

X
#2837-OIL AND GAS LEASE

THIS AGREEMENT entered into this 14 day of May 1951, between W. R. Stanley and wife, Mamie Stanley Rt. 2, Pilot Point, Texas, herein called Lessor (whether one or more), and J. C. Wheatley herein called Lessee,

WITNESSETH:

1. That the lessor, in consideration of Ten & no/100 Dollars (\$10.00) cash in hand paid, receipt of which is acknowledged, and of the covenants and agreements of the lessee herein contained, has granted, demised, leased and let and hereby does grant, demise, lease and let exclusively unto said lessee for the purpose of prospecting, exploring, drilling, mining and operating for and producing oil, liquid hydrocarbons, all gases, and their respective constituent products, and injecting gas, waters, and other fluids and air into sub-surface strata, laying pipe lines, building telegraph and telephone lines, tanks, powers, stations, roadways, structures and plants, and including any and all equipment, appliances and machinery that may be useful, necessary or convenient to produce, save, take care of, store, treat, manufacture, process and transport said oil, liquid hydrocarbons, gases and their respective constituent products and other products manufactured therefrom, and housing and otherwise caring for employees, the following described land in Denton County, State of Texas, to-wit:

All that certain tract or parcel of land situated in the County of Denton, State of Texas, a part of the Thomas Chambers Survey, Abstract No. 223, and a part of the Elijah Koger 697-3/4 acre tract in said Survey, and

Beginning 81 varas East of the West boundary line of said survey on the North boundary line of the J. W. Apperson tract;

THENCE East 835½ varas; THENCE South 338 varas; THENCE East 296-3/4 varas;

THENCE North 694 varas to an Elm tree;

THENCE West 1082 varas to the Texas & Pacific Railway Company' right-of-way;

THENCE in a Southernly direction with said railroad right-of-way to the place of beginning containing 78½ acres of land, and being the same land conveyed by J. J. Perkins to C. J. Rdeing and M. E. Reding by deed dated December 27, 1917, and recorded in Volume 157, page 527,

Deed Records, Denton County, Texas;

For the purpose of calculating the rental payments hereinafter provided, said land is estimated to comprise 78½ acres whether it actually comprises more or less.

It is the intention, however, of lessor, to include within the terms of this lease not only the above described land but also any and all other land owned or claimed by lessor in the survey or surveys in which the above described land is situated or in adjoining surveys and adjoining the above described land.

2. It is agreed that this lease shall remain in force for a term, called "primary term", extending from this date (first hereinbefore set forth) to the 14 day of May, 1961, and as long thereafter as oil, liquid hydrocarbons, gas or their respective constituent products, or any of them, is produced from said land, or as drilling or reworking operations are conducted, as provided by paragraph 15 hereof, or as royalty is paid as provided by paragraph 5 hereof.

3. The lessee shall deliver to the credit of the lessor as royalty, free of cost, in the pipe line to which lessee may connect its wells the equal one-eighth (1/8) part of all oil produced and saved from the leased premises, or at lessee's option, may pay to the lessor for such one-eighth (1/8) royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line.

4. The lessee shall pay the lessor as royalty;

(a) If sold by lessee, one-eighth (1/8) of the proceeds received by the lessee from the sale of gas, including casinghead gas and all gaseous substances produced from any well; or

(b) If utilized by lessee, one-eighth (1/8) of the value at the mouth of the well computed at the prevailing market price of the gas, including casinghead gas and all gaseous substances, produced from any well and used off the leased premises for any purposes, or used on the leased premises by the lessee for purposes other than the development and operation thereof.

Such payments shall be received and accepted by lessor as full compensation for such gas, casinghead gas, all gaseous substances, or any by-products extracted or manufactured therefrom, as well as residue gas remaining after the extraction or manufacture of gasoline or any by-products from such gas. The lessor to have gas free of cost from any gas well on the leased premises where dry gas only is found for all stoves and inside lights in the principal dwelling house on said premises by making his own connections to said well at lessor's own cost, risk and expense.

