

**THE STATE OF TEXAS**  
**COUNTY OF TARRANT**

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**OIL AND GAS LEASE**  
**(SURFACE USE)**

**THIS AGREEMENT** (“Lease”) is made and entered into as of the date herein specified by and between **CITY OF DALWORTHINGTON GARDENS**, a General Law city of the State of Texas located within Tarrant County, Texas, (hereinafter referred to as “Lessor”), and, \_\_\_\_\_ (hereinafter referred to as “Lessee”).

**WITNESSETH:**

**1.**  
**GRANTING CLAUSE**

Lessor, in consideration of a cash bonus in hand paid and in consideration of the royalties herein provided and of the agreements of Lessee hereinafter contained and subject to the terms and conditions herein, hereby grants, leases, and lets exclusively unto Lessee for the sole purpose of investigating, exploring, drilling operating, and producing oil and/or gas (together with any liquid or gaseous substances produced in association with oil and gas) the land situated in the City of Dalworthington Gardens, Texas described in Exhibit “A” attached hereto (the “leased premises”).

All mineral substances and mineral rights other than oil and gas (and all other liquid or gaseous substances produced in association with oil or gas) are expressly reserved to Lessor and excepted from this Lease. These reserved mineral rights include, but are not limited to, the rights to lignite, coal and sulfur not produced in association with oil or gas.

For the purpose of determining the amount of any bonus or other payment hereunder, said leased premises shall be deemed to contain seventy-eight (78) acres, whether actually containing more or less.

**2.**  
**PRIMARY TERM**

Subject to the other provisions herein contained, this Lease shall be for a term of twenty-four (24) months from the date of the notarial acknowledgement of Lessor’s execution of this instrument (hereinafter called “primary term”) and so long thereafter as oil or gas is produced from the leased premises or lands pooled therewith in paying quantities, or drilling operations are

in progress thereon as hereinafter provided. If there is no production on the lands held by this Lease, prior to the termination of this lease, Lessee may tender and deliver an amount equal to the original amount paid for this lease to Lessor and the terms of this Lease shall be extended for twenty (24) additional months.

**3.**  
**ROYALTIES**

Lessee shall pay to Lessor the following royalties, which shall, except for Lessor's share of production severance taxes, be free of all costs of any kind, including, but not limited to, costs of gathering, production, transportation, treating, compression, dehydration, processing, marketing, trucking or other expense, directly or indirectly incurred by Lessee, whether as a direct charge or a reduced price or otherwise. In this regard, Lessee agrees to bear one hundred percent ( 100%) of all costs and expenses incurred in rendering oil or gas produced on or from the leased premises marketable and delivering the same into the purchaser's or transporter's trucks or pipeline. Additionally, said royalties shall never bear, either directly or indirectly, under any circumstances, the costs or expenses (including depreciation) to construct, repair, renovate or operate any pipeline, plant, or other facilities or equipment used in connection with the treating, separation, extraction, gathering, processing, refining, compression, transporting, manufacturing or marketing of oil or gas produced from the leased premises or lands pooled therewith.

A. On oil, gas (including flared gas) and casinghead gas, together with any other liquid or gaseous hydrocarbons recovered by Lease operations (such as in drips or separators) \_\_\_\_\_ (\_\_\_%) of the proceeds of the sale or of the market value thereof, whichever is higher. Such royalty on oil, gas and casinghead gas together with any other liquid or gaseous hydrocarbons recovered by Lease operations, is to be delivered free of cost at the well or to the credit of the Lessor into pipelines, gathering lines, or other facilities to which the wells and tanks on the property may be connected. Lessor shall always have the right, at any time and from time to time, upon reasonable written notice to Lessee, to take Lessor's share of oil, gas and processed liquids in kind. Lessor may elect to take Lessor's gas in kind at the well or at the point of delivery where Lessee delivers Lessee's gas to any third party. If gas is processed, Lessor may elect to take Lessor's share of the residue gas attributable to production from the leased premises, at the same point of delivery where Lessee receives its share of residue gas or has its share of residue gas delivered to a third party. Lessor may elect to have its royalty share of processed liquids stored in tanks at the plant or delivered into pipelines on the same basis as Lessee's share of liquids is stored or delivered. Lessor shall reimburse Lessee for all reasonable costs incurred

by Lessee in installing, operating or maintaining additional facilities necessary for Lessor's royalty gas and processed liquids to be separately metered, accounted for, and delivered to a third party, but Lessor shall not be charged for any expenses in the production, gathering, dehydration, separation, compression, transportation, treatment, processing or storage of Lessor's share of gas and processed liquids.

B. On products, \_\_\_\_\_ ( \_\_\_ %) of the gross market value or proceeds of sale thereof, whichever is higher.

C. On residue gas or gas remaining after separation, extraction or processing operations, \_\_\_\_\_ ( \_\_\_ %) of the proceeds of sale or of the market value thereof, whichever is higher.

D. For purpose of this Paragraph 3, the term "market value" shall mean for gas and products therefrom (i) the gross price at which gas or products therefrom are sold pursuant to a Gas Contract, as defined below, that is ratified by Lessor according to Paragraph G below or (ii) if not sold pursuant to a Gas Contract ratified by Lessor and Lessee, the highest gross price reasonably obtainable for the quantity of gas or products available for sale, through good faith negotiations for gas or products produced from the leased premises at the place where such gas or product is available for sale on the date of such a contract with adequate provisions for redetermination of price at intervals of no less frequency than one (1) year to ensure that the production is being sold for no less than the current market price. Included within the definition of "market value" as used herein is the presumption that Gas Contracts that are ratified by Lessor are arms-length contracts with purchasers who are not affiliates of Lessee. An "affiliate" includes, but is not limited to, the parent company or a subsidiary of Lessee, a corporation or other entity having common ownership with Lessee, a partner or joint venturer of Lessee with respect to the ownership or operation of the processing plant, a corporation or other entity in which Lessee owns a ten percent or greater interest, or any individual, corporation or other entity that owns a ten percent or greater interest in Lessee. In no event shall "market value" ever be less than the amount actually received by the Lessee for the sale of hydrocarbons.

E. This lease is intended to cover only oil and gas, but some other substances (including helium and sulphur) may be produced necessarily with and incidental to the production of oil or gas from the leased premises; and, in such event, this Lease shall also cover all such other substances so produced. On all such substances so produced under and by virtue of the terms of this Lease, Lessor shall receive a royalty of \_\_\_\_\_ ( \_\_\_ %) of all such substances so produced and saved, same to be delivered to Lessor, free of all costs; or, at Lessor's election, Lessor's \_\_\_\_\_ ( \_\_\_ %) of such substances shall be sold by Lessee with Lessee's

portion of such substances and Lessor shall be paid the profit realized by Lessee on such sale which shall be the same as that realized by Lessee on the sale of its portion of such substances.

