

**OIL AND GAS LEASE  
BETWEEN  
THE TEXAS A&M UNIVERSITY SYSTEM  
AND**

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\_\_\_\_\_, 2014

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**THE TEXAS A&M UNIVERSITY SYSTEM**  
**OIL AND GAS LEASE**  
(Non-state)

**1. AWARD OF LEASE**

THE BOARD OF REGENTS OF THE TEXAS A&M UNIVERSITY SYSTEM (hereinafter "**TAMUS**"), in consideration of the payment of a cash bonus by \_\_\_\_\_ (hereinafter "**COMPANY**"), the receipt of which is acknowledged, and of the royalties, covenants, stipulations, and conditions contained in this Lease agreed to be paid, observed, and performed by **COMPANY**, GRANTS, LEASES, AND LETS unto **COMPANY**, for the sole and only purpose of prospecting, drilling for, and producing oil, gas, casinghead gas, distillate, and associated hydrocarbons, and constituent elements (including sulphur), but not including coal, lignite, gravel, iron ore, caliche, sand, fissionable minerals or any other minerals, the following described land in \_\_\_\_\_ County, Texas (hereinafter the "**LEASED PREMISES**"):

See attached Exhibit "A."

For the purposes of calculating bonus and rental payments, the **LEASED PREMISES** is deemed to contain \_\_\_\_\_ mineral acres, whether it actually contains more or less. This Lease is expressly made and entered into by **TAMUS** without recourse, covenant, representation, or warranty, express or implied, of any kind or nature whatsoever. Without limiting the foregoing, it is expressly understood and agreed in no event will **TAMUS** ever be required to return to **COMPANY** any portion of the consideration paid for this Lease.

**2. EXPLORATORY TERM**

Subject to each of the conditions contained in this Lease, the term is three (3) years (hereinafter "**Primary Term**") from the Effective Date (as hereinafter defined), and as long thereafter as oil and gas, or either of them, is produced in paying quantities from the **LEASED PREMISES**, or from land with which the **LEASED PREMISES** is pooled, with royalties being timely and properly paid and operations being properly conducted; provided, however, the term of this Lease may be extended under the following conditions:

If **TAMUS** finds **COMPANY** has proceeded with diligence to protect the interests of **TAMUS**, and there is a likelihood that oil and/or gas will be discovered on the **LEASED PREMISES**, **TAMUS** may, upon written request of **COMPANY**, extend this Lease for a period not to exceed three (3) years, conditioned upon **COMPANY** continuing to pay the yearly delay rentals provided in Section 3 of this Lease, and upon any additional terms and conditions **TAMUS** may see fit and proper to demand. No such extension may be granted until the last thirty (30) days of the **Primary Term** of this Lease.

### 3. ANNUAL DELAY RENTALS

One (1) year from the Effective Date, and on the same date of each of the following years during the three (3) year Primary Term of this Lease, **COMPANY** must pay to **TAMUS** an annual delay rental of Twenty-Five and No/100 Dollars (\$25.00) per mineral acre; provided, however, if **COMPANY** is engaged in actual drilling operations for the discovery of oil and/or gas on the LEASED PREMISES or lands pooled therewith on the anniversary date of this Lease, no annual delay rental will be required as to the acreage contained in the drilling unit as long as such drilling is proceeding in good faith as determined by **TAMUS**. In the event production is obtained, then, as to such production unit, this Lease shall remain in force so long as production is in paying quantities from such production unit. When royalties, as provided for in this Lease, from production equals or exceeds the annual delay rental requirement set out above, such annual delay rental payment may be discontinued. During any year after the expiration of the Primary Term of this Lease, the royalties paid to **TAMUS** will, in no event, be less than an amount equal to the total annual delay rental provided in this Lease; otherwise, there is due and payable on or before the last day of the month succeeding each anniversary date of this Lease a sum equal to the total annual delay rental, based on the acreage held, less the amount of royalties paid during the preceding year. Failure to pay delay rentals on acreage not in a drilling/production unit or maintain royalty payment levels as established in this section may result in a forfeiture of this Lease as to such acreage not contained in a drilling/production unit. **COMPANY** may not pre-pay delay rentals more than sixty (60) days in advance of the due date. Should the first well or any subsequent well drilled on the LEASED PREMISES be completed as a shut-in gas well within the Primary Term of this Lease, **COMPANY** must continue drilling operations or resume payment of annual delay rentals in the same manner as provided in this Section 3 on or before the delay rental payment date next ensuing after sixty (60) days from the date of completion of such shut-in gas well and upon the failure to continue drilling operations or make such annual delay rental payment, this Lease will *ipso facto* terminate.

### 4. ROYALTY

**COMPANY** agrees to pay or cause to be paid during the term of this Lease:

(a) As a royalty on oil, which is defined as including hydrocarbons produced in liquid form at the mouth of the well, and also all condensate, distillate, and other liquid hydrocarbons from oil or gas run through a separator or other equipment, twenty-five percent (25%) of the "Market Value," as defined below in Section 4(c), of the gross production thereof from the LEASED PREMISES.

(b) As a royalty on all gas, which is defined as all hydrocarbons and gaseous substances not defined as oil in Section 4(a) above, produced from any well and sold by **COMPANY**, or used by **COMPANY**, twenty-five percent (25%) of the "Market Value," as defined below in Section 4(c), of the gross production thereof from the LEASED PREMISES.

(c) As a royalty on all sulphur, twenty-five percent (25%) of the "Market Value," as defined herein, of the gross production thereof from the LEASED PREMISES. "Market Value" is defined as the price prevailing in the field or general area where the oil, gas, or sulphur, as

applicable, is produced on the date of purchase for oil, gas or sulphur, as applicable, of like grade, gravity and quality. The term "Market Value" as defined and utilized herein further contemplates gross proceeds received pursuant to a bona fide contract entered into at arms length between nonaffiliated parties of adverse economic interests. If a contract was not negotiated at arms length, or was between affiliated parties, the presumption that Market Value is equal to gross proceeds does not apply. In this situation, **COMPANY** has the burden to establish that amounts paid to **COMPANY** are based on Market Value.

(d) On all production sold by **COMPANY** for the benefit of **TAMUS** pursuant to its royalty interest, **COMPANY**, its agents and/or assigns, remain jointly and severally liable to **TAMUS** for all payments due **TAMUS** from such sale to purchasers. Nonpayment by any such purchaser of production will not relieve **COMPANY** of its obligation to pay **TAMUS** for its royalty interest in production sold.

(e) If, at the expiration of the Primary Term or at any time thereafter, there is located on the LEASED PREMISES a production unit or units, including a pooled unit or units (as described in Section 26), capable of producing gas in paying quantities and such gas is not otherwise produced for lack of a suitable market and this Lease, as to such production unit, is not otherwise being maintained in force and effect, **COMPANY** must pay a shut-in royalty of One Thousand Two Hundred and No/100 Dollars (\$1,200.00) for each production unit capable of producing gas in paying quantities within sixty (60) days after **COMPANY** shuts in such production unit or ceases to produce gas therefrom or within sixty (60) days after this Lease ceases to be otherwise maintained in force and effect; and if such shut-in royalty payment is made, this Lease, as to such production unit or units, will be considered to be a lease producing in paying quantities and such shut-in gas well royalty payment shall extend the term of this Lease for a period of one (1) year from the end of the Primary Term or, if after the Primary Term, from the first day of the month next succeeding the month in which such production unit was shut in; and, thereafter, if no suitable market for such gas exists, **COMPANY** may extend this Lease as to such production unit or units for two (2) additional and successive periods of one (1) year each by the payment of the shut-in royalty each year as above provided. In no event will this Lease continue in force and effect as to any production unit or units (as described in Section 25) which are shut in for more than three (3) consecutive or cumulative years at the expiration of which, this Lease, as to such production unit or units, is herein declared to be null and void.

