

**OIL, GAS AND MINERAL LEASE
TEXAS - VOLUNTARY POOLING / SHUT-IN GAS ROYALTY**

THIS AGREEMENT made and entered into this _____ day of _____,
20_____, by and between

_____, Lessor, and
_____, Lessee;

WITNESSETH:

1. Lessor, in consideration of the sum of _____ Dollars (\$_____), in hand paid, of the royalties herein provided for, 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, geological and geophysical surveys, core tests, gravity and magnetic surveys, injecting gas, water and other fluids and air into subsurface strata, laying pipelines, building roads, tanks, power stations, telephone lines and other structures thereon and over and across the lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport and own said products, and for the housing of its employees, the following described lands in _____ County, State of Texas, to-wit:

This Lease also covers and includes all lands owned or claimed by Lessor adjacent or contiguous to the lands 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 rental payments only as hereinafter provided for said land is estimated to comprise _____ acres whether it actually comprises more or less.

2. Subject to the other provisions herein contained this Lease shall be for a term of _____ years from this date (called "primary term") and as long thereafter as oil, gas or other minerals are produced from said land or lands with which the above described land is pooled hereunder.

3. The royalties to be paid to the Lessor are: (1) On oil, 1/8th of that produced and saved from said land, the same to be delivered at the wells or to the Lessor into the pipelines to which the wells may be connected. Lessee may from time to time purchase any royalty oil in its possession by paying the market price therefore prevailing for the field where produced on the date of purchase. (2) On gas, including casinghead gas or other gaseous substances, produced from said land and sold or used off the premises or for the extraction of gasoline or other products therefrom, 1/8th of the amount realized from said sale at the well, or which would be realized from such sale by the Lessee when computed at the well provided that on gas sold at the well the royalty shall be 1/8th of the amount realized from said sale. Where there is a gas well, or wells, capable of production on this Lease or acreage pooled therewith, whether it be before or after the primary term hereof, and such well or wells are shut-in, and there is no other production, drilling operations, or other operations being conducted capable of keeping this Lease in force under any of its provisions, Lessee shall pay as royalty to Lessor (and if it be within the primary term hereof such payment shall be in lieu of delay rentals) the sum of \$1.00 per year per net royalty acre, such payment to be made to the depository bank hereinafter named or to the Lessor, on or before the anniversary date of this Lease next ensuing after the expiration of 90 days from the date such well or wells are shut-in, and thereafter on the anniversary date of this Lease during the period such wells are shut-in, and upon such payment, it shall be considered that this Lease is maintained in full force and effect. A "gas well" as used in this paragraph shall be construed as a well capable of producing gas and condensate, gas and distillate, or any other gaseous substances in commercial quantities. (3) On all other minerals mined and marketed, 1/10th either 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 (\$.50) per long ton. Lessee shall have free use of oil, gas, coal and water from said lands, 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 other lands 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 to properly explore or to develop and operate said leased premises in compliance with the spacing rules of the Railroad Commission of the State of Texas or other lawful authority, or when to do so would in the judgment of Lessee promote the conservation 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 640 acres in area plus a tolerance of 10% each for such units, provided that should governmental authority having jurisdiction, prescribe or permit the creation of larger units 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 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 for 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 strata need not conform in size or area with the unit or units into which the Lease is pooled or combined as to any other 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 County in which the Lease premises are situated an instrument identifying and describing the pooled acreage, and upon such instrument being recorded the unit shall be effective as to all parties hereto, their heirs, successors or assigns, irrespective of whether or not the unit is likewise effective as to all other owners of surface, mineral, royalty or other rights in the lands 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 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 has theretofore been commenced. In the event of operations for drilling on or production of oil and gas from any part of a pooled unit which includes all or a portion of the lands covered by this Lease, regardless of whether such operations for drilling were commenced on, or such production was secured, before or after execution of this instrument, or of the instrument designating the pooled unit, such operations shall be considered as operations for, drilling on, or production of, oil and gas from the lands 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 lands covered by 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 out of production and each of them shall be entitled to on production of oil or gas, or either of them from the pooled unit, there shall be allocated to the lands covered by this Lease and included in such unit (or to each separate tract within the unit if this Lease covers separate tracts within 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 and 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 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 or gas or either of them, so allocated to the lands covered by this Lease and included in the unit the same as if such production were from such land. The production from an oil well will be considered as production from the Lease or the oil unit from which it is producing and not as production from a gas unit, and production from a gas well will be considered as production from the Lease or gas unit from which it is producing and not from an oil unit. The formation of any unit hereunder shall not have the effect of changing the ownership of any delay rental or shut-in 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 for. As used herein the words "separate tracts" shall mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that of 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 for, on or before one year from the anniversary date of this Lease, the Lease shall terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to Lessor, or to the credit of the Lessor in the _____ Bank at