F. All royalties hereinabove provided shall be payable in cash (unless Lessor elects to take such royalty oil or gas in kind) to Lessor within sixty (60) days following the first commercial sale of production and thereafter no more than thirty (30) days after the end of the month following the month during which production takes place. Subject to the provisions of Paragraph 9 of this Lease concerning shut-in wells, royalties shall be paid to Lessor by Lessee and/or its assigns or by the product purchaser for oil and/or gas. Upon the failure of any party to pay Lessor the royalty as provided in this paragraph, Lessor may, at Lessor's option, elect to terminate this Lease by sending written notice to Lessee. Lessee shall then have thirty (30) days from the date of service of such written notice in which to avoid termination of this Lease by making or causing to be made the proper royalty payment or payments that should have been paid. If such royalty payment is not made on or before the expiration of the 30-day period, or written approval is not obtained from Lessor to defer such payment, Lessor may elect to terminate this lease by filing a Notice of Termination with the County Clerk in the county where the leased premises are located. The effective date of said termination shall be the date said Notice of Termination is filed with the said County Clerk.

G. Lessee agrees that it will not enter into any contract for the sale, delivery, transporting or processing of gas produced from the leased premises which shall extend more than two (2) years from the effective date of such sales contract unless such contract has adequate provisions for redetermination of price at intervals of no less frequency than one (1) year to ensure that production from this Lease is not being sold for less than the then current market value. At least thirty (30) days prior to the delivery or the execution of any contract for the sale, delivery, transporting or processing of gas produced from the leased premises, Lessee shall provide Lessor with a complete copy of each such proposed contract that Lessee intends to execute (each a "Gas Contract"), whereupon, Lessor shall have fifteen (15) days within which to either approve such Gas Contract or notify Lessee in writing that it does not approve of such Gas Contract, including a statement of the reason that Lessor does not approve of such Gas Contract. Lessor's failure to respond within the fifteen (15) day period shall be deemed to be Lessor's approval of such Gas Contract. If Lessor approved the Gas Contract, the gas or products therefrom sold pursuant to such Gas Contract shall be deemed sold at market value based on the gross price stated therein. Lessee shall not amend or modify any material terms of a Gas Contract approved by Lessor without the prior written consent of Lessor. If Lessor does not approve of a Gas Contract, Lessee shall consult with Lessor in an effort to agree to the terms of the proposed

Gas Contract, and if the other party or parties to the Gas Contract agree to the changes or modifications to the Gas Contract which are proposed by Lessor in order for Lessor to approve such Gas Contract, then Lessor shall be deemed to have approved such Gas Contract. If Lessor and Lessee cannot agree on the terms of a Gas Contract that are acceptable to the other party or parties thereto, Lessee may elect to execute such Gas Contract and sell, deliver, transport and process gas according to the terms thereof, subject to the other terms of this Paragraph 3 concerning the payment of Lessor's royalty on gas and products therefrom, including the right of Lessor to take its share of gas in kind. In the event Lessor elects to take and separately dispose of its royalty share of gas, the parties shall enter into a mutually acceptable balancing agreement providing for (a) the right of an under produced party to make up an imbalance by taking up to 150 percent of its share of production and (b) an obligation to settle any imbalance remaining after depletion in cash, based on the proceeds received by the overproduced party when the imbalance was created, or if the overproduced party's gas was used but not sold, based on the market value of the gas when the imbalance was created.

H. In the event Lessee enters into a gas purchase contract which contains what is commonly referred to as a "take or pay provision" (such provision meaning that the gas purchaser agrees to take delivery of a specified minimum volume or quantity of gas over a specified term at a specified price or to make minimum periodic payments to the producer for gas not taken by the purchaser) and the purchaser under such gas purchase contract makes payment to Lessee by virtue of such purchaser's failure to take delivery of such minimum volume or quantity of gas, then Lessor shall be entitled to \_\_\_\_\_ ( \_\_\_\_%) of all such sums paid to Lessee or producer under the "pay" provisions of such gas purchase contract. Such royalty payments shall be due and owing to Lessor within thirty (30) days after the receipt of such payments by Lessee. If the gas purchaser "makes up" such gas within the period called for in the gas contract and Lessee is required to give such purchaser a credit for gas previously paid for but not taken, then Lessor shall not be entitled to royalty on such "make up" gas. If Lessee is not producing any quantities of gas from the leased premises but is receiving payments under the "pay" portion of such "take or pay" gas purchase contract provision, such payments shall not relieve Lessee of the duty to make shut-in royalty payments if Lessee desires to continue this Lease, but such "take or pay" royalty payments shall be applied as a credit against any shut-in royalty obligation of the Lessee. Lessor shall be a third-party beneficiary of any gas purchase contract and/or transportation agreement entered into between Lessee and any purchaser and/or transporter of Lessor's gas, and such gas purchase contract and/or transportation agreement will expressly so provide. Further, Lessor shall be entitled to \_\_\_\_\_ ( \_\_\_\_%) of the value of any

benefits obtained by or granted to Lessee from any gas purchaser and/or transporter for the amendment, modification, extension, alteration, consolidation, transfer, cancellation or settlement of any gas purchase contract and/or transportation agreement.

I. Lessee agrees that before any gas produced from the leased premises is used or sold off the leased premises, it will be run, free of cost to Lessor, through an adequate oil and gas separator of a conventional type or equipment at least as efficient, to the end that all liquid hydrocarbons recoverable from the gas by such means will be recovered and Lessor properly compensated therefor.

J. Any payment of royalty or shut-in gas royalty hereunder paid to Lessor in excess of the amount actually due to the Lessor shall nevertheless become the property of the Lessor if Lessee does not make written request to Lessor for reimbursement within one (1) year from the date that Lessor received the erroneous payment, it being agreed and expressly understood between the parties hereto that Lessor is not the collecting agent for any other royalty owner under the lands covered hereby, and a determination of the name, interest ownership and whereabouts of any person entitled to any payment whatsoever under the terms hereof shall be the sole responsibility of Lessee. It is further expressly agreed and understood that (i) this provision shall in no way diminish the obligation of Lessee to make full and punctual payments of all amounts due to Lessor or to any other person under the terms and provisions of this Lease, and (ii) any overpayments made to the Lessor under any provisions of this Lease shall be entitled to be offset against future amounts payable to Lessor hereunder within one year from the overpayment and not thereafter.

K. The terms of this Lease may not be amended by any division order and the signing of a division order by Lessor may not be made a prerequisite to payment of royalty hereunder.

L. Oil, gas or products may not be sold to a subsidiary or affiliate of Lessee as defined herein without the Lessor's prior written permission.

