

OIL AND GAS LEASE NO. 38499
 GENERAL LAND OFFICE
 AUSTIN, TEXAS

WHEREAS, pursuant to Chapter 271, Acts of the 42nd Legislature, 1931, as amended by House Bill No. 9, Acts of the 46th Legislature, 1939, Chapter 82, Acts of the 50th Legislature, 1947, and other applicable laws, the following area, to-wit:

Inlet No. 3, Trinity Bay Inlets, containing 9 acres in Chambers County, Texas, as shown by the plat attached hereto.

was after being duly advertised, offered for lease on the 4 day of March, 1952, at 10:00 o'clock A.M., by the Commissioner of the General Land Office of the State of Texas and the School Land Board of the State of Texas, for the sole and only purpose of prospecting and drilling for, and producing oil and/or gas that may be found and produced from the above described area.

WHEREAS, after all bids and remittances which were received up to said time have been duly considered by the Commissioner of the General Land Office and the School Land Board at a regular meeting thereof in the General Land Office on the _____ day of _____, 19____, and it was found and determined that _____

Humble Oil & Refining Company had offered the highest and best bid for a lease on the area above described, said bid being _____

ONE THOUSAND THREE HUNDRED FIFTY NINE AND 99/100-----DOLLARS (\$1,359.99)

and, is therefore, entitled to receive a lease thereon.

NOW, THEREFORE, I, BASCOM GILES, Commissioner of the General Land Office of the State of Texas, by virtue of the authority vested in me, and in consideration of the payment by the hereinafter designated Lessee, the sum of ONE THOUSAND THREE HUNDRED

FIFTY NINE AND 99/100-----Dollars (\$ 1,359.99), receipt whereof is hereby acknowledged, and of the royalties, covenants, stipulations, and conditions contained, and hereby agreed to be paid, observed, and performed by Lessee, do hereby demise, grant, lease and let unto Humble Oil & Refining Company

the exclusive right to prospect for, produce and take oil and/or gas from the aforesaid area for a period of FIVE YEARS and as long thereafter as oil and/or gas are produced therefrom in commercial quantities, upon the following terms and conditions, to-wit:

1. If neither oil nor gas be produced in commercial quantities within five years, this lease shall terminate.
2. On or before one year from the date of this lease and annually thereafter for each of the following years during the life of this lease, the Lessee shall pay to the Commissioner of the General Land Office, Austin, Texas, an annual rental of two dollars (\$ 2.00) per acre, unless oil and/or gas are being produced in commercial quantities. When royalties paid during any year during the life of this lease equal or exceed the annual rental, no annual rental will be due for the following year; otherwise, there shall be due and payable on or before the anniversary date hereof two dollars (\$ 2.00) per acre less the amount of royalties paid during the preceding year. For the purpose of calculating the rental payments provided for herein, the land covered by this lease shall be said to comprise 9 acres, until an actual survey may have been made and approved by the Commissioner of the General Land Office, after which rentals shall be calculated on the number of acres shown to be in the lease by such survey.
3. When production of oil and/or gas is secured, the Lessee agrees to pay or cause to be paid to the Commissioner of the General Land Office at Austin, Texas, for the use and benefit of the State of Texas, during the term hereof:
 - (a) As a royalty on oil, 1/8 of the value of the gross production based on the highest posted price for the same grade of crude oil in the general area or the price received by producer whichever is the greater; or at the option of Lessor, 1/8 of the gross production the same to be delivered free of cost to the credit of Lessor to the pipeline or to the railroad transporting the oil.
 - (b) As a royalty on any gas, including residue gas, (except as provided herein with respect to casinghead gas processed on a percentage basis and except as otherwise provided in paragraph (d) hereof), 1/8 of the value of the gross production or at the option of the Lessor 1/8 of the gross production, but in no event shall the royalty be based on a price of less than the highest market price paid or offered for gas in the general area or the price paid or offered to the producer or processor, whichever is the greater. The maximum base pressure in measuring the gas under this lease

contract shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be 60 degrees Fahrenheit; correction to be made for pressure according to Boyle's Law, and for specific gravity according to test made by the Balance Method; provided, however, Lessee agrees that before any gas containing liquid hydrocarbons, recoverable in commercial quantities, (excluding casinghead gas) produced from the land is sold or used, it will be run through adequate oil and gas separator of conventional type, or other equipment at least as efficient, to the end that all liquid hydrocarbons recoverable from the gas by such means will be recovered; it being understood and agreed that Lessee shall not be required to process such gas in an absorption or extraction plant.

