

RESOLUTION NO. 54-1987

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ABILENE, TEXAS, AMENDING AN OIL AND GAS LEASE DATED APRIL 9, 1987, BETWEEN THE CITY OF ABILENE AND SCHKADE BROTHERS OPERATING COMPANY.

WHEREAS, the City of Abilene and Schkade Brothers Operating Company entered into a lease for oil and gas purposes on April 9, 1987, covering its interest in the land described in the Oil and Gas Lease, a copy of which is attached hereto and made a part hereof for all purposes; and,

WHEREAS, it having been determined by the City Council of the City of Abilene, Texas, that it is advisable to execute an amendment to said Oil and Gas Lease; now, therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ABILENE, TEXAS:

PART 1: That the lease entered into on April 9, 1987, shall remain in full force and effect save and except the terms and conditions as set out in the Amendment, a copy of which is attached hereto and made a part hereof for all purposes.

PART 2: That the Mayor be, and is hereby authorized and directed to execute the Amendment to Oil and Gas Lease.

PART 3: That this resolution shall take effect immediately from and after its passage.

ADOPTED this 24 day of September, A.D. 1987.

ATTEST:

Patricia Hancock  
CITY SECRETARY

Dale Ferguson  
MAYOR

APPROVED:  
Deborah Burleson  
CITY ATTORNEY

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Attachment to

Resolution No. 54-1987  
Attachment "A"

Resolution No. 54-1987

AMENDMENT TO OIL AND GAS LEASE

THE STATE OF TEXAS           X  
COUNTY OF JONES            X

WHEREAS, by instrument dated April 9, 1987, recorded in Book 713, Page 600, Deed Records of Jones County, Texas, the City of Abilene, Texas, as Lessor, executed an Oil and Gas Lease to SCHKADE BROTHERS OPERATING COMPANY, as Lessee, covering the following describedland situated in Jones County, Texas, to-wit:

TRACT ONE: Being 51.87 acres, more or less, out of Survey 53, Blk. 14, T. & P. RR. Co. Survey, and described as follows: Begin at the SE corner of said survey; THENCE N 89 deg. 45 min. W 1806' to a point in the SBL of said survey; THENCE N 1322' to a point, being the NW corner of this tract; THENCE E 1701' to a point in the WBL of Sect. 54, Blk. 14, T. & P. RR. Co. Survey; THENCE S 4 deg. 35 min. E 1333.76' to Place of Beginning.

TRACT TWO: Being 23.7 acres of land out of the SW corner of Sect. 54, Blk. 14, T. & P. RR. Co. Land and described as follows: Begin at an old stone mound the SW corner of Sect. 54. Blk. 14, T. & P. RR. Co. Land; THENCE N 84 deg. E 1254.8' to a stone set in the ground in the East Boundary Line of Jones Co.; THENCE N 0 deg. 45 min. W with the EBL of Jones Co. 736.82' to a stake 5.54' W from a stone mound under a fence line; THENCE W 1324' to a stone mound in the WBL of Sur. 54; THENCE S 5 deg. 26 min. E 869.78' to the Place of Beginning.

TRACT THREE: Being 80 acres, more or less, out of Sect. 54, Blk. 14, T. & P. RR. Co. Land and being described as follows: Begin at a point on the WBL of Sect. 54, Blk. 14, T. & P. RR. Co. Survey, said point being 869.86' N of the SW corner of said Sect. 54, and the SW corner of this tract; THENCE E 1325' to a stone mound in the EBL of Jones Co. for SE corner of this tract; THENCE N 0 deg. 45 min. W with the EBL of Jones Co. 2400' to a point; THENCE West 1550' to a point in the WBL of Sect. 54, for the NW corner of this tract; THENCE S 5 deg. 26 min. E along the WBL of Sect. 54, 2410' to the Place of Beginning.