M. Lessee shall pay Lessor royalty on all gas produced from a well on the leased premises and sold or used off the leased premises regardless of whether or not such gas is produced to the credit of Lessee or sold under a contract executed by or binding on Lessee. Should gas be sold under a sales contract not binding on Lessee, Lessor's royalty will be calculated based on the highest price paid for any of the gas produced from the well from which such gas is produced. In no event will the price paid Lessor for Lessor's share of gas be less than the price paid Lessee for Lessee's share of gas.

N. From any well that is drilled from a location on City land extending into other acreage not owned by the City, Lessee, in addition to any royalties due the City under this Lease,

shall pay Lessor a three percent (3%) overriding royalty interest under the same terms and conditions set for payment of royalty in this Section 3.

**4.**  
**POOLING**

Lessee, at its option, is hereby given the right to pool or combine the leased premises or any portion thereof as to oil and gas, or either of them with any other land, lease or leases in the immediate vicinity thereof to the extent hereinafter stipulated, when it is necessary or advisable to do so in order to properly develop, produce and operate said leased premises in compliance with the spacing rules of the appropriate lawful authority, or when to do so would promote the conservation of oil and gas in and under and that may be produced from said leased premises. Units pooled for oil and gas hereunder shall not exceed forty (40) acres each in area, provided that should governmental authority having jurisdiction prescribe the creation of units larger than those specified (including, for example, for a horizontal well) for the drilling of a well at a regular location or for obtaining maximum allowable, a pooled unit thereafter created may conform in size with those prescribed by governmental regulations but not to exceed one hundred (100) acres without Lessor's consent. Lessee, under the provisions hereof, may pool or combine acreage covered by this Lease or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. To the extent possible and reasonably practical, Lessee shall form a unit including only City acreage. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the Lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this Lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing the pooled acreage as a pooled unit and Lessee shall provide Lessor with a copy of any and all documents filed with any regulatory authority or recorded in the records of any county within thirty (30) days of filing such documents. Upon the recordation of the unit in the county records and the timely furnishing of the copies required herein to Lessor the unit shall be effective as to all parties hereto, their heirs, successors, and assigns, irrespective of whether or not the unit is likewise effective as to all other owners of surface, mineral, royalty or other rights in land included in such unit. In the event of operations for drilling on or production of oil or gas from any pooled unit which includes all or a portion of the land covered by this Lease, such operations shall be considered as operations for drilling on or production of oil and gas from land covered by

this Lease whether or not the well or wells be located on the premises covered by this Lease. For the purposes of computing royalties, there shall be allocated to the land covered by this Lease and included in said unit (or to each separate tract within the unit if this Lease covers separate tracts within the unit) a pro rata portion of the oil and gas, or either of them, produced from the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be on oil and gas, or either of them, so allocated to the land covered by this Lease and included in the unit just as though such production were from such land. The production from an oil well will be considered as production from this Lease or oil pooled unit from which it is producing and not as production from a gas pooled unit, and production from a gas well will be considered as production from this Lease or gas pooled unit from which it is producing and not from an oil pooled unit. The formation of any unit hereunder shall not have the effect of changing the ownership of any shut-in production payment which may become payable under this Lease. If this Lease now or hereafter covers separate tracts, no pooling or unitization of royalty interest as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this Lease but Lessee shall nevertheless have the right to pool as provided above with consequent allocation of production as provided above. As used in this paragraph, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises. Notwithstanding anything to the contrary herein, no unit may be formed that contains less than 50% acreage from the leased premises.

## 5.

### **DRILLING COMMITMENT AND CONTINUOUS DRILLING OF WELLS**

In order to maintain this lease in full force and effect after the primary term, Lessee may, on or before the expiration of the primary term, commence drilling of a well on the leased premises at a permitted location (or on land pooled or unitized therewith as permitted in this lease) and thereafter drill successive wells on the leased premises at a permitted location (or on land pooled or unitized therewith as permitted in this Lease) with not more than ninety (90) days elapsing between the completion date of the last well drilled and the commencement of drilling of another well. In the event Lessee shall fail to commence or cease to conduct such continuous drilling operations as herein provided, all of the rights of Lessee hereunder shall cease, terminate and be forfeited, without notice, demand or putting in default, as to all of the leased premises except Lessee shall be entitled to retain, subject to the terms of this Lease, each well then producing in paying quantities (or deemed producing in paying quantities according to Paragraph 9 hereof), together with those portions of the leased premises described in Paragraph 6 hereof. A

“Drilling Location” as used here is defined as one bore hole created for the drilling of a well or it may be a bore hole that is drilled and then entered more than once with a separate horizontal well drilled each time that bore hole is entered. By example, if one bore hole was drilled with one horizontal well and then reentered two more times with two more horizontal wells drilled the cost would be \$50,000 times 3 equals \$150,000.

## 6.

### **RETAINED ACREAGE**

#### **A. Vertical Wells**

At the later to occur of the expiration of the primary term of this Lease or the termination of the continuous drilling program set forth in Paragraph 5, each non-horizontal well drilled hereon capable of producing in paying quantities will hold only forty (40) acres of the leased premises for any formation from the surface to the base of the Barnett Shale formation. As to depths below the base of the Barnett Shale Formation, the retained acreage shall be the minimum size proration unit necessary to obtain the maximum production allowable or if there are no proration units, the smallest spacing unit available. If the retained acreage for a well completed below the base of the Barnett Shale Formation is larger than forty (40) acres, the well may maintain the Lease as to formations above the base of the Barnett Shale Formation as to not more than forty (40) acres. All other acreage except that included in a retained acreage tract or pooled unit as described above will cease to be covered by this Lease and will be released. To the extent possible, each such retained acreage tract will be in the shape of a square, with the bottom of the well in the center. Further, it is understood and agreed that Lessee shall earn depths as to each retained acreage unit or pooled unit only from the surface down a depth which is the stratigraphic equivalent to a depth of one hundred feet (100') below the deepest formation in such well which is producing oil and gas in paying quantities at the later to occur of the expiration of the primary term of this Lease or the termination of the continuous drilling program set forth in Paragraph 5. This Lease will terminate at such time as to all depths below such depths as to each respective retained acreage tract or pooled unit. If production should cease as to acreage included in a retained acreage tract or pooled unit, this Lease will terminate as to such acreage unless Lessee commences reworking or additional drilling operations on such acreage within ninety (90) days thereafter and continues such reworking or additional drilling operations until commercial production is restored thereon, provided that if more than ninety (90) days elapse between the abandonment of such well as a dry hole and the commencement of actual drilling operations for an additional well, or more than ninety (90) days pass since the commencement of reworking

operations without the restoration of commercial production, this Lease shall terminate as to the applicable retained acreage tract or pooled unit.

