

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

## OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 9th day of November, 2015, between  
City of Seguin  
Lessor (whether one or more), whose address is: 205 North River Street, Seguin, Texas 78155  
and Cobra Exploration Company, LLC whose address is P.O. Box 8206 Wichita Falls, TX 76307  
Lessee,

WITNESSETH:

1. Lessor, in consideration of \$10.00 Dollars, receipt of which is hereby acknowledged, and of the covenants and agreements of Lessee hereinafter contained, does hereby grant, lease and let unto Lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil, gas, sulphur and all other minerals (whether or not similar to those mentioned), together with the right to make surveys on said land, lay pipe lines, establish and utilize facilities for surface or subsurface disposal of salt water, construct roads and bridges, dig canals, build tanks, power stations, telephone lines, employee houses and other structures on said land, necessary or useful in Lessee's operations in exploring, drilling for, producing, treating, storing and transporting minerals produced from the land covered hereby or any other land adjacent thereto. The land covered hereby, herein called "said land" is located in the County of Guadalupe, State of Texas, and is described as follows:

**56.10 acres**, more or less, out of the E. Gortari Survey, A-29, and being more particularly described in that Warranty Deed dated June 25, 1962, between Mary Peska, et al, as Grantors, and the City of Seguin, as Grantee, filed in Volume 349, Page 411, Deed Records, Guadalupe County, Texas,

Save, less and except

**6.0 acres**, more or less, out of the E. Gortari Survey, A-29, and being more particularly described in that Warranty Deed dated August 30, 1962, between the City of Seguin, as Grantor, and Frances Springs and wife, Minnie, as Grantees, filed in Volume 351, Page 477, Deed Records, Guadalupe County, Texas.

Leaving herein a balance of **50.10 acres**, more or less

This lease also covers and includes, in addition to that above described, all land, if any, contiguous or adjacent to or adjoining the land above described and (a) owned or claimed by Lessor by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which Lessor has a preference right of acquisition. Lessor agrees to execute any supplemental instrument requested by Lessee for a more complete or accurate description of said land. For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain 50.10 acres, whether actually containing more or less, and the above recital of acreage in any tract shall be deemed to be the true acreage thereof. Lessor accepts the bonus as lump sum consideration for this lease and all rights and options hereunder.

2. Unless sooner terminated or longer kept in force under other provisions hereof, this lease shall remain in force for a term of three (3) years from the date hereof, hereinafter called "primary term" and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than ninety (90) consecutive days.
3. As royalty, Lessee covenants and agrees: (a) To deliver to the credit of Lessor, in the pipe line to which Lessee may connect its wells, the equal one-eighth part of all oil produced and saved by Lessee from said land, or from time to time, at the option of Lessee, to pay Lessor the average posted market price of such one-eighth part of such oil at the wells as of the day it is run to the pipe line or storage tanks, Lessor's interest, in either case, to bear one-eighth of the cost of treating oil to render it marketable pipe line oil; (b) To pay Lessor on gas and casinghead gas produced from said land (1) when sold by Lessee, one-eighth of the amount realized by Lessee, computed at the mouth of the well, or (2) when used by Lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-eighth of such gas and casinghead gas; (c) To pay Lessor on all other minerals mined and marketed or utilized by Lessee from said land, one-tenth either in kind or value at the well or mine at Lessee's election, except that on sulphur mined and marketed the royalty shall be one dollar (\$1.00) per long ton. If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, Lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to Lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, Lessee shall pay or tender, by check or draft of Lessee, as royalty, a sum equal to one dollar (\$1.00) for each acre of land then covered hereby. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, and may be deposited in the:

Depository Bank: PAY DIRECTLY TO LESSOR AT ABOVE WRITTEN ADDRESS

Mailing Address: \_\_\_\_\_

or its successors, which shall continue as the depositories, regardless of changes in the ownership of shut-in royalty. If at any time that Lessee pays or tenders shut-in royalty, two or more parties are, or claim to be, entitled to receive same, Lessee may, in lieu of any other method of payment herein provided, pay or tender such shut-in royalty, in the manner above specified, either jointly to such parties or separately to each in accordance with their respective ownerships thereof, as Lessee may elect. Any payment hereunder may be made by check or draft of Lessee deposited in the mail or delivered to the party entitled to receive payment or to a depository bank provided for above on or before the last date for payment. Nothing herein shall impair Lessee's right to release as provided in paragraph 5 hereof. In the event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as to acreage owned by each.