(c) (1) As a royalty on casinghead gas sold or used for the manufacture of motor fuel, natural gasoline, or other liquid hydrocarbons, on a percentage basis, $\frac{1}{8}$ of the value of the gross production of such hydrocarbons, the value of which shall be determined on the basis of $33 \frac{1}{3}$ percent of the value of the liquid hydrocarbon content of said gas actually recovered at the plant, or that percentage of the value of same which accrues to the Lessee, whichever is the greater. The basis for valuing such products shall be determined as provided in paragraph (3) of this subsection.

(2) As a royalty on distillate, condensate, gasoline, butane, propane or other liquid hydrocarbons separated and extracted from the gas (excluding products extracted from casinghead gas), $\frac{1}{8}$ of the value of each such product, the value of which shall be determined as provided in paragraph (3) of this subsection.

(3) The basis for valuing the distillate, motor fuel, natural gasoline, and/or other liquid hydrocarbons shall be the average selling price for the respective grades thereof f.o.b. at the plant in which such gas is used for the month in which such gas was delivered, provided that the prices shall not be less than the average prices quoted in two of the leading periodicals of the industry for similar grades of motor fuel, natural gasoline, or other liquid hydrocarbons in the territory.

(d) No royalty shall be claimed or paid on gas or residue gas used for the lease's proportionate share of processing plant or compressor station fuel where gas is processed, cycled, or where a compressor is necessary to put the gas in the line, and subject to the consent in writing of the Commissioner of the General Land Office, Lessee may inject gas into any oil-or-gas-producing formation underlying the premises covered by this lease, after such gas has been processed for the liquid hydrocarbons therein contained, and no royalties shall be claimed or paid on any such gas so injected. The lease's proportionate share of processing plant or compressor station fuel shall be based on the proportion the volume of gas processed or used from this lease bears to the total volume of gas processed or used by such processing plant or compressor station for each month, and may be balanced out annually.

4. All royalty that may become due the State shall be paid on or before the twentieth (20th) day of the month following the month in which the oil and/or gas may be produced. The payments shall be accompanied by sworn statements of the Lessee, manager or other authorized agent, showing the gross amount of production since the last report, and the market value of the same, together with copies of all daily gauges of tanks, gas meter readings, pipe line receipts and other checks or memoranda of the amounts produced.

5. The books, accounts, records, and contracts, pertaining to production, transportation, sale and marketing of the oil and/or gas shall at all times be subject to inspection and examination by the Commissioner of the General Land Office, the Attorney General and the Governor or the representative of either of them.

6. The State shall have a first lien upon all oil and/or gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due under this lease.

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

8. If oil and/or gas should be produced in commercial quantities in a well on land privately owned, which well is within one thousand feet of the area included herein, the Lessee shall, within sixty days after such initial production on such private land, begin in good faith and prosecute diligently the drilling of an offset well on this area.

GENERAL LAND OFFICE
OIL AND GAS DIVISION

Counter 18088

and such offset well shall be drilled to such depth as may be necessary to prevent the undue drainage of this area, and the Lessee, manager, or driller shall use all means necessary in a good faith effort to make such offset well produce oil and/or gas in commercial quantities.

9. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling operations thereon, or from producing oil and/or gas therefrom, after effort made in good faith, by reason of war, rebellion, riots, strikes, acts of God, or any order, rule or regulation of governmental authority, then while so prevented, lessee's obligation to comply with such covenant shall be suspended and lessee shall not be liable for damages for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented, by any such cause, from drilling, reworking operations or producing oil and/or gas from the lease premises, provided, however, that nothing herein shall be construed to suspend the payment of rentals during the primary or extended term.