**B. Horizontal Wells**

It is expressly understood and agreed that, subject to the other terms, provisions and limitations contained in this Lease, Lessee shall have the right to drill “horizontal wells” under the leased premises, or lands pooled therewith. The term “horizontal well” or “horizontally drilled well” shall mean any well that is drilled with one or more horizontal drainholes having a horizontal drainhole displacement of at least five hundred eighty-five (585) feet. For the purposes of further defining the term “horizontal wells” and “horizontally drilled” reference is made to the definitions contained within Statewide Rule 86, as promulgated by the Railroad Commission of Texas, which definitions are incorporated herein for all purposes.

In the event of any partial termination of the Lease as provided in the first sentence of Paragraph 6A, then, with regard to a well which is a horizontal well or a horizontally drilled well, Lessee shall be entitled to retain all sands and horizons at all depths from the surface down to a depth which is the stratigraphic equivalent of a depth of one hundred (100) feet below the base of the deepest producing formation in such well which is capable of producing oil and gas in paying quantities, but only in a spacing unit the area or number of acres of which are equal to the area or number of acres determined by adding twenty (20) acres for each five-hundred eighty-five (585) feet horizontally drilled to the original forty (40) acres deemed to be a spacing unit for each vertical well. Each such tract around each horizontally drilled well shall be as nearly in the shape of a square or a rectangle as is practical with the boundaries of the tract including the entire horizontal drainhole and the lateral boundaries of such tract being approximately equal distance from such drainhole and parallel thereto.

If production should cease as to acreage included in a horizontal spacing unit or pooled unit, this Lease will terminate as to such acreage unless Lessee commences reworking or additional drilling operations on such acreage within ninety (90) days thereafter and continues such reworking or additional drilling operations until commercial production is restored thereon, provided that if more than ninety (90) days elapse between the abandonment of such well and the commencement of actual drilling operations for an additional well, or more than ninety (90) days pass since the commencement of reworking operations without the restoration of commercial production, the Lease shall terminate as to the applicable horizontal spacing unit or pooled unit.

**C. Release**

At any time or times that this Lease terminates as to all or any portion of the acreage of the leased premises, Lessee shall promptly execute and record in the office of the County Clerk in

the County where the leased premises are located, a proper release of such terminated acreage and shall furnish executed counterparts of each such release to Lessor.

7.  
**OFFSET OBLIGATIONS**

In the event a well or wells producing oil or gas in paying quantities should be brought in on land within 500 feet from any boundary of the leased premises. Lessee agrees within sixty (60) days from commencement of production from such well or wells to commence the actual drilling of an offset well or wells on the leased premises, or Lessee shall release to Lessor free of this Lease the offsetting tract of at least one hundred twenty (120) acres.

8.  
**FORCE MAJEURE**

A. The term “force majeure” as used herein shall mean and include: requisition, order, regulation, or control by governmental authority or commission; exercise of rights or priority or control by governmental authority for national defense or war purpose resulting in delay in obtaining or inability to obtain either material, equipment or means of transportation normally necessary in drilling for oil, gas or in producing, handling or transporting same from the leased premises; war, scarcity of or delay in obtaining materials or equipment; lack of labor or means of transportation of labor or materials; acts of God; insurrection; flood; strike; or other things beyond the control of Lessee. The Term “force majeure” shall not include lack of markets for production or any other events affecting only the economic or financial aspects of drilling, development or production.

B. Notwithstanding any other provisions of this Lease, but subject to the conditions hereinafter set forth in this Paragraph 8, should Lessee be prevented by “force majeure” as defined above, from conducting drilling or reworking operations on, or producing oil, gas or other mineral from, the leased premises, such failure shall not constitute a ground for the termination of this Lease or subject said Lessee to damages therefore; and the period of time during which Lessee is so prevented shall not be counted against Lessee, but this Lease shall be extended for a period of time equal to that during which such Lessee is so prevented from conducting such drilling or reworking operations on, or producing oil, gas or other mineral from, such leased premises; provided, however, that in no event will the primary term be extended unless Lessee has begun the actual drilling of a well prior to the date of the expiration of the primary term. All of the provisions of this paragraph are subject to each of the following express conditions.

The terms and conditions of this paragraph shall not extend beyond the expiration date of any law, order, rule or regulation invoked under this paragraph, and shall be applicable and effective only during the following periods:

(1) If the force majeure shall occur during the primary term of this Lease, it shall not operate to extend this Lease more than two (2) consecutive years beyond the expiration of the primary term.

(2) If the force majeure shall occur during a ninety (90) day drilling or reworking period provided for in Paragraphs 5 and 6 hereof, after the primary term has expired, then it shall not operate to extend the Lease more than two (2) successive years beyond the expiration of such ninety (90) day periods.

C. None of the provisions of this paragraph shall ever be or become effective and applicable unless Lessee shall, within a reasonable time (not to exceed sixty (60) days in any event) after occurrence of the claimed event of force majeure above referred to, notify the Lessor, in writing, of such occurrence with full particulars thereof.

D. The terms of this paragraph do not apply to monetary payments due under the terms of this Lease.

## **9.** **SHUT-IN GAS WELL PROVISIONS**

If at any time while there is a gas well on the leased premises or land pooled therewith which is capable of producing gas in paying quantities, but the production thereof is shut-in or suspended for any reason, and if this Lease is not then continued in force by some other provision hereof, then this Lease shall nevertheless continue in force as to such well and the pooled unit or retained acreage tract allocated to it for a period of sixty (60) days from the date such well is shut-in. Before the expiration of any such sixty (60) day period, Lessee or any assignee hereunder may pay to the Lessor a shut-in-royalty equal to Five Thousand dollars (\$10,000.00) per shut-in gas well and if such payment is timely made, this Lease shall continue in force but only as to said well and the retained acreage tract or the pooled unit allocated to it and it shall be considered that gas is being produced from said well or wells in paying quantities for one (1) year from the date such well was shut-in, and in like manner one, and only one, subsequent shut-in royalty payment may be made and it will be considered that gas is being produced from said well in paying quantities for such additional one (1) year period as well.

Lessee shall not be entitled to recover any shut-in royalty payments from the future sale of gas. Should such shut-in royalty payments not be made in a timely manner as provided in this

section, it will be considered for all purposes that there is no production and no excuse for delayed production of gas from any such well, and unless there is then in effect other preservation provisions of this Lease, this Lease shall terminate as to the applicable acreage.

**10.**  
**INFORMATION, ACCESS AND REPORTS**

A. Lessor shall have free access at all times to all wells, tanks, and other equipment that services wells under the leased premises, including drilling wells, and Lessee agrees to furnish Lessor, or Lessor's nominee, currently and promptly, upon written request, with full well information including cores, cuttings, samples, logs (including Schlumberger and other electrical logs), copies and results of deviation tests and directional and seismic surveys, and the results of a drill stem tests and other tests of other kind of character that may be made of wells on the leased premises. Lessor or Lessor's nominee shall be furnished with and have free access at all times to Lessee's books and records relative to the production and sale of oil, gas or other minerals from the leased premises, including reports of every kind and character to governmental authorities, State or Federal. Lessor shall have the right as its election to employ gaugers or install meters to gauge or measure the production of all minerals produced from the leased premises, and Lessee agrees to prepare and deliver to Lessor or Lessor's gauger or nominee duplicate run or gauge tickets for all minerals removed from the premise. Lessee shall furnish to Lessor daily drilling reports on each well drilled.

