**AREA OIL AND GAS CONTRACT FOR DEVELOPMENT** **AND** **PRODUCTION # \_\_\_\_\_\_\_**

This Area Oil and Gas Contract for Development and Production # \_\_\_\_\_\_\_ (this “***Agreement***”) is approved for the development of Permanent University Fund (“***PUF***”) lands and is effective on \_\_\_\_\_\_\_\_\_\_\_\_1, 202[\_] (the “***Effective Date***”), by and between the State of Texas, acting by and through University Lands or its authorized designees (collectively, “University Lands”) and [\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_] (“***Developer***”). University Lands and Developer are sometimes referred to herein individually as a “***Party***” and collectively as the “***Parties***”. By executing this Agreement, Developer agrees to be bound by the terms and conditions of this Agreement and the Directives (as defined in Article 19 below). Capitalized terms have the meanings ascribed to them in this Agreement.

For good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, University Lands and Developer agree as follows:

# **RIGHT TO DEVELOP; DESIGNATION OF PRODUCTION ACREAGE.**

## Subject to the other terms and conditions of this Agreement, University Lands agrees that Developer shall have, during the Development Term, (i) the exclusive contractual right to drill Development Wells to produce and take Hydrocarbons from the Subject Lands (as defined in Article 2 below); *provided, however,* thatDeveloper shall have no right to drill any wells other than Development Wells and (ii) the non-exclusive contractual right to conduct geophysical, geological, or seismic surveys on, over, under, through, and across the Subject Lands. University Lands expressly reserves the right to grant third parties the same non-exclusive rights listed in Article 1.a.(ii) or other surface rights. Developer takes the contractual rights provided in this Article 1 subject to all encumbrances and all agreements of record, including but not limited to surface agreements, commercial leases, rights of way, easements, geophysical and geochemical exploration permits, existing as of the Effective Date. Subject to Developer’s rights as provided in Article 1.b, Developer hereby acknowledges and agrees that the rights provided under this Article 1.a are strictly contractual and do not constitute a conveyance of any real property right in and to the Subject Lands.

## During the Development Term (as may be extended by the Extended Term as provided in Article 7.a), and in accordance with the procedures as provided in Article 7.d, if Developer Completes a Development Well on the Subject Lands, University Lands shall execute and deliver to Developer a Designation of Production Acreage, the form of which is attached hereto as **Attachment 1**, conveying to Developer (i) all rights to produce and take Hydrocarbons from such Development Well and (ii) all rights in and to the applicable Production Acreage (as determined pursuant to Article 7) on the Subject Lands TO THE EXTENT AND ONLY TO THE EXTENT as such rights are necessary to operate such Development Well, with such conveyance to be subject to Article 2.b. below. Developer agrees and acknowledges that Production Acreage included in a Designation of Production Acreage may be included in another Designation of Production Acreage, entered into pursuant to this Agreement.

## Notwithstanding anything herein to the contrary, University Lands owns and retains the ownership to all minerals (including but not limited to critical materials and critical minerals as defined by the Energy Act of 2020 as may be further supplemented or amended) suspended in Water produced from the Subject Lands. University Lands reserves to itself and its Representatives the right to extract any such minerals from the Water produced from the Subject Lands. Developer shall use reasonable efforts to accommodate University Lands or its Representatives in such extraction, including allowing the installation, tie-in, and maintenance of pipelines, along with necessary block valves, appurtenances and meters on such pipelines and allowing the temporary diversion or re-routing of Water through extraction equipment and facilities.

# **DEVELOPMENT TERM; SUBJECT LANDS.**

## This Agreement commences on and will be effective from the Effective Date until [\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_] (the “***Development Term***”), subject to Article 3 and Article 7 below.

## If Developer earns a Designation of Production Acreage as provided in Article 1.b. during the Development Term, the term of such Designation of Production Acreage shall commence on the date such Designation of Production Acreage is fully executed by all Parties.

## For purposes of this Agreement, the term “***Subject Lands***” shall mean the tracts described in **Exhibit A** limited to the Target Interval.

# **DEVELOPMENT REQUIREMENTS.**

## MINIMUM LATERAL FOOT OBLIGATIONS. During the Development Term, Developer will Complete Development Wells within the Target Interval of the Subject Lands to meet an aggregate Lateral Foot Obligation of at least [\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_] Feet ([\_\_\_\_\_\_\_\_]’) (the “***Total LFO***”), as set forth in the schedule below (each portion of the Total LFO described by calendar year in the schedule below, “***Annual LFO***”):

### From the Effective Date until [\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_], Developer must Complete Development Wells within the Target Interval of the Subject Lands comprising an LFO of at least [\_\_\_\_\_\_\_\_\_\_\_\_\_\_] Feet ([\_\_\_\_\_\_\_\_\_\_]’);

### Between [\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_] and [\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_], Developer must Complete Development Wells within the Target Interval of the Subject Lands comprising an LFO of at least [\_\_\_\_\_\_\_\_\_\_\_\_\_\_] Feet ([\_\_\_\_\_\_\_\_\_\_]’);

### Between [\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_] and [\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_], Developer must Complete Development Wells within the Target Interval of the Subject Lands comprising an LFO of at least [\_\_\_\_\_\_\_\_\_\_\_\_\_\_] Feet ([\_\_\_\_\_\_\_\_\_\_]’);

### Between [\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_] and [\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_], Developer must Complete Development Wells within the Target Interval of the Subject Lands comprising an LFO of at least [\_\_\_\_\_\_\_\_\_\_\_\_\_\_] Feet ([\_\_\_\_\_\_\_\_\_\_]’);

### Between [\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_] and [\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_], Developer must Complete Development Wells within the Target Interval of the Subject Lands comprising an LFO of at least [\_\_\_\_\_\_\_\_\_\_\_\_\_\_] Feet ([\_\_\_\_\_\_\_\_\_\_]’);[[1]](#footnote-2) and

### Between [\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_] and [\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_], (the “***Final Agreement Year***”), Developer must Complete Development Wells within the Target Interval of the Subject Lands comprising a minimum LFO of [\_\_\_\_\_\_\_\_\_\_\_\_\_\_] Feet ([\_\_\_\_\_\_\_\_\_\_]’).

### Developer must begin Drilling Operations for the first Development Well within the Target Interval of the Subject Lands no later than [\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_].

### Completion Operations must be Commenced on each Development Well within six (6) months of the rig release for such Development Well, unless Drilling Operations for such Development Well are conducted on a Multi-Well Pad, and then Completion Operations must be Commenced on one (1) of the Development Wells on the Multi-Well Pad within six (6) months of the rig release of the last Development Well Drilled from such Multi-Well Pad, and upon the Development Well being Completed, Developer must then promptly (but in no event longer than forty-five (45) days) Commence Completion Operations on the next Development Well on the Multi-Well Pad until each Development Well on the Multi-Well Pad is Completed.

### Once Developer begins Drilling Operations on a Development Block, Developer shall continuously Drill Development Wells within the Development Block until the density of Development Wells is met. The “density” of Development Wells means the number of wellbores for each Development Block depicted on **Exhibit “B”**. Completion Operations of Development Wells within a Development Block shall be conducted per Article 3.a.viii.

## LATERAL FOOTAGE OBLIGATION REQUIREMENTS.

### For all purposes of this Agreement, each Annual LFO shall be met as lateral footage is actually Completed and production comes on-line. As an example, if Developer is performing Completion Operations at the end of a given calendar year and Completion Operations continue into the succeeding calendar year, the lateral footage actually Completed shall be credited entirely to the succeeding calendar year in which Completion of Completion Operations and establishment of production occurred.

### If Developer Completes between Eighty-Five percent (85%) (the “***Minimum LFO***”) and One Hundred percent (100%) of the required Annual LFO for a calendar year as provided in Article 3.a, the difference between (1) the required Annual LFO in that calendar year pursuant to Article 3.a, and (2) the actual LFO Completed in that calendar year, will be added to the Annual LFO required for the next successive calendar year, and Developer will pay University Lands the Non-Performance Fee with respect to such difference by January 31 of the year following that calendar year. If Developer fails to meet the Minimum LFO in any given calendar year, this Agreement shall automatically terminate effective December 31st of said year and Developer will file a Release of Agreement as required in Article 7. Should this Agreement terminate pursuant to the foregoing sentence, Developer must pay a Non-Performance Fee to University Lands for the positive difference of (y) the total Annual LFO for such calendar year pursuant to Article 3.a. and (z) the amount of Annual LFO Completed by Developer for such calendar year as of the date of such termination. Such Non-Performance Fee must be paid within thirty (30) days after early termination of this Agreement.

### If, after a year when Developer Completes more than the Minimum LFO but less than One Hundred percent (100%) of the required Annual LFO for such calendar year, the next succeeding year shall be a “***True-Up Year***”. This Agreement will automatically terminate on December 31st of a True-Up Year and Developer will file a Release of Agreement as required in Article 7 unless Developer Completes (i) the entire Annual LFO as described in Article 3.a for such True-Up Year and (ii) the prior year’s Annual LFO deficit. Should this Agreement terminate pursuant to the foregoing sentence, Developer must pay a Non-Performance Fee to University Lands for the positive difference of the total Annual LFO for such calendar year pursuant to Article 3.a. and the amount of LFO Completed by Developer for such calendar year as of the date of such termination. For purposes of calculating such Non-Performance Fee, Completed LFO shall count towards the prior year’s Annual LFO deficit first then towards the Annual LFO for such calendar year. Such Non-Performance Fee must be paid within thirty (30) days after early termination of this Agreement.

