

September 25, 1964

Commissioners' Court met in Special Session with all members present.

Bids were opened for Oil and Gas lease on all of the minerals owned by Upshur County in the Aniseta Lumbrers Survey A-3 and being the same tract advertised for sale in the Gilmer Mirror to be made this date.

The following bids were made:

Fairway Oil & Gas Company, Inc. \$101.00 per mineral acre and 1/8 of 7/8 the overriding royalty.

D. R. Snider \$150.00 per mineral acre.

Ernest Starkey, Jr \$765.00 cash and overriding royalty interest of 1/32nd of 7/8th .

American Petrofina Company of Texas \$81.50 per acre.

Motion made by Jim Shopkey and seconded by Bryant Holmes to accept the bid of Fairway Oil & Gas Company, Inc.  
Motion carried.

*L. H. M. Kelly*  
*Bryant Holmes*  
*Jim Shopkey*  
*M. L. Langford*  
*A. D. Hackler*

Ernest Starkey, Jr.

*Oil Properties*

Post Office Box 358

JACKSONVILLE, TEXAS

September 24th  
1964

Commissioners Court of Upshur County,  
Gilmer  
Texas

Gentlemen:

In connection with your advertised request for bids to lease 23.432 acres of land owned by the County of Upshur, I submit the following firm offer:

I will pay a total bonus of \$765.00 cash and an over-riding royalty interest of  $\frac{1}{32}$ nd of  $\frac{7}{8}$ ths for regular commercial oil, gas & mineral lease for a 10 year primary term.

Attached hereto is plat showing the location of the tract according to my understanding along with a copy of the field notes thereon.

If I am honored with acceptance by you of this proposition, please notify me when you wish the lease prepared and when and where you would like to close the deal.

Very truly yours,

  
ERNEST STARKEY, JR.

ESjr

81 acres of land located and situated in Upshur County, Texas, said land being fully described by metes and bounds as follows:

BEING situated in Upshur County, Texas, amounting to approximately eighty-one (81) acres and a part of the A. Lumbrera Survey, Abstract No. 3, and being the remaining part of the land formerly used by the Dickson Colored Orphanage and now known and being used as the A & M Experimental Sweet Potatoe Farm, described by metes and bounds as follows:

BEGINNING at a stake, in the WBL of right-of-way of U. S. Highway 271, said stake being 2.5 vrs East of the SEC Tract No. 2 in the original sub-division of the above-mentioned Orphan Home Property, a Sweet gum brs N 60 E 0.5 vrs;

THENCE with the WBL of U. S. Highway 271, around a curve to the left, S 10 deg 20 min N 36, and S 18 deg 20 min E 21 vrs to a concrete right-of-way monument;

THENCE S 16 deg E 777 vrs along the WBL of said Highway to a corner in a branch, said corner being also in the SBL of the above mentioned 100 acre tract, and the NBL of a 100 acre tract in the Lumbrera Grant now owned by Joe Pickett;

THENCE West 540 vrs with the NBL of said Pickett land to a stake at the NWC of same, said stake lying in the EBL of a 60.69 acre tract in said Grant now owned by Bob Wright;

THENCE North 108 vrs with the EBL of said Wright Tract to the NEC of same, a stake for corner from which a sweet gum brs N 70 deg E 4.2 vrs;

THENCE West 152 vrs with the NBL of said Wright Tract to the SWC of the above mentioned 18.5 acre tract, and the SEC of a 37 acre tract in the name of Sam Ford;

THENCE North 338 vrs with the NBL of said Ford tract to a stake at the NEC of same;

THENCE West 5.8 vrs with the NBL of said Ford tract to a stake at the SEC of Tract No. 1, in the sub-division of the above mentioned Orphan Home property;

THENCE N 1 deg E 350 vrs to a stake at the SWC of Tract No. 2, of said Orphan Home sub-division;

THENCE N 89 deg 15 min E 465.3 vrs to the place of beginning, and containing 79.05 acres of land.

SAVE & EXCEPT the following:

55.618 acres of land, more or less, out of the A. Lumbrera Survey in Upshur County, Texas, which 55.618 acres is the Southern portion of an 81 acre tract of land formerly known as the A & M Experimental Sweet Potato Farm and being more fully described by metes and bounds as follows:

BEGINNING at an iron stake marking the most Southerly Southwest corner of the above described 81 acre tract of land;

THENCE North 300 feet;

THENCE West 422.2 feet;

THENCE North 938.9 feet;

THENCE West 16.1 feet;

THENCE North 1 deg. 00' East 297.2 feet;

THENCE North 89 deg. 15' East 1499.0 feet to a point in the West right of way line of U. S. Highway 271;

THENCE following said West right of way line,

South 10 deg. 30' East 646.7 feet

South 12 deg. 54' East 500.1 feet

South 14 deg. 02' East 445.7 feet to the Southeast corner, of the remainder of the above described 81 acre of land;

THENCE West 1403.6 feet to the place of beginning and containing 55.618 acres of land, more or less.

