2023-143191 Vol: 479 Page: 313
12/18/2023 11:59:47 AM

OIL AND GAS LEASE *#121606*

THIS *OIL AND GAS LEASE* #121606 (this "Lease") is approved by the Board for Lease of University Lands for the lease of Permanent University Fund ("PUF") lands, and is effective and entered into on October 18, 2023 (the "Effective Date") between the State of Texas, acting by and through University Lands or its designees (collectively, "Lessor") with an address at 704 West Dengar Avenue, Midland, Texas 79702-0553 and Hibernia Energy IV, LLC ("Lessee"), whose address is 5599 San Felipe, Ste 1200, Houston TX 77056. Lessee submitted a bid for this Lease pursuant to the laws and rules governing PUF lands and University Lands Lease Sale Notice #132. By executing this Lease, Lessee agrees to be bound by the terms and conditions of this Lease, the conditions set forth in University Lands Lease Sale Notice #132, and the Directives (a term specifically defined in Section 18 that broadly refers to certain laws and regulations, provisions of the Texas Education Code, Rules of the Board for Lease of University Lands, and policies and procedures of University Lands). Capitalized terms have the meanings ascribed to them in this Lease and are collectively listed in Section 18 below.

For good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, Lessor and Lessee agree as follows:

1. **GRANTING CLAUSE; RESERVATION.** Lessor demises, grants, and lets to Lessee (i) the exclusive right to produce and take Produced Substances from the Leased Premises (as defined in Section 2 below), and (ii) the non-exclusive right to explore for Hydrocarbons and conduct geophysical, geological, or seismic surveys on, over, under, through, and across the Leased Premises. Lessor expressly reserves the right to grant third parties the same non-exclusive rights listed in Section 1 (ii) as long as such third-party activities do not unreasonably interfere with Lessee's activities on the Leased Premises. Lessee takes this Lease subject to all encumbrances and 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.
2. **TERM.** This Lease commences on and will be effective for **three (3) years** from the Effective Date (the "Primary Term"), and, unless otherwise terminated under the provisions in this Lease, will remain in effect as long thereafter as (i) Produced Substances are produced in Paying Quantities from the land and depths described below (the "Leased Premises"), or (ii) this Lease is otherwise maintained in effect by the provisions herein:

Gross Acres	County	Grantee/Survey	Block	Part/Section	Depths
204.780	Reagan, Texas	University Lands	1	W2W2, W2W2E2W2 of Section 7	0' to 99,999'

3. **ROYALTY.** Lessee will pay or cause to be paid to Lessor a monetary royalty payment of 25% of the Gross Value of Gross Production of all Produced Substances. Monetary royalties are the default form of royalty payment due under this Lease. Lessor has the right, at Lessor's sole election, to take its royalty share in kind pursuant to Section 3.c. below. Royalties are due to Lessor free of any and all deductions, and Lessor's 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 Lessee 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 from such sale or disposition so that Lessor's 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. Lessor and Lessee 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 Lease. For the further avoidance of doubt, Lessor and Lessee agree that the royalty payments due to Lessor under this Lease 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 Lessor.

a. KEEP WHOLE. If gas produced from the Leased Premises 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 Lessee or its Affiliate for the sale of such liquefiable Hydrocarbons to an unaffiliated third party plus the total consideration received by Lessee 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.

b. INJECTIONS; RECYCLED GAS. Lessee may not inject any substance into the subsurface of the Leased Premises without Lessor's prior written consent, including injections related to gas lift operations or recycled gas. If Lessee 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.

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

d. ROYALTY ON CONTRACT SETTLEMENTS. Lessee will pay Lessor a percentage equal to the royalty rate set forth in this Section 3 of all monetary settlements received by Lessee relating to the marketing, pricing, or taking of Produced Substances.

e. COMMINGLING. Lessee must obtain prior written permission from Lessor before (i) commingling Produced Substances from the Leased Premises 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-lease gas supply to inject gas for lift purposes into any formation capable of producing oil or gas in the Leased Premises. Lessor 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.

f. METERING. Lessee agrees that any Hydrocarbons in liquid and gaseous form produced from the Leased Premises will be measured separately before the liquid or gas Hydrocarbons leave the Leased Premises. Lessee will comply with all applicable American Gas Association ("AGA") Standards, as well as the American Petroleum Institute ("API") Manual of Petroleum Measurement Standards ("MPMS") 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 Leased Premises, at a point of lease custody transfer, for the purpose of lease allocation in the event of surface commingling, or for the reporting and allocation of lease fuel, flared gas volumes, vented volumes, or any other lease use.

g. MINIMUM ROYALTY. After the end of the Primary Term, if royalties received by Lessor from each well during any annual period, as described below (other than those wells which are shut-in under Section 8.h. for the entirety of such annual period), are less than $_____ per net mineral acre then covered by this Lease (the "Minimum Royalty"), then before the end of sixty (60) days following the end of the applicable annual period, in order to maintain the Lease, Lessee shall pay to Lessor, for each well, an amount equal to the difference between the Minimum Royalty and the royalties received by Lessor during the applicable annual period. For the purposes set forth in this paragraph, the first annual period commences upon the end of the Primary Term. Each successive annual period shall commence on the anniversary of the commencement of the first annual period. Commencing at the beginning of the tenth annual period (and at the beginning of each successive ten-year period thereafter), the Minimum Royalty shall increase by twenty percent (20%) from the previous amount. The payment provided for in this paragraph does not relieve Lessee of the requirement of production in Paying Quantities to maintain this Lease. It is further provided that nothing contained in this paragraph, including without limitation the payment of Minimum Royalties, shall be construed to: (i) prevent or delay the termination of this Lease under the provisions of Section 8 or due to lack of production in Paying Quantities; (ii) lessen Lessee's continuing obligation to reasonably develop the Leased Premises; or (iii) lessen, in any manner, Lessee's continuing obligations under Section 9.c. of this Lease.

h. LIMITATIONS ON ADDITIONAL LEASE BURDENS. Lessee shall not grant any overriding royalty interests, net profits interests or other interests directly or indirectly burdening this Lease unless Lessee obtains the prior written consent of Lessor, and any such grant without Lessor's consent shall be void *ab initio*.

