

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.

Oil & Gas Lease

THIS OIL & GAS LEASE ("Lease") made this _____ day of _____, _____

Lessor" (whether one or more) and _____

1. 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 _____ County, Texas (the "leased premises" or "said land"), to-wit:

2. 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.

3. The royalties to be paid by lessee are: (a) on oil, and other liquid hydrocarbons, 20% of that produced and saved from said land, same to be delivered free of all costs to the credit of lessor at the tanks or pipelines to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substances produced from said land and used off the premises or in the manufacture of gasoline or other products, the market value at the well of 20% of the gas so used, provided that on gas sold on or off the premises, the royalties shall be 20% of the net proceeds realized at the well from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a well on said land, or land pooled therewith, capable of producing and such well is shut-in, either before or after production therefrom, then on or before 90 days after said well is shut-in, and thereafter at annual intervals, lessee may pay or tender a shut-in royalty equal to \$1.00 per net acre of the acreage then capable of being held by the well under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that leased substances are being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if lessee shall correct such error within 30 days after lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable lessee to make proper payment.

4. This is a paid-up lease and lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. The creation of a unit by such pooling shall be based on the following criteria: A unit for an oil well (other than a horizontal completion) shall not exceed 40 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 320 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for a vertical oil or gas well or for a horizontal oil or gas well to conform to any well spacing or density (including proration) pattern that may be prescribed or permitted by an applicable field rule formula, if any, or in the absence thereof, by an applicable statewide or county rule formula. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells and/or production therefrom. Operations on or production from any part of any such unit shall be deemed for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. In addition, other events or circumstances as would hold acreage under this lease if performed on or applicable to land covered by this lease shall be deemed to be performed on or applicable to the land covered by this lease if performed on or applicable to lands pooled therewith. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be amended or dissolved by lessee, in whole or in part, at any time or from time to time, by recording an appropriate instrument in the County where the land is situated.

6. If at the expiration of the primary term (a) there is no well upon said land capable of producing oil or gas, but lessee has commenced operations thereon, or (b) there has been production from, or operations upon the leased premises within the preceding ninety (90) days, this lease shall remain in force so long as operations are prosecuted with no cessation of more than ninety (90) consecutive days, whether such operations be the same or different operations and/or on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land or this lease is otherwise maintained in force and effect. If, after the expiration of the primary term there should be a cessation of production or other event or circumstance as would otherwise cause this lease to expire in accordance with its terms, this lease shall not terminate if lessee commences or restores production or commences operations for additional drilling or for reworking within ninety (90) days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder. As used throughout this lease, the term "reworking" means all actions taken to secure, restore or improve production through the use of a wellbore previously drilled, but without regard to whether the action involved be within or outside of the wellbore.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this

lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. If and when having pipelines on the surface unreasonably interferes with existing surface uses or surfaces uses then being commenced, Lessee, when required by lessor, will bury all pipe lines below ordinary plow depth or such lesser depth as reasonably removes same as an interference, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Existing wells and/or wellbores on the leased premises may be reentered and used and to the extent such occurs the reentry shall be considered the same as the drilling of a new well on the leased premises.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee and no such change or division shall be binding upon lessee for any purpose until thirty (30) days after lessee has received at lessee's principal place of business certified copies or acceptable alternative documentation in lieu thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall properly comply or make such payments.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder, by reason of scarcity or inability to obtain or use equipment or material, by act of God, by any Federal or state law or any order, rule or regulation of governmental authority (including the time during which lessee is waiting on the issuance of any order, rule, policy or practice in connection therewith or while the time for comments on the issuance of any rule, order, practice or policy is in effect), or by other act, event, circumstance or condition beyond Lessee's reasonable control, then while so prevented, and for thirty (30) days thereafter, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder, and for thirty (30) days thereafter, and that time shall not be counted against lessee, anything in this lease to the contrary notwithstanding. As used herein, the term "order, rule, denial, policy, directive, rule-making proposal, and/or practice" includes, but is not limited to any denial, restriction or delay of drilling and/or other operations on the leased premises attributable to environmental and/or endangered species restrictions, conditions and limitations now or hereafter adopted, enforced or applied to the leased premises by any federal or state agency having authority with respect to the leased premises, and without limiting the generality of the foregoing clause, shall specifically include all lesser prairie chicken and sand dune lizard stipulations and restrictions, collectively referred to herein as "Endangered Species and Environmental Conditions." If lessee is precluded from engaging in operations because the necessary permits and approvals to drill have not been obtained, or because lessee is required to postpone or suspend operations by application of Endangered Species and Environmental Conditions, then its obligation and/or entitlement to engage in operations shall be deferred until sixty (60) days after approval of the necessary permits and approvals, or until sixty (60) days after operations are allowed to commence or resume following any period of suspension attributable to Endangered Species and Environmental Conditions, and the running of periods of special limitation applicable to the estate granted hereby shall be tolled during such deferral period.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its successors and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this lease as to acreage so surrendered, except as to the liability for any payments accruing hereunder prior to the time of such surrender which shall survive surrender and continue as an obligation of lessee, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases. No partial surrender or release or partial termination shall in any manner reduce or limit lessee's entitlement to use all of the surface (as originally described and as originally subject to this lease) in connection with lessee's ownership and enjoyment of that portion of the leased premises (as originally described and as originally subject to this lease) as to which the lease has not been surrendered, released or terminated. Moreover, under no circumstances shall lessee, as a consequence of any partial surrender or release or partial termination, be required to relocate roads, pipelines, facilities or other improvements utilized, or potentially subject to use, by lessee in connection with lessee's ownership and enjoyment of that portion of the leased premises (as originally described and as originally subject to this lease) as to which the lease has not been surrendered, released or terminated. Nor shall the filing of a document of surrender or release, or a document acknowledging partial termination, be construed as effecting a surrender, release or partial termination of surface rights incident to lessee's ownership and enjoyment of that portion of the leased premises (as originally described and as originally subject to this lease) as to which the lease has not been surrendered, released or terminated.

IN WITNESS WHEREOF, this instrument is executed the day and year first above written.

LESSOR:

[REDACTED]

[REDACTED]

[ACKNOWLEDGEMENT TO FOLLOW]

ACKNOWLEDGMENT

STATE OF _____ §
COUNTY OF _____ §

This instrument was acknowledged before me the _____ day of _____, _____

Notary Public, State of _____

ADDENDUM TO OIL & GAS LEASE DATED EFFECTIVE

In the event of conflict between this Addendum and paragraphs 1 – 11 of the form of Oil & Gas Lease to which this Addendum is attached, this Addendum shall control. Provided, however, this Addendum shall be harmonized with the form to which it is attached insofar as is reasonable to avoid the finding of a conflict.

12. Shut-In Royalty Limitation: The shut-in royalty provisions of the lease may be invoked on any number of occasions. Provided, however, neither the lease nor, after the establishment of Retained Well Tracts (see paragraph 15 and 16 below) a particular Retained Well Tract, shall be held solely by the payment of shut-in royalties for any single shut-in period in excess of two (2) years or for multiple periods aggregating more than four (4) years.

13. Royalties at Market Value and Gross Proceeds: Except as to royalty oil and/or gas taken in kind and separately marketed by Lessor, which right to take in kind Lessor retains, the royalties payable hereunder shall be payable at the greater of: (i) market value (determined at the point of any use for oil and/or gas used by Lessee off the premises and determined at the point of first sale by Lessee or its affiliates to a non-affiliated entity for oil and/or gas sold by Lessee) and (ii) gross proceeds (determined at the point of first sale by Lessee or its affiliates to a non-affiliated entity; such that, no expenses incurred upstream of the point of first sale by Lessee or its affiliates to a non-affiliated entity shall be deductible). The sole exception to the above shall be that if gas is processed in a plant for the extraction of liquids upstream of the point of use and/or point of first sale to a non-affiliated entity, the royalties otherwise provided for above shall be net of plant costs (whether those costs be charged by the plant as a percentage of proceeds or otherwise), but only of plant costs (as distinguished from transportation costs). Gas used for gas lift or otherwise re-injected to increase production shall not be deemed gas produced and saved from the leased premises.