AND LEAVING 23.432 acres

25 September 1964

Commissioners Court  
Upshur County  
Gilmer, Texas

Gentlemen:

Please accept this as my bid for an oil and gas lease on all of the minerals owned by Upshur County in the Aniseta Lumbrera Survey, A-3, and being the same tract advertised for sale in the Gilmer Mirror to be made this date.

I hereby offer \$150.00 per mineral acre, cash, for such minerals as the County owns in the above mentioned survey, and being the same identical land advertised for sale of an oil and gas lease by the County in the Gilmer Mirror.

The lease would provide for the usual and customary 1/8th royalty in favor of the County, and be for a primary term of five (5) years.

This offer is made subject only to approval of title by my attorney.

Very truly yours,

  
D. R. Snider

DRS:bf



## AMERICAN PETROFINA COMPANY OF TEXAS

POST OFFICE BOX 2159 • DALLAS 21 TEXAS

September 24, 1964

County of Upshur  
Gilmer, Texas

Gentlemen:

American Petrofina Company of Texas respectfully bids \$1.50 per net mineral acre for an oil, gas and mineral lease covering a certain tract of land formerly known as Texas Experiment Station, located one mile South of Gilmer in the Aniseta Lumbrera Survey A-3.

A sample of the oil, gas and mineral lease form is attached hereto. The term of this lease is to be for a period of five years.

Enclosed is a draft drawn in the amount of \$100.00 which is to be returned to us in the event the bid is rejected.

Yours very truly,

*B. B. Cardwell*

B. B. Cardwell  
Landman  
American Petrofina Company  
of Texas

Enclosure

**PARKER & HURD***Petroleum Exploration Service***CHARLIE HURD**  
*Manager**Geologist* • *Landman*  
PHONE 723-1232 • PANHANDLE BLDG

WICHITA FALLS, TEXAS

September 18, 1964

Upshur County Commissioners Court  
Upshur County Courthouse  
Gilmer, Texas

Gentlemen:

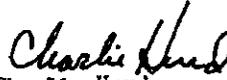
I would like to submit a bid of \$500.00 for a three year term oil and gas lease with \$1.00 per annual delay rentals on the following described lands in Baylor County, Texas, to-wit:

Subdivisions No. 1 - 2 - 22 - 43 of the Crittenden  
Subdivision of the Upshur County School Land Survey.

If my bid is accepted you may, if desired, to use the enclosed lease prepared for that purpose. A draft is attached to the lease that may be sent to my bank for collection. Anything additional, such as resolution or copy of minutes, if I should need such would be appreciated.

Thank you.

Very truly yours,

  
Charlie Hurd

Producers 88 Rev (8-55)  
With 640 Acres Pooling Provision

# OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 25th day of September 1964, between Upshur County, Texas, a political Subdivision, acting by and thru the Commissioners Court of the County of Upshur in the State of Texas,

Lessor (whether one or more) whose address is  
and Charlie Hurd

Lessee WITNESSETH

I Lessor in consideration of Ten and No/100-- Dollars

(10.00), in hand paid, of the royalties herein provided and of the agreement 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, 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 same take care of their transport and own said products, and housing its employees the following described land in Baylor County Texas, to-wit:

All of the Crittenden Subdivisions No. one (1) and two (2) each containing 33.38 acres, more or less and all of the Crittenden Subdivisions No Twenty-two (22) and Forty-three (43) each containing 40 acres, more or less, out of the Upshur County School Land Survey, Abstract No. 557

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 146.76 acres, whether it actually comprises more or less

2 Subject to the other provisions herein contained this lease shall be for a term of three (3) years from this date (called "primary term") and as long thereafter as oil, gas, or other mineral is produced from said land or land with which said land is pooled hereunder

