

John T. McMahon et al to J. B. Scott O. I. L. 21, 2

PRODUCER'S 88 REVISED 9-64

VOL 588 PAGE 273

7937

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 10th day of May, 1979,
between John T. McMahon and wife, Judy McMahon

of

(Post Office Address)

herein called lessor (Whether one or more) and J. B. Scott

I, Lessor, in consideration of Ten and no/100----- Dollars
(\$ 10.00) in hand paid, receipt of which is hereby acknowledged, and of the royalties herein provided and of the agreements of the

lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, mining, and
operating for and producing oil, gas, and all other minerals, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil,
building tanks, power stations, pump stations, telephone and electric lines, and other structures and things thereon to produce, save, take care of, treat,
process, store and transport said minerals and other products manufactured therefrom, and housing and otherwise caring for its employees, the following

described land in Guadalupe County, Texas, to-wit: 5 tracts of land out of the
Vincente Duran League Survey and being a part of a 99 acre tract described
in Deed Recorded in Volume "Y", Page 609, of the Deed Records of Guadalupe
County, Texas, said tracts being described on the attachment hereto.

50

NOT RECORDED

Tract No. 1:

Field notes of a 10.00 acre tract of land situated in Guadalupe County, Texas out
of the Vicente Duran League Survey being a part of that 99 acre tract described
in Deed recorded in Volume "Y", page 609 of the Deed Records of Guadalupe County,
Texas and being more particularly described by notes and bounds as follows:

Beginning at an iron pin set in the north east line of County Road # 438 at its
intersection with the north west line of County Road # 438 at a 90° turn in said
Road for the south corner of this tract and being the south corner of the 99 acre
tract.

Thence N 29° W. 313.34 feet with the north east line of County Road # 438 to an
iron pin set for the west corner of this tract and being the south corner of
tract # 2.

Thence N 61° E. 1437.68 feet with the south east line of tract # 2 to an iron pin
set in line of fence in the north east line of the 99 acre tract for the north
corner of this tract and being the east corner of tract # 2.

Thence S 29° 38' 44" E. 299.52 feet with line of fence and the north east line of
the 99 acre tract to an iron pin set in the north west line of County Road # 438
for the east corner of the 99 acre tract.

Thence S 60° 40' 29" W. 969.69 feet, S 87° 45' 57" W. 24.80 feet and S 58° 30' 51"
W. 449.66 feet with the north west line of County Road # 438 to the place of beginning
and containing 10.00 acres of land, according to a survey on the ground by Amil M.
Baker, Jr., Surveying.

Tract No. 2:

Field notes of a 10.00 acre tract of land situated in Guadalupe County, Texas out
of the Vicente Duran League Survey being a part of that 99 acre tract described
in Deed recorded in Volume "Y", page 609 of the Deed Records of Guadalupe County,
Texas and being more particularly described by notes and bounds as follows:

Beginning at an iron pin set in the north east line of County Road # 438 for the south corner of this tract and being the west corner of tract # 1, said point being N 29° W. 313.34 feet from the south corner of the 99 acre tract and a 90° turn to the north east in County Road # 438.

Thence N 29° W. 303.35 feet with the north east line of County Road # 438 to an iron pin set for the west corner of this tract and being the south corner of tract # 3.

Thence N 61° E. 1434.26 feet with the south east line of tract # 3 to an iron pin set in line of fence in the north east line of the 99 acre tract for the north corner of this tract and being the east corner of tract # 3

Thence S 29° 38' 44" E. 303.37 feet with line of fence and the north east line of the 99 acre tract to an iron pin set for the east corner of this tract and being the north corner of tract # 1.

Thence S 61° W. 1437.68 feet with the north west line of tract # 1 to the place of beginning and containing 10.00 acres of land, according to a survey on the ground by Amil M. Baker, Jr., Surveying.

Tract No. 3:

Field notes of a 10.00 acre tract of land situated in Guadalupe County, Texas, out of the Vincente Duran League Survey being a part of that 99 acre tract described in Deed Recorded in Volume "Y", page 609 of the Deed Records of Guadalupe County, Texas and being more particularly described by notes and bounds as follows:

Beginning at an iron pin set in the north east line of County Road # 438 for the south corner of this tract and being the west corner of tract # 2, said point being N 29° W. 616.69 feet from the south corner of the 99 acre tract and a 90° turn to the north east in County Road # 438.