(f) **TAMUS'** royalty will never bear or be chargeable with, either directly or indirectly, any part of the costs or expenses of production, gathering, dehydration, compression, transportation, manufacturing, processing, treating, marketing, or depreciation of any plant or other facility or facilities or equipment for processing or treating of such oil and/or gas produced from the LEASED PREMISES. In the event **COMPANY** (or purchaser contracted by **COMPANY** to purchase the production) fails to comply with the terms of this Section 4(f) and does, in fact, deduct costs or expenses from the value of **TAMUS'** production, **COMPANY** must reimburse **TAMUS** as follows: (i) the full amount of such deductions made from the date first deducted, (ii) interest on such amount at a rate per annum equal to the lesser of the Wall Street Journal prime interest rate plus two percent (2%) or the highest interest rate then permitted by law, such interest to be compounded monthly, and (iii) a penalty in the amount of the greater of Twenty-Five and No/100 Dollars (\$25.00) or five percent (5%) of the amount owed. All such payments are due immediately upon receipt of an invoice from **TAMUS**.

(g) **TAMUS** shall share in "take or pay" payments. If any gas purchase contract, agreement or any amendment thereto entered into by **COMPANY** for the sale or disposition of gas or other products under this Lease contains a "take or pay" clause requiring the purchaser of gas to take, or upon failing to take, to pay for the minimum annual contract volume of gas which a producer-seller has available for delivery, then any payments made by such purchaser of gas under such provision, whether or not gas is actually delivered, is subject to the payment of royalty to **TAMUS**. Upon written request from **TAMUS**, **COMPANY** must furnish **TAMUS** complete copies of all such gas purchase contracts or agreements and any amendments thereto entered into by **COMPANY** for the sale or disposition of gas or other products produced under this Lease.

## 5. ROYALTY PAYMENTS AND DIVISION ORDERS

**COMPANY** must begin making royalty payments to **TAMUS** under this Lease within ninety (90) days following the production of oil, gas, sulphur or other hydrocarbons from the LEASED PREMISES. **TAMUS** may require **COMPANY** to require the purchaser of production to send accountings and royalty payments directly to **TAMUS**. If royalties are not commenced within the ninety (90) days, they will be delinquent. Unless the failure of **COMPANY** to timely commence royalty payments is due to a legitimate title problem as determined by **TAMUS** or such delay is solely attributable to **TAMUS**, **COMPANY** will pay interest on the amount of delinquent royalty at a rate per annum equal to the lesser of the Wall Street Journal prime interest rate plus two percent (2%) or the highest interest rate then permitted by law, calculated from thirty (30) days following the sale of the oil, gas, sulphur or other hydrocarbons produced from the LEASED PREMISES by **COMPANY** and continuing until the date the payment of royalties is received by **TAMUS** from **COMPANY**. After royalty payments commence, royalty payments shall be paid on a monthly basis, subject to previously described interest penalty for delays of payment. In the event title matters are shown to exist which require curative work, royalties payable may be suspended only to the extent they are adversely affected by such title problem or dispute. Division orders signed by the parties shall not be construed to amend this Lease nor modify **COMPANY**'s obligation to pay royalty and other amounts due hereunder unless expressly agreed to by **TAMUS** in writing. Division orders which alter, add to, or amend any provisions or language in this Lease will not be used as a basis for suspending royalty payment, and any payments suspended for such reason will accrue interest as provided above.

In the event **COMPANY** is delinquent with any royalty payment to **TAMUS** under the terms of this Lease for a period of more than thirty (30) days, and such delinquency is due to or resulting from circumstances reasonably within the control of **COMPANY**, then **TAMUS** may declare this Lease forfeited following thirty (30) days' written notice to **COMPANY** of such delinquency and default in accordance with Sections 9 and 35 herein. **COMPANY** may maintain the Lease by payment to **TAMUS** of all delinquent sums and interest before the expiration of the thirtieth (30th) day following such notice. If such forfeiture is declared by **TAMUS**, **COMPANY** will lose all its rights and estates under all producing acreage on all production sold after forfeiture and **COMPANY**, its agents and/or assigns, remain jointly and severally liable to **TAMUS** for all payments due **TAMUS** from such sale to purchasers.

Nonpayment by any such purchaser of production will not relieve **COMPANY** of its obligation to pay **TAMUS** for its royalty interest in production sold.

Acceptance by **TAMUS** of royalties which are past due does not act as a waiver or estoppel of **TAMUS'** right to receive or recover all interest due under the provisions of this Lease unless the written acceptance or acknowledgment by **TAMUS** to **COMPANY** expressly so provides. Any tender or payment to **TAMUS** of a sum less than the total amount due to **TAMUS** shall not constitute an accord and satisfaction and shall not relieve **COMPANY** from liability for the total amount due.

## **6. ROYALTY IN-KIND**

**TAMUS** may, in its sole discretion, require payment of royalty, as stipulated in this Lease, be in-kind. Such in-kind deliveries shall be for reasonable periods of time of at least thirty (30) days, and upon reasonable notice. **COMPANY** shall provide to **TAMUS** on a continuing basis, if necessary, any relevant information concerning wells or production needed by **TAMUS** to market its royalty taken in kind.

## **7. PROPORTIONATE REDUCTION**

In the event **TAMUS** owns an interest in the oil, gas, sulphur or other hydrocarbons on, in or under the LEASED PREMISES and/or a production or pooled unit less than the entire fee simple estate, whether or not this Lease purports to cover the whole or a fractional interest therein, then the royalties, but not the shut-in gas well royalties, to be paid **TAMUS** shall be reduced to the proportion **TAMUS'** actual interest bears to the whole undivided fee and in accordance with the nature of the estate with which **TAMUS** is seized.