3 The royalties to be paid by Lessee are (a) on oil, one-eighth of that produced and saved from said land the same to be delivered at the wells or to the credit of Lessor into the pipe line in which the wells may be connected, Lessee may from time to time purchase any royalty oil in its possession paying the market price therefor prevailing for the field where produced on the date of purchase, (b) on gas, including casing head gas or other gaseous substance produced from said land and sold or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of one-eighth of the gas so sold or used provided that on gas sold at the wells the royalty shall be one-eighth of the amount realized from such sale 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 said well is shut in and thereafter at monthly intervals a sum equal to one-twelfth (1/12) of 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 at 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-tenth either in kind or value, 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 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 either 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 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 in area 640 acres each plus a tolerance of 10% thereof provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified units hereafter created may conform substantially in size with those prescribed by governmental regulations Lessee under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as here 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 into 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 Lessee may at its election exercise its pooling option 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 have theretofore been commenced Operations for drilling on or production of oil or gas from any part of the 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 the instrument or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease whether or not the well or wells be located on the premises 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 are 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 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 in the acreage covered by this lease and included in the pooled 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 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, 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 from 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

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 then terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to Lessor or to the credit of Lessor in Galmer Bank at Galmer 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 rental) the sum of One Hundred Forty Six and 76/100-- Dollars

(146.76) (herein 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 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 the check or draft of Lessee mailed or delivered to the parties entitled thereto or to said bank on or before the date of payment If such bank (or any successor bank) should fail, liquidate or be succeeded by another bank, or for any reason fail or refuse to accept final, Lessee shall not be held in default for failure to make such payment or tender of 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 The date of each payment is consideration for this lease according to its terms and shall not be allocated as a 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 covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered, and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases

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 therein 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 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 sixty days from date of completion of dry hole or cessation of production If at any time subsequent to sixty (60) days prior to the beginning of the last year of the primary term and prior to the discovery of oil, gas or other mineral on said land, or on acreage pooled therewith, Lessee should drill a dry hole thereon, no rental payment or operations are necessary in order to keep the lease in force during the remainder of the primary term If at the expiration of the primary term, oil, gas or other mineral is 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 sixty

D29163

(60) days prior to the end of the primary term, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than sixty (60) consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from said land or acreage pooled therewith.

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 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 land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (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.

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, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument.

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 seizure 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, 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 or gas 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 written.

~~XXXXXX~~

Upshur County, Texas, a political subdivision, acting by and thru the Commissioners Court of the County of Upshur in the State of Texas

Commissioner Precinct #1  
*[Signature]*  
Commissioner Precinct #2  
THE STATE OF TEXAS  
County of Upshur

*[Signature]* XXXX  
Commissioner Precinct # 3  
XXXX  
Commissioner Precinct # 4  
*[Signature]* XXXX

Before me, the undersigned authority, on this day personally appeared

known to me to be the identical person, 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 in the capacity stated therein.

Given under my hand and seal of office this the      day of September 1964

Notary Public in and for Upshur County, Texas

THE STATE OF TEXAS  
County of     

Before me, the undersigned authority, on this day personally appeared

and wife, known to me to be the persons whose names 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

Given under my hand and seal of office this the      day of      A. D. 19     

Notary Public in and for      County, Texas

September 25, 1964

Commissioners Court,  
Upshur County  
Gilmer, Texas

Gentlemen:

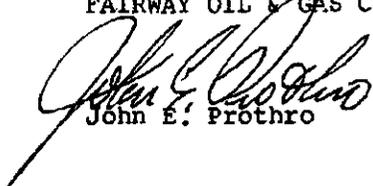
Please accept this as our bid for an oil and gas lease on all of the minerals owned by Upshur County in the Aniseta Lumbrera Survey, A-3, and being the same tract advertised for sale in the Gilmer Mirror to be made this date.

We hereby offer \$101.00 per mineral acre, cash, and an overriding royalty of 1/8th of 7/8ths of all the oil, gas and other minerals which may be produced or mined from said tract. This overriding royalty is in addition to the usual and customary 1/8th royalty which you are to retain as set forth in the attached form of oil and gas lease which we propose that you execute in our favor for a primary term of 5 years.

This offer is made subject only to approval of title by our attorneys. In this connection, we are willing to have the Commissioners execute an oil and gas lease in our favor and to attach a cashier's check payable to the County in the full amount of what we all believe to be the full cash consideration and to deposit same with an escrow agent of your choice for the interim period required for title examination. Upon approval of title the lease would be delivered to us and the cashier's check to you.

Very truly yours,

FAIRWAY OIL & GAS COMPANY, INC.



