

OIL, GAS, AND MINERAL LEASE

AGREEMENT, made and entered into the 15th day of May, 1957, by and between C. I. Withers of Jefferson County, Texas, Fred W. Moore, Sam G. Croom, and A. O. Newman of Harris County, Texas, Mrs. Mary Skipper, a widow, individually and as independent executrix of the Estate of B. A. Skipper, Sr., deceased, and B. A. Skipper, Jr., individually and as independent Executor of the Estate of B. A. Skipper, Sr., deceased, of Gregg County, Texas, W. C. McClain of Montgomery County, Texas, hereinafter called lessor (whether one or more) and Shell Oil Company, hereinafter called lessee:

WITNESSETH: 1. Lessor, in consideration of Ten Dollars (\$10), receipt of which is hereby acknowledged, and of the covenants and agreements of lessee hereinafter contained, does hereby grant, lease and let unto lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil, gas, sulphur and all other minerals (whether or not similar to those mentioned), together with the right to make surveys on said land, lay pipe lines, establish and utilize facilities for surface or subsurface disposal of salt water, construct roads and bridges, dig canals, build tanks, power stations, telephone lines, employee houses and other structures on said land, necessary or useful in lessee's operations in exploring, drilling for, producing, treating, storing and transporting minerals produced from the land covered hereby or any other land adjacent thereto. The land covered hereby, herein called "said land", is located in the County of Polk, State of Texas, and is described as follows:

67482

Being twenty (20) acres of land, more or less, situated in the Schwab Ace Field, sometimes known as the South Schwab Oil Field, and sometimes known as the Schwab-Wilcox Oil Field, Polk County, Texas, and more particularly described as follows:

COMMENCING at a point marking the center of that certain oil well commonly known as the Shell Kirby West Lumber Co. No. 2 Well;

THENCE South 89 deg. 59' West a distance of 193.4 feet to the BEGINNING POINT on the west line of the herein described tract;

THENCE South 00 deg. 01' East a distance of 313.6 feet to the southwest corner of the herein described tract;

THENCE North 89 deg. 59' East a distance of 650.0 feet to the southeast corner of the herein described tract;

THENCE North 00 deg. 01' West parallel with the west line a distance of 1340.30 feet to the northeast corner of the herein described tract;

THENCE South 89 deg. 59' West parallel with the south line a distance of 650.0 feet to the northwest corner of the herein described tract;

THENCE South 00 deg. 01' East parallel with the east line of the herein described tract a distance of 1026.7 feet to the PLACE OF BEGINNING and containing 20 acres of land, more or less.

Lessor agrees to execute any supplemental instrument requested by lessee for a more complete or accurate description of said land. For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain 20 acres, whether actually containing more or less, and the above recital of acreage in any tract shall be deemed to be the true acreage thereof. Lessor accepts the bonus as lump sum consideration for this lease and all rights and options hereunder.

2. Unless sooner terminated or longer kept in force under other provisions hereof, this lease shall remain in force for a term from the date hereof until the 1st day of June, 1967, herein-after called "primary term", and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation

for more than ninety (90) consecutive days.

3. Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil, gas, sulphur, or other minerals, excavating a mine, production of oil, gas, sulphur or other mineral, whether or not in paying quantities, and whether same be in connection with a well heretofore or hereafter drilled.

4. As royalty, lessee covenants and agrees:

(a) To deliver to the credit of lessor, in the pipe line to which lessee may connect its wells, the equal one-sixth part of all oil produced and saved by lessee from said land, or from time to time, at the option of lessee, to pay lessor the average posted market price of such one-sixth part of such oil at the wells as of the day it is run to the pipe line or storage tanks, lessor's interest, in either case, to bear one-sixth of the cost of treating oil to render it marketable pipe line oil.

(b) To pay lessor on gas and casinghead gas produced from said land (1) when sold by lessee, one-sixth of the amount realized by lessee, computed at the mouth of the well, or (2) when used by lessee off said land or in the manufacture of gasoline or other products, then lessor shall be paid either (i) the market value at the well of one-sixth of such gas or casinghead gas or (ii) at lessor's option if such gas or casinghead gas is used in the manufacture of gasoline or other products in a plant located within five miles of said land, one-sixth (1/6) of whatever net moneys, property, or other things of value lessee shall receive from the manufacture of gasoline or other products out of said gas at said plant after deduction of all transportation and

manufacturing costs, if any, including reasonable depreciation of the plant facilities.

(c) To pay lessor one dollar (\$1.00) per long ton (2240 pounds) on all sulphur mined and marketed or utilized by lessee from said land.

(d) To pay lessor on all other minerals mined and marketed or utilized by lessee from said land, one-tenth either in kind or value at the well or mine at lessee's election.

