

COPY

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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.

(PAID UP)
OIL AND GAS LEASE

THIS AGREEMENT made effective as of the 16th day of August, 2016, by and between Upshur County, a Political Subdivision of the State of Texas, acting by and through its County Judge and County Commissioners and pursuant to the approval by the Upshur County Commissioner's Court, whose address is P.O. Box 730, Gilmer, Texas 75644, as Lessor and Petroleum Exploration Company, Ltd. dba Petex of P.O. Box 548, Breckenridge, Texas 76424 as Lessee.

WITNESSETH:

1. Lessor in consideration of the sum of Ten and No/100 --- Dollars (\$10.00) and other good and valuable consideration in hand, paid, receipt of which is hereby acknowledged, and the royalties herein provided, does hereby grant, lease and let exclusively unto Lessee for the purpose of exploring, prospecting, drilling and mining for and producing oil and gas and all other hydrocarbons, laying pipelines, building roads, tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, transport and own said products, and housing its employees, and without additional consideration, does hereby authorize Lessee to enter upon the lands covered hereby to accomplish said purposes, the following described land to-wit:

860 acres of land, more or less, being all of Blocks 91, 94, 95, 98, 104, 105, 108, 114, 115, 121, 122, 124, 125, 132, 134, 135, 141, 143, 144, 151, 153 and the West One-half (W/2) of Block 154, South Upshur County School Land Survey, A-825, Throckmorton County, Texas.

Lessor does hereby grant to Lessee a right-of-way on, over and across other lands owned by Lessor that are adjacent to or adjoin the lease premises so that Lessee may access the lease premises. For the purpose of calculating rental payments hereinafter provided for the lands covered hereby are estimated to comprise 860 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this Lease shall be for a term of two (2) years from this date (called "primary term") and as long thereafter as oil and gas or other hydrocarbons are being produced from said land or land with which said land is pooled hereunder.

3. The royalties to be paid by Lessee are as follows: On oil, three-sixteenths (3/16) of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected. Lessee shall have the option to purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase. On gas, three-sixteenths (3/16) including casinghead gas, condensate or other gaseous substances, produced from said land and sold or used off the premises or for the extraction of gasoline or other products therefrom, the market value at the well of three-sixteenths (3/16) of the gas so sold or used, provided that on gas sold at the wells the royalty shall be of the amount realized from such sale. While there is a gas well on this Lease, or on acreage pooled therewith, but gas is not being sold or used Lessee shall pay or tender annually at the end of each yearly period during which such gas is not sold or used, as royalty, an amount equal to the shut-in royalty provided for in paragraph 6 hereof, and while such gas well is situated thereon, this Lease shall be held as a producing Lease under paragraph 2 hereof. The payment of a shut-in royalty shall be a covenant between Lessor and Lessee, and not a condition to this lease, and Lessee's failure to properly and timely pay shut-in royalty shall cause Lessee to be liable for the amount due, but shall not operate to terminate this lease.

4. Shut-In Oil Royalty: If at any time there is a well on the leased premises capable of producing oil but the well is not being produced for lack of a market to sell oil at \$40.00 per barrel or more, based on West Texas Intermediate Posting, or shut-in for other good cause, and this lease is not being 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 is shut in or the date this lease ceases to be continued in force by some other provision hereof, whichever is the later date, and prior to the expiration of such 90-day period and annually thereafter, Lessee may pay or tender an advance royalty, called "shut-in oil royalty", in an amount equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by such well and so long as such payments or tenders are so made this lease shall continue in force and effect and it shall be considered that oil is being produced from the leased premises within the meaning of paragraph 2 of this lease. Such shut-in oil royalty may be paid or tendered to the royalty owner(s) or deposited to the credit of the royalty owner(s) in the Depository Bank. The amount payable as shut-in oil royalty shall be calculated to be \$1.00 per acre per year on the acreage then held under this lease.

