

THE STATE OF TEXAS
COUNTY OF POLK

T 16368 #2

THIS AGREEMENT made and entered into on this the 14th day of December, A. D. 1938, by and between Clark Davis and S. H. Bergman, of the City of Livingston, Polk County, Texas, hereinafter called "Lessors", and Geo. L. Peyton and W. M. Peyton of the County of Limestone, State of Texas, hereinafter called "Lessees".

W I T N E S S E T H:

That the said Lessors, for and in consideration of the sum of Ten Dollars and other good and valuable considerations, cash to them in hand paid, the receipt of which is hereby acknowledged, and of the further consideration of the royalties as hereinafter provided, and of the covenants and agreements hereinafter contained on the part of the Lessees, to be paid, kept and performed, have DEMISED, LEASED and LET, and by these presents do DEMISE, LEASE and LET unto the said Lessees for the sole and only purpose of exploring, prospecting, (by geophysical methods or otherwise), drilling, mining and operating for and producing oil and gas, laying pipe lines, building tanks, power stations, telephone and telegraph lines, and other structures thereon, to produce and save and take care of said products, all that certain tract or parcel of land lying and being situated in the County of Polk, State of Texas, to-wit:

Being that certain tract or parcel of land situated in Polk County, Texas, being 271 acres in the Northwest corner of the P. A. Sublett League, Abstract No. 71, described by metes and bounds as follows:

BEGINNING at the Northwest corner of said Sublett League;

THENCE East along the N.E. line of said League 835 varas to corner, the same being the N.W. corner of a 790 acre survey made for L. Fowler and others;

THENCE South along the W.B. line of said Fowler Survey 740 vrs. to an inner corner of the same;

THENCE East with the line of said Fowler tract 400 vrs. to corner;

THENCE South with the line of said Fowler tract 740 vrs. to the S.W. corner of said Fowler tract;

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THENCE West 1235 vrs. to corner in the W. B. line of the Sublett League, the same being the E.B. line of the Peter J. Menard League;

THENCE North along said League line 1480 vrs. to the place of beginning. Save and except therefrom the following:

(a) Ten (10) acres of land described as follows:

BEGINNING 180 varas West from the Southeast corner of a 271 acre tract out of the P. A. Sublett League in Polk County, Texas, from which a Magnolia 24 inches in diameter brs. N. 6 E. 2.4 varas, and a Magnolia 16 inches in diameter brs. S. 60.5 West 10-3/4 varas;

THENCE North 237.6 varas to a stake for corner, from which a pin oak 12 inches in diameter brs. S. 28 E. 10.9 varas, and a pin oak 14 inches in diameter brs. N. 12 E. 5.5 varas;

THENCE West 237.6 varas to a stake for corner, from which a pin oak 14 inches in diameter brs. N. 53 E. 11.3 varas, and a pin oak 12 inches in diameter brs. N. 44 E. 10 varas;

THENCE South 237.6 varas to a stake for corner in the South line of said 271 acre tract, from which a Magnolia 18 inches in diameter brs. N. 11 E 6.5 varas, and a Beach 12 inches in diameter brs. N 68 1/2 E. 6 varas.

THENCE East along and with the South line of said 271 acre tract 237.6 varas to the Place of beginning, containing 10 acres of land, more or less.

(b) Ten (10) acres of land described as follows:

BEGINNING at the producing well drilled by Dick Schwab and known as Dick Schwab A-1 well, on the P. A. Sublett League;

THENCE running East 330 feet to the most northerly east line of the 160 acres tract leased to Dick Schwab for the beginning of this 10 acres tract;

THENCE North with said line 331 feet to point for the north-east corner of this 10 acres tract;

THENCE West at right angles 662 feet to point for the Northwest corner of this 10 acres tract;

THENCE South at right angles 662 feet to point for Southwest corner of this 10 acres tract;

THENCE East at right angles 662 feet to point for Southeast corner of this 10 acres tract;

THENCE North 331 feet to the place of beginning, containing 10 acres.

2.

