

**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.**

**MEMORANDUM OF OIL AND GAS LEASE**

STATE OF TEXAS

COUNTY OF REEVES

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THIS OIL & GAS LEASE ("lease") made this 11<sup>th</sup> day of **September, 2024**, ("**Effective Date**") between **Ambra Pickett, SSP**, whose address is 1780 Goodrich Avenue, Winter Park, FL 32789, herein called "lessor" (whether one or more) and **Greenlake Energy I, LLC**, a Texas limited liability company, whose address is 3600 N. Capital of Texas Hwy, Suite A240, Austin, TX 78746, herein called "lessee":

Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is hereby acknowledged, and of the agreements herein contained, hereby grants, leases and lets exclusively unto lessee, for the purpose of owning, investigating, exploring, prospecting, drilling, operating, producing and marketing oil, gas, and such other minerals and substances as may be produced incident to the production of oil and/or gas the grant effected hereby to include the right to engage in all activities reasonably necessary or convenient to said stated purposes, including but not limited to conducting seismic operations, injecting gas, waters, other fluids, and air into subsurface strata, laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store, transport and market said lease substances, the following described land (deemed to comprise 640.00 acres, whether it actually comprises more or less), in Reeves County, Texas (the "leased premises" or "said land"), to-wit:

**W/2 of Section 297, Block 13, H&GN RR Co. Survey, Reeves County, Texas, limited to depths below 10,397'**

**E/2 of Section 297, Block 13, H&GN RR Co. Survey, Reeves County, Texas, limited to depths below 10,608'**

Subject to the other provisions herein contained, this lease shall remain in force for a term of **Three (3)** years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled, or this lease is otherwise maintained in accordance with its terms.

The Memorandum may be executed either as one instrument or in several partially executed counterparts and the original and all counterparts shall be construed together and shall constitute one legal document. For recordation purposes, the separate signature pages and acknowledgments may be affixed to the body of an original Memorandum without the necessity of recording the entirety of each separate counterpart.

This Memorandum is placed of record for the purpose of giving notice of the lease. The original of the lease is maintained in the office of the lessee, and this memorandum does not alter or amend any of the terms of the lease. This memorandum is signed by lessor as of the date of acknowledgment of their signatures but is effective for all purposes as of the Effective Date stated above.

***[Signature Page Follows]***

LESSOR:

By: Ambra Pickett, SSP

Ambra Pickett, SSP

Texas Royalty Brokers

ACKNOWLEDGMENT

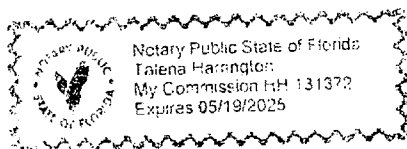
THE STATE OF FLORIDA

COUNTY OF Orange

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The foregoing instrument was acknowledged before me this 24<sup>th</sup> day of Sep, 2024, by  
Ambra Pickett, SSP.

Texas Royalty Brokers



[Signature]

Notary Public, State of Florida

My commission expires: 5/19/2025

Texas Royalty Brokers

Reeves County  
Evangelina N. Abila  
Reeves County Clerk

Instrument Number: 2024005962

# Texas Royalty Brokers

eRecording - Real Property  
MEMORANDUM OF OIL AND GAS LEASE

Recorded On: October 15, 2024 09:18 AM

Number of Pages: 3

" Examined and Charged as Follows: "

Total Recording: \$29.00

# Texas Royalty Brokers

\*\*\*\*\* THIS PAGE IS PART OF THE INSTRUMENT \*\*\*\*\*

Any provision herein which restricts the Sale, Rental or use of the described REAL PROPERTY  
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STATE OF TEXAS  
COUNTY OF REEVES

I hereby certify that this Instrument was FILED In the File Number sequence on the date/time  
printed hereon, and was duly RECORDED in the Official Records of County, Texas.

Evangelina N. Abila  
Reeves County Clerk  
Reeves County, TX

*Evangelina N. Abila*

STATE OF TEXAS

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COUNTY OF REEVES

## OIL AND GAS LEASE

THIS Oil and Gas Lease (the "Lease") is made and entered into this the 11<sup>th</sup> day of September, 2024 ("Effective Date"), by and between **Ambra Pickett, SSP**, whose address for these purposes hereof is 1780 Goodrich Avenue, Winter Park, FL 32789 (hereinafter called "Lessor" whether one or more) and **Greenlake Energy I, LLC**, a Texas limited liability company, whose address is 3600 N. Capital of Texas Hwy, Suite A240, Austin, TX 78746 (hereinafter called "Lessee");

## WITNESSETH:

1. **HABENDUM PROVISION.** That Lessor, for and in consideration of the sum of Ten and No/100 Dollars, (\$10.00) cash in hand paid, and other valuable consideration, receipt and sufficiency of which are hereby acknowledged and of the royalties herein provided, and of the covenants, conditions and agreements herein contained, and subject to the terms and provisions hereinafter set forth covering the property described in Exhibit "A", hereby demises, grants, leases and lets the lands and depths covered hereby exclusively unto Lessee, without warranties or covenants of title of any nature, or any other warranties or representations, except as specifically contained in this Lease, for the sole purpose of exploring, prospecting and drilling for and producing Oil and condensate (hereinafter collectively referred to as "Oil"); and gas, casinghead gas, casinghead gasoline and any other liquid and/or liquefiable gaseous hydrocarbon minerals (hereinafter collectively referred to as "Gas") (Oil and Gas hereinafter collectively called "Minerals") constructing gathering pipelines for on lease production, tanks, roads, and other indispensable surface facilities, for the purposes of producing, saving and taking care of said Minerals, and treating, storing, processing, and transporting the same, and all other operations needed for conducting the aforesaid purpose. The words "Minerals" and "Mineral" are used herein to refer to such substances named above and no others; provided, however, that sulfur shall be covered by this Lease and included within the terms "Minerals" and "Mineral" only if produced incidental to or in conjunction with the production of or processing for sale of any liquid or gaseous hydrocarbons produced from the Leased Premises. The lands hereby leased are described in Exhibit "A", attached hereto, and made a part hereof for all purposes, hereinafter referred to as the "Leased Premises", situated in Reeves County, State of Texas. Lessor expressly excepts from this Lease and reserves to Lessor all minerals of every kind and character except those hereinabove defined, including, but not limited to, geothermal liquids and produced water. This Lease is expressly made subject to any and all easements affecting said lands, whether recorded or unrecorded. Lessee shall not do anything to interfere with any individual or entity having rights that are not exclusively leased hereunder by Lessee, and Lessee will cooperate with Lessor and all others having such rights. For calculating any money payments hereunder, the Leased Premises shall be treated as comprising of 640.00 acres, whether it is more or less, being more particularly described as follows to wit:

Being 640.00 acres, more or less, situated in Reeves County, Texas, being more particularly described on Exhibit "A" attached hereto and incorporated herein for all purposes.

2. **PRIMARY TERM.** This Lease shall be for a term of three (3) years from this date (called Primary Term), and subject to the terms and conditions hereof and as long thereafter as Minerals are produced in Paying Quantities, as defined herein, from said land or lands with which said land is pooled therewith, and the royalties are paid thereon or for so long as this Lease is maintained in force in any other manner as herein provided. Further, Lessee waives any and all future claims, defenses or causes of action for adverse possession, estoppel or any other claim or defense relating to any claim that the Leased Premises are held or claimed by adverse possession and agrees that in the event Lessee holds over and continues to produce or restores to production any well(s) on the Leased Premises after the termination of this Lease, then in such event Lessee shall pay to Lessor all proceeds from said production, however, Lessee may deduct any costs associated with said well or wells.

3. **ROYALTY AND MINERAL ESTATE PROVISIONS.**

A. **ROYALTY PAYMENTS.** Lessee shall pay to Lessor, based either on Gross Proceeds or Fair

Market Value for Oil or Gas, whichever is greater, Lessor's Royalty Share. For purposes of this Lease, the term "Royalty Share," wherever used herein, shall mean Twenty Five percent (25%) of all sums and amounts of money received, including but not limited to any reimbursement for post-production cost, bonuses, premiums, and all other benefits in cash, in kind or otherwise, derived, received or realized by, or to inure to the benefit of Lessee, directly or indirectly, from contribution, disposition, settlement, exchange, sale, severance, swap, buy-out, buy-back, balancing agreement, or credit and shall be payable or deliverable to Lessor as royalty, but not as a bonus, within sixty (60) days from and after the final consummation of each such contribution, disposition, settlement, exchange, sale, severance, swap, buy-out, buy-back, balancing agreement, or credit. Lessor's Royalty Share shall be free of cost as set forth in Section 3. Royalty and Mineral Estate Provisions I. Royalty – Free of Cost. Notwithstanding the foregoing, Lessee shall not be allowed to flare Gas from any individual well without paying Lessor's Royalty Share after completion of the "flow back" stage of completion of a well. Lessee shall pay Lessor's Royalty Share based on the Fair Market Value for all Gas flared from such well. Lessee shall also pay Lessor's Royalty Share based on the Fair Market Value for all Minerals produced from the Leased Premises and used by Lessee in production or post-production operations on the Leased Premises or lands pooled therewith. Lessee shall not have the right to use any Minerals in production or post-production operations outside of the Leased Premises or lands pooled therewith. Neither such consent nor the acceptance of any such Royalty Share by Lessor shall ever be taken or construed as waiving any of Lessor's rights or remedies for breach by Lessee of any express or implied covenant or provision of this Lease. Notwithstanding anything contained herein to the contrary, Lessee shall not be obligated to pay royalty on Minerals flared while drilling or flared or vented during the "flow back" stage of the completion of a well. Lessee may recycle Gas for gas lift purposes or injection into an Oil or Gas producing formation underlying the Leased Premises and no royalty shall be owed on Gas used for such purposes until same is produced and flared, sold or used by Lessee in such a manner as to entitle royalty owners to a royalty thereon under the terms of this Lease.