5. If at any rental paying date of this lease, or at the end of the primary term of this lease, and any subsequent anniversary thereof, there be a gas well upon the leased premises, or wells, if more than one, capable of producing gas only, from which gas is not used or sold and if at such time this lease is not kept in force by other provisions hereof, lessee may, on or before any such date or anniversary, pay to lessor, as royalty, an amount equal to the delay rental payable hereunder, and in the same manner provided for the payment of delay rentals, less any earned royalties on oil, gas or casinghead gas paid to the lessor during the year then ending; and if such sums is so paid such gas well or wells shall be held to be a producing well or wells under all of the provisions of this lease, during any period or periods of the year then ending, as well as of the year then commencing, in which gas is not used or sold. Within the meaning hereof, the term "gas well" shall include wells capable of producing natural gas, condensate, distillate or any gaseous substance, and wells classified as gas well by any governmental authority.

6. If operations for the drilling of a well for oil or gas are not commenced on the leased premises on or before the 14 day of May, 1952, this lease shall terminate as to both parties, unless the lessee shall on or before that date pay or tender to the lessor, or deposit for the lessor's credit in the Pilot Point National Bank of Pilot Point, Texas, or its successor or

successors, or any bank with which it may be merged or consolidated or which succeeds to its business or assets, or any part thereof, by purchase or otherwise, or The First National Bank of Fort Worth, Texas, in the event said depository bank, its successor or successors, is taken over by the State or Federal banking authorities or for any reason ceases to do business or refuses to act as such depository; which banks are the lessor's agent and shall continue as a depository of any and all sums payable under this lease, regardless of changes in the ownership of said land or in the oil or gas or in the rentals to accrue hereunder, the sum of Seventy Eight & 50/100 Dollars (\$78.50) which shall operate as a rental and cover the privilege of deferring the commencement of drilling operations for the period of one (1) year from said date. In like manner and upon like payments or tenders annually, the commencement of drilling operations may be further deferred for like periods successively. All payments or tenders hereunder may be made by check, draft or audited voucher of the lessee, his (its) heirs, executors, administrators, successors or assigns, mailed, delivered or deposited as aforesaid on or before the rental paying date, it being understood and agreed that the consideration first recited herein, the down payment, covers not only the privileges granted to the date when said first rental is payable as aforesaid but also the lessee's option of extending that period as aforesaid and any and all other rights conferred.

7. Notwithstanding the death of the lessor, or his successors in interest, the payment or tender of rentals in the manner provided above shall be binding on the heirs, devisees, executors, and administrators, of Lessor and of his successors in interest.

8. If at any time prior to the discovery of oil or gas on said land, and during the primary term of this lease, lessee should drill a dry hole, or dry holes, thereon, this lease shall not terminate if the lessee shall on or before the next ensuing rental paying date commence further drilling operations or pay or resume the payment or tender of the rentals aforesaid, providing that if any such dry hole be completed within less than sixty (60) days before the next ensuing rental paying date, lessee shall nevertheless have at least sixty (60) days from such completion within which to commence such further drilling operations or resume the payments or tender of such rentals, and the effect shall be the same as if such further operations had been commenced, or such rentals paid or tendered, on or before such rental paying date. Lessee's right to so resume drilling operations and/or the payment or tender of such rentals shall continue to exist during the primary term of this lease.

9. If the above lessor owns a less interest in the above described land than the entire undivided fee simple estate therein, then the royalties and rentals herein provided for shall be paid the lessor only in the proportion which his interest bears to the whole and undivided fee.

10. Lessee shall have the right to use free of cost, gas, oil and water produced from said land, except water from the wells and tanks of lessor, for all of lessee's operations hereunder including, but not limited to, repressuring, pressure maintenance, cycling, recycling and secondary recovery operations. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during or ninety (90) days after the expiration of this lease to remove all machinery, fixtures, houses, buildings, and other structures placed on said premises, including the right to draw and remove all casing. When required by lessor, the lessee shall bury pipe lines below plow depth.

11. If the oil, gas or other mineral rights under the leased premises are now owned or shall hereafter be owned in severalty or in separate tracts, the premises nevertheless shall be developed and operated as one lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportion ~~that said oil, gas or other mineral rights owned by each bears to the entire oil, gas or other~~

mineral rights; leased hereby. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the premises covered hereby may be hereafter divided as to the surface, oil, gas or other mineral rights by sale, devise or otherwise, or to furnish separate measuring or receiving tanks, or to make any separate accounting based on any such divided ownership.