_____, which bank and its successors shall be Lessor's agents and shall continue as the depository for all rentals payable hereunder regardless of changes in ownership of said land or rentals, the sum of _____ Dollars (\$ _____),

hereinafter called rentals, which shall cover the privilege of deferring commencement of drilling operations for a period of twelve (12) months. In like manner, and upon like payment or tenders annually the commencement of drilling operations may be further deferred for successive periods of twelve (12) months each during the primary term hereof. The payment or tender of rental under this paragraph and of shut-in royalty on gas wells as above provided for shall be by check or draft of Lessee mailed or delivered to Lessor, or to said bank on or before the date of the payment. If such bank, or any successor bank, shall fail, liquidate or be succeeded by another bank, or for any other reason fail, or refuse to accept rental, Lessee shall not be held in default for failure to make such payment or tender until 30 days after Lessor shall deliver to Lessee a **consideration** proper recordable instrument naming another bank as agent to receive such payments or tenders. The cash payment for this Lease is for this Lease according to its terms and shall not be allocated as mere rental for a period. Lessee may at any time or times execute and deliver to Lessor, 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 as to any mineral or horizon under all or any part thereof, and thereby be relieved of all obligations as to the land or interest released. If this Lease is released as to all minerals and horizons 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.

6. If prior to the discovery of oil, gas or other minerals on said land, or on acreage pooled therewith, Lessee should drill a dry hole or holes thereon, or if after the discovery and production of oil, gas or other minerals, the production therefrom should cease from any cause, this Lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days thereafter, or if it be within the primary term, commences or resumes the payment or tender of rentals, or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of 60 days from the date of completion of dry holes, or cessation of production. If at any time subsequent to 60 days prior to the beginning of the last year of the primary term, and prior to the discovery of oil, gas or other minerals on said land, or on acreage pooled therewith, Lessee should drill a dry hole thereon, no rental payments or operations are necessary in order to keep the Lease in force during the remainder of the primary term. If at the expiration date of the primary term, oil, gas, or other minerals are not being produced on said land, or on acreage pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term the Lease shall continue in force so long as such operations on said wells or the drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in production of oil, gas or other minerals, so long thereafter as oil, gas or other minerals are produced from said lands or acreage pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof may be dissolved by Lessee by an instrument filed for record in the County in which the leased premises are situated at any time after the completion of a dry hole or cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent lands, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same similar circumstances.

7. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if Lessee shall commence operations for drilling at any time while this Lease is in force, this Lease shall remain in force and its terms shall continue so long as such operations are prosecuted; and, if production results therefrom, then so long as production continues under the terms of this Lease.

8. 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 lands, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipelines below ordinary plow depth, and no well shall be drilled within 200 feet of any residence or barn now on said land without Lessor's consent.