Thence N 29° W. 304.07 feet with the north east line of County Road # 438 to an iron pin set for the west corner of this tract and being the south corner of tract # 4.

Thence N 61° E. 1430.84 feet with the south east line of tract # 4 to an iron pin set in line of fence in the north east line of the 99 acre tract for the north corner of this tract and being the east corner of tract # 4.

Thence S 29° 38' 44" E. 304.09 feet with line of fence and the north east line of the 99 acre tract to an iron pin set for the east corner of this tract and being the north corner of tract # 2.

Thence S 61° W. 1434.26 feet with the north west line of tract # 2 to the place of beginning and containing 10.00 acres of land, according to a survey on the ground by Amil M. Baker, Jr., Surveying.

UNOFFICIAL COPY NOT RECORDABLE

Tract No. 4:
Field notes of a 10.00 acre tract of land situated in Guadalupe County, Texas out of the Vincente Duran League Survey being a part of that 99 acre tract described in Deed recorded in Volume "Y", page 609 of the Deed Records of Guadalupe County, Texas and being more particularly described by metes and bounds as follows:

Beginning at an iron pin set in the north east line of County Road # 438 for the south corner of this tract and being the west corner of tract # 3, said point being N 29° W. 920.76 feet from the south corner of the 99 acre tract and a 90° turn to the north east on County Road # 438.

Thence N 29° W. 304.80 feet with the north east line of County Road # 438 to an iron pin set for the west corner of this tract and being the south corner of tract # 5.

Thence N 61° E. 1427.40 feet with the south east line of tract # 5 to an iron pin set in line of fence in the north east line of the 99 acre tract for the north corner of this tract and being the east corner of tract # 5.

Thence S 29° 38' 44" E. 304.82 feet with line of fence and the north east line of the 99 acre tract to an iron pin set for the east corner of this tract and being the north corner of tract # 3.

Thence S 61° W. 1430.84 feet with the north west line of tract # 3 to the place of beginning and containing 10.00 acres of land, according to a survey on the ground by Amil M. Baker, Jr., Surveying.

Tract No. 5:

Field notes of a 10.00 acre tract of land situated in Guadalupe County, Texas out of the Vincente Duran League Survey being a part of that 99 acre tract described in Deed recorded in Volume "Y", page 609 of the Deed Records of Guadalupe County, Texas and being more particularly described by metes and bounds as follows:

Beginning at an iron pin set in the north east line of County Road # 438 for the south corner of this tract and being the west corner of tract # 4, said point being N 29° W. 1225.56 feet from the south corner of the 99 acre tract and a 90° turn to the north east in County Road # 438.

Thence N 29° W. 305.54 feet with the north east line of County Road # 438 to an iron pin set for the west corner of this tract.

Thence N 61° E. 1423.96 feet to an iron pin set in line of fence in the north east line of the 99 acre tract for the north corner of this tract.

Thence S 29° 38' 44" E. 305.56 feet with line of fence and the north east line of the 99 acre tract to an iron pin set for the east corner of this tract and being the north corner of tract # 4.

Thence S 61° W. 1427.40 feet with the north west line of tract # 4 to the place of beginning and containing 10.00 acres of land, according to a survey on the ground by Amil M. Baker, Jr., Surveying.

The five tracts described above by metes and bounds are the same 50 acres conveyed to John T. McMahon by Deed from the Estate of Kelly Phillips, Deceased, as recorded in Volume 573, Pages 763-773 of the Deed Records of Guadalupe County, Texas.