14. Pugh Clause: Drilling, operations, or production of oil and/or gas from a pooled unit shall maintain this lease in effect only as to that portion of the leased premises which is included in a pooled unit. This lease may be maintained in effect as to the remainder of the leased premises in accordance with the other provisions of this lease.

15. Partial Termination/Continuous Development:

- (a) At the expiration of the primary term, should Lessee then be engaged in drilling operations of a well or wells upon the leased premises or lands pooled therewith, or should Lessee have drilled and completed a well (whether completed as a dry hole or as a producer) during the primary term on the leased premises or lands pooled therewith, Lessee shall be deemed to have commenced Continuous Development. Continuous Development, if and once so commenced, shall be deemed to continue until such date thereafter as more than one hundred eighty (180) consecutive days shall have elapsed without the occurrence of drilling operations (whether conducted for the same or different wells) on the leased premises or lands pooled therewith (the "Continuous Development Period").
- (b) The later to occur of (i) the expiration of the primary term, or (ii) the expiration of the Continuous Development Period, if any, is herein called the "Severance Date".
- (c) On the Severance Date, this lease shall terminate as to all of the land and depths covered hereby, **SAVE AND EXCEPT:** (i) as to those depths from the surface to the base of the deepest formation from which oil and/or gas is then being produced, in and to (ii) that portion of the leased premises included in a "Retained Well Tract".
- (d) Each of the following shall constitute a separate "Retained Well Tract": (i) that portion of the leased premises included in a (each) pooled unit, (ii) that portion of the leased premises selected for retention by Lessee for a (each) producing vertical oil well - not to exceed 40 acres plus a maximum acreage tolerance of 10% for each such well, and (iii) that portion of the leased premises selected for retention by Lessee for a (each) producing vertical gas well and/or for a (each) producing horizontal well - not to exceed 320 acres plus a maximum acreage tolerance of 10% for each such well; provided, larger Retained Well Tracts may be formed for vertical oil wells, for vertical gas wells and/or for horizontal wells to conform to any well spacing or density (including proration) pattern that may be permitted or prescribed by an applicable special field rule formula or, in the absence thereof, to conform to any well spacing or density (including proration) pattern that may be permitted or prescribed by an applicable statewide or county rule formula.
- (e) The express continuous development provisions of this lease are in lieu of any implied duty of reasonable development for the period from the effective date of this lease through the Severance Date. For all subsequent periods, lessee expressly accepts, in addition to all other duties and obligations stated herein, a duty of reasonable development equivalent to that duty of reasonable development which would be implied if there was no express covenant relating thereto.
- (f) In the event of partial termination of this lease under the provisions hereof, Lessee, upon request of Lessor, shall promptly execute and deliver unto Lessor a good and sufficient partial release of this lease as to all lands and depths as to which it shall have expired under the provisions hereof.
- (g) Any wells and/or Retained Well Tracts subject to lease saving/perpetuating clauses of the lease on any expiration or termination date otherwise provided for herein: (i) shall be deemed producing from all perforated formations, provided that (ii) any such wells that have not been perforated shall be deemed producing from each field of anticipated completion as provided for in the application for drilling permit applicable to said well.
- (h) Where a vertical well is completed to produce from multiple fields, such that multiple special field/statewide/county rules are applicable to that well, the Retained Well Tract acreage to be held by that well shall be the same for all depths that are held, and shall be determined by the applicable rules allowing for the largest Retained Well Tract.