9. The rights of either party hereunder may be assigned 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 lands, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of the Lessee; and no change or division in, such ownership shall be binding on Lessee until 30 days after Lessee shall have been furnished by registered U. S. Mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of an Assignment hereof in whole or in part, liability for breach of any obligation hereunder shall rest exclusively upon the owner of this Lease, or of a portion thereof, who commits such breach. In the event of the death of any person entitled to rentals hereunder Lessee may pay or tender such rentals to the credit of the deceased, or the estate of the deceased, until such time as Lessee is furnished with proper evidence as to the heirs or devisees of the deceased, and that all debts of the estate have been paid. If at any time two or more persons be entitled to participate in the rental payable hereunder, Lessee may pay or tender said rental jointly to such persons or to their joint credit in the depository named herein; or, at Lessee's election, the proportionate part of said rentals to which each participant is entitled may be paid or tendered to him separately, or to his separate credit in said depository; and payment or tender to any participant of his portion of the rentals payable hereunder shall maintain this Lease as to such participant. In the event of assignment of this Lease as to a segregated portion of said land, the rental payable hereunder shall be apportionable as between the several leasehold owners ratably according to the surface acreage of each, and default in rental payment by one shall not affect the rights of the other leasehold owners hereunder. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument, executed by all such parties designating an agent to receive payment for all.

10. 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 the 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 and constituting a breach hereof, and Lessee if in default, shall have 60 days after receiving such notice in which to commence compliance with the obligations imposed by virtue of this instrument. After the discovery of oil, gas or other minerals in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator, but in discharging this obligation shall in no event be required to drill more than one well per 40 acres of the area retained hereunder and capable of producing oil in paying quantities, and one well per 640 acres plus an acreage tolerance of 10% of 640 acres of the area retained hereunder capable of producing gas or other minerals in paying quantities.

11. 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, the event Lessee does so, it shall be subrogated to such lien with right to enforce same and apply rentals and royalties accruing hereunder towards satisfying same. Without impairment of Lessee's rights under the warranty in event of failure of title, it is agreed that if this Lease covers a lesser interest in the oil, gas, or other minerals in all or any part of said land, than the entire and undivided fee simple estate therein, or no interest therein, then the royalties, delay rentals, and other monies accruing from any part as to which this Lease covers less than such full interest shall be paid only in the proportion which the interest herein, if any, covered by this Lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this Lease, whether or not owned by Lessor, I shall be paid out of the royalty herein provided. Should any one or more of the parties named above as Lessors fail to execute this Lease, it shall nevertheless be binding upon the party or parties executing same. Failure of Lessee to reduce rental paid hereunder shall not impair the right of the Lessee to reduce royalty.

12. 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, gas or other minerals therefrom by reason of scarcity of, or inability to obtain, or

to use equipment or material, or by operation of force majeure, or because of 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, and Lessee shall not be liable in damages for failure to comply therewith; and this Lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil, gas or other minerals from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this Lease to the contrary notwithstanding.

IN WITNESS WHEREOF this instrument is executed on the date first above set out.

SS

(Acknowledgment)

STATE OF TEXAS
COUNTY OF

This instrument was acknowledged before me on the _____ day of _____ 20____
by _____

My commission expires:

Notary Public, State of Texas
Notary's printed name:

(Joint Acknowledgment)

STATE OF TEXAS
COUNTY OF

This instrument was acknowledged before me on the _____ day of _____ 20____
by _____
and wife _____

known to me to be the persons whose name are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed. And the said

wife of _____ having been
examined by me privily and apart from her husband, and having the same fully explained to her, she, the said
_____.

acknowledged such instrument to be her act and deed and declared that she had willingly signed the same for the purposes and consideration therein expressed and that she did not wish to retract it.

My commission expires:

Notary Public, State of Texas
Notary's printed name:

(Corporate Acknowledgment)

STATE OF TEXAS
COUNTY OF

This instrument was acknowledged before me on the _____ day of _____,
20 _____, by _____,

of _____,

a _____ corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

My commission expires:

Notary's Public, State of Texas
Notary's printed name.