5. Lessee, at its option, is hereby given the right and power to voluntarily pool or combine the acreage covered by this Lease, or any portion thereof, as to the oil and gas, or either of them, with other land, lease or leases in the immediate vicinity thereof to the extent hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said leased premises in compliance with the Spacing Rules of the Railroad Commission of Texas, or other lawful authorities, or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas from said premises. Units pooled for oil hereunder shall not substantially exceed 80 acres each in area, and units pooled for gas hereunder shall not substantially exceed 640 acres each in area with a tolerance of ten per-cent thereof in the case of either an oil unit or a gas unit, provided that should governmental authority having jurisdiction permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those permitted by governmental regulations. Lessee under the provisions hereof may pool or

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combine acreage covered by this Lease, or any portion thereof as above provided for as to oil in any one or more strata and as to gas in any one or more strata. 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 Lessee hereunder to pool this Lease, or portions thereof, into other units. Lessee shall file for record in the county records of the county in which the lands are located an instrument identifying and describing the pooled acreage. Lessee may at its election exercise its pooling operation after commencing operations for, or completing an oil or gas well on the leased premises, and the pooled unit may include, but is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed, or upon which operations for drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit composed in whole or in part of the land covered by this lease, regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from the land covered by this Lease whether or not the well or wells are actually located on the premises covered by this Lease, and the entire acreage constituting such unit or units, as to oil and gas or either of them as herein provided, shall be treated for all purposes except the payment of royalties on production from the pooled unit as if the same were included in this Lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them shall be entitled upon production of oil and gas, or either of them from the pooled unit, there shall be allocated to the land covered by this Lease and included in said unit a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled unit. Such allocation shall be on an acreage basis, that is to say, there shall be allocated to the acreage covered by this Lease and included in the pooled unit that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this Lease and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil or 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 the 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 the Lease or gas pooled unit from which it is producing and not from the oil pooled unit.

6. The payment or tender of shut-in royalty under this paragraph and of royalty under paragraph 3 on any gas well from which gas is not being sold or used may be made by Lessee mailed or delivered to Lessor the sum of Eight, Hundred Sixty and No/100 Dollars (\$860.00) herein called shut-in royalty, which shut-in payments shall be made on or before the expiration of ninety (90) days from the date such well is shut-in and thereafter on the same date annually during the period such well is shut-in. If such Bank, or any successor Bank, should fail, liquidate or be succeeded by another Bank or for any reason fail or refuse to accept such shut-in royalty, Lessee shall not be held in default for failure to make such payment or tender of shut-in royalty until thirty (30) days after Lessor shall deliver to Lessee a proper recordable instrument, naming another Bank as Agent to receive such payments or tenders. Cash payment for this Lease is consideration for this Lease according to its terms and shall not be allocated as a mere rental for a period. Lessee may at any time or times execute and deliver to Lessor, or to the depository above named, or place of record a release covering any portion or portions of the above described premises and thereby surrender this Lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered, and thereafter the shut-in royalties payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases. Lessor agrees that this lease covers and includes any and all of Lessor's rights in and to any existing well(s) and/or wellbore(s) or downhole equipment or other personal property used in connection therewith on the leased premises, other than existing water wells, and for all purposes of this lease the re-entry and use by Lessee of any existing well and/or wellbore shall be deemed the same as the drilling of a new well. In connection therewith, in consideration of the mutual benefits to be derived herefrom, at Lessee's option, Lessor does hereby grant, sell and convey all of Lessor's right, title and interest in and to said personal property or equipment used in connection with any wells presently situated on the leased premises. Notwithstanding the release or termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress and egress over and across all the lands originally covered by this Lease to and from the lands still subject to this Lease, for all purposes described and allowed hereunder, together with all easements, right-of-ways, roads, pipelines, and other facilities, for access to and from the retained lands, and for the gathering or transportation of oil, gas and other minerals produced from such retained lands.