### Each Non-Performance Fee due under this Agreement shall be without duplication of any amounts previously paid to University Lands for any other Non-Performance Fee. The Parties hereby acknowledge and agree that (i) University Land’s actual damages upon the event of Developer failing to Complete any Annual LFO are difficult to ascertain with any certainty, ii) the Non-Performance Fee is a fair and reasonable estimate by the Parties of such aggregate actual damages of University Lands, and iii) such liquidated damages do not constitute a penalty.

## CREDITED LFO. If Developer Completes more than the Annual LFO required for a calendar year within the Target Interval of the Subject Lands, then the LFO Completed in excess of the Annual LFO for that calendar year (the “***Credited LFO***”) will be first credited to the Annual LFO for the Final Agreement Year. If the aggregate amount of Credited LFO results in the full satisfaction of the Annual LFO for the Final Agreement Year, then any remaining portion of the Credited LFO in excess of the Annual LFO for the Final Agreement Year will be credited to the Annual LFO for the calendar year preceding the Final Agreement Year. Notwithstanding the foregoing, in no event may any Credited LFO be used as a credit for the Annual LFOs of any other calendar years.

## MULTI-WELL PADS. Developer will Drill and Complete all Development Wells utilizing Multi-Well Pads. Further, Developer will use existing pads within the Subject Lands that contain less than four (4) wells to Drill additional Development Wells from such existing pads where reasonably practical.

## REPORTING OF PRIOR YEAR DEVELOPMENT INFORMATION AND FUTURE DEVELOPMENT PLAN.

### By January 31st of each year, Developer must provide to University Lands in writing a detailed report of all Development Wells on the Subject Lands for the prior calendar year, including for each Development Well: (1) the well name as permitted by the Texas Railroad Commission, (2) the API number, (3) spud date, (4) date of first production, (5) Completion date, (6) date of rig release, (7) first sales date, and (8) an as-drilled plat for the horizontal lateral depicting the total LFO Completed within the Target Interval of the Subject Lands or, if outside of the Target Interval, the total lateral footage Completed but not contributing to the Total LFO.

### By January 31st of each year, Developer must provide to University Lands in writing an estimate of the following items for the current calendar year (a “***Development Plan***”): (1) the Completion Operations schedule for the Subject Lands, (2) LFO to be Completed within the Target Interval and lateral footage to be Completed outside of the Target Interval, (3) all Development Wells and names to be Drilled and/or Completed, (4) such well locations, (5) such well spud dates, (6) such well Completion dates, (7) the date each well will be put on line for production, (8) any known infrastructure plans and (9) projected Water volumes and Water usage plans associated with the current calendar year’s Development Plan.

# **OPERATIONS AND DRILLING OPERATIONS.**

## OPERATIONS. The term “***Operations***” as used in this Agreement means only (i) the production of oil, gas, or other Hydrocarbons in Paying Quantities, (ii) Drilling Operations and/or (iii) Completion Operations.

## DRILLING OPERATIONS. The terms “***Drill***”, “***Drilling***”, “***Drilled***” and/or “***Drilling Operations***” means the actual drilling of a Development Well, together with work in the hole necessary to properly complete or abandon such Development Well, conducted with due diligence and in a good and workmanlike manner so that when Drilling Operations are completed such Development Well will be capable of being properly equipped with the necessary production casing and ready so that Completion Operations can occur in the horizontal lateral section of the wellbore of such Development Well. “Drilled” more specifically means that a Development Well is being drilled so that when drilling operations are finished it will be capable of being properly equipped with the necessary production casing and ready so that Completion Operations can occur in the horizontal lateral section of the wellbore. Sidetracking, re-entering, reworking, recompletion, plugging back, or repairing an existing oil or gas well will not constitute Drilling Operations. Drilling Operations will be deemed to have been completed (whether as a dry hole or as a producing oil or gas well) on the earliest of the following dates: (i) the date on which the initial potential test is run; (ii) the date on which a dry hole is plugged; (iii) the date thirty (30) days after the date on which the total depth for the applicable Development Well has been reached.

## Developer acknowledges and agrees that it does not own and has no rights to use any wellbores existing prior to the execution of this Agreement, and Developer shall not conduct re-entry or other operations on any wellbore existing prior to the execution of this Agreement without University Lands' prior written consent, which may be granted or withheld in its sole discretion.

# **STANDARD OF CARE; DUTIES OF DEVELOPER.**

## DIRECTIVES. Developer will conduct all Operations on the Subject Lands in compliance with the Directives. Developer agrees that the provisions of the Directives that reference “lease(s)” or are applicable to “lease(s)” apply directly to this Agreement and to Developer, including but not limited to data reporting requirements, requirements related to penalties and interest, and forfeiture.

## STANDARD OF CARE. Developer owes to University Lands the duties of a reasonably prudent operator in the: (i) development, operation, production, and marketing of Produced Substances; (ii) reduction of underground or above ground waste of Produced Substances, including all reasonable attempts to avoid and reduce physical waste, flaring, venting of gas, or emissions produced from the Subject Lands; (iii) plugging and abandoning of wells on the Subject Lands; and (iv) restoration of the Subject Lands to the condition it was in before any operations or activities were commenced under this Agreement and/or any Designation of Production Acreage. Production of any one Produced Substance will not relieve Developer of its obligation to develop and produce any other Produced Substance covered by this Agreement and/or any Designation of Production Acreage that can be produced from the Subject Lands in Paying Quantities.

## TEXAS RAILROAD COMMISSION.

### Without the written consent of University Lands (which may be withheld in its sole discretion), Developer shall not grant itself or any other Person a Texas Railroad Commission “Rule 37” waiver and/or exception, or any other waiver or exception related to lease-line and/or between-well spacing requirements.

### If Developer seeks to establish new field rules or amend or consolidate existing field rules, Developer shall notify University Lands of such request and obtain the approval of University Lands (which such approval may be withheld in its sole discretion) prior to filing any application with the Railroad Commission of Texas. Developer shall also provide to University Lands all exhibits relative to such application and subsequent hearings. If Developer fails to notify University Lands of any such request or application described above, or timely provide any related exhibits or materials, then such new, amended or consolidated field rules shall not apply to the Subject Lands, unless and until such approval is given or the new field rules or amendments are ratified by University Lands for the purposes of this Agreement.

# **SURFACE USE PROVISIONS; CULTURAL RESOURCES; ENVIRONMENTAL OBLIGATIONS; USE OF WATER, CALICHE, SAND, AND GRAVEL.**

## DIRECTIVES; RATE AND DAMAGE SCHEDULE; DISTANCE FROM BUILDINGS; GROUNDWATER MANAGEMENT PLAN. Developer must comply at all times with all Directives related to surface operations on the Subject Lands, including but not limited to, the Field Manual and the provisions therein regarding surface maintenance, roads, cattle guards, gates, and locks. All operations and/or activities (including, but not limited to, Operations) on the Subject Lands are subject to the compliance and enforcement provisions of the Directives, including the penalties provided therein for failure to comply with any and all provisions of the Directives or this Agreement. All operations conducted on the surface of the Subject Lands will be subject to payments and rates as listed in the Rate and Damage Schedule in effect at the time such operations are conducted. Developer will not drill a well or install any facilities within three hundred (300’) feet of any residence, barn, or other facilities without University Lands’ prior written consent. Developer’s use of Water from PUF lands must specifically comply with the Groundwater Management Plan in effect at the time of such Water use.

## ROAD MAINTENANCE. Developer shall perform routine road maintenance on all roads that are utilized by Developer or any of its Representatives for any operation(s) hereunder whether the road is on the Subject Lands or is used to access the Subject Lands. Specifically, after significant precipitation, Developer must perform road maintenance to ensure that the roads are safe and accessible for travel. Furthermore, Developer must promptly repair all broken cattle guards, gates, and fences that have been damaged, including damages caused by Developer’s Representatives. Developer must respond within twenty-four (24) hours upon request of University Lands or University Lands’ surface landman to make said repairs*; provided, however;* that Developer’s obligation to make repairs is not contingent on any such request. Developer is responsible for the supervision of drilling rig movements in and out of the boundaries of the Subject Lands and any other land belonging to University Lands to minimize any damage caused to roads, cattle guards, and gates. If damage occurs to roads, cattle guards, or gates as a result of Developer’s operations/or activities (including, but not limited to, Operations) on the surface of the Subject Lands or any other land owned by University Lands, Developer must repair such damage promptly. Compliance with these requirements is necessary to ensure the safety of personnel working on the lands owned by University Lands and to maintain the resources and to minimize any negative impact on the environment and the community.

## INSPECTION. University Lands shall have the right to inspect the Subject Lands, including (without limitation) Development Wells and related facilities located thereon. Upon inspection of the Subject Lands by University Lands and notification of any violation of the Agreement terms or any applicable law, rule, or regulation is found, Developer shall submit a corrective action work plan for approval. The corrective action work plan shall be submitted within thirty (30) days of the notification, unless otherwise approved by University Lands. The corrective action work plan shall include any documentation describing the observations made during the inspection event and provide detailed descriptions of the corrective actions to be taken, the time frame for completion, and any other information that University Lands deems necessary. Developer shall diligently and expeditiously complete the corrective actions identified in the approved corrective action work plan. Developer shall be responsible for all costs (and shall solely bear all risks) associated with implementing the corrective action work plan, including but not limited to, the costs of consultants, contractors, and materials. The corrective action work plan shall be subject to the approval of University Lands, which approval shall not be unreasonably withheld. If University Lands does not approve the corrective action work plan within thirty (30) days of its submission, University Lands shall provide a written explanation of the reasons for the disapproval. Developer shall not be relieved of any obligations or liabilities under this Agreement or any applicable law, rule, or regulation (including the Directives and the Field Manual) as a result of the submission and approval of a corrective action work plan, and the approval of a corrective action work plan shall not constitute a waiver of any rights or remedies available to University Lands under this Agreement or any applicable law, rule, or regulation (including the Directives and the Field Manual).