(e) If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land, or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut in, and thereafter this lease may be continued in force as if no shut in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to lessee. If, at any time in this paragraph above specified, all such wells are shut in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, lessee shall pay or tender, by check or draft of lessee, as royalty, a sum equal to one dollar (\$1.00) for each acre of land then covered hereby. Lessee shall make like payments or tenders at or before the

end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing. Nothing herein shall impair lessee's right to release as provided in paragraph 10 hereof. In event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as to acreage owned by each.

5. Lessee shall have the use, free from royalty, of water, other than from lessor's water wells, and of oil and gas produced from said land in all operations hereunder. Lessee shall have the right at any time to remove all machinery and fixtures placed on said land, including the right to draw and remove casing. No well shall be drilled nearer than 200 feet to the house or barn now on said land without the consent of the lessor. Lessee shall pay for damages caused by its operations to growing crops and timber on said land.

6. The rights and estate of any party hereto may be assigned in whole or in part and as to any mineral. All of the covenants, obligations, and considerations of this lease shall extend to and be binding upon the parties hereto, their heirs, successors, assigns, and successive assigns. No change or division in the ownership of said land, royalties, or other moneys, or any part thereof, howsoever effected, shall increase the obligations or diminish the rights of lessee, including, but not limited to, the location and drilling of wells and the measurement of production. Notwithstanding any other actual or constructive knowledge or notice thereof of or to lessee, its successors or assigns, no change or

division in the ownership of said land or of the royalties, or other moneys, or the right to receive the same, howsoever effected, shall be binding upon the then record owner of this lease until thirty (30) days after there has been furnished to such record owner at his or its principal place of business by lessor or lessor's heirs, successors, or assigns, notice of such change or division, supported by either originals or duly certified copies of the instruments which have been properly filed for record and which evidence such change or division, and of such court records and proceedings, transcripts, or other documents as shall be necessary in the opinion of such record owner to establish the validity of such change or division.

7. If this lease covers a less interest in the oil, gas, sulphur, or other minerals in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not), or no interest therein, then the royalties, and other moneys 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 therein, 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) shall be paid out of the royalty herein provided.

8. If this lease is cancelled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations, (but in no event less than twenty acres), such acreage to be designated by lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have

such easements on said land as are necessary to operations on the acreage so retained.

9. (a) In the event lessor considers that lessee has not complied with all its obligations hereunder, both express and implied, lessor shall notify lessee in writing, setting out specifically in what respects lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by lessor. The service of said notice shall be precedent to the bringing of any action by lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on lessee. Neither the service of said notice nor the doing of any acts by lessee aimed to meet all or any of the alleged breaches shall be an admission or presumption that lessee has failed to perform all its obligations hereunder.

(b) Lessee shall not be required to drill any well or wells for the purpose of offsetting, or protecting said land from drainage resulting from, any well or wells which lessee has heretofore drilled, or may hereafter drill on lands which adjoin said land and upon which lessee may now or hereafter hold an oil, gas, and mineral lease from lessor.

10. Lessee may at any time and from time to time execute and deliver to lessor or file for record a release or releases of this lease as to any part or all of said land or of any mineral or horizon thereunder, and thereby be relieved of all obligations as to the released acreage or interest.

11. (a) Lessee is hereby granted the right, at its option, to pool or unitize, for gas or for gas and liquid hydrocarbons (condensate) which are not a liquid in the subsurface

reservoir, all or any part of said land and of this lease, as to any or all horizons thereunder, with other lands, lease or leases, or portion or portions thereof or horizon or horizons thereunder, so as to establish one or more pooled gas units containing not more than 640 acres plus 10% acreage tolerance per unit. If larger units are required under any governmental rule or order, 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, any such unit may be established or enlarged to conform to the size required by such governmental order or rule. Lessee shall exercise said option as to each desired unit by executing an instrument identifying such unit and filing it for record in the public office in which the lease is recorded. Each of said options may be exercised by lessee from time to time and whether before or after production has been established either on said land or on the portion of said land included in the unit or on other land unitized therewith.

(b) Any operations conducted on any part of such unitized land shall be considered, for all purposes, except the payment of royalty, operations conducted under this lease. There shall be allocated to the land covered by this lease included in any such unit that proportion of the total production of unitized minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, overriding royalty, and any other payments out of production, to be the entire production of unitized minerals from

the portion of said land covered hereby and included in such unit in the same manner as though produced from said land under the terms of this lease. The owner of the reversionary estate of any term royalty or mineral estate agrees that the accrual of royalties pursuant to this paragraph or of shut-in royalties from a well on the unit shall satisfy any limitation of term requiring production of oil or gas.

(c) The formation of such unit shall not have the effect of changing the ownership of any shut-in production royalty which may become payable under this lease. Neither shall it impair the right of lessee to release from this lease all or any portion of said land, except that lessee may not so release as to lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit.

(d) Lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 11, a unit once established hereunder shall remain in force so long as any lease subject thereto shall remain in force.