## **8. FIRST LIEN**

In accordance with Texas Natural Resources Code (N.R.C.) Section 52.136, **TAMUS** has a first lien upon all oil, gas, sulphur, and other hydrocarbons produced from the LEASED PREMISES to secure payment of all unpaid royalty and other sums of money that may become due under this Lease. By acceptance of this Lease, **COMPANY** grants **TAMUS**, in addition to the liens provided by law, an express contractual lien on and security interest in all oil, gas, sulphur, and other hydrocarbons in and extracted from the LEASED PREMISES, all proceeds which may accrue to **COMPANY** from the sale of such oil, gas, sulphur, and other hydrocarbons, whether such proceeds are held by **COMPANY** or by a third party, all of **COMPANY'**s rigs, tanks, vats, pipelines, telephone lines, machinery, and appliances used in the production and handling of such oil, gas, sulphur, and other hydrocarbons produced from the LEASED PREMISES, and all fixtures on and improvements to the LEASED PREMISES made by **COMPANY** and used in connection with the production or processing of such oil, gas, sulphur, and other hydrocarbons in order to secure the payment of all royalties or other amounts due or to become due under this Lease and to secure payment of any damages or loss that **TAMUS** may suffer by reason of **COMPANY'**s breach of any covenant or condition of this Lease, whether express or implied. These liens and security interests may be foreclosed with or without court proceedings in the manner provided in Chapter 9 of the Texas Business and



Commerce Code. **COMPANY** agrees **TAMUS** may require **COMPANY** to execute and record such instruments as may be reasonably necessary to acknowledge, attach or perfect this lien. **COMPANY** represents there are no prior or superior liens arising from and relating to **COMPANY**'s activities upon the above-described property or from **COMPANY**'s acquisition of this Lease. Should **TAMUS** at any time determine this representation is not true, then **TAMUS** may declare this Lease forfeited as provided in this Lease.

## **9. FORFEITURE**

This Lease is subject to forfeiture by **TAMUS** for one or more of the following reasons:

- (a) **COMPANY** fails or refuses to make the payment of any sum due, either as rental, royalty on production, or other payment, within the time frames required by this Lease.
- (b) **COMPANY** or its authorized agent makes any false return or false report concerning production, royalty, drilling, or mining.
- (c) **COMPANY** fails or refuses to drill any offset well or wells in good faith, as required by this Lease.
- (d) **COMPANY** or its agent refuses the proper authority access to the records and other data pertaining to operations under this Lease.
- (e) **COMPANY** or its authorized agent fails or refuses to give correct information to the proper authorities.
- (f) **COMPANY** or its authorized agent fails or refuses to furnish **TAMUS**' Office of General Counsel, attention: System Real Estate Office (hereinafter "System Real Estate Office") with the reports and information required by this Lease within the time frames set forth herein.
- (g) **COMPANY** assigns its rights under this Lease without obtaining written approval of **TAMUS** as provided in this Lease.
- (h) Any other material term of this Lease is violated.

Except as otherwise stated in Section 18 herein, before declaring this Lease forfeited, **TAMUS** agrees it will provide **COMPANY** with notice stating the existence and nature of any breach of this Lease which may subject it to forfeiture, and allow **COMPANY** thirty (30) days from the date of receipt of such notice to cure the breach.

## **10. REINSTATEMENT AFTER FORFEITURE**

Upon request and proper showing by **COMPANY**, within thirty (30) days after the declaration of forfeiture, in the sole discretion of **TAMUS**, this Lease may be reinstated on such terms and conditions as **TAMUS** may prescribe.

## 11. REMEDIES AND ATTORNEYS' FEES OF TAMUS

In addition to the right to declare this Lease forfeited as provided herein, TAMUS may bring suit against COMPANY for damages, specific performance, or any other remedy available to TAMUS at law or in equity. COMPANY must pay all reasonable attorneys' fees and court costs incurred by TAMUS in connection with any lawsuit in which TAMUS is successful in recovering any rent, royalties, interest, damages, or other amounts due under this Lease, or is successful in terminating this Lease due to COMPANY's failure to perform its obligations under this Lease.

## 12. RELINQUISHMENTS

All rights to all or any part of the LEASED PREMISES may be relinquished by COMPANY to TAMUS at any time by recording a release instrument previously approved in writing by the System Real Estate Office in the county or counties in which the LEASED PREMISES is located. Recorded releases must be submitted to the System Real Estate Office. A release will not relieve COMPANY of any obligations or liabilities incurred prior to the release.

## 13. INDEMNIFICATION AND INSURANCE

(a) COMPANY agrees to pay for all damages to agricultural or other research, crops, trees, buildings, streets, fixtures, utility lines (above and below ground), personal property, productivity of soil, livestock, and any and all other things damaged as a result of COMPANY's or its agents' actions in carrying out any operations under the terms of this Lease. COMPANY further agrees to indemnify and hold TAMUS harmless from any and all damages to third persons and the property of third persons resulting from such operations.

(b) COMPANY and all operators must maintain or cause to be maintained public liability insurance and insurance coverage on their employees, agents and contractors (or require such insurance to be maintained) at levels acceptable to TAMUS, as TAMUS may determine from time to time, but in no event less than the following amounts:

**Commercial General Liability (including Pollution Liability) Insurance:** Insurance policy with limits of liability of not less than One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) in the aggregate per policy year.

**Excess Liability (including Pollution Liability) Insurance:** Excess Liability insurance policy with limits of liability of not less than Five Million Dollars (\$5,000,000) in excess of the above required general liability insurance policy.

**Worker's Compensation Insurance:**

Statutory Benefits (Coverage A)	Statutory
Employers Liability (Coverage B)	\$1,000,000 Each Accident \$1,000,000 Disease/Employee \$1,000,000 Disease/Policy Limit

**Automobile Liability Insurance:**

Owned Vehicles	\$1,000,000
Non-owned Vehicles	\$1,000,000
Hired Vehicles	\$1,000,000

(c) The following terms and conditions regarding standard insurance policies are required:

- (1) General liability and automobile insurance must be written by a carrier with a rating of "A" or better and a financial size category of at least XV or better rating in accordance with the current Best's rating guide; only insurance carriers licensed to do business in the State of Texas will be accepted; deductibles will be listed on the certificate of insurance and are acceptable on a per-occurrence basis for property damage only; claims made policies will not be accepted; and **TAMUS**, its officials, employees, and volunteers are to be added as "additional insureds" to the liability policies. The coverage will not have special limitations on the scope of protection afforded to **TAMUS**, its officials, employees, or volunteers.
- (2) A waiver of subrogation in favor of **TAMUS**, with respect to Workers' Compensation Insurance, must be included.
- (3) Each insurance policy must be endorsed to state coverage may not be suspended, voided, canceled, or reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, postage prepaid, return receipt requested, has been given to the System Real Estate Office.
- (4) As proof of compliance with this section, a certificate of insurance must be filed with the System Real Estate Office setting out the insurance coverage required under this section. Such certificate must state that thirty (30) days' prior written notice of cancellation or material change will be submitted to **TAMUS** by the insurance carrier. Such certificate will also show the coverage for property damage liability arising from blasting or explosion; collapse or structural damage; underground property damage; damage to underground resources and equipment; and blowout or cratering of any well.

#### 14. CONTINUOUS DRILLING

(a) Notwithstanding any provision of this Lease to the contrary, after a well producing, or capable of producing, oil, gas, sulphur or other hydrocarbons has been completed on the LEASED PREMISES, **COMPANY** will, within one hundred twenty (120) days of the date of filing of the completion report with the Texas Railroad Commission for the initial producer, begin drilling a subsequent well and thereafter, within the same time frame, commence succeeding wells until the LEASED PREMISES is fully developed to allowable density. Failure to so drill and continue drilling is a breach of a material term of this Lease and may result in forfeiture of this Lease as to acreage not contained in a production unit as herein defined. This continuous drilling requirement does not apply as to any acreage in this Lease of insufficient size to permit additional wells under the field rules established by the Texas Railroad Commission. **COMPANY** agrees such insufficient size acreage must, to the extent possible, be pooled with production units outside of the LEASED PREMISES. Nothing in this Lease precludes **COMPANY**, as a reasonably prudent operator, from simultaneously drilling additional wells as may be reasonably necessary for proper development of the LEASED PREMISES.

