Form No. 5

OIL AND GAS LEASE No. 26534

University of Texas Lands

(Chap. 282, 41st Leg., R. S., 1929; Chap. 174, 42d Leg., R. S. 1931; S. B. 313, 45th Leg., R. S. 1937)

This lease made and entered into in duplicate on this 14th day of November, A.D., 1941, by and between

The State of Texas, acting by and through Bascom Giles

the Commissioner of the General Land Office, designated as Lessor, under authority of and by virtue of the provisions of Chapter 282 of the General Laws of the State of Texas, passed by the Forty-first Legislature at its Regular Session, and other Acts amendatory thereof, and in pursuance of the award made by the Board for Lease of University Lands on the 14th day of November, A.D. 1941 to the Lessee hereinafter named, and P. N. Wiggins, Jr., and C. E. Hyde of Dallas, Texas designated as Lessee.

WITNESSETH:

1. The Lessor, in consideration of the payment by Lessee of the sum of $ 1,658.66, the receipt whereof is acknowledged, and of the royalties, covenants, stipulations, and conditions contained, and hereby agreed to be paid, observed, and performed by the Lessee, does hereby demise, grant, lease, and let unto the Lessee, for five years from the date hereof, and as long thereafter as oil or gas is produced in paying quantities therefrom, subject to such conditions as are hereinafter set out, for the sole and only purpose of prospecting and drilling for, and producing oil and/or gas that may be found and produced from the following lands, comprising a part of the permanent University Fund:

TRACT NO. 59;

Part	Section	Block	Grantee	Acres	County
NW¼	22	12	University	161.55	Andrews

2. Lessee agrees to pay or cause to be paid during the term hereof:

(a) As a royalty on oil the sum of one-eighth of the value of the gross production based on the highest posted price, plus premium, if any, offered or paid for oil of like gravity in the general area or as the lessor may elect one-eighth of the gross production, the same to be delivered at a central gathering point on each lease or to the credit of the Lessors into pipe lines to which wells may be connected.

(b) As a royalty on dry gas the value of one-eighth (⅛) part of all dry gas sold or used off the premises. The value of the gas to be based upon the highest market price paid or offered for gas in the general area or that part which accrues to the producer; whichever is the greater.

(c) As a royalty on casinghead gas, by which is meant gas with gasoline content, the value of one-eighth (⅛) part of all casinghead gas, used or sold by the Lessee for the manufacture of gasoline, or sold for any other purpose or used off the premises, the value of the casinghead gas to be determined as follows: (1) On the basis of 33⅓ per cent of the value of the gasoline content of the casinghead gas, arrived at by the most approved methods being used by the industry at the time of sale, or (2) that per cent of the value of the gasoline content of the casinghead gas which accrues to the Lessee, or (3) 33⅓ per cent of the value of the gasoline actually recovered, or (4) that per cent of the value of the gasoline actually recovered which accrues to the Lessee; whichever is the greater. The basis for valuing the gasoline shall be the average selling price of the respective grades of gasoline f.o.b. at the gasoline plant in which the said casinghead gas is used, for the same month in which the casinghead gas was delivered, provided that the price shall not be less than the average of prices quoted in one or more of the leading periodicals of the industry for similar grades of gasoline in the territory.

(d) As a royalty on Propane, Butane, Carbon Black and other products produced from natural gas, whether said gas be "casinghead" or otherwise, by fractionating, burning, or other processes, the value of one-eighth (⅛) part of the product used or sold by the Lessee. The basis for valuing said products shall be the average selling price of the product f.o.b. the plant at which the product is produced for the same month in which the product is produced or manufactured, provided that said selling price shall not be lower than the average of prices quoted in one or more of the leading periodicals of the industry for similar grades of said product in the territory.

(e) As a royalty on residue gas the value of one-eighth (⅛) part of all residue gas sold or used off the premises. The value of the residue gas to be based upon the higher market price paid or offered for residue gas in the general area or that part which accrues to the Lessee; whichever is the greater.