10. An electric log or radio active log and a description geologic sample log of each well drilled on this area, together with description or plat showing exact location of well shall be filed in the General Land Office within thirty days after such well shall have been completed or abandoned, and the correctness of such log must be sworn to by the Lessee or other authorized person.

11. Lessee shall have the right to use such water that may be on the premises necessary for drilling and operating wells and shall have the right to use so much of the surface of the land that may be necessary for drilling and operating wells and transporting and marketing the production therefrom--such use to be conducted under conditions of least injury to the surface of the land.

12. In developing this area the Lessee shall use the highest degree of care and all proper safeguards to prevent the pollution of water.

13. The lease may be transferred at any time. All transfers must be recorded in the county where the area is located, and within ninety days the recorded transfer or certified copy of same must be filed in the General Land Office, accompanied by a filing fee of one dollar, and unless so recorded and filed such assignment shall be ineffective.

14. The Lessee may relinquish the rights granted hereunder to the State at any time by recording the relinquishment in the county where this area is situated and filing the recorded relinquishment or certified copy of same in the General Land Office within ninety days after its execution, accompanied by a filing fee of one dollar, and unless so recorded and filed such relinquishment shall be ineffective. Such relinquishment will not have the effect of releasing the Lessee from any liability theretofore accrued in favor of the State.

15. If the Lessee should fail or refuse to make payment of any sum due, either as rental on this lease or for royalty on the production, within thirty days after it shall become due, or if the Lessee or his authorized agent should knowingly make any false return or false report concerning production, royalty or drilling, or if the Lessee should fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if the Lessee or his agent should refuse the proper authority access to the records pertaining to operations under this lease, or if such Lessee or his authorized agent should knowingly fail or refuse to furnish the log of any well as provided herein, or if Lessee shall knowingly violate any of the material provisions of this lease, this lease shall be subject to forfeiture by the Commissioner of the General Land Office, and when forfeited the area shall again be subject to lease to the highest bidder, under the same regulations controlling the original sale of leases.

16. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative thereto.

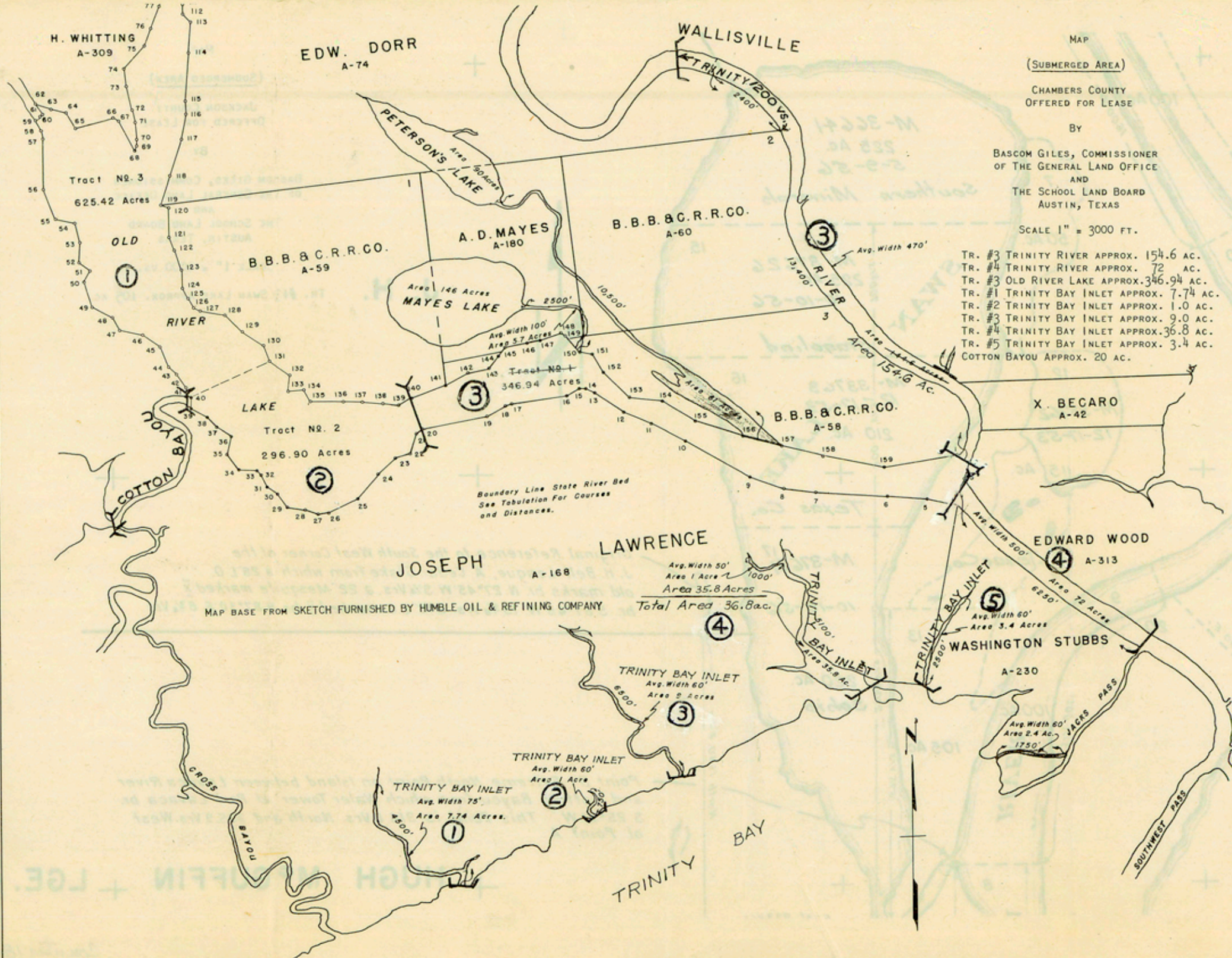
17. In all cases the authority of a manager or agent to act for the Lessee must be filed in the General Land Office.

