Pg 247

CC-27a
27h
CC-6

Council was apprised that on September 1, 1981, Council adopted Resolution No. 81-123 accepting the bid received from Texas Oil and Gas Corp. of $15,000.00 - cash bonus including the first years rent as set forth in Exhibit "A" of the specifications. The appropriate lease agreement was prepared and executed and forwarded to the San Joaquin County Recorder for recordation.

The Recorder has contended that the document was not of reproducable quality and new Agreements had to be drawn up.

MAYOR AND CITY CLERK AUTHORIZED TO EXECUTE GAS AND OIL LEASE AGREEMENT

Council authorized the Mayor and City Clerk to execute Gas and Oil Lease Agreement with Texas Oil and Gas Corporation covering 760.87 acres as approved on September 1, 1981 with Council's adoption of Resolution No. 81-123.

COUNCIL COMMUNICATION

TO THE CITY COUNCIL FROM THE CITY MANAGER'S OFFICE	DATE July 16, 1982	NO. 1-D
SUBJECT: Oil & Gas Lease Covering 760.87 Acres TXO Production Corp.		

On September 1, 1981, Council adopted Resolution No. 81-123 accepting the bid received from Texas Oil and Gas Corp. of $15,000.00 - cash bonus including the first years rent as set forth in Exhibit "A" of the specifications.

The appropriate lease agreement was prepared and executed and was sent to the San Joaquin County Recorder for recordation.

We have since that date been working with the Recorders Office attempting to have this document recorded. The Recorder has not been willing to record, stating the documents were not of reproducable quality.

We have for the third time drawn up new Agreements which the Recorder advises are now acceptable.

We would ask that Council authorize the Mayor and City Clerk to execute the Agreements pursuant to Resolution 81-123 on behalf of the City.

Alice M. Reimche
City Clerk

AMR/lf

TXO PRODUCTION CORP.
A subsidiary of Texas Oil & Gas Corp

TXO PRODUCTION CORP.
100 HOWE AVENUE, SUITE 200 NORTH
SACRAMENTO, CALIFORNIA 95825
(916) 972-1444

L-D

RECEIVED
1982 JUL 12 AM 9 10
ALICE M. REIMCHE
CITY CLERK
CITY OF LODI

July 9, 1982

Attention: Alice Reimche
City of Lodi
P.O. Box 320
Lodi, California 95241

Re: Oil and Gas Lease
Covering 760.87 Acres

Dear Alice:

Enclosed are three copies each of our short and long form oil and gas lease. A notary's acknowledgement is necessary on two of the three short form leases for recording purposes. The long form lease simply spells out the terms of the lease.

When you have made whatever changes are necessary, please retain one copy of each short and long form lease for your records, and see that the remaining copies are completely executed and initialed where indicated, and that the two short form leases are notarized.

Thank you for your special attention to this matter. When I receive your executed copies, I will forward them again to our Dallas Office for execution and recording.

Very truly yours,

Patrick A. Rogers

Patrick A. Rogers
Land Representative

PAR/ju

Enclosure

California Standard Form
Producers 88 — TXO Form 385 (Rev. 7/81)
With Pooling Clause

Recording Requested By
and When Recorded Mail To:
Texas Oil & Gas Corp.
Fidelity Union Tower
Dallas, Texas 75201

AP # 055-120-1, 7; 055-130-4, 13, 14, 15; 055-150-11, 12, 14, 15, 17

1-D

OIL AND GAS LEASE

Space above for recorder's use

THIS AGREEMENT made this 1st day of September, 19 81, between The CITY OF LODI, Lessor (whether one or more), whose address is P.O. Box 320, Lodi, CA 95241,

