

OIL AND GAS LEASE

THIS AGREEMENT made and entered into this _____ day of _____, 2006 between City of Irving, Texas, a home rule municipal corporation of the State of Texas within Dallas County, Texas whose address is Attention: Real Estate Services Manager, 825 W. Irving Boulevard, Irving, Texas 75028 (hereinafter called "Lessor") and _____, whose address is _____ (hereinafter called "Lessee").

WITNESSETH:

1. (a) That Lessor, in consideration of _____ Dollars (\$_____) in hand paid, of the royalties herein provided and of the agreements of Lessee hereinafter contained, hereby grants, leases and lets unto Lessee for the sole purpose of exploring, drilling, operating for, developing and producing oil, liquid hydrocarbons, gas and their respective constituent products, and for laying pipelines, storing oil, building tanks (but not tank farms), power stations, roads and other structures thereon necessary to produce, save, care for, treat, process, store and transport said products from the land leased hereunder, those certain lands situated in Dallas County, Texas, and described on Exhibit "A" attached hereto (sometimes referred to herein as "said lands"). For the purposes of calculating any shut-in royalty payments herein provided for, said lands are estimated to contain _____ acres, whether actually containing more or less.

(b) Lessor expressly excepts from this lease and reserves all minerals of every kind and character in, on and under said lands, except only the oil and gas herein defined and, in addition, Lessor excepts from this lease and reserves the right to use said lands for the purpose of investigating, exploring, prospecting, mining for and producing all such minerals, laying pipelines, building roads, tanks and other structures thereon, to mine, produce, save, take care of, treat, transport and own such other minerals; provided, any such operations by Lessor shall not unreasonably interfere with Lessee's operations and use of said lands.

(c) This lease is made subject to any and all easements affecting said lands as reflected in the records of Dallas County, Texas, to which reference is here made. If the execution of this lease would have the effect of causing a reversion of the property interest held by Lessor as to any tract or tracts comprising a portion of the leased premises, then this lease as to such so affected tract or tracts is void and has no further force or effect, but under such circumstances, this lease will remain in force and effect as to all tracts comprising the leased premises which are not so affected.

2. (a) Subject to the other provisions herein contained, this lease is a paid up lease and shall be for a term of _____ (_____) years from the date hereof (called "primary term") and as long thereafter as oil and gas is produced from said lands in paying quantities or this lease is maintained in force by virtue of some other provisions hereof.

(b) If, at the expiration of the primary term, neither oil or gas is being produced on said land, but Lessee is then engaged in drilling, completion or reworking operations thereon, or if, either before or after the expiration of the primary term, production of oil or gas on the leased premises after once obtained should cease from any cause and this lease is not being maintained in force and effect under some other provision hereof, this lease as it then exists, shall remain in force so long as reworking, drilling or completion operations on said well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in production of oil or gas, so long thereafter as oil or gas is produced in paying quantities from said land, or payment of shut-in gas well royalties is made as hereunder provided.

(c) The term "continuous operations" whenever used in this lease shall mean and include operations conducted in good faith for drilling a well, reworking operations, completion operations and reconditioning, deepening, plugging back, cleaning out, repairing or testing of a well. For all purposes of this lease, operations shall be deemed to be prosecuted with reasonable diligence when

prosecuted without cessation of more than ninety (90) consecutive days elapsed between the completion of operations at one well or location and the commencement of drilling operations at another well or location. A well shall be deemed to be completed under the provisions of this lease (i) two (2) days after the well reaches total depth in the event no attempt is made to complete the well as a producer of oil and / or gas (a dry hole) or (ii) in the event an attempt is made to complete the well as a producer of oil and / or gas, then the earlier of (aa) thirty (30) days after the date production casing is cemented in the well (as reflected by the cementing affidavit filed with the Texas Railroad Commission or (bb) forty five days after the rig utilized to drill the well to total depth is moved off the well.

3. Lessee shall pay or cause to be paid:

(a) As used herein, the term "oil" shall mean and refer to any hydrocarbons produced from said lands, regardless of gravity, capable of being produced in liquid form at the well by ordinary production methods including without limitation condensate, distillate and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment at the lease. As royalty on any and all oil produced from said lands pursuant to this lease, Lessee shall pay to Lessor _____ percent (_____) of the gross oil production or the value thereof. The value of oil production shall be based on the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of similar gravity and type in the general area, or the prevailing market price thereof in the general area, or the proceeds of the sale thereof, whichever is greater. Unless otherwise approved in writing by Lessor, Lessee shall assure that gas produced from said lands that contains liquid hydrocarbons recoverable in commercial quantities is run through an 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 before the gas is sold, used, or processed in a plant, and royalty is paid thereon.

(b) As used herein, the term "gas" shall mean and refer to all natural gas produced from said lands (including casinghead gas) and all of its constituent elements, including but not limited to sulfur contained in the gas, natural gasoline, condensate, distillate, butanes, propanes, and other hydrocarbons condensed, absorbed, or separated out of or from the gas after it leaves the lease, including without limitation casinghead gas and flared or vented gas. Royalty shall be payable under this Paragraph 3(b) on all hydrocarbons produced from said lands other than oil. As royalty on any and all gas produced from said lands pursuant to this lease, Lessee shall pay to Lessor:

(1) _____ (_____) of the gross production of gas not processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products or the value thereof. The value of such gas production shall be determined on the basis of the greater of (a) the market value of the gas; or (b) the total value accruing to the producer from the sale or use of the production, including proceeds and any other thing of value received by Lessee or the operator.