4. **PRE-PAID DELAY RENTALS.** In accordance with the Directives, simultaneous with its payment of bonus, Lessee shall pay to Lessor a one-time, non-refundable delay rental equal to $25.00 per net mineral acre.

5. **PAYMENTS, CORRESPONDENCE, AND NOTICES TO LESSOR.**

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

b. MONETARY PAYMENT TERMS. Monetary payments must be paid to the Lessor 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 Lessor 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 Lessor.

c. FAILURE TO MAKE TIMELY PAYMENTS; PENALTIES AND INTEREST. Timely and proper payment of royalties is a material requirement of this Lease. Late payments are subject to penalties and interest as provided by the Rules in effect on the date such payments are due. Lessor's rights to collect penalties and interest are in addition to its rights to pursue other remedies at law or in equity.

d. NOTICES AND CORRESPONDENCE TO LESSEE. Notices and correspondence to Lessee will be sent to the address shown on the lease bid submitted to Lessor, or such other U.S. mail or electronic mail address

provided by Lessee to Lessor in writing. All changes of address must specifically reference this Lease and the University Lands Lease Number.

6. DATA REQUIREMENTS.

a. DIRECTIVES AND REGULATORY INFORMATION. Lessee will provide records, information, applicable contracts, and all other materials to Lessor as provided in the Regulatory Reporting Procedures, the Rules, and other Directives, in each case as applicable. Production and Completion Reports 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 Lessee. Lessee will also provide to Lessor via electronic mail to ogregulatory@utsystem.edu copies of all correspondence and other information from the Railroad Commission as required by the Rules.

b. OTHER DATA OBLIGATIONS. Upon written notice from Lessor, Lessee will promptly and timely provide Lessor any data and information related to all of Lessee's operations and activities under this Lease, without limitation. Lessor's 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 Lessor; and (iii) the date by which Lessee must comply with Lessor's data request.

c. RIGHT TO AUDIT. Lessor and its Representatives have the right to examine, make copies of, and extract any information from Lessee's books, records, accounts, and agreements related to the Leased Premises, and all operations or production on or from the Leased Premises.

d. ROYALTY PAYMENT REPORT. Not more than once every twelve (12) months, upon Lessor's written request, Lessee will promptly provide to Lessor a report detailing the amounts, dates, and calculations of all royalties paid under this Lease. Lessor may elect to have such report and its source information audited to determine the accuracy of the report. If Lessor identifies an error in royalties paid, Lessor will notify Lessee in writing of the error, and Lessee will have a period of fifteen (15) calendar days from receipt of the notice to: (i) remit all previously unpaid royalties to Lessor, plus interest as specified in the Rules; and (ii) reimburse Lessor for all costs and expenses associated with the audit.

e. MATERIALITY. Lessee's obligations to provide data and information under this Lease are material, and failure to comply these provisions may result in monetary or other penalties, including default of this Lease after receipt of the notice detailed in Section 14.b. below or forfeiture of this Lease under Section 14.c.

7. OPERATIONS, DRILLING OPERATIONS, AND REWORKING OPERATIONS.

a. OPERATIONS. The term "Operations" as used in this Lease means only: (i) the production of oil, gas, or other Hydrocarbons in Paying Quantities; (ii) Drilling Operations (as hereafter defined); or (iii) Reworking Operations (as hereafter defined).

b. DRILLING OPERATIONS. The term "Drilling Operations" means the actual drilling of an oil or gas well, together with work in the hole necessary to properly complete or abandon the oil or gas well, conducted with due diligence and in a good and workmanlike manner. Drilling Operations will be deemed to have commenced when a derrick, a rig, and machinery capable of drilling an oil or gas well to a depth sufficient to test a permitted objective have been erected, and when such well has been spudded-in and the rotary bit is rotating under power. 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 has been reached in Drilling Operations; (iv) the date, as certified to the Railroad Commission of Texas, an oil or gas well has been completed as a producing oil or gas well; or (v) the date the completion rig moves off location.

c. REWORKING OPERATIONS. The term "Reworking Operations" means actual work in the hole of an oil or gas well previously completed as a producer that is related to the cause of cessation of production and is made in an attempt to recomplete or repair a well to return it to production, performed with reasonable diligence in a good and workmanlike manner. Reworking Operations does not include normal maintenance of an oil or gas well, swabbing of an oil or gas well or applying soap sticks or other chemical treatment to increase or restore production. Lessee acknowledges and agrees that it does not own and has no rights to use any wellbores existing prior to the execution of this Lease, and Lessee shall not conduct re-entry or other operations on any wellbore existing prior to the execution of this Lease without Lessor's prior written consent, which may be granted or withheld in Lessor's sole discretion.

8. PARTIAL TERMINATION, CONTINUOUS DRILLING OPERATIONS, AND PRODUCTION ACREAGE. Upon expiration of the Primary Term, or upon cessation of Continuous Drilling Operations, whichever is later, this Lease will terminate as to all lands and depths except as to Production Acreage assigned to wells then producing in Paying Quantities located on the Leased Premises, as set forth in this Section 8.

a. CONTINUOUS DRILLING OPERATIONS. Unless otherwise agreed to in writing by Lessor, for the purposes of this Section 8, Lessee will be considered to be engaged in "Continuous Drilling Operations" at the end of the Primary Term if Lessee is engaged in Drilling Operations on the Leased Premises at the end of the Primary Term, or Lessee has completed or abandoned an oil or gas well on the Leased Premises within ninety (90) days prior to the end of the Primary Term; and Lessee will be deemed to be engaged in Continuous Drilling Operations for as long thereafter as Lessee conducts Drilling Operations on the Leased Premises with due diligence and with intervals of not more than ninety (90) days between the date of rig release of one well and the date of commencement of Drilling Operations on the next well. If Lessee is engaged in Continuous Drilling Operations at the end of the Primary Term, then such Continuous Drilling Operations will be deemed to have ceased when Lessee fails to commence Drilling Operations within ninety (90) days after the rig release of the preceding well, and this Lease will terminate, except as to Production Acreage assigned to wells then producing in Paying Quantities located on the Leased Premises, as provided in this Section 8.

b. PRODUCTION ACREAGE. "Production Acreage", for purposes of this Lease, is a designated area of land around an oil or gas well capable of producing in Paying Quantities containing no more than the amount of acreage set forth below in Section 8.c., and limited in depth from one hundred feet (100') above the shallowest commercially producing perforations at which such oil or gas well is completed to one hundred feet (100') below the deepest commercially producing perforations at which such oil or gas well is then completed, as demonstrated by documentation provided by Lessee at the time the Production Acreage is determined.

c. MAXIMUM SIZE OF PRODUCTION ACREAGE. No Production Acreage assigned to any well may exceed the following acreage amounts without Lessor's prior written consent (unless a greater amount of acreage is required to obtain from the Railroad Commission a drilling permit for a well under the rules applicable to the field from which such well is producing):

i. If the well is classified as a vertical oil well by the Railroad Commission, the maximum size of the Production Acreage will be forty (40) acres, limited to the depths set forth herein.

ii. If the well is classified as a vertical gas well by the Railroad Commission, the maximum size of the Production Acreage will be eighty (80) acres, limited to the depths set forth herein.

iii. If the well is classified as a horizontal well (whether oil or gas) under the rules and regulations of the Railroad Commission then in effect, the maximum size of the Production Acreage will be the greater of forty (40) acres or the amount of acreage calculated using the following formula: [0.032 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.

d. DEVELOPMENT OF PRODUCTION ACREAGE SHALLOW RIGHTS. On or before the date that is three (3) years after expiration of the Primary Term or cessation of Continuous Drilling Operations, whichever is

later, Lessee will commence on the acreage covered by the Production Acreage designated pursuant to Section 8.e below, Drilling Operations on three (3) oil or gas wells targeting development of the Shallow Rights above such Production Acreage. "Shallow Rights" means, for the purposes of this Lease, all zones from the shallowest depth included in the description of the Leased Premises above to one hundred feet (100') above the shallowest perforation producing in Paying Quantities on the Leased Premises at the end of the Primary Term or cessation of Continuous Drilling Operations, whichever is later (and specifically limited to the depths directly above the Productive Acreage as defined herein). Thereafter, Lessee must commence Drilling Operations on an additional three (3) oil or gas wells targeting the Shallow Rights on the Production Acreage during each successive twelve (12) month period until Lessee fully develops the Shallow Rights pursuant to Section 8.c. above. If Lessee fails to fulfill the Shallow Rights development obligations set forth in this Section 8.d., the Lease will terminate as to those Shallow Rights depths (except for those Shallow Rights depths already earned from the drilling of a well (or wells) in the Shallow Rights), Lessee will promptly prepare and deliver to Lessor a "Partial Release of Oil and Gas Lease" document, and upon Lessor's approval of such document, Lessee will execute and file the Partial Release of Oil and Gas Lease in the applicable county of record to effectuate the release of all Shallow Rights acreage and depths not earned under this Lease at that time, pursuant to the terms set forth in this Section 8. Lessee must provide a copy of the recorded release documents within forty-five (45) days of receipt of Lessor's approval. For clarification, the size and boundaries of Production Acreage for each oil or gas well drilled in the Shallow Rights pursuant to this Section 8.d. will be determined according to Sections 8.b. and 8.c. of this Lease.

e. DESIGNATION AND CONFIGURATION OF PRODUCTION ACREAGE; RECORDABLE RELEASES. No later than sixty (60) days after the cessation of Drilling Operations for an oil or gas well capable of producing in Paying Quantities, Lessee will present to Lessor for Lessor's approval a proposed designation of Production Acreage for such well, which must be delivered in writing (electronic mail is acceptable) to Lessor. Each proposed designation of Production Acreage shall identify the well to which it applies (including API number) and shall be accurately and adequately described by (i) a survey and adequate legal description approved by Lessor, and (ii) specification of the depths attributable to it. If Lessee does not present a proposed designation of Production Acreage within sixty (60) days after the cessation of Drilling Operations for any such well., Lessor shall have the right to designate the Production Acreage for such well, which shall be in Lessor's sole discretion, subject to Section 8.b. and Section 8.c. with respect to the size of such Production Acreage. Lessee must take into consideration the productive limits of the producing interval and the configuration of the Leased Premises, and in all circumstances, Lessee will ensure that the acreage assigned to the Production Acreage will be as close as possible to the form of a square or rectangle. Lessee will make every effort when designating Production Acreage to avoid small, irregularly shaped, irregularly stranded, or unusable portions of the Leased Premises, or portions not contiguous with other released portions. Production Acreage formed around wells producing from different formations or zones may overlap and will overlap when necessary to comply with the requirements of this Section 8.e. If all or a portion of the Leased Premises is included in a pooled unit, then for purposes of this Section 8.e., all the lands within the pooled unit will be considered a part of the Leased Premises, and the size and configuration of the pooled unit must conform to the requirements of Section 8.b., Section 8.c. and this Section 8.e. for Production Acreage. Lessor may, at its option, object to Lessee's proposed designation of Production Acreage if it does not comply with this Section 8.e., and Lessee shall then be required to submit a revised proposed designation within fifteen (15) days of receipt of such objection that complies with this Section 8.e. Within sixty (60) days after the termination of this Lease as to any portion of the Leased Premises (whether by expiration of the Primary Term or cessation of Continuous Drilling Operations, whichever is later), Lessee will record in the appropriate county of record a "Partial Release of Oil and Gas Lease" document which retains the acreage and depths within the designated Production Acreage approved by Lessor and the Shallow Rights (pursuant to Section 8.e.) and releases all other acreages and depths, and Lessee shall provide a copy of the recorded release document to Lessor. If Lessee does not timely record such release, Lessor shall have the unilateral right to prepare, execute and record such release, without joinder from Lessee.

f. MAINTENANCE OF LEASE AFTER DESIGNATION OF PRODUCTION ACREAGE. This Lease may be held in force after the termination of the Primary Term or cessation of Continuous Drilling Operations as to acreage and depths included within the Production Acreage for each well only by production in Paying Quantities, Operations, or Reworking Operations conducted on such Production Acreage for such well, with no cessation of production, Operations or Reworking Operations of more than sixty (60) consecutive days. The Production Acreage for each well will be deemed to be under a separate lease with the same terms and provisions of this Lease, with the effect that production, Operations, and Reworking Operations on (or shut-in royalty payment with respect to) the Production Acreage for a well will maintain this Lease only as to the acreage and depths within such Production Acreage for such well where the operation occurs or for which such shut-in royalty payment is made.

g. PARTIAL RELEASES. Lessee has the right to release lands subject to this Lease and will subsequently be relieved and released only from those obligations accruing after the effective date of the release, provided that: (i) Lessee may not release any portion of this Lease included in a pooled unit as long as Operations or Reworking Operations are being conducted on such unit, (ii) any such partial release must release all depths in lands released and (iii) Lessee will not be relieved of the obligations with respect to plugging and abandonment of wells, removal of equipment and facilities, restoration of the surface and its obligations under Section 10.g., in each case, regardless of when those obligations accrued. Lessee must notify Lessor in writing of its intent to release lands pursuant to this Section 8.g. and must record appropriate releases and provide certified copies of such releases to Lessor within forty-five (45) days of Lessee's written notice under this Section 8.g.

h. SHUT-IN ROYALTIES. If a well located on the Leased Premises (i) is classified as a gas well by the Railroad Commission, and (ii) at the time of proposed shut-in, has a gas to oil ratio of at least 100,000 cubic feet of gas to one barrel of oil, but the well is not produced for lack of a suitable market, Lessee may maintain this Lease in full force and effect by paying to Lessor a payment in the amount set forth in the Rules for shut-in royalties at the time such payment is made, with the first such payment to be made within thirty (30) days after the date the well is shut-in or the date this Lease ceases to be in force by any other provision, whichever is later. Subsequent shut-in royalty payments must be made annually no later than the anniversary date of the first payment. Payment of a shut-in royalty after the expiration or other termination of this Lease will not revive or extend this Lease. The failure to timely pay shut-in royalties will result in the termination of the Lease, but provided that shut-in royalty payments are timely made to Lessor, this Lease will be deemed to be producing in Paying Quantities. However, this Lease may not be maintained solely by the payment of shut-in royalties for more than two (2) years in the aggregate (applicable on a Lease-wide basis rather than as to each Production Acreage for each well).

i. POOLING; ALLOCATION. Without Lessor's prior written consent, which may be granted or withheld in Lessor's sole discretion, Lessee is expressly prohibited from pooling or unitizing any part of the Leased Premises with any other leasehold or mineral interest for the exploration, development, and production of any Produced Substance. If Lessee desires to drill a well, whether or not classified as an allocation well, across the Leased Premises which traverses leases or units off the Leased Premises, Lessee is prohibited from commencing Drilling Operations for such well until it obtains a Production Sharing Agreement executed by Lessor, which may be granted or withheld in Lessor's sole discretion. Further, no part of any well may traverse the Leased Premises except for the purpose of producing Produced Substances without Lessor's prior written consent, which may be granted or withheld in Lessor's sole discretion.

9. STANDARD OF CARE; DUTIES OF OPERATOR.

a. DIRECTIVES. Lessee will conduct all Operations on the Leased Premises in compliance with the Directives.

b. STANDARD OF CARE. Lessee owes to Lessor 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 Leased Premises; (iii) plugging and abandoning of wells on the Leased Premises; and (iv) restoration of the Leased Premises to the condition it was in before any operations or activities were commenced under this Lease. Production of any one Produced Substance will not relieve Lessee of its obligation to develop and produce any other Produced Substance covered by this Lease which can be produced from the Leased Premises in Paying Quantities.

c. DUTY TO PREVENT DRAINAGE. Lessee has an affirmative duty to drill an offset well to protect the Leased Premises against drainage as would a reasonably prudent operator under the same or similar circumstances. Without limiting the distance within which a well will be considered as draining the Leased Premises, Lessee expressly agrees that any well located within one thousand (1,000) feet of the Leased Premises will be presumed to be draining the Leased Premises. Lessee may rebut this presumption only with evidence acceptable to Lessor, and conclusions concerning drainage will be made by Lessor in Lessor's sole and exclusive discretion. In the event a well is draining, or presumed to be draining, the Leased Premises, Lessor may, at its option and in its sole discretion, require Lessee to do one of the following: (i) commence Drilling Operations within sixty (60) days after commencement of production from the draining well and continue such Drilling Operations with due diligence and in a prudent manner with no cessation of Drilling Operations of more than thirty (30) days, (ii) release the Lease as to that portion of the Leased Premises lying adjacent to such draining well (such portion to be (a) as nearly as practical in the form of a square, (b) no less than 160 acres if the well draining the Leased Premises is an oil well, (c) no less than 640 acres if the well draining the Leased Premises is a gas well, or (d) no less than the minimum amount of acreage necessary to obtain from the Railroad Commission a drilling permit for a well under the rules applicable to the field), or (iii) pay Lessor monthly, as compensatory royalty, a sum equal to the payments which would be payable under this Lease on the production from such draining well as if such draining well had been drilled on and produced from the Leased Premises (such royalty payment to be subject to the terms and conditions of Section 3).

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

a. DIRECTIVES; RATE AND DAMAGE SCHEDULE; DISTANCE FROM BUILDINGS; GROUNDWATER MANAGEMENT PLAN. Lessee must comply at all times with all Directives related to surface operations on the Leased Premises, including, but not limited to, the Field Manual and the provisions therein regarding lease surface maintenance, roads, cattle guards, gates, and locks. All operations on the Leased Premises 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 Lease. All operations conducted on the surface of the Leased Premises will be subject to payments and rates as listed in the Rate and Damage Schedule in effect at the time such operations are conducted. Lessee will not drill a well or install any facilities within three hundred feet (300') of any residence, barn, or other facilities without Lessor's prior written consent. Lessee's use of water from PUF lands must specifically comply with the Groundwater Management Plan in effect at the time of such water use.

b. ROAD MAINTENANCE. Lessee shall perform routine road maintenance on all roads that are utilized by Lessee's employees or contractors to service production facilities whether the road is on the Leased Premises or is used to access the Leased Premises. Specifically, after significant precipitation, Lessee must perform road maintenance to ensure that the roads are safe and accessible for travel. Furthermore, Lessee must repair all broken cattleguards, gates, and fences that have been damaged, including damages caused by Lessee's contractors. Lessee must respond within twenty four (24) hours upon request of Lessor or Lessor's surface landman to make said repairs. Lessee is responsible for the supervision of drilling rig movements in an out of the boundaries of the Leased Premises and any other land belonging to Lessor to minimize any damage caused to roads, cattleguards, and gates. In the event that damage occurs to roads, cattleguards, or gates as a result of Lessee's operations on the surface of the Leased premises or any other land owned by Lessor, Lessee must repair such damage promptly. Compliance with these requirements is necessary to ensure the safety of

personnel working on the lands owned by Lessor and to maintain the resources and to minimize any negative impact on the environment and the community.

c. LEASE INSPECTION. Lessor shall have the right to inspect the Leased Premises, including without limitation wells and related facilities located thereon. Upon inspection of the Leased Premises by Lessor and notification of any violation of the lease terms or any applicable law, rule, or regulation is found, Lessee 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 Lessor. 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 Lessor deems necessary. Lessee shall diligently and expeditiously complete the corrective actions identified in the approved corrective action work plan. Lessee shall be responsible for all costs 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 Lessor, which approval shall not be unreasonably withheld. If Lessor does not approve the corrective action work plan within thirty (30) days of its submission, Lessor shall provide a written explanation of the reasons for the disapproval. Lessee shall not be relieved of any obligations or liabilities under this Lease 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 Lessor under this Lease or any applicable law, rule, or regulation (including the Directives and the Field Manual).

d. ENVIRONMENTAL REMEDIATION. Lessee shall proactively monitor its operations on the leased premises to ensure compliance with all applicable environmental laws, regulations, and standards. If Lessee's operations cause any pollution or contamination of the Leased Premises, Lessee shall immediately take all necessary actions to mitigate, remediate, and restore the affected area to its pre-contamination state and will provide copies of regulatory submittals, responses and deliverables to each regulatory entity which is charged with regulatory oversite and closure of the pollution or contamination. If Lessor becomes aware of any pollution or contamination caused by Lessee's operations on the Leased Premises, Lessor may require Lessee 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 Lessor deems necessary. Lessee shall diligently and expeditiously complete the corrective actions identified in the approved corrective action work plan. Lessee shall be responsible for all costs associated with implementing the remediation plan, including but not limited to, the costs of consultants, contractors, and materials. Lessee shall perform the remediation work in accordance with all applicable environmental laws, regulations, and standards as required by Lessor, and shall provide Lessor with written updates on the progress of the remediation work on a regular basis. Lessee shall not be relieved of any obligations or liabilities under this Lease 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 Lessor shall not constitute a waiver of any rights or remedies available to Lessor under this Lease or any applicable law, rule, or regulation (including the Directives and the Field Manual).

e. LESSEE'S SURFACE ACCESS. Except as otherwise expressly provided in this Lease and the Directives, Lessee may use only so much of the surface as reasonably necessary to exercise the rights and interests granted by this Lease. Lessee may lay and maintain gathering lines, erect and maintain telephone and utility lines, and install other appurtenances and equipment necessary for the operation of wells on the Leased Premises, to the extent and only to the extent designated or approved by Lessor as set forth in the Field Manual. Notwithstanding the termination of this Lease as to a portion of the Leased Premises, Lessee will retain the rights of ingress and egress from the Leased Premises still subject to this Lease (the "Retained Lands") for all purposes described and allowed hereunder, together with easements, rights-of-way, roads, pipelines, and other facilities on, over, and across all the Leased Premises covered by this Lease, for access to and from the

Retained Lands, and for the gathering or transportation of Produced Substances, as approved by Lessor and in compliance with the Directives.

f. LESSOR'S SURFACE ACCESS. Lessor and its Representatives will have the full right of ingress and egress and right of way over the Leased Premises for any and all purposes which Lessor may consider necessary or advisable at all times.

g. SURFACE DAMAGES. Lessee must repair, restore, and pay for all damages resulting from Lessee's, its representatives', agents', subcontractors', designees', assigns', and successors' activities under this Lease, including without limitation damages to real and personal property, water wells, improvements, livestock, and crops on the Leased Premises or adjacent lands owned or controlled by Lessor, regardless of the cause of such damage, pursuant to the then-current Rate and Damage Schedule. Lessee acknowledges that the cost of such repairs or damages contemplated by this Section or any other provision of this Lease 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 Lease, Lessee agrees to promptly complete all required or requested repairs and restorations, and no release, forfeiture, or termination of this Lease will relieve Lessee from its obligations under this Lease or pursuant to applicable law, including the obligation to plug all wells and clean and restore the Leased Premises.

h. MAINTENANCE OF WELL SITES AND IDENTIFICATION MARKERS.

i. Lessee will build and maintain necessary and appropriate fences capable of turning livestock around its facilities on the Leased Premises and will take all necessary precautions to protect livestock against loss, damage, or injury.

ii. Lessee will erect and maintain all signage, tags, plates, and other identification markers on the Leased Premises in accordance with the Directives and Railroad Commission requirements.

iii. Any lines, including but not limited to, electric, water, and oil and gas transportation lines, located on the Leased Premises must be buried to a sufficient depth to allow the use of deep plowing equipment for agricultural purposes. As such, Lessee 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 Leased Premises by Lessee. Lessee will record in the county records where the Leased Premises are located a survey of all "as-built" electric, communications, water, and oil and gas lines located on the Leased Premises and will provide a recorded copy of each document to Lessor within thirty (30) days of recording.

iv. Lessee 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.

v. Unless otherwise agreed by Lessor, within ninety (90) days from completion of a well as a producer, 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 Leased Premises), unless specified otherwise by Lessor; (iv) all restored areas will be reseeded under the direction of Lessor; and (v) the surface of the applicable Leased Premises will be restored by Lessee to the condition it was in before any operations were commenced.

vi. Upon the expiration or termination of this Lease, unless otherwise instructed in writing by Lessor, Lessee will:(i) remove all equipment, including pipelines and utilities; (ii) drain, fill, and level all pits; and (iii) restore the surface of the Leased Premises to the condition it was in before any operations were commenced. Failure by Lessee to fulfill these obligations within one hundred twenty (120) days

after expiration or termination of this Lease will result in monetary or other penalties as allowed under the Directives. For any well not producing in Paying Quantities, Lessee shall be required to plug and abandon the well, remove any appurtenant equipment and restore the surface for such well location within ninety (90) days from the end of the six-month Paying Quantities period. If Lessee fails to fulfill these obligations, Lessee shall pay to Lessor as liquidated damages five thousand dollars ($5,000) per month as well as any other amounts provided for under the Directives. Lessee 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.

i. CULTURAL RESOURCES. Lessee 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. Lessee will undertake its activities on the Leased Premises 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 Leased Premises. Lessee 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 Leased Premises. Upon discovery of an archeological site, Lessee will immediately give written notice of such discovery to Lessor and to the Texas Antiquities Committee, as set out in the Texas Historical Commission's rules. Neither Lessee 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 Leased Premises.

j. POLLUTION MANAGEMENT AND REDUCTION; HAZARDOUS MATERIALS. Lessee 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 Leased Premises by any waste, pollutant, or contaminant. If contamination or pollution occurs, Lessee will notify Lessor immediately and provide all internal and external reports Lessee prepares related to such contamination and pollution. Lessee will not bring or permit to remain on the Leased Premises 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 Lessor, Lessee will clean up, remove, remedy, and repair any soil or ground water contamination and damage caused by the presence or release of any Hazardous Materials in, on, under, or about the Leased Premises resulting from Lessee's operations on the Leased Premises. Burial of Hazardous Materials is explicitly prohibited. Lessee's obligations in this Section 10.g. will survive the expiration or termination of this Lease. Lessee 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 Lessor, Lessee 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.

k. SURFACE WATER. Lessor's express written consent is required for Lessee to use surface water found on the Leased Premises or any property owned or controlled by the Lessor or any water from water wells or stock tanks controlled by the Lessor or its surface tenants.

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

   i. Lessee must promptly provide to Lessor a written estimate of Lessee's subsurface water, caliche, gravel, and sand needs in connection with Operations or other activities on the Leased Premises. Lessee will use such products from the Leased Premises or other lands owned by Lessor, in each case upon receipt of Lessor's written approval, and if such products are available from PUF lands, and

Lessee will pay the prices for such substances as listed in the Rate and Damage Schedule in effect at the time the substances are used or produced. Lessee may not acquire or use water, caliche, gravel, or sand from non-PUF lands in connection with Operations or other activities on the Leased Premises without the prior written consent of Lessor, which may be granted or withheld in Lessor's sole discretion.

ii. Provided that Lessee obtains Lessor's prior written approval, Lessee may use subsurface water found and produced or impounded by Lessee on the Leased Premises for drilling, completion, and construction operations only in connection with primary Hydrocarbon production (and not secondary or enhanced Hydrocarbon production) from the Leased Premises.

11. RELEASE AND INDEMNITY.

a. Lessee assumes all risks and liabilities of any kind resulting in any manner, directly or indirectly, from Lessee's Operations and other activities on the Leased Premises and agrees to keep the Leased Premises 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 Lessor, 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 "Lessor 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 (collectively, "Losses"), in each case which arise out of, are incidental to, result from, or are in any way related to: (i) environmental hazards on the Leased Premises; (ii) Lessee's failure to comply with any and all environmental laws; (iii) the Operations or any other activities of, or on behalf of, Lessee on the Leased Premises, including any use of the surface; (iv) Lessee's breach of any of the terms or provisions of this Lease' or (v) any other act or omission of Lessee, its Representatives, guests or invitees.

b. Each assignee of this Lease, or an interest therein, agrees to be liable for, exonerate, indemnify, defend, hold harmless and release the Lessor Indemnified Parties in the same manner as provided above.

c. ALL OF THE INDEMNITY OBLIGATIONS OF LESSEE AND LIABILITIES ASSUMED UNDER THIS LEASE BY LESSEE (INCLUDING WITHOUT LIMITATION THOSE SET FORTH IN THIS SECTION 11) WILL BE WITHOUT LIMITS AND WILL BE EFFECTIVE AND ENFORCEABLE AGAINST LESSEE AND IN FAVOR OF THE LESSOR 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 LESSOR INDEMNIFIED PARTIES, WHETHER SAID ACT OR OMISSION IS THE PROXIMATE CAUSE OF INJURY OR NOT (EXCEPT FOR THE WILLFUL MISCONDUCT OF THE LESSOR INDEMNIFIED PARTIES).

12. INSURANCE.

a. In accordance with the Directives, Lessee will ensure that Lessee and any person acting on Lessee's behalf under this Lease 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.

b. By January 1 of each calendar year, Lessee will deliver to University Lands Certificates of Insurance evidencing Lessee'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 Lessor Indemnified Parties as additional insureds; (x) be primary in relation to any policies carried by the Lessor Indemnified Parties; (y) reflect that Lessor will receive twenty (20) days prior written notice of cancellation or material change to Lessee's insurance coverage; and (z) reflect that the insurer has waived any right of subrogation against the Lessor Indemnified Parties.

13. LIEN. By acceptance of this Lease, Lessee 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 the Lease, all proceeds which may accrue to Lessee from the sale of the Produced Substances, whether the proceeds are held by Lessee or another person, and all fixtures on and improvements to the Leased Premises 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 Lease or the TEC and to secure payment of damages or loss that Lessor may suffer by reason of Lessee's breach of a covenant or condition of this Lease, whether express or implied.

14. BREACH; DEFAULT; FORFEITURE.

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

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

c. Under the Directives, this Lease is also subject to forfeiture for Lessee's failure to comply with the terms of this Lease. Once all or any portion of the Leased Premises has been forfeited by Lessee, it will immediately be available for offer in public lease sales. Lessee acknowledges and agrees that each of its obligations and requirements under this Lease is material.

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

15. ASSIGNMENTS; RELEASE.

a. The assignment or relinquishment of rights acquired under this Lease is governed by the Directives. Lessee must notify Lessor in advance of the proposed assignment of all or any part of the Leased Premises to another party and Lessee must promptly provide recorded copies of assignments to Lessor within thirty (30) days of the assignment from Lessee to another party. Failure to notify Lessor of the assignment and to provide a recorded copy of the assignment to the assignee will result in monetary penalties and will constitute a material breach of this Lease.

b. The assignment or relinquishment of the Leased Premises, or any part of the Leased Premises, will not relieve the Lessee of any obligations accrued under this Lease prior to such assignment or relinquishment, including plugging and abandonment liabilities, or impair any liens provided by law or this Lease. In the event Lessee assigns all or a portion of its interest under this Lease, Lessee and its assignee(s) shall be jointly and severally liable and responsible for all liabilities and obligations arising under this Lease, whether arising before or after the effective date of such assignment. Lessor may at its option require any assignee of Lessee to demonstrate financial wherewithal to comply with such assignee's obligations under this Lease and may require a bond or other security from such assignee. All assignments must reference this Lease by file number.

16. VENUE. The venue for any suit arising out of a provision of this Lease, whether express or implied, regarding interpretation of this Lease, or relating in any way to this Lease or to applicable case law, statutes, or administrative rules, will be selected by Lessor 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 Leased Premises are located, and Lessor and Lessee expressly submit to the jurisdiction of such court and the State of Texas. Lessee waives any right to any transfer of venue or plea to the jurisdiction that might exist in the absence of this provision. Lessor and Lessee agree that Texas law exclusively, and without regard to choice of law rules, governs this Lease. LESSEE EXPRESSLY WAIVES, AND LESSOR HAS THE ELECTION IN ITS SOLE DISCRETION TO WAIVE, TRIAL BY JURY IN ANY LITIGATION ARISING OUT OF, CONNECTED WITH, OR RELATING TO THIS LEASE.

17. MISCELLANEOUS.

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

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

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

d. CAPTIONS. The captions of the Sections of this Lease are for reference purposes only and will not affect the meaning or interpretation of this Lease.

e. TIME OF ESSENCE. Time is of the essence in this Lease.

f. TITLE. This Lease is granted without any covenant of title or warranty of title of any kind whatsoever, express, implied, or statutory. Lessee will have no recourse against the Lessor in the event of any failure of title, nor will any of the consideration paid for this Lease, or any royalties or any other payments made hereunder, be refunded to Lessee.

g. RECORDATION OF LEASE. Lessor and Lessee have not executed a Memorandum of Lease. Lessee is hereby required to promptly record this Lease in the records of the county or counties in which the Leased Premises are situated, to give record notice of this Lease and to serve as a financing statement under the Texas Uniform Commercial Code.

18. DEFINITIONS.

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

b. "Board for Lease" refers to the Board for Lease of University Lands.

c. "Board of Regents" means the Board of Regents of the University of Texas System.

d. "Continuous Drilling Operations" is defined in Section 8.a. of this Lease.

e. "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 Lessee 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.

f. "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.

g. "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.

h. "Drilling Operations" is defined in Section 7.b. of this Lease.

i. "Effective Date" is defined in the introductory paragraph of this Lease.

j. "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.

k. "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, lease use, fuel, vent, flare, spills, uncontrolled releases, theft, and any other loss. Gross Production volumes of gaseous Hydrocarbons must be adjusted and reported in MMBtus.

l. "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 Lessee's or its

Affiliate's sale to an unaffiliated third party of the applicable Produced Substances, as may be adjusted under Section 3 of this Lease, (iii) the highest price paid to Lessee or an Affiliate of Lessee 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, without University Lands' prior written consent, 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 per MMBtu.

m. "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.

n. "Hydrocarbons" means oil, gas, casinghead gas, distillate, condensate, and by-products thereof, and other products separated or extracted from gas.

o. "Leased Premises" is defined in Section 2 of this Lease.

p. "Lessee" is defined in the introductory paragraph of this Lease.

q. "Lessor" is defined in the introductory paragraph of this Lease.

r. "Operations" is defined in Section 7.a. of this Lease.

s. "Paying Quantities" means for an individual 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 the well exceeds the operating and marketing costs specifically attributable to that well.

t. "Primary Term" is defined in Section 2 of this Lease.

u. "Produced Substances" means Hydrocarbons produced, whether intentionally or unintentionally, from the Leased Premises.

v. "Production Acreage" is defined in Section 8.b. of this Lease.

w. "Production Sharing Agreement" means the University Lands Production Sharing Agreement, 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/PSA_Sample.pdf".

x. "Railroad Commission" means the Railroad Commission of Texas (or any successor agency).

y. "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".

z. "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/ULRequiredReportingCompliancePr oc.pdf".

aa. "Representatives" means representatives, owners, members, designees, directors, officers, employees, consultants, contractors, subcontractors, financial advisors, counsel, accountants, and other agents, as applicable.

bb. "Retained Lands" is defined in Section 10.b. of this Lease.

cc. "Reworking Operations" is defined in Section 7.c. of this Lease.

dd. "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".

ee. "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: "http://www.utlands.utsystem.edu/Content/Documents/Operations/SeedMixturesByCounties.pdf."

ff. "Shallow Rights" is defined in Section 8.d. of this Lease.

gg. "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: "http://www.utlands.utsystem.edu/Content/Documents/Operations/Soil_Remediation_Guidance.pdf".

hh. "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"

ii. "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.

jj. "University Lands" refers to the organization delegated the authority by the Board of Regents and the Board for Lease to manage PUF lands.

IN TESTIMONY WHEREOF, witness the signature of the Commissioner of the General Land Office of Texas under the Seal thereof to be effective on the Effective Date.

Commissioner, General Land Office of Texas

Seal:

FILED
AT 11:59:47 AM
on December 18, 2023
INS. NO. 2023-143191

Jammy Hodge
COUNTY CLERK, REAGAN COUNTY, TEXAS
By _____ Deputy

STATE OF TEXAS
COUNTY OF REAGAN

I hereby certify that this instrument was FILED on the date and at the time stamped hereon by me and was duly RECORDED in the Volume and Page of the Official Public Records of Reagan County, Texas.

Jammy Hodge
County Clerk, Reagan County, Texas

OFFICIAL PUBLIC RECORDS

Vol. 479 Page 313
Recorded December 18, 2023