7. If prior to discovery of oil, gas or other hydrocarbons on this land, or on acreage pooled therewith, Lessee should drill a dry hole or holes thereon, or if after the discovery of oil, gas or other hydrocarbons, the production thereof should cease from any cause, this Lease shall not terminate if Lessee commences additional drilling or re-working operations within one-hundred eighty (180) days thereafter, and continues such operations with due diligence until production of oil, gas or other hydrocarbons is restored, and as long thereafter as oil, gas or other hydrocarbons are produced from said land, or from lands pooled therewith. If at the expiration of the primary term, oil, gas or other hydrocarbons are not being produced on said land, or on acreage pooled therewith, but Lessee is then engaged in drilling or re-working operations thereon, or shall have completed a dry hole thereon within one hundred eighty(180) days prior to the end of the primary term, the Lease shall remain in force so long as operations are prosecuted with no cessation of more than one hundred eighty(180) consecutive days, and if they result in the production of oil, gas or other hydrocarbons, so long thereafter as oil, gas or other hydrocarbons are produced from said land, or acreage pooled therewith. In the event a well or wells producing oil or gas in paying quantities shall be brought in on adjacent land and draining the leased premises, or acreage pooled therewith, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances. Whenever used in this lease the word "operations" shall mean operations for and/or any of the following: preparing the drill site location or access road to said location, rigging up, moving equipment on the leased premises, drilling, testing, completing, fracing, reworking, recompleting, deepening, sidetracking, plugging back or repairing of a well in search for or in a good faith endeavor to obtain production of oil, gas or other minerals and production of oil, gas, or other minerals, whether or not in paying quantities.

8. Lessee must remove all property, equipment and fixtures placed on the premises by Lessee within 180 days from the expiration of this lease; which includes the right to remove casing. Lessee agrees that no well will be drilled within two hundred (200) feet of any residence or barn located on said land as of the date of this Lease without surface owner's consent.

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9. The rights of each party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns, but no change or division in the ownership of the land, or royalties, however accomplished, shall operate to enlarge the obligations, or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished with a certified copy of recorded instrument or instruments evidencing such change of ownership. In the event of assignment hereof in whole or in part, liability for breach of any obligation issued hereunder shall rest exclusively upon the owner of this Lease, or portion thereof, who commits such breach. In the event of the death of any person entitled to royalties hereunder, Lessee may pay or tender such royalties to the credit of the deceased, or the estate of the deceased, until such time as Lessee has been furnished with the proper evidence of the appointment and qualification of an executor or an administrator of the estate, or if there be none, then until Lessee is furnished satisfactory evidence as to the heirs or devisees of the deceased, and that all debts of the estate have been paid. If at any time two or more persons become entitled to participate in the royalties payable hereunder, Lessee may pay or tender such royalties jointly to such persons, or to their joint credit in the depository named herein; or, at the Lessee's election, the portion or part of said royalties to which each participant is entitled may be paid or tendered to him separately. In the event of an assignment of this Lease as to a segregated portion of said land, the royalties payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in royalty payment by one shall not affect the rights of other leasehold owners hereunder. If six or more parties become entitled to royalty payments hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

10. The breach by Lessee of any obligations arising hereunder shall not work a forfeiture or termination of this Lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part unless Lessor shall notify Lessee in writing of the facts relied upon in claiming a breach hereof, and Lessee, if in default, shall have sixty (60) days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument, and if Lessee shall fail to do so then Lessor shall have grounds for action in a court of law or such remedy to which he may feel entitled. After the discovery of oil, gas or other hydrocarbons in paying quantities on the lands covered by this Lease, or pooled therewith, Lessee shall reasonably develop the acreage retained hereunder, but in discharging this obligation Lessee shall not be required to drill more than one well per eighty (80) acres of area retained hereunder and capable of producing oil in paying quantities, and one well per six hundred forty (640) acres of the area retained hereunder and capable of producing gas or other hydrocarbons in paying quantities, plus a tolerance of ten per-cent in the case of either an oil well or a gas well.