and Texas Oil & Gas Corp., a Delaware Corporation

Lessee, whose address is FIDELITY UNION TOWER, DALLAS, TEXAS 75201

WITNESSETH: That Lessor, for and in consideration of One Dollar ($1.00) paid by Lessee to Lessor, the receipt of which is acknowledged, and of the covenants and agreements hereinafter contained on the part of Lessee to be kept and performed, does hereby lease, let and demise unto Lessee the lands hereinafter described (herein sometimes called the "leased land" or "said land(s)" for the purposes and with the exclusive right of prospecting, exploring (by geophysical and/or any other means), mining, drilling and operating for oil and all gas of whatsoever nature or kind, including all liquid or gaseous hydrocarbons, as well as all other commercially valuable substances or minerals associated or produced therewith by means of wells utilizing whatever method or means, whether or not similar in composition to the specifically above mentioned substances (hereinafter sometimes referred to as "oil and gas" or "leased substances"), and to produce, extract, take care of, treat, store, process, remove, transport and dispose of said leased substances and other products manufactured therefrom, together with the right to construct, erect, maintain, operate, use, repair, and replace thereon, and during or after the term hereof to remove therefrom, pipelines, telephone, telegraph and power lines, tanks, boilers, machinery, appliances, roads, buildings and other structures, facilities and equipments as may be useful, necessary or convenient in conducting Lessee's operations on said lands and to inject gas, water, steam, or other substances into subsurface strata and/or to use thermal or other processes for the purpose of secondary recovery, pressure maintenance, or otherwise to facilitate Lessee's operations hereunder; to drill or use existing abandoned wells on said land for disposal of water or other waste materials produced from said land or other land with which said land is pooled or combined; together with rights-of-way for passage over, upon and across, and ingress and egress to and from, the leased land, or neighboring lands, for any or all of the above mentioned purposes. Any pipelines, pole lines, or roads so constructed by Lessee may also be used by it in connection with operations on lands in the vicinity of the leased land. The land hereby leased is situated in the County of San Joaquin, State of California, and is described as follows:

See Exhibit "A" attached hereto and made a part hereof.

together with such rights as Lessor may have in any roads, alleys, waterways, canals, sloughs, levees, ditches, easements and rights-of-way upon, within or adjoining the above described property, in all containing 760.87 acres, more or less.

TO HAVE AND TO HOLD the same for a term of Five(5) years from and after the date hereof (hereinafter referred to as the "primary term"), and so long thereafter as oil and gas, leased substances, or any of them are produced from the leased land, or lands with which the leased land has been pooled or combined, in quantities deemed paying by Lessee; or so long thereafter as Lessee shall, in good faith and with the degree of diligence hereinafter specified, conduct drilling operations (as defined hereinafter in Paragraph 12) on the leased land, or lands pooled or combined therewith, or be excused therefrom as may be provided elsewhere in this lease, and should production result from such operations, this lease shall remain in full force and effect so long as oil and/or gas, leased substances, or any of them shall be produced therefrom.

IN CONSIDERATION OF THE PREMISES, the parties hereby mutually agree as follows:

1) The expression "royalty share" when used herein shall mean the fraction One-sixth(1/6th)

2) Lessee shall pay Lessor as royalty on oil (including other liquid hydrocarbons) the value of the royalty share of all oil produced and sold or removed from the leased land (after making the customary adjustments for temperature, water, bottom sediment, and the actual cost of treating said royalty oil for pipeline or market acceptance), at the available lawful posted market price at the well for oil of like grade, gravity, and quality prevailing for the field nearest where such oil is produced on the date the oil is so removed or sold, or at Lessor's option, in lieu of such payment Lessee shall deliver the royalty share of said oil, free of cost, into Lessor's tanks on the leased land or into the pipeline thereon designated by Lessor. A change from payment in cash to delivery in kind, or vice versa, may not be made more often than once in any calendar year and then only upon 60 days prior written notice to Lessee. If royalty on oil is paid in kind, Lessee shall not be obligated to divide the same among several owners thereof, if more than one, but shall only be required to make one delivery to all. If royalty on oil is payable in cash, Lessee may deduct therefrom a reasonable charge for dehydration, cleaning and treating such oil and a reasonable charge for transportation to the treating plant and/or purchaser. Nothing herein contained shall be construed as obligating Lessee to treat oil. If Lessor shall elect to receive the royalty on oil in kind, it shall be of the same quality as the oil removed from the leased land for Lessee's own account, and if Lessee's own oil shall be treated before such removal, Lessor's oil will be treated therewith before delivery to Lessor, and Lessor, in such event, shall pay a proportionate part of the cost of treatment. No royalty shall be due Lessor for or on account of oil used by Lessee in operations on the leased land or lost through evaporation, leakage, fire or other casualty prior to the removal of the same or prior to delivery to Lessor if royalty shall be delivered in kind.

3) Lessee shall pay Lessor as royalty on natural gas the royalty share of a value which shall be the sum of the following:

a) The net proceeds received by Lessee from the sale of gas produced from wells on the leased land (whether such gas be sold by Lessee in its natural state or as residual dry gas after extracting gasoline and other content therefrom). Gas treated at a gasoline extraction plant not owned or operated by Lessee and for which Lessee receives a royalty from the operator of such plant shall be deemed sold in its natural state for an amount equal to the market value of the royalty received by Lessee. Except as otherwise provided herein, gas used or consumed by Lessee in operations other than on this lease shall be deemed sold for the market value thereof. The value of gas and products extracted therefrom, used or consumed in the operation of a gasoline extraction plant (to the extent that it is so used for processing gas from the leased land), or in operations on the leased land, or in repressuring any oil bearing formation from which a well or wells on the leased land is producing, or lost through shrinkage, leakage, fire, or otherwise, shall not be included. The cost of processing, treating, compressing, handling and transporting gas in connection with the sale thereof shall be deducted in determining net proceeds of sale.