## SURFACE ACCESS AND USE OF DEVELOPER. Except as otherwise expressly provided in this Agreement and the Directives, Developer may use only so much of the surface as reasonably necessary to exercise the rights provided by this Agreement. Developer may lay and maintain gathering lines, erect and maintain telephone and utility lines, and install other appurtenances and equipment necessary for the operation of Development Wells on the Subject Lands, to the extent and only to the extent designated or approved by University Lands as set forth in the Field Manual. The use of the surface is not exclusive, and Developer acknowledges that there are numerous existing uses of the surface estate including but not limited to pipeline easements, wind leases, solar leases, road or utility easements, grazing leases, and other uses or leases, easements, permits and encumbrances. Developer shall not be entitled to any monies from operations on the Subject Lands related to the current or futures uses of the surface estate.

## SURFACE ACCESS OF UNIVERSITY LANDS. University Lands and its Representatives shall have, at all times, the full right of ingress and egress and right of way over the Subject Lands for any and all purposes which University Lands may consider necessary or advisable.

## SURFACE DAMAGES. Developer must repair, restore, and pay for all damages resulting from Developer’s, its Representatives’, assigns’, and successors’ activities under this Agreement, including without limitation damages to real and personal property, Water wells, improvements, livestock, and crops on the Subject Lands or adjacent lands owned or controlled by University Lands, regardless of the cause of such damage, pursuant to the then-current Rate and Damage Schedule. Developer acknowledges that the cost of such repairs or damages contemplated by this Article or any other provision of this Agreement requiring restoration or repair may exceed the fair market value of the property damaged, and the cost of such damages and repairs will not be limited by fair market value. By entering into this Agreement, Developer agrees to promptly complete all required or requested repairs and restorations, and no release, forfeiture, or termination of this Agreement will relieve Developer from its obligations under this Agreement or pursuant to applicable law, including the obligation to plug all wells and clean and restore the Subject Lands.

## MAINTENANCE OF WELL SITES AND IDENTIFICATION MARKERS.

### Developer will build and maintain necessary and appropriate fences capable of turning livestock around its facilities on the Subject Lands and will take all necessary precautions to protect livestock against loss, damage, or injury.

### Developer will erect and maintain all signage, tags, plates, and other identification markers on the Subject Lands in accordance with the Directives and Railroad Commission requirements.

### Any lines, including but not limited to, electric, Water, and oil and gas transportation lines, located on the Subject Lands must be buried to a sufficient depth to allow the use of deep plowing equipment for agricultural purposes. As such, Developer must cover the top of all lines by at least thirty-six inches (36”) of soil. Any rock brought to the surface in connection with laying lines will be placed back in the ditch below deep plowing depth. Large amounts of rock that could interfere with the cultivation of the soil will be promptly removed from the Subject Lands by Developer. Developer will record in the county records where the Subject Lands are located a survey of all “as-built” electric, communications, Water, and oil and gas lines located on the Subject Lands and will provide a recorded copy of each document to University Lands within thirty (30) days of recording.

### Developer agrees to maintain seals on all meters and tank batteries, require oil transport vehicles to maintain trip tickets, and exercise the highest degree of care and all reasonable safeguards, as a reasonably prudent operator, to prevent the theft or loss of Produced Substances.

### Unless otherwise agreed by University Lands, within ninety (90) days from Completion of a Development Well, or the conclusion of operations on a dry hole, (i) all pits will be emptied and filled in, (ii) all surface areas, including roads, will be filled and leveled, (iii) all caliche not needed for a base for a tank battery, pumping unit, roadway, or other equipment, will be removed and placed back in the pit from which it was initially excavated (if on the Subject Lands), unless specified otherwise by University Lands, (iv) all restored areas will be reseeded under the direction of University Lands, and (v) the surface of the applicable Subject Lands will be restored by Developer to the condition it was in before any operations were commenced.

### Except as to any Production Acreage which is included in a Designation of Production Acreage, upon the expiration or termination of the Development Term (or Extended Term, if applicable), Developer will, unless otherwise instructed in writing by University Lands, (i)  remove all equipment, including pipelines and utilities, (ii) drain, fill, and level all pits, and (iv) restore the surface of the Subject Lands to the condition it was in before any operations were commenced. Failure by Developer to fulfill these obligations within one hundred-twenty (120) days after expiration or termination of the Development Term (or Extended Term, if applicable) will result in monetary or other penalties as allowed under the Directives. For any well(s) not producing in Paying Quantities, Developer shall be required to plug and abandon such well(s), remove any appurtenant equipment and restore the surface for such well(s) location within ninety (90) days from the end of the six-month Paying Quantities period. If Developer fails to fulfill these obligations, Developer shall pay to University Lands as liquidated damages five thousand dollars ($5,000) per month as well as any other amounts provided for under the Directives. Developer acknowledges that, as of the Effective Date, the harm caused by its failure to fulfill these obligations is incapable or difficult of estimation and the amount of liquidated damages called for herein is a reasonable forecast of just compensation.

## CULTURAL RESOURCES. Developer will comply with the Antiquities Code (Texas Natural Resources Code, Chapter 191 or its successor statute) and applicable rules promulgated thereunder by the Texas Historical Commission or its successor. Developer will undertake its activities on the Subject Lands in a manner consistent with public policy relating to the location and preservation of archeological sites and other cultural resources in, on, or under public lands, including the Subject Lands. Developer will not remove and must use the highest degree of care and all reasonable safeguards to prevent the taking, alteration, damage, destruction, salvage, or excavation of cultural resources and/or landmarks on the Subject Lands. Upon discovery of an archeological site, Developer will immediately give written notice of such discovery to University Lands and to the Texas Antiquities Committee, as set out in the Texas Historical Commission’s rules. Neither Developer nor its Representatives will have any right, title, or interest in or to any archaeological articles, objects, or artifacts, or other cultural resources located or discovered on the Subject Lands.

## POLLUTION MANAGEMENT AND REDUCTION; HAZARDOUS MATERIALS; ENVIRONMENTAL REMEDIATION.

### Developer will use the highest degree of care and all necessary safeguards to prevent contamination or pollution of any environmental medium, including soil, surface Water, groundwater, sediments, and surface or subsurface strata, ambient air, or any other environmental medium in, on, or under the Subject Lands by any waste, pollutant, or contaminant. If contamination or pollution occurs, Developer will notify University Lands immediately and provide all internal and external reports Developer prepares related to such contamination and pollution. Developer will not bring or permit to remain on the Subject Lands any explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances, or toxic substances under any federal, state, or local law or regulation (collectively, “***Hazardous Materials***”), except products commonly used in connection with oil and gas exploration and development operations and stored in a lawful manner and in lawful quantities. To the satisfaction of University Lands, Developer will clean up, remove, remedy, and repair any soil or groundwater contamination and damage caused by the presence or release of any Hazardous Materials in, on, under, or about the Subject Lands resulting from Developer’s operations on the Subject Lands. Burial of Hazardous Materials is explicitly prohibited. Developer’s obligations in this Article 6.i. will survive the expiration or termination of this Agreement and/or any Designation of Production Acreage. Developer will install rig and other oilfield lighting in a manner that minimizes light pollution as much as reasonably possible and will use best industry practices to capture and minimize air pollution and emissions. Unless otherwise approved by University Lands, Developer will comply with all environmental laws, rules, and regulations, regardless of any legal challenges, until the appropriate legal authority amends or changes the regulation or a court of competent jurisdiction has issued a final decision on the matter in question.

### Developer shall proactively monitor its operations on the Subject Lands to ensure compliance with all applicable environmental laws, regulations, and standards. If Developer's operations cause any pollution or contamination of the Subject Lands, Developer shall immediately take all necessary actions to mitigate, remediate, and restore the affected area to its pre-contamination state and will provide University Lands with copies of regulatory submittals, responses and deliverables to each regulatory entity which is charged with all regulatory oversite and closure of the pollution or contamination. If University Lands becomes aware of any pollution or contamination caused by Developer’s operations on the Subject Lands, University Lands may require Developer to submit a corrective action work plan for approval. The corrective action work plan shall include a detailed description of the corrective actions to be taken, the time frame for completion, and any other information that University Lands deems necessary. Developer shall diligently and expeditiously complete the corrective actions identified in the approved corrective action work plan. Developer shall be responsible for all costs associated with implementing the remediation plan, including but not limited to, the costs of consultants, contractors, and materials. Developer shall perform the remediation work in accordance with all applicable environmental laws, regulations, and standards as required by University Lands, and shall provide University Lands with written updates on the progress of the remediation work on a regular basis. Developer shall not be relieved of any obligations or liabilities under this Agreement or any applicable law, rule, or regulation (including the Directives and the Field Manual) as a result of the submission and approval of a remediation plan or corrective action work plan, and the approval of a remediation plan or corrective action work plan by University Lands shall not constitute a waiver of any rights or remedies available to University Lands under this Agreement or any applicable law, rule, or regulation (including the Directives and the Field Manual).

## SURFACE WATER. University Lands’ express written consent is required prior to Developer using any surface Water found on the Subject Lands or any property owned or controlled by University Lands or any Water from Water wells or stock tanks controlled by University Lands or its surface tenants. In the event Water for Completion Operations is imported by Developer or its Representatives from fee lands outside of University Lands’ boundaries, Developer shall be responsible for payment of a tariff the greater of (i) ten ($.10) cents per barrel and (ii) the amount set forth in the Rate and Damage Schedule (as may be updated from time to time). Further, if produced Water (including but not limited to flowback Water, formation water, or brine) is transported by Developer or its Representatives off the Subject Lands for disposal on fee lands, Developer shall be responsible for payment of a tariff the greater of (a) ten ($.10) cents per barrel and (b) the amount set forth in the Rate and Damage Schedule (as may be updated from time to time). Operator shall meter all Water imported and exported pursuant to this Agreement and report monthly to University Lands or upon written request.