4. Lessee is hereby granted the continuing and recurring right, but not the obligation, to pool or unitize the land covered by this lease, or any part or interest therein, with any other lands, leases or interests, as to any or all minerals, depths or horizons, either before or after the commencement of operations, whenever Lessee deems it necessary or proper to do so in order to explore, develop or operate said lease, whether or not similar pooling authority exists with respect to such other lands, leases or interests. A unit formed by such pooling for an oil well which is not a horizontal drainhole well shall not exceed 80 surface acres plus a maximum acreage tolerance of 10%, and for an oil well that is a horizontal drainhole well or a gas well shall not exceed 640 surface acres plus a maximum acreage tolerance of 10%; provided that larger units may be formed for an oil well or a gas well, whether or not drilled as a horizontal drainhole well, as permitted by the rules or regulations of any governmental authority with jurisdiction over such matters. The terms "oil well", "gas well" and "horizontal drainhole well" shall have the meanings prescribed by applicable law or by regulations of the governmental authority with jurisdiction over such matters. Lessee may pool or combine land covered by this lease or any portion thereof as above provided as to oil and gas, or either of them, in any one or more stratum or strata. Units formed by pooling as to any stratum or strata need not conform in size or area with units formed 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 Lessee to pool this lease or portions thereof into other units. Lessee shall exercise said option to pool as to each desired unit by executing an instrument identifying such unit and filing it for record in the appropriate records of the county in which all

or part of such unit is situated. The effective date of pooling shall be the date of filing unless provided otherwise in such pooling declaration, and said unit shall be effective as to all parties hereto, their heirs, successors and assigns, irrespective of whether the unit is likewise effective as to all other owners of surface, mineral, royalty or other rights in land included in such unit, or whether there may be mineral, royalty or leasehold interests in lands within the unit which are not effectively pooled or unitized. Operations conducted on any part of such unit, regardless of whether such operations were commenced before or after the execution of this lease or the instrument designating the pooled unit, shall be deemed for all purposes (except the payment of royalties on production from the pooled unit) as operations conducted on said land under this lease and references herein to operations on said lands or on the leased premises shall be deemed to include operations on any portion of such pooled unit. For the purpose of computing royalties and other payments out of production, there shall be allocated to the land covered by this lease and included in such unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) that proportion of the total production of unitized minerals from the unit, after deducting any used in lease or unit operations, which the number of surface acres in such land (or in each separate tract) covered by this lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalties, overriding royalties and any other payments out of production, to be the entire production of unitized minerals from the land to which allocated in the same manner as though produced therefrom under the terms of this lease. Any unit formed hereunder may be revised, increased or decreased in size or changed in configuration by Lessee, at its sole option, without the joinder of Lessor, at any time and from time to time after the original designation thereof in order to conform to the rules and regulations of any governmental authority having jurisdiction, or when to do so would, in the judgment of Lessee, promote the conservation of minerals in and under and that may be produced from said land or permit the drilling of an additional well or wells. In making such a revision, Lessee shall file in the records where the original unit designation is recorded a written declaration describing the revised unit and the effective date of revision shall be the date of filing unless provided otherwise in such declaration. To the extent any portion of said land is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall be adjusted accordingly, and such adjustment shall be made effective as of the effective date of the revision. Lessee may dissolve any unit formed hereunder by filing a written declaration to that effect, and the effective date of dissolution shall be the date of filing unless provided otherwise in such declaration. The formation of any unit hereunder which includes land not covered by this lease shall not have the effect of exchanging or transferring any interest under this lease (including, without limitation, any shut-in royalty which may become payable under this lease) between parties owning interests in land covered by this lease and parties owning interests in lands not covered by this lease. Neither shall it impair the right of Lessee to release as provided in paragraph 5 hereof, except that Lessee may not so release as to lands within a unit while there is production in paying quantities thereon unless all pooled leases are released as to lands within the unit. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests 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 or unitize as provided in this paragraph with consequent allocation of production as herein provided. The inclusion of Lessors' interest in any separate tract within this lease shall not constitute an offer on the part of Lessor to any party who may now or hereafter have an ownership interest in the minerals or royalties in such separate tract to pool, unitize or communitize any such interest with other interests covered by this lease. Any attempt by an owner of any mineral or royalty interest under a separate tract to ratify, adopt or confirm this lease, or any provision herein contained, by any means and thereby effect a pooling, unitization or communitization of royalties among such separate tracts shall by such actions specifically ratify, adopt and confirm the entire contents of this paragraph and such attempt to effect a pooling, unitization or communitization between any separate tracts shall be wholly ineffective. As used herein, 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.

