

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

**PAID-UP
OIL, GAS AND MINERAL LEASE**

THIS OIL, GAS AND MINERAL LEASE (this "Lease") made and entered into this 15th day of June, 2020, between Gary Stewart McBrayer, hereinafter called "Lessor" (whether one or more), whose address is: 28 N. Pleasant Ave., Ridgewood, New Jersey 07450 and CGS OPERATING, LLC, hereinafter called "Lessee", whose address is P. O. Box 2615, Decatur, Texas 76234.

1. **Description.** Lessor, in consideration of ten and no/100's Dollars (\$10.00) and other good and valuable consideration in hand paid, receipt of which is hereby acknowledged, of the royalties herein provided and of the agreements of the Lessee herein contained, hereby grants, leases and lets, exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, mining and operating for and producing oil, gas and all other minerals, injecting gas, waters, other fluids, air and other gaseous substances into subsurface strata, laying pipelines, storing oil, building tanks, power stations, electric transmission lines, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land in **DAWSON** County, Texas, to wit:

BEING 191.13 acres, more or less, all of Labor 24, League 271, Loving County School Lands Survey, Dawson County, Texas, more particularly described as tract 6 in that certain Partition Deed dated February 4, 1998, from O.M. Archer, et al, as Grantor, to Alvin Maurice Archer, as Grantee, and recorded in Volume 484, Page 229, in the Deed Records of Dawson County, Texas.

SEE ADDENDUM ATTACHED HERETO AND MADE A PART HEREOF FOR ADDITIONAL PROVISIONS

Notwithstanding any particular description, it is nevertheless the intention of Lessor to include within this Lease, and Lessor does hereby lease, not only the land so described but also any and all other land owned or claimed by Lessor in the herein named survey or surveys, or in adjoining surveys, and adjoining the herein described land up to the boundaries of the abutting landowners, the leased lands being hereinafter referred to as "the leased premises." For the purpose of determining the amount of any bonus or other payment hereunder, the leased premises shall be deemed to contain **191.13** acres, whether actually containing more or less. Lessor agrees to execute any supplemental instrument(s) requested by Lessee for a more complete or accurate description of the leased premises or instrument(s) to perfect title deficiencies. For the same consideration stated above and irrespective of the term of this Lease, Lessor also grants, sells, conveys and warrants to Lessee, to the extent Lessor has the right to do so, a perpetual subsurface right-of-way, right to use and easement in, through and under all of the leased premises for the purpose of drilling oil and/or gas wells to, and producing through such wells oil, gas or other minerals from, the leased premises, lands other than the leased premises, or lands pooled or unitized with any of the foregoing, together with the right to obtain and use information from said operations and the right of ingress and egress to such wells.

2. **Term.** 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, gas or other mineral is produced from the leased premises or land with which leased premises or any part thereof is pooled, or this Lease is maintained by virtue of some other provision hereof.

3. **Paid Up Lease.** This is a PAID-UP LEASE. In consideration of the cash down payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term.

4. **Royalty.** The royalties to be paid by Lessee are: (a) on oil and on other liquid hydrocarbons saved at the well, **23%** of that produced and saved from the leased premises, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected with Lessor's interest in either case bearing its proportion of any expense for transportation or for treating oil to make it marketable as crude and Lessee having the option, at any time or from time to time, to purchase Lessor's oil at the well, paying therefor the lawful market price on the date of purchase for oil of like grade and gravity prevailing for the field nearest where such oil is produced; (b) on gas, including casinghead gas and all gaseous substances, produced from the leased premises and sold by Lessee, **23%** of the amount realized from such sale thereof, after deduction of a proportionate part of the production, severance and other excise taxes and the cost incurred by Lessee in delivering, processing, compressing, or otherwise making such gas or other substances merchantable; (c) on gas, including casinghead gas and all gaseous substances, produced from the leased premises and used off the leased premises by Lessee and not benefiting Lessor, the market value at the mouth of the well or **23%** of the gas so used off the leased premises; (d) on all other minerals mined and marketed, **23%**, either in kind or value at the well or mine, at Lessee's election, except that on sulfur the royalty shall be One Dollar (\$1.00) per long ton. If at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas and all such wells are shut-in for any reason, it shall nevertheless be considered that oil or gas is being produced from the leased premises within the meaning of Paragraph 1 hereof so long as such well or wells remain shut-in, and thereafter this Lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the oil, gas and minerals capable of being produced from said wells but

5. Pooling. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or formations, and as to any or all substances covered by this Lease, either before or after the commencement of production, whenever Lessee at its sole discretion deems it necessary or proper to do so in order to develop or operate prudently the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 320 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion up to and including the amount of acreage allowed to be assigned or allocated to such well pursuant to the applicable rules of the Railroad Commission of Texas or successor governmental authority having jurisdiction. For the purpose of the foregoing, the term "horizontal completion" means an oil or gas well classified as a horizontal drainhole well as currently defined by the rules of the Railroad Commission of Texas or any successor governmental authority having jurisdiction of well spacing and density; and the term "vertical completion" means any well that is not a horizontal completion. Lessee shall have the right but not the obligation to limit the pooled unit to drilling and production from vertical completions or from horizontal completions. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling, completion, or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if they were production, drilling, completion or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this Lease and included in the unit bears to the total gross acreage in the unit. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, so long as the total acreage therein does not exceed the maximum herein specified. In the event a unit is formed hereunder before the unit well is drilled and completed, so that the applicable pooling criteria are not yet known, the unit shall be based on the pooling criteria Lessee expects in good faith to apply upon completion of the well; provided that within a reasonable time after completion of the well, the unit shall be revised if necessary to conform to the pooling criteria that actually exist. Also each such drilling or production unit, when limited to any one or more depths or formations and to any one or more of the minerals therein or produced therefrom, may from time to time be enlarged and extended by Lessee to include additionally any other depths or formations and any other mineral or minerals therein or produced therefrom. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. Lessee may place and use on each unit created hereunder common measuring and reworking tanks for production from such unit. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests. For purposes of this Lease, the words "separate tracts" shall mean any tract or part of the leased premises in which ownership of the oil and gas mineral or royalty interest differs from any other tract or part of the leased premises at the time of this Lease. The inclusion of separate tracts in this Lease is for the convenience and ease of the parties only and this Lease does not pool separate tracts, create a community lease, or make an offer to pool separate tracts, and the ratification of this Lease by any owner of any interest in a separate tract shall not result in a pooling of any interest covered hereby. Nothing contained in this Paragraph shall diminish or prohibit the right of Lessee to pool all or any part of the lands covered hereby. The Lessee shall have the exclusive authority under this Lease to form pooled units or pool separate tracts.

6. Operations. If, at the expiration of the primary term, oil, gas or other mineral is not being produced from the leased premises or lands pooled therewith but Lessee has engaged in operations for drilling, mining or reworking of any well or mine thereon or shall have completed a dry hole thereon within one hundred eighty (180) days prior to the end of the primary term, this Lease shall remain in force so long as operations on said well or for the drilling or reworking of an additional well are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than one hundred eighty (180) consecutive days, and, if they result in production, so long thereafter as oil, gas or other mineral is produced from the leased premises or lands pooled therewith. If, after the expiration of the primary term of this Lease and after oil, gas or other mineral is produced from the leased premises or lands pooled therewith, production thereof should cease from any cause, this Lease shall not terminate if Lessee commences operations for drilling or reworking within one hundred eighty (180) days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than one hundred eighty (180) consecutive days, whether on the same well or on any different or successive well or wells, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from the leased premises or lands pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within two hundred (200) feet of and draining the leased premises, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances. The judgment of the Lessee, when not fraudulently exercised, in carrying out the purpose of this Lease shall be conclusive. Whenever used in this Lease the word "operations" shall mean operations for any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain or restore production of oil, gas, sulphur or other minerals, and production of oil, gas, sulphur or other mineral, whether or not in paying quantities.

7. Ancillary Rights. In all operations on or related to the leased premises or lands pooled or unitized therewith, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises, as may be reasonably necessary for such purposes, including, but not limited to, geophysical operations, the drilling of wells, and the construction and use of roads, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport such production and other products from the leased premises or on lands

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 the chain of title from the original Lessor. 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 to comply with any provision of this Lease, such default shall not affect this Lease insofar as it covers a part of the leased premises upon which Lessee or any assignee thereof shall not be in default. Should more than six parties become entitled to royalties hereunder, Lessee may require the appointment of a single agent to receive payment for all and may withhold payment until such appointment has been made.

9. **Regulation and Delay.** When drilling or other operations are delayed or interrupted by any cause, including, but not limited to, storm, flood or other act of God, fire, war, rebellion, insurrection, riot, strikes, differences with workmen, unavailability of material or equipment, failure of carriers to transport or furnish facilities for transportation, some order, requisition or necessity of the government or as a result of any cause whatsoever beyond the control of the Lessee, the time of such delay or interruption shall not be counted against Lessee, anything in this Lease to the contrary notwithstanding. All express or implied covenants of this Lease shall be subject to all Federal, State and local laws, Executive orders, rules or regulations and this Lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation. If from such causes Lessee is prevented from conducting drilling or reworking operations on, or producing oil or gas from the leased premises or lands pooled therewith, the time while Lessee is so prevented shall not be counted against Lessee, and this Lease shall be extended for a period of time equal to that during which such Lessee is so prevented from conducting drilling or reworking operations on, or producing oil or gas from the leased premises or lands pooled therewith, notwithstanding any other provision hereof.