## SUBSURFACE WATER, CALICHE, GRAVEL, AND SAND.

### Developer must promptly provide to University Lands a written estimate of Developer’s subsurface Water, caliche, gravel, and sand needs in connection with Operations or other activities on the Subject Lands. Developer may use such products from the Subject Lands or other lands owned by University Lands, in each case, upon receipt of University Lands’ prior written approval, and if such products are available from PUF lands. Developer will pay the prices for all such substances as listed in the Rate and Damage Schedule in effect at the time the substances are used or produced. Developer may not acquire or use Water, caliche, gravel, or sand from non-PUF lands in connection with Operations or other activities on the Subject Lands without the prior written consent of University Lands, which may be granted or withheld in University Lands’ sole and absolute discretion.

### Provided that Developer obtains University Lands’ prior written approval, Developer may use subsurface water found and produced or impounded by Developer on the Subject Lands for Drilling, Completion, and construction operations only in connection with primary Hydrocarbon production (and not secondary or enhanced Hydrocarbon production) from the Subject Lands.

# **EXPIRATION OF THE DEVELOPMENT TERM AND PRODUCTION ACREAGE.**

Subject to Article 3 and this Article 7, the rights provided to Developer pursuant to Article 1 shall terminate and be of no further force and effect at the expiration of the Development Term (or Extended Term, if applicable). Within thirty (30) days after the expiration of the Development Term (or Extended Term, if applicable) or if this Agreement is otherwise terminated prior to such expiration, Developer will record in the appropriate county of record a Notice of Termination and Release of Agreement “***Release of Agreement***” document (which shall be pre-approved by University Lands) and provide a copy of the recorded release document to University Lands; *provided, however*, University Lands shall have the right to unilaterally execute and record a Release of Agreement if Developer fails to record same within such thirty (30) day period.

## EXTENDED TERM AND CONTINUOUS DRILLING OPERATIONS. At the end of the Development Term or upon termination of this Agreement (if this Agreement is otherwise terminated prior to the end of the Development Term), if Developer is then engaged in Drilling Operations or Completion Operations with respect to a Development Well on the Subject Lands, then the Development Term shall be extended INSOFAR AND ONLY INSOFAR as to such ongoing Drilling Operations and/or Completion Operations with respect to such Development Well (such extension, the “***Extended Term***”). The Extended Term shall terminate on the earlier of (i) the date that is the sixtieth (60) consecutive day after Developer ceases conducting such ongoing Drilling Operations as determined under Article 4.b (and Developer does not Commence Completion Operations on the applicable Development Well within such sixty (60) day period) and/or Completion Operations with due diligence and (ii) the date that is ninety (90) days after the end of the Development Term or earlier termination of this Agreement, as applicable. Notwithstanding anything in this Article 7.a to the contrary, Developer shall have no right to begin new Drilling Operations on the Subject Lands during the Extended Term.

## PRODUCTION ACREAGE. “***Production Acreage***,” for purposes of this Agreement, is a designated area of land and depths around the take points in a Development Well capable of producing in Paying Quantities containing no more than the amount of acreage set forth below in Article 7.c, limited in depth from one hundred feet (100’) above the shallowest commercially producing perforation at which such Development Well is Completed to one hundred feet (100’) below the deepest commercially producing perforation at which such Development Well is then Completed, as demonstrated by documentation provided by Developer at the time the Production Acreage is determined. Such Production Acreage shall be designated in accordance with Article 7.d. below. All Production Acreage earned under the terms of this Agreement will be described utilizing a Jeffersonian (Qtr./Qtr.) legal description approved by University Lands. It is hereby expressly prohibited for any Production Acreage earned under the terms of this Agreement to extend to cover any tract of land that is located more than: (i) one hundred and twenty five feet (125’) in a parallel direction from the first or last take point in the subject wellbore; (ii) four hundred feet (400’) in a perpendicular direction from any take point in the subject wellbore.

## MAXIMUM SIZE OF PRODUCTION ACREAGE. No Production Acreage assigned to a Development Well pursuant to any Designation of Production Acreage may exceed the amount of acreage calculated using the following formula without University Lands’ prior written consent: [0.016 X L = A], where L = the length (in feet) of the horizontal lateral component of the well from the first take point to the last take point, and A = the area in acres contained in the Production Acreage, provided that, if A is not evenly divisible by the number 5, A will be rounded up to the next number divisible by 5; *provided, however*, Production Acreage formed around Development Wells producing from different formations or zones may overlap and will overlap when necessary to comply with the requirements of this Article 7.

## DESIGNATION AND CONFIGURATION OF PRODUCTION ACREAGE. Upon Developer’s Commencement of Drilling Operations for any Development Well, Developer shall promptly (but in no event later than thirty (30) days after such Commencement) deliver to University Lands in writing (electronic mail is acceptable) for each such Development Well the following: (i) the spud date; (ii) a preliminary plat (which shall include the API number); (iii) the actual depths within the Subject Lands the Developer plans to perforate and (iv) the expected Completion date. Upon Completion of a Development Well, Developer will present to University Lands the following: (i) the date of rig release; (ii) the Completion date; (iii) the date of first production; (iv) the first sales date and (v) a proposed Designation of Production Acreage for each such Development Well for University Lands’ approval, all of which, in each case, must be delivered in writing (electronic mail is acceptable) to University Lands. Each proposed Designation of Production Acreage shall identify the Development Well to which it applies (including API number) and shall be accurately and adequately described by (i) a survey, (ii) an adequate legal description as approved by University Lands, and (iii) specification of the depths attributable to it. If Developer does not present a proposed Designation of Production Acreage within sixty (60) days after the completion of Drilling Operations for a Development Well, University Lands shall have the right to designate the Production Acreage for each such Development Well, which shall be in University Lands’ sole discretion, subject to Article 7.b. and Article 7.c. with respect to the size of such Production Acreage. Developer must take into consideration the productive limits of the producing interval and the configuration of the Subject Lands, and in all circumstances, Developer will ensure that the acreage assigned to the Production Acreage will be as close as possible to the form of a square or rectangle, and, if at all possible, Developer shall utilize a Jeffersonian (Qtr./Qtr.) legal description. Developer will make every effort when designating Production Acreage to place the Development Well in the middle of the Production Acreage and avoid small, irregularly shaped, irregularly stranded, or unusable portions of the Subject Lands, or portions not contiguous with other released portions. University Lands may, at its option, object to Developer’s proposed Designation of Production Acreage if it does not comply with this Article 7.d., and Developer shall then be required to submit a revised proposed Designation of Production Acreage within fifteen (15) days of receipt of such objection that complies with this Article 7.d. University Lands shall have no obligation to execute and deliver a Designation of Production Acreage to Developer for any Development Well until such time as a Designation of Production Acreage has been approved by University Lands in accordance with this Article 7.d.

## POOLING; ALLOCATION. Without the prior written consent of University Lands, which may be granted or withheld in its sole and absolute discretion, Developer is expressly prohibited from pooling or unitizing any part of the Subject Lands with any other lands for the exploration, development and production of any Produced Substance. If Developer desires to drill a Development Well, whether or not classified as an allocation well, across the Subject Lands that traverses other lands, Developer is prohibited from Commencing Drilling Operations for such Development Well until it obtains a Production Sharing Agreement or other written consent executed by University Lands, which may be granted or withheld in its sole and absolute discretion. Further, no part of any Development Well may traverse the Subject Lands except for the purpose of producing Produced Substances without the prior written consent of University Lands, which may be granted or withheld in its sole and absolute discretion. All production from any Development Well Drilled by Developer in violation of this Article 7.e shall be allocated 100% to the Subject Lands for purposes of Article 7.

# **ROYALTY.** Developer shall not produce any Development Well, other than incidental production associated with Completion Operations, prior to the execution of the Designation of Production Acreage by Developer and University Lands. To the extent Developer produces Hydrocarbons from any Development Well prior to execution of the corresponding Designation of Production Acreage, Developer will pay or cause to be paid to University Lands a monetary royalty payment of Twenty-Five Percent (25%) of the Gross Value of Gross Production of all Produced Substances. Monetary royalties are the default form of royalty payment due under this Agreement. University Lands has the right, at University Lands’ sole election, to take its royalty share in kind pursuant to Article 8.c below. Royalties are due to University Lands free of any and all deductions, and University Lands’ royalty, whether based on gross proceeds or otherwise, will never bear or be charged with any Costs and Expenses, either directly or indirectly, and whether such charges are characterized as production or post-production charges. Notwithstanding anything herein to the contrary, if a contract for the sale or disposition of Produced Substances by Developer or its Affiliate, as applicable, includes, directly or indirectly, reductions or charges for any Costs and Expenses, then such deductions will be added back to the gross proceeds for such sale or disposition so that University Lands’ royalty shall never be charged, directly or indirectly, with any such Costs and Expenses, regardless of whether arising before or after the point of sale or disposition of such Produced Substances. University Lands and Developer agree that the foregoing provisions are to be given full effect, and are not to be construed as “surplusage,” despite the holdings in the cases styled *Heritage Resources, Inc. v. NationsBank*, 939 S.W.2d 118 (Tex. 1996) and *Judice v. Mewbourne Oil Co.*, 939 S.W.2d 133 (Tex. 1996) which will have no application to the terms and provisions of this Agreement. For the further avoidance of doubt, University Lands and Developer agree that the royalty payments due to University Lands under this Agreement will bear neither production costs nor post-production costs under any circumstances and regardless of whether the royalty is delivered as a monetary payment or delivered in-kind to University Lands.