12. If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, personal representatives, successors and assigns; but no change in the ownership of the land or assignment of rentals or royalties shall be binding upon the lessee until the lessee has been furnished with the original recorded instrument or instruments of transfer or assignment or certified copies thereof; and it is hereby agreed that in the event this lease shall be assigned as to a part or parts of the above described lands and the owner or holder of said lease or any interest therein covering only part or parts of said lands shall fail or make default in the payment of the proportionate part of the rental due from him or them, such default shall not operate to defeat or affect this lease insofar as it covers a part or parts of said lands as to which the said lessee or any assignee thereof shall make due payment of the proportionate part of the said rental.

13. Lessee is hereby granted the right to pool or unitize this lease, the land covered by it or any part thereof, with any other land, lease, leases, mineral estates or parts thereof for the production of oil, liquid hydrocarbons, gas or their respective constituent products, or any of them. Units pooled for oil hereunder shall not exceed forty (40) acres plus a tolerance of ten percent (10%) thereof, and units pooled for gas hereunder shall not exceed six hundred and forty (640) acres plus a tolerance of ten percent (10%) thereof; provided, that if any Federal or State Law, executive order, rule or regulation shall prescribe a spacing pattern for the development of the field or allocate a producing allowable based wholly or partly on acreage per well, then any such units may embrace as much additional acreage as may be so prescribed for such spacing or as may be used in such allocation of allowable, if greater than the units herein provided for. Lessee shall file written unit designations with the County Clerk of the county wherein the above land is situated. Such units may be designated either before or after the completion of wells. If operations are commenced, or if production is found on the unit, it shall be treated as if such drilling operations were upon or such production was from the land described in this lease, whether the well or wells be located on the land covered by this lease or not, and the entire acreage pooled into a unit shall be treated for all purposes as if it were included in this lease, except, however, in lieu of the royalties elsewhere herein specified, lessor shall receive and accept on production from a unit so pooled only such proportion of the royalty stipulated herein as the amount of his acreage placed in the unit, or this royalty interest therein on an acreage basis, bears to the total acreage so pooled in the particular unit involved.

14. When drilling or other operations are delayed or interrupted as a result of any cause whatsoever beyond the control of lessee, the time of such delay or interruption shall not be counted against lessee. All express and implied covenants of this lease shall be subject to all Federal and State Laws and to all executive orders, rules and regulations of Federal, State and other governmental authorities and this lease shall not be terminated in whole or in part nor lessee held liable for any failure to perform hereunder if such performance is prevented by, or such failure is the result of, any such law, order, rule or regulation.

15. If, at the expiration of the primary term, or thereafter, neither oil, liquid hydrocarbons, gas or their respective constituent products, nor any of them, are being produced on said land, or royalty is not paid as provided by paragraph 5 hereof, but lessee is then

engaged in operations for drilling or reworking any well or wells thereon, or, if production of all such minerals as shall theretofore have been produced from said land by lessee hereunder shall cease at any time after the expiration of the primary term and lessee shall, within sixty (60) days from such cessation of production, commence such operations, this lease shall in any such event remain in force so long as such operations are prosecuted, whether on the same or successive wells, with no cessation of more than sixty (60) consecutive days between the completion of one such operation and the commencement of another, and if they result in production, so long thereafter as oil, liquid hydrocarbons, gas or their respective constituent products, or any of them, is produced from said land.

16. Lessee may at any time surrender this lease as to all or any part of said land by delivering or mailing a release thereof to the lessor, or by placing a release thereof to the lessor, or by placing a release thereof of record in the property county.

17. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied or assessed on or against the above described lands and, in the event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien any royalty or rentals accruing hereunder. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing same.

18. This lease and all its terms, conditions and stipulations shall extend to and be binding on the heirs, personal representatives, successors and assigns of lessor and lessee.

In Testimony Whereof, we sign this the 14 day of May, 1951, as of the date first hereinabove set forth.

W. R. Stanley

\$.55 Fed. Rev. Attach. and Canc.

Mamie Stanley

STATE OF TEXAS)

COUNTY OF DENTON) BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared W. R. Stanley and Mamie Stanley, his wife, both known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they each executed the same for the purposes and consideration therein expressed; and the said Mamie Stanley, wife of the said W. R. Stanley having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said Mamie Stanley, acknowledged such instrument to be her act and deed, and she 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 14 day of May A. D. 1951.

Seal

George Bell, Notary Public in and
for Denton County, Texas

My commission expires June 1, 1951.

FILED FOR RECORDED: June 12, 1951 at 2:20 P M

RECORDED: July 18, 1951 at 4:00 P M

A. J. Barnett, Clerk County Court
Denton County Texas