent of Lessee. Lessee assumes full responsibility and liability for the acts and omissions of all of its servants, agents, employees, invitees, contractors, subcontractors and any other person, firm or corporation which may act on or come on the leased premises on behalf of Lessee in connection with the rights herein granted and the operations conducted by Lessee on Lessor's property. In the event Lessor, surface owner and/or any royalty owner on or under the Leased Premises shall resort to a court of law or to arbitration to enforce or interpret any provision, covenant, condition, duty, obligation or commitment, whether expressed or implied, arising out of this agreement, and prevails, then Lessee shall reimburse Lessor or surface owner or royalty owner for all costs, fees and expenses, including reasonable attorney's fees and expert witness fees incurred in such suit or arbitration. In the event that litigation arises out of this lease or operations conducted hereunder in which the Lessor is not a party, but which litigation is settled or compromised out of court, Lessor shall be fully apprised of the terms of such settlement and the considerations involved unless the parties to such compromise or settlement have stipulated a "confidentiality" clause in reference to such settlement.

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20. VENUE: The parties agree that all disputes in any way relating to, arising under, connected with, or incident to this lease, and over which the federal courts do not have subject matter jurisdiction, shall be litigated, if at all, exclusively in the District Court of Webb County, Texas, and, if necessary, the corresponding appellate courts. The parties further agree that all disputes in any way relating to, arising under, connected with, or incident to this lease and over which the federal courts have subject matter jurisdiction, shall be litigated, if at all, exclusively in the United States District Court for the Southern District of Texas, Laredo Division, and, if necessary, the corresponding appellate courts. The parties also agree that Texas law exclusively shall govern all terms of this lease, including this paragraph. The parties expressly submit themselves to the personal jurisdiction of the State of Texas.

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21. MISCELLANEOUS CLAUSES:

21.1 SUCCESSORS AND ASSIGNS: This Lease shall apply to, inure to the benefit of and be binding upon and enforceable by and against the parties hereto and their respective successors, heirs, assigns, executors, administrators and legal representatives.

21.2 TIME: Time is of the essence of this lease. The term "days" shall be deemed to mean calendar days. If the expiration date by which Lessee is required to make a payment to Lessor or Lessor's Depository Bank under the terms of this lease falls on a weekend or on a state or federal holiday, then such expiration date for receipt of payment shall be extended until the next Monday or non-holiday, as applicable. Otherwise, the expiration date for performance of any action or activity shall be on the calendar day specified, regardless of whether such expiration date falls on a weekend or state or federal holiday.

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21.3 PREPARATION OF LEASE: The parties hereto expressly agree and stipulate that there shall not be a presumption that this Lease shall be construed more strongly against the party drafting this lease or any paragraph, clause or provision hereof.

21.4 EXHIBITS: All exhibits attached hereto are incorporated herein by reference and made a part hereof as if fully rewritten or reproduced herein. Any discrepancy between a map or plat and a legal description shall be resolved in favor of the legal description.

21.5 EXECUTION IN COUNTERPARTS: this agreement and the memorandum, as provided for herein below, may be executed in multiple counterparts, each of which shall be considered an original for all purposes herein and each of which shall be binding upon the party or parties executing same, regardless of whether it, or any other counterpart is executed by all or any of the parties named herein, and the signature and acknowledgement pages of the various counterparts may be combined in one instrument.

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21.6 RECORDING: In lieu of filing this agreement for record, Lessor and Lessee agree that a memorandum of this lease, making appropriate reference hereto, shall be filed for record in each county wherein the leased premises are located. In the event of any conflict between recitations contained in such memorandum and those contained herein, the provisions of this lease shall control.

21.7 WHOLE AGREEMENT, AMENDMENTS: This Lease represents the whole agreement between the parties with respect to the Leased Premises, and no representations or agreements by either party, or by any representative of either party, in the negotiations leading to this Lease or otherwise, which are not set forth in this Lease, shall be binding on such party. No change in, addition to, modification or amendment of, this Lease, or any provision hereof, shall hereinafter be made or be binding except by an agreement in writing signed by each of the parties hereto.

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DATED the day, month and year first written above.

(SIGNATURES ON FOLLOWING PAGES)

LESSOR:

_____
JOHN P. HEALEY

Texas Royalty Brokers

_____
MARY E. SCARBOROUGH

_____
KATHLEEN A. BARTHOLOMEW

_____
JAMES M. HEALEY, JR.

Texas Royalty Brokers

_____
PATRICIA E. HEALEY

LESSEE:

SEGUNDO NAVARRO DRILLING, LTD.
By Tercero Navarro, Inc.
Its General Partner

By: _____

Name: CHAD MCGUFFIN

Title: EXECUTIVE VICE PRESIDENT

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ACKNOWLEDGEMENTS

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STATE OF OREGON §
§
COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 2022, by **John P. Healey.**

_____
Notary Public in and for the State of Oregon

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STATE OF OREGON §
§
COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 2022, by **Mary E. Scarborough.**

Texas Royalty Brokers

_____
Notary Public in and for the State of Oregon

STATE OF OREGON §
§
COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 2022, by **Kathleen A. Bartholomew.**

Texas Royalty Brokers

_____
Notary Public in and for the State of Oregon

STATE OF WASHINGTON §
§
COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 2022, by **James M. Healey, Jr.**

Texas Royalty Brokers

_____
Notary Public in and for the State of Washington

STATE OF ARIZONA §
§
COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 2022, by **Patricia E. Healey.**

Texas Royalty Brokers

_____
Notary Public in and for the State of Arizona

STATE OF TEXAS §
§
COUNTY OF BEXAR §

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This instrument was acknowledged before me on the _____ day of _____, 2022, by **Chad McGuffin**, **Executive Vice President** of Tercero Navarro, Inc., General Partner of **SEGUNDO NAVARRO DRILLING, LTD.,** a Texas limited partnership, on behalf of said partnership.

_____
Notary Public in and for the State of Texas

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