16. Indemnification of Lessor: Lessee shall conduct its operations in compliance with all applicable laws, rules and regulations. Lessee will protect, indemnify, hold harmless and defend Lessor against any and all liabilities to any and all third parties, private and/or governmental (and from Lessor's reasonable attorneys' fees, expert witness fees, litigation expenses and court costs relating thereto), arising out of or associated in any way with (i) any activity conducted by lessee or lessee's employees, agents, servants, contractors, licensees or permittees on the leased premises; (ii) required environmental remediation of the leased premises and/or plugging and abandonment of wells on the leased premises; and (iii) the management, use and disposal of oil, gas, produced water, and any and all other

products, waste materials, and/or substances, pollutants and/or contaminant produced by Lessee or brought by Lessee onto the leased premises (all of which potential sources of liability claims shall be referred to as "Lessee's Conduct"). LESSEE'S OBLIGATION TO INDEMNIFY LESSOR FOR CLAIMS AGAINST LESSOR ARISING FROM LESSEE'S CONDUCT SHALL APPLY WITHOUT REGARD TO FAULT ON THE PART OF EITHER LESSOR OR LESSEE AND SHALL SPECIFICALLY INCLUDE INDEMNIFICATION OF LESSOR AGAINST LIABILITY TO THIRD PERSONS ARISING FROM LESSOR'S CONCURRENT NEGLIGENCE (BUT NOT LESSOR'S SOLE NEGLIGENCE, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT) IF SUCH LIABILITY IS RELATED TO LESSEE'S CONDUCT. Lessee's indemnity obligations under this paragraph are continuing obligations which will continue in effect, and be enforceable by lessor, even after this lease terminates.

17. Limited Warranty of Title: This lease is granted, leased and let with warranty of title by, through and under Lessor, but not otherwise. Provided, if and to the extent Lessor's title should fail in whole or in part Lessee's sole and only remedy shall be to recoup bonus paid to Lessor relative to such title as may have failed. Lessor shall never be liable for any consequential damages caused by a failure of title.

18. Integration Clause: Each of the parties hereto expressly warrants and represents, and does hereby affirm and stipulate, that no representation, promise or agreement, or statement of a past or existing fact, not expressed in the written agreement, was made to induce the execution of same. Furthermore, the parties hereto do each expressly warrant and represent, and do hereby affirm and stipulate, that they have not relied upon any representation, promise or agreement, or statement of a past or existing fact, which is not expressed in this written agreement. Each of the parties hereto is relying upon his, her, or its own judgment, and has had a full, fair and adequate opportunity to read and understand this agreement, including but not limited to this provision. Each of the parties hereto recognize that this paragraph is binding, as a matter of law and fact, and shall preclude them from asserting that they were wrongfully induced to enter into this agreement by any representation, promise or agreement, or statement of a past or existing fact, which is not found within the four (4) corners of this agreement.

19. Option to Extend Primary Term: Lessee does hereby have the option, but not the obligation to extend the primary term of this lease, as to all or any portion of the lands covered hereby that is not otherwise maintained by and other provision of this lease, for an additional two (2) years from the expiration of the three (3) year primary term herein, by delivering to Lessor, on or before the end of said three (3) year term, by check from Lessee, additional bonus consideration in an amount equal to the amount per acre paid by Lessee to Lessor for the execution of this lease, proportionately reduced to the number of retained mineral acres covered by the lease. In the event of the death of any person entitled to such payment, Lessee may pay or tender it in the name of the deceased or the estate of the deceased, at the address of the deceased according to Lessee's records, until such time as Lessee is furnished with proper evidence of the appointment and qualification of a personal representative of the estate or, if there is no administration of the estate, until Lessee is furnished satisfactory evidence of the identity and address of each heir or devisee of the deceased and that all debts of the estate have been paid. If two or more persons are entitled to the payment that Lessee may make under this paragraph, Lessee may pay or tender said sum to them jointly, with delivery or mail to the address of any of them. Any payment or tender made by Lessee in a bona fide attempt to exercise the right granted in this paragraph but in error either as to the person or persons entitled to such payment or as to the amount paid or tendered shall nevertheless be effective to extend the primary term in the manner herein provided if Lessee makes or tenders proper payment within thirty (30) days after receiving written notice of the error. At Lessee's request upon Lessee's timely payment or tender of said sum as herein provided, Lessor agrees to execute a recordable instrument acknowledging receipt of payment and the consequent extension of the primary term.

LESSOR:

