

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 30th day of November 19 81 between

Kenneth Ray Taylor and wife, Joyce Lynn Taylor

Robert Eugene Plemons and wife, Jo Evelyn Plemons

Lessor (whether one or more), whose address is 3025 Shepherd, Abilene, Texas 79605
and Jones & Lyons, a corporation, Box 3035, San Angelo, Texas 76902

Lessee WILNESSETH,

for and in consideration of Ten & 00/100 Dollars

(10.00), in hand paid, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas and all other minerals, conducting exploration, geologic and geophysical surveys by seismograph, core logs, gravity and magnetic methods, injecting gas, water and other fluids, and air into subsurface strata, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport and own said products, and housing its employees, the following described land in

Hill County, Texas, to-wit:

Being 172.80 acres of land, more or less, out of the S. Wylie Survey, Abstract No. 1002, the J. Hardin Survey, Abstract No. 423 and the B. Graham Survey, Abstract No. 340 and being more particularly described as three tracts in a Warranty Deed dated December 18, 1974, from Mildred Brustrom, et vir to Joyce Lynn Taylor, et al, recorded Volume 539, Page 904, Deed Records, Hill County, Texas. Reference to said Deed and the record thereof is hereby made for all purposes.

(Notwithstanding anything to the contrary herein contained, wherever royalty is stated in the fractional amount of one-eighth (1/8), it is agreed that said royalty shall be increased to one-sixth (1/6).)

This lease also covers and includes all land owned or claimed by Lessor adjacent or contiguous to the land particularly described above, whether the same be in said survey or surveys or in adjacent surveys, although not included within the boundaries of the land particularly described above. For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 172.80 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall be for a term of five (5) years from this date (called "primary term") and as long thereafter as oil, gas or other mineral is produced from said land or land with which said land is pooled hereunder.

3. The royalties to be paid by Lessee are: (a) on oil, gas and other minerals produced and saved from said land, the same to be delivered at the well or to the credit of Lessor into the pipelines to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefore prevailing for the field where produced on the date of purchase; (b) to pay lessor on gas and casinghead gas produced from said land (1) when sold by Lessee, one-eighth of the amount realized by Lessee, computed at the mouth of the well, or (2) when used by Lessee off said land or in the manufacture of gasoline or other products, one-eighth of the amount realized from the sale of gasoline or other products extracted therefrom and one-eighth of the amount realized from the sale of residue gas after deducting the amount used for plant fuel and/or compression; while there is a gas well on this lease or on acreage pooled therewith but gas is not being sold or used, Lessee may pay as royalty, on or before ninety (90) days after the date on which (1) said well is shut in, or (2) the land covered hereby or any portion thereof is included in a pooled unit on which a well is located, or (3) this lease ceases to be otherwise maintained as provided herein, whichever is the later date, and the latter at annual intervals on or before the anniversary of the date the first payment is made, a sum equal to the amount of the annual rental payable in lieu of drilling operations; during the primary term on the number of acres subject to this lease to the time such payment is made, and if such payment is made or tendered, this lease shall not terminate, and it will be considered that gas is being produced from this lease in paying quantities; and (c) on all other minerals mined and marketed, one-fourth other in kind or value at the well or mine, at Lessee's election, except that on sulphur mined and marketed the royalty shall be fifty cents (\$0.50) per long ton. Lessee shall have free use of oil, gas, coal, and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil, gas and coal shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof as to oil and gas, or either of them, with any other land covered by this lease, and/or with any other land, lease or leases in the immediate vicinity thereof to the extent hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises in compliance with the spacing rules of the Railroad Commission of Texas, or other law of authority, or when it does so would, in the judgment of Lessee, promote the common interest of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of ten percent (10%) thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, for the drilling or operation of a well at a regular location or for obtaining maximum allowable from any well to be drilled, drilling or already drilled, units thereafter created may conform substantially in size with those prescribed or permitted by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units in to which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit, and upon such recordation the unit shall be effective as to all parties hereto, their heirs, successors, and assigns, irrespective of whether or not the unit is acknowledged by all other owners of surface mineral, royalty, or other rights in land included in such unit. Lessee may at its election exercise its pooling option before or after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. In the event of operations for drilling on or production of oil or gas from any part of a pooled unit which includes all or a portion of the land covered by this lease, regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument designating the pooled unit such operations shall be considered as operations for drilling on or production of oil and gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease and in such event operations for drilling shall be deemed to have been commenced on said land within the meaning of paragraph 5 of this lease; and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments due of production and each of them shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled unit. Such allocation shall be on an acreage basis—that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease (or in each such separate tract) and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land. The production from an oil well will be considered as production from the lease or oil pooled unit which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. The formation of any unit hereunder shall not have the effect of changing the ownership of any delay rental or shut-in production royalty which may become payable under this lease. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interest as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but Lessee shall nevertheless have the right to pool as provided above with consequent allocation of production as above provided. As used in this paragraph 4, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

5. If operations for drilling are not commenced on said land or on acreage pooled therewith as above provided on or before one year from this date, the lease shall terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender (or shall make a bona fide attempt to pay or tender, as hereinafter

stated) to Lessor or to the credit of Lessor in Citizens National Bank at Hillsboro 76645