## KEEP WHOLE. If gas produced from the Subject Lands is processed for liquefiable Hydrocarbons prior to sale, royalty payments will be calculated using the higher of the value of (i) the Gross Value of the Gross Production as though the gas had not been processed, or (ii) the dollar amount equal to the total of the consideration received by Developer or its Affiliate for the sale of such liquefiable Hydrocarbons to an unaffiliated third party plus the total consideration received by Developer or its Affiliate for the sale of all residue gas to an unaffiliated third party, with any and all Costs and Expenses deducted from or otherwise applied, directly or indirectly, to the sales prices for both liquefiable Hydrocarbons and residue gas added back to such sale prices.

## INJECTIONS; RECYCLED GAS. Developer may not inject any substance into the subsurface of the Subject Lands without University Lands’ prior written consent, including injections related to gas lift operations or recycled gas. If Developer is granted permission to inject gas, whether or not native gas, into a subsurface formation, no royalty will be due on the injected gas until it is produced and sold.

## ROYALTY IN KIND. University Lands may elect to take all or any part of its royalty in kind at any time by giving Developer sixty (60) days written notice of such election. University Lands has the right to specify the point of delivery for Produced Substances, which, at University Lands’ sole discretion, may be at the wellhead, at the separator, into a pipeline connected at the well, or at the location Developer sells its production, or University Lands and Developer may specify another mutually agreeable location. Developer will bear to the point of delivery all Costs and Expenses related to the Produced Substances delivered to University Lands. University Lands’ election to take its royalty in kind will not modify or limit Developer’s duty to pay monetary royalties as provided herein or to market any Produced Substances not taken in kind. If University Lands elects to take its royalty in kind, University Lands and Developer agree to negotiate in good faith for additional agreements necessary and useful including, but not limited to, a gas balancing agreement.

## ROYALTY ON CONTRACT SETTLEMENTS. Developer will pay University Lands a percentage equal to the royalty rate set forth in this Article 8 of all monetary settlements received by Developer relating to the marketing, pricing, or taking of Produced Substances.

## COMMINGLING. Developer must obtain prior written permission from University Lands before (i) commingling Produced Substances from the Subject Lands with production from any other lease or unit into (x) a common manifold or separator, (y) common storage, or (z) a common gathering system or pipeline or (ii) utilizing an off-Subject Land gas supply to inject gas for lift purposes into any formation capable of producing Hydrocarbons from the Subject Lands. University Lands may require gas, casinghead gas, distillate, condensate, and by-products thereof to be allocated on a component basis as well as on an MMBtu basis. These requirements are in addition to, and apart from, the requirements of any other state and/or federal entity.

## METERING. Developer agrees that any Hydrocarbons in liquid or gaseous form produced from the Subject Lands will be measured separately before the liquid or gas Hydrocarbons leave the Subject Lands. Developer will comply with all applicable American Gas Association Standards, as well as the American Petroleum Institute Manual of Petroleum Measurement Standards for any measurement device or tank that covers the standards, practices, guidelines, recommendations, and procedures which include, but are not limited to, the design, installation, calibration, testing, and handling of samples and operation of a metering system used for the measurement of Hydrocarbons in liquid or gaseous form at any meter location on the Subject Lands, at a point of custody transfer, for the purpose of tract allocation in the event of surface commingling, or for the reporting and allocation of fuel, flared gas volumes, vented volumes, or any other uses on the Subject Lands.

# **PAYMENTS, CORRESPONDENCE, AND NOTICES TO UNIVERSITY LANDS.**

## ROYALTY PAYMENTS AND RECORDS. Developer must comply with the reporting requirements of Texas Education Code §§ 66.77 and 66.80 regarding royalty payments and records (including marketing contracts).

## MONETARY PAYMENT TERMS. Monetary payments must be paid to University Lands in accordance with the Rules in effect at the time payments are due. As of the Effective Date, the Rules specify that: (i) payments must be made to the Board of Regents of the University of Texas System; (ii) royalties due on oil are due on or before the 5th day of the second month following production (e.g., royalties on oil produced in January must be paid on or before March 5th) and (iii) royalties on gas are due on or before the 15th day of the second month following production (e.g., royalties due on gas produced in January must be paid on or before March 15th). All payments must be directed to the following address, or to any other address specified by University Lands in writing:

UT System Board of Regents c/o University Lands

Attention: Accounting Manager

P.O. Box 553

Midland, Texas 79702-0553

Payments submitted electronically must be delivered by electronic funds transfer to the proper account with the Comptroller of the State of Texas, pursuant to written instructions and designation of the University Lands.

## FAILURE TO MAKE TIMELY PAYMENTS; PENALTIES AND INTEREST. Developer’s failure to make timely and proper payments of royalties shall result in default of this Agreement after receipt of the notice detailed in Article 14.b. below or forfeiture of this Agreement under Article 14.c. below. Late payments are subject to penalties and interest as provided by the Rules in effect on the date such payments are due. University Lands’ rights to collect penalties and interest are in addition to its rights to pursue other remedies at law or in equity.

## NOTICES AND CORRESPONDENCE. Notices or other communication required or permitted to be given hereunder must be in writing and given by personal delivery, e-mail transmission (if contact information is provided for the specific mode of delivery), or first-class mail, postage prepaid, sent to the designated representatives below:

## **Developer**:

## [\_\_\_\_\_\_\_\_\_\_\_\_\_\_

## \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_]

## **University Lands**:

## Attn: Senior Vice President, Land

## 704 West Dengar Avenue

## Midland, Texas 79702-0553

## [\_\_\_\_\_\_\_\_]@utsystem.edu

## or such other U.S. mail or electronic mail address provided in writing. All changes of address must specifically reference this Agreement and the University Lands Agreement Number. Notice shall be deemed to have been received by the party to who it is properly addressed upon delivery or if such date of delivery in not a Business Day, of the next following Business Day.

# **DATA REQUIREMENTS.**

## DIRECTIVES AND REGULATORY INFORMATION. Developer will provide records, information, applicable contracts, and all other materials to University Lands as provided in the Regulatory Reporting Procedures, the Rules, and other Directives, in each case as applicable. Production and Completion Records (as defined in the Procedures, Rules, and other Directives) must be submitted on a per well basis. Specific requested information is detailed in the Data Templates which can be found on the University Lands website. Pursuant to Subchapter 3.3 of the Rules, failure to provide the requisite records, information, forms, reports, and/or logs will result in the penalties provided for in the Rules and such penalties will be invoiced to Developer. Developer will also provide to University Lands via electronic mail to ogregulatory@utsystem.edu copies of all correspondence and other information from the Railroad Commission as required by the Rules.

## OTHER DATA OBLIGATIONS. Upon written notice from University Lands, Developer will promptly and timely provide University Lands any data and information related to all of Developer’s operations and activities under this Agreement, without limitation. University Lands’ notice may be sent via electronic mail and will include a description of:(i) the data required; (ii) the format, form, and method for delivery of the data to University Lands; and (iii) the date by which Developer must comply with University Lands’ data request.

## RIGHT TO AUDIT. University Lands and its Representatives have the right to examine, make copies of, and extract any information from Developer’s books, records, accounts, and agreements related to the Subject Lands, and all operations or production on or from the Subject Lands.

## ROYALTY PAYMENT REPORT. Not more than once every twelve (12) months, upon University Lands’ written request, Developer will promptly provide to University Lands a report detailing the amounts, dates, and calculations of all royalties paid under this Agreement and/or any Designation of Production Acreage. University Lands may elect to have such report and its source information audited to determine the accuracy of the report. If University Lands identifies an error in royalties paid, University Lands will notify Developer in writing of the error, and Developer will have a period of fifteen (15) calendar days from receipt of the notice to (i) remit all previously unpaid royalties to University Lands, plus interest as specified in the Rules, and (ii) reimburse University Lands for all costs and expenses associated with the audit.

## MATERIALITY. Developer’s Failure to comply with its obligations to provide data and information as required herein may result in monetary or other penalties, including default of this Agreement after receipt of the notice detailed in Article 14.b. below or forfeiture of this Agreement under Article 14.c.

# **RELEASE AND INDEMNITY.**

## Developer assumes all risks and liabilities of any kind resulting in any manner in connection with this Agreement and, directly or indirectly, from Developer’s Operations and other activities on the Subject Lands and agrees to keep the Subject Lands duly and fully protected from any violations thereto, and against liens of every character arising from its Operations and other activities and hereby agrees to INDEMNIFY, DEFEND, HOLD HARMLESS, RELEASE AND DISCHARGE University Lands, the State of Texas, University Lands, the Board of Regents, the University of Texas System, the officers and board members of University Lands, and each of their respective Representatives, regents, heirs, devisees, successors and assigns (the “***University Lands Indemnified Parties***”) from and against any and all claims, liabilities, losses, damages, actions and causes of action of every nature (including personal injury and wrongful death), costs and expenses, or other harm for which recovery of damages is sought, under any theory including tort, contract or strict liability, including attorneys’ fees and other legal expenses, in each case which arise out of, are incidental to, result from or are in any way related to (i) environmental hazards on the Subject Lands, (ii) Developer’s failure to comply with any and all environmental laws, (iii) the Operations or any other activities of, or on behalf of, Developer on the Subject Lands, including any use of the surface, (iv) Developer’s breach of any of the terms or provisions of this Agreement, (v) any breach of Developer’s representations and warranties in Article 18 and/or (vi) any other act or omission of Developer, its Representatives, guests or invitees.