(e) A unit may be so established, modified or dissolved during the life of this lease, but in no event later than twenty (20) years after the date hereof.

12. If at, or after the expiration of the primary term hereof, and while this lease is in force, there is no well on said land, or on lands with which said land or any portion thereof has been unitized, capable of producing oil or gas, and lessee is not conducting operations on said land by reason of (1) any law, order, rule or regulation, (whether or not subsequently determined to be

invalid) or (2) any other cause, whether similar or dissimilar, (except financial) beyond the reasonable control of lessee, the primary term hereof shall be extended until the first anniversary date hereof occurring ninety (90) or more days following the removal of such delaying cause, and this lease may be extended thereafter by operations as if such delay had not occurred.

13. This lease shall be binding upon each party who executes it without regard to whether it is executed by all those named herein as lessor.

14. Lessor hereby warrants and agrees to defend title to said land against the claims of all persons whomsoever by, through and under the undersigned respectively, and not otherwise. Lessor's rights and interests hereunder shall be charged primarily with any mortgages, taxes or other liens, or interest and other charges on said land, but lessor agrees that lessee shall have the right at any time to pay or reduce same for lessor, either before or after maturity, and be subrogated to the rights of the holder thereof and to deduct amounts so paid from royalties or other payments payable or which may become payable to lessor and/or assigns under this lease. Lessee is hereby given the right to acquire for its own benefit, deeds, leases, or assignments covering any interest or claim in said land which lessee or any other party contends is outstanding and not covered hereby and even though such outstanding interest or claim be invalid or adverse to lessor.

15. This lease shall be effective as of July 8, 1940, and as to the period prior to October 1, 1949, this lease shall inure to the benefit of Shell Oil Company, Incorporated, its

successors and assigns.

IN TESTIMONY WHEREOF, we sign as of the day and year
above written.

C. I. Withers
C. I. Withers

B. A. Skipper Jr
B. A. Skipper, Jr., individually
and as independent executor of
the estate of B. A. Skipper, Sr.,
deceased

Mrs Mary Skipper.
Mrs. Mary Skipper, a widow,
individually and as independent
executrix of the estate of
B. A. Skipper, Sr., deceased

A. O. Newman
A. O. Newman

Sam G. Croom
Sam G. Croom

Fred W. Moore
Fred W. Moore

W. C. McClain
W. C. McClain

STATE OF TEXAS

COUNTY OF

Harris

Before me, the undersigned authority, on this day personally appeared C. I. Withers, 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 13th day of June, 1957.

MARY P. SAYLOR

Mary P. Saylor
Notary Public in and for
Harris County, Texas

STATE OF TEXAS

COUNTY OF

Gregg

Before me, the undersigned authority, on this day personally appeared B. A. Skipper, Jr., 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 5th day of August, 1957.

Otto A. Retter
Notary Public in and for
Gregg County, Texas

STATE OF TEXAS

COUNTY OF

Gregg

Before me, the undersigned authority, on this day personally appeared Mrs. Mary Skipper, a widow, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that she 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 5th day of August, 1957.

Otto A. Retter
Notary Public in and for
Gregg County, Texas

STATE OF TEXAS

COUNTY OF Harris

Before me, the undersigned authority, on this day personally appeared A. O. Newman, 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 13th day of June, 1957.

MARY P. SAYLOR

Mary P. Saylor
Notary Public in and for
Harris County, Texas

STATE OF TEXAS

COUNTY OF Harris

Before me, the undersigned authority, on this day personally appeared Sam G. Croom, 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 13th day of June, 1957.

MARY P. SAYLOR

Mary P. Saylor
Notary Public in and for
Harris County, Texas

STATE OF TEXAS

COUNTY OF Harris

Before me, the undersigned authority, on this day personally appeared Fred W. Moore, 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 13th day of June, 1957.

Jean Lonsford
Notary Public in and for JEAN
Harris County, Texas LONSFORD

STATE OF TEXAS

COUNTY OF

Montgomery

Before me, the undersigned authority, on this day personally appeared W. C. McClain, 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 13th day of June, 1957.



Edith Henry (Edith Henry)
Notary Public in and for
Montgomery County, Texas

STATE OF TEXAS

County of Polk

I hereby certify that the foregoing instrument with its certificate of authentication was filed for record in my office on the 12 day of September 1957 at 8 o'clock A M., and was this day duly recorded at 8:10 o'clock A M., in Vol. 53 Pages 632 et. seq. Oil and Gas Lease Records of said County.

Witness my hand and official seal at office in Livingston this 13 day of September 1957



J. H. McFee
Clerk, County Court, Polk County, Texas

By Nina Mae Baker Deputy

T-28447

C. J. Withers et al

to

Steel Air Co

at & Lease

FILED FOR RECORD

This 12 day of Sept 1957

At 8 O'clock A M.

J. H. McKEE

County Clerk, Foik County, Texas

By Mrs C. M. Maule Deputy

650

Steel