John E. Prothro

JEP/rw

Enclosure

## OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 30th day of September, 1964, between Upshur County, a political subdivision of the State of Texas, acting by and through its duly elected County Judge, L. G. McKinley, and its duly elected Commissioners, Jim Shockey, Bryant Holmes, Milton Langford and Arlan, Hackler,

Lessor (whether one or more) whose address is Gilmer, Texas,  
and Fairway Oil & Gas Company, Inc. Lessee, WITNESSETH:

1 Lessor in consideration of TEN AND NO/100 Dollars (\$ 10.00 ) in hand paid, of the royalties herein provided and of the agreement 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 laying pipe lines building roads tanks power stations, telephone lines and other structures thereon to produce same take care of treat, transport and own said products and housing its employees, the following described land in Upshur County Texas, to-wit: All that certain 21.60 acre tract of land lying and being situated in the A. Lumbrera Survey, Upshur County, Texas, more particularly described as follows: BEGINNING at a stake located in the West right-of-way line of U. S. Highway #271 at its intersection with the SBL of a tract of land located in same Survey heretofore deeded to the Gilmer Industrial Foundation, Inc., said stake for point of beginning being situated 93 feet from the center line of said U. S. Highway #271; THENCE S 13° 48' E along said right-of-way line 146 feet to a stake; THENCE S 18° 04' E 256 feet to a stake; THENCE S 15° 40' E 298 feet to a stake for corner; THENCE S 89° 15' W 1499 feet to a stake for corner; THENCE N 1° 00' E 675 feet to a stake for corner; THENCE N 89° 15' E 1292 feet to the place of beginning, containing 21.60 acres of land, more or less.

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 21.60 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 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, one-eighth of that produced and saved from said land the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected. Lessee may from time to time purchase any royalty oil in its possession paying the market price therefor prevailing for the field where produced on the date of purchase (b) 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 product therefrom at the well or other point of one-eighth of the gas so sold or used, provided that on gas sold at the wells the royalty shall be one-eighth of the amount realized from such sale 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 no royalty at monthly intervals a sum equal to one-twelfth (1/12) of 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 at the time such payment is made, and if such payment is made or tendered 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-tenth 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 (\$5c) 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 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 develop and operate said leased premises in compliance with the spacing rules of the Railroad Commission of Texas or other lawful authority or when to do so would in the judgment of Lessee promote the conservation of oil and gas 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 10% thereof provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed 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 into 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. Lessee may at its election exercise its pooling option 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 lease 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. Operations for drilling on or production of oil or gas from any part of the pooled unit composed in whole or in part 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, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease whether or not the well or wells be located on the premises 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 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 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 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 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 from 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.

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 then terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to Lessor or to the credit of Lessor in

First National Bank at Gilmer 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

TWENTY-ONE & 60/100 Dollars (\$ 21.60 ), (herein 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 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 the check or draft of Lessee mailed or delivered to Lessor or to said bank on or before the date of payment. If such bank (or any successor 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 of 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. The down cash payment is consideration for this lease according to its terms and shall not be allocated as a 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 covering any portion or portions of the above described premises and thereby surrender this lease to such portion or portions and be relieved of all obligations as to the acreage surrendered and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

6 If prior to discovery 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 of oil, gas or other mineral the production therefrom should cease from any cause this lease shall not terminate if Lessee commences additional drilling or reworking operations within sixty (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 or the expiration of sixty days from date of completion of dry hole or cessation of production. If at any time subsequent to sixty (60) days prior to the beginning of the last year of the primary term and prior to the discovery of oil, gas or other mineral on said land or on acreage pooled therewith Lessee should drill a dry hole thereon no rental payment or operations are necessary in order to keep the lease in force during the remainder of the primary term. If at the expiration of the primary term oil or gas or other mineral is 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 sixty (60) days prior to the end of the primary term, the lease shall remain in force so long as operations are prosecuted with no cessation of more than sixty (60) consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from said land or acreage pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within three hundred thirty (330) feet of and draining the leased premises, or acreage pooled therewith, Lessee agrees to drill such other wells as a reasonably prudent operator would drill under the same or similar circumstances.

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 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 land, rentals or royalties however accomplished shall operate to enlarge this obligation or diminish the rights of Lessee and no change or division in such ownership shall be binding on Lessee until thirty (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 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 of the appointment and qualifications of an executor or administrator of the estate, or if there be none then until Lessee is furnished with evidence satisfactory to it 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 rent jointly to such persons or to their joint credit in the depository named herein or at Lessee's election the proportionate part of said rental 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 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 rentals payable hereunder shall be apportionable as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. If six or more parties be 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.

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, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil, gas or other mineral in paying quantities on said premises Lessee shall reasonably develop the acreage retained hereunder but in discharging this obligation it shall in no event be required to drill more than one well per forty (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 not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas or other mineral in paying quantities.

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. Without impairment of Lessee's rights under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil, gas or other minerals on in or under said land less than the entire fee simple estate then the royalties and rentals to be paid Lessor shall be reduced proportionately. Failure of Lessee to reduce such rental paid hereunder shall not impair the right of Lessee to reduce royalties.

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, 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 or gas 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.