(2) _____ percent (_____) of the gross production of gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products or the value thereof, such value to be determined on the basis of (a) the highest value reasonably available to Lessee if Lessee sells and delivers the gas at a point before the inlet to the processing plant to an unaffiliated third party processor; (b) if Lessee owns the processing plant in which the gas is processed or trades the gas for gas that is processed in a plant owned by Lessee, then the value of the gas shall be the value, determined as in Paragraph 3(b)(1) above of 100% of the residue gas and 100% of the liquids attributable to the gas produced from said lands; or (c) if Lessee sells the gas at or beyond the tailgate of the plant, but Lessee does not own the processing plant in which the gas is processed and does not trade the gas for gas that is processed in a plant owned by Lessee, then the value of the gas shall be the highest value, determined as in Paragraph 3(b)(1) above, of the fraction of residue gas and liquids attributable to the gas produced from said lands to which Lessee is entitled. For purposes of this lease, Lessee shall be deemed to own the processing plant if Lessee or Lessee's affiliate owns a five percent or greater interest in the plant. An "affiliate" includes, but is not limited to, the parent company or a subsidiary of Lessee, a corporation or other entity having common ownership with Lessee, a partner or joint venturer of Lessee with respect to the ownership or operation of the processing

plant, a corporation or other entity in which Lessee owns a ten percent or greater interest, or any individual, corporation or other entity that owns a ten percent or greater interest in Lessee. Lessee shall submit to Lessor a disclosure statement regarding whether the Lessee or an affiliate of Lessee owns the processing plant.

(c) If oil or gas production from said lands is processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products, the value of the gross production shall for purposes of determining royalty due never be less than if such gas had not been processed.

(d) Subject to the consent in writing of Lessor, Lessee may inject gas into any oil or gas producing formation in said lands after the liquid hydrocarbons contained in the gas have been removed, and no royalties shall be payable on the gas so injected until such time as the same may thereafter be produced and sold or used.

(e) Lessee shall use all reasonable means to prevent the underground or above ground waste of oil or gas and to avoid the physical waste, flaring or venting of gas produced from said lands.

(f) Lessee shall pay or cause to be paid royalties due under this lease without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use; provided, however, with respect to gas processed for the extraction of gasoline, liquid hydrocarbons or other products in a plant not owned by Lessee (as described in Paragraph 3(b)(2)), no royalty shall be due on gas volumes used or flared in the plant to the extent such volumes are reasonable and allocable to the lease. For purposes of determining the royalty due, the gross production shall be valued at the point of sale and delivery from Lessee to an unaffiliated third party. In the event oil or gas is sold through an unaffiliated third party processor, the market value used in the calculation of the royalty from such a sale shall be the actual proceeds received by Lessee in connection with the sale, use or other disposition of oil or gas produced or sold from the leased premises. Lessee shall exercise due diligence and use all reasonable efforts in marketing any and all production from said lands to obtain the best price reasonably available for the oil and gas.

(g) Lessee shall pay cash royalties based on the value of the gross production from the premises, unless Lessor elects to receive royalty in kind. Lessee shall pay oil or gas royalty, or both, in kind at the option of Lessor. Lessor may exercise its option to take oil or gas royalty in kind, or if royalty is taken in kind, Lessor may elect to take cash royalties, at any time or from time to time by giving Lessee notice of such election not less than sixty (60) days in advance. If Lessor elects to take its royalty production in kind, Lessor or its authorized representative may elect to have the royalty production delivered in kind at the wellhead, at the oil and gas separator, into a pipeline connected at the well, at the location lessee sells its production, or at another location mutually acceptable to Lessor and Lessee. Lessee shall bear all costs to the point of delivery.

(h) Lessee shall pay to Lessor royalty at the applicable royalty rate on any monetary settlement received by Lessee from any breach of contract by Lessee's purchaser relating to the marketing, pricing or taking of oil or gas production from the premises.

(i) If at any time, whether before or after the expiration of the primary term, Lessee shall complete a well or wells on said lands which well or wells are capable of producing gas in commercial quantities but are shut-in resulting in gas not being produced and sold or used, Lessee may pay as royalty to Lessor for each shut-in well and the acreage ascribed thereto, on or before the expiration of ninety (90) days after (i) the date drilling, completion or reworking operations have ceased, or (ii) the date such gas ceases to be sold or used, and the well is shut-in, as the case may be, an amount equal to one-hundred dollars(\$100.00) per acre of said lands attributed to the producing unit upon which the well or wells are located, and upon making said payment, it will be considered that each such well is producing gas in paying quantities within the meaning of this lease for a period of one (1) year after the expiration of said ninety (90) day period, and the intermittent production of gas from any well during such year shall not

