

THE STATE OF TEXAS )  
COUNTY OF POLK )

T16368-#3

THIS AGREEMENT made and entered into on this the 20th day of January, A. D. 1939, by and between MARY E. MacDONALD, individually, and as Executrix of the Estate of L. A. MacDonald, deceased, of Harris County, Texas, hereinafter called "Lessor," 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 Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable considerations, cash to her 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, has DEMISED, LEASED and LET, and by these presents does 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;

16368

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;

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 acre tract leased to Dick Schwab for the beginning of this 10 acre tract;

THENCE North with said line 331 feet to point for the northeast corner of this 10 acre tract;

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

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

THENCE East at right angles 662 feet to point, for southeast corner of this 10 acre 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 Lessor, 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 Lessor, into the pipe line, or other receptacle, to which the Lessees may connect their wells, or, at Lessor's 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 Lessor, at the well or wells, in tanks or other receptacles by the Lessor 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 (12) 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 it shall terminate upon the abandonment of said drilling operations or the completion of said well, in the exercise of due diligence, 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 with reasonable diligence and in good faith, and as a reasonably prudent operator would drill wells and develop the same to protect the land described herein from drainage.

7.

Lessees agree to properly and adequately protect the leased premises from drainage at all times and to drill all offset wells on the leased premises with diligence and prudence. Lessees may at their option pay delay royalty to lessor in lieu of the drilling of such offset well or wells; and in such event the amount of delay royalty to be paid to Lessor shall be one-sixth ( $1/6$ ) of all oil and gas, or either, on the basis hereinabove provided, which may be produced from any such well or wells drilled on adjacent tracts within such distance to the leased premises as to require the drilling

of an offset well under the terms hereof, at the highest prevailing market price for the time which has elapsed after the expiration of ninety (90) days from and after the completion of such adjacent well.

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 Lessor owns 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 Lessor only in the proportion which her 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 Lessor 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 Lessor's 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 Lessor.

13.

Lessor 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 Lessor's royalty interests therein, or other payments due hereunder, or its or their proceeds, and all these rights may be exercised by Lessor in person or through her 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 Lessor, by payment, any mortgage, taxes or other liens upon the leased premises in the event of default in the payment thereof by Lessor and be subrogated to the rights of the holder thereof.

17.

It is distinctly understood that Lessees have heretofore taken a lease to the premises herein described from those claiming ownership thereof under a chain of title adverse to that under which Lessor claims, and that the making and accepting of this lease shall be and is without prejudice to the rights of either party with respect to the adverse claim of title by those from whom Lessees have so heretofore taken a lease. Nothing herein contained shall be taken as an admission against interest by either party hereto as to such adverse claim of title. Lessees do not by the taking of this lease assert the superiority of the title of Lessor over that of said adverse claimants from whom they have already taken a lease, nor shall such act be construed as prejudicial to or in derogation of such adverse claim of title; nor shall it be construed as a recognition by Lessor, or as an assertion by Lessees, of the validity of such adverse claim of title or its super-

iority over that of Lessor.

IN WITNESS WHEREOF, the parties hereunto have  
executed this original for all purposes, on this the 21st  
day of January, A. D. 1939. /

Mary E. Mac Donald  
Individually and as Executrix of  
the estate of L. A. MacDonald,  
Lessor.

Geo. L. Peyton  
W. M. Peyton  
Lessees.



THE STATE OF TEXAS ) ✓  
COUNTY OF HARRIS ) ✓

BEFORE ME, the undersigned authority, on this day personally appeared MARY E. MacDONALD, 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.

21st GIVEN UNDER MY HAND AND SEAL OF OFFICE this the day of January, A. D. 1939. ✓

B. E. Perkins  
Notary Public in and for  
Harris County, Texas.



THE STATE OF TEXAS )  
COUNTY OF HARRIS )

BEFORE ME, the undersigned authority, on this day personally appeared GEO. L. PEYTON, 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.

21st GIVEN UNDER MY HAND AND SEAL OF OFFICE this the day of January, A. D. 1939.

B. E. Perkins  
Notary Public in and for  
Harris County, Texas.



THE STATE OF TEXAS )  
COUNTY OF HARRIS )

BEFORE ME, the undersigned authority, on this day personally appeared W. M. PEYTON, 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.

21st GIVEN UNDER MY HAND AND SEAL OF OFFICE this the day of January, A. D. 1939.

B. E. Perkins  
Notary Public in and for  
Harris 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 4<sup>th</sup> day of Feb 1939 at 1:45 o'clock P M., and was this day duly recorded at 11 o'clock a M., in Vol. 21 Pages 286, et seq., Oil and Gas Lease Records of said County.

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

G. McKee  
Clerk County Court Polk County, Texas.

By Mrs. C. Matthews Deputy.

# 159  
T-16368  
OIL AND GAS LEASE

MARY E. MacDONALD

To

GEO. L. PEYTON  
and  
W. M. PEYTON

PROOF READ

FILED FOR RECORD

This 4 day  
of Feb A.D. 1929  
at 1:45 o'clock P.M.  
G. W. McKeel  
Clerk County Court, Polk County, Texas  
By Mrs. C. Matthews  
Deputy

Sam R. Merrill, Attorney  
Esperson Building,  
Houston, Texas.

Peyton Bros  
mefia 24