B. Lessee shall furnish to Lessor, within a reasonable time after its execution, a copy of any gas purchase contract or transportation agreement entered into in connection with the leased premises, or if there is already a gas purchase contract or transportation agreement in effect due to Lessee's operations in the field, then a copy of that contract. Furthermore, a copy of my amendments to the gas purchase contract or transportation agreement shall be furnished said Lessor within thirty (30) days after execution thereof and on request of Lessor and without cost to the Lessor, Lessee shall furnish Lessor a copy of the following reports; core record, core analysis, well completion, bottom hole pressure measurement, directional survey records, electrical and induction surveys and logs, gas and oil ratio reports, paleontological reports pertaining to the paleontology of the formations encountered in the drilling of any wells on the leased premises, and all other reports which pertain to the drilling, completing or operating of the wells located on the leased premises. Such information shall be solely for Lessor's use, and Lessor shall in good faith attempt to keep same confidential for twelve (12) months after receipt.

C. Lessee shall advise Lessor in writing of the date of completion and/or abandonment of each well drilled within thirty (30) days after completion or abandonment.

D. Lessee shall provide to Lessor a copy of all title reports or title opinions obtained by Lessee that relate to the leased premises or any portion thereof.

**11.**  
**SURFACE PROTECTION**

Lessee shall prevent damage to and contamination of the surface of the leased premises and any of Lessor's adjoining lands, from salt water or other noxious, deleterious or contaminating substances flowing over or leaking or seeping onto , or penetrating the leased premises because of Lessee's operations. Any overflows or releases affecting the leased premises, including, but not limited to, salt water, mud, chemical, or oil shall be reported immediately to Lessor.

**12.**  
**SEISMOGRAPHIC OPERATIONS**

Lessee shall not conduct any seismographic exploration on the leased premises without the prior written consent of Lessor.

**13.**  
**WATER**

Lessee shall not use water from any of Lessor's water wells, tanks or ponds without the prior written consent of Lessor.

**14.**  
**ASSIGNABILITY BY LESSEE**

No transfers by Lessee (including assignments, sales, subleases, overriding royalty conveyances, or production payment arrangements) shall be valid unless approved in advance by Lessor. All such approved transfers must be recorded in the county where the leased premises are located, and the recorded transfer or a copy certified to by the County Clerk of the county where the transfer is recorded must be delivered to the Lessor within sixty (60) days of the execution date. Every transferee shall succeed to all rights and be subject to all obligations, liability, and penalties owed to the Lessor by the original Lessee or any prior transferee of the Lease, including any liabilities to the Lessor for unpaid royalties. No such transfer shall release the Lessee (or any subsequent transferor) from any obligation hereunder.

15.  
NO WARRANTY

**THE LEASE SHALL CONTAIN NO WARRANTY OR TITLE BY THE CITY EXPRESS OR IMPLIED; AND ANY WARRANTIES THAT MIGHT ARISE BY COMMON LAW AND THE WARRANTIES IN SECTION 5.023 OF THE TEXAS PROPERTY CODE (OR ITS SUCCESSORS) ARE EXCLUDED.**

**THE LEASE SHALL CONTAIN THE FOLLOWING LANGUAGE, WEHTHER COPIED THEREIN OR INCOPRORATED THEREIN BY THIS REFERENCE: WITHOUT LIMITATION AS TO THE DISCLAIMER BY CITY OF WARRANTS SET FORTH HEREINABOVE, CITY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED OR ARISING BY OPERATION OF LAW WITH RESPECT TO ANY MATTER CONCERNING THE PROPERTY, INCLUDING, WITHOUT LIMITATION, THE FOLLOWING: (i) TITLE, (ii) HABITABILITY, MERCHANTABILITY OR SUITABILITY OR FITNESS OF THE PROPERTY FOR A PARTICULAR PURPOSE OR USE, (iii) THE NATURE AND CONDITION OF THE PROPERTY, INCLUDING WITHOUT LIMITATION, WATER, SOIL AND GEOLOGY, LOCATION OF CEMETERIES, ZONING, EASEMENT RIGHTS, WATER AND SEWAGE FACILITIES OR OTHER GOVERNMENTAL RIGHTS OR OBLIGATIONS, (iv) COMPLETENESS OF ACCURACY OF PERMITS, SURVEYS OR REPORTS CONCERNING THE PROPERTY, (v) TAX CONSEQUENCES, (vi) COMPLIANCE OF ALL OR ANY PART OF THE PROPERTY WITH APPLICABLE ENVIRONMENTAL LAWS, RULES OR REGULATIONS WITH RESPECT TO HEALTH, THE ENVIRONMENT, ENDANGERED SPECIES AND WETLANDS (COLLECTIVELY, "ENVIRONMENTAL LAWS") INCLUDING, WITHOUT LIMITATION, THE COMPREHENSIVE ENVIRONMENTAL RESPONSE COMPENSATION AND LIABILITY ACT OF 1980, AS AMENDED, THE RESOURCE CONSERVATION AND RECOVERY ACT OF 1976, AS AMENDED, THE ENDANGERED SPECIES ACT (16 U.S.C. §1531, ET SEQ.) AS AMENDED, THE TEXAS WATER CODE, AS AMENDED, THE TEXAS NATURAL RESOURCE CODE, AS AMENDED, AND THE TEXAS SOLID WASTE DISPOSAL ACT, AS AMENDED, (vii) THE EXISTENCE OF ASBESTOS, OIL, ARSENIC, PETROLEUM OR CHEMICAL LIQUIDS OR SOLIDS, LIQUID OR GASEOUS PRODUCTS OR HAZARDOUS SUBSTANCES AS THOSE TERMS AND SIMILAR TERMS ARE DEFINED OR USED IN APPLICABLE ENVIRONMENTAL LAWS, (viii) NATURE AND EXTENT OF RIGHT-OF-WAY, LEASES, ENCUMBRANCES, LICENSES, RESERVATIONS, CONDITIONS OR OTHER SIMILAR MATTERS,**