5. Lessee may at any time and from time to time execute and deliver to Lessor or file for record a release or releases of this lease as to any part or all of said land or of any mineral or horizon thereunder, and thereby be relieved of all obligations, as to the released acreage or interest.
6. Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil, gas, sulphur or other minerals, excavating a mine, production of oil, gas, sulphur or other mineral, whether or not in paying quantities.
7. Lessee shall have the use, free from royalty, of water, other than from Lessor's water wells, and of oil and gas produced from said land in all operations hereunder. Lessee shall have the right at any time to remove all machinery and fixtures placed on said land, including the right to draw and remove casing. No well shall be drilled nearer than 200 feet to the house or barn now on said land without the consent of the Lessor. Lessee shall pay for damages caused by its operations to growing crops and timber on said land.
8. The rights and estate of any party hereto may be assigned from time to time in whole or in part and as to any mineral or horizon. All of the covenants, obligations, and considerations of this lease shall extend to and be binding upon the parties hereto, their heirs, successors, assigns, and successive assigns. No change or division in the ownership of said land, royalties, or other moneys, or any part thereof, howsoever effected, shall increase the obligations or diminish the rights of Lessee, including, but not limited to, the location and drilling of wells and the measurement of production. Notwithstanding any other actual or constructive knowledge or notice thereof of or to Lessee, its successors or assigns, no change or division in the ownership of said land or of the royalties, or other moneys, or the right to receive the same, howsoever effected, shall be binding upon the then record owner of this lease until thirty (30) days after there has been furnished to such record owner at his or its principal place of business by Lessor or Lessor's heirs, successors, or assigns, notice of such change or division, supported by either originals or duly certified copies of the instruments which have been properly filed for record and which evidence such change or division, and of such court records and proceedings, transcripts, or other documents as shall be necessary in the opinion of such record owner to establish the validity of such change or division. If any such change in ownership occurs by reason of the death of the owner, Lessee may, nevertheless pay or tender such royalties, or other moneys, or part thereof, to the credit of the decedent in a depository bank provided for above.
9. In the event Lessor considers that Lessee has not complied with all its obligations hereunder, both express and implied, Lessor shall notify Lessee in writing, setting out specifically in what respects Lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on Lessee. Neither the service of said notice nor the doing of any acts by Lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all its obligations hereunder. If this lease is canceled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations, (but in no event less than forty acres), such acreage to be designated by Lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have such easements on said land as are necessary to operations on the acreage so retained.
10. Lessor hereby warrants and agrees to defend title to said land against the claims of all persons whomsoever. Lessor's rights and interests hereunder shall be charged primarily with any mortgages, taxes or other liens, or interest and other charges on said land, but Lessor agrees that Lessee shall have the right at any time to pay or reduce same for Lessor, either before or after maturity, and be subrogated to the rights of the holder thereof and to deduct amounts so paid from royalties or other payments payable or which may become payable to Lessor and/or assigns under this lease. If this lease covers a less interest in the oil, gas, sulphur, or other minerals in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not), or no interest therein, then the royalties and other moneys accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by Lessor) shall be paid out of the royalty herein provided. This lease shall be binding upon each party who executes it without regard to whether it is executed by all those named herein as Lessor.
11. If, while this lease is in force, at, or after the expiration of the primary term hereof, it is not being continued in force by reason of the shut-in well provisions of paragraph 3 hereof, and Lessee is not conducting operations on said land by reason of (1) any law, order, rule or regulation, (whether or not subsequently determined to be invalid) or (2) any other cause, whether similar or dissimilar, (except financial) beyond the reasonable control of Lessee, the primary term hereof shall be extended until the first anniversary date hereof occurring ninety (90) or more days following the removal of such delaying cause, and this lease may be extended thereafter by operations as if such delay had not occurred.
12. Lessee is hereby given the option to extend the primary term of this lease for an additional Two (2) years from the expiration of the original primary term hereof. This option may be exercised by Lessee at any time during the original primary term by paying the sum of One Hundred Fifty and No/100 Dollars (\$150.00) per net mineral acre to Lessor. This payment shall be based upon the number of net mineral acres then covered by this lease and not at such time being maintained by other provisions hereof. This payment may be made by the check or draft of Lessee mailed or delivered to Lessor at any time during the original primary term hereof. If, at the time this payment is made, various parties are entitled to specific amounts according to Lessee's records, this payment may be divided between

said parties and paid in the same proportion. Should this option be exercised as herein provided, it shall be considered for all purposes as though this lease originally provided for a primary term of Five (5) years.