Subject to the other provisions herein contained, this lease shall be for a term of twelve months from this date (called "primary term") and as long thereafter as oil or gas continues to be produced from said land under this lease in paying quantities.

3.

In consideration of the premises, Lessees covenant and agree

to pay to Lessors, the following royalties:

(a) On oil one-sixth (1/6) of that produced and saved from said land, the same to be delivered, free of cost to Lessors, into the pipe line, or other receptable, to which the Lessees may connect their wells, or, at Lessors' option, may be sold at same price and with Lessees' oil, or at Lessor's option, shall be delivered, free of cost, charges and expenses to Lessors, at the well or wells, in tanks or other receptacles by the Lessors provided.

(b) On gas, including casinghead gas, or other vaporous or gaseous substances produced from said lands, the following: In case Lessees shall use gas in the manufacture of gasoline, or other products therefrom, a one-sixth (1/6) of the market value at the plant of the gasoline, or other products manufactured therefrom, quantity or product to be ascertained in a manner recognized in the industry; in case Lessees shall sell gas at the wells, one-sixth (1/6) of the gross amount realized from such sales, and in all other cases, when sold or used off the premises, the market price at the wells of one-sixth (1/6) of the gas so sold or used.

4.

The market value referred to above, of said oil, shall be the highest market price prevailing for the respective days on which runs are made to the pipe lines or storage for Texas Gulf Coast crude of similar grade, quantity and quality to that produced and saved under this lease.

5.

If oil or gas has not been produced in paying quantities from the lands covered by this lease within twelve months from date hereof, this lease contract shall terminate as to all parties, unless Lessees are actually drilling a well upon said land at that time, and in that event upon completion of said well as a dry hole.

6.

If, as a result of drilling by Lessees under this lease, oil or gas be produced in paying quantities from the lands covered by this contract, then this lease shall remain in full force and effect so long as such production continues; provided, thereafter, Lessees shall continue to drill wells thereon and develop said premises covered by this

lease in a businesslike manner, and as a reasonable prudent operator would drill wells and develop the same to protect the land described herein from drainage.

7.

In the event a well or wells producing oil or gas in paying quantities shall be brought in on any other land, and within 466 feet of any line of the leased premises, Lessees shall commence the actual drilling of an offset well thereto, within ninety (90) days from the date of the completion of such well, and shall drill such offset well with due diligence and as a careful and prudent operator of the leased premises, having no interest in the well or wells to be offset, would drill under the same and similar circumstances, and/or the Lessees may at their option pay delay royalty to the Lessors; The amount of delay royalty to be paid shall be 1/6 of all oil and/or gas produced from any such offset wells on adjoining tracts at the highest prevailing market price for the time which has elapsed over and above the ninety (90) day period.

8.

It is agreed that settlement for all payments out of production for all royalties, except delivery in kind, shall be made monthly, on or before the 15th day of each calendar month, for the amounts accruing during the preceding month.

9.

If Lessors Clark Davis, and S. H. Bergman, own a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided shall be paid the said Lessors only in the proportion which their interest bears to the whole and undivided fee.

10.

If the within lease is for any cause terminated as to the whole or as to any portion of the land covered hereby, Lessees agree to deliver to Lessors a good and sufficient release of said land in so far, but only in so far, as it covers or pertains to such land or parts of land as to which said lease is terminated.

11.

In case of the surrender of this lease or the forfeiture thereof, in whole or in part, or the expiration of the rights of Lessees for any reason and as to any part or parts of the whole of the land hereby leased, Lessees, their heirs and assigns, shall have sixty (60) days after the expiration, surrender or forfeiture thereof within which to remove all machinery, pipe lines, casing, pumps, tanks, telephone poles and telegraph lines and all other property whatsoever which the Lessees, their heirs or assigns, may have placed upon said land.

12.

Lessees shall have free use of oil and gas produced from the land covered by this lease, and water from said land, except water from Lessors' wells, in developing the same for oil and gas and producing the same therefrom, and in treating the oil produced therefrom to make it marketable, and any oil and gas so used shall be deducted before computing the royalties and other payments from production payable to Lessors.