render necessary any new or additional payments of shut-in royalty with respect to such well or the acreage ascribed thereto, but Lessee shall account to Lessor for the royalty on such gas produced during such year in accordance with the other provisions of Paragraph 3. In like manner and upon like payments being made annually on or before the expiration of the preceding year for which such payment or tender has been made, it will be considered that said well or wells producing gas in paying quantities for such successive periods of one (1) year each, but this provision shall not be effective to continue this lease in force and effect as to acreage assigned to a shut-in gas well for a period of more than two (2) consecutive years after the date of completion or shut-in (or for shorter periods from time-to-time after the date of completion or shut-in which aggregate two (2) years in all). All shut-in royalty payments under this lease shall be paid or tendered directly to Lessor at the above address. All payments or tenders shall be made by check and such payments or tenders to Lessor by deposit in the U.S. Mails in a stamped envelope addressed to the Lessor at the last address known to Lessee shall constitute proper payment. In the event Lessee fails to make any payment as provided herein, the entire lease is subject to terminate at the option of Lessor, but it shall not be subject to terminate until Lessor has given Lessee notice of the improper payment and Lessee has not cured such problem within twenty (20) days of receipt of such notice.

(j) During any year after the expiration of the primary term, if this lease or any part thereof is maintained by production, the royalties paid to Lessee shall, as to the acreage still subject to this lease, in no event be less than one hundred dollars (\$100.00) per net mineral acre held by production under the provisions hereof; otherwise, there shall be due and payable to Lessor or its credit at its depository on or before the last day of the month in which the anniversary date of this lease falls, a sum equal to the minimum royalties due hereunder less the amount of royalties paid during the preceding year. In the event Lessee fails to make any payment as provided herein, the entire lease is subject to terminate at the option of Lessor, but it shall not be subject to terminate until Lessor has given Lessee notice of the improper payment and Lessee has not cured such problem within twenty (20) days of receipt of such notice.

(k) Lessee is obligated to Lessor to make and shall be liable for the payment of royalties hereunder irrespective of the failure or bankruptcy of any third party crude oil or gas purchaser, and irrespective of the execution by Lessor of a division order or any similar agreement in favor of any such third party purchaser. Accounting and payments to Lessor of royalties from the production of oil and gas from any well shall commence no later than ninety (90) days after the commencement of production. Thereafter, unless otherwise specifically provided herein, all accounting and payments for royalties shall be made on or before the 25th day of the second calendar month following the calendar month in which production occurred. Should Lessee at any time fail to make royalty payments to Lessor on or before the last day of the second calendar month following the calendar month in which the production occurred, Lessor may, at Lessor's election, cancel this lease by giving Lessee ten (10) days advanced written notice of such cancellation. Lessee may avoid such cancellation by paying Lessor all sums owed by Lessee to Lessor prior to the expiration of said ten (10) day period. Unless otherwise herein expressly provided, and whether or not Lessor shall have canceled this lease for non-payment, any royalties or other payments provided for in this lease which are suspended and are not paid to Lessor within the time periods specified therefore shall accrue interest at the highest rate which may be legally contracted for by parties in the position of Lessor and Lessee from the due date until paid, and in addition to any other remedies available to Lessor at law, Lessor shall have a lien on Lessee's leasehold estate and all property, including oil or gas which has been produced but not yet removed from the leased premises. Acceptance by Lessor of royalties which are past due shall not act as a waiver or estoppel of Lessor's right to recover any and all interest due thereon under the provisions hereof unless the written acceptance of acknowledgment by Lessor to Lessee expressly so provides. Any tender or payment to Lessor of a sum less than the total amount due Lessor hereunder which is made or intended to be made as an offer of settlement or an accord and satisfaction by or on behalf of Lessee must be accompanied by a Notice of Settlement Offer, so denominated, addresses to Lessor. Any such offer of settlement submitted solely by the tender of a check containing language of settlement or accord and satisfaction printed or otherwise inserted thereon shall not be deemed to be an offer of settlement or accord and satisfaction unless accompanied by such Notice of Settlement Offer. Lessee shall pay all reasonable attorneys' fees incurred by Lessor in connection with any lawsuit in which Lessor is successful in

recovering any royalties or interest or in terminating this lease due to Lessee's failure to pay royalties within the period set forth herein. Lessee further agrees to be solely responsible for the payment of royalties as provided for herein. Lessee agrees that it will not allow said royalty payments to be made by joint working interest owners or permitted assigns unless specifically agreed to by Lessor.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage of each of the separate tracts covered by this lease or any portion thereof as to oil and gas, or either of them, with any other land covered by this lease, and/or with any 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 properly to explore, or to develop and operate said leased premises in compliance with the spacing rules of the Railroad Commission of Texas, or other lawful authority, or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres in each area, and units pooled for gas hereunder shall not substantially exceed in area 120 acres each plus a tolerance of ten percent (10%) thereof, provided that should governmental authority having jurisdiction prescribe the creation of units larger than those specified, for the drilling or operation of a well at a regular location or for obtaining maximum allowable from any well to be drilled, drilling or already drilled, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit; and upon such recordation the unit shall be effective as to all parties hereto, their heirs, successors and assigns, irrespective of whether or not the unit is likewise effective as to all other owners of surface, mineral, royalty, or other rights in land included in such unit. Lessee may at its election exercise its pooling option before or after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it 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 the drilling of a well for oil or gas have theretofore been commenced. In the event of operations for drilling on or production of oil or gas from any part of a pooled unit which includes all or a portion of the land covered by this lease, regardless of whether such operations for drilling on or production was secured before or after the execution of this instrument or the instrument designating the pooled unit, such operations shall be considered as operations for drilling and shall be deemed to have been commenced on said land within the meaning of paragraph 2 (b) of 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 on 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 (or to each separate tract within the unit if this lease covers separate tracts within the unit) a pro rata portion of the oil and gas, or either of them produced from the pooled unit 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 (or to each separate tract within the unit if this lease covers separate tracts within the 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 (or in each such separate tract) and included in the pooled unit bears to the total number of acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the pooled 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 an oil pooled unit. The formation of any unit hereunder shall not have the