13. It is understood and agreed that wherever the fractions "one-eighth" appear in paragraph 3 hereof, they are hereby expressly amended and increased to "one-fifth (1/5)."
14. It is understood and agreed that this lease covers and includes oil and gas only (including with oil and gas, all constituents elements thereof and all other liquid or liquefiable hydrocarbons and products of every kind or character derived therefrom and produced therewith, including sulphur), and that all minerals other than oil and gas are excepted herefrom and reserved to Lessor. Included among the minerals reserved to Lessor and excluded from this lease are coal, uranium and lignite.
15. Lessee shall pay for all actual damage to roads, fences, improvements and growing crops caused by its operations hereunder, and will fill and level all pits and mounds, remove all board roads and board road materials, level and fill all ruts, and restore the surface of the ground to as near its original condition as is reasonably practical within a reasonable period of time after cessation of operations at each well location on the leased premises.
16. It is understood and agreed that Lessor shall have the right to participate in the selection of roadways to and from drillsite locations and that prior to beginning operations hereunder, Lessee shall contact Lessor for consent as to the location of such roadways, which consent will not be unreasonably withheld.
17. Notwithstanding anything herein contained to the contrary, it is understood and agreed that no drillsite locations, storage tanks or treatment facilities shall be established within four hundred feet (400') of any residence or barn now situated on the leased premises without Lessor's prior written consent, which consent shall not be unreasonably withheld.
18. It is understood and agreed that this lease grants no hunting or fishing rights whatsoever. Furthermore, Lessee, its agents, contractors, employees or assigns shall be prohibited from carrying or transporting firearms of any type upon or across the herein leased premises.
19. In the event Lessee drills a water well on the above described property, when Lessee's need for the same has ceased, upon Lessor's written request said water well and all pipe and connections, except for Lessee's pump, will be assigned to Lessor who shall assume all rights, responsibilities and liabilities, if any, for operation, maintenance and plugging of said water well.
20. It is understood and agreed that Lessee or its assigns shall not let any salt water or any other deleterious substance run on or over Lessor's land, or let same run into Lessor's stock tanks or any natural creek, stream, river or other body of water.
21. In the event a portion or portions of the leased premises is pooled or unitized with other land so as to form a pooled unit or units, operations on, completion of a well upon, or production from such pooled units will not maintain this lease in force as to that portion of the leased premises not included in such pooled unit or units. This lease may be maintained in force as to premises covered hereby and not included in such pooled unit or units in any manner provided for herein; provided however, if at the end of the primary term or after the expiration of the primary term, Lessee is then engaged in drilling or reworking operations on the leased premises or on acreage pooled therewith, or if Lessee has completed a well as a producer or dry hole anywhere on the leased premises or lands pooled therewith within one hundred twenty (120) days prior to the expiration of the primary term, this lease shall remain in full force and effect as to all non-pooled acreage as so long as Lessee commences drilling operations on the leased premises or an acreage pooled therewith within one hundred twenty (120) days of the completion of such well as a producer or dry hole and conducts continuous operations thereon with no cessation of longer than one hundred days (120) days between the completion of drilling and reworking operations on a well and the commencement of such operations for the next succeeding well.
22. NO SURFACE OPERATIONS: Notwithstanding anything herein contained to the contrary, it is understood and agreed that Lessee, its successors or assigns, shall not enter upon nor use the leased premises for conducting any surface or drilling operations hereunder. Any production from the leased premises shall be by way of pooling and/or unitization as provided herein, or by directional drilling from a surface location on other lands and bottomed under the leased premises.

**IN WITNESS WHEREOF**, this instrument is executed on the date first above written.

CITY OF SEGUIN

LESSOR \_\_\_\_\_ SS OR TAX ID NO: \_\_\_\_\_  
DOUGLAS G. FASELER, CITY MANAGER

**ACKNOWLEDGMENT**

STATE OF TEXAS

COUNTY OF GUADALUPE

This instrument was acknowledged before me on the \_\_\_\_\_ day of February 2106.

\_\_\_\_\_  
Naomi Manski, Notary Public, State of **TEXAS**