b) The market value at the extraction plant of all gasoline and other liquid hydrocarbons extracted and saved from natural gas from the leased land as a result of processing such gas at a plant owned or operated by Lessee, less the cost of such processing, which cost for the purposes hereof will be deemed to be sixty percent (60%) of said last mentioned market value.

c) The market value at the plant where extracted, of all gasoline and other liquid hydrocarbons received by Lessee as a result of the processing of natural gas from the leased land at a plant not owned or operated by Lessee (if such processing is not on a royalty basis) less the cost to Lessee of such processing.

Nothing herein contained shall obligate Lessee to treat or process natural gas nor shall Lessee be obligated to save, sell or otherwise dispose of natural gas or residual dry gas, as the case may be, unless there shall be a surplus above lease fuel requirements and a market therefore at the well or processing plant at a price and under conditions acceptable to Lessee, or to pay royalty on any gas which is neither sold or used. It is understood that there may be commingled with any gas so processed, gas produced from other properties, in which event royalty on gasoline, liquid hydrocarbon products and residual dry gas payable hereunder shall be computed upon an appropriate fraction of the commingled gas.

4) Lessee shall pay to Lessor as royalty for any substances covered by this Lease, other than oil and gas and the products thereof, which Lessee may elect to produce, save and market from the leased land, the royalty share of the market value thereof, after deducting any processing or treating costs incident to placing such substance in a marketable condition, and any transportation or other costs incurred in marketing same.

5) The term "market value" as used in this lease shall be applied to the particular leased substance or product at its point of production and shall be deemed to be the actual sales price when sold to third parties or the reasonable lawful value of such substance or product when purchased or retained by Lessee.

6) Lessee shall account for and pay to Lessor on or before the last day of each calendar month for all royalties which accrued and/or for which Lessee received the proceeds from the sale thereof during the preceding calendar month, and Lessee shall furnish Lessor monthly statements showing the computation of royalties. Lessor agrees to examine promptly each and all statements and remittances forwarded by Lessee hereunder and to promptly advise Lessee of any objection thereto. Lessee shall not be required to account to Lessor for or pay rent or royalty on oil and gas, leased substances, and/or water produced by Lessee from said land and used by Lessee in its operations hereunder, but Lessee may so use same free of charge. Lessee shall not be required to pay royalty for or on account of any substance produced from said land and used for repressuring or as a secondary recovery method in any formation underlying said land; and if any substances are used by Lessee for such purposes which have not been produced from said land, such substances when produced from said land shall be royalty free and computed on a "last-in, first out" basis. In the event that the amount of any royalty (including advance annual royalty) payable under this lease shall ever result in an individual payment of less than Thirty Dollars ($30.00) becoming due the recipient thereof, then in such event Lessee may, at its option, withhold and accrue sufficient periodic payments until the total due such recipient exceeds Thirty Dollars ($30.00).

7) Lessee has paid to Lessor's rental in full hereunder for the first 12 months of the term hereof. If Lessee has not commenced drilling operations on the leased land or terminated this lease within that time, Lessee commencing with the expiration thereof, shall pay or tender to Lessors annually in advance, as rental the sum of $7.54 per acre for so much of the said land as may then still be held under this lease at the time of payment and shall continue such payments until drilling operations are commenced or this lease terminated.

8) Subject to Lessee's right to defer drilling or mining operations during the primary term hereof by the payment of advance annual rental as provided hereinabove, Lessee agrees to commence drilling or mining operations on said land on or before the expiration of the primary term hereof and thereafter to prosecute the drilling of a well or wells with reasonable diligence until oil or gas, or any leased substance, is found in quantities deemed paying by Lessee, or to a depth to which further drilling operations would in the judgment of Lessee be unprofitable or impracticable, or Lessee may at any time without commencing or continuing any drilling or mining operations quitclaim the leased land to Lessor as hereinafter provided and thereby terminate this lease.