## Each assignee of this Agreement and/or any Designation of Production Acreage, or an interest therein, agrees to be liable for, exonerate, indemnify, defend, hold harmless and release the University Lands Indemnified Parties in the same manner as provided above.

## University Lands makes no representations or warranties whatsoever, and disclaims all liability and responsibility for any representation, warranty, statement, or information made or communicated (orally or in writing) to Developer (including any opinion, information, or advice that may have been provided to Developer by any respective Affiliate or Representative of University Lands and/or by any investment bank or investment banking firm, and/or any petroleum engineer or engineering firm). without limiting the generality of the foregoing, University Lands expressly disclaims and negates any representation or warranty, express, implied, at common law, by statute, or otherwise, relating to (a) the title to any of the Subject Lands, (b) the condition of the Subject Lands (including any implied or express warranty of merchantability, fitness for a particular purpose, or conformity to models or samples of materials), it being distinctly understood that the Subject Lands are “as is,” “where is,” and “with all faults as to all matters,” (c) any infringement by University Lands of any patent or proprietary right of any third party, (d) any information, data, or other materials (written or oral) furnished to Developer by or on behalf of University Lands (including without limitation, in respect of the data, the existence or extent of Hydrocarbons or the mineral reserves, the recoverability of such reserves, any product pricing assumptions, and the ability to sell Hydrocarbon production), and (e) the environmental condition and other condition of the Subject Lands and any potential liability arising from or related to the Subject Lands.

## Developer acknowledges and affirms that it has made its own independent investigation, analysis, and evaluation of the Subject Lands (including Developer’s own estimate and appraisal of the extent and value of the Hydrocarbon reserves attributable to the Subject Lands and an independent assessment and appraisal of the environmental risks associated with the Subject Lands). Developer acknowledges that in entering into this Agreement, it has relied and will rely on the aforementioned investigation. Developer hereby irrevocably covenants to refrain from, directly or indirectly, asserting any claim, or commencing, instituting, or causing to be commenced, any proceeding of any kind against University Lands or any of the University Lands Indemnified Parties, alleging facts contrary to the foregoing acknowledgment and affirmation.

## Developer acknowledges and accepts that: (a) the Subject Lands have been used in connection with the exploration for, and the development, production, treatment, and transportation of, Hydrocarbons; (b) spills of wastes, Hydrocarbons, produced water, Hazardous Materials, and other materials and substances may have occurred in the past or in connection with the Subject Lands; (c) there is a possibility that there are currently unknown, abandoned wells, plugged wells, pipelines, and other equipment on or underneath the Subject Lands; (d) the Subject Lands may contain asbestos and other man-made fibers (“***MMMF***”), Hazardous Materials, and/or naturally occurring radioactive material (“***NORM***”); (e) NORM may affix or attach itself to the inside of wells, materials, and equipment as scale or in other forms; (f) wells, materials, and equipment located on the Subject Lands may contain NORM; (g) NORM-containing material may have been buried or otherwise disposed of on the Subject Lands; and (i) special procedures may be required for remediating, removing, transporting, and disposing of MMMF, NORM, Hazardous Materials, and other materials from the Subject Lands.

## Developer’s indemnity obligations and liabilities assumed under this Agreement by Developer (including without limitation those set forth in this section 7) will be without limits and will be effective and enforceable against Developer and in favor of the University Lands Indemnified Parties regardless of (i) the cause or causes thereof, (ii) any theory of strict liability or (iii) any sole, joint or concurrent negligent act or omission of the University Lands Indemnified Parties, whether said act or omission is the proximate cause of injury or not (except if caused by the willful misconduct of the University Lands Indemnified Parties).

# **INSURANCE.**

## In accordance with the Directives, Developer will ensure that Developer and any person acting on Developer’s behalf under this Agreement will carry the required insurance with one or more insurance carriers licensed by the Texas Department of Insurance in the amounts required by the Directives or otherwise required by law.

## By January 1 of each calendar year, Developer will deliver to University Lands Certificates of Insurance evidencing Developer’s insurance coverage. For those policies of (i) Commercial General Liability and Umbrella Liability Insurance and (ii) Business Auto and Umbrella Liability Insurance, such polices must include endorsements to: (v) name the University Lands Indemnified Parties as additional insureds; (x) be primary in relation to any policies carried by the University Lands Indemnified Parties; (y) reflect that University Lands will receive twenty (20) days prior written notice of cancellation or material change to Developer’s insurance coverage; and (z) reflect that the insurer has waived any right of subrogation against the University Lands Indemnified Parties.

# **LIEN.** By acceptance of this Agreement, Developer grants to the Board of Regents an express contractual lien on and security interest in all Produced Substances in and extracted from the area covered by this Agreement, all proceeds which may accrue to Developer from the sale of the Produced Substances, whether the proceeds are held by Developer or another person, and all fixtures on and improvements to the Subject Lands used in connection with the production or processing of the Produced Substances to secure the payment of royalties and other amounts due or to become due under this Agreement or the TEC and to secure payment of damages or loss that University Lands may suffer by reason of Developer’s breach of a covenant or condition of this Agreement, whether express or implied.

# **BREACH; DEFAULT; FORFEITURE.**

## University Lands’ acceptance of any payments under this Agreement will never constitute or be deemed to be: (i) a ratification, renewal, or amendment of this Agreement or any Designation of Production Acreage; (ii) a waiver of the rights granted to University Lands, or the obligations imposed upon Developer; or (iii) an estoppel against University Lands preventing the enforcement of University Lands’ rights or Developer’s obligations hereunder or from seeking damages for Developer’s breach of the Agreement. University Lands’ agreement to accept royalty payments directly from any purchaser will not affect Developer’s obligations to pay royalties to University Lands under this Agreement. No instrument executed by University Lands will be effective to constitute a ratification, revivor, renewal, extension, or amendment of this Agreement or Designation of Production Acreage unless the instrument is clearly titled to indicate its purpose and intent.

## If Developer violates, fails to perform, or breaches any term or covenant in this Agreement, University Lands will notify Developer in writing of the violation, failure, or breach. Developer will have thirty (30) calendar days from receipt of University Lands’ written notice, in which to remedy the violation, failure, or breach. If Developer disputes any claim by University Lands of a breach or default, Developer will notify University Lands of its dispute as soon as possible, but not later than fifteen (15) calendar days after receipt of University Lands’ notice. The receipt by University Lands of such notice from Developer will be a condition precedent to University Lands’ right to bring an action for any cause, and in the absence of such notice, no such action will be brought by University Lands until the expiration of the thirty (30) day notice period to Developer. University Lands may remedy any type of breach or default or, at University Lands’ election, terminate this Agreement pursuant to Article 14.c. below (by filing a Release of Agreement as provided in Article 7) if Developer fails to remedy such breach or default within the thirty (30) day period. In addition to any other remedies available to University Lands, University Lands may elect to remedy any breach or default with contemporaneous written notice to Developer if immediate action by University Lands would mitigate or prevent further, avoidable damages or if Developer’s breach or default involves any environmental or regulatory issues. Under those circumstances, Developer must pay all damages, costs, and expenses incurred by University Lands, including, but not limited to attorney’s fees, within ten (10) calendar days of University Lands’ presentation to Developer of receipts related to such actions. If University Lands remedies a claimed breach or default to mitigate damages or to remedy environmental or regulatory issues, Developer must pay all costs presented by University Lands, and Developer’s payment will only be refunded if Developer prevails in its dispute of the underlying claim. If University Lands pursues litigation and prevails in its claim of breach or default, Developer must pay all costs and expenses incurred by University Lands in enforcing the terms of this Agreement, including attorney’s fees and interest on all money expended by University Lands to remedy such breach or default (if applicable) at the highest rate allowed by the Directives.

## Under the Directives, this Agreement is also subject to forfeiture for Developer’s failure to comply with the terms of this Agreement. Once all or any portion of the Subject Lands has been forfeited by Developer, it will immediately be available for offer in public lease sales or other contracts for development. Developer acknowledges and agrees that each of its obligations and requirements under this Agreement is material and failure to satisfy one or more obligation or requirement hereunder may result in default of this Agreement after receipt of the notice detailed in Article 14.b. above or forfeiture of this Agreement under this Article 14.c.

## Nothing herein will be construed as waiving or preventing the automatic termination of this Agreement by operation of law or by reason of any special limitation or condition arising under this Agreement, and University Lands may exercise all remedies available to University Lands to enforce or terminate this Agreement, collect monetary payments due, or take any other action related to the Agreement.

# **ASSIGNMENTS; RELEASE.**

## Developer shall not assign or transfer this Agreement nor any right, interest, or obligation hereunder, in whole or in part (including in all cases via operation of a change of control or merger, regardless of whether such change of control or merger is deemed an assignment or transfer under applicable law) without prior written consent of University Lands. Consent under this Article 15 may be withheld, granted, or conditioned as University Lands deems appropriate within its sole discretion for any reason or no reason at all, and may include the requirement of payment of additional consideration. Subject to the foregoing, Developer must promptly provide recorded copies of any assignment (or other transfer documents) to University Lands within thirty (30) days of the assignment or transfer from Developer to another party. Any attempt to assign or transfer this Agreement or any right, interest, or obligation hereunder, in whole or in part, without the prior written consent of University Lands will not be effective and will nullify this Agreement. Failure to provide a recorded copy of an assignment (or other transfer documents) subject hereto to University Lands will result in monetary penalties and will also result in default of this Agreement after receipt of the notice detailed in Article 14.b. above or forfeiture of this Agreement under Article 14.c. Further, the relinquishment of rights acquired under this Agreement is governed by the Directives.