588 PAGE 276

and containing 50 acres, more or less. In the event a resurvey of said lands shall reveal the existence of excess and/or vacant lands lying adjacent to the lands above described and the lessor, his heirs or assigns, shall, by virtue of his ownership of the lands above described, have preference right to acquire said excess and/or vacant lands, then in that event this lease shall cover and include all such excess and/or vacant lands which the lessor, his heirs or assigns, shall have the preference right to acquire by virtue of his ownership of the lands above described as and when acquired by the lessor; and the lease shall pay the lessor for such excess and/or vacant lands at the same rate per acre as the cash consideration paid for the acreage hereinabove mentioned.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of one (1) years from this date (called "primary term"), and as long thereafter as oil, gas, or other mineral is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, one-eighth of that produced and saved from said land, same to be delivered at the well or to the credit of lessor in the pipe line to which the well may be connected; lessor's interest in either case shall bear its proportion of any expenses for treating oil to make it marketable as crude; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of one-eighth of the gas so sold or used, provided that on gas sold at the well the royalty shall be one-eighth of the amount realized from such sale; (c) on all other minerals mined and marketed, one-eighth, either in kind or value at the well or mine, at lessee's election, except that on sulphur the royalty shall be One Dollar (\$1.00) per long ton; and (d) if at any time while there is a gas well or wells on the above land (and for the purposes of this clause (d) the term "gas well" shall include wells capable of producing natural gas, condensate, distillate or any gaseous substance and wells classified as gas wells by any governmental authority) such well or wells are shut in, and if this lease is not continued in force by some other provision hereof, then it shall nevertheless continue in force for a period of ninety (90) days from the date such well or wells are shut in, and before the expiration of any such ninety-day (90-day) period, lessee or any assignee hereunder may pay or tender an advance annual royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender and if such payment or tender is made, this lease shall continue in force and it shall be considered that gas is being produced from the leased premises in paying quantities within the meaning of paragraph 2 hereof for one (1) year from the date such well or wells are shut in, and in like manner subsequent advance annual royalty payments may be made or tendered and this lease shall continue in force and it will be considered that gas is being produced from the leased premises in paying quantities within the meaning of said paragraph 2 during any annual period for which such royalty is so paid or tendered; such advance royalty may be paid or tendered in the same manner as provided herein for the payment or tender of delay rentals; royalty accruing to the owners thereof on any production from the leased premises during any annual period for which advance royalty is paid may be credited against such advance payment. Provided, however, that if the purchaser of oil or gas, or both, pays the proceeds of the royalty runs to lessee for distribution to the royalty owners, lessee is authorized to deduct from the amount distributed to each royalty owner its proportionate part of the cost of making such distribution.

4. If operations for drilling or reworking are not commenced on each leasehold unit within ninety (90) days from the date of completion of the primary term of this lease, then this lease shall terminate as to each leasehold unit on the expiration of said ninety (90) days.

5. Lessee is hereby granted the right to pool or unitize this lease, the land covered by it or any part thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil, gas, or any other minerals. Units pooled for oil hereunder shall not exceed forty (40) acres plus a tolerance of ten per cent (10%) thereof, provided that if any Federal or State law, Executive order, rule or regulation shall prescribe a spacing pattern for the development of the field or allocate a producing allowable on acreage per well, then any such units may be adjusted as much additional acreage as may be so prescribed or as may be used in such allocation or allowable. Units previously formed may be reformed to exclude acreage or formations in such original units and/or to include additional acreage or formations. The forming or reforming of any unit shall be accomplished by lessee by his executing and filing for record a declaration of unitization or reformation, which declaration shall describe the unit. Such units may be designated either before or after the completion of wells. Drilling operations and production on any part of the pooled acreage shall be treated as if such drilling operations were upon or such production was from the land described in this lease whether the well or wells are located on the land covered by this lease or not. The entire acreage pooled into a unit shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if it were included in this lease. In lieu of the royalties herein provided, lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved.

6. If, prior to discovery of oil, gas, or other minerals on said land or on land pooled therewith, lessee should drill and abandon a dry hole or holes thereon, or if, after discovery of oil, gas, or other minerals, the production thereof should cease from any cause, this lease shall not terminate if lessee commences additional drilling or reworking operations within sixty (60) days thereafter, or if it be within the primary term commences or resumes the payment or tender of rentals on or before the rental paying date next ensuing after the expiration of three (3) months from date of completion and abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term, oil, gas or other mineral is not being produced on said land or land pooled therewith but lessee is then engaged in operations for drilling, mining, or reworking of any well or mine thereon, this lease shall remain in force so long as such operations or said additional operations are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than sixty (60) consecutive days, and if they result in production, so long thereafter as oil, gas, or other mineral is produced from said land or land pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and draining the leased premises, lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances. The judgment of the lessee, when not fraudulently exercised, in carrying out the purposes of this lease shall be conclusive.