**OR (ix) COMPLIANCE WITH ANY LAW, ORDINANCE OR REGULATION OF ANY GOVERNMENTAL ENTITY OR BODY. CONVEYANCE OF THE PROPERTY IS MADE ON AN “AS IS,” “WHERE IS,” AND “WITH ALL FAULTS” BASIS, AND THE WARRANTIES AND COVENANTS SET FORTH IN SECTION 5.023 OF THE TEXAS PROPERTY CODE DO NOT APPLY TO THIS CONVEYANCE. LESSEE ACKNOWLEDGES THAT LESSEE HAS HAD THE FULL, COMPLETE AND UNFETTERED RIGHT TO INSPECT THE PROPERTY TO LESSEE’S SATISFACTION AND THAT THE GRANTING OF THE LEASE OF THE PROPERTY HEREBY MADE WAS IN PART BASED UPON THE FACT THAT THIS CONVEYANCE WAS MADE BY CITY WITHOUT WARRANTY OR REPRESENTATION. IN ADDITION, LESSEE AND ANYONE CLAIMING BY, THROUGH OR UNDER LESSEE, HEREBY FULLY RELEASES THE CITY, CITY’S EMPLOYEES, OFFICERS, REPRESENTATIVES, ATTORNEYS AND AGENTS FROM ANY AND ALL CLAIMS AGAINST ANY OF THEM FOR ANY COST, LOSS, LIABILITY, DAMAGE, EXPENSE, DEMAND, ACTION OR CAUSE OF ACTION ARISING FROM OR RELATED TO ANY DEFECTS, ERRORS OR OMISSIONS OR OTHER CONDITIONS WHATSOEVER OF THE PROPERTY. THIS COVENANT RELEASING THE CITY SHALL BE A COVENANT RUNNING WITH THE LAND.**

This Lease is given and granted without warranty of title, express or implied, in law or in equity. Lessor agrees that Lessee, at Lessee’s option, may purchase or discharge, in whole or in part, any tax, mortgage or other lien upon the leased premises and thereupon be subrogated to the right of the holder thereof, and may apply royalties accruing hereunder toward satisfying same or reimbursing Lessee.

16.

**PROPORTIONATE REDUCTION**

It is also agreed that if Lessor owns an interest in the oil and gas under the leased premises less than the entire fee simple estate therein, the royalties to be paid Lessor shall be reduced proportionately, but in no event shall the shut-in royalty amount for a gas well, as provided for in Paragraph 9 hereof, be reduced.

17.

**INDEMNITY**

LESSEE SHALL EXPRESSLY RELEASE AND DISCHARGE, ALL CLAIMS, DEMANDS, ACTIONS, JUDGMENTS, AND EXECUTIONS WHICH IT EVER HAD, OR

NOW HAS OR EVER MAY HAVE, OR THAT ITS ASSIGNS MAY HAVE, OR CLAIM TO HAVE, AGAINST THE LESSOR OR ITS DEPARTMENTS, AGENTS, OFFICERS, SERVANTS, SUCCESSORS, ASSIGNS, SPONSORS, CONTRACTORS, VOLUNTEERS, OR EMPLOYEES, CREATED BY, OR ARISING OUT OF PERSONAL INJURIES, KNOWN OR UNKNOWN, AND INJURIES TO PROPERTY, REAL OR PERSONAL, IN ANY WAY INCIDENTAL TO OR IN CONNECTION WITH ANY ACT OR OMISSION RELATING TO THIS LEASE BY THE LESSEE. THE LESSEE SHALL FULLY DEFEND, PROTECT, INDEMNIFY, AND HOLD HARMLESS THE LESSOR, ITS DEPARTMENTS, AGENTS, OFFICERS, SERVANTS, EMPLOYEES, SUCCESSORS, ASSIGNS, SPONSORS, OR VOLUNTEERS FROM AND AGAINST EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION AND ANY AND ALL LIABILITY, DAMAGES, OBLIGATIONS, JUDGMENTS, LOSSES, FINES, PENALTIES, COSTS, FEES, AND ALL EXPENSES INCURRED IN DEFENSE OF, THE LESSOR, ITS DEPARTMENTS, AGENTS, OFFICERS, SERVANTS, OR EMPLOYEES, ASSIGNS, SPONSORS OR VOLUNTEERS INCLUDING, WITHOUT LIMITATION, PROPERTY DAMAGE AND PERSONAL INJURIES AND DEATH IN CONNECTION THEREWITH WHICH MAY BE MADE OR ASSERTED BY LESSEE, ITS AGENTS, ASSIGNS, OR BY ANY THIRD PARTIES ON ACCOUNT OF, ARISING OUT OF, OR IN ANY WAY INCIDENTAL TO OR IN CONNECTION WITH ANY ACT OR OMISSION RELATING TO THIS LEASE BY THE LESSEE.

**THE LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS THE LESSOR, ITS OFFICERS, AGENTS, SERVANTS, EMPLOYEES, CONTRACTORS, SUCCESSORS, ASSIGNS, SPONSORS, OR VOLUNTEERS FROM ANY LIABILITIES OR DAMAGES SUFFERED AS A RESULT OF CLAIMS, DEMANDS, COSTS, OR JUDGMENTS AGAINST THE LESSOR, ITS DEPARTMENTS, ITS OFFICERS, AGENTS, CONTRACTORS, SERVANTS, VOLUNTEERS OR EMPLOYEES, CREATED BY, OR ARISING OUT OF THE ACTS OR OMISSIONS OF THE LESSOR OCCURRING ON THE DRILL SITE OR OPERATION SITE IN THE COURSE AND SCOPE OF INSPECTING THE GAS WELLS INCLUDING, BUT NOT LIMITED TO, CLAIMS AND DAMAGES ARISING IN WHOLE OR IN PART FROM THE NEGLIGENCE OF THE LESSOR OCCURRING ON THE DRILL SITE OR OPERATION SITE IN THE COURSE AND SCOPE OF INSPECTING THE GAS WELLS. IT IS UNDERSTOOD AND AGREED THAT THE INDEMNITY PROVIDED FOR IN THIS SECTION IS AN INDEMNITY EXPENDED BY THE LESSEE TO INDEMNIFY AND PROTECT LESSOR AND/OR ITS DEPARTMENTS, AGENTS, CONTRACTORS, OFFICERS, SERVANTS,**

**OR EMPLOYEES FROM THE CONSEQUENCES OF THE NEGLIGENCE OF THE LESSOR AND/OR ITS DEPARTMENTS, AGENTS, CONTRACTORS, OFFICERS, SERVANTS, OR EMPLOYEES, WHETHER THAT NEGLIGENCE IS THE SOLE OR CONTRIBUTING CAUSE OF THE RESULTANT INJURY, DEATH, AND/OR DAMAGE.**

**18.**  
**INSURANCE**

Lessee shall at all times maintain in effect a policy or policies of insurance issued by an insurance company or companies authorized to do business in Texas as set forth below. In the event such insurance policy or policies are cancelled, Lessor may terminate this lease, without prejudice to any other remedies.