9) After the discovery of oil, gas or any other leased substance in paying quantities as deemed by Lessee upon the leased land, or lands pooled or combined therewith, Lessee shall reasonably develop the acreage retained hereunder, but in discharging this obligation Lessee shall in no event be required to drill more than one well per forty (40) acres of the 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 in paying quantities. Further, in fulfilling said development obligation Lessee shall prosecute drilling or mining operations with due diligence and in good faith to completion, but in no event shall Lessee be required to proceed at a more rapid pace than the commencement of drilling operations on the next succeeding subsequent well within six (6) months from the date of completion or abandonment of the immediately preceding well drilled hereunder. If, prior to discovery of oil, gas or other leased substance on said land or on land pooled or combined therewith, Lessee should drill and abandon a dry hole or holes thereon, or if after discovery of oil, gas or other leased substances, the production thereof should cease from any cause, this lease, if then beyond the primary term, shall not terminate so long as Lessee commences additional drilling operations (as hereinabove defined) or reworking operations within ninety (90) days thereafter; or if the lease be within the primary term Lessee shall commence or resume the payment or tender of rentals on or before the rental paying date next ensuing after the expiration of twelve (12) months from the date of completion and abandonment of said dry hole, or holes, or the cessation of production, but in no event shall the commencement of drilling operations be deferred beyond the expiration of the primary term by the payment of such rentals. If, at the expiration of the primary term or within ninety (90) days prior thereto, oil, gas or other leased substance is not being produced on said land, or land pooled or combined therewith, but Lessee is then or within said period has been engaged in operations for drilling, mining or reworking of any well or mine thereon, this lease shall remain in force so long as such operations or additional operations are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than ninety (90) consecutive days, and, if any such operations result in production, so long thereafter as oil, gas or other leased substance is produced from said land, or land pooled or combined therewith, in quantities deemed paying by Lessee.

10) If at any time while there is a gas well or wells on the leased land (for the purposes hereof the term "gas well" shall include wells capable of producing natural gas, condensate, distillate or any gaseous substance and wells classified as gas wells by any governmental authority) and such well or wells are shut-in, such that the production of gas from or attributable to this lease is suspended, unless royalties attributable to oil or other leased substances produced hereunder continue to be payable, Lessee shall pay to Lessor or the party or parties otherwise entitled thereto, each year as hereinafter provided, an advance annual royalty equal to the amount of annual rentals provided elsewhere in this lease for the acreage then held under this lease by the party making such payment, such payments to continue until royalties are payable hereunder to Lessor for oil, gas or other leased substances sold from or attributable to said land; provided that any and all sums so paid by Lessee to Lessor shall be considered as advance royalties to be repaid to Lessee, from any and all royalties on leased substances which shall thereafter become payable under this lease, and Lessee is authorized to deduct same from any such royalties thereafter payable. Advance annual royalties as herein provided shall become payable only if such shut-in situation as above described continues through the latest of the following dates: (1) ninety (90) days after the date such well or wells are shut-in; (2) ninety (90) days after the effective date for the inclusion of said land or a portion thereof within a unit on which is located a shut-in gas well; or (3) the date through which the commencement of drilling operations hereunder may have been deferred by the payment of advance annual rental as provided hereinabove, and in like manner annually thereafter until the production of oil, gas or other leased substances commences under this lease or until the lease is terminated by Lessee. So long as advance annual royalties are paid or tendered as provided herein it shall be deemed for the purpose of this lease that gas is being produced from said land in paying quantities and, if this lease remains within its primary term, no further advance annual rentals shall be payable.

11) In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land not owned or controlled by Lessor and within 330 feet of the boundary of said land in the case of an oil well, or 1320 feet of the boundary of said land in the case of a gas well, and draining said land, Lessee shall commence drilling such offset well or wells on said land as would a reasonably prudent operator under the same or similar circumstances but in no event shall Lessee be required to exceed the total well requirements or development schedule specified elsewhere in this lease, or to drill more than one well on said land at any given time, or to commence drilling any such offset well on said land until ninety (90) days after the marketing of oil or gas has commenced from any said adjacent and draining well. Any well drilled pursuant to the provisions of this paragraph shall be considered the equivalent in all respects of any other well required to be drilled under the provisions of this lease and no offset well shall be required hereunder if at the time of the completion of a well on adjacent property as aforesaid, a well has been drilled or is then being drilled on said lands which offsets or when completed will offset such competing adjacent well. The judgment of Lessee, when not fraudulently exercised, in carrying out the purposes hereof shall be conclusive.

12) The term "drilling operations" as used herein shall be held to mean any work or actual operations undertaken or commenced in good faith for the purpose of carrying out any of the rights, privileges or duties of the Lessee under this lease, followed diligently and in due course by the installation of necessary equipment for the drilling of a well, and by actual operation or drilling in the ground, and shall likewise include, but not necessarily be limited to operations in connection with drilling, redrilling, deepening, repairing, and reworking.

13) Payment or tender by Lessee to Lessor of annual rentals, advance annual royalties, royalties and any other payments required hereunder may be made by mailing