7. Lessee shall have free use of oil, gas, and water from said land, except water from lessor's wells and tanks, for all operations hereunder, including repressuring, pressure maintenance, cycling and secondary recovery operations, and shall have the right to pump water on to, or off of, said lands either for secondary recovery operations, or for the purpose of deepening of same. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said lands, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said lands without lessor's consent.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors, and assigns, but no change or division in ownership of the land, whether accomplished, shall operate to enlarge the obligations or diminish the rights of lessee. No such change or division in the ownership of the land, whether accomplished, shall be binding upon lessee for any purpose until such person acquiring any interest therein has furnished lessee with the instrument or instruments, or certified copies thereof, constituting his claim of title from the original lessor. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of his obligations hereunder, and it is agreed that the assignment of this lease shall not be binding upon the lessor until the payment of the rental thereon has been made in full to the lessor. This lease shall not be subject to termination by the lessor for failure to pay rentals.

9. When drilling or other operations are delayed or interrupted by storm, flood, or other act of God, fire, war, rebellion, insurrection, riot, strikes, differences with workmen, or failure of carriers to transport or furnish facilities for transportation, or as a result of some order, requisition or necessity of the government, or as a result of any cause whatsoever beyond the control of the lessee, the time of such delay or interruption shall not be counted against lessee, anything in this lease to the contrary notwithstanding. All express or implied covenants of this lease shall be subject to all Federal and State laws, Executive orders, rules or regulations and this lease shall not be terminated, in whole or in part, nor lessee held liable in damages for failure to comply therewith if compliance is prevented by, or if such failure is the result of any such law, order, rule or regulation. And if from such cause, lessee is prevented from conducting drilling or reworking operations on, or producing oil or gas from, the leased premises or land pooled therewith, the time while lessee is so prevented shall not be counted against lessee, and this lease shall be extended for a period of time equal to that during which such lessee is so prevented from conducting drilling or reworking operations on, or producing oil or gas from, such leased premises or land pooled therewith, notwithstanding any other provision hereof.

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessor does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty in the event of failure of title, it is agreed that, if lessor owns an interest in said land less than the entire fee simple estate, then the royalties and rentals to be paid lessee shall be reduced proportionately; should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its successors and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to the acreage so surrendered, and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage surrendered bears to the total acreage covered by this lease.

12. In addition to the royalties hereinabove provided and as an additional and overriding royalty there is hereby reserved to the Lessors, their heirs and assigns, one-sixteenth (1/16th) of seven-eighths (7/8ths) of all of the oil, gas, casinghead gas and other hydrocarbons which may be produced, saved and sold from the land described above under and by virtue of this lease agreement, the same to be free of all costs and expenses of development and operations and to be paid under the same terms as the other royalties herein provided for.

IN WITNESS WHEREOF, we sign the day and year first above written.

John T. McMahon
JOHN T. MCMAHON

Judy McMahon
JUDY MCMAHON

THE STATE OF TEXAS,
COUNTY OF Guadalupe

JOINT ACKNOWLEDGMENT

VOL. 588 PAGE 277

BEFORE ME, the undersigned, a Notary Public,

in and for said County, Texas, on this day personally appeared
Johanna T. McMahon and Judy McMahon
his wife, both known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged
to me that they each executed the same for the purposes and consideration therein expressed, and the said

wife of the said Johanna T. McMahon having been
examined by me privily and apart from her husband, and having the same fully explained to her, she, the said
acknowledged such instrument to be her act and deed, and she declared that
she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to
retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This 10th day of May, A. D. 1979.



WIFE'S SEPARATE ACKNOWLEDGMENT

THE STATE OF TEXAS
County of Guadalupe

I, FRANK SCHMIDT, Clerk of the County Court in

and for said County, do hereby certify that the foregoing instrument of writing dated the 10 day of
May 1979, with its certificates of authentication, was filed for Record in my
office the 9 day of July 1979 at 11:30 o'clock A.M., and duly
recorded the 14 day of Nov 1979 at 8:44 o'clock A.M., in
DEED Record of said County in Vol. 588 on Pages 273-277.

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

By Josephine Blenquist Deputy
FRANK SCHMIDT, Clerk
County Court, Guadalupe County.

known to me to be the person and office

UNOFFICIAL COPY NOT RECORDABLE