3. One year from the date of this lease and on the same date of each of the following years during the term of this lease, the Lessee shall pay to the Commissioner of the General Land Office, Austin, Texas, an annual rental of fifty cents per acre, unless commercial production of oil or gas is being produced. When royalties paid during any year of this lease equal or exceed the annual rental, no annual rental will be due the following year.

4. All royalties shall be paid to the Commissioner of the General Land Office at Austin, Texas, on or before the 20th day of each succeeding month for the month during the life of this lease and shall be accompanied by a sworn statement of the owner, manager, or other authorized agent, showing the gross amount of oil produced since the last report, and the amount of all dry gas, residue gas, casinghead gas (gas with gasoline content), and other products produced therefrom, sold, or used off the premises, or used for the manufacture of gasoline, and the market value of the oil, dry gas, residue gas, casinghead gas (gas with gasoline content), and other products produced therefrom, together with a copy of all daily gauges of tanks, gas meter readings, pipe line receipts, gas line receipts, and other checks and memoranda of the amounts produced and put into pipe lines, tanks, or pools, and gas lines or gas storage.

5. This lease contemplates the full prospecting and developing for oil and gas of the land hereby leased, including the putting down of as many wells as the facts justify. The Lessee shall adequately protect the oil and gas under the above described land from drainage from the adjacent lands or leases. Neither the bonus, rentals, nor royalties paid or to be paid hereunder shall relieve Lessee from the obligations herein expressed.

5a. This lease covers one unit of Tract No. 59 which was sold as a whole, and lessees bind and obligate themselves to commence the drilling of a well on some part of said Tract No. 59 within 180 days from date hereof and to be diligently drilled to a depth of 8500 feet, or to commercial production at a lesser depth, or to sulphur water in the Ordovician, or into granite.

6. In drilling wells, all water-bearing strata shall be noted by Lessee in the log, and the Lessor reserves the right to require that all or any part of the casing shall be left in any non-productive well when Lessor deems it necessary to preserve or maintain said well or wells for water. For such casing left in wells, the Lessor shall pay to the Lessee the reasonable estimated salvage value thereof.

7. The books and accounts, receipts, and discharges of all wells, tanks, pools, meters, pipe lines, and all contracts and other records pertaining to the production, transportation, sale, and marketing of the oil and gas produced on said premises shall at all times be subject to inspection and examination by the Commissioner of the General Land Office, the Attorney General, the Governor, or any member of the Board of Regents of The University of Texas, or the representative of either.

8. Lessee shall file at the General Land Office for the Board for Lease of University Lands, the logs of all wells drilled upon the above described premises, within thirty days after completion in the case of producing wells, and within thirty days after abandonment in the case of dry holes. Whenever the Lessee commences the drilling of any well or wells upon the above described premises, written notice therof shall b filed at the General Land Office for the Board for Lease of University Lands, accompanied by a plat of said premises showing the location of such well or wells. Lessee shall file at the field office of The University of Texas at Midland, Texas, or such other field office as the Board for Lease may designate in writing to the Lessee, carbon copies of all forms filed with the Railroad Commission of Texas within ten (10) days after said filing with the Commission.

9. In all cases the authority of a manager or agent to act for the Lessee herein must be filed at the General Land Office for the Board for Lease of University Lands. And the Lessee herein agrees, in so far as possible, to supply said Board with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above described premises, that such Board may request, in addition to those herein expressly provided for.

10. Lessee shall have the right to use so much of the surface of the land and such water on the premises as Lessee shall see fit to acquire either by drilling wells or building earthen or other type of surface tank, also the right to lay and maintain gathering lines, telephone and telegraph lines, pull rods, and other appliances necessary for the operation of the wells; also the right of ingress and egress and the right of way to any point of operations under conditions of least injury and inconvenience to the occupant of the surface.