(b) **COMPANY** must, notwithstanding any other provision of this Lease, adequately protect the oil, gas, sulphur or other hydrocarbons under the LEASED PREMISES from drainage from adjacent lands or leases, including non-TAMUS lands or TAMUS lands leased at a lesser royalty. **COMPANY** must drill as many wells as the facts justify for the effective protection against drainage from such adjacent lands or leases. Neither the bonus, annual delay rental, nor royalties paid or to be paid relieves **COMPANY** from this express obligation.

#### 15. DRY HOLE CLAUSE; REWORKING EXTENSION

If during the Primary Term of this Lease and prior to discovery and production of oil or gas on the LEASED PREMISES, **COMPANY** drills a dry hole or holes, or, if after discovery and production of oil or gas, production should cease from any cause, this Lease will not terminate if on or before the delay rental payment date next ensuing after the expiration of sixty (60) days from the date of completion of such dry hole or cessation of production, **COMPANY** commences additional drilling or reworking operations, or commences or resumes the payment of annual delay rentals in the same manner as provided in this Lease.

In the event production of oil or gas on the LEASED PREMISES, after once having been obtained, ceases for any cause after the expiration of the Primary Term, this Lease will not terminate if **COMPANY** commences additional drilling or reworking operations within sixty (60) days thereafter, and the Lease will remain in full force and effect so long as such operations continue in good faith and in a workmanlike manner, without interruptions totaling more than sixty (60) days during any one such operation; and, if such drilling or reworking operations result in the production of oil or gas, this Lease remains in full force and effect so long as oil or gas is produced in paying quantities or payment of shut-in gas well royalties is made in accordance with Section 4(e).

## 16. PUGH CLAUSE

Notwithstanding any other Lease provision, this Lease terminates at the expiration of its Primary Term or the conclusion of continuous drilling operations except for each producing well, and the acreage allotted to such well or wells for production units, located on the LEASED PREMISES or on lands pooled therewith in accordance with the terms of this Lease. **AT THE EXPIRATION OF THE PRIMARY TERM OR THE CONCLUSION OF CONTINUOUS DRILLING OPERATIONS, THIS LEASE EXPIRES AS TO ALL RIGHTS ONE HUNDRED (100) FEET BELOW THE DEEPEST DEPTH DRILLED AND PRODUCED IN ANY WELL LOCATED ON THE LEASED PREMISES.** Upon expiration of the Primary Term, in the event this Lease has been maintained in full force and effect and notwithstanding that there may be then oil and/or gas production from the LEASED PREMISES or property pooled therewith, **TAMUS** may demand and shall be entitled to receive from **COMPANY** an appropriate release in recordable form of all of **COMPANY**'s rights and estates in the LEASED PREMISES that are deeper than one hundred (100) feet below the deepest depth drilled and produced on the LEASED PREMISES or property pooled therewith. **COMPANY** agrees to execute and deliver to **TAMUS** for recording in the Real Property Records of the county or counties in which the LEASED PREMISES is located, all documents necessary to effect an appropriate release of this Lease as to such acreage, but if it fails to do so within thirty (30) days following written demand from **TAMUS**, then **TAMUS** shall have the right to execute and record such necessary documents. **ADDITIONALLY, IF THIS LEASE HAS BEEN CONTINUOUSLY MAINTAINED IN FORCE AND EFFECT IN ACCORDANCE WITH ITS TERMS, ON THE TENTH (10th) ANNIVERSARY DATE OF THIS LEASE, IF COMPANY HAS NOT OBTAINED PRODUCTION IN PAYING QUANTITIES FROM ANY FORMATION OR FORMATIONS ABOVE THE PRODUCING FORMATION OR FORMATIONS OF ANY WELL AS INDICATED BY COMPANY IN ITS DESIGNATION OF EACH PRODUCTION UNIT, THIS LEASE EXPIRES AS TO ALL RIGHTS IN SUCH NON-PRODUCED FORMATION OR FORMATIONS.**

## 17. DRILLING AND PRODUCTION OPERATIONS

(a) Any violation of any valid law or of any valid rule, regulation or requirement of any state or federal regulatory body having jurisdiction with reference to drilling, completing, equipping, operating, producing, maintaining, or abandoning oil and/or gas wells or related appurtenances, equipment or facilities, or with reference to firewalls, fire protection, blowout protection or safety of persons or property is a violation of this Lease.

(b) Within thirty (30) days after completion of any well, **COMPANY** must file with the System Real Estate Office a final report which includes a copy of all documents and reports filed with the Texas Railroad Commission.

(c) Whenever any well is permanently abandoned, it is the obligation of **COMPANY** to plug such well in accordance with the laws of the State of Texas, the rules of the Texas Railroad Commission, and/or any other agency having jurisdiction in connection with the plugging operation and provide **TAMUS** with written notice of intent to plug and abandon, which will include the abandonment program. Such plugging obligation is subject to the rights of **TAMUS** in Section 22.

(d) Any expense incurred by **TAMUS** due to a request for an exception under this section will be paid by the operator requesting such exception.

Provisions (e) to (h) in this Section apply only to the extent <b>TAMUS</b> owns or controls the surface estate of the LEASED PREMISES.
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(e) In the event of any leak, spill, or malfunction, **COMPANY** must remove or cause to be removed to the satisfaction of **TAMUS**, all oil and waste materials from all of **TAMUS'** property which may be affected by such, spill, leak, or malfunction. In the event of a loss of control of any well, or any other oil and/or gas operation, **COMPANY** will immediately take all reasonable steps necessary to regain control of such well or operation and notify **TAMUS** as soon as practicable. In the event **TAMUS** believes danger to persons or property exists because of such loss of well control, or **COMPANY** is not taking or is unable to take all reasonable and necessary steps to regain control of such well or equipment, **TAMUS** may employ any well expert or experts, or any other contractors or suppliers of special services, or may incur any other expenses for labor or material which **TAMUS** deems necessary to regain control of such oil and/or gas operation. **TAMUS** has a valid lien against the interest in the well of all working interest owners who have voluntarily joined in the drilling of such well to secure payment of any expenditures made by **TAMUS** pursuant to such action.

(f) **COMPANY** will make adequate provisions for the disposal of salt water or other impurities which may be produced from the LEASED PREMISES along with the oil and/or gas in a manner which prevents the contamination of the surface or subsurface water supply or the destruction of vegetation. **COMPANY**, or any person engaged in the operation of any loading rack, storage or other facility or equipment used in the production, storage, transportation, sale or shipment of crude oil or other flammable petroleum product, will not allow such substances to spill over, overflow, leak, drain out, escape or accumulate in any sewer, in any open surface ditch, on any surface, or about the premises in any manner or amount.