## The assignment or relinquishment of the Subject Lands, or any part of the Subject Lands, will not relieve the Developer of any obligations accrued under this Agreement prior to such assignment or relinquishment, including plugging and abandonment liabilities, or impair any liens provided by law or this Agreement. University Lands may at its option require any assignee of Developer to demonstrate financial wherewithal to comply with such assignee’s obligations under this Agreement and may require a bond or other security from such assignee. All assignments must reference this Agreement by file number.

# **VENUE**. The venue for any suit arising out of a provision of this Agreement, whether express or implied, regarding interpretation of this Agreement, or relating in any way to this Agreement or to applicable case law, statutes, or administrative rules, will be selected by University Lands in its sole discretion in a court of competent jurisdiction located in either Harris County, Texas, Travis County, Texas, or the county in which the Subject Lands are located, and University Lands and Developer expressly submit to the jurisdiction of such court and the State of Texas. Developer waives any right to any transfer of venue or plea to the jurisdiction that might exist in the absence of this provision. University Lands and Developer agree that Texas law exclusively, and without regard to choice of law rules, governs this Agreement. Developer expressly waives, and University Lands has the election in its sole and absolute discretion to waive, trial by jury in any litigation arising out of, connected with, or relating to this Agreement.

# **MISCELLANEOUS.**

## SUCCESSORS AND ASSIGNS. The covenants, conditions, liabilities, and obligations contained in this Agreement will be binding upon the heirs, executors, administrators, successors, or assigns of Developer.

## CONFLICTS. If a conflict arises between the terms of this Agreement and the terms of the Directives, the provisions of the Directives will control and prevail; provided, however, that the terms of this Agreement may supplement the Directives.

## SEVERABILITY. If any clause or provision of this Agreement is invalid or unenforceable at any time under then-current laws, the remainder of this Agreement will not be affected, and this Agreement will be modified so that there will be added as a part of this Agreement a legal, valid, and enforceable clause or provision as similar in terms as possible to the invalid or unenforceable clause or provision.

## CAPTIONS. The captions of the Articles of this Agreement are for reference purposes only and will not affect the meaning or interpretation of this Agreement.

## TIME OF ESSENCE. Time is of the essence in this Agreement.

## TITLE. As provided in Article 11.c, this Agreement is provided without any covenant of title or warranty of title of any kind whatsoever, express, implied or statutory. Developer will have no recourse against the University Lands in the event of any failure of title, nor will any of the consideration paid for this Agreement, or any royalties or any other payments made hereunder, be refunded to Developer.

## RECORDATION OF AGREEMENT. University Lands and Developer have not executed a Memorandum of Agreement. Developer is hereby required to promptly record this Agreement in the records of the county or counties in which the Subject Lands are situated, to give record notice of this Agreement and to serve as a financing statement under the Texas Uniform Commercial Code.

## ENTIRE AGREEMENT. This Agreement constitutes the sole agreement of the Parties with respect to the subject matter and supersedes any prior written or oral agreements or communications between the Parties. This Agreement may only be amended in a writing signed by both Parties.

## PUBLIC ANNOUNCEMENTS AND PRESS RELEASES. Developer must provide drafts of any planned public announcements or press releases to University Lands with respect to this Agreement and the transactions contemplated hereby for its review and approval prior to publication or release of any announcements. Unless otherwise required by law or exchange rules or regulations, any public announcements and press releases are only allowed after receipt of written approval by University Lands.

## SURVIVAL. The terms and conditions of this Agreement which by their nature extend beyond termination or expiration of this Agreement will survive the termination or expiration of this Agreement and all provisions containing waivers, disclaimers, representations, warranties, releases, defense obligations and indemnities, all provisions relating to limitations of liabilities, dispute resolution, governing law, and notice and communication requirements. These surviving provisions are essential for the continued interpretation and enforcement of the Parties’ rights and obligations under this Agreement.

# **REPRESENTATIONS AND WARRANTIES OF DEVELOPER.**

## Organization and Good Standing. Developer is duly organized, validly existing, and in good standing under the laws of the state of its formation and in every state in which it is qualified to do business, including the State of Texas.

## Authority; No Conflict.

### This Agreement constitutes the legal, valid, and binding obligation of Developer, enforceable against Developer in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy or other similar laws affecting the rights and remedies of creditors generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). Developer has the absolute and unrestricted right, power, authority, and capacity to execute and deliver this Agreement and to perform its obligations under this Agreement.

### Neither the execution and delivery of this Agreement by Developer nor execution of any Designation of Production Acreage by Developer shall contravene, conflict with, or result in a violation of (i) any provision of the Organizational Documents of Developer, or (ii) any resolution adopted by the board of directors, board of managers, stockholders, or members of Developer.

### Developer is not and shall not be required to give any notice to, or obtain any consent from, any person in connection with the execution and delivery of this Agreement or the execution of any Designation of Production Acreage.

### The individual executing this Agreement on behalf of Developer represents that they have full power and authority to enter into this Agreement on behalf of Developer.

## Certain Proceedings. There is no pending proceeding that has been commenced against Developer that challenges, or may have the effect of preventing, delaying, making illegal, or otherwise interfering with, its obligations under this Agreement. To Developer’s knowledge, no such proceeding has been threatened.

## Knowledgeable Investor. Developer is an experienced and knowledgeable investor in the oil and gas business. Before entering into this Agreement, Developer was advised by its own legal, tax, and other professional counsel concerning this Agreement and the Subject Lands (and the value thereof), and it has relied solely thereon.

## Due Diligence

## . Developer has performed such review and due diligence with respect to the Subject Lands, which includes reviewing well data and other files in performing necessary evaluations, assessments, and other tasks involved in evaluating the Subject Lands as it deems necessary to enable it to make an informed decision to enter into this Agreement.

## Basis of Developer’s Decision

## . By reason of Developer’s knowledge and experience in the evaluation, acquisition, and operation of oil and gas properties, Developer has evaluated the merits and the risks of entering into this Agreement and has formed an opinion based solely on Developer’s knowledge and experience, Developer’s due diligence, and not on any representations or warranties by University Lands. Developer has not relied and shall not rely on any statements, comments, projections or other materials made or given by University Lands or its Representatives in making its decision to enter into this Agreement.

## Financial Ability. Developer has access to sufficient funds to enable it to perform all of its duties and obligations as required under this Agreement.

## Bankruptcy. There are no bankruptcy, reorganization, receivership, or arrangement proceedings pending or being contemplated by Developer or, to Developer’s knowledge, threatened against Developer. Developer is solvent.

# **DEFINITIONS.**

## **“*Affiliate*”** means a person or entity that directly or indirectly controls, is controlled by, or is under common ownership or control with Developer, specifically including but not limited to parents and subsidiaries (i) that directly or indirectly own or control at least a ten percent (10%) interest in Developer, or (ii) in which Developer directly or indirectly owns at least a ten percent interest.

## “***Annual LFO***” is defined in Article 3.a.

## “***Board for Lease***” refers to the Board for Lease of University Lands.

## “***Board of Regents***” means the Board of Regents of the University of Texas System.

## “***Credited LFO***” is defined in Article 3.c.

## “***Commence***”, “***Commencing***”, “***Commenced***”, or “***Commencement***” means when (a) a derrick, a rig, and machinery capable of Drilling a Development Well has been erected, and such well has been spudded-in, and the rotary bit is rotating under power, or (b) Completion Operations, as defined below, have been initiated.

## “***Complete***”, “***Completed***”, “***Completing***”, or “***Completion***”, with respect to a Development Well means (after Drilling Operations are completed on such Development Well), (i) to perform hydraulic fracturing operations and the final stages of well construction to prepare such Development Well for production and (ii) to equip such Development Well as a producing well.

## “***Completion Operations***” means pressure pumping by equipment necessary to stimulate a Development Well into a well that is producing.

## “***Costs and Expenses***” means all costs, whether related to the costs of production or incurred post-production, associated with the Produced Substances, including but not limited to (i) producing, manufacturing, gathering, storing, separating, treating, dehydrating, conditioning, compressing, processing, marketing, fractionating or transporting the Produced Substances (including deductions for lost product or line losses), and (ii) any and all costs (including depreciation) associated with any plant or other facility or equipment for processing or treating Produced Substances, in each case of (i) and (ii), whether directly or indirectly borne by Developer or by third- party purchasers and whether stated as a deduction from the price paid for such Produced Substances (or for products derived from such Produced Substances) or an adjustment to such price based on location or condition.

## “***Developer***” is defined in the introductory paragraph of this Agreement.

## “***Development Plan***” is defined in Article 3.e

## “***Development Term***” is defined in Article 2 of this Agreement.

## ***“Development Block”*** means certain blocks of land within the Target Interval of the Subject Lands that are described and depicted as Development Block [\_\_] through [\_\_] on Exhibit “A” and Exhibit “B”. In the event of a conflict between the description of a Development Block on Exhibit “A” and the depiction of a Development Block on Exhibit “B”, the description of Exhibit “A” shall prevail.

## “***Development Well***” means a horizontal well Completed within the Subject Lands prior to the termination of this Agreement.

## **“*Director*”** refers to the Chief Executive Officer of University Lands or other person identified by the Board of Regents as primarily responsible for the management of University Lands.