11. If Lessee shall fail or refuse to make the payment of any sum due by the provisions of this lease, either as rental or royalty on the production, within thirty days after same shall become due, or if the Lessee or his authorized agent should make any false report or false return concerning production, royalty, or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith, as required herein, or if the Lessee or his agent should refuse the proper authority access to the records and other data pertaining to the operations under the aforesaid Act, or if the Lessee, or his authorized agent, should fail or refuse to give correct information to the proper authorities, or fail or refuse to furnish the cuttings or cores of any well upon demand, or fail or refuse to furnish the log of any well within thirty days after production is found in paying quantities therein or the well is abandoned, or if any of the material terms of this lease shall be violated, this lease shall be subject to forfeiture by the Board by an order entered upon the minutes of the Board reciting the facts constituting the default and declaring the forfeiture. The Board may, if it so determines, have suit instituted for forfeiture through the Attorney General of the State. Upon proper showing by the Lessee, within thirty days after the declaration of forfeiture, this lease may, at the discretion of the Board and upon such terms as it may prescribe, be reinstated. In case of violations by the Lessee of the provisions of this lease, the remedy of the State by forfeiture shall not be the exclusive remedy, but a suit for damages or specific performance, or both, may be instituted.

12. The State shall have a first lien upon all oil and gas produced upon the above premises, and upon all rigs, tanks, pipe lines, telephone lines, and machinery and appliances owned by Lessee used in the production and handling of oil and gas produced thereon, to secure any amount due from the Lessee herein.

13. If this lease shall terminate or be forfeited for any cause, the Lessee shall in no event be permitted to remove the casing or any part of the equipment of any producing wells located upon the premises.

14. The Board may authorize the laying of pipe lines, telephone lines, and the opening of such roads that it may deem reasonably necessary for and incident to the purposes of the aforesaid Act over the above described premises or any other University lands.

15. The assignment of the rights acquired under this lease shall be governed by the provisions of existing law providing that all rights acquired may be assigned in quantities of not less than forty acres, unless there be less than forty acres remaining in any survey, in which case such lesser area may be assigned. All assignments shall be filed in the General Land Office within one hundred days after the date of the first acknowledgment thereof, accompanied by ten cents (10c) per acre for each acre assigned, and if not so filed and payment made, the assignment shall be ineffective.

16. All rights to any whole survey and to any assigned portion thereof may be relinquished to the State at any time by having an instrument of relinquishment recorded in the county or counties in which the area may be situated and filed in the Land Office, accompanied by One Dollar ($1.00) for each area assigned, but such assignment or relinquishment shall not relieve the owner of any past due obligations theretofore accrued thereon nor impair the lessor's lien herein provided for. The above mentioned assignment and relinquishment fees shall be paid to the Commissioner of the General Land Office at Austin, Texas.

17. The covenants, conditions, and agreements contained herein shall extend to and be binding upon the heirs, executors, administrators, successors, or assigns of the Lessee herein.

IN TESTIMONY WHEREOF, witness the signature of the Commissioner of the General Land Office this 14th day of November, A.D. 19 41

Bascom Giles

Commissioner, General Land Office of Texas.

381-392

RETURN TO
THE SUPERIOR OIL COMPANY
4th FLOOR OIL & GAS BLDG.
HOUSTON, TEXAS

FILED FOR RECORD

This 11 day of May 1942
At 2 o'clock P M,
May 22 1942

COUNTY CLERK, ANDREWS COUNTY, TEXAS

STATE OF TEXAS }
County of Andrews }

I, Pam M. Smith, County Clerk in and for said County, do hereby certify that the foregoing instrument of writing, with its certificate of authentication, was filed for Record in my office on the 11 day of May A. D. 1942
at 2 o'clock P M. and duly recorded the 12 day of May
A. D. 1942 in the Deed Records of said County, in Vol. 34, page 241

WITNESS my hand and the seal of the County Court of said County, at office in Andrews, Texas, the day and year last above written.