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

IN TESTIMONY WHEREOF, witness the signature of the Commissioner of the General Land Office, under the seal thereof, this 12 day of March, 1952.

Bascom Giles
Commissioner of the General Land Office

M-38499
Lease
File dated 3-12-52
Bascom Giles, Com'r.



MAP
(SUBMERGED AREA)
CHAMBERS COUNTY
OFFERED FOR LEASE

BY
BASCOM GILES, COMMISSIONER
OF THE GENERAL LAND OFFICE
AND
THE SCHOOL LAND BOARD
AUSTIN, TEXAS

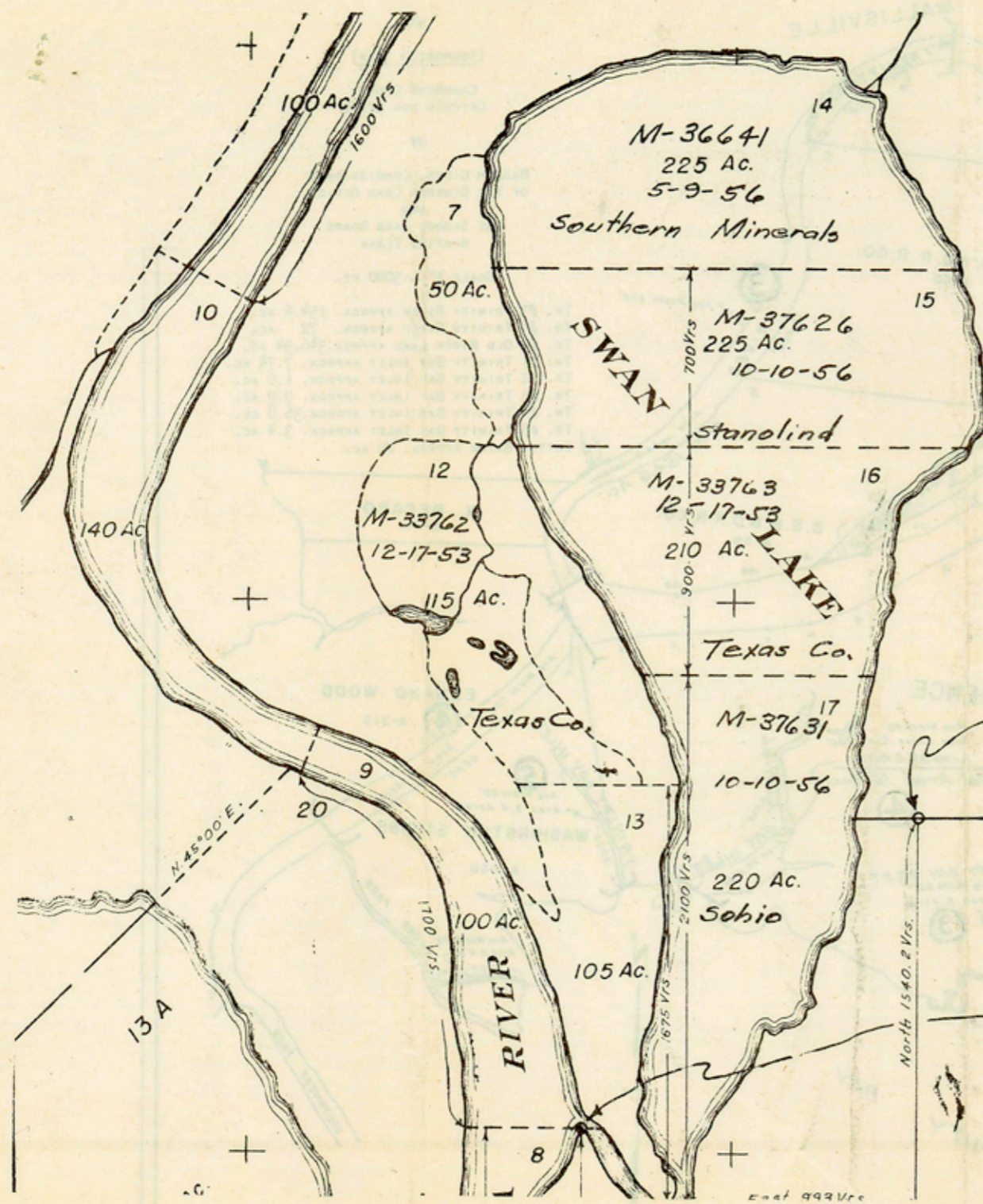
SCALE 1" = 3000 FT.

- TR. #3 TRINITY RIVER APPROX. 154.6 AC.
- TR. #4 TRINITY RIVER APPROX. 72 AC.
- TR. #3 OLD RIVER LAKE APPROX. 346.94 AC.
- TR. #1 TRINITY BAY INLET APPROX. 7.74 AC.
- TR. #2 TRINITY BAY INLET APPROX. 1.0 AC.
- TR. #3 TRINITY BAY INLET APPROX. 9.0 AC.
- TR. #4 TRINITY BAY INLET APPROX. 36.8 AC.
- TR. #5 TRINITY BAY INLET APPROX. 3.4 AC.
- COTTON BAYOU APPROX. 20 AC.