effect of changing the ownership of any shut-in production royalty which may become payable under this lease. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interest as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but Lessee shall nevertheless have the right to pool as provided above with consequent allocation of production as above provided. As used in this paragraph, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

5. (a) In the event oil and/or gas is discovered on said lands, Lessee agrees to further develop said lands as would a reasonable and prudent operator under the same or similar circumstances.

(b) Lessee shall adequately protect the oil and gas under said lands from drainage from adjacent lands or leases, including land not owned by Lessor and lands owned by Lessor which are leased at a lesser royalty. If oil or gas should be produced in paying quantities from a well draining said lands, Lessee shall, within ninety (90) days after notice from Lessor of such producing well, begin in good faith and pursue diligently operations leading to the drilling of an offset well and such offset well shall be drilled to such depth as may be necessary to prevent drainage of said lands, and Lessee shall use all means necessary in a good faith effort to make such offset well produce oil or gas in paying quantities. Any well located within six hundred and sixty (660) feet of said lands shall be presumed to be draining the premises. Payment of the bonus, royalties paid or to be paid, shut-in royalty, or other amounts due hereunder shall not relieve Lessee from its obligations under this Paragraph 5(b); provided, however, that Lessee shall have the option of paying Lessor, as royalty, a sum equal to the royalties which would be payable under this lease on the production from the well on adjacent land had it been drilled and produced under this lease, and, as long as Lessee may elect to pay such royalty in lieu of drilling an offset well, it will be considered that gas is being produced from said lands within the meaning of Paragraph 2 hereof.

6. Lessee may not assign this lease, in whole or in part, without the prior written consent of Lessor, which consent will not be unreasonably withheld. No change or division in ownership of the land, rentals, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of the Lessee. If any assignment of this lease is made, the assignee shall, within thirty (30) days after the date of such assignment, notify Lessor in writing of the name and current address of said assignee, said notice shall also identify the lease and property involved and the interest so assigned, and no sale or assignment by either Lessor or Lessee shall be binding upon the other party until such party shall be furnished with a certified copy of the recorded instrument evidencing the same.

7. When any of the operations contemplated by this lease are delayed or interrupted by operation of force majeure including storm, flood or other act of God, fire, war, rebellion, insurrection, riot, or as a result of some order, requisition, approval or necessity of any governmental agency having jurisdiction, the time of such delay or interruption shall not be counted against Lessee. All expressed or implied covenants or conditions of this lease shall be subject to all valid federal and state laws, executive orders, rules or regulations of any governmental agency, state or federal, having jurisdiction, and this lease shall not be terminated in whole or in part, and Lessee shall not be liable in damages for failure to comply therewith, if compliance is prevented by reason of or if such failure is a result of any such law, order, rule or regulation. If from any such cause, Lessee is prevented from conducting drilling or re-working operations or producing oil and/or gas from said lands, the time during which 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 Lessee is so prevented from conducting such operations, but in no event no longer than one (1) year. It is provided, however, that no such law, rule, order or regulation shall eliminate the necessity for, nor extend the time within which rentals, royalties and other payments provided for herein are to be paid. Before the provisions of this Paragraph may be relied upon, Lessee must furnish written notice to Lessor, within a reasonable time after the first day of the provisions hereof are relied upon, of such event, giving the beginning date thereof; and, within a reasonable time after such event ceases, notify Lessor of the resumption of activities, and Lessee shall be obligated to seek

exceptions from any order, rule, regulation of governmental authority if the facts would raise grounds for seeking exceptions.