**COMPANY** agrees to use all reasonable efforts to prevent any waste oil or salt water from flowing on or over the surface of the LEASED PREMISES and to prevent any waste oil or salt water from draining into any draw, drain, creek or ravine on the LEASED PREMISES or into any tank or water hole thereon. **COMPANY** will construct such salt water disposal facilities off the LEASED PREMISES as necessary to confine and dispose of the salt water and waste oil produced from the LEASED PREMISES in accordance with the rules and regulations of the Texas Railroad Commission. **COMPANY** will not drill or operate any saltwater disposal well on the LEASED PREMISES without **TAMUS'** prior written consent. **COMPANY** agrees to use all reasonable efforts to prevent underground water on the LEASED PREMISES from becoming contaminated in any manner as a result of **COMPANY'**s operations, and **COMPANY** will pay any and all damages suffered by **TAMUS** resulting from the breach of these provisions.

(g) All surface area utilized by **COMPANY** will be kept clear of high grass, weeds and combustible trash or other rubbish or debris.

(h) Printed permanent weather-proof signs with at least five (5) inch letters reading "DANGER, NO SMOKING OR OPEN FLAMES ALLOWED" must be posted at the entrance to or in a conspicuous place on each well, storage tank or battery of tanks. The signs must include the emergency notification telephone numbers of the nearest fire department and the operator. **COMPANY** will erect, at a distance not to exceed twenty-five (25) feet from each well on the **LEASED PREMISES**, a legible sign which will contain the name of the operator, the lease designation, well number and other information required by the Texas Railroad Commission or other governmental authority having jurisdiction. Where two (2) or more wells on the same lease or where wells on two (2) or more leases are connected to the same tank battery, whether by individual flow line connections direct to the tank or tanks or by use of a multiple header system, each line between each well and such tank or header will be legibly identified at all times, either by a firmly attached tag or plate or an identification properly painted on such line at a distance not to exceed three (3) feet from such tank or header connection. Such signs, tags, plates or other identification markers are to be maintained in a legible condition throughout the term of this Lease.

## 18. SEISMIC SURVEYING

The provisions in this Section apply only to the extent **TAMUS** owns or controls the surface estate of the **LEASED PREMISES**.

All seismic activities must be approved in advance and in writing by **TAMUS**. **FAILURE TO OBTAIN TAMUS' PRIOR WRITTEN APPROVAL BEFORE CONDUCTING ANY SEISMIC ACTIVITIES ON THE LEASED PREMISES WILL RESULT IN IMMEDIATE FORFEITURE OF THIS LEASE.** **COMPANY** is responsible for all damages to agricultural or other research, property, real and personal, and injuries to persons and livestock resulting from any operations or activities conducted on the **LEASED PREMISES**. **TAMUS** may, if **TAMUS** owns or controls the surface estate, designate routes to be utilized in all seismic surveying. **DEVIATION FROM SUCH ROUTES BY COMPANY WILL RESULT IN IMMEDIATE FORFEITURE OF THIS LEASE.**

## 19. LIQUID HYDROCARBON RECOVERY

**COMPANY** agrees before any gas containing liquid hydrocarbons produced from the **LEASED PREMISES** is sold, used, or processed in a plant, it will be run through an adequate oil and gas separator of conventional type or other equipment so that all liquid hydrocarbons recoverable from the gas by such means will be recovered.

## 20. UNDERGROUND STORAGE

**COMPANY** may not use the **LEASED PREMISES** for underground storage of natural gas, crude petroleum or other hydrocarbons without the express advance written consent of **TAMUS**.

## 21. WATER WELLS AND WATER-BEARING STRATA

The provisions in this Section apply only to the extent **TAMUS** owns or controls the surface estate or water rights of the **LEASED PREMISES**.

(a) **COMPANY** must obtain **TAMUS'** prior written consent before drilling a water well or using an existing water well on the **LEASED PREMISES** for any purpose. Consideration for water used for drilling and completion activities shall be determined and set forth in a written consent signed by **TAMUS**.

(b) Upon request by **TAMUS**, **COMPANY** will plug water wells located on the **LEASED PREMISES** that **COMPANY** has utilized regardless of the origin of such well. Temporary pipelines used to transport water from the well shall be removed when no longer required for on-going operations. All drilling and plugging activity will be performed by a water well driller licensed by the Texas Department of Licensing and Regulation ("TDLR").

(c) The Driller's Log or Plugging Report shall be provided to **TAMUS** within fifteen (15) days of water well installation.

(d) No later than fifteen (15) days after installation of a water well, an identification plate constructed of a non-ferrous material shall be permanently posted on a component of the water well's surface infrastructure. The identification plate will be permanently marked, i.e. stamped or engraved, to show:

- (1) name of entity or individual that caused the water well to be installed;
- (2) name and TDLR license number of entity or individual that installed the water well;
- (3) installation date;
- (4) total depth;
- (5) well capacity (gallons per minute); and
- (6) latitude and longitude of the well.

(e) In drilling wells, all water-bearing strata shall be noted by **COMPANY** in the log, and **TAMUS** reserves the right to require all or any part of the casing be left in any non-productive well when **TAMUS** deems it necessary or desirable to preserve or maintain such well or wells for water.

## 22. CASING, EQUIPMENT, AND TAMUS' RIGHTS IN PRODUCING WELLS AFTER FORFEITURE OR TERMINATION OF LEASE

Upon the expiration or termination of this Lease for any reason, or should **COMPANY** elect to abandon a well or wells, **COMPANY**, with the express written permission of **TAMUS**, shall remove its equipment, tubing, casing, and other machinery for any such producing well or wells located upon the **LEASED PREMISES** within sixty (60) days of **TAMUS'** express written



permission to do so. Otherwise, said equipment, tubing, casing, and other machinery shall be deemed forfeited, and **TAMUS** may take over operations of the wells without compensation to **COMPANY**.

### **23. LOGS, PLATS, RECORDS AND ACCESS**

(a) **COMPANY** must file with the System Real Estate Office, all core and test reports, logs, seismic data, electrical, radioactive, sonic or other logs of all wells drilled upon the **LEASED PREMISES** within thirty (30) days after completion in the case of producing wells, and within thirty (30) days after abandonment in the case of dry holes. Whenever **COMPANY** commences the drilling of any well or wells upon the **LEASED PREMISES**, **COMPANY** shall file written notice with the System Real Estate Office, accompanied by a plat of the **LEASED PREMISES** showing the location of such well or wells.

(b) **COMPANY** agrees to provide access to all wells drilled on the **LEASED PREMISES** at all reasonable hours, and upon request of **TAMUS**, to furnish **TAMUS** or its authorized representative with, or allow such representative to take from such wells, formation core samples and cuttings consecutively taken, and to furnish any records, memoranda, reports or other information relative to the operations on the **LEASED PREMISES**. Copies of title opinions, abstracts, instruments relating to the determination of title, and executed copies of all oil and/or gas purchase contracts or agreements and other records pertaining to the production, transportation, sale, and marketing of oil, gas and sulphur shall be provided to **TAMUS** upon request.

### **24. LEASE SECURITY**

**COMPANY** will exercise the highest degree of care and all proper safeguards to protect the **LEASED PREMISES** and to prevent theft of oil, gas, and other hydrocarbons produced from the **LEASED PREMISES**. This includes, but is not limited to, the installation of all necessary equipment, seals, locks, or other appropriate protective devices on or at all access points at production, gathering and storage systems where theft of hydrocarbons can occur. **COMPANY** is liable for the loss of any hydrocarbons resulting from theft and will pay **TAMUS** royalties as provided in Section 4 above on all oil, gas or other hydrocarbons lost by reason of theft.