**B. ROYALTY - OIL FAIR MARKET VALUE DEFINITION.** "Fair Market Value" as used herein with respect to Oil and the Derivative Parts thereof shall mean the price Oil and the Derivative Parts thereof would bring when it is offered for sale by one who desires, but is not obligated to sell, and is bought by one who is under no necessity of buying such Oil and Derivative Parts thereof without the deduction of any costs as set forth in Section 3. Royalty and Mineral Estate Provisions I. Royalty – Free of Cost up to and including the final point of sale. Notwithstanding Texas Natural Resource Code Section 91.402(i), Fair Market Value for Oil and the Derivative Parts thereof shall be calculated at the final point of sale of the Oil and each Derivative Part thereof wherein Lessee, its subsidiary or parent companies or entities owned by Lessee, in whole or in part, shall receive no further contribution, disposition, settlement, exchange, sale, severance, swap, buy-out, buy-back, balancing agreement, or credit from the purchaser of such Oil and each Derivative Part thereof. "Derivative Part" shall mean any Mineral or component thereof separated or removed from the Oil or Gas.

**C. ROYALTY – OIL GROSS PROCEEDS DEFINITION.** "Gross Proceeds" as used herein shall mean the total proceeds, price, contribution, disposition, settlement, exchange, sale, severance, swap, buy-out, buy-back, balancing agreement, or credit received by Lessee, its subsidiary or parent companies or entities owned by Lessee, in whole or in part, from a non-affiliated or non-related third party for any sale of Oil and the Derivative Parts thereof calculated at the final point of sale to a non-affiliated or non-related third party wherein Lessee, its subsidiary or parent companies or entities owned by Lessee, in whole or in part, shall receive no further contribution, disposition, settlement, exchange, sale, severance, swap, buy-out, buy-back, balancing agreement, or credit from the purchaser of such Oil without the deduction of any cost as set forth in Section 3. Royalty and Mineral Estate Provisions I. Royalty – Free of Cost up to and including the final point of sale. A "non-affiliated" or "non-related" third party or entity is one in which Lessee or its subsidiary or parent companies do not have control over or own any interest in such third party or entity whatsoever. If any contract entered into by Lessee or used for determining value or price for Royalty Share, as defined above, shall include any adjustment or reduction for any cost or expense, including the cost or expense of production, gathering, treatment, dehydration, compression, transportation, processing, fractionation, or marketing of oil, or if any such expenses are deducted by Lessee or the purchaser for purposes of arriving at a price or value for payments of the Royalty Share, then such adjustments or reductions shall be added to the value, price or proceeds realized for such oil, so that Lessor's Royalty Share shall never be chargeable, directly or indirectly, with any of such adjustments, reductions, costs or expenses other than its pro rata share of severance or production taxes.

**D. ROYALTY - GAS FAIR MARKET VALUE DEFINITION.** "Fair Market Value" as used herein with respect to Gas and the Derivative Parts thereof shall mean the price Gas and the Derivative Parts thereof would

bring when it is offered for sale by one who desires, but is not obligated to sell, and is bought by one who is under no necessity of buying such Gas and Derivative Parts thereof without the deduction of any costs as set forth in Section 3. Royalty and Mineral Estate Provisions I. Royalty – Free of Cost up to and including the final point of sale. Notwithstanding Texas Natural Resource Code Section 91.402(i), Fair Market Value for Gas and the Derivative Parts thereof shall be calculated at the final point of sale of the Gas and each Derivative Part thereof wherein Lessee, its subsidiary or parent companies or entities owned by Lessee, in whole or in part, shall receive no further contribution, disposition, settlement, exchange, sale, severance, swap, buy-out, buy-back, balancing agreement, or credit from the purchaser of such Gas and each Derivative Part thereof.

**E. ROYALTY - GAS GROSS PROCEEDS DEFINITION.** “Gross Proceeds” as used herein shall mean the total proceeds, price, contribution, disposition, settlement, exchange, sale, severance, swap, buy-out, buy-back, balancing agreement, or credit received by Lessee, its subsidiary or parent companies or entities owned by Lessee, in whole or in part, from a non-affiliated or non-related third party for any sale of Gas and the Derivative Parts thereof calculated at the final point of sale to a non-affiliated or non-related third party wherein Lessee, its subsidiary or parent companies or entities owned by Lessee, in whole or in part, shall receive no further contribution, disposition, settlement, exchange, sale, severance, swap, buy-out, buy-back, balancing agreement, or credit from the purchaser of such Gas and each Derivative Part thereof without the deduction of any costs as set forth in Section 3. Royalty and Mineral Estate Provisions I. Royalty – Free of Cost up to and including the final point of sale. A “non-affiliated” or “non-related” third party or entity is one in which Lessee or its subsidiary or parent companies do not have control over or own any interest in such third party or entity whatsoever. If any contract entered into by Lessee or used for determining value or price for Royalty Share, as defined above, shall include any adjustment or reduction for any cost or expense, including the cost or expense of production, gathering, treatment, dehydration, compression, transportation, processing, fractionation, or marketing of gas, or if any such expenses are deducted by Lessee or the purchaser for purposes of arriving at a price or value for payments of the Royalty Share, then such adjustments or reductions shall be added to the value, price or proceeds realized for such gas, so that Lessor's Royalty Share shall never be chargeable, directly or indirectly, with any of such adjustments, reductions, costs or expenses other than its pro rata share of severance or production taxes.

**F. GAS MEASUREMENT.** Lessee shall furnish, install, maintain, and utilize suitable orifice meter runs and other ancillary devices as needed, such as transmitters and flow computers, or other types of meters of standard make and design commonly acceptable in the industry. Each meter installed shall be a meter acceptable in the industry and each meter shall be fabricated, constructed, installed, utilized and operated in accordance with the requirements of applicable provisions in American Gas Association (“AGA”) - American Petroleum Institute (“API”) AGA 2000 / API 14.3 specifications, and American National Standards Institute (“ANSI”) - API ANSI/API 2530, “Orifice Metering of Natural gas” (AGA gas Measurement Committee Report No. 3) of the Natural Gas Department of the AGA. Electronic flow measurement shall comply with API 21.1, Flow Measurement Using Electronic Metering Systems, in effect at the time of installation, as amended from time to time, or by any other method commonly used in the industry and mutually acceptable to the parties. Chart recorded measurement should not be installed without mutual agreement by both parties. Any meter installed hereunder shall be open to inspection by Lessor at all reasonable times. Electric flow measurement (“EFM”) data and/or records pertaining to measurement hereunder shall be retained by Producer for a period of two (2) years (or longer to the extent required by Law) for the mutual use of the parties.

**1) Meter Calibration.**

**A. Calibration.** Lessee shall calibrate meters as often as required, as determined by Lessee's gas purchaser and in accordance with standard industry practices to reasonably assure accurate measurement. If either party, at any time, desires a special test of any of the meters, the party will promptly notify the other party, the parties will then cooperate to secure a calibration test and a joint observation of any adjustments, and the meter shall then be adjusted to accuracy. The costs of special tests shall be borne by the requesting party unless the meter is found to be two percent (2%) or more in error, in which case Lessee shall pay the costs. Lessee shall give Lessor notice of the date and time of all regular tests of its meters and other tests, sufficiently in advance to allow Lessor to have its representative present. Orifice plate inspection will be made at each meter calibration unless a facility shut-down is required, in which case the approval of both parties shall be required.

B. Errors Less Than 2%. If, upon any test, any of Lessee's measurement equipment is found to be in error by less than two percent (2%), previous recordings of such equipment shall not be adjusted by the amount of the error, but such equipment shall be adjusted to a condition of accuracy.

C. Errors Equal to or Greater Than 2%. If, upon any test, any of Lessee's measurement equipment is found to be inaccurate by two percent (2%) or more, and the total inaccuracy is greater than 100 MCF per Month, then the registrations and billings shall be corrected for a period from the beginning of the Accounting Period (since the last calibration test) in which the test was conducted. Following any test, measurement equipment found inaccurate shall be adjusted to a condition of accuracy.

D. Bypass Valves. No open bypass valves around any Gas meters will be allowed except while such metering and/or charting devices are being repaired, replaced, awaiting repair or replacement parts, or waiting for qualified individuals to perform repair or replacement of said Gas meter and/or charting devices. Any open valves bypassing such devices which are not in need of being repaired, replaced, awaiting repair or replacement parts, or awaiting for qualified individuals to perform repair or replacement of said Gas meter shall be reported to Lessee for correction, provided Lessor witnesses such instance and gives written notice via certified mail to Lessee return receipt requested, detailing the date, time and location of the first instance of finding an open bypass valve and allows Lessee with a reasonable amount of time to correct said valve. If thereafter Lessor witnesses and documents a second occurrence thereof including verifiable pictures all substantiated by an affidavit of at least one (1) witness present at the occurrence, Lessee will have 30 days to correct said valve and provide evidence of correction to Lessor by certified mail.

2) Measurement Equipment Out of Service or Repair. If Lessee's measurement equipment is found to be measuring inaccurately and the amount of Gas delivered cannot be ascertained or computed from the reading, then the Gas delivered during the Accounting Period (since the last calibration test) shall be estimated and agreed upon by the parties based on the best data available, using the first available of (i) the registration of any check meter or meters if installed and accurately registering; or, (ii) correction of the errors, if the percentage of error is ascertainable by meter calibration, test or mathematical calculation; or (iii) estimation based on comparison of the quantity of deliveries with deliveries during preceding periods under similar conditions when the meter was registering accurately.

3) Intentionally omitted.

4) Intentionally omitted.

5) EFM. Lessee may install EFM devices to measure all or part of the Gas delivered pursuant to the Lease. If the EFM equipment is installed, it shall be utilized, and volumes shall be calculated in accordance with generally accepted industry standards. Lessor shall be provided access to the relevant EFM data from Lessee's flow measurement equipment. Any cost or expense incurred by Lessor to receive such data shall be the sole responsibility of Lessor. If Lessor wishes to install its own EFM device, Lessor shall pay for such EFM device and Lessee shall install same at Lessor's cost and expense.

6) Intentionally omitted.

7) Accounting. Upon demand, Lessor shall be entitled to request Lessee promptly provide Lessor with all reports and procedures documenting meter calibrations, tests, calculations and data, or any other item specified in this Section 3. Royalty and Mineral Estate Provisions F. Gas Measurement.