8. (a) Lessor, or Lessor's agent, at Lessor's sole risk, shall have access to the derrick floor and all other areas at all times during any operations conducted by Lessee on said lands. Lessee agrees to give Lessor at least twelve (12) hours advance notice of any logging, testing and coring operations to be conducted on any wells drilled on said lands in order that Lessor may have a representative present at such operations. During Lessee's regular office hours, Lessor shall have access to all information concerning the drilling, coring, testing and completing of all wells, including the driller's log and all electric logs and surveys, and to all production charts, records and information concerning the production and marketing of oil and gas from lands covered by this lease. Upon Lessor's request, Lessee agrees to furnish Lessor with final prints of all driller's logs, electrical logs and surveys obtained in the drilling of all wells on said lands, and copies of all core analysis and test results obtained from all wells. Copies of all applications and reports filed by Lessee with the Texas Railroad Commission in connection with Lessee's operations hereunder shall also be mailed to Lessor simultaneously with Lessee's mailing of such applications and reports to the Texas Railroad Commission. Upon Lessor's request, Lessee also agrees to advise Lessor of the sizes of chokes installed on all producing wells on said lands (and further advise Lessor of all changes made from time to time in such chokes), together with appropriate pressure information to permit Lessor to check the rate of production from all such wells. Lessor shall have the right to strap all storage tanks and read and/or check all meters and charts affixed to producing wells at reasonable times without prior notice to Lessee. Lessor may, at Lessor's sole risk and expense, install check meters on or otherwise check any producing well or wells located on said lands. Lessor's access to information under this provision shall be for monitoring and compliance purposes, and any disclosure of information to Lessor not already deemed public information shall not operate to waive Lessee's interests in preserving confidential, proprietary information. In the event of a request under the Texas Public Information Act, Lessor will endeavor to notify Lessee of such request and to afford Lessee a chance to respond to the Attorney General as to whether the information should be exempt from disclosure under the Public Information Act.

(b) During the term of this lease, and for one year past the primary term of this lease, Lessee shall, upon request of Lessor, grant Lessor and/or Lessor's representatives access to all seismic, geological, geophysical and geochemical exploration data obtained by Lessee in its exploration of said lands so as to permit Lessor to make its own evaluation and interpretation of said data. At Lessor's request Lessee further agrees to provide Lessor and/or Lessor's representatives a copy of Lessee's interpretations of all data obtained in its exploration operations, provided however, that Lessor and/or its representatives agree to keep any and all information provided to it by Lessee confidential and to not make said information, data, reports, logs and any other information obtained by Lessor from Lessee available to any third party.

9. THIS LEASE IS WITHOUT ANY WARRANTY OF TITLE WHATSOEVER, EITHER EXPRESS OR IMPLIED. If Lessor's interest in the minerals covered by this lease in, on and under said lands is less than the undivided fee interest to the entirety thereof, then Lessor agrees that the royalties provided for in this lease shall be paid to Lessor in the proportion which Lessor's interest bears to the entire and undivided fee estate therein. Lessee at its option, may discharge any tax lien upon Lessor's interest in the land covered by this lease (unless such tax lien is being contested in good faith by Lessor by appropriate proceedings instituted for such purpose) and, in that event, Lessee shall have the right to apply royalties hereunder to reimburse such payment.

10. It is agreed that neither this lease nor any terms or provisions hereof shall be altered, amended, extended or ratified by any division order or transfer order executed by Lessor, its successors, agents or assigns, but that any division orders or transfer orders shall be solely for the purpose of confirming the extent of Lessor's interest in production of oil and gas from said lands. Any amendment, alteration, extension or ratification of this lease or of any term or provision thereof shall be made by an instrument in writing clearly denominated as to its purpose and effect, describing the specific terms or provisions of the lease affected and the proposed change or modification thereof, and executed by the party against whom any such amendment, alteration, extension or ratification is sought to be enforced,

and any purported amendment, alteration, extension or ratification not so drafted and executed shall be of no force or effect.

11. Any notice or other communication permitted or required under the terms hereof shall be in writing and, unless otherwise specified, be deemed properly given on the date personally delivered, or on the date postmarked, if mailed, postage prepaid United States Mail, addressed to Lessor or Lessee at the address set forth at the commencement of this lease, or to other such address as may hereafter be designated by either party to the other by notice. Notice given in other manner shall be effective only if and when received.

12. Upon expiration or termination of this lease for any reason as to all or any portion of said lands, Lessee shall be obligated at its expense promptly to prepare, execute and file in the public records in the county in which said lands are located an appropriate release instrument covering all such portions of said lands, and to forward the original recorded release or a certified copy of the release to Lessor.

13. Notwithstanding any of the other provisions contained in this Lease to the contrary, no surface operations of any kind whatsoever shall be conducted on the leased premises nor any use made by or on behalf of Lessee of the surface of the leased premises whatsoever; and this provision shall rule and control any other provisions herein that may be deemed to conflict with it. Lessee shall not enter upon said lands, erect, set up or place any structure or building on said lands, or conduct any operations whatsoever upon the surface of the lands. Lessee shall only utilize and develop said lands by pooling, as provided herein, or by directional or horizontal drilling commenced from a surface location on other lands in such manner that the path of the wellbore is under and through said lands and the bottom hole location is on said lands or lands pooled therewith.