11. In the event of failure of Lessor's title, it is agreed that Lessor's warranty shall be limited to the repayment by Lessor to Lessee of any lease bonus paid by Lessee to Lessor on any tract leased hereunder in which review of title reflects a defect in Lessor's title. If Lessor owns an interest in the oil, gas or other hydrocarbons in or under said land, less than the entire fee simple estate, then the royalties and rentals to be paid Lessor shall be reduced proportionately. Failure of Lessee to reduce such rental paid hereunder or over-payment of such rental hereunder shall not impair the right of Lessee to reduce royalties payable hereunder.

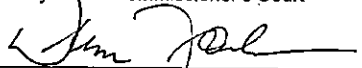
12. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling, or reworking operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any federal or state law or any order, rule or regulation of governmental authority, storm, flood or other acts of God, fire, war, riot, strikes, inability to obtain necessary permits, then while so prevented, and for ninety (90) days thereafter, Lessee's obligations to comply with such covenant shall be suspended, and Lessee shall not be liable in 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 conducting drilling or reworking operations on, or from producing oil or gas or other hydrocarbons from the leased premises and for ninety (90) days thereafter; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

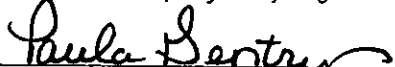
THIS IS A PAID-UP LEASE AND NO DELAY RENTALS ARE DUE HEREUNDER


See Addendum to Oil and Gas Lease attached hereto and made a part hereof for all purposes for additional terms.

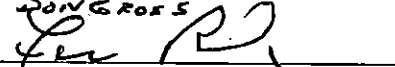
IN WITNESS WHEREOF this instrument is executed on the respective dates of acknowledgment of the parties hereto, but shall be effective as of the date first above set out.

Upshur County, Texas, a Political Subdivision of the State of Texas
Upshur County Texas Commissioner's Court

By: 
Dean Fowler, Upshur County Judge

By: 
Paula Gentry, Commissioner, Precinct #1

By: 
Gula Hefner, Commissioner, Precinct #2
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By: 
Frank Berka, Commissioner, Precinct #3

By: 
Mike Spitzer, Commissioner, Precinct #4

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ACKNOWLEDGMENT

STATE OF TEXAS
COUNTY OF UPSHUR

This instrument was acknowledged before me, the undersigned authority, on the _____ day of _____, 2016 by Dean Fowler, Upshur County Judge, on behalf of Upshur County, Texas, a Political Subdivision of the State of Texas.

Notary Public, State of Texas

ACKNOWLEDGMENT

STATE OF TEXAS
COUNTY OF UPSHUR

This instrument was acknowledged before me, the undersigned authority, on the _____ day of _____, 2016 by Paula Gentry, Upshur County Commissioner, Precinct #1, on behalf of Upshur County, Texas, a Political Subdivision of the State of Texas.

Notary Public, State of Texas

ACKNOWLEDGMENT

STATE OF TEXAS
COUNTY OF UPSHUR

This instrument was acknowledged before me, the undersigned authority, on the _____ day of _____, 2016 by Cole Hefner, Upshur County Commissioner, Precinct #2, on behalf of Upshur County, Texas, a Political Subdivision of the State of Texas.

Notary Public, State of Texas

ACKNOWLEDGMENT

STATE OF TEXAS
COUNTY OF UPSHUR

This instrument was acknowledged before me, the undersigned authority, on the _____ day of _____, 2016 by Frank Berka, Upshur County Commissioner, Precinct #3, on behalf of Upshur County, Texas, a Political Subdivision of the State of Texas.

Notary Public, State of Texas

ACKNOWLEDGMENT

STATE OF TEXAS
COUNTY OF UPSHUR

This instrument was acknowledged before me, the undersigned authority, on the _____ day of _____, 2016 by Mike Spencer, Upshur County Commissioner, Precinct #4, on behalf of Upshur County, Texas, a Political Subdivision of the State of Texas.

