

## OIL AND GAS CONTRACT FOR DEVELOPMENT #121866

This Oil and Gas Contract for Development (this "**CfD**") is approved for the development of Permanent University Funds ("**PUF**") lands and is effective and entered into effective June 19, 2021 (the "**Effective Date**") between the State of Texas, acting by and through University Lands or its authorized designees (collectively, "**University Lands**") whose address is 704 West Dengar Avenue, Midland, Texas 79702-0553 and Ovintiv USA Inc. ("**Developer**"), a Delaware corporation, whose address is 370 17<sup>th</sup> Street, Suite 1700, Denver, Colorado 80202. By executing this CfD, Developer agrees to be bound by the terms and conditions of this CfD and the Directives (a term specifically defined in Section 20 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 CfD and are collectively listed in Section 20 below. University Lands and Developer may be referred herein individually as "**Party**" or collectively as the "**Parties**".

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

1. **GRANTING CLAUSE; RESERVATION.** University Lands demises, grants, and lets to Developer (i) the exclusive right to produce and take Produced Substances from the Subject Lands (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 Subject Lands. University Lands 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 Developer's activities on the Subject Lands. Developer takes this CfD 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 CfD commence on and will be effective for fifty-three (53) months from the Effective Date (the "**Primary Term**"), and, unless otherwise terminated under the provisions in this CfD, will remain in effect as long thereafter as (i) Produced Substances are produced in Paying Quantities from the land and depths described below (the "**Subject Lands**"), or (ii) this CfD is otherwise maintained in effect by the provisions herein:

Part/Section	Block	Grantee/Survey	County	Gross Acres	Depths
W/2 of SW/4 of Section 40	6	University Lands Survey	Andrews	80.000	8,300' – 10,028' (TVD)

3. **ROYALTY.** Developer will pay or cause to be paid to University Lands 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 CfD. University Lands has the right, at University Lands' sole election, to take its royalty share in kind pursuant to Section 3.c below. Royalties are due to University Lands free of any and all deductions, and University Lands' royalty, whether based on gross proceeds or otherwise, will never bear or be charged with any Costs and Expenses, either directly or indirectly, and whether such charges are characterized as production or post-production charges. Notwithstanding anything herein to the contrary, if a contract for the sale or disposition of Produced Substances by Developer or its Affiliate, as applicable, includes, directly or indirectly, reductions or charges for any Costs and Expenses, then such deductions will be added back to the gross proceeds from such sale or disposition so that University Lands' royalty shall never be charged, directly or indirectly, with any such Costs and Expenses, regardless of whether arising before or after the point of sale or disposition of such Produced Substances. University Lands and Developer agree that the foregoing provisions are to be given full effect and are not to be construed as "surplusage," despite the holdings in the cases styled *Heritage Resources, Inc. v. NationsBank*, 939 S.W.2d 118 (Tex. 1996) and *Judice v. Mewbourne Oil Co.*, 939 S.W.2d 133 (Tex. 1996) which will have no application to the terms and provisions of this CfD. For the further avoidance of doubt, University Lands and Developer agree that the royalty payments due to University Lands under this CfD will bear neither production costs nor post-production costs under any circumstances and regardless of whether the royalty is delivered as a monetary payment or delivered in-kind to University Lands.

- a. **KEEP WHOLE.** If gas produced from the Subject Lands is processed for Aqueous Hydrocarbons prior to

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

- b. INJECTIONS; RECYCLED GAS. Developer may not inject any substance into the subsurface of the Subject Lands without University Lands' prior written consent, including injections related to gas lift operations or recycled gas. If Developer is granted permission to inject gas, whether or not native gas, into a subsurface formation, no royalty will be due on the injected gas until it is produced and sold.
- c. ROYALTY IN KIND. University Lands may elect to take all or any part of its royalty in kind at any time by giving Developer sixty (60) days written notice of such election. University Lands has the right to specify the point of delivery for Produced Substances, which, at University Lands sole discretion, may be at the wellhead, at the separator, into a pipeline connected at the well, or at the location Developer sells its production, or University Lands and Developer may specify another mutually agreeable location. Developer will bear to the point of delivery all Costs and Expenses related to the Produced Substances delivered to University Lands. University Lands' election to take its royalty in kind will not modify or limit Developer's duty to pay monetary royalties as provided herein or to market any Produced Substances not taken in kind. If University Lands elects to take its royalty in kind, University Lands and Developer agree to negotiate in good faith for additional agreements necessary and useful including, but not limited to, a gas balancing agreement.
- d. ROYALTY ON CONTRACT SETTLEMENTS. Developer will pay University Lands a percentage equal to the royalty rate set forth in this Section 3 of all monetary settlements received by Developer relating to the marketing, pricing, or taking of Produced Substances.
- e. COMMINGLING. Developer must obtain prior written permission from University Lands before (i) commingling Produced Substances from the Subject Lands with production from any other lease or unit into (x) a common manifold or separator; (y) common storage; or (z) a common gathering system or pipeline; or (ii) utilizing a gas supply from off the Subject Lands to inject gas for lift purposes into any formation capable of producing Hydrocarbons from the Subject Lands. University Lands may require gas, casinghead gas, distillate, condensate, and by-products thereof to be allocated on a component basis as well as on a MMBtu basis. These requirements are in addition to, and apart from, the requirements of any other state and/or federal entity.
- f. METERING. Developer agrees that any Hydrocarbons in liquid or gaseous form produced from the Subject Lands will be measured separately before the liquid or gas Hydrocarbons leave the Subject Lands. Developer will comply with all applicable American Gas Association ("**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 Subject Lands, at a point of custody transfer, for the purpose of tract allocation in the event of surface commingling, or for the reporting and allocation of fuel, flared gas volumes, vented volumes, or any other use on the Subject Lands.
- g. MINIMUM ROYALTY. After the end of the Primary Term, if royalties received by University Lands from each well during any annual period, as described below (other than those wells which are shut-in under Section 9.h for the entirety of such annual period), are less than \$50 per net mineral acre then covered by this CfD (the "**Minimum Royalty**"), then before the end of sixty (60) days following the end of the applicable annual period, in order to maintain this CfD, Developer shall pay to University Lands, for each well, an amount equal to the difference between the Minimum Royalty and the royalties received by University Lands 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 Developer of the requirement of production in Paying Quantities to maintain this CfD. 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 CfD under the provisions of Section 9 or due to lack of production in Paying Quantities, (ii) lessen Developer's continuing obligation to reasonably develop the Subject Lands, or (iii) lessen in any manner Developer's continuing obligations under Section 10.c of this CfD.

- h. LIMITATIONS ON ADDITIONAL BURDENS. Developer shall not grant any overriding royalty interests, net profits interests or other interests directly or indirectly burdening this CfD unless Developer obtains the prior written consent of University Lands, and any such grant without University Lands' consent shall be void *ab initio*.

4. **PRE-PAID DELAY RENTALS.** In accordance with the Directives, simultaneous with its payment of bonus, Developer shall pay to University Lands a one-time, non-refundable delay rental equal to \$25.00 per net mineral acre.
5. **OTHER CONSIDERATION AND TERMS.** As additional consideration, Developer agrees to make this CfD subject to the following terms and conditions:

- i. [INTENTIONALLY OMITTED]

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

- a. ROYALTY PAYMENTS AND RECORDS. Developer must comply with the reporting requirements of Texas Education Code §§ 66.77 and 66.80 regarding royalty payments and records (including marketing contracts).
- b. MONETARY PAYMENT TERMS. Monetary payments must be paid to University Lands in accordance with the Rules in effect at the time payments are due. As of the Effective Date, the Rules specify that: (i) payments must be made to the Board of Regents of the University of Texas System; (ii) royalties due on oil are due on or before the 5<sup>th</sup> day of the second month following production (e.g., royalties on oil produced in January must be paid on or before March 5<sup>th</sup>); and (iii) royalties on gas are due on or before the 15<sup>th</sup> day of the second month following production (e.g., royalties due on gas produced in January must be paid on or before March 15<sup>th</sup>). All payments must be directed to the following address, or to any other address specified by University Lands in writing:

UT System Board of Regents  
c/o University Lands  
Attention: Accounting Manager  
P.O. Box 553  
Midland, Texas 79702-0553

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

- c. FAILURE TO MAKE TIMELY PAYMENTS; PENALTIES AND INTEREST. Timely and proper payment of royalties is a material requirement of this CfD. Late payments are subject to penalties and interest as provided by the Rules in effect on the date such payments are due. University Lands' rights to collect penalties and interest are in addition to its rights to pursue other remedies at law or in equity.
- d. NOTICES AND CORRESPONDENCE TO DEVELOPER. Notices and correspondence to Developer will be sent to Orintiv USA Inc., 370 17<sup>th</sup> Street, Suite 1700, Denver, Colorado 80202 or to Matt Myers via email at [Matthew.Myers@Orintiv.com](mailto:Matthew.Myers@Orintiv.com) to University Lands in writing. All changes of address must specifically reference this CfD and the University Lands CfD Number.

7. **DATA REQUIREMENTS.**

- a. DIRECTIVES AND REGULATORY INFORMATION. Developer will provide records, information, applicable contracts, and all other materials to University Lands as provided in the Regulatory Reporting Procedures, the Rules, and other Directives, in each case as applicable. Production and Completion Records 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 3.38 of the Rules, failure to provide the

requisite records, information, forms, reports, and/or logs will result in the penalties provided for in the Rules and such penalties will be invoiced to Developer. Developer will also provide to University Lands via electronic mail to [ogregulatory@utsystem.edu](mailto: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 University Lands, Developer will promptly and timely provide University Lands any data and information related to all of Developer's operations and activities under this CfD, without limitation. University Lands' notice may be sent via electronic mail and will include a description of (i) the data required, (ii) the format, form, and method for delivery of the data to University Lands, and (iii) the date by which Developer must comply with University Lands' data request.
- c. **RIGHT TO AUDIT.** University Lands and its Representatives have the right to examine, make copies of, and extract any information from Developer's books, records, accounts, and agreements related to the Subject Lands, and all operations or production on or from the Subject Lands.
- d. **ROYALTY PAYMENT REPORT.** Not more than once every twelve (12) months, upon University Lands' written request, Developer will promptly provide to University Lands a report detailing the amounts, dates, and calculations of all royalties paid under this CfD. University Lands may elect to have such report and its source information audited to determine the accuracy of the report. If University Lands identifies an error in royalties paid, University Lands will notify Developer in writing of the error, and Developer will have a period of fifteen (15) calendar days from receipt of the notice to (i) remit all previously unpaid royalties to University Lands, plus interest as specified in the Rules, and (ii) reimburse University Lands for all costs and expenses associated with the audit.
- e. **MATERIALITY.** Developer's obligations to provide data and information under this CfD are material, and failure to comply with these provisions may result in monetary or other penalties, including default of this CfD after receipt of the notice detailed in Section 15.b below or forfeiture of this CfD under Section 15.c.

#### 8. OPERATIONS, DRILLING OPERATIONS, AND REWORKING OPERATIONS.

- a. **OPERATIONS.** The term "*Operations*" as used in this CfD 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. Developer acknowledges and agrees that it does not own and has no rights to use any wellbores existing prior to the execution of this CfD, and Developer shall not conduct re-entry or other operations on any wellbore existing prior to the execution of this CfD without University Lands' prior written consent, which may be granted or withheld in University Lands' sole discretion.

#### 9. 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



CfD will terminate as to all lands and depths except as to Production Acreage assigned to wells then producing in Paying Quantities located on the Subject Lands, as set forth in this Section 9.

- a. CONTINUOUS DRILLING OPERATIONS. Unless otherwise agreed to in writing by University Lands, for the purposes of this Section 9, Developer will be considered to be engaged in "**Continuous Drilling Operations**" at the end of the Primary Term if Developer is engaged in Drilling Operations on the Subject Lands at the end of the Primary Term, or Developer has Completed or abandoned an oil or gas well on the Subject Lands within ninety (90) days prior to the end of the Primary Term; and Developer will be deemed to be engaged in Continuous Drilling Operations for as long thereafter as Developer conducts Drilling Operations on the Subject Lands 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 Developer 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 Developer fails to commence Drilling Operations within ninety (90) days after the rig release of the preceding well, and this CfD will terminate, except as to Production Acreage assigned to wells then producing in Paying Quantities located on the Subject Lands, as provided in this Section 9.
- b. PRODUCTION ACREAGE. "Production Acreage", for purposes of this CfD, 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 9.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 Developer 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 University Lands' 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:  $[0.032 \times L = A]$ , 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, Developer will commence on the acreage covered by the Production Acreage designated pursuant to Section 9.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 CfD, all zones from the shallowest depth included in the description of the Subject Lands above to one hundred feet (100') above the shallowest perforation producing in Paying Quantities on the Subject Lands 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, Developer must commence Drilling Operations on an additional three (3) oil or gas wells targeting the Shallow Rights on the Production Acreage for each well during each successive twelve (12) month period until Developer fully develops the Shallow Rights pursuant to Section 9.c above. If Developer fails to fulfill the Shallow Rights development obligations set forth in this Section 9.d, this CfD 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), Developer will promptly prepare and deliver to University Lands a "Partial Release of CfD" document, and upon University Lands' approval of such document, Developer will execute and file the Partial Release of

CfD in the applicable county of record to effectuate the release of all Shallow Rights acreage and depths not earned under this CfD at that time, pursuant to the terms set forth in this Section 9. Developer must provide a copy of the recorded release documents within forty-five (45) days of receipt of University Lands' 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 9.d will be determined according to Sections 9.b and 9.c of this CfD.

- 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, Developer will present to University Lands for University Lands' approval a proposed designation of Production Acreage for such well, which must be delivered in writing (electronic mail is acceptable) to University Lands. 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 University Lands, and (ii) specification of the depths attributable to it. If Developer does not present a proposed designation of Production Acreage within sixty (60) days after the cessation of Drilling Operations for any such well, University Lands shall have the right to designate the Production Acreage for such well, which shall be in University Lands' sole discretion, subject to Section 9.b and Section 9.c with respect to the size of such Production Acreage. Developer must take into consideration the productive limits of the producing interval and the configuration of the Subject Lands, and in all circumstances, Developer will ensure that the acreage assigned to the Production Acreage will be as close as possible to the form of a square or rectangle. Developer will make every effort when designating Production Acreage to avoid small, irregularly shaped, irregularly stranded, or unusable portions of the Subject Lands, 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 9.e. If all or a portion of the Subject Lands is included in a pooled unit, then for purposes of this Section 9.e, all the lands within the pooled unit will be considered a part of the Subject Lands, and the size and configuration of the pooled unit must conform to the requirements of Section 9.b, Section 9.c and this Section 9.e for Production Acreage. University Lands may, at its option, object to Developer's proposed designation of Production Acreage if it does not comply with this Section 9.e, and Developer shall then be required to submit a revised proposed designation within fifteen (15) days of receipt of such objection that complies with this Section 9.e. Within sixty (60) days after the termination of this CfD as to any portion of the Subject Lands (whether by expiration of the Primary Term or cessation of Continuous Drilling Operations, whichever is later), Developer will record in the appropriate county of record a "Partial Release of CfD" document which retains the acreage and depths within the designated Production Acreage approved by University Lands and the Shallow Rights (pursuant to Section 9.e) and releases all other acreages and depths, and Developer shall provide a copy of the recorded release document to University Lands. If Developer does not timely record such release, University Lands shall have the unilateral right to prepare, execute and record such release, without joinder from Developer.
- f. MAINTENANCE OF CFD AFTER DESIGNATION OF PRODUCTION ACREAGE. This CfD 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 CfD, 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 CfD 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. Developer has the right to release lands subject to this CfD and will subsequently be relieved and released only from those obligations accruing after the effective date of the release, provided that (i) Developer may not release any portion of this CfD 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) Developer 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 11.g, in each case, regardless of when those obligations accrued. Developer must notify University Lands in writing of its intent to release lands pursuant to this Section 9.g. and must record appropriate releases

and provide certified copies of such releases to University Lands within forty-five (45) days of Developer's written notice under this Section 9.g.

- h. **SHUT-IN ROYALTIES.** If a well located on the Subject Lands (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, Developer may maintain this CfD in full force and effect by paying to University Lands 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 CfD 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 CfD will not revive or extend this CfD. The failure to timely pay shut-in royalties will result in the termination of the CfD, but provided that shut-in royalty payments are timely made to University Lands, this CfD will be deemed to be producing in Paying Quantities. However, this CfD may not be maintained solely by the payment of shut-in royalties for more than two (2) years in the aggregate (applicable on a CfD-wide basis rather than as to each Production Acreage for each well).
- i. **POOLING; ALLOCATION.** Without University Lands' prior written consent, which may be granted or withheld in University Lands' sole discretion, Developer is expressly prohibited from pooling or unitizing any part of the Subject Lands with any other leasehold or mineral interest for the exploration, development and production of any Produced Substance. If Developer desires to drill a well, whether or not classified as an allocation well, across the Subject Lands which traverses leases or units off the Subject Lands, Developer is prohibited from commencing Drilling Operations for such well until it obtains a Production Sharing Agreement executed by University Lands, which may be granted or withheld in University Lands' sole discretion. Further, no part of any well may traverse the Subject Lands except for the purpose of producing Produced Substances without University Lands' prior written consent, which may be granted or withheld in University Lands' sole discretion.

#### **10. STANDARD OF CARE; DUTIES OF OPERATOR.**

- a. **DIRECTIVES.** Developer will conduct all Operations on the Subject Lands in compliance with the Directives. Developer agrees that the provisions of the Directives that reference "lease(s)" or are applicable to "lease(s)" apply directly to this CfD and to Developer, including but not limited to data reporting requirements, requirements related to penalties and interest, and forfeiture.
- b. **STANDARD OF CARE.** Developer owes to University Lands the duties of a reasonably prudent operator in the (i) development, operation, production, and marketing of Produced Substances, (ii) reduction of underground or above ground waste of Produced Substances, including all reasonable attempts to avoid and reduce physical waste, flaring, venting of gas, or emissions produced from the Subject Lands, (iii) plugging and abandoning of wells on the Subject Lands, and (iv) restoration of the Subject Lands to the condition it was in before any operations or activities were commenced under this CfD. Production of any one Produced Substance will not relieve Developer of its obligation to develop and produce any other Produced Substance covered by this CfD which can be produced from the Subject Lands in Paying Quantities.
- c. **DUTY TO PREVENT DRAINAGE.** After the end of the Primary Term, Developer has an affirmative duty to drill an offset well to protect the Subject Lands 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 draining the Subject Lands, Developer expressly agrees that any well located within one thousand (1,000) feet of the Subject Lands will be presumed to be draining the Subject Lands. Developer may rebut this presumption only with evidence acceptable to University Lands, and conclusions concerning drainage will be made by University Lands in University Lands' sole and exclusive discretion. In the event a well is draining, or presumed to be draining, the Subject Lands, University Lands may, at its option and in its sole discretion, require Developer 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 CfD as to that portion of the Subject Lands 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 Subject Lands is an oil well, (c) no less than 640 acres if the well draining the Subject Lands 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 University Lands monthly, as compensatory royalty, a sum equal to the payments which would be payable under this CfD on the production from such draining well as if such draining well had been drilled on and produced from the Subject Lands (such royalty payment to be subject to the terms and conditions of Section 3).

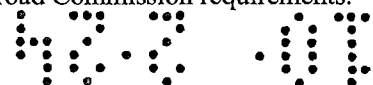
**11. SURFACE USE PROVISIONS; CULTURAL RESOURCES; ENVIRONMENTAL OBLIGATIONS; USE OF WATER, CALICHE, SAND, AND GRAVEL.**

- a. DIRECTIVES; RATE AND DAMAGE SCHEDULE; DISTANCE FROM BUILDINGS; GROUNDWATER MANAGEMENT PLAN. Developer must comply at all times with all Directives related to surface operations on the Subject Lands, including, but not limited to, the Field Manual and the provisions therein regarding surface maintenance, roads, cattle guards, gates, and locks. All operations on the Subject Lands are subject to the compliance and enforcement provisions of the Directives, including the penalties provided therein for failure to comply with any and all provisions of the Directives or this CfD. All operations conducted on the surface of the Subject Lands will be subject to payments and rates as listed in the Rate and Damage Schedule in effect at the time such operations are conducted. Developer will not drill a well or install any facilities within three hundred feet (300') of any residence, barn, or other facilities without University Lands' prior written consent. Developer's use of water from PUF lands must specifically comply with the Groundwater Management Plan in effect at the time of such water use.
- b. ROAD MAINTENANCE. Developer shall perform routine road maintenance on all roads that are utilized by Developer or any of its Representatives for any operation(s) hereunder whether the road is on the Subject Lands or is used to access the Subject Lands. Specifically, after significant precipitation, Developer must perform road maintenance to ensure that the roads are safe and accessible for travel. Furthermore, Developer must promptly repair all broken cattleguards, gates, and fences that have been damaged, including damages caused by Developer's Representatives. Developer must respond within twenty-four (24) hours upon request of University Lands or University Lands' surface landman to make said repairs, *provided, however*, that Developer's obligation to make repairs is not contingent on any such request. Developer is responsible for the supervision of drilling rig movements in and out of the boundaries of the Subject Lands and any other land belonging to University Lands to minimize any damage caused to roads, cattleguards, and gates. If damage occurs to roads, cattleguards, or gates as a result of Developer's operations/or activities (including but not limited to, Operations) on the surface of the Subject Lands or any other land owned by University Lands, Developer must repair such damage promptly. Compliance with these requirements is necessary to ensure the safety of personnel working on the lands owned by University Lands and to maintain the resources and to minimize any negative impact on the environment and the community.
- c. INSPECTION. University Lands shall have the right to inspect the Subject Lands, including without limitation wells and related facilities located thereon. Upon inspection of the Subject Lands by University Lands and notification of any violation of the terms of this CfD or any applicable law, rule, or regulation is found, Developer shall submit a corrective action work plan for approval. The corrective action work plan shall be submitted within thirty (30) days of the notification, unless otherwise approved by University Lands. The corrective action work plan shall include any documentation describing the observations made during the inspection event and provide detailed descriptions of the corrective actions to be taken, the time frame for completion, and any other information that University Lands deems necessary. Developer shall diligently and expeditiously complete the corrective actions identified in the approved corrective action work plan. Developer shall be responsible for all costs (and shall solely bear all risks) associated with implementing the corrective action work plan, including but not limited to, the costs of consultants, contractors, and materials. The corrective action work plan shall be subject to the approval of University Lands, which approval shall not be unreasonably withheld. If University Lands does not approve the corrective action work plan within thirty (30) days of its submission, University Lands shall provide a written explanation of the reasons for the disapproval. Developer shall not be relieved of any obligations or liabilities under this CfD or any applicable law, rule, or regulation (including the Directives and the Field Manual) as a result of the submission and approval of a corrective action work plan, and the approval of a corrective action work plan shall not constitute a waiver of any rights or remedies available to University Lands under this CfD or any applicable law, rule, or regulation (including the Directives and the Field Manual).





- d. ENVIRONMENTAL REMEDIATION. Developer shall proactively monitor its operations on the Subject Lands to ensure compliance with all applicable environmental laws, regulations, and standards. If Developer's operations cause any pollution or contamination of the Subject Lands, Developer shall immediately take all necessary actions to mitigate, remediate, and restore the affected area to its pre-contamination state and will provide copies of regulatory submittals, responses and deliverables to each regulatory entity which is charged with regulatory oversight and closure of the pollution or contamination. If University Lands becomes aware of any pollution or contamination caused by Developer's operations on the Subject Lands, University Lands may require Developer to submit a corrective action work plan for approval. The corrective action work plan shall include a detailed description of the corrective actions to be taken, the time frame for completion, and any other information that University Lands deems necessary. Developer shall diligently and expeditiously complete the corrective actions identified in the approved corrective action work plan. Developer shall be responsible for all costs associated with implementing the remediation plan, including but not limited to, the costs of consultants, contractors, and materials. Developer shall perform the remediation work in accordance with all applicable environmental laws, regulations, and standards as required by University Lands, and shall provide University Lands with written updates on the progress of the remediation work on a regular basis. Developer shall not be relieved of any obligations or liabilities under this CfD or any applicable law, rule, or regulation (including the Directives and the Field Manual) as a result of the submission and approval of a remediation plan or corrective action work plan, and the approval of a remediation plan or corrective action work plan by University Lands shall not constitute a waiver of any rights or remedies available to University Lands under this CfD or any applicable law, rule, or regulation (including the Directives and the Field Manual).
- e. DEVELOPER'S SURFACE ACCESS. Except as otherwise expressly provided in this CfD and the Directives, Developer may use only so much of the surface as reasonably necessary to exercise the rights and interests granted by this CfD. Developer may lay and maintain gathering lines, erect and maintain telephone and utility lines, and install other appurtenances and equipment necessary for the operation of wells on the Subject Lands, to the extent and only to the extent designated or approved by University Lands as set forth in the Field Manual. Notwithstanding the termination of this CfD as to a portion of the Subject Lands, Developer will retain the rights of ingress and egress from the Subject Lands still subject to this CfD (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 Subject Lands covered by this CfD, for access to and from the Retained Lands, and for the gathering or transportation of Produced Substances, as approved by University Lands and in compliance with the Directives.
- f. UNIVERSITY LANDS'S SURFACE ACCESS. University Lands and its Representatives will have the full right of ingress and egress and right of way over the Subject Lands for any and all purposes which University Lands may consider necessary or advisable at all times.
- g. SURFACE DAMAGES. Developer must repair, restore, and pay for all damages resulting from Developer's, its Representatives', assigns', and successors' activities under this CfD, including without limitation damages to real and personal property, water wells, improvements, livestock, and crops on the Subject Lands or adjacent lands owned or controlled by University Lands, regardless of the cause of such damage, pursuant to the then-current Rate and Damage Schedule. Developer acknowledges that the cost of such repairs or damages contemplated by this Section 11.g or any other provision of this CfD 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 CfD, Developer agrees to promptly complete all required or requested repairs and restorations, and no release, forfeiture, or termination of this CfD will relieve Developer from its obligations under this CfD or pursuant to applicable law, including the obligation to plug all wells and clean and restore the Subject Lands.
- h. MAINTENANCE OF WELL SITES AND IDENTIFICATION MARKERS.
- i. Developer will build and maintain necessary and appropriate fences capable of turning livestock around its facilities on the Subject Lands and will take all necessary precautions to protect livestock against loss, damage, or injury.
  - ii. Developer will erect and maintain all signage, tags, plates, and other identification markers on the Subject Lands in accordance with the Directives and Railroad Commission requirements.



- iii. Any lines, including but not limited to, electric, water, and oil and gas transportation lines, located on the Subject Lands must be buried to a sufficient depth to allow the use of deep plowing equipment for agricultural purposes. As such, Developer must cover the top of all lines by at least thirty-six inches (36") of soil. Any rock brought to the surface in connection with laying lines will be placed back in the ditch below deep plowing depth. Large amounts of rock that could interfere with the cultivation of the soil will be promptly removed from the Subject Lands by Developer. Developer will record in the county records where the Subject Lands are located a survey of all "as-built" electric, communications, water, and oil and gas lines located on the Subject Lands and will provide a recorded copy of each document to University Lands within thirty (30) days of recording.
- iv. Developer agrees to maintain seals on all meters and tank batteries, require oil transport vehicles to maintain trip tickets, and exercise the highest degree of care and all reasonable safeguards, as a reasonably prudent operator, to prevent the theft or loss of Produced Substances.
- v. Unless otherwise agreed by University Lands, 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 Subject Lands), unless specified otherwise by University Lands, (iv) all restored areas will be reseeded under the direction of University Lands, and (v) the surface of the applicable Subject Lands will be restored by Developer to the condition it was in before any operations were commenced.
- vi. Upon the expiration or termination of this CfD, unless otherwise instructed in writing by University Lands, Developer will: (i) remove all equipment, including pipelines and utilities; (ii) drain, fill, and level all pits; and (iii) restore the surface of the Subject Lands to the condition it was in before any operations were commenced. Failure by Developer to fulfill these obligations within one hundred twenty (120) days after expiration or termination of this CfD will result in monetary or other penalties as allowed under the Directives. For any well not producing in Paying Quantities, Developer 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 Developer fails to fulfill these obligations, Developer shall pay to University Lands as liquidated damages five thousand dollars (\$5,000) per month as well as any other amounts provided for under the Directives. Developer acknowledges that, as of the Effective Date, the harm caused by its failure to fulfill these obligations is incapable or difficult of estimation and the amount of liquidated damages called for herein is a reasonable forecast of just compensation.
- i. CULTURAL RESOURCES. Developer will comply with the Antiquities Code (Texas Natural Resources Code, Chapter 191 or its successor statute) and applicable rules promulgated thereunder by the Texas Historical Commission or its successor. Developer will undertake its activities on the Subject Lands in a manner consistent with public policy relating to the location and preservation of archeological sites and other cultural resources in, on, or under public lands, including the Subject Lands. Developer will not remove and must use the highest degree of care and all reasonable safeguards to prevent the taking, alteration, damage, destruction, salvage, or excavation of cultural resources and/or landmarks on the Subject Lands. Upon discovery of an archeological site, Developer will immediately give written notice of such discovery to University Lands and to the Texas Antiquities Committee, as set out in the Texas Historical Commission's rules. Neither Developer nor its Representatives will have any right, title, or interest in or to any archaeological articles, objects, or artifacts, or other cultural resources located or discovered on the Subject Lands.
- j. POLLUTION MANAGEMENT AND REDUCTION; HAZARDOUS MATERIALS. Developer will use the highest degree of care and all necessary safeguards to prevent contamination or pollution of any environmental medium, including soil, surface water, groundwater, sediments, and surface or subsurface strata, ambient air, or any other environmental medium in, on, or under the Subject Lands by any waste, pollutant, or contaminant. If contamination or pollution occurs, Developer will notify University Lands immediately and provide all internal and external reports Developer prepares related to such contamination and pollution. Developer will not bring or permit to remain on the Subject Lands any explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances, or toxic substances under any federal, state, or local law or regulation (collectively, "Hazardous Materials"), except

products commonly used in connection with oil and gas exploration and development operations and stored in a lawful manner and in lawful quantities. To the satisfaction of University Lands, Developer will clean up, remove, remedy, and repair any soil or ground water contamination and damage caused by the presence or release of any Hazardous Materials in, on, under, or about the Subject Lands resulting from Developer's operations on the Subject Lands. Burial of Hazardous Materials is explicitly prohibited. Developer's obligations in this Section 11.j. will survive the expiration or termination of this CfD. Developer will install rig and other oilfield lighting in a manner that minimizes light pollution as much as reasonably possible and will use best industry practices to capture and minimize air pollution and emissions. Unless otherwise approved by University Lands, Developer will comply with all environmental laws, rules, and regulations, regardless of any legal challenges, until the appropriate legal authority amends or changes the regulation or a court of competent jurisdiction has issued a final decision on the matter in question.

- k. SURFACE WATER. University Lands' express written consent is required prior to Developer using any surface water found on the Subject Lands or any property owned or controlled by the University Lands or any water from water wells or stock tanks controlled by University Lands or its surface tenants.
- l. SUBSURFACE WATER, CALICHE, GRAVEL, AND SAND.
  - i. Developer must promptly provide to University Lands a written estimate of Developer's subsurface water, caliche, gravel, and sand needs in connection with Operations or other activities on the Subject Lands. Developer will use such products from the Subject Lands or other lands owned by University Lands, in each case upon receipt of University Lands' prior written approval, and if such products are available from PUF lands, and Developer 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. Developer may not acquire or use water, caliche, gravel, or sand from non-PUF lands in connection with Operations or other activities on the Subject Lands without the prior written consent of University Lands, which may be granted or withheld in University Lands' sole and absolute discretion
  - ii. Provided that Developer obtains University Lands' prior written approval, Developer may use subsurface water found and produced or impounded by Developer on the Subject Lands for drilling, completion, and construction operations only in connection with primary Hydrocarbon production (and not secondary or enhanced Hydrocarbon production) from the Subject Lands.

## 12. RELEASE AND INDEMNITY.

- a. Developer assumes all risks and liabilities of any kind resulting in any manner in connection with this CfD and, directly or indirectly, from Developer's Operations and other activities on the Subject Lands and agrees to keep the Subject Lands duly and fully protected from any violations thereto, and against liens of every character arising from its Operations and other activities and hereby agrees to INDEMNIFY, DEFEND, HOLD HARMLESS, RELEASE AND DISCHARGE University Lands, the State of Texas, University Lands, the Board of Regents, the University of Texas System, the officers and board members of University Lands, and each of their respective Representatives, regents, heirs, devisees, successors and assigns (the "University Lands Indemnified Parties") from and against any and all claims, liabilities, losses, damages, actions and causes of action of every nature (including personal injury and wrongful death), costs and expenses, or other harm for which recovery of damages is sought, under any theory including tort, contract or strict liability, including attorneys' fees and other legal expenses (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 Subject Lands, (ii) Developer's failure to comply with any and all environmental laws, (iii) the Operations or any other activities of, or on behalf of, Developer on the Subject Lands, including any use of the surface, (iv) Developer's breach of any of the terms or provisions of this CfD, or (v) any other act or omission of Developer, its Representatives, guests or invitees.
- b. Each assignee of this CfD, or an interest therein, agrees to be liable for, exonerate, indemnify, defend, hold harmless and release the University Lands Indemnified Parties in the same manner as provided above.
- c. ALL OF THE INDEMNITY OBLIGATIONS OF DEVELOPER AND LIABILITIES ASSUMED UNDER THIS CFD BY DEVELOPER (INCLUDING WITHOUT LIMITATION THOSE SET FORTH IN THIS SECTION 12) WILL BE WITHOUT LIMITS AND WILL BE EFFECTIVE AND ENFORCEABLE AGAINST DEVELOPER AND IN FAVOR OF THE UNIVERSITY LANDS INDEMNIFIED PARTIES



REGARDLESS OF (I) THE CAUSE OR CAUSES THEREOF, (II) ANY THEORY OF STRICT LIABILITY OR (III) ANY SOLE, JOINT OR CONCURRENT NEGLIGENT ACT OR OMISSION OF THE UNIVERSITY LANDS INDEMNIFIED PARTIES, WHETHER SAID ACT OR OMISSION IS THE PROXIMATE CAUSE OF INJURY OR NOT (EXCEPT FOR THE WILLFUL MISCONDUCT OF THE UNIVERSITY LANDS INDEMNIFIED PARTIES). This Section 12 shall survive the expiration or termination of the CfD.

### 13. INSURANCE.

- a. In accordance with the Directives, Developer will ensure that Developer and any person acting on Developer's behalf under this CfD 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, Developer will deliver to University Lands Certificates of Insurance evidencing Developer's insurance coverage. For those policies of (i) Commercial General Liability and Umbrella Liability Insurance and (ii) Business Auto and Umbrella Liability Insurance, such policies must include endorsements to (v) name the University Lands Indemnified Parties as additional insureds, (x) be primary in relation to any policies carried by the University Lands Indemnified Parties, (y) reflect that University Lands will receive twenty (20) days prior written notice of cancellation or material change to Developer's insurance coverage, and (z) will reflect that the insurer has waived any right of subrogation against the University Lands Indemnified Parties.

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

### 15. BREACH; DEFAULT; FORFEITURE.

- a. University Lands' acceptance of any payments under this CfD will never constitute or be deemed to be (i) a ratification, renewal, or amendment of this CfD, (ii) a waiver of the rights granted to University Lands, or the obligations imposed upon Developer, or (iii) an estoppel against University Lands preventing the enforcement of University Lands' rights or Developer's obligations hereunder or from seeking damages for Developer's breach of the CfD. University Lands' agreement to accept royalty payments directly from any purchaser will not affect Developer's obligations to pay royalties to University Lands under this CfD. No instrument executed by University Lands will be effective to constitute a ratification, revivor, renewal, extension, or amendment of this CfD unless the instrument is clearly titled to indicate its purpose and intent.
- b. If Developer violates, fails to perform, or breaches any term or covenant in this CfD, University Lands will notify Developer in writing of the violation, failure, or breach. Developer will have thirty (30) calendar days from receipt of University Lands' written notice, in which to remedy the violation, failure, or breach. If Developer disputes any claim by University Lands of a breach or default, Developer will notify University Lands of its dispute as soon as possible, but not later than fifteen (15) calendar days after receipt of University Lands' notice. The receipt by University Lands of such notice from Developer will be a condition precedent to University Lands' right to bring an action for any cause, and in the absence of such notice, no such action will be brought by University Lands until the expiration of the thirty (30) day notice period to Developer. University Lands may remedy any type of breach or default or, at University Lands' election, terminate this CfD pursuant to Section 15.c below (by filing an instrument evidencing such termination in the county or counties in which the Subject Lands are located) if Developer fails to remedy such breach or default within the thirty (30) day period. In addition to any other remedies available to University Lands, University Lands may elect to remedy any breach or default with contemporaneous written notice to Developer if immediate action by University Lands would mitigate or prevent further, avoidable damages or if Developer's breach or default involves any environmental or regulatory issues. Under those circumstances, Developer must pay all damages, costs, and expenses incurred by University Lands, including, but not limited to attorney's fees, within ten (10) calendar days of University Lands' presentation to Developer of receipts related to such

actions. If University Lands remedies a claimed breach or default to mitigate damages or to remedy environmental or regulatory issues, Developer must pay all costs presented by University Lands, and Developer's payment will only be refunded if Developer prevails in its dispute of the underlying claim. If University Lands pursues litigation and prevails in its claim of breach or default, Developer must pay all costs and expenses incurred by University Lands in enforcing the terms of this CfD, including attorney's fees and interest on all money expended by University Lands to remedy such breach or default (if applicable) at the highest rate allowed by the Directives.

- c. Under the Directives, this CfD is also subject to forfeiture for Developer's failure to comply with the terms of this CfD. Once all or any portion of the Subject Lands has been forfeited by Developer, it will immediately be available for offer in public lease sales or other contracts for development. Developer acknowledges and agrees that each of its obligations and requirements under this CfD is material.
- d. Nothing herein will be construed as waiving or preventing the automatic termination of this CfD by operation of law or by reason of any special limitation or condition arising under this CfD, and University Lands may exercise all remedies available to University Lands to enforce or terminate this CfD, collect monetary payments due, or take any other action related to the CfD.

#### **16. ASSIGNMENTS; RELEASE.**

- a. Developer shall not assign or transfer this CfD nor any right, interest, or obligation hereunder, in whole or in part (including in all cases via operation of a change of control or merger, regardless of whether such change of control or merger is deemed an assignment or transfer under applicable law) without prior written consent of University Lands. Subject to the foregoing, Developer must notify University Lands in advance of any proposed assignment of all or any part of this CfD to another party and Developer must promptly provide recorded copies of assignments to University Lands within thirty (30) days of the assignment from Developer to another party. Failure to notify University Lands 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 CfD.
- b. The assignment or relinquishment of the Subject Lands, or any part of the Subject Lands, will not relieve the Developer of any obligations accrued under this CfD prior to such assignment or relinquishment, including plugging and abandonment liabilities, or impair any liens provided by law or this CfD. In the event Developer assigns all or a portion of its interest under this CfD, Developer and its assignee(s) shall be jointly and severally liable and responsible for all liabilities and obligations arising under this CfD, whether arising before or after the effective date of such assignment. University Lands may at its option require any assignee of Developer to demonstrate financial wherewithal to comply with such assignee's obligations under this CfD and may require a bond or other security from such assignee. All assignments must reference this CfD by file number.

**17. VENUE.** The venue for any suit arising out of a provision of this CfD, whether express or implied, regarding interpretation of this CfD, or relating in any way to this CfD or to applicable case law, statutes, or administrative rules, will be selected by University Lands in its sole discretion in a court of competent jurisdiction located in either Harris County, Texas, Travis County, Texas, or the county in which the Subject Lands are located, and University Lands and Developer expressly submit to the jurisdiction of such court and the State of Texas. Developer waives any right to any transfer of venue or plea to the jurisdiction that might exist in the absence of this provision. University Lands and Developer agree that Texas law exclusively, and without regard to choice of law rules, governs this CfD. DEVELOPER EXPRESSLY WAIVES, AND UNIVERSITY LANDS HAS THE ELECTION IN ITS SOLE DISCRETION TO WAIVE, TRIAL BY JURY IN ANY LITIGATION ARISING OUT OF, CONNECTED WITH, OR RELATING TO THIS CFD.

#### **18. MISCELLANEOUS.**

- a. SUCCESSORS AND ASSIGNS. The covenants, conditions, liabilities, and obligations contained in this CfD will be binding upon the heirs, executors, administrators, successors, or assigns of Developer.
- b. CONFLICTS. If a conflict arises between the terms of this CfD and the terms of the Directives, the provisions of the Directives will control and prevail; provided, however, that the terms of this CfD may supplement the Directives.





- c. SEVERABILITY. If any clause or provision of this CfD is invalid or unenforceable at any time under then-current laws, the remainder of this CfD will not be affected, and this CfD will be modified so that there will be added as a part of this CfD 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 CfD are for reference purposes only and will not affect the meaning or interpretation of this CfD.
- e. TIME OF ESSENCE. Time is of the essence in this CfD.
- f. TITLE. This CfD is granted without any covenant of title or warranty of title of any kind whatsoever, express, implied or statutory. Developer will have no recourse against the University Lands in the event of any failure of title, nor will any of the consideration paid for this CfD, or any royalties or any other payments made hereunder, be refunded to Developer.
- g. RECORDATION OF CFD. University Lands and Developer have not executed a Memorandum of CfD. Developer is hereby required to promptly record this CfD in the records of the county or counties in which the Subject Lands are situated, to give record notice of this CfD and to serve as a financing statement under the Texas Uniform Commercial Code.
- h. PUBLIC ANNOUNCEMENTS AND PRESS RELEASES. Operator must provide drafts of any planned public announcements or press releases to University Lands with respect to this CfD and the transactions contemplated hereby for its review and approval prior to publication or release of any announcements. Unless otherwise required by law or exchange rules or regulations, any public announcements and press releases are only allowed after receipt of written approval by University Lands.
- i. ENTIRE AGREEMENT. This CfD constitutes the sole agreement of the Parties with respect to the subject matter and supersedes any prior written or oral agreements or communications between the Parties. This CfD may only be amended in writing signed by both Parties.

## 19. REPRESENTATIONS AND WARRANTIES OF DEVELOPER

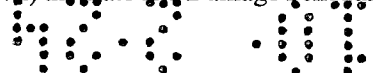
- a. ORGANIZATION AND GOOD STANDING. Developer is duly organized, validly existing, and in good standing under the laws of Delaware and in every state in which it is qualified to do business, including the State of Texas.
- b. AUTHORITY; NO CONFLICT.
  - i. This CfD constitutes the legal, valid, and binding obligation of Developer, enforceable against Developer in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy or other similar laws affecting the rights and remedies of creditors generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). Developer has the absolute and unrestricted right, power, authority, and capacity to execute and deliver this CfD and to perform its obligations under this CfD.
  - ii. The execution and delivery of this CfD by Developer shall not contravene, conflict with, or result in a violation of (i) any provision of the Organizational Documents of Developer, or (ii) any resolution adopted by the board of directors, board of managers, stockholders, or members of Developer.
  - iii. Developer is not and shall not be required to give any notice to or obtain any consent from any person in connection with the execution and delivery of this CfD.
  - iv. The individual executing this CfD on behalf of Developer represents that they have full power and authority to enter into this CfD on behalf of Developer.
- c. CERTAIN PROCEEDINGS. There is no pending proceeding that has been commenced against Developer that challenges, or may have the effect of preventing, delaying, making illegal, or otherwise interfering with, its obligations under this CfD. To Developer's knowledge, no such proceeding has been threatened.
- d. KNOWLEDGEABLE INVESTOR. Developer is an experienced and knowledgeable investor in the oil and gas business. Before entering into this CfD, Developer was advised by its own legal, tax, and other professional counsel concerning this CfD and the Subject Lands (and the value thereof), and it has relied solely thereon.



- e. DUE DILIGENCE. Developer has performed such review and due diligence with respect to the Subject Lands, which includes reviewing well data and other files in performing necessary evaluations, assessments, and other tasks involved in evaluating the Subject Lands as it deems necessary to enable it to make an informed decision to enter into this CfD.
- f. BASIS OF DEVELOPER'S DECISION. By reason of Developer's knowledge and experience in the evaluation, acquisition, and operation of oil and gas properties, Developer has evaluated the merits and the risks of entering into this CfD and has formed an opinion based solely on Developer's knowledge and experience, Developer's due diligence, and not on any representations or warranties by University Lands. Developer has not relied and shall not rely on any statement, comments, projections or other materials made or given by University Lands or its Representatives in making its decision to enter into this CfD.
- g. FINANCIAL ABILITY. Developer has access to sufficient funds to enable it to perform all of its duties and obligations as required under this CfD.
- h. BANKRUPTCY. There are no bankruptcy, reorganization, receivership, or arrangement proceedings pending or being contemplated by Developer or, to Developer's knowledge, threatened against Developer. Developer is solvent.

## 20. DEFINITIONS.

- a. **"Affiliate"** means a person or entity that directly or indirectly controls, is controlled by, or is under common ownership or control with Developer, specifically including but not limited to parents and subsidiaries (i) that directly or indirectly own or control at least a ten percent interest in Developer, or (ii) in which Developer 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. **"Commence", "Commencing", "Commenced", or "Commenced"** means when (a) a derrick, a rig, and machinery capable of drilling a well has been erected, and such well has been spudded-in, and the rotary bit is rotating under power, or (b) Completion Operations, as defined below, have been initiated.
- e. **"Complete", "Completed", "Completing", or "Completion"**, with respect to a well means (after Drilling Operations are completed on such well), (i) to perform hydraulic fracturing operations and final stages of well construction to prepare such well for production and (ii) to equip such well as a producing well.
- f. **"Completion Operations"** means pressure pumping by equipment necessary to stimulate a well into a well that is producing.
- g. **"Continuous Drilling Operations"** is defined in Section 9.a of this CfD.
- h. **"Costs and Expenses"** means all costs, whether related to the costs of production or incurred post-production, associated with the Produced Substances, including but not limited to (i) producing, manufacturing, gathering, storing, separating, treating, dehydrating, conditioning, compressing, processing, marketing, fractionating or transporting the Produced Substances (including deductions for lost product or line losses), and (ii) any and all costs (including depreciation) associated with any plant or other facility or equipment for processing or treating Produced Substances, in each case of (i) and (ii), whether directly or indirectly borne by Developer or by third-party purchasers and whether stated as a deduction from the price paid for such Produced Substances (or for products derived from such Produced Substances) or an adjustment to such price based on location or condition.
- i. **"Developer"** is defined in the introductory paragraph of this CfD.
- j. **"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.
- k. **"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.

- l. **"Drilling Operations"** is defined in Section 8.b of this CfD.
- m. **"Effective Date"** is defined in the introductory paragraph of this CfD.
- n. **"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>.
- o. **"Gross Production"** means all Produced Substances brought from underground up to and through the well head, and includes, but is not limited to: (i) all Hydrocarbons produced in liquid form as oil or condensate at the wellhead and also all condensate, distillate, and any other liquid Hydrocarbons recovered from Oil, condensate or gas run through a separator or other equipment; (ii) all Hydrocarbons and gaseous substances not in liquid form produced from any well; and (iii) natural gas or liquid Hydrocarbons, carbon dioxide, carbon black, sulfur, or any other products produced or manufactured from any gas or liquid. The Gross Production volumes of oil, condensate, and gas includes all sales, custody transfer dispositions and/or stored volumes and all non-sales disposition volumes, including but not limited to, use on the Subject Land, fuel, vent, flare, spills, uncontrolled releases, theft, and any other loss. Gross Production volumes of gaseous Hydrocarbons must be adjusted and reported in MMBtus.
- p. **"Gross Value"** means the highest of: (i) the prevailing market price for substances similar in type and characteristics to the Produced Substances in the general area, (ii) the gross proceeds of Developer's or its Affiliate's sale to an unaffiliated third party of the applicable Produced Substances, as may be adjusted under Section 3 of this CfD, (iii) the highest price paid to Developer or an Affiliate of Developer for substances similar in type and characteristics to the Produced Substances in the general area, (iv) for crude oil, the posted market price for crude oil at the nearest crude market hub, without any other deductions whatsoever (including without limitation deductions for severance taxes), or (v) for gas, 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.
- q. **"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](http://universitylands.utsystem.edu/Content/Documents/Operations/Groundwater_Management_Plan.pdf).
- r. **"Hydrocarbons"** means oil, gas, casinghead gas, distillate, condensate, and by-products thereof, and other products separated or extracted from gas.
- s. **"Operations"** is defined in Section 8.a of this CfD.
- t. **"Organizational Documents"** means (a) the articles or certificate of incorporation and the bylaws of a corporation; (b) the articles of organization or certificate of formation and the limited liability company agreement of a limited liability company; (c) the certificate of limited partnership and limited partnership agreement of a limited partnership; and (d) any amendment to any of the foregoing.
- u. **"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.
- v. **"Primary Term"** is defined in Section 2 of this CfD.
- w. **"Produced Substances"** means Hydrocarbons produced, whether intentionally or unintentionally, from the Subject Lands.
- x. **"Production Acreage"** is defined in Section 9.b of this CfD.



- y. **"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](http://universitylands.utsystem.edu/Content/Documents/Contracts/PSA_Sample.pdf).
- z. **"Railroad Commission"** means the Railroad Commission of Texas (or any successor agency).
- aa. **"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](http://universitylands.utsystem.edu/Content/Documents/Operations/Rate_Damage_Schedule.pdf).
- bb. **"Regulatory Reporting Procedures"** means the University Lands Oil & Gas Leases Required Reporting & Compliance Procedures prepared and published by University Lands, as amended from time to time, a copy of which may be found at <http://universitylands.utsystem.edu/Content/Documents/Operations/ULRequiredReportingComplianceProc.pdf>.
- cc. **"Representatives"** means representatives, owners, members, designees, directors, officers, employees, consultants, contractors, subcontractors, financial advisors, counsel, accountants, and other agents, as applicable.
- dd. **"Retained Lands"** is defined in Section 11.b of this CfD.
- ee. **"Reworking Operations"** is defined in Section 8.c of this CfD.
- ff. **"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](http://universitylands.utsystem.edu/Content/Documents/BFL/bfl_rules.pdf).
- gg. **"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>.
- hh. **"Shallow Rights"** is defined in Section 9.d of this CfD.
- ii. **"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](http://www.utlands.utsystem.edu/Content/Documents/Operations/Soil_Remediation_Guidance.pdf).
- jj. **"Subject Lands"** is defined in Section 2 of this CfD.
- kk. **"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/SurfaceComminglingRequirements.pdf>.
- ll. **"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.
- mm. **"University Lands"** is defined in the introductory paragraph of this CfD.

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

**Developer**

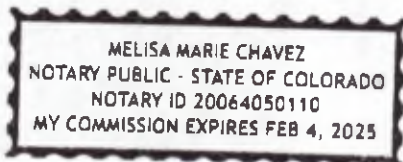
OVINTIV USA INC.

By: \_\_\_\_\_

Matthew V Myers  
Director, Texas Land

THE STATE OF COLORADO     §  
   §  
COUNTY OF DENVER         §

This instrument was acknowledged before me on this the 18<sup>th</sup> day of September, 2024, by Matthew V. Myers, Director, Texas Land, Ovintiv USA Inc. a Delaware corporation, on behalf of corporation.



\_\_\_\_\_  
Notary Public in and for the State of Colorado



University Lands

THE STATE OF Texas §  
§  
COUNTY OF Harris §

By: W. R. Murphy, Jr.

William R. Murphy, Jr.  
Chief Executive Officer

Date: 10/22/24

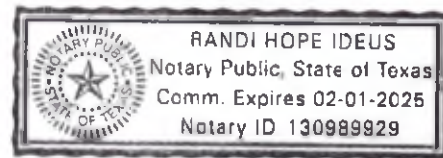
This instrument was acknowledged before me on  
this the 22nd day of October,  
2024, by, William R. Murphy, Jr. as Chief  
Executive Officer of **UNIVERSITY LANDS**.

Randi Hope Ideus

Notary Public

My Commission

Expires: 02/01/25



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 date of execution below, unless explicitly stated herein otherwise.

STATE OF TEXAS

By:



Dawn Buckingham, M.D.  
Commissioner, General Land Office of Texas  
Date: 10/10/2024

THE STATE OF TEXAS  
COUNTY OF ANDREWS

I hereby certify that this instrument was FILED on the  
date and the time stamped hereon by me and was duly  
RECORDED in the OPR Records of Andrews, Texas.

24-3654 Pages: 20  
11/01/2024 02:02 PM



Vicki Scott, County Clerk  
Andrews, Texas