14. Lessee agrees and obligates itself to conduct its operations upon said lands in compliance with all federal, state and local laws and in such a way as to cause a minimum of damage to said lands and improvements thereon. In the event that there is no local law or ordinance regulating the drilling of oil and/or gas wells on said lands, Lessee agrees and obligates itself to conduct its operations in compliance with the standard for High Impact Gas Wells and other applicable provisions of CHAPTER 64 RELATING TO THE REGULATION, DRILLING, AND PRODUCTION OF GAS WELLS WITHIN THE CITY, of the Code of Civil and Criminal Ordinances of the City of Irving, Texas ("Chapter 64"), enacted January 12, 2006, as it may be amended, which code provisions are referred to and incorporated into this lease for all purposes. Notwithstanding the foregoing, Lessee agrees that within thirty (30) days after any operation hereunder, weather permitting, Lessee shall repair the damaged land to the fullest practical extent, including the filling and leveling of all holes, pits, ruts, roads or excavations in the areas no longer to be used by Lessee; and upon termination hereof, to fully repair all damaged land not already repaired to the end that the land will be rendered to substantially the same condition as it was prior to commencement of such operations. Lessee shall pay for all actual injury or damage done or caused by Lessee in its operations hereunder to any buildings, fences, roads, roadway easements, culverts, merchantable timber, growing crops (including indigenous grasses and trees) or other improvements on said land or to livestock on said land which is not replaced or repaired by Lessee according to the terms of this lease.

15. Lessee shall not use surface water from watercourses, rivers, lakes, streams, ponds and other impoundments on said lands or groundwater from any existing water well located on said lands for any purpose without Lessor's consent. Lessee may drill a water well on said lands and use the groundwater from the water well for primary production operations for each oil or gas well the surface location of which is located on said lands. In the event Lessee drills a water well on said lands, when Lessee's need for it has ceased, upon Lessor's written request, said water well and all pipe, casing and connections will be assigned to Lessor. Lessee shall not use groundwater from said lands for primary production operations in connection with any well located off of said lands. Lessee shall not use groundwater from said land for secondary and/or enhanced recovery operations in connection with any well whether located on or off of said lands without the written consent of and appropriate compensation to Lessor.

16. Lessee shall not use wells on said lands for disposal of salt water produced off of said lands without the written consent of and appropriate compensation to Lessor.

17. It is understood and agreed that one (1) year following the expiration of the primary term of this lease or any extension thereof provided in this lease (or upon the expiration of continuous operations), whichever occurs last, Lessee shall release said lands as to all rights lying below one hundred (100) feet below either (1) the deepest depth drilled in any well drilled on said lands; or (2) the stratigraphic equivalent of the base of the deepest formation producing or capable of producing in any well drilled on the said lands, whichever is the deepest, provided however, if Lessee is then engaged in operations on said lands, this lease shall remain in full force and effect as to all depths so long as no more than ninety (90) days elapse between operations.

18. Lessee hereby releases and discharges Lessor, its directors, officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns, of and from all and any actions and causes of action of every nature, or other harm, including environmental harm, for which recovery of damages is sought, including, but not limited to, all losses and expenses which are caused by the activities of Lessee, its directors, officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns, arising out of, incidental to, or resulting from, the operations of or for Lessee on said lands hereunder (or lands pooled therewith), or that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this lease, or by any other negligent or strictly liable act or omission of Lessee. Further, Lessee hereby agrees to be liable for, exonerate, indemnify, defend and hold harmless Lessor, its directors, officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns, against any and all claims, liabilities, losses, damages, actions, personal injury (including death), costs and expenses, or other harm for which recovery of damages is sought, under any theory including tort, contract, or strict liability, including attorneys' fees and other legal expenses, including those related to environmental hazards, on the leased premises or lands pooled therewith or in any way related to Lessee's failure to comply with any and all environmental laws; those arising from or in any way related to Lessee's operations or any other of Lessee's activities on said lands (and lands pooled therewith); those arising from Lessee's use of the surface of said lands; and those that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this lease or any other act or omission of Lessee, its directors, officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns. Each assignee of this lease, or an interest therein, agrees to be liable for, exonerate, indemnify, defend and hold harmless Lessor, its directors, officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns, in the same manner provided above in connection with the activities of Lessee, its officers, employees, and agents as described above. ALL OF THE INDEMNITY OBLIGATIONS AND/OR LIABILITIES ASSUMED UNDER THE TERMS OF THIS LEASE SHALL BE WITHOUT LIMITS AND WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF (EXCLUDING PRE-EXISTING CONDITIONS), STRICT LIABILITY, OR THE NEGLIGENCE OF ANY PARTY OR PARTIES (INCLUDING THE NEGLIGENCE OF THE INDEMNIFIED PARTY), WHETHER SUCH NEGLIGENCE BE SOLE, JOINT, CONCURRENT, ACTIVE, OR PASSIVE.

19. Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, said lands, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on said lands any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. Sections 9601, et seq.), or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND LESSOR, ITS AGENTS, EMPLOYEES, TENANTS, GUESTS, INVITEES, AND THEIR RESPECTIVE

SUCCESSORS AND ASSIGNS FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT SAID LANDS DURING LESSEE'S OCCUPANCY OR CONTROL OF SAID LANDS. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT SAID LANDS DURING LESSEE'S OCCUPANCY OF SAID LANDS IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE LESSOR WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT SAID LANDS. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS LEASE.

20. It is agreed and understood that a Memorandum of Oil and Gas Lease will be filed of record for the purpose of providing record notice of the existence of this Lease in lieu of recording the executed original. Said Memorandum of Oil and Gas Lease shall be recorded in the Official Public Records of Dallas County, Texas, within a reasonable period of time by Lessee and a copy thereof will be furnished to Lessor.