Pam M. Smith
Clerk County Court, Andrews County, Texas.

By Bernice Thompson Deputy

Form No. 5

OIL AND GAS LEASE No. 26534

University of Texas Lands

(Chap. 282, 41st Leg., R. S., 1929; Chap. 174, 42d Leg., R. S. 1931; S. B. 343, 45th Leg., R. S. 1937)

This lease made and entered into in duplicate on this 14th day of November, A.D., 1941, by and between The State of Texas, acting by and through Bascom Giles the Commissioner of the General Land Office, designated as Lessor, under authority of and by virtue of the provisions of Chapter 282 of the General Laws of the State of Texas, passed by the Forty-first Legislature at its Regular Session, and other Acts amendatory thereof, and in pursuance of the award made by the Board for Lease of University Lands on the 14th day of November, A.D. 1941, to the Lessee hereinafter named, and P. N. Wiggins, Jr., and C. E. Hyde of Dallas, Texas designated as Lessee.

WITNESSETH:

1. The Lessor, in consideration of the payment by Lessee of the sum of $1,658.66, the receipt whereof is acknowledged, and of the royalties, covenants, stipulations, and conditions contained, and hereby agreed to be paid, observed, and performed by the Lessee, does hereby demise, grant, lease, and let unto the Lessee, for five years from the date hereof, and as long thereafter as oil or gas is produced in paying quantities therefrom, subject to such conditions as are hereinafter set out, for the sole and only purpose of prospecting and drilling for, and producing oil and/or gas that may be found and produced from the following lands, comprising a part of the permanent University Fund:

TRACT NO. 59;

Part	Section	Block	Grantee	Acres	County
NW¼	22	12	University	161.55	Andrews

2. Lessee agrees to pay or cause to be paid during the term hereof:

(a) As a royalty on oil the sum of one-eighth of the value of the gross production based on the highest posted price, plus premium, if any, offered or paid for oil of like gravity in the general area or as the lessor may elect one-eighth of the gross production, the same to be delivered at a central gathering point on each lease or to the credit of the Lessors into pipe lines to which wells may be connected.

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(c) As a royalty on casinghead gas, by which is meant gas with gasoline content, the value of one-eighth (⅛) part of all casinghead gas, used or sold by the Lessee for the manufacture of gasoline, or sold for any other purpose or used off the premises, the value of the casinghead gas to be determined as follows: (1) On the basis of 33⅓ per cent of the value of the gasoline content of the casinghead gas, arrived at by the most approved methods being used by the industry at the time of sale, or (2) that per cent of the value of the gasoline content of the casinghead gas which accrues to the Lessee, or (3) 33⅓ per cent of the value of the gasoline actually recovered, or (4) that per cent of the value of the gasoline actually recovered which accrues to the Lessee; whichever is the greater. The basis for valuing the gasoline shall be the average selling price of the respective grades of gasoline f.o.b. at the gasoline plant in which the said casinghead gas is used, for the same month in which the casinghead gas was delivered, provided that the price shall not be less than the average of prices quoted in one or more of the leading periodicals of the industry for similar grades of gasoline in the territory.

(d) As a royalty on Propane, Butane, Carbon Black and other products produced from natural gas, whether said gas be "casinghead" or otherwise, by fractionating, burning, or other processes, the value of one-eighth (⅛) part of the product used or sold by the Lessee. The basis for valuing said products shall be the average selling price of the product f.o.b. the plant at which the product is produced for the same month in which the product is produced or manufactured, provided that said selling price shall not be lower than the average of prices quoted in one or more of the leading periodicals of the industry for similar grades of said product in the territory.

(e) As a royalty on residue gas the value of one-eighth (⅛) part of all residue gas sold or used off the premises. The value of the residue gas to be based upon the higher market price paid or offered for residue gas in the general area or that part which accrues to the Lessee; whichever is the greater.