Notary Public, State of Texas

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ADDENDUM
to
Oil and Gas Lease between Upshur County, as Lessor, and Petex, as Lessee

NOTWITHSTANDING ANY PROVISION TO THE CONTRARY CONTAINED IN THE FOREGOING PRINTED PROVISIONS OF THIS LEASE, IT IS EXPRESSLY AGREED BETWEEN LESSORS AND LESSEE AS FOLLOWS, IT BEING EXPRESSLY AGREED THAT IN THE EVENT ANY PROVISION OF THIS ADDENDUM CONTRADICTS OR CONFLICTS WITH THE PROVISIONS OF THE OIL AND GAS LEASE TO WHICH THIS ADDENDUM IS ATTACHED, THEN THE PROVISIONS OF THIS ADDENDUM SHALL CONTROL:

1. Prior to cutting any fence, Lessee shall install 4" Iron or steel posts sufficiently braced at any entryway, and in the event production is established, install a steel gate with a width of at least sixteen feet (16'), which gate shall become the property of the owner(s) of the surface estate upon termination of this lease.
2. Lessee shall use existing roads for access to the property, insofar as is reasonably possible, and shall, in the event production is established, construct any new roads in a reasonable and prudent manner and will maintain any existing and/or new roads while being used by Lessee. Lessee will pay Lessor the sum of \$5.00 per rod for any new roads constructed by Lessee on Lessor's surface lands covered under this lease.
3. Lessee agrees that any tank batteries or separators or compressors placed on the property shall be placed at the well location, if possible, or otherwise along lease lines or fence lines, so as to use as little additional land as is reasonably possible and same shall be fenced and diked. Lessee agrees to pay Lessor the sum of \$500.00 for said tank battery site which shall cover the cost for two (2) tanks. There will be an additional cost of \$100.00 for each additional tank located at the tank battery.
4. Lessee shall construct and erect utility lines, if any, used by Lessee in connection with the operation of this lease, along roads or existing fences, insofar as is reasonably possible, so as to not interfere with the use of the surface estate. Lessee agrees to pay to Lessor the sum of \$50.00 for each electric pole installed.
5. During the term of this lease, if production is obtained in paying quantities, Lessee shall provide to Lessors or their designated agent, the name of its agent or employee supervising the operations carried out by lessee on the lands covered by this lease.
6. Lessee agrees to pay Lessor for each well site location and associated road the sum of One Thousand Dollars (\$1,000.00) for a site located on grazing land, and Two Thousand Dollars (\$2,000.00) for a site located on a cultivated field, with all such damages to be paid to Lessor before drilling operations commence.
7. In the event this lease terminates in part, or has been partially released, it is agreed that Lessee shall have and retain such easements over and across such terminated or released portion(s) of the leased premises originally covered by this lease as shall be reasonably necessary to afford Lessee ingress and egress and to enable Lessee to develop and operate the portion(s) of this lease continuing in effect for the production of oil or gas therefrom, and Lessee shall not be required to move or re-locate any pipelines, tanks, separators, or other equipment or machinery used in connection with such production of oil or gas.
8. At the expiration of this lease, Lessee must remove all of its personal property and equipment from the leased premises within one hundred eighty (180) days thereafter. Nothing contained herein shall operate to relieve Lessee from plugging any well drilled by Lessee in accordance with the requirements of the Texas Railroad Commission.
9. It is agreed that all of the above terms that are applicable to the surface estate shall apply to all lands owned by Lessor in the event and only in the event that Lessee acquires an oil and gas lease (or leases) covering any lands in which Lessor owns the surface but has no mineral ownership.
10. Lessee must notify Lessor within 30 days from the date of any well being shut-in in order to maintain this lease solely under the shut-in provisions hereof.
11. Lessee agrees to coordinate its drilling operations with Lessor's surface tenant and agrees that there will be no drilling operations conducted during deer season unless otherwise agreed to by surface tenant.
12. Lessee agrees to provide to Lessor a copy of any Title Opinion it obtains in connection with the leased premises.

END OF ADDENDUM

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 TERRY ROSS
 COUNTY CLERK
 UP SHUR COUNTY, TX.
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