MAP BASE FROM SKETCH FURNISHED BY HUMBLE OIL & REFINING COMPANY

Boundary Line State River Bed
See Tabulation For Courses
and Distances.

CHAMBERS CO. SK. FILE 53



MAP
(SUBMERGED AREA)

JACKSON COUNTY
OFFERED FOR LEASE

BY
BASCOM GILES, COMMISSIONER
OF THE GENERAL LAND OFFICE
AND
THE SCHOOL LAND BOARD
AUSTIN, TEXAS

SCALE 1" = 1000 Vrs.

TR. #13 SWAN LAKE APPROX. 105 AC.

J. H.



Original Reference to the South West Corner of the
J. H. Bell League, A Cedar Stake from which a 28" L.O.
old marks br. N. 27° 45' W. 9 1/4 Vrs. a 22" Mesquite marked X
br. S 87° 45' W. 13 3/8 Vrs. a 13" L.O. marked X br. N. 87° 30' E. 8 3/4 Vrs

Point B - Extreme North Point on Island between Lavaca River
and Catfish Bayou from which Water Tower at Port Lavaca br.
S. 25° 21' W. This Point is 316.8 Vrs. North and 335.9 Vrs. West
of Point A.

HUGH M^cGUFFIN + LGE. 4

Counter 18092