13.

Lessors shall have the right to have, when requested, daily drilling reports, copies of the logs, samples of all cores and reports of production of all wells drilled by Lessees on the land covered by this lease or on adjoining land, the right to be present at any and all reasonable times to inspect any and all such drilling operations and to inspect such of Lessees' records of the use and sale of gas on or off the premises, or sale of oil, as are pertinent to the proper determination of Lessors' royalty interests therein, or other payments due hereunder, or its or their proceeds, and all these rights may be exercised by Lessors in person or through their representatives thereunto duly authorized in writing.

14.

It is expressly agreed that during the life of this lease Lessees shall pay all taxes of every kind levied and assessed upon or against all or any part of the oil or gas in or under said land or the production thereof and all increase in taxes on the land resulting from the prospecting for or discovery or production of oil or gas therefrom.

15.

It is agreed that the estate of either party hereto may be

assigned in whole or in part, but it is expressly understood and agreed that all of the covenants, obligations and considerations of the within lease shall extend to and be binding upon the parties hereto, their heirs, executors and administrators, successors or assigns, but no change in the ownership of said land or assignment of royalties or any part thereof, shall be binding upon the Lessees until after the Lessees have been furnished with a written transfer or assignment or a true copy thereof. It is further expressly understood and agreed that no assignment of this lease in whole or in part, shall release Lessees from any of its obligations.

16.

Lessees shall have the right at any time to redeem for Lessors, by payment, any mortgage, taxes or other liens upon the leased premises in the event of default in the payment thereof by Lessors and be subrogated to the rights of the holder thereof.

17.

Anything herein to the contrary, notwithstanding, it is distinctly understood that lessee claims a lease under a chain of title adverse to lessors herein, and by accepting this lease lessee does not confirm or limit his right to the title of the aforesaid lessors as against other parties under whom it already claims; also, this precautionary measure of accepting a lease from the aforesaid claimants (lessors herein) shall not be construed as prejudicing or in derogation of the rights of other parties executing leases to lessee. Also, in accepting this lease, lessee does not recognize that lessors have any title superior to the other parties who are claiming adversely to lessors; and the Lessors in the execution of this lease do not recognize that the Lessee has any title superior to the Lessors from any such Parties who are claiming adversely to them.

IN WITNESS WHEREOF, the parties hereunto have executed this original for all purposes, on this the 10th day of January, A.D. 1939 ✓

Leslie R. Taylor
W. M. Taylor
Lessees

Clark Davis x
S. H. Bergman x
Lessors

THE STATE OF TEXAS

COUNTY OF POLK

BEFORE ME, Faye Bandy, a Notary Public in and for said County and State, on this day personally appeared Clark Davis, 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 10th day of January, A.D. 1939.

Faye Bandy
Notary Public in and for Polk County,
Texas.

THE STATE OF TEXAS

COUNTY OF POLK

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Geo. L. Peyton and W. M. Peyton, 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.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the ^{12th} 10th day of January, A.D. 1939.

Faye Bandy
Notary Public in and for Polk County,
Texas.

THE STATE OF TEXAS

COUNTY OF POLK

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared S. H. Bergman, 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 considerations therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 12th, day of January, A.D. 1939.

S. H. Bergman
Notary Public in and for Polk 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 4th day of Feb 1939 at 1:45 o'clock P. M., and was this day duly recorded at 9:15 o'clock A. M., in Vol. 21 Pages 282, et seq., Oil and Gas Lease Records of said County.

Witness my hand and official seal at office in Livingston, this 6th day of Feb 1939.

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

By Mrs. Matthews Deputy.

1-16368
#158

Clark Lewis, et al
to
Geo. L. Baytown, et al

Oil and Gas Lease

PROOF READ

FILED FOR RECORD

This 4th day
of Feb A. D. 1939
at 1:45 o'clock P. M.
J. H. McKee
Clerk County Court, Polk County, Texas
By Mrs. Matthews Deputy

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Baytown Bros
Mepia Lgs