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4. All royalties shall be paid to the Commissioner of the General Land Office at Austin, Texas, on or before the 20th day of each succeeding month for the month during the life of this lease and shall be accompanied by a sworn statement of the owner, manager, or other authorized agent, showing the gross amount of oil produced since the last report, and the amount of all dry gas, residue gas, casinghead gas (gas with gasoline content), and other products produced therefrom, sold, or used off the premises, or used for the manufacture of gasoline, and the market value of the oil, dry gas, residue gas, casinghead gas (gas with gasoline content), and other products produced therefrom, together with a copy of all daily gauges of tanks, gas meter readings, pipe line receipts, gas line receipts, and other checks and memoranda of the amounts produced and put into pipe lines, tanks, or pools, and gas lines or gas storage.

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11. If Lessee shall fail or refuse to make the payment of any sum due by the provisions of this lease, either as rental or royalty on the production, within thirty days after same shall become due, or if the Lessee or his authorized agent should make any false report or false return concerning production, royalty, or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith, as required herein, or if the Lessee or his agent should refuse the proper authority access to the records and other data pertaining to the operations under the aforesaid Act, or if the Lessee, or his authorized agent, should fail or refuse to give correct information to the proper authorities, or fail or refuse to furnish the cuttings or cores of any well upon demand, or fail or refuse to furnish the log of any well within thirty days after production is found in paying quantities therein or the well is abandoned, or if any of the material terms of this lease shall be violated, this lease shall be subject to forfeiture by the Board by an order entered upon the minutes of the Board reciting the facts constituting the default and declaring the forfeiture. The Board may, if it so determines, have suit instituted for forfeiture through the Attorney General of the State. Upon proper showing by the Lessee, within thirty days after the declaration of forfeiture, this lease may, at the discretion of the Board and upon such terms as it may prescribe, be reinstated. In case of violations by the Lessee of the provisions of this lease, the remedy of the State by forfeiture shall not be the exclusive remedy, but a suit for damages or specific performance, or both, may be instituted.

12. The State shall have a first lien upon all oil and gas produced upon the above premises, and upon all rigs, tanks, pipe lines, telephone lines, and machinery and appliances owned by Lessee used in the production and handling of oil and gas produced thereon, to secure any amount due from the Lessee herein.

13. If this lease shall terminate or be forfeited for any cause, the Lessee shall in no event be permitted to remove the casing or any part of the equipment of any producing wells located upon the premises.

14. The Board may authorize the laying of pipe lines, telephone lines, and the opening of such roads that it may deem reasonably necessary for and incident to the purposes of the aforesaid Act over the above described premises or any other University lands.

15. The assignment of the rights acquired under this lease shall be governed by the provisions of existing law providing that all rights acquired may be assigned in quantities of not less than forty acres, unless there be less than forty acres remaining in any survey, in which case such lesser area may be assigned. All assignments shall be filed in the General Land Office within one hundred days after the date of the first acknowledgment thereof, accompanied by ten cents (10c) per acre for each acre assigned, and if not so filed and payment made, the assignment shall be ineffective.

16. All rights to any whole survey and to any assigned portion thereof may be relinquished to the State at any time by having an instrument of relinquishment recorded in the county or counties in which the area may be situated and filed in the Land Office, accompanied by One Dollar ($1.00) for each area assigned, but such assignment or relinquishment shall not relieve the owner of any past due obligations theretofore accrued thereon nor impair the lessor's lien herein provided for. The above mentioned assignment and relinquishment fees shall be paid to the Commissioner of the General Land Office at Austin, Texas.

17. The covenants, conditions, and agreements contained herein shall extend to and be binding upon the heirs, executors, administrators, successors, or assigns of the Lessee herein.

IN TESTIMONY WHEREOF, witness the signature of the Commissioner of the General Land Office this 14th day of November, A.D. 19 41

Bascom Giles

Commissioner, General Land Office of Texas.

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P. M. A. 26-34

Dup. Lease

Filed, Jan. 14, 1941

Division / File

Comm.

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