21. Lessee shall at all times maintain the insurance coverage and bonds as described in Chapter 64 for each well drilled under the terms of this Lease, such insurance to continue until the well is abandoned and the site restored. Such insurance shall provide that Lessor be a co-insured, without cost, and that said insurance can not be canceled or terminated without thirty (30) days prior written notice to Lessor and ten (10) days prior written notice to Lessor for nonpayment of premiums. If not otherwise addressed within Chapter 64, the following insurance provisions will be applicable:

- (a) All policies shall be endorsed to read "THIS POLICY WILL NOT BE CANCELLED OR NON-RENEWED WITHOUT 30 DAYS ADVANCE WRITTEN NOTICE TO THE OWNER AND CITY OF IRVING EXCEPT WHEN THIS POLICY IS BEING CANCELLED FOR NONPAYMENT OF PREMIUM, IN WHICH CASE 10 DAYS ADVANCE WRITTEN NOTICE IS REQUIRED".
- (b) Liability policies shall be written by carriers licensed to do business in Texas and with companies with A: VIII or better rating in accordance with the current Best Key Rating Guide, or with nonadmitted carriers that have a financial rating comparable to carriers licensed to do business in Texas approved by City of Irving.
- (c) Liability policies shall name as "Additional Insured" the Lessor and its officials, agents, employees and volunteers.
- (d) Certificates of insurance must be presented to City of Irving evidencing all coverages and endorsements required by this section, and the acceptance of a certificate without the required limits and / or coverages shall not be deemed a waiver of these requirements.
- (e) Claims made policies will not be accepted except for excess policies or unless otherwise provided by the provisions hereof.
- (f) The following insurances coverages shall be required for purposes of this Lease:

1. Commercial General Liability Insurance. Coverage must be a minimum Combined Single Limit of \$1,000,000 per occurrence for Bodily Injury and Property Damage. This coverage must include premises, operations, blowout or explosion, products, completed operations, blanket contractual liability, underground contractors' protective liability and personal injury.
2. Environmental Impairment (or Seepage and Pollution) shall be either included in the coverage or written as separate coverage. Such coverage shall not exclude damage to the Lease site. If Environmental Impairment (or Seepage and Pollution) Coverage is written on a "claims made" basis, the policy must provide that any retroactive date applicable precedes the effective date of the issuance of the permit. Coverage shall apply to sudden and non-sudden pollution conditions resulting from the escape or release of smoke, vapors, fumes, acids, alkalis, toxic chemicals, liquids or gases, waster material or other irritants, contaminants or pollutants.
3. Automobile Liability Insurance. Minimum Combined Single Limit of \$500,000 per occurrence for Bodily Injury and Property Damage. Such coverage shall include owned, non-owned and hired vehicles.
4. Workers' Compensation Insurance. In addition to the minimum statutory requirements, coverage shall include Employer's Liability limits of at least \$100,000 for each accident, \$100,000 for each employee and a \$500,000 policy limit for occupational disease, and the insurer agrees to waive rights of subrogation against the Lessor, its officials, agents, employees, and volunteers for any work performed for the Lessor by the Lessee.
5. Excess (or Umbrella) Liability Insurance. Minimum limit of \$10,000,000 covering in excess of the preceding insurance policies.
6. Control of Well Insurance.
 - (A) Minimum limit of \$5,000,000 per occurrence.
 - (B) Policy shall cover the cost of controlling a well that is out of control, redrilling or restoration expenses, seepage and pollution damage, and damage to property in the Lessee's care, custody and control with a sub-limit of \$500,000 may be added.

22. CONTROLLING PROVISIONS: Anything appearing elsewhere within this lease to the contrary notwithstanding, the following provisions, when applicable, will prevail and control:

- (a) Pooling Limitations: No pooling of partial tracts of land covered by this lease is permitted unless such partial tract comprises at least fifty percent (50%) of the pooled unit, or unless the prior written approval of the Irving City Manager is obtained, which approval may be withheld at the complete discretion of the Irving City Manager. Pursuant to Section 71.053, Texas Natural Resources Code, drilling or spacing units, which include land owned by a City such as Lessor, may not be more than the minimum number of acres on which an oil and gas well must be located to comply with the rules or orders of the Railroad Commission of Texas or any other federal or state regulatory body that has authority to control or regulate the spacing of oil and gas wells.
- (b) Pugh Clause: Operations for or production of oil and / or gas Conducted upon any pooled unit which includes one or more tracts of land covered by this lease will serve to perpetuate this lease only as to the tracts included within each such pooled unit. The Lease may be perpetuated as to tracts not included within pooled units in any other manner contemplated in this lease.

(c) Partial Termination: At the expiration of the primary term of this lease or, if applicable, the cessation of continuous operations, whichever occurs last, this lease will terminate as to any and all tracts comprising portions of the leased premises which then either (i) are not included in pooled units producing oil and / or gas or capable of producing oil and / or gas as permitted by the applicable provisions of this lease, or (ii) are not included within drilling, production or proration units upon which then are situated wells producing oil and / or gas or capable of producing oil and / or gas. For purposes hereof "drilling, production or proration units" means the smallest such units allowed by applicable field rules and regulations of the Texas Railroad Commission, including optional downsized units.