- A. General Requirements applicable to all policies.
- (i) Lessor, its officials, employees, agents and officers shall be endorsed as an “Additional Insured” to all policies except Employers Liability coverage under the Lessee’s Workers Compensation policy.
  - (ii) All policies shall be written on an occurrence basis except for Environmental Pollution Liability (Seepage and Pollution coverage) and Excess or Umbrella Liability, which may be on a claims-made basis.
  - (iii) All policies shall be written by an insurer with an A-: VIII or better rating by the most current version of the A. M. Best Key Rating Guide or with such other financially sound insurance carriers acceptable to Lessor.
  - (iv) Deductibles shall be listed on the Certificate of Insurance and shall be on a “per occurrence” basis unless otherwise stipulated herein.
  - (v) Certificates of Insurance shall be delivered to Lessor, evidencing all the required coverage’s, including endorsements, prior to commencement of any operations on the leased premises. The Certificate shall specifically set forth the notice of cancellation, termination, or change in coverage provisions to the CITY. All policies shall be endorsed to read “THIS POLICY WILL NOT BE CANCELLED OR NON-RENEWED WITHOUT THIRTY (30) DAYS ADVANCED WRITTEN NOTICE TO THE OWNER AND THE CITY EXCEPT WHEN THIS POLICY IS BEING CANCELLED FOR NONPAYMENT OF PREMIUM, IN WHICH CASE TEN (10) DAYS ADVANCE WRITTEN NOTICE IS REQUIRED”.

- (vi) All policies shall be endorsed with a waiver of subrogation providing rights of recovery in favor of Lessor.
- (vii) Any failure on part of Lessor to request required insurance documentation shall not constitute a waiver of the insurance requirement specified herein.
- (viii) Each policy shall be endorsed to provide Lessor a minimum thirty-day notice of cancellation, non-renewal, and/or material change in policy terms or coverage. A ten days notice shall be acceptable in the event of non-payment of premium,
- (ix) During the term of this lease, Lessee shall report, in a timely manner, to Lessor any known loss occurrence which could give rise to a liability claim or lawsuit or which could result in a property loss.
- (x) Upon request, certified copies of all insurance policies shall be furnished to Lessor.
- (xi) The insurance set forth by the insurance company must underwritten on forms that have been approved by the Texas State Board of Insurance or ISO, or an equivalent policy form acceptable to the CITY, with the exception of Environmental Pollution Liability and Control of Well coverage.

B. Standard Commercial General Liability Policy.

This coverage must include premises, operations, blowout or explosion, products, completed operations, sudden and accidental pollution, blanket contractual liability, underground resources damage, broad form property damage, independent contractor's protective liability and personal injury. This coverage shall be a minimum Combined Single Limit of \$10,000,000 per occurrence for Bodily Injury and Property Damage.

C. Excess or Umbrella Liability.

- \$ 5,000,000 Excess, if Lessee has a stand-alone Environmental Pollution Liability' (EPL) policy.
- \$10,000,000 Excess, if Lessee does not have a stand-alone EPL policy. Coverage must include an endorsement for, sudden or accidental pollution. If Seepage and Pollution coverage is written on a "claims made" basis, Lessee must maintain continuous coverage

and purchase Extended Coverage Period Insurance when necessary.

D. Environmental Pollution Liability Coverage.

- (i) Insurance for environmental pollution liability applicable to bodily injury, property damage, including loss of use of damaged property or of property that has not been physically injured or destroyed; cleanup costs; and defense, including costs and expenses incurred in the investigation, defense or settlement of claims; all in connection with any loss arising from the insured site. Coverage shall be maintained in an amount of at least \$10,000,000 per loss, with an annual aggregate of at least \$10,000,000.
- (ii) Coverage shall apply to sudden and accidental pollution conditions resulting from the escape or release of smoke, vapors, fumes, acids, alkalis, toxic chemicals, liquids or gases, waste material or other irritants, contaminants or pollutants.
- (iii) Lessee shall maintain continuous coverage and shall purchase Extended Coverage Period insurance when necessary. The Extended Coverage Period insurance must provide that any retroactive date applicable to coverage under the policy precedes the date of this lease.

E. Control of Well.

The policy shall cover the cost of controlling a well that is out of control, re-drilling or restoration expenses, seepage and pollution damage as first party recovery for Lessee and related expenses, including, but not limited to, loss of equipment, experts and, evacuation of residents.

\$ 5,000,000 per occurrence/no aggregate, if available, otherwise an aggregate of ten (10) million dollars.

\$ 500,000 Sub-limit endorsement may be added for damage to property for which Lessee has care, custody and control.

F. Workers Compensation and Employers Liability Insurance.

- (i) Workers Compensation benefits shall be Texas Statutory Limits.
- (ii) Employers Liability shall be a minimum of \$500,000 per accident.
- (iii) Such coverage shall include a waiver of subrogation in favor of Lessor and provide coverage in accordance with applicable State and Federal laws.

G. Automobile Liability Insurance.

- (i) Combined Single Limit of \$1,000,000 per occurrence for Bodily Injury and Property Damage.
- (ii) Coverage must include all owned, hired and not-owned automobiles.

**19.**  
**RELEASES REQUIRED**

Within thirty (30) days after the partial termination of this Lease as provided under any of the terms and provisions of this Lease, Lessee shall deliver to Lessor a plat showing the production/spacing units designated by Lessee, copies of logs showing depths to be retained within each such unit, and a fully executed, recordable release properly describing by metes and bounds the lands and depths to be retained by Lessee around each producing well. If this Lease terminates in its entirety, then Lessee shall deliver a complete, fully executed, recordable release to Lessor within thirty (30) days. If such release complies with the requirements of this section, Lessor shall record such release. If Lessee fails to deliver a release complying with the requirements of this section within thirty (30) days after Lessor's demand therefore, then the Lessee shall pay Lessor an amount equal to five dollars (\$5.00) per acre per day for each acre of the leased premises that should have been released, beginning with the 30th day after the date of

Lessor's request and continuing until such release has been executed and delivered to Lessor. It is agreed that actual damages to Lessor for Lessee's failure to deliver such release are difficult to ascertain with any certainty, and that the payments herein provided are a reasonable estimate of such damages and shall be considered liquidated damages and not a penalty. Furthermore, Lessor is hereby authorized to execute and file of record an affidavit stating that this Lease has expired and the reason therefore, and such affidavit shall constitute prima facie evidence of the expiration of this Lease or any part of this Lease.

**20**  
**NOTICES**

A. All notices, information, letters, surveys, reports, material, and all other documents, required or permitted to be sent to Lessor by Lessee shall be sent by certified United States mail, postage prepaid, return receipt requested, to the following address:

CITY OF DALWORTHINGTON GARDENS  
Attn: City Administrator  
2600 Roosevelt Drive  
DWG, TX 76016

B. All notices required or permitted to be sent to Lessee by Lessor shall be sent to Lessee by certified United States mail, postage prepaid, return receipt requested to the following address:

LESSEE  
(address)

C. Service of notices, and other documents, hereunder is complete upon deposit of the mailed material in a post office or official depository under the care and custody of the United States Postal Service, in a postage-paid, properly addressed and certified wrapper.