TRACT FOUR: Being 82.92 acres, more or less, out of Sect. 9, BAL, Survey 53, and Survey 59, Blk. 14, T. & P. RR. Co. and being more fully described as follows:

Begin at a large stone mound set in the ground at the NW corner of Sect. 9, BAL: THENCE S 2634.3' to a stone mound on the WBL of Sect. 9, THENCE E 1364.3' to a point which is the SW corner of the J. O. Bartlett 82.92 acre tract conveyed to him by Mrs. L. B. Hayse; THENCE N 2634.3' to a point which is the NW corner of said J. O. Bartlett 82.92 acre tract; THENCE W 1364.3' to the Place of Beginning, containing 82.92 acres of land and being the W/2 of the 165.84 acres formerly owned by Mrs. L. B. Hayse.

TRACT FIVE: Being 82.92 acres, more or less, out of Sect. 9, BAL, Survey 53 and Survey 59, Blk. 14, T. & P. RR. Co. and being more fully described as follows:

Begin at a point 1364.3' E of the NW corner of the said Sur. 9, BAL for the beginning point of this tract of land; THENCE S 2643.3' to a point; THENCE E 1765.8' to a stake and stone mound on the E line of Jones County, Texas; THENCE N 1818.9' to a stone set in the ground at the intersection of said County line with the N line of said Sur. 59, T. & P. RR. Co. Sur; THENCE S 84.5 deg. W 1260.4' to an old stone mound under a wire fence, being the SW corner of Sur. 54, and the SE corner of said Sur. 53, T. & P. RR. Co. Land; THENCE N 4 deg. 35 min. W 861.5' to a stone set in the ground on the W line of said Sur. 54; THENCE 89.75 deg. W 441.8' to beginning, containing 82.92 acs. of land;

and

WHEREAS, said lease is now owned by SCHKADE BROS. OPERATING COMPANY, and it is the desire of the Lessor to amend said lease as hereinafter provided;

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS: That the CITY OF ABILENE, TEXAS, a municipality, acting herein through its duly authorized officers, for and in consideration of the sum of One Dollar (\$1.00), and other good and valuable consideration, cash in hand paid, and of the benefits to be derived by it, does hereby amend said Oil and Gas Lease to provide as follows:

1. Paragraph No. 6 of the original lease is hereby deleted, and in lieu thereof, the following paragraph is included:

"6. Continuous Development: If, at the expiration of the primary term of this Oil and Gas Lease, there should be located on said lands a well which produces oil and/or gas in paying quantities, this lease shall remain in full force and effect as to all of the acreage covered hereby so long as the Lessee shall prosecute a continuous drilling program. "Continuous Drilling" shall mean the commencement of one well within six months from the date of reaching total depth in the preceding well, with the first six months period to begin on April 9, 1989. Drilling operations are to be completed within thirty (30) days from commencement of drilling operations on each well. When Lessee shall cease to prosecute said continuous drilling program, this lease shall terminate and become null and void as to all acreage covered hereby SAVE AND EXCEPT as to that portion of the tract already under production being defined as an area around each producing well equal to the Texas Railroad Commission minimum spacing requirement acreage for maximum allowable for said wells, and extending to a depth of 200 feet below total depth at which the deepest producing well is then producing."

2. The following pooling provision is included in the Oil and Gas

Lease:

"Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this Lease, or any portion thereof as to 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 properly 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 from said premises. Units pooled for oil hereunder shall not substantially exceed 160 acres each in area and units pooled for gas hereunder shall not substantially exceed in area 160 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, 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 or to amend, change or terminate existing 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. Lessee may at its election exercise its pooling option 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 lease 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 heretofore 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 land covered by the lease whether or not the well or wells be located on the premises covered by this Lease, and the entire acreage constituting such unit or units, as to oil and gas 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 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 this 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 and 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 an oil pooled unit."

With these amendments, the Lease is hereby adopted, ratified and confirmed in all of its terms and provisions.

EXECUTED this the 13 day of October, A. D. 1987.

ATTEST:

Patricia Hancox  
CITY SECRETARY

THE CITY OF ABILENE, TEXAS

BY: Dale Ferguson  
MAYOR

LESSOR

ATTEST:

Clarence S. Schade  
SECRETARY

SCHKADE BROS. OPERATING COMPANY

BY: Clarence S. Schade  
PRESIDENT

LESSEE

APPROVED BY:

Deborah Burleson  
DEBORAH BURLESON, ASSISTANT CITY  
ATTORNEY