Texas, (which bank and its successors are Lessor's agent and shall continue as the depository for all rentals payable hereunder regardless of changes in ownership of said land or the rentals) the sum of One hundred seventy two and 80/100

Dollars (\$ 172.80), therein called "rentals", which shall give the privilege of deferring commencement of drilling operations for a period of twelve (12) months. In like manner and upon like payments or tenders annually, the commencement of drilling operations may be further deferred for successive periods of twelve (12) months each during the primary term. The payment or tender of rental under this paragraph and of royalty under paragraph 3 on any gas well from which gas is not being sold or used may be made by Lessee mailed or delivered to the parties entitled thereto or to said bank on or before the date of payment. If such bank for any successive bank should fail, liquidate or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payment or tender or rental until thirty (30) days after Lessor shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders. If Lessee shall, on or before any anniversary date, make a bona fide attempt to pay or deposit rental to a Lessor entitled thereto according to Lessee's records or to a Lessor, who, prior to such attempted payment or deposit, has given Lessee notice, in accordance with subsequent provisions of this lease, of his right to receive rental, and if such payment or deposit shall be ineffective or erroneous in any regard, Lessee shall be unconditionally obligated to pay to such Lessor the rental properly payable for the rental period involved, and this lease shall not terminate but shall be maintained in the same manner as if such erroneous or ineffective rental payment or deposit had been properly made, provided that the erroneous or ineffective rental payment or deposit be corrected within 30 days after receipt by Lessee of written notice from such Lessor of such error accompanied by such instruments as are necessary to enable Lessee to make proper payment. The down cash payment is considered final for this lease according to its terms and shall not be allocated as a net rental for a period. Lessee may at any time or times exercise and deliver to Lessee or to the depository above named or place of record a release or releases of this lease as to all or any part of the above-described premises, or of any mineral or horizon under all or any part thereof, and thereby be relieved of all obligations as to the released land or interest. If this lease is released as to all minerals and horizon under a portion of the land covered by this lease, the rentals and other payments computed in accordance therewith shall thereupon be reduced in the proportion that the number of surface acres within such released portion bears to the total number of surface acres which was covered by this lease immediately prior to such release.

recorded to Vol 912 page 813
Deed Records
Hill County Texas
Hill County Title Co

6. If prior to discovery and production of oil, gas or other mineral on said land or on acreage pooled therewith, Lessee should drill a dry hole or holes thereon, or if after discovery and production of oil, gas or other mineral the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within sixty (60) days thereafter...

7. 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. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessor's consent.

8. The rights of either party hereunder may be assumed in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns, but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee...

9. 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...

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, either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same.

11. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended...

* See addendum attached hereto and made a part hereof. IN WITNESS WHEREOF, this instrument is executed on the date first above written.

Kenneth Ray Taylor SS# 467-68-6969
Robert Eugene Plemons SS# 451-76-5841

Joyce Lynn Taylor SS# 451-84-5421
Jo Evelyn Plemons SS# 457-84-5421

STATE OF Texas JOINT ACKNOWLEDGMENT
COUNTY OF Cameron
Before me, the undersigned authority, on this day personally appeared Kenneth Ray Taylor and wife, Joyce Lynn Taylor

known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that they executed the same as their free act and deed for the purposes and consideration therein expressed.
Given under my hand and seal of office this 7th day of December, 1981

My Commission Expires 10-05-85
Notary Public in and for Cameron County, State of Texas
STATE OF Texas HUSBAND AND WIFE ACKNOWLEDGMENT
COUNTY OF Taylor
Before me, the undersigned authority, on this day personally appeared Robert Eugene Plemons and Jo Evelyn Plemons

and known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same as their free act and deed for the purposes and consideration therein expressed.
Given under my hand and seal of office this 9th day of December, 1981

My Commission Expires 6-15-82
Notary Public in and for Taylor County, State of Texas



Table with columns: Dated, No. Acres, Term, This Month, day of, Book, of the, B, Pounds. The word 'OIL' is written vertically in the right margin.

Addendum

Lessee agrees to pay Lessor or tenants of Lessor for all damages or injury to cattle or other livestock, pasturage, crops, fences, terraces, water wells, the surface otherwise in whatever way damaged and all other property of Lessor or tenants of Lessor situated on the leased premises resulting from Lessee's operations under the terms of this lease; and, Lessee further agrees that within a reasonable time after completion or abandonment of any well drilled on the premises, Lessee shall fill and level all excavations not required for production, fencing those that must remain open, and restore the surface of the ground to as near its original condition as is practicable.

Notwithstanding anything hereinabove to the contrary, it is specifically understood and agreed that this lease covers only oil, gas, sulphur and associated liquid or liquifiable or gaseous hydrocarbons, but this lease does not cover or include any other minerals, with all other such minerals being reserved to the Lessor herein. Accordingly, the words "oil, gas," when used herein shall mean oil, gas, sulphur and associated liquid or liquifiable or gaseous hydrocarbons; and the words "all other minerals" whenever used herein, shall be stricken from from this lease, so that such "all other minerals", as defined herein are reserved to the Lessor.

Filed for record on Feb 3 1927 at 3:45 AM

RUTH PELHAM, Clerk County Court
Hill County, Texas

By L. J. Amador Deputy

Recorded By L. J. Amador Deputy