### **25. DESIGNATION OF PRODUCTION UNITS**

Within ninety (90) days after completion of any well on the **LEASED PREMISES** which is not pooled under the provisions of Section 26, **COMPANY** shall designate in writing, and file of record with the County Clerk of the county or counties in which the **LEASED PREMISES** is located, and provide the System Real Estate Office with a designation of production unit which includes a description of that part of the **LEASED PREMISES** to be allocated to such well for production purposes. The description must specify and be limited to the producing formation according to the following:

(a) For a well classified as an oil well by the Texas Railroad Commission, no more than forty (40) acres, unless additional acreage is specifically authorized by field rules

promulgated by the Texas Railroad Commission or as a result of action by the Texas Railroad Commission; and

(b) For a well classified as a gas well by the Texas Railroad Commission, no more than one hundred sixty (160) acres plus ten percent (10%) tolerance unless additional acreage is specifically authorized by field rules promulgated by the Texas Railroad Commission or as a result of action by the Texas Railroad Commission.

Upon such filing as set forth herein being made, the portion of the LEASED PREMISES described therein will be and remain a "production unit" for all purposes. In each instance, where applicable, production units must be identical to proration units.

## **26. POOLING**

(a) Pooling of all or any part of the LEASED PREMISES with any other lands or mineral interests, whether or not owned by **TAMUS**, is not permitted without the consent of **TAMUS**.

(b) Production from or operations on a pooled unit or units embracing a portion of the LEASED PREMISES will maintain this Lease in force only as to the acreage embraced in such unit or units.

(c) Unless **TAMUS** specifically finds it to be in the best interest of **TAMUS** to permit pooling under other circumstances, **COMPANY**'s pooling of this Lease with other lands shall generally be limited to the following conditions:

- (1) There shall be no pooling with other lands and leases in which **TAMUS** does not have an interest, until such time as the LEASED PREMISES has been fully developed such that there exists the maximum number of proration units on the LEASED PREMISES with producing wells or wells capable of producing located on the LEASED PREMISES and there exists a portion of the LEASED PREMISES not in a proration unit and such portion is not of sufficient acreage to constitute a full proration unit in accordance with the applicable field rules of the Texas Railroad Commission.
- (2) Unless **TAMUS** gives prior written consent, none of the LEASED PREMISES will ever be included by **COMPANY**, its successors or assigns, within a unit for oil, a unit for gas, or a unit for oil and gas wherein, as to each and every producing horizon, zone, strata or formation included in such unit, **TAMUS**, **TAMUS**' successors or assigns, do not share in production of oil and/or gas from the date of first production to the date that production ceases to maintain this Lease, or such portion thereof, in force and effect.

In the event this Lease covers separate tracts of land the following pooling provisions apply:

(d) As used in this Lease, the words "separate tract" mean any tract or tracts with royalty ownership differing either as to parties or amounts, from any other tract or tracts of the LEASED PREMISES. No pooling, sharing, unitization, communication, or apportionment of royalty interest between any such separate tracts is authorized, implied or shall result from the inclusion of such separate tracts within this Lease without the written consent of **TAMUS**. Additionally, notwithstanding anything contained in this Lease to the contrary, this Lease does not authorize **COMPANY** to pool any non-executive interest which exists as of the date of this Lease, with any other lands whatsoever, whether such lands are covered by this Lease or not covered by this Lease, nor does this Lease constitute an offer to any non-executive mineral owner or non-participating royalty interest owner to ratify this Lease in order to become entitled to share in production from any separate tract covered by this Lease in which said non-executive mineral owner or non-participating royalty interest owner does not own an interest.

(e) The provisions of this Lease regarding acreage covered by this Lease which is held by drilling operations on or production from any pooled unit or units will not be altered or amended by any pooling, unitization or like agreement or instrument, or any amendment or ratification or acknowledgment, unless by specific amendment of this Lease.

## 27. SURFACE OPERATIONS

The provisions in this Section apply only to the extent **TAMUS** owns or controls the surface estate of the LEASED PREMISES.

(a) Drilling for oil and/or gas within three hundred (300) feet of any building, research area, or other designated area is prohibited, unless written consent from **TAMUS** is first obtained. Operations for oil and/or gas will in no way interfere with the use of the LEASED PREMISES for the trust, endowment, educational, recreational, experimental, or any other purposes for which the LEASED PREMISES was given to **TAMUS** or to which it has or may be put, and must not cause the abandonment of the LEASED PREMISES for trust and endowment or experimental farm purposes, if applicable.

(b) **TAMUS** requires all pipelines be buried below plow depth (deemed to be thirty-six (36) inches) measured from the surface of the ground to the top of the pipe as laid. **COMPANY** shall "double-ditch" all such pipelines and flowlines. **COMPANY** shall not be permitted to install pipelines with diameters larger than ten (10) inches on the LEASED PREMISES without reaching a separate written agreement with **TAMUS**. **COMPANY** agrees to pay for damages caused by its operations to any surface structure or use of the LEASED PREMISES.

(c) If drilling upon the LEASED PREMISES results in production, **COMPANY**, at its own expense, will immediately remove all drilling equipment and temporary structures and

place all permanent equipment in such a manner as will not interfere with or introduce hazard to any activity of **TAMUS**. Should drilling result in a dry hole or holes, **COMPANY** shall, at its own expense, immediately remove all drilling equipment and temporary structures from the land and restore the land to the condition that existed as of the date of this Lease, or to such state as is compatible with the use then being made of the LEASED PREMISES, at the option of **TAMUS**. This requirement is subject to the rights of **TAMUS** established in Section 22.

(d) **COMPANY**, in connection with its operations, may use only roads on the LEASED PREMISES designated by **TAMUS**. **TAMUS** may prohibit the use of its streets/roads during designated hours on specified days. All roads used by **COMPANY** are to be maintained by **COMPANY** in good condition and repair so as to allow the reasonable passage of any and all passenger vehicles. **COMPANY** agrees to grade only one road to each location on the LEASED PREMISES and to confine all travel incident to the drilling and production of such well to such road.

All roads used by **COMPANY**, and those entering the LEASED PREMISES for and on behalf of **COMPANY** or at its request, will be used at **COMPANY**'s risk, and all damages to the road or to any persons or equipment utilizing the same, is at the risk of **COMPANY**. Costs of additional road reinforcements and repairs made necessary by the activities of **COMPANY** shall be borne by **COMPANY**. All reinforcement or repairs of current roads and construction of access roads by **COMPANY** must be performed according to any standards established in writing by **TAMUS**.