## “***Directives***” means, collectively: (i) applicable federal, state, county, and city laws; (ii) all rules and regulations and orders of any local, state, or federal regulatory authority having jurisdiction, including the regulations and orders of the Texas Railroad Commission or its successor agency; (iii) the TEC; (iv) the Texas Natural Resources Code, including the provisions of and rules relating to the Antiquities Code, Texas Natural Resources Code, Chapter 191; (v) the Rules; (vi) the Field Manual; (vii) the Rate and Damage Schedule; (viii) the Regulatory Reporting Procedures; (ix) the Groundwater Management Plan; (x) the Surface Commingling Requirements, (xi) the Soil Remediation Guide; and (xii) the Seed Mixtures Specifications, (xiii) the University Lands Produced Water Frac Pit Design Construction, Operation and Closure specifications document in each case of (i) through (xiii), as may be amended, revised or modified from time to time.

## “***Drill***”, “***Drilling***”, “***Drilled***” or “***Drilling Operations***” is defined in Article 4.b of this Agreement.

## “***Effective Date***” is defined in the introductory paragraph of this Agreement.

## “***Field Manual***” refers to the University Lands Surface Field Manual of Required Operating Procedures for Oil & Gas Leases, as amended from time to time, a copy of which may be found at: http://universitylands.utsystem.edu/Content/Documents/Operations/FieldManual.pdf.

## “***Gross Production***” means all Produced Substances brought from underground up to and through the well head, and includes, but is not limited to, (i) all Hydrocarbons produced in liquid form as oil or condensate at the wellhead and also all condensate, distillate, and any other liquid Hydrocarbons recovered from Oil, condensate or gas run through a separator or other equipment; (ii) all Hydrocarbons and gaseous substances not in liquid form produced from any well; and, (iii) natural gas or liquid Hydrocarbons, carbon dioxide, carbon black, sulfur, or any other products produced or manufactured from any gas or liquid. The Gross Production volumes of oil, condensate, and gas includes all sales, custody transfer dispositions and/or stored volumes and all non-sales disposition volumes, including but not limited to, use on the Subject Lands, fuel, vent, flare, spills, uncontrolled releases, theft, and any other loss. Gross Production volumes of gaseous Hydrocarbons must be adjusted and reported in MMBtus.

## “***Gross Value***” means the highest of (i) the prevailing market price for substances similar in type and characteristics to the Produced Substances in the general area, (ii) the gross proceeds of Developer’s or its Affiliate’s sale to an unaffiliated third party of the applicable Produced Substances, as may be adjusted under Article 8 of this Agreement (iii) the highest price paid to Developer or an Affiliate of Developer for substances similar in type and characteristics to the Produced Substances in the general area, (iv) for crude oil, the posted market price for crude oil at the nearest crude market hub, without any other deductions whatsoever (including without limitation deductions for severance taxes), or (v) for gas, unless Developer obtains the prior written consent of University Lands, the greater of (a) the posted market price for gas at the nearest gas market hub, adjusted for MMBtu content and without any other deductions (including without limitation deductions for severance taxes), and (b) $1.50 MMBtu.

## “***Groundwater Management Plan***” refers to the University Lands Groundwater Management Plan, as amended from time to time, a copy of which may be found at: http://universitylands.utsystem.edu/Content/ Documents/Operations/Groundwater\_Management\_Plan.pdf.

## “***Hydrocarbons***” means oil, gas, casinghead gas, distillate, condensate, and by-products thereof, and other products separated or extracted from gas.

## “***Lateral Foot Obligation***”, or “***LFO***,” means the lateral footage Completed by Developer within the Target Interval of the Subject Lands during the Development Term as required by Article 3, measured from the first take point to the final take point of an applicable Development Well, as reflected in the applicable Completion reports, less and except any “no perf zones” and/or “no take zones” and/or similar portions of the wellbore that are not Completed.

## “***Multi-Well Pad***” means a drilling location from which a minimum of four (4) Development Wells are Drilled.

## “***Non-Performance Fee***” means [\_\_\_\_\_\_\_\_\_\_\_\_\_\_] Dollars ($[\_\_\_\_\_\_\_]) per each lateral foot not Completed resulting from a deficit LFO for a given calendar year, as further described in Article 3.

## “***Operations***” is defined in Article 4.a. of this Agreement.

## “***Organizational Documents***” means (a) the articles or certificate of incorporation and the bylaws of a corporation; (b) the articles of organization or certificate of formation and the limited liability company agreement of a limited liability company; (c) the certificate of limited partnership and limited partnership agreement of a limited partnership; and (d) any amendment to any of the foregoing.

## “***Party***” and “***Parties***” is defined in the introductory paragraph of this Agreement.

## “***Paying Quantities***” means for an individual Development Well that such well will be considered to be producing in “Paying Quantities” only if during the preceding six (6) month period, the income from such Development Well exceeds the operating and marketing costs specifically attributable to that Development Well.

## “***Person***” means any individual, corporation, partnership, limited liability company, trust, joint stock company, business trust, unincorporated association, joint venture, governmental authority or other entity of any nature whatsoever.

## “***Produced Substances***” means Hydrocarbons produced, whether intentionally or unintentionally, from the Subject Lands.

## “***Production Acreage***” is defined in Article 7.b. of this Agreement.

## “***Production Sharing Agreement***” means the University Lands Production Sharing Agreement, published by University Lands, as amended from time to time.

## “***Railroad Commission***” means the Railroad Commission of Texas (or any successor agency).

## “***Rate and Damage Schedule***” means the University Lands Rate and Damage Schedule, published by University Lands, as amended from time to time, a copy of which may be found at: http://universitylands.utsystem.edu/Content/Documents/Operations/Rate\_Damage\_Schedule.pdf.

## “***Regulatory Reporting Procedures***” means the University Lands Oil & Gas Leases Required Reporting & Compliance Procedures prepared and published by University Lands, as amended from time to time, a copy of which may be found at: http://universitylands.utsystem.edu/Content/Documents/ Operations/ULRequiredReportingComplianceProc.pdf.

## “***Representatives***” means representatives, owners, members, designees, directors, officers, employees, consultants, contractors, subcontractors, financial advisors, counsel, accountants, and other agents, as applicable.

## “***Rules***” means the rules promulgated by the Board for Lease of University Lands, as amended from time to time, a copy of which may be found at: http://universitylands.utsystem.edu/Content/ Documents/BFL/bfl\_rules.pdf.

## “***Seed Mixture Specifications***” means the University Lands Seed Mixture Specifications guidance, prepared and published by University Lands, as amended from time to time, a copy of which may be found at: https://universitylands.utsystem.edu/Content/Documents/Operations/SeedMixturesByCounties.pdf.

## “***Soil Remediation Guidance***” means the University Lands Soil Remediation Guidance, prepared and published by University Lands, as amended from time to time, a copy of which may be found at: https://universitylands.utsystem.edu/Content/Documents/Operations/Soil\_Remediation\_Guidance.pdf.

## “***Surface Commingling Requirements***” means the University Lands Surface Commingling Requirements, prepared and published by University Lands, as amended from time to time, a copy of which may be found at: http://universitylands.utsystem.edu/Content/Documents/Contracts/SurfaceCommingleRequirements.pdf.

## “***Subject Lands***” is defined in Article 2 of this Agreement.

## “***Target Interval***” means those depths that are equivalent stratigraphically to the entire correlative interval described below:

## From: A measured depth of [\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_];

## To: A measured depth of [\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_];

## As identified in Type Log – API – [\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_]; Well Name: [\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_].

## “***TEC***” means Subchapter D, Chapter 66, Texas Education Code. Each reference to the TEC will refer to such subchapter, as amended from time to time, or any successor statutory provisions.

## “***True-Up Year***” is defined in Article 3.b.iii.

## “***University Lands***” is defined in the introductory paragraph of this Agreement.

## “***Water***” means all water in liquid state, of all kinds and characters including but not limited to fresh, recycled, and produced water.

[Signature Pages to Follow]

IN WITNESS WHEREOF, each party indicates acceptance of the terms of this Agreement by the signature below of an authorized representative.

|  |  |  |
| --- | --- | --- |
| **[\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_]** | | THE STATE OF TEXAS §  §  COUNTY OF HARRIS §  This instrument was acknowledged before me on the \_\_\_\_ day of \_\_\_\_\_\_\_\_\_, 202\_\_, by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ as \_\_\_\_\_\_\_\_\_\_\_\_\_ of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, a \_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, on behalf of said company. |
| By: |  |
| Name: |  |
| Title: |  |
| Date: |  |
|  | |  |
|  | | Notary Public |

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| --- | --- | --- |
| **UNIVERSITY LANDS** | | THE STATE OF TEXAS §  §  COUNTY OF HARRIS §  This instrument was acknowledged before me on the \_\_\_\_ day of \_\_\_\_\_\_\_\_, 202\_\_, by William R. “Billy” Murphy, Jr. as Chief Executive Officer of University Lands,on behalf of said company. |
| By: |  |
| Name: | William R. “Billy” Murphy, Jr. |
| Title: | Chief Executive Officer |
| Date: |  |
|  | |  |
|  | | Notary Public |

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| --- | --- | --- | --- |
| **STATE OF TEXAS** | | **BOARD FOR LEASE OF UNIVERSITY LANDS** | |
| By: |  | By: |  |
|  | DAWN BUCKINGHAM, M.D.  Commissioner, General Land Office of the State of Texas |  | DAWN BUCKINGHAM, M.D.  Chairwoman, Board for Lease  of University Lands |
|  |  |  |  |
| Date: |  | Date: |  |

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**EXHIBIT “A”**

**Description of Development Blocks and Area**

**Exhibit B**

**Development Blocks and Operations**

**Attachment 1**

**Form of Designation of Productive Acreage**

1. Note to Draft: Line items in this Article 3(a) are for illustration only. Parties to add or delete Annual LFO milestones within this Article 3(a) to match the proposed development schedule. [↑](#footnote-ref-2)