G. ROYALTY - PLANT PRODUCTS, REVENUE, AND OTHER BENEFITS. If Gas produced from the Leased Premises is processed in a hydrocarbon recovery plant, wherever located, including downstream processing, for the recovery of liquid and/or liquefiable hydrocarbons therefrom, and Lessee or any subsidiary or affiliate of Lessee, receives plant products or revenue attributable thereto or other benefits of any kind or character

therefrom, then Lessor shall have and be entitled to its Royalty Share of all plant products of every kind and character extracted, absorbed, separated or saved from said Gas or benefits received by Lessee, the same to be delivered free of cost, at Lessor's election, either at the hydrocarbon recovery plant or to the credit of Lessor into the pipeline to which such plant may be connected or, at Lessor's election, Lessor shall receive Lessor's Royalty Share of all revenue and other benefits received by Lessee, or any subsidiary or affiliate of Lessee, free of cost, attributable thereto; and, in addition thereto, Lessor's Royalty Share on residue Gas resulting from such plant operation attributable to all Gas produced from the land subject to this Lease, free of cost. Before any Gas produced from the Leased Premises is used or sold off the Leased Premises, Lessee shall run such Gas, free of cost to Lessor, through an adequate Oil, Gas, and water separator of a conventional type or equipment at least as efficient to the end that all liquid hydrocarbons recoverable from the Gas by such means will be recovered on the Leased Premises, or at Lessee's option Lessee may sell said Gas to a third party provided that any such sales contracts provide a BTU adjustment to insure payment of Lessor's Royalty Share for all Minerals contained in said Gas free of costs.

**H. ROYALTY - TAKING IN KIND.** Notwithstanding the provisions of this Section to the contrary, and for the sole purpose of protecting its interest, Lessor shall have the continuing right and option, in its sole discretion, but not the obligation, to take in kind Lessor's Royalty Share of all Minerals produced under the terms of this Lease and to market Lessor's Oil or Gas with that of Lessee, or to separately market such Oil or Gas for Lessor's own account; unless and until such option is exercised, it shall be Lessee's obligation to market all production. Lessor's option may be exercised at any time, or from time to time, by Lessor giving Lessee written notice, and shall extend for a minimum of six (6) months each time Lessor exercises its option. Lessee agrees that all Oil or Gas contracts executed by Lessee and covering any Oil or Gas produced under the terms of this Lease shall include a reference to Lessor's option to take in kind and market with Lessee, or to separately market Lessor's Royalty Share of Oil or Gas production, and shall expressly provide that such Oil or Gas contract shall not cover Lessor's Royalty Share of Oil or Gas at any time, and from time to time, when Lessor exercises such option to market separately. In the event Lessor elects to take in kind and separately market Lessor's Royalty Share of Oil or Gas, Lessor may elect to take its Royalty Share of Oil or Gas in kind at any point from the wellhead to Lessee's point of sale of its Oil or Gas free of cost as set forth in Section 3. Royalty and Mineral Estate Provisions I. Royalty – Free of Cost. If Lessor so chooses, Lessee agrees to deliver such Oil or Gas to Lessor at the wellhead after separation and dehydration have been completed, if Lessee is separating and dehydrating its share of the Gas production, and at a pressure sufficient to enter a Gas transmission line, but in all events not to exceed one thousand two hundred (1,200) p.s.i., or at such other point as Lessor may elect. In the event that compression is required to deliver Gas to a pipeline purchaser selected by Lessor, Lessee shall be responsible for such compression costs if Lessee installs compression facilities to compress Lessee's share of the Gas production, but only to the extent the cost of compression of Lessor's Royalty Share of Gas does not exceed the cost of compression of Lessee's share of Gas production and only if Lessor utilizes Lessee's compression facilities. Any compression, transportation, or other marketing costs, which would not be borne by Lessor's Royalty Share of Gas as set forth in Section 3. Royalty and Mineral Estate Provisions I. Royalty – Free of Cost, shall not be charged to Lessor when taking its Gas in kind. In the event Lessor elects to take in kind and separately market Lessor's Royalty Share of Oil, Lessor agrees to pay reasonable costs. Should Lessor elect not to take in kind its Royalty Share of Minerals produced hereunder after having done so, Lessor shall notify Lessee in writing of Lessor's desire to no longer take said royalty in kind, and it shall be Lessee's obligation to market said production for Lessor and to pay Lessor's Royalty Share according to the other terms of this Lease. In all instances hereunder where and when Lessor chooses to take any of its Royalty Share in kind, Lessee shall immediately provide to Lessor all accurate, safe and suitable means and facilities to measure, store and deliver each type of Mineral in a fully marketable condition, with no costs or deductions of any kind as set forth in Section 3. Royalty and Mineral Estate Provisions I. Royalty – Free of Cost, and with no hindrance of any kind to Lessor. Lessee further agrees to take no action, which results in a measurable restriction of deliverability or salability of royalty Gas or Oil. Lessee agrees to maintain adequate pipeline capacity to transport all available royalty Gas or Oil, and conversely, should future circumstances result in excess of pipeline capacity, such excess capacity shall be available to transport other royalty Gas or Oil developed and produced by third parties.

**I. ROYALTY - FREE OF COST.** The royalties provided herein shall be determined and delivered to Lessor free of any development, production, post production, gathering, separating, storing, dehydration, treating, compression, processing, recycling fuel for Gas processing plants, marketing, manufacturing, transportation, delivery, or like costs, except taxes applicable to Lessor's share of production which are actually paid by Lessee, or deducted by the purchaser of production, and are not reimbursed or refunded to the Lessee. It is further agreed that Lessor's Royalty Share shall never bear, either directly or indirectly, any part of the costs of construction, operation or



depreciation of any plants or other facilities or equipment for processing or treating said Oil or Gas produced from the herein Leased Premises. This Section shall apply to all royalties paid notwithstanding the decision in *Heritage Resources, Inc., v. NationsBank*, 939 S.W.2d 118, (Tex. 1996).

**J. ROYALTY - SHUT-IN ROYALTY.** If at any time after the expiration of the Primary Term or cessation of Continuous Development of the Lease as provided in Section 12, there is located on the Leased Premises, or lands pooled therewith, a Gas well or wells (defined as a Gas well by the rules and regulations of the Texas Railroad Commission or other governmental entity with jurisdiction over the same) proven capable by actual tests (or other data which Lessee in good faith finds satisfactory) of producing Gas in Paying Quantities and such well is shut-in for a period of ninety (90) cumulative days for any reason, then Lessee shall only maintain this Lease in force and effect as to the Well Tract, and only as to the Well Tract, for such well hereof by paying Lessor annually the sum of Two Hundred and No/100 Dollars (\$200.00) per acre for the number of acres contained in such Well Tract; payment to be made the latter of: the expiration of the Primary Term or cessation of Continuous Development of the Lease as provided in Section 12 or within one hundred twenty (120) days after the date on which such well was shut-in. So long as annual payment is made, such Gas well will be considered as producing Gas in Paying Quantities, and such payment will serve to continue this Lease in effect as to the Well Tract on which such well is located; provided, however, that Lessee shall not be entitled to maintain this Lease as to a Well Tract by such payments for any period in excess of two (2) consecutive years.

**K. ROYALTY - TAKE OR PAY.** Lessor shall be entitled to its Royalty Share of any take or pay settlements and awards, dedication payments, advance payments, contract adjustments, Gas exchange considerations, buy out, buy down, litigation recovery, or any other benefit, settlement or other compensation for value which in any way relates to, affects, or has affected the sale, production, marketing or transportation of Gas produced from the Leased Premises, or if same is used as consideration in any other transaction by Lessee, in the same manner and subject to the same terms as said payments are paid to Lessee. The quantification of any benefit received; as hereinabove described shall be based upon evidence of value presented by Lessee at the time of such settlement and approved by Lessor, and shall not affect the Fair Market Value provisions of this Lease.

**L. REVENUE ACCOUNTING.** Pursuant to the requirements of this Section, upon written request of Lessor, Lessee agrees to submit a complete and accurate accounting of products sold and prices received, together with details of all properly charged deductions and all payments to Lessor for its Royalty Share, shut-in royalty, take or pay provisions, or other settlements or payments, such accounting to include the well identification number, the month and year of sale, the total volume, unit price of product sold, total state severance tax and other production taxes, an explanation of any other deduction, net value of total sales after deductions, an address where additional information may be obtained, and all other information as may be required in Sections 91.501-91.505 of the Natural Resources Code of the State of Texas, as amended, notwithstanding.

**M.** Intentionally omitted.

**N. PROPORTIONATE REDUCTION.** It is further agreed that if Lessor owns an interest in the Oil and Gas in and under any of the Leased Premises less than the entire Oil and Gas fee simple estate, then the bonuses, royalties, and shut in royalties shall each be reduced to the proportion thereof which the Mineral fee estate of Lessor in such lands bears to the entire mineral fee estate. In no event, shall there be any refund of any amounts previously paid to Lessor for bonuses, damages and any rental provided for herein. If Lessor is overpaid for royalties for a particular well, such overpayment may be deducted from future royalty checks as to each particular well or pooled unit until Lessee recovers such overpayment.

**O. NO REDUCTION OF LESSOR'S ROYALTY SHARE.** For Well Tracts pooled with other lands, Lessor's Mineral fee estate (Royalty Share) shall not be charged with or reduced by any excess non-participating royalty interest whose owner fails to ratify this Lease or consent to the formation of a pooled unit. In such event, Lessor's Mineral fee estate (Royalty Share) shall be calculated for all purposes as if the non-participating royalty interest owner had ratified or consented to the pooling whether or not such ratification or consent are actually obtained.

**P. BONUS PAYMENT TO OTHER MINERAL ESTATE OWNERS.** For any mineral estates other than Lessor's, insofar as such mineral estates are contained within those lands described on the attached Exhibit "A", Lessee hereby covenants and agrees to pay said mineral estate owners bonus consideration for an oil and gas

lease. For any mineral estate over whom Lessor holds the executive right, Lessee shall pay the same amount of bonus consideration as received by Lessor. LESSEE AGREES TO INDEMNIFY, DEFEND, AND HOLD HARMLESS LESSOR FROM ANY CLAIMS OR CAUSES OF ACTION BY A MINERAL ESTATE OWNER FOR ANY FAILURE OF LESSEE TO COMPLY WITH THE PROVISIONS OF THIS SECTION. Lessee shall deliver to Lessor only the bonus consideration attributable to Lessor's net mineral estate and shall be solely responsible for delivering such bonus consideration to any other mineral owners.

**Q. LESSEE NON-CONSENT.** If this Lease covers less than all of the mineral estate in the Leased Premises, and if a well or wells are drilled by the lessee of other undivided mineral interests in the Leased Premises, Lessee shall be obligated to pay the Royalty Share on production from such wells whether or not Lessee participates in the drilling of such wells. The Royalty Share shall be paid in the same manner and in the same amounts as if Lessee had participated in the drilling of such wells and had sold its share of production at the same price and for the same terms as the party who drilled such wells and sold such production, whether or not Lessee receives any portion of the revenues from sale of such production.