(e) **COMPANY** agrees **COMPANY** will not cut or go over any fence or fences on the LEASED PREMISES without first obtaining the approval of the System Real Estate Office. **COMPANY** agrees, prior to cutting any fence, to brace the existing fence adequately on both sides of the proposed cut so that there will be no slackening of the wires when the fence is cut. If an outside fence is being cut, **COMPANY** agrees, after making such cut, to promptly install and maintain a metal gate in such opening, and such gate will be kept locked at all times. If **TAMUS** desires, **COMPANY** must also install and maintain a substantial iron cattle guard (a minimum of twelve (12) feet in width). If an inside fence is cut, **COMPANY** agrees, after making such cut, to promptly install and maintain a metal gate or cattle guard, whichever is designated by **TAMUS**. During the term of this Lease, such gates and cattle guards will be maintained by **COMPANY**. Upon termination of this Lease, such gates and cattle guards become the property of **TAMUS** at no expense to **TAMUS** or must be removed by **COMPANY** if **TAMUS** so requires, and in such case **COMPANY** will restore the fences to their original condition. **COMPANY** agrees to promptly close all gates that **COMPANY**, its agents, servants and/or employees may use in **COMPANY**'s operations on the LEASED PREMISES.

(f) **COMPANY** may obtain rights from the owners of nearby lands whereon **COMPANY** could locate well(s) which will be directionally drilled to bottom hole location(s) beneath the LEASED PREMISES, and, in such event, surface operations on nearby lands are not subject to restrictions imposed by **TAMUS**; however, such well(s) so directionally drilled to a bottom hole location(s) beneath the LEASED PREMISES will, for all other purposes, be treated as drilling or production operations conducted entirely upon the LEASED PREMISES.

(g) Before commencing operations and during the term of this Lease, **COMPANY** shall comply with and obtain any permits or licenses which may be required by federal, state or local statute in connection with the use of the LEASED PREMISES, including the Antiquities Code of Texas, Chapter 191 of the Texas Natural Resources Code (or its successor statute) and applicable rules promulgated by the Texas Historical Commission (or its successor). **COMPANY** shall undertake its activities on the LEASED PREMISES in a manner consistent with public policy relating to the location and preservation of archeological sites and other cultural resources in, on, or under **TAMUS'** property. **COMPANY** shall use the highest degree of care and all reasonable safeguards to prevent the taking, alteration, damage, destruction salvage, or excavation of cultural resources and/or landmarks on **TAMUS'** property. Upon discovery of an archeological site, **COMPANY** shall immediately give written notice of such discovery to **TAMUS** and to the Texas Antiquities Committee, as set out in the Texas Historical Commission's rules. **COMPANY**, its contractors and employees, shall have no right, title, or interest in or to any archaeological articles, objects, or artifacts, or other cultural resources located or discovered on **TAMUS'** lands, and **COMPANY** agrees that title to items, if any, discovered in or on **TAMUS'** lands shall remain with **TAMUS**.

(h) If any soil on the LEASED PREMISES is damaged or contaminated as a result of **COMPANY's** operation from spills, leaks, dumping, pumping, or draining of saltwater, oil or any other chemicals or substances, **COMPANY** shall clean up and restore and reseed the soil, and do everything reasonably necessary to restore the soil to as near its original condition as is possible. If **COMPANY** fails to comply with this obligation following ninety (90) days after written notice to **COMPANY** from **TAMUS**, **TAMUS** may undertake this cleanup and restoration and be entitled to recover from **COMPANY** an amount equal to two (2) times **TAMUS'** cost for the cleanup and restoration.

## 28. SITE APPROVAL

The provisions in this Section apply only to the extent **TAMUS** owns or controls the surface estate of the LEASED PREMISES.

(a) Locations of all drilling locations, wells, structures, roads, tank batteries, pipelines, telephone lines, and all other facilities erected or moved onto a site by **COMPANY** must be approved in advance by **TAMUS** or its authorized representative. Requests for approval must be in writing setting out the precise location of any proposed well and include diagrammatic descriptions of the location and the surrounding area. Upon request by **TAMUS**, **COMPANY** will provide any additional drawings or other data **TAMUS** requires to assess a proposed location. Approval will not be unreasonably withheld and approval, rejection, or requirement for changes will be provided within ten (10) **TAMUS** working days from the date all requested data is submitted.

(b) By execution of this Lease, **COMPANY** acknowledges certain surface acreage of the LEASED PREMISES may not be subject to drilling or production operations of any kind, and any additional costs incurred by **COMPANY** as a result of such restrictions are borne solely by **COMPANY**.

## 29. SITE RESERVATION

The provisions in this Section apply only to the extent **TAMUS** owns or controls the surface estate of the **LEASED PREMISES**.

**TAMUS** expressly reserves (in addition to all surface use and rights) the right to select drill site locations on the **LEASED PREMISES** for use by **TAMUS** or any third party selected by **TAMUS** in drilling for oil and/or gas lying under other strata, formations or tracts of land not subject to this Lease. Such sites may be selected by **TAMUS** at any time during the term of this Lease (primary or extended), at such locations deemed appropriate by **TAMUS**, provided such locations are not in direct conflict with **COMPANY**'s own drill/production sites. **TAMUS** will provide **COMPANY** with a plat of selected surface acreage, not to exceed five (5) acres per location, prior to making use of such locations for drilling purposes. **TAMUS** is entitled, under this reservation, to sell or lease to other drilling contractors or producers the right to utilize such location(s) as a drill site for off-property directional drilling. Such activity will be in compliance with all requirements of the Texas Railroad Commission.

## 30. FORCE MAJEURE

**COMPANY** shall not be liable for delays or defaults in its performance of any agreement or covenant in this Lease due to *force majeure*. The term "*force majeure*" shall mean: any act of God including storms, floods, washouts, landslides, and lightning; wars, blockades, insurrection or riots; or exhaustion or unavailability of any product, labor, service or material. If **COMPANY** by *force majeure* is prevented from conducting drilling operations, reworking operations, or producing operations, then until such time as such *force majeure* is terminated and for a period of sixty (60) days after such termination each and every provision of this Lease that might operate to terminate it or the estate conveyed by it shall be suspended and inoperative and this Lease shall continue in full force. The benefits and rights of this *force majeure* clause shall be available only when the cause claimed is the proximate cause of a delay or failure to perform, and only so long as **COMPANY** is using its best efforts, exercised in good faith, to remedy or eliminate the *force majeure*. In no case will the existence of a condition of *force majeure* excuse the performance of any act or duty of **COMPANY** for a period of more than one (1) year. As a condition of **COMPANY**'s utilizing the rights granted under this *force majeure* clause, **COMPANY** shall, within fifteen (15) days of the occurrence of such *force majeure* event, provide **TAMUS** written notice of the claim, outlining the full particulars of the basis of the *force majeure* claim.

Notwithstanding the provisions of this *force majeure* clause, this provision shall not apply to or excuse any delay or failure to make shut-in royalty payments, nor shall it apply to or excuse any delay or discontinuation of operations resulting from exhaustion or unavailability of any product, labor, service or material for periods of time in excess of ninety (90) days.

## 31. BINDING EFFECT

The covenants, conditions, and agreements contained in this Lease extend to and are binding upon the heirs, executors, administrators, successors, or assigns of **COMPANY**.

**32. DESIGNATION OF AUTHORIZED REPRESENTATIVE OF TAMUS**

For purposes of this Lease, **TAMUS** appoints the Chancellor or his/her designee as its authorized representative to act for and on behalf of **TAMUS**.