Lessor hereby excepts and reserves unto itself, an overriding royalty interest of one-eighth of seven-eighths (1/8 of 7/8) of all the oil, gas, casinghead gas, casinghead gasoline, distillate, condensate, hydrocarbon and other minerals which may be produced, saved and marketed under the terms of said lease from the above described premises, as, if, and when same are produced, saved and marketed, said override shall be free and clear of all costs of development and operation, but shall bear its pro rata part of all ad valorem, sales, production, severance and other taxes.

In the event this lease does not cover the full fee simple title to all minerals in all of said land, said overriding royalty shall be proportionately reduced.

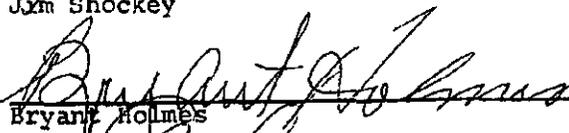
The holder of said lease shall have the right to purchase all production attributable to said override, paying therefor the market price at the well as of date of production, accounting monthly therefor. The holder of said lease shall have the right to sell at the well the gas, including its condensate and other content, and in event of such sale, said override shall be calculated on its pro rata part of the net proceeds arising from such sale. Said override shall bear its pro rata part of all fuel consumed in lease operations.

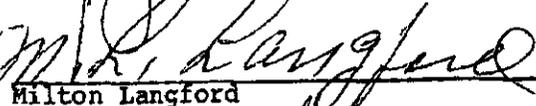
The holder of said lease shall have the right, without consent of the holder of said override, to pool or unitize said lease and the override with other land, leases or interests in land so as to form drilling or production units as of such size and as to such minerals as the owner of said lease may deem advisable from time to time, either before or after production is obtained. In event of any such pooling or unitizing, the fractional interest out of which said override is payable shall be proportionately reduced.

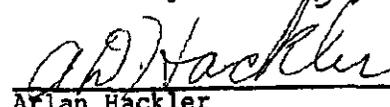
IN WITNESS WHEREOF, this instrument is executed on the date first above written.

  
L. G. McKinley

  
Jim Shockey

  
Bryant Holmes

  
Milton Langford

  
Aflan Hackler

THE STATE OF TEXAS

County of UPSHUR

Before me, the undersigned authority, on this day personally appeared

L. G. McKinley

known to me to be the identical person... whose name... are/s subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_\_\_ day of \_\_\_\_\_

[Signature]  
Notary Public in and for Upshur County, Texas

THE STATE OF TEXAS

County of \_\_\_\_\_

Before me, the undersigned authority, on this day personally appeared \_\_\_\_\_

and wife \_\_\_\_\_ known to me to be the persons whose names 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

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS

COUNTY OF UPSHUR

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared  
Arlan Hackler

known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 6 day of Oct A. D. 1964.

(L S)

[Signature]  
Notary Public in and for Upshur County, Texas

842--The Odco Company, Publishers--Dallas

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS

COUNTY OF UPSHUR

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared  
Milton Langford

known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 6 day of Oct A. D. 1964.

(L S)

[Signature]  
Notary Public in and for Upshur County, Texas

842--The Odco Company, Publishers--Dallas

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS

COUNTY OF UPSHUR

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared  
Bryant Holmes

known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 2 day of Oct A. D. 1964.

(L.S.)

[Signature]  
Notary Public in and for Upshur County, Texas

842--The Odco Company, Publishers--Dallas

SINGLE ACKNOWLEDGMENT

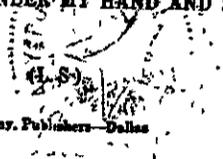
THE STATE OF TEXAS  
COUNTY OF UPSHER

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared

Jim Shockey

known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_\_\_ day of \_\_\_\_\_ A. D. 1964.



*Waldemar Zucker*

Notary Public in and for Upshur County, Texas.

162-The Ode Company, Publishers-Dallas



**UPSHUR COUNTY COMMISSIONERS COURT**

GILMER, TEXAS

July 15, 1964

TO THE HONORABLE COMMISSIONER'S COURT  
UPSHUR COUNTY, TEXAS

I, Robert Anderson, Constable of Prct. # 4 Upshur County, Texas do hereby respectfully submit my resignation effective midnight July 15, 1964.

Robert Anderson  
Constable Prct. # 4

September 14, 1964

Commissioners Court met in regular session with all members present. Motion made by Bryant Holmes and seconded by M. L. Langford to pay the deputies of the Tax Office for working overtime for a period of thirty days and if needed longer, time extended at that time. Motion carried.

UPSHUR COUNTY CLERK  
U. M. ROAD  
1204 256 JF WALL ST  
GILMER