(d) Seismic Operations: Lessee may conduct or cause to be conducted seismic operations in search of oil or gas upon the leased premises or portions thereof but only with the prior written approval of the Irving City Manager, which approval may be withheld at the complete discretion of the Irving City Manager.

(e) Recordable Releases: Within sixty (60) days following the expiration, termination or surrender of this lease, in whole or in part, Lessor will provide Lessee with a recorded copy of a release of this lease as recorded in the Dallas County Public Records, in the instance of a partial expiration, termination or surrender, applicable to the lands and / or depths to which the lease has expired, terminated or been surrendered.

(f) This lease does not commit the Lessor to the payment of any part of the cost or expense of operating any unit area or any well located on the area, as mandated in Section 71.057(c), Texas Natural Resources Code.

23. EXTENSION OPTION: Lessee at its sole option may extend the primary term of this lease for an additional period of ----- (____) year___ by causing to be delivered to Lessor on or before the expiration date of the primary term as stated in Paragraph 2(a) herein above an additional bonus payment of _____ dollars (\$_____.00) per net mineral acre covered by this lease, which payment shall cover the entire _____ (____) year extended primary term. 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 _____ (____) years. No extension of this lease as to less than all of the originally leased premises is permitted, save and except no additional payment will be required as to any portion or portions of the leased premises which at the end of the original primary term then are included within pooled units upon which are situated a well or wells producing or capable of producing oil or gas in commercial quantities or upon which then is drilling a well in search of oil or gas.

24. Texas Stadium Redevelopment Area. Notwithstanding any of the other provisions contained in this Lease, it is agreed and understood that Lessee shall not conduct any surface operations whatsoever on the areas identified on the attached exhibit "IRVING CONSENT REQUIRED TO DRILL SURFACE", including but not limited to, those related to exploration, drilling, production, and/or transportation without the express written consent of the Lessor. Lessee may, without Lessor's consent utilize and develop said lands by pooling, as provided herein, or by directional or horizontal drilling commenced from a surface location on other lands in such manner that the path of the wellbore is under and through said lands and the bottom hole location is on said lands or lands pooled therewith.

25. AUTHORITY. After approval of this lease by Lessor's City Council and the execution by all parties, Lessor shall be represented by the Irving City Manager or said Manager's designee, who may act on Lessor's behalf regarding all matters relative to this lease, save and except only any amendment(s) of this lease will require approval by Lessor's City Council.

IN WITNESS WHEREOF, this Oil and Gas Lease is executed as of the day and year first above written.

CITY OF IRVING - LESSOR

By: _____,
Herbert A. Gears, Mayor

Tax ID Number: 75-600056-6

ATTEST:

City Secretary

APPROVED AS TO FORM AND LEGALITY:

By: _____
City Attorney

Date: _____

_____ - LESSEE

By: _____

Its: _____

EXHIBIT "A"
GROUP

(_____ acres, more or less)

MEMORANDUM OF OIL AND GAS LEASE

STATE: TEXAS

COUNTY: DALLAS

LESSOR: **City of Irving**
Attention: Real Estate Services Manager
825 W. Irving Boulevard
Irving, Texas 75028

LESSEE:

EFFECTIVE DATE: _____, 200_____

For adequate consideration, Lessor, named above, has granted, leased, and let to Lessee, named above, for the purpose of investigating, exploring, prospecting, drilling, mining for, and producing oil, liquid hydrocarbons, gas, and their respective constituent products ("Oil and Gas"), laying pipelines, building roads, tanks, power stations, telephone lines and other structures, and producing, saving take care of, treating transporting, and owning Oil and Gas, all on or from the lands (the "Lands") in the county and state named above described on Exhibit "A" attached hereto.

The Oil and Gas Lease (the "Lease") is for a primary term of _____ (___) year____ from the Effective Date stated above, and is effective as long thereafter as oil and gas is produced from said lands in paying quantities or the Lease is maintained in force by virtue of some other provisions thereof, according to and by the terms and provisions of the Lease between Lessor and Lessee. The Lease, with all of its terms, covenants, and other provisions, is referred to and incorporated into this Memorandum for all purposes. This Memorandum is placed of record for the purpose of giving notice of the Lease. The original of the Lease is maintained in the office of the Lessee.

This Memorandum is signed by Lessor and Lessee as of the date of acknowledgement of their signatures, but it effective for all purposes as of the Effective Date stated above.

CITY OF IRVING - LESSOR

By: _____,
Herbert A. Gears, Mayor

Tax ID Number: 75-600056-6

ATTEST:

City Secretary

APPROVED AS TO FORM AND LEGALITY:

By: _____
City Attorney

Date: _____

_____ - LESSEE

By: _____

Its: _____

STATE OF TEXAS }
 }
COUNTY OF DALLAS}

This instrument was acknowledged before me this ____ day of _____, 200__, by Herbert A. Gears, Mayor of City of Irving, Texas..

Notary Public
State of Texas

STATE OF TEXAS }
 }
COUNTY OF _____}

This instrument was acknowledged before me this ____ day of _____, 200__, by _____, _____ of _____.

Notary Public
State of Texas

EXHIBIT "A"
GROUP

(_____ acres, more or less)