**33. AUTHORITY OF AGENTS**

In all cases the authority of a manager or agent to act for **COMPANY** must be filed with the System Real Estate Office.

**34. ASSIGNMENTS**

**COMPANY** may assign its rights herein only upon the prior written approval of **TAMUS**; however, such an assignment shall not relieve **COMPANY** of any liabilities or obligations incurred prior to the assignment. **COMPANY** acknowledges the responsibility for obtaining approval of **TAMUS** and filing assignments with the System Real Estate Office in conformity with its rules is solely that of **COMPANY**.

**35. NOTICE**

Any notice required or permitted under this Lease must be in writing, and shall be deemed to be delivered (whether actually received or not) when deposited with the United States Postal Service, postage prepaid, certified mail, return receipt requested, and addressed to the intended recipient at the address set out below. Notice may also be given by regular mail, personal delivery, courier delivery, facsimile transmission, email or other commercially reasonable means and will be effective when actually received. **TAMUS** and **COMPANY** can change their respective notice address by sending to the other party a notice of the new address. Notices should be addressed as follows:

**COMPANY:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Tel: \_\_\_\_\_

Fax: \_\_\_\_\_

**TAMUS:**

The Texas A&M University System  
Office of General Counsel  
Attn: System Real Estate Office  
301 Tarrow Street, 6<sup>th</sup> Floor  
College Station, Texas 77840-7896  
Tel: 979-458-6350  
Fax: 979-458-6359

**36. AMENDMENTS**

Neither this Lease nor any of its terms or provisions may be altered, amended, extended or ratified by any division order or transfer order executed by TAMUS. Any division orders or transfer orders are solely for the purpose of confirming the extent of TAMUS' interest in production of oil and/or gas from the described premises, or any land or lands pooled therewith. Any amendment, alteration, extension or ratification of this Lease or of any term or provision of this Lease must be made by an instrument in writing clearly denominated as to its purpose and effect, describing the specific terms or provisions of this Lease affected and the proposed change or modification, and executed by the party against whom any such amendment, alteration, extension or ratification is sought to be enforced, and any purported amendment, alteration, extension or ratification not so drafted and executed is of no force or effect.

**37. CALENDAR DAYS**

Unless otherwise stated in this Lease, the use of the word "day" herein shall mean "calendar day."

**38. ADDITIONAL TERMS**

The Parties agree and acknowledge additional terms affecting operations under this Lease are attached as an addendum, and all of the terms and conditions of the addendum are made a part hereof and shall have the same force and effect as if incorporated fully in this Lease.

**EXECUTED** effective this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ ("Effective Date") by TAMUS.

**"TAMUS"  
BOARD OF REGENTS OF  
THE TEXAS A&M UNIVERSITY SYSTEM**

**DRAFT  
DO NOT SIGN**

By: \_\_\_\_\_  
**JOHN SHARP**  
Chancellor

**APPROVED AS TO FORM:**

**DRAFT  
DO NOT SIGN**

\_\_\_\_\_  
**GINA M. JOSEPH**  
Assistant General Counsel  
Office of General Counsel  
The Texas A&M University System



**ACKNOWLEDGEMENT**

**THE STATE OF TEXAS**           §  
  §  
**COUNTY OF BRAZOS**           §

BEFORE ME, the undersigned authority, a Notary Public in and for the State of Texas, on this day personally appeared **JOHN SHARP**, Chancellor of The Texas A&M University System, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed it as the act and deed of the Board of Regents of The Texas A&M University System, for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**DRAFT  
DO NOT SIGN**

\_\_\_\_\_  
Notary Public



**EXHIBIT "A"**

**[Legal Description of Leased Premises]**

DRAFT

**ADDENDUM TO OIL, GAS, AND SULPHUR LEASE**  
**\_\_\_\_\_ COUNTY TRACT**

**1. DRILLING OPERATIONS PLAN**

A drilling operations plan must be provided to the System Real Estate Office by **COMPANY** and will include, at a minimum, the following:

Provisions (a) to (e) apply only if **TAMUS** owns or controls the surface estate of the **LEASED PREMISES**.

- (a) Site plan of the proposed operation showing the location of the drilling pad and all equipment.
- (b) Map showing proposed transportation route and roads for equipment, chemicals, and waste products used or produced by the oil and/or gas operation.
- (c) Description of type, kind, size, and amount of major equipment used during drilling and reworking.
- (d) Location and description of all improvements and structures within one thousand (1000) feet of the well bore.
- (e) Description of surface equipment after drilling and completion.

Provisions (f) to (k) apply regardless of whether **TAMUS** owns or controls the surface estate of the **LEASED PREMISES**.

- (f) Well surface casing and cementing program.
- (g) Copies of required Texas Railroad Commission forms and drilling permit.
- (h) Name of representative with supervisory authority over all oil and/or gas operation site activities and a phone number where such representative can be reached twenty-four (24) hours per day.
- (i) Legal description of the property to be used for the oil and/or gas operation, the parcel, the production unit (plat description or metes and bounds bearings), and name of the geologic formation or formations, as designated by the Texas Railroad Commission, from which production is contemplated.
- (j) Evidence of insurance as required by Section 13 of the Lease.
- (k) A survey of the production unit at a scale of one-to-three hundred (1:300) or greater by a certified surveyor including:

- (1) lengths and bearings of all boundary lines for production;
- (2) exact acreage of production unit; and
- (3) exact location of the well within the production unit with distances to adjacent boundary lines of the production unit.

## 2. ON-SITE REQUIREMENTS

The provisions in this Section apply only to the extent **TAMUS** owns or controls the surface estate of the **LEASED PREMISES**.

The following on-site requirements are acknowledged and accepted by **COMPANY**:

(a) Oil and/or gas operations will be conducted in a careful and orderly manner and the **LEASED PREMISES** must, at all times, be maintained in a neat, clean, and orderly manner. All discarded surplus materials, supplies, and refuse must be removed from the site no later than every thirty (30) days.

(b) Electric or gas prime-movers or motors are permitted for the purpose of pumping wells.

(c) No persons will place, deposit, discharge, cause, or permit to be placed, deposited or discharged, any oil or hydrocarbon substances or any refuse, including any wastewater or brine from any oil and/or gas operation or the contents of any container used in connection with any oil and/or gas operation in or on the property of **TAMUS**.

(d) All production equipment on the site will be painted and maintained at all times, including pumping units, storage tanks, buildings and structures to the satisfaction of **TAMUS**. No gases can be vented into the atmosphere or burned by open flame, except as allowed by law or permitted by the Texas Railroad Commission.

(e) Drilling mud, cuttings, oil, or other liquid hydrocarbons and all other oil field waste derived, or resulting from, or connected with the drilling, reworking, or deepening of any well, must be discharged only into portable steel tanks. Unless otherwise directed by the Texas Railroad Commission, such waste materials will be removed from the site no later than every thirty (30) days.

(f) No drilling equipment, reworking equipment, or other portable equipment or idle equipment, not essential to day-to-day operation, can be stored on the drilling or production locations. Equipment and/or vehicles will not be stored or parked in a manner that constitutes a fire hazard or obstruction to, or interference with, fighting or controlling fires, except equipment necessary for maintenance of the site or for gathering or trans-pressuring of hydrocarbons from the location.