10. **Breach or Default.** The provisions of this Lease are contractual in nature and each party's responsibility arising out of or relating to this Lease, or breach hereof, shall be limited to actual damages for breach of the provisions of this Lease, and neither party shall have any liability in tort to the other party. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this Lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this Lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have ninety (90) days after receipt of notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil, gas or other mineral in paying quantities on the leased premises, Lessee shall reasonably develop the acreage retained hereunder, but in discharging this obligation it shall in no event be required to drill more than one (1) oil well which is not a horizontal completion per three hundred twenty (320) acres, plus an acreage tolerance not to exceed ten percent (10%) or one (1) gas well or horizontal completion per six hundred forty (640) acres, plus an acreage tolerance not to exceed ten percent (10%).

11. **Warranty of Title.** Lessor hereby warrants and agrees to defend title to the leased premises to Lessee, and agrees that Lessee, at its option, 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 and any other payments due or that may become due to the Lessor under this Lease toward satisfying same. Without impairment of Lessee's rights under the warranty in the event of failure of title, it is agreed that, if Lessor owns an interest in the leased premises less than the entire fee simple estate, whether stated herein above as a whole or partial interest, then the royalties to be paid Lessor shall be reduced proportionately. All royalty interest covered by this Lease (whether or not owned by lessor) shall be paid out of the royalty herein provided. Should any one or more of the parties named herein above as Lessors fail to execute this Lease, it shall nevertheless be binding upon the party or parties executing the same.

12. **Release.** Lessee, its successors and assigns, shall have the right at any time to deliver to Lessor or place of record a release or releases covering a full or undivided interest in any portion or portions of the above described leased premises, or any depths or zones thereunder, and thereby surrender this Lease as to such portion or portions and be relieved of all obligations accruing thereafter as to the acreage or depths surrendered. Thereafter the advance annual royalties payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

13. **Acknowledgment.** In the event the earliest notary acknowledgment is more than sixty (60) days beyond the date entered on this Lease, then the effective date (for purposes of determining the expiration of the primary term) shall become the earliest notary acknowledgment date.

14. **Sharing Wells.** Lessee shall have the right, but not the obligation, to drill Sharing Wells. A "Sharing Well" is a Horizontal Drainhole Well in which a portion of the "Productive Drainhole Length" is located within the boundaries of the leased premises and a portion of the "Productive Drainhole Length" is located outside the boundaries of the leased premises. In such event, and in the absence of the formation of a pooled unit using acreage allocation, the production from such Sharing Well shall be allocated to this Lease by multiplying such production by a fraction, the numerator of which is equal to the length of that portion of the "Productive Drainhole Length" of the Horizontal Drainhole Well which is within the boundaries of the leased premises and the denominator of which is equal to the total length the "Productive Drainhole Length" of the Horizontal Drainhole Well. The production so allocated to this Lease shall be considered as actual production from the leased premises and royalties on such allocated production shall be paid in accordance with the terms of this Lease. Likewise, Lessee shall have the right but not the obligation to drill Sharing Wells in which a portion of the "Productive Drainhole Length" of a Horizontal Drainhole Well is located within the boundaries of a pooled unit in which all or a portion of this Lease has been pooled and a portion of the Productive Drainhole Length of the Horizontal Drainhole Well is located outside the

15. **Preferential Right.** In the event that Lessor, during the primary term of this Lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this Lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this Lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen (15) days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

16. **Option to Extend Primary Term for Paid-Up Leases.** Lessee is hereby given the option to extend the primary term of this Lease for an additional Two (2) years from the expiration of the original primary term hereof. This option may be exercised by Lessee at any time during the original primary term by paying an amount equal to the bonus per net mineral acre paid at the execution of this Lease, which payment shall cover the entire Two (2) year extended primary term. This payment shall be based upon the number of net mineral acres then covered by this Lease and not at such time being maintained by other provisions hereof. This payment may be made by the check or draft of Lessee mailed or delivered to Lessor at any time during the original primary term hereof at the address of Lessor set forth in this Lease or at such other address as Lessor shall have notified Lessee in writing. If, at the time this payment is made, various parties are entitled to specific amounts according to Lessee's records; this payment may be divided between said parties and paid in the same proportion. 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. Payment or tender to any person entitled to such payment of his proportionate share shall extend the primary term hereof as to the interest of the person to whom such payment has been made or tendered. 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. Should this option be exercised as herein provided, it shall be considered for all purposes as though this Lease originally provided for a primary term of Five (5) years.

IN WITNESS WHEREOF, this Lease is executed as of the date above written.

Gary Stewart McBrayer

ACKNOWLEDGMENT

STATE of NEW JERSEY

COUNTY of _____

This instrument was acknowledged on _____, 2020 by Gary Stewart McBrayer.

Notary Public Signature