**R. SINGLE PAYOR.** If, by reason of assignments of undivided interests in Lessee's interest in this Lease, more than one party becomes entitled to a portion of Lessee's share of gas produced from any well on the Leased Premises, and if any or all of such co-owners elect to take their share of gas in kind, resulting in split-stream deliveries of gas to different purchasers, Lessor shall be entitled, at Lessor's election, to require the operator of the Leased Premises to pay and account to Lessor for all the Royalty Share due on gas production from the well or wells from which split-stream deliveries are being made, so that Lessor shall not be required to receive royalties from more than one (1) purchaser or party on the same gas stream. If Lessor exercises such election, the operator of the Leased Premises (or of that portion of the Leased Premises upon which the split-stream production is located) shall pay to Lessor all Royalty Share due on such gas production and shall provide production statements from all purchasers of such gas showing the amounts sold and the price paid therefor, with any applicable adjustments. Such election, if made, shall not relieve any party otherwise liable for payment of royalties from such liability, and all parties owning an undivided interest in all or any portion of the Leased Premises shall be and remain jointly and severally liable for the payment of all royalties due on production therefrom.

**4. HECI V. NEEL NOTICE.** Lessee agrees to give notice to Lessor in the event Lessee decides to bring a claim or lawsuit against a third party who is draining, damaging, overproducing, unlawfully depleting, or otherwise damaging any reservoir underlying the Leased Premises, in a timely fashion so that Lessor may assert Lessor's own claim or lawsuit in a court of appropriate jurisdiction, or before a regulatory agency. Lessee shall give such notice to Lessor within sixty (60) days of the date that Lessee decides to assert such claim or lawsuit. In the event Lessee shall file a lawsuit and recover damages by virtue thereof or otherwise receives a sum of money from any third party on account of drainage, damaging, overproducing, unlawfully depleting or otherwise damaging any reservoir underlying the Leased Premises, by compromise settlement agreement, alternative dispute resolution or otherwise, then the Lessee will always be deemed to be also representing the Royalty Share of the Lessor and any recovery by or payment to Lessee representing damage to the reservoir or any Oil and Gas well or any productive Oil and Gas sand or zone underlying the Leased Premises shall be shared pro rata with Lessor based on Lessor's Royalty Share, after first deducting the costs incurred by Lessee associated with such claim or lawsuit on a pro rata basis based on Lessor's Royalty Share. Nothing herein shall preclude Lessor from bringing Lessor's own action but Lessor should never be required to bring any such action, and Lessee shall always be deemed to be representing the Lessor's Royalty and shall pay same to Lessor from recoveries or payments to Lessor by virtue or on account of the foregoing recovery, if any.

**5. A. PAYMENT OF ROYALTY.** Lessee agrees and is hereby obligated to pay or cause to be paid the royalties provided for hereunder. Lessee further indemnifies and agrees to pay all Royalties to be paid under this if the purchaser thereof fails for any reason to pay the Royalties as provided hereunder and shall pay the same within sixty (60) days of default of the purchaser. All sums due as royalty shall be secured by a lien on: (i) all Oil or Gas produced from the Leased Premises and the proceeds therefrom; (ii) on all unsold Oil or Gas on the Leased Premises; (iii) all of Lessor's share of commingled Oil or Gas on or off the Leased Premises; and (iv) all facilities and equipment thereon or therein, including, but not limited to, all rights in the borehole casing. This lien is a security interest granted by Section 9.343 of the Texas Business & Commerce Code.

Lessor as a condition need not execute a division order as a prerequisite for royalty payments hereunder.

**B. TIMELY PAYMENT OF ROYALTIES.** Lessee shall make or cause to be made payment of any sum due as royalty within ninety (90) days of the first purchase of new production for the first payment and thereafter within sixty (60) days of the end of the calendar month in which said Oil or Gas is produced, flared, used, or sold thereafter. If Lessee should fail to make or cause to be made such payments of royalty, Lessor must provide written notice to Lessee (by certified mail, return receipt requested) of such default and, unless Lessee makes a written bona fide dispute as to such payment of royalties OR takes action to eliminate such default prior to the expiration of the thirty (30) day period immediately following receipt by Lessee of said notice, Lessor may, at Lessor's option, terminate this Lease. Such remedy for default shall be in addition to any other remedies Lessor may have under the terms of this Lease and law. Any Royalties due to be paid to Lessor hereunder and not paid within the time allotted therefore (except where such delay is due to a valid dispute as to Lessor's title to such royalty) shall begin to accrue interest at the rate of Wall Street Journal prime plus five percent (5%), but never less than seven and one-half percent (7.5%). Notwithstanding anything contained herein to the contrary, if Lessee disputes any claim to royalty by Lessor, Lessee may avoid Lessor's remedy of Lease termination by tendering such disputed amount to an escrow agent while such dispute is being resolved and prior to the expiration of the thirty (30) day period immediately following receipt by Lessee of the above referenced notice.

**C. FAILURE OF TITLE.** In the event of conveyance of this Lease and in the event there is a default as to a portion of the acreage and not as to other portions, then the rights of termination shall only apply to the acreage on which payments are not properly and timely made. Upon notice of any title irregularity, Lessor shall have sixty (60) days from the date of receipt of such notice to remedy any such irregularity.

**D. PAYING QUANTITIES.** For the purposes of this Lease, it is understood that if an Oil well or Gas well is not producing the monetary value of more than an average of ten (10) barrels of Oil a day based on the average Crude Oil (petroleum); West Texas Intermediate Daily Price of Oil for the calendar month in which this Lease is executed for three (3) consecutive calendar months, then such Oil well or Gas well shall be deemed thereby incapable of producing in Paying Quantities, unless said Gas well has been shut in pursuant to the terms of this Lease or Lessee has commenced actual drilling operations or reworking operations on the Well Tract or Lessee has commenced Actual Drilling Operations or reworking operations on the Well Tract. Once a well fails to produce in Paying Quantities, the Well Tract for such well shall terminate and Lessee shall not have the right to re-establish production in Paying Quantities after such three (3) month period. Any drilling, reworking or redrilling operations to re-establish production in Paying Quantities shall be commenced before the expiration of the three (3) month period.

**6. A. WELL TRACT.** A "Well Tract" shall be that tract of land around the initial Oil or Gas well, which shall be the maximum number of acres surrounding each Oil or Gas well then producing in Paying Quantities. Each Well Tract shall consist of no more than the following amount of acreage per Well Tract as set forth herein unless otherwise agreed to by Lessor in writing:

**A. Vertical Well:**

- a. Oil – each well producing oil shall consist of no more than forty (40) contiguous acres;
- b. Gas - each well producing gas shall consist of no more than one hundred and twenty (120) contiguous acres;

**B. Horizontal Well Tract:** The Well Tract for a horizontal Oil or Gas well may have more than one Oil or Gas well. The first Oil or Gas well Completed within a Well Tract shall be utilized to determine the size of the Well Tract. For a horizontal Oil or Gas well, one side of the Well Tract parallel to the first Completed wellbore within the Well Tract shall not extend beyond three hundred thirty (330) feet measured perpendicular to the wellbore and shall consist of no more than the number of acres rounded to the next number divisible by 20 derived from calculating the sum of the distance between the first take point to the last take point measured in linear feet plus two hundred (200) feet, then multiplied by six hundred sixty (660) feet, and then divided by 92,400. By way of example, a wellbore that measures five thousand (5000) feet from the first take point to the last take point would be combined with an additional two hundred (200) feet which would then be multiplied by six hundred sixty (660) feet and then divided by 92,400. No Well Tract shall exceed the maximum number of acres derived from the above formula.

In the event a well is drilled on a pooled unit formed pursuant to provisions hereof, the Well Tract for such well shall be the leased lands included within the boundaries of such pooled unit and the pooled unit shall conform to the sizes

indicated herein. Lessee shall tender to Lessor after thirty (30) days written notice from Lessor, all data, calculations, specifications, and other information used to determine that a well be classified as an Oil or Gas well.

**UPON TERMINATION OF THIS LEASE AS PROVIDED UNDER SECTION 12. CONTINUOUS DEVELOPMENT, EACH WELL TRACT SHALL BE TREATED AS A SEPARATE LEASE SUBJECT TO THE PROVISIONS OF THIS LEASE, AND THE CONTINUATION OF EACH SUCH SEPARATE LEASE SHALL BE DETERMINED BY THE PROVISIONS OF THIS LEASE APPLIED TO EACH SUCH SEPARATE LEASE WELL TRACT.**

**B. DESIGNATION OF WELL TRACT.** Each Well Tract shall be one (1) contiguous area where possible and shall be selected and designated by Lessee in writing in which each Well Tract shall be accurately described by metes and bounds or other adequate description, and shall further designate the top and bottom of the formation in which the well is completed as shown on the well log and the perforated intervals from which production is being obtained. A copy of each designation or amendment thereto shall be furnished, upon written request, to Lessor within a reasonable period of time.

**C. TERMINATION OF WELL TRACT.** Subject to the provisions of this Lease, and unless held under this Lease, this Lease shall remain in force and effect as to each such Well Tract for so long as Minerals in Paying Quantities shall be produced therefrom, and if such production from any such Well Tract shall cease, this Lease shall remain in effect as to such Well Tract if Lessee does not allow more than ninety (90) consecutive days to elapse between the cessation of production and the Commencement of Actual Drilling Operations or reworking operations in a bona fide effort to again obtain production in Paying Quantities, as opposed to Operations merely to perpetuate the Well Tracts, and this Lease shall continue in effect as to such Well Tract only under the following conditions:

1. So long as such Operations are prosecuted with reasonable diligence with no cessation of Operations for ninety (90) consecutive days; and

2. So long thereafter as Minerals are produced from said Well Tract, if Lessee obtains production therefrom as a result of such Operations; otherwise this Lease shall terminate and be of no further force and effect as to any such Well Tract from which production has ceased and all Operations to restore production have been terminated.

**D. HORIZONTAL OR VERTICAL WELLS.** A "Horizontal Well" shall mean a well that has a horizontal drainhole (for purposes of the Lease, a horizontal drainhole is defined as beginning at the point at which a wellbore enters the productive formation and extends to the bottomhole location or the extremity of the well the end point), where the horizontal distance of such drainhole is equal to or greater than 150 feet in the productive formation for which the TRC or the appropriate state agency requires directional or inclination surveys to be filed and a "Vertical Well" shall mean a well having a vertical drain hole which shall not be deviated from the vertical except randomly to straighten a hole which has become crooked in the normal course of Drilling, or to sidetrack a portion of a hole because of mechanical difficulty in Drilling.

**E. COMMINGLING.** Notwithstanding any applicable general statewide rules or special field rules, Lessee shall not have the right to commingle production of Minerals from multiple Well Tracts within a common production facility or central tank battery wherein the Mineral ownership differs or the percentage of Mineral ownership differs among the Well Tracts. Lessee shall segregate all Minerals from Well Tracts, wherein the Mineral ownership differs or the percentage of Mineral ownership differs among the Well Tracts, within separate production, storage, and measurement facilities.

**F. REVIEW OF WELL TRACTS.** At any time after the 10<sup>th</sup> anniversary date of this lease, upon request from Lessor, Lessee shall release this lease as to the acreage in any remaining Well Tract in excess of the amount then necessary to comply with minimum regulatory spacing requirements with the boundaries of each Well Tract being treated as lease lines for this purpose, and as to all depths above and below the stratigraphic equivalent of the reservoir or reservoirs producing from which a commercial well on the Well Tract is then producing. After the 15<sup>th</sup> anniversary of the expiration of the primary term, Lessor's right to make such requests for release of excess acreage and depths shall be recurring and may be exercised on an annual basis.

7. **FORCE MAJEURE.** Should Lessee be prevented from complying with any expressed or implied covenant of this Lease, from conducting Drilling or reworking Operations thereon, or from producing Minerals therefrom because of circumstances not caused by Lessee including the following acts of God: washouts, landslides, earthquakes, and lightning, or acts of the public enemy; wars, blockades, insurrection or riots; strikes or lockouts; epidemics or quarantine regulations; laws, acts, orders, or requests of federal, state, municipal or other governments or other governmental officers or agents under color of authority; freight embargoes or failures; exhaustion, unavailability, delays in delivery, or inability to use any equipment, product, labor, service or material; or when a governmental entity has issued a law, order, rule or other regulation that prohibits Lessee from performing its obligations under the Lease, while Lessee is so prohibited, 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 Minerals from the Leased Premises and the time while Lessee is so prevented shall not be counted against Lessee. In order to claim the protections of this Section, Lessee shall notify Lessor, by certified mail, of the intervention of any such force majeure within fifteen (15) days of the commencement of any period during which Lessee claims benefits hereunder and identify the event and the commencement date of such event. For so long a time as Drilling or reworking Operations thereon, or from producing Minerals therefrom are suspended under the force majeure, provided that such delay shall not have been the result of violation of any law, order, rule or regulation caused or created by Lessee or any other act caused or created by Lessee, this Lease shall remain in force, subject to the preceding provisions of this Lease. When such law, order, rule or regulation changes or event ceases, Lessee shall within thirty (30) days of such change or ceasing of such event begin conducting its operations of drilling or reworking or producing Minerals from the Leased Premises.

8. **NO WARRANTY OF TITLE AND TAX REQUIREMENTS.** Lessor does not warrant title to the Leased Premises, either expressed or implied, and Lessee shall be without recourse on the Lessor; however, Lessor agrees that Lessee, if Lessor be in default as to any tax or mortgage may, at its option after Lessee has given Lessor sixty (60) days written notice, may discharge any tax, mortgage or other lien upon the Leased Premises, and in the event Lessee does, so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Lessee shall pay and be responsible for all ad valorem taxes for any personal property, structures, improvements, or equipment of any kind belonging to Lessee or used in its operations. In addition, Lessee shall be responsible for any and all taxes resulting from a reclassification of any of Lessor's property from being exempt for agricultural purposes or any other such exemption and reclassified as commercial property or any other classification other than that existing at the time of this Lease resulting from Lessee's operations conducted thereon, including but not limited to any roll back taxes. In the event Lessee fails to timely pay all such ad valorem taxes resulting from its operations assessed against the Leased Premises, and if such failure continues for a period of ten (10) days following written notice thereof to Lessee, Lessor may pay such ad valorem taxes (including any interest and penalties owing on such taxes), in which event Lessee shall reimburse Lessor within ten (10) days following receipt of written demand from Lessor for the amount paid by Lessor.

9. Intentionally omitted.

10. **CLEARANCE OF TITLE.** Upon the expiration or termination of this Lease as to any part of the Leased Premises (including termination as to non-producing geological formations), Lessee agrees to execute a release, properly acknowledged and entitled to be recorded, discharging and releasing all right, title and interest of Lessee to any and all further claim under this Lease and removing any cloud cast by this Lease on the title to such lands or geological formations. Such release shall be executed and delivered to Lessor within thirty (30) days after the expiration or termination hereof as to all or any part of the Leased Premises. If Lessee fails to deliver said release, Lessor shall notify Lessee of such failure by certified mail, return receipt requested. If the violation is not cured within thirty (30) days after receipt of such notice Lessee shall pay to Lessor Eighty Dollars and No/100 Dollars (\$80.00) per day beginning thirty (30) days after the receipt of notice. Notwithstanding the foregoing, the aggregate of daily payments specified above shall in no event exceed \$5,000.00. Lessor and Lessee agree that the damages resulting from Lessee's failure to provide a timely release are difficult to establish with any certainty, and therefore, Lessor and Lessee hereby stipulate that the damages provided for herein are reasonable and necessary. The monetary penalty is contractual and shall survive the termination of the Lease in full or in part. The obligations of Lessee under this Section shall be in addition to, and not in substitution for, any imposed by the statutes of the state in which the Leased Premises are located.

11. **WELL LOCATIONS.** Lessee shall within sixty (60) days of Lessor's written request furnish Lessor (to Lessor at address shown hereafter):

A. The details of any drill stem tests taken in said well, and the results of any core analysis or analyses which shall be run on any cores taken while drilling said well. All data and information provided to Lessor by Lessee under the terms of this Section shall be kept entirely confidential by Lessor during the term of this Lease, and are furnished solely for Lessor's private use.

B. All reports filed with the appropriate governmental agency having jurisdiction in connection with such operation.

C. Copies of all logs run in such well and copies of core or other type of formation. All data and information provided to Lessor by Lessee under the terms of this Section shall be kept entirely confidential by Lessor during the term of this Lease, and are furnished solely for Lessor's private use.

D. Intentionally Omitted

E. Notwithstanding the sixty (60) day period provided above, Lessee agrees to deliver a complete copy of any title opinions prepared or created by Lessee or at Lessee's request, limited only to Lessor's interest in the Leased Premises within seven (7) days of Lessor's request.

12. **CONTINUOUS DEVELOPMENT.** At the expiration of the Primary Term and at all times thereafter when any well ceases to produce in Paying Quantities, or ceases to produce in Paying Quantities as to a certain depth, or ceases to be shut-in under the provisions of this Lease, (hereinafter called "Termination Date"), this Lease shall terminate as to any portion of the Leased Premises located outside of the surface boundaries of any Well Tract and as to all depths below 100 feet below the deepest perforation and above 100 feet above the shallowest perforation of the well with paying production in each Well Tract, respectively (hereinafter referred to as "Outside Lands"). If on the Termination Date, Lessee is then engaged in the actual drilling of a well on the Leased Premises, or on lands pooled therewith, or if Lessee has within less than one hundred twenty (120) days prior to the Termination Date Completed/abandoned (as Completion is defined herein) a well on the Leased Premises, or on lands pooled therewith, this Lease shall not terminate as to said Outside Lands so long as Lessee Commences Actual Drilling Operations to diligently drill wells on the Leased Premises, or on lands pooled therewith, with no lapse of more than one hundred eighty (180) days between the Completion/abandonment (as Completion is defined herein) of a well and the Commencement of Actual Drilling Operations for an additional well. Subject to the provisions of this Lease, if at any time Lessee allows a period in excess of one hundred eighty (180) days to elapse between the Completion/abandonment (as Completion is defined herein) of a well and the Commencement of Actual Drilling Operations on a subsequent well, this Lease shall terminate as to the Outside Lands.

13. **POOLING.** Lessee is authorized to pool or unitize this Lease for production of Oil or Gas with other lands adjacent thereto for production from a vertical or horizontal well regardless of whether the surface location is on or off of the Leased Premises. Lessee shall in the creation of such pooled or unitized unit agree to utilize sufficient acres from this Lease wherein not less than twenty-five percent (25%) of such unit created shall consist of acreage from the Leased Premises, unless there is insufficient unpooled Leased Premises acreage remaining to meet such requirement and in that case the unpooled balance of the Leased Premises shall be pooled. Pooling in one or more instances shall not exhaust the right of Lessee hereunder to pool this Lease or portion of the Oil or Gas estate into other land, lease, leases, or parts thereof as to all formations for the production of Oil or Gas. Pooled units shall conform to the size and shape of the Well Tracts as provided for herein. Pooling in all other instances is prohibited. Lessee shall not have the right to create an allocation well or production sharing well that does not satisfy the requirements contained within this Section.

Lessee shall file written unit designations and amendments when such unit is reconfigured in the county in which the Leased Premises are located, and the unit designations shall not be effective as to Lessor until such time as the unit designations are filed of record in the county in which the Lease Premises are located. Units may be designated before or after the Completion of wells, and in any event, a copy of the unit designation or amendment thereto shall be furnished to Lessor within thirty (30) days after it is filed with the appropriate regulatory bodies. The timely filing and the furnishing to Lessor of a copy is of essence to the validity of the unit designation hereunder. The entire acreage

consolidated into a unit shall be treated for all purposes, except the payment of royalties on production from the consolidated unit, as if it were included in this Lease. In lieu of the royalties herein provided, Lessor shall receive on production from a unit so consolidated only such portion of the royalty stipulated herein as the amount of its acreage placed in the unit or its royalty interest therein on an acreage basis bears to the total acreage so consolidated in the particular unit involved. It is understood and agreed that in the event only a part of the Leased Premises is consolidated or unitized with other land or lands, so as to form a consolidated unit, or units, production from such unit, or units, will maintain this Lease in force only as to the land included in such unit or units.

**14. INDEMNITY.** LESSEE AGREES TO INDEMNIFY, DEFEND, PROTECT AND HOLD LESSOR HARMLESS FROM ANY CLAIMS, DEMANDS, CAUSES OF ACTION, LIABILITY, COSTS (INCLUDING BUT NOT LIMITED TO REASONABLE ATTORNEY'S FEES, REASONABLE ACCOUNTANT'S FEES, REASONABLE ENGINEER'S FEES, REASONABLE CONSULTANT'S FEES AND REASONABLE EXPERT'S FEES), EXPENSES, LOSSES OR DAMAGES, OF ANY NATURE WHATSOEVER, OCCASIONED BY LESSEE'S USE AND/OR OPERATION OF THE LEASED PREMISES, OR ARISING FROM INJURY TO PERSONS (INCLUDING DEATH) AND INJURY OR DAMAGE TO OR LOSS OF ANY PROPERTY OR IMPROVEMENTS CAUSED BY, DIRECTLY OR INDIRECTLY, THE ACTS OR OMISSIONS OF LESSEE, WHETHER OR NOT OR TO WHAT EXTENT LESSEE IS PROTECTED FROM SUCH CLAIMS BY LESSEE'S INSURANCE COVERAGE WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF, OR THE NEGLIGENCE OR INTENTIONAL ACT OF ANY PERSON, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT, OR CONCURRENT, ACTIVE OR PASSIVE; PROVIDED HOWEVER, LESSEE SHALL NOT INDEMNIFY LESSOR AND SHALL NOT BE LIABLE FOR INJURIES OR DAMAGES RESULTING FROM THE GROSS NEGLIGENCE OR INTENTIONAL ACT OF LESSOR, THE OPERATOR(S) OF LESSOR'S SURFACE ESTATE, OR ANY OF THEIR AGENTS, REPRESENTATIVES, LICENSEES, CONTRACTORS, EMPLOYEES, OR TENANTS. FURTHER, LESSOR, SHALL NEVER BE LIABLE FOR ANY CLAIMS, DEMANDS, COSTS, EXPENSES, DAMAGES, LOSSES, CAUSES OF ACTION OR SUITS FOR DAMAGES BECAUSE OF INJURY TO PERSONS OR PROPERTY TO THE EXTENT THAT SUCH DAMAGES ARE THE RESULT OF THE NEGLIGENCE, GROSS NEGLIGENCE, STRICT LIABILITY OR DUE TO THE ACTS OR OMISSIONS OF LESSEE, ITS AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS OR ANY PERSON ACTING UNDER ITS DIRECTION AND CONTROL ON THE LEASED PREMISES. LESSEE ASSUMES ALL RISK AND LIABILITY OF ANY KIND AND NATURE INCIDENT TO, OCCASIONED BY, OR RESULTING IN ANY MANNER, DIRECTLY OR INDIRECTLY, FROM LESSEE'S OPERATIONS HEREUNDER. LESSEE IS NOT AN AGENT NOR AN EMPLOYEE OF LESSOR AND LESSOR SHALL HAVE NO RESPONSIBILITY TO INSPECT OR OVERSEE LESSEE'S OPERATIONS NOR TO INDEMNIFY OR CORRECT ANY POTENTIALLY HARMFUL, DANGEROUS OR DAMAGING CONDITIONS ASSOCIATED WITH ITS OPERATIONS. IN THE EVENT THAT LESSEE'S OPERATIONS RESULT IN A VIOLATION OF ANY RULES AND REGULATIONS OF THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY OR ANY STATE OR FEDERAL REGULATORY AUTHORITY, LESSEE AGREES TO SATISFY THE REQUIREMENTS OF SUCH AGENCY AND PROVIDE LESSOR WITH A CERTIFICATE OR OTHER REASONABLE DOCUMENTATION FROM SUCH AGENCY REFLECTING THAT LESSEE HAS SATISFIED THE REQUIREMENTS OF SUCH AGENCY. ANY REFERENCE IN THIS SECTION TO "LESSOR" SHALL INCLUDE LESSOR'S HEIRS, SUCCESSORS, ASSIGNS, TRANSFEREES, EMPLOYEES, AGENTS, LESSEES, CONTRACTORS, SUBCONTRACTORS, AS WELL AS TRUSTEES, BENEFICIARIES, RELATIVES, PARTNERS, OFFICERS, DIRECTORS AND RELATED OR AFFILIATED ENTITIES, IF APPLICABLE, WHO MAY HEREAFTER ACQUIRE ANY INTEREST IN THE LEASED PREMISES. ANY REFERENCE IN THIS SECTION TO "LESSEE" SHALL INCLUDE LESSEE'S PARTNERS, EMPLOYEES, AGENTS, SERVANTS, CONTRACTORS, CONSULTANTS AND ANY OTHER PERSON COMING ONTO THE LEASED PREMISES UNDER AUTHORITY GRANTED TO LESSEE UNDER THIS LEASE. THESE PROVISIONS SHALL SURVIVE THE TERMINATION OR EXPIRATION OF THIS LEASE.

**15. ENVIRONMENTAL INDEMNIFICATION.** Lessee shall indemnify, defend and hold harmless Lessor, Lessor's families, employees, agents, successors, heirs, assignees, transferees and receivers from and against any loss, liability, all foreseeable and unforeseeable incidental and consequential damages, cost, attorney fees expense or claim arising from the imposition or recording of a lien, the incurring of costs of required repairs, clean up, or detoxification and removal under any Hazardous Material Laws which may arise or are incident to Lessee's Operations hereunder. Lessee is not an agent nor an employee of Lessor and Lessor has no responsibility to inspect or oversee Lessee's Operations nor to indemnify or correct any details of Lessee's operations, nor to designate or control Lessee's



contractors. Neither Lessee nor any contractors shall have the right of contribution or indemnity from Lessor for any matter relating to Operations on the Leased Premises or conditions on the Leased Premises, regardless of whether or not such matters arise from Lessor's negligence, unless such matters arise in gross negligence. The provisions of this Section shall survive the termination or expiration of this Lease and no delay or omission in exercising any right hereunder shall operate as a waiver of such right or any other right of Lessor.

**16. DUTY TO EXPLORE DEVELOP AND PROTECT.** Lessee also hereby expressly covenants and agrees to diligently and fully explore, develop, and protect the Leased Premises as a reasonably prudent operator.

**17. OFFSET REQUIREMENT AND COMPENSATORY ROYALTY.** In the event a well ("Adjacent Well") producing Oil or Gas in Paying Quantities is drilled and completed after the date of this Lease on land under which Lessor does not own the quantity of minerals or royalty as under the lands covered by this Lease, and such Adjacent Well is draining the Leased Premises or is deemed draining if the Adjacent Well is located nearer than three hundred thirty feet (330) feet perpendicular from the Leased Premises (for a Vertical Well distance will be measured from the surface location or bottom hole location of the Adjacent Well, whichever is closer; in the case of a Horizontal Well distance will be measured from the first take point or the subsurface path of a horizontal drainbore, from its first take point to its last take point, whichever is closer) then Lessee shall within one hundred eighty (180) days after commencement of production from such Adjacent Well, Commence the Actual Drilling Operations for the Drilling of an offset well on the Leased Premises and diligently pursue such Operations to the horizon in which such Adjacent Well is producing, or at the option of Lessee, shall pay to Lessor the Compensatory Royalties set forth below, or execute and deliver to Lessor a release in recordable form surrendering acreage in an amount equivalent to the Well Tract which would have been assigned to the Adjacent Well had it been located on the Leased Premises, from the surface to the base of the producing formation. If geologically practical and if feasible taking into account the configuration of the Leases Premises and existing Well Tracts, the offset well shall be located within the same distance from the boundary of the Leased Premises as the Adjacent Well and be drilled symmetrically to the Adjacent Well in its mirror image with reference to the boundary of the Leased Premises being equidistance from each well and wellbore path. The offset well shall be drilled as the same type of well as the Adjacent Well, drilled in the same formation, drilled to the same or greater distance between the first and last take point for a horizontal well (unless the adjoining undeveloped portion of the Leased Premises does not contain enough acreage, in which case Lessee will drill the longest lateral possible), the same depth for a vertical well and include a Well Tract as similar to the Adjacent Well as possible had it been located on the Leased Premises. In the event the Adjacent Well is located in an area wherein Lessee is unable to drill an offset well symmetrical and in the mirror image of the Adjacent Well with reference to the boundary of the Leased Premises being equidistance from each well, Lessee shall nevertheless use its best efforts to drill an offset well within the same distance from the boundary of the Leased Premises as the Adjacent Well and the offset well shall be drilled as the same type of well as the Adjacent Well, drilled in the same formation, drilled to the greatest possible distance between the first and last take point for a horizontal well, the same depth for a vertical well and include a Well Tract as similar to the Adjacent Well had it been located on the Leased Premises if geologically practical. In the event Lessee does not commence operations for the drilling of an offset well on the Leased Premises or execute a release as outlined in this Section, Lessee will be deemed to have elected to pay Compensatory Royalty as outlined below. It is expressly provided, however, that Lessee shall not be required to Drill any offset well, or pay Compensatory Royalties as to an Adjacent Well located on adjacent lands, if Lessee has heretofore drilled a well at an offset location to such Adjacent Well, which is completed, and producing. In the event Lessee's well was a dry hole, Lessee shall release the offsetting acreage or provide Lessor with reasonable proof that the acreage remains in an ongoing Drilling program.

In lieu of an acreage release or drilling an offset well required hereunder, Lessee may pay to Lessor as a Compensatory Royalty an amount equal to the Royalty Share of gross proceeds of all production from the Adjacent Well. If the obligation to offset arises hereunder, such Compensatory Royalty shall be due one hundred eighty (180) days after the date of first production of such Adjacent Well, until the earliest occurrence of one of the following conditions: (i) the termination or release of the Lease as to an offsetting Well Tract of a same or larger size as provided herein; or (ii) upon the Drilling and completion or plugging and abandoning of an offset well in accordance with the terms and provisions required herein. Such Compensatory Royalty shall be paid on all production from the Adjacent Well.

**18. TITLE RECORDS.** Lessee binds and obligates itself, its successors, and assignees, transferees or receivers to furnish Lessor, at the Lessor's request, free of cost a recorded copy of each and every conveyance, mortgage or



other instrument affecting title to this Lease, or portion thereof, within fifteen (15) days from the date of each such conveyance, mortgage or other instrument. No such conveyance or other recorded instrument shall be valid and binding until Lessor shall have received a copy thereof. If Lessee obtains a work product associated with title including, but not limited to, a title opinion, title notes, runsheets, or title reports on any portion of the Leased Premises, Lessor will be provided a copy limited only to Lessor's interests, of such title material, if so requested by Lessor, which information Lessee shall furnish with no warranty as to accuracy, either express or implied. In the event such examination reveals any title defect, Lessee shall notify Lessor of the nature of such defect and Lessor and Lessee agree to work together to cure such defect as expeditiously as possible to the end that Lessor's rights, to the extent possible under the circumstances, may be protected.

**19. INSPECTION, RECORDS, AND INFORMATION.** Upon written request by Lessor, Lessee will furnish Lessor with a copy of any survey of the Leased Premises. Upon written request by Lessor, Lessee promptly within thirty (30) days will furnish Lessor copies, duplicates or reproductions of all location plats, applications for and permits to Drill, Drilling contracts, daily mud log reports, and progress reports on and in connection with all wells Drilled on the Leased Premises; copies of all pipe information and well completion records; directional and inclination surveys with certification and certified plat showing bottomhole location oriented both to surface location and to the Lease lines, if such directional and inclination surveys are run, copies of all reports and forms required by or filed with any Federal or State agency to include all reports required by or filed with any regulatory agency having jurisdiction, including all reports required by or filed with the Texas Water Development Board and the reports filed with or required by the Texas Comptroller of Public Accounts, together with proof of payment for Lessor's Royalty Share of all taxes due unless otherwise already provided under Section 11. Well Locations. Upon written request by Lessor, Lessee shall also give to Lessor complete copies of all logs and electrical surveys run on any wells located on the Leased Premises unless otherwise already provided under Section 11. Well Locations. Upon written request of Lessor, Lessee shall send the results of all tests, including drill stem tests, formation tests, and core analysis, conducted on any well on the Leased Premises therewith to Lessor promptly upon receipt unless otherwise already provided under Section 11. Well Locations. Upon written request of Lessor, Lessor also shall be provided all dipmeter and velocity surveys, including Lessee's interpretations thereof, as well as cuts and samples taken from the mud or from coring and copies, duplicates or reproductions of all reports or maps based, in whole or in part, upon surface surveys, seismic surveys, or electronic or electrical surveys of the Leased Premises or any formation thereunder, and all interpretations thereof, if run by Lessee unless otherwise already provided under Section 11. Well Locations. All data and information provided to Lessor by Lessee under the terms of this Section shall be kept entirely confidential by Lessor, and are furnished solely for Lessor's private use and shall at no time be sold, assigned or disclosed to any other individual and/or entity during the term of this Lease. It is distinctly understood and agreed that Lessor shall have the right to gauge, at its own expense, the production from any producing well or wells Drilled upon said Leased Premises, such gauging, however, to be done at such times and under such circumstances as will not unreasonably inconvenience or damage the Lessee in carrying on Operations hereunder. Lessee agrees to furnish to Lessor tank calibration charts to accurately measure such production. Lessee shall no more than annually and upon written request, provide Lessor with a Lease map showing the entire Leased Premises, acreage retained by the Lease, any wells Drilled on the premises together with the Well Tract for each well and all Pipelines, tank batteries or other surface installations on the Leased Premises. Lessee shall be responsible for seeing that the Lessor receives notice of any and all hearings at the State or Federal agency level on any matter concerning its Operations hereunder and/or the development of production of this Lease or Adjacent Wells, and prompt notice of any and all tests to be conducted on the Leased Premises, or Adjacent Wells notice of which is required to be given the Railroad Commission of Texas. If such notice is not timely received by Lessor, it is agreed that such order or test will not be effective as to Lessor unless Lessor so elects.

**20. WAIVER.** The failure of Lessor to insist on one or more instances upon strict compliance by Lessee with any of the provisions of this Lease, or to take advantage of any rights hereunder, shall not be construed as a waiver of any such provision, nor the relinquishment of any such rights, but the same shall continue and remain in full force and effect.

**21. ATTORNEY'S FEES AND VENUE.** If Lessor brings suit to compel performance of, or to recover for breach of any covenant or condition herein contained, or for declaratory relief, and prevails therein, Lessee agrees to pay to Lessor the costs and expenses incurred by Lessor, and Lessor's reasonable attorney and professional fees in addition to the amount of judgment and all other reasonable fees and charges, costs and expenses incurred in such lawsuit or lawsuits should Lessor be granted a final non-appealable judgment in Lessor's favor. Venue for all actions arising by, through, and under this Lease shall exclusively be in the state district courts for the county in which the

Leased Premises are located. Lessee acknowledges and hereby agrees to waive any rights to federal jurisdiction. The laws of the State of Texas shall apply to all actions brought arising under this Lease.

22. A. **SURFACE.** Lessee, its successors, and assigns, agree to defend and to hold Lessor harmless for any damage to the surface of the Leased Premises, as well as any other damage, which are the result of Lessee's Operations conducted thereon under the terms and provisions of this Lease. Lessee shall install and maintain all equipment and conduct all Operations in an environmentally sound manner. Lessor shall have no right to control any details of Lessee's Operations, nor to designate nor control Lessee's contractors, and neither Lessee nor its contractors shall have any right of contribution nor indemnity from Lessor for any matters relating to Operations on said lands or conditions on said lands. Lessee assumes all risk and liability of any kind and nature incident to, occasioned by, or resulting in any manner, directly or indirectly, from Lessee's Operations hereunder; agrees to keep the lands duly and fully protected against liens of every character arising in connection with, or resulting from, said Operations; **AND AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR AGAINST ANY AND ALL LIENS AND CLAIMS OF ANY KIND FOR DAMAGES OCCASIONED BY, OR ON ACCOUNT OF, LESSEE'S OPERATIONS AND AGAINST ANY AND ALL CLAIMS FOR PROPERTY DAMAGE, AND SHALL PAY FOR AND/OR REMEDIATE ALL DAMAGES TO CROPS, CATTLE, ROADS BRIDGES, TIMBER, FENCES, WATER TANKS, BUILDINGS, IMPROVEMENTS AND ALL OTHER REAL AND PERSONAL PROPERTY AS WELL AS FOR DAMAGE TO THE SURFACE OF THE LAND, PERSONAL INJURY OR DEATH SUSTAINED BY ANY PERSON OR PERSONS WHOMSOEVER, NATURAL OR CORPORATE, IN CONNECTION WITH, OR RESULTING FROM LESSEE'S OPERATIONS HEREUNDER.**

B. **SEPARATE TRACTS CLAUSE.** Anti-Communitization. If this lease now or hereafter covers separate tracts, no pooling, unitization or communitization of mineral or royalty interests as between any such separate tracts is intended or shall be implied or result from the inclusion of such separate tracts within this lease, and the rule of non-apportionment shall be applicable to this lease and to all lands covered by this lease. The inclusion of Lessor's interest in any separate tract within this lease shall not constitute an offer on the part of Lessor to any party who may now or hereafter have an ownership interest in the minerals or royalties in any such separate tract to pool, unitize or communitize any such interest with other interests covered by this lease, and with respect to Lessor's interests in said lands, or in any separate tract, and any other party's interest in said lands, or in any separate tract, such interests shall remain separate ownerships with neither party having any rights, interests or ownership whatsoever in the rights, interests or ownership of the other. Any attempt by an owner of any mineral or royalty interest under a separate tract, now or hereafter, to ratify, adopt or confirm this lease, or any provision herein contained, by any means and thereby effect a pooling, unitization or communitization of any separate tract covered by this lease with any other interests shall by such action specifically ratify, adopt and confirm the entire contents of this section. As used in this section, the words "separate tract" means any tract with mineral or royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the lands covered by this lease.

23. A. **CONSENT TO ASSIGN.** The interest of Lessee and its successors and assigns hereunder may not be assigned, devised or otherwise transferred, in whole or in part, without the prior written consent of Lessors, which consent may not be unreasonably withheld. This Lease shall not be assigned in part to more than four (4) assignees at any one time. In the event that Lessee or any assignor shall violate this provision, such Lessee or assignor shall be responsible for including such additional assignees in any litigation pertaining to the provisions of this Lease, in addition to any other remedy at law or in equity. Subject to the immediately preceding sentence, any such assignment by Lessee shall be made specifically subject to, and any assignee shall assume, all obligations imposed upon the Lessee in this Lease. Lessee shall provide Lessors the name, address, and interest of any party proposed to receive an assignment of this Lease and copies of all recorded assignments. Notwithstanding any assignment by Lessee of this Lease, in whole or in part, Lessee shall: i) remain fully liable to Lessors for all obligations imposed upon Lessee in the Lease attributable to the period of time prior to such assignment; and ii) be deemed to be jointly and severally liable with its assignee to Lessors for all obligations imposed upon Lessee in this Lease attributable to the period of time after such assignment. In the event this Lease is assigned as to a portion of the Leased Premises creating a vertical or horizontal segregation of the Leased Premises into one or more portions, the obligations of this Lease, including but not necessarily limited to Section 12, **CONTINUOUS DEVELOPMENT** will be considered as applying separately to each segregated portion of the Leased Premises. Lessors' approval of an assignment shall not be deemed as approval of any subsequent assignment of this Lease, and separate consent of Lessors of such assignment must be obtained. The interest of Lessors hereunder may be assigned, demised or otherwise transferred, in whole or in part, but no change or division in ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee

hereunder. Subject to the consent requirements set out above with respect to any assignment by Lessee, no change of ownership shall be binding on either party hereof until thirty (30) days after such party has been furnished the original, certified, or duly authenticated copies of the documents evidencing any change of ownership. The requirement to obtain consent to assignment shall include any change of Operator or any change of operations to an Operator with no economic interest in the Oil and Gas Lease. It is agreed that should Lessee request Lessor's consent to an assignment, and Lessor does not respond within fifteen (15) days, such non-response from Lessor shall be deemed an approval of such request.

**B. ASSIGNEE MINIMUM REQUIREMENTS.** The rights of Lessor hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change or division in ownership of land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of the Lessee. No such change or division in the ownership of the land or royalties shall be binding upon Lessee for any purpose until such person acquiring any interest has furnished Lessee with the instrument or instruments, or certified copies thereof, constituting his chain of title from the original Lessor. In the event of an assignment of this lease to a segregated portion of said land, the shut-in payments/royalties payable hereunder shall be apportioned as between the several leasehold owners ratably according to the respective segregated areas owned by each, and default in shut-in payment/royalty by one shall not affect the rights of other leasehold owners hereunder. If any Lessee wishes to assign all or a portion of this lease, it is agreed that the owner(s) of the Leases at the time of any requested assignment shall give Lessor at least thirty (30) days advance notice of the proposed assignment and advise Lessor herein in writing of the proposed new assignee, giving his/her name and current address and copy of such proposed assignment and no assignment will be binding on Lessor unless the provisions hereof are complied with in all respects. It is agreed that should Lessee request Lessor's consent to an assignment, and Lessor does not respond within thirty (30) days, such non-response from Lessor shall be deemed an approval of such request. An assignment of this Lease by Lessee pursuant to this right, in whole or in part, shall to the extent of such approved assignment relieve and discharge Lessee of any obligations hereunder arising after such assignment, and if Lessee or Assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the shut-in payments/royalties due from such Lessee or Assignee or fail to comply with any other provision of the Lease, such default shall not affect this Lease insofar as it covers a part of said lands upon which Lessee or any Assignee shall make payments of said shut-in payments/royalties. The company or each individual company, should assignments be approved and made, shall designate in writing to Lessor the person or persons, their address and phone number, generally in charge of the lease operations and with whom Lessor can communicate. In addition, thereto, the company, or each company, shall designate its on-premises operations employee who will be allowed to go in and on the property solely for the purposes of conducting company business. No guests of any company or company employee may go in and upon the property without the express written notice to Lessor.

**C. ASSIGNMENTS.** The term "assignment" as used herein, shall not include an assignment of an overriding royalty interest that does not provide for such overriding royalty interest to convert to a working interest or leasehold estate interest, any assignment of a non-operating working or leasehold interest, joint operating agreements or their amendments, but shall include, without limitation, any sublease, term assignment or any other agreement by which the Lessee does not retain the operating rights hereunder to any other party. In addition, the restriction on assignments shall not apply to an exchange of stock, merger, consolidation or reorganization among Lessee and a related entity or affiliate of either, so long as the surviving entity is financially as strong or stronger than the entity then holding this Lease or is Lessee and shall remain liable and responsible for the performance of Lessee's obligations under this Lease. In the event this Lease is segregated into separate Well Tract Leases, all of the lands originally covered by this Lease shall be considered as one undivided group for the limited purpose of assignment such that all the lands covered by this Lease shall not be assigned in part to more than four (4) assignees at any one time.

**24. PROSECUTION OF ACTUAL REWORKING, DRILLING OPERATIONS.** Upon the commencement of the actual reworking or drilling of each well under this Lease, Lessee shall be obligated to conduct the reworking or drilling with reasonable diligence and in accordance with good modern operating practices in the oil and gas industry in a bona fide and serious effort to produce one or more Minerals herein leased in Paying Quantities, until such well is completed as a producer of a Mineral in Paying Quantities, or until such well is abandoned as non-productive at the conclusion of a serious and bona fide effort.

The terms "Drilling", "Actual Drilling Operations", "Commence Actual Drilling Operations," or words of similar import as used in this Lease shall mean the date on which a rig and machinery capable of Drilling to the objective depth for a vertical well or capable of drilling the horizontal lateral for a horizontal well is on location and the Drilling bit enters the earth for the Drilling of such well, the Drilling of which is prosecuted diligently to completion in the objective formation. The commencement of "Drilling", "Actual Drilling Operations", or "Commence Actual Drilling Operations" shall not include the spudding of the well for setting surface casing unless the rig proceeds without being removed off the well bore drilling to the objective depth for a vertical well and the horizontal lateral for a horizontal well.

A well shall be deemed to be "Completed" under the provisions of the Lease on the earlier of i) the date total depth or total length is reached, or ii) when it is plugged as a dry hole, or iii) the date production casing is cemented in the well as reflected by the cementing affidavit required to be filed with the Railroad Commission of Texas if the well is completed as a well producing Oil and/or Gas (or as a well capable of producing Oil and/or Gas) in Paying Quantities.

"Operations" shall mean operations for any of the following: Drilling, Completing, reworking, re-completing, deepening, sidetracking, plugging back, re-drilling along a horizontal path from an existing vertical wellbore, a new horizontal well bore, in search of or in an endeavor to obtain production of Oil and/or Gas and the production and sale thereof.

**25. AMENDMENTS.** The terms of this Lease cannot be altered or amended except by a written instrument clearly demonstrating such purpose and effect. The written instrument shall describe the specific terms or provisions being altered and the proposed modification or change thereto. The party against whom the amendment or alteration is sought to be enforced must execute it. Any division order or a memorandum or legend attached to a royalty check shall be null and void and without legal significance for the purpose of altering this Lease Agreement.

**26. COUNTERPARTS.** This instrument may be executed in multiple counterparts with each counterpart being considered an original for all purposes herein and binding upon the party executing same whether or not this instrument is executed by all parties hereto, and the signature and acknowledgment pages of the various counterparts hereto may be combined into one instrument.

**27. MEMORANDUM.** The Lessor and Lessee shall execute a Memorandum of Oil and Gas Lease, which shall be filed in lieu of filing the original lease. The original lease shall never be filed for record in Reeves County, Texas without the express consent of the Lessor. This Lease and Memorandum may be executed either as one instrument or in several partially executed counterparts and the original and all counterparts shall be construed together and shall constitute one legal document. For recordation purposes, the separate signature pages and acknowledgments may be affixed to the body of an original Memorandum without the necessity of recording the entirety of each separate counterpart.

This agreement shall be binding upon the parties hereto, their heirs, executors, administrators, successors, and assigns.

**28. NOTICES.**

Notices for Lessee shall be sent to the following address unless otherwise notified in writing:

Greenlake Energy I, LLC  
Attn: Land Department  
3600 N. Capital of Texas Hwy  
Bldg A, Ste 240  
Austin, TX 78746  
With Copy to: land@greenlakeenergy.com

Notices for Lessor shall be sent to the following address unless otherwise notified in writing:

**Ambra Pickett, SSP  
1780 Goodrich Avenue  
Winter Park, FL 32789**

**29. PASS-THRU RIGHTS:** Lessee shall have the right to conduct operations for wells to produce from the depths hereby leased to it and Lessor shall have the right to conduct operations for wells to produce from depths hereby retained, including in each case, without limitation, drilling, casing, cementing, producing through and operating through the other party's respective depths.

**30. SEISMIC OPERATIONS.** Lessee shall not have the right to conduct seismic operations on the Leased Premises without the express written permission of Lessor. Should Lessee obtain any seismic data covering the Leased Premises, Lessee shall deliver to Lessor copies of any and all of such seismic data covering the Leased Premises and including an area one (1) mile surrounding the Leased Premises, and all of Lessee's records pertaining to such seismic data within thirty (30) days of receipt of the same including but not limited to:

A. A shot point map and one (1) full scale (5 inches per second) paper record of all seismic sections. Such sections shall contain processed data (including final normal move-out corrections, static corrections, stacking, and any other deconvolution or processing utilized by lessee) of normal polarity, shall identify the traces by shot point, and shall contain a label which includes general line details, recording and field data, a spread diagram, processing information, and display parameters.

B. If a migrated section is available, then, in addition to the unmigrated section, Lessor shall be provided with a copy of the migrated section which conforms to the requirements listed above.

C. For 3-D seismic data, Lessee shall furnish Lessor with both a final post plot of the source and receiver positions which physically occupied the Leased Premises and a final post plot of all 3-D bins over the Leased Premises obtained during seismic data processing.

D. Lessee shall furnish Lessor with a SEG-Y format tape (or comparable format output) compatible with industry-available PC-based or workstation-based 3-D interpretation packages, in a format acceptable to Lessor.

E. The SEG-Y format output shall contain processed full record length, binned data of all 3-D data resulting from seismic processing of acquired data which cover the Leased Premises. If more than one SEG-Y format output of the processed 3-D binned data is obtained by Lessee, Lessee shall furnish Lessor with that portion of that additional processed 3-D binned data which covers the Leased Premises.

F. Any other data or material obtained by Lessee pertaining to seismic data covering the Leased Premises.

**31.** Intentionally omitted.

Texas Royalty Brokers

IN WITNESS WHEREOF, this instrument is effective on the date first above written and executed on the dates set out in the acknowledgment attached hereto.

LESSOR:

By: Ambra Pickett, SSP

ACKNOWLEDGMENT:

THE STATE OF FLORIDA

§  
§  
§

COUNTY OF Duval

The foregoing instrument was acknowledged before me this 24th day of Dec, 2024, by **Ambra Pickett.**

Notary Public, State of Florida

My commission expires: 05/19/2025



Texas Royalty Brokers

IN WITNESS WHEREOF, this instrument is effective on the date first above written and executed on the dates set out in the acknowledgment attached hereto.

LESSEE:

Greenlake Energy I, LLC, a Texas limited liability company

Texas Royalty Brokers

By: Andrew Padgett  
Andrew Padgett, Vice President - Land

ACKNOWLEDGMENT:

THE STATE OF TEXAS

§  
§  
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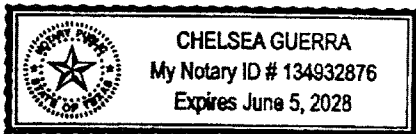
COUNTY OF TRAVIS

The foregoing instrument was acknowledged before me this 5 day of NOVEMBER, 2024, by Andrew Padgett, Vice President - Land of Greenlake Energy I, LLC, a Texas limited liability company.

Texas Royalty Brokers

Chelsea Guerra  
Notary Public, State of Texas

My commission expires: 6/5/28



Texas Royalty Brokers

Exhibit "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL AND GAS LEASE DATED SEPTEMBER 11<sup>th</sup>, 2024 BY AND BETWEEN **AMBRA PICKETT, SSP**, AS LESSOR AND **GREENLAKE ENERGY I, LLC**, A TEXAS LIMITED LIABILITY COMPANY, AS LESSEE.

**W/2 of Section 297, Block 13, H&GN RR Co. Survey, Reeves County, Texas, limited to depths below 10,397'**

**E/2 of Section 297, Block 13, H&GN RR Co. Survey, Reeves County, Texas, limited to depths below 10,608'**

Texas Royalty Brokers

Texas Royalty Brokers