D. Any party hereto shall have the right to change the name or address of the person or persons required to receive notices, and other documents, by so notifying the other party in writing.

**21.**  
**BREACH BY LESSEE**

In the event Lessor considers that operations are not, at any time, being conducted in compliance with this Lease, or any implied covenant of this Lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach of any express or implied covenant or obligation of Lessee hereunder and, Lessee, if in default, shall have sixty (60) days after receipt of such notice in which to commence compliance with its obligations hereunder. Failure on the part of Lessee to timely commence efforts to rectify any such breach and to exercise diligence in remedying any such breach shall operate as a forfeiture of this Lease as to the portion thereof affected by such breach.

**22.**  
**COMPLIANCE WITH LAWS**

Lessee shall comply with applicable rules, regulations, ordinances, statutes and other laws in connection with any drilling, producing or other operations under the terms of this Lease

**23.**  
**SURFACE USAGE**

Lessee acknowledges that the surface of the leased premises is designated or acquired in part as a municipal park and that there may be surface use of park property. All of the wells drilled by Lessee may be drilled directionally and portions of the leased premises lie within a floodway easement and/or are prone to flooding that may result in Lessee being required to obtain additional permits for operations, or that may entail unusually expensive installations, all of which shall be at Lessee's sole risk and expense. Portions of the leased premises are or may be traversed by pipelines and other utilities, and it will be Lessee's sole obligation and expense to avoid damage to or interference with such facilities. All wells to be drilled on the surface of the leased premises, and all facilities of any kind (including, but not limited to, roads, pipelines, flow lines, tank batteries, separators, compressors or treaters) will be placed on the surface of the leased premises at a location agreed to by parties in writing. All above ground production facilities will be enclosed by a masonry wall or equivalent screening of at least eight (8) feet in height. If any facilities are to be placed on a drillsite outside the location, such facility shall be agreed to by the parties and the Lessee shall pay the Lessor a rental of \$\_\_\_\_\_ per \_\_\_\_\_ for each location. Lessee will keep all fencing in good repair. All areas disturbed during drilling operations and not included within a fenced production facility will be promptly restored by Lessee to the same condition as existed prior to disturbance insofar as is reasonably possible. Lessee will maintain

locks on all gates providing entry to enclosed production facilities. All pipelines will be buried to a depth of at least three (3) feet. Lessee will utilize low-profile storage tanks and separators. All tanks will be enclosed by an earthen dike or berm of sufficient height and enclosing a sufficient area to contain twice the maximum volume of the tanks. Approval by Lessor of any site for surface usage by Lessee shall not be construed as any warranty or representation by Lessor that such site is suitable for Lessee's purposes and Lessee shall be solely responsible for determining whether such sites are suitable for its purposes.

**23**  
**CONFLICT OF INTEREST**

Lessee represents that Lessee; its officers and directors, are not employees or officers of the City nor is Lessee (its officers and directors) acting on behalf of any such officer or employee of the City.

**24.**  
**TERMS**

All of the terms and provisions of this Lease shall extend to and be binding upon the heirs, executors, administrators, successors and authorized assigns of the parties hereto.

**26.**  
**ENTIRE AGREEMENT**

This Lease states the entire contract between the parties, and no representation or promise, verbal or written, on behalf of either party shall be binding unless contained herein.

**27.**  
**CAPTIONS**

The captions to the various paragraphs of the Lease are for convenience only, to be used primarily to more readily locate specific provisions. They shall not be considered a part of the Lease, nor shall they be used to interpret any of the Lease provisions.

**28.**  
**COUNTERPARTS**

This Lease may be executed in multiple counterparts, each of which shall be deemed an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

**29.**  
**ADDITIONAL INFORMATION**

Prior to conducting any operations, Lessee shall provide the following to Lessor:

A. A detailed site plan that shows the projected location of the major components of the drilling and production site, impacted vegetation, creeks and other topographic features, adjacent building and other structures and the measured distance from the well site to these buildings and structures, temporary and permanent fencing and landscaping.

B. The name, address and 24-hour phone number of the person to be notified in case of an emergency.

C. A signed Road Repair contract supplied by the Lessor that provides that the Lessee shall repair, at his own expense, any damage to roads, streets, or highways caused by the use of heavy vehicles for any activity associated with the preparation, drilling, production, and operation of gas wells.

D. A description of public utilities required during drilling and operation.

E. A description of the water source to be used during drilling and completion operations.

F. A copy of the approved Railroad Commission permit to drill together with attachments and survey plats which are applicable to the drill and operation sites.

G. A copy of the Stormwater Pollution Prevention Plan, if any, as required by the Environmental Protection Agency. A copy of the notice of intent shall be submitted to the City of Arlington, Department of Public Works; Environmental Services Division three (3) days prior to the commencement of any onsite activity.

H. A copy of the determination by the Texas Commission on Environmental Quality of the depth of useable quality ground water.

**30.**  
**ADDITIONAL OBLIGATIONS**

To the extent not inconsistent with other specific provisions of this Lease, Lessee shall comply with the obligations, requirements and limitations set forth in the Gas Drilling Ordinance of the Code of the City.

EXECUTED and effective as of the date of the notarial acknowledgment of the Lessor's execution.

**LESSOR:**

\_\_\_\_\_  
**CITY OF DALWORTHINGTON GARDENS, TEXAS**

\_\_\_\_\_  
**MICHAEL TEDDER**  
Mayor

ATTEST:

\_\_\_\_\_  
**MELINDA BRITTAIN**  
City Secretary

**LESSEE:**

\_\_\_\_\_  
Name

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

Its: \_\_\_\_\_

**ACKNOWLEDGMENT**

STATE OF TEXAS           §  
  §  
COUNTY OF TARRANT    §

BEFORE ME, the undersigned authority, a Notary Public in and for the State of Texas, on this day personally appeared MICHAEL TEDDER, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed same for and as the act and deed of the **CITY OF DALWORTHINGTON GARDENS, TEXAS**, a municipal corporation of the State of Texas, Tarrant County, Texas, and as the Mayor thereof, and for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_\_\_ day of \_\_\_\_\_, 2007.

\_\_\_\_\_  
Notary Public in and for  
The State of Texas

\_\_\_\_\_  
My Commission Expires

\_\_\_\_\_  
Notary's Printed Name

**ACKNOWLEDGMENT**

STATE OF TEXAS           §  
  §  
COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2007 by \_\_\_\_\_ its \_\_\_\_\_ of \_\_\_\_\_ a \_\_\_\_\_ corporation, on behalf of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_\_\_ day of \_\_\_\_\_, 2007.

\_\_\_\_\_  
Notary Public in and for  
The State of \_\_\_\_\_

\_\_\_\_\_  
My Commission Expires  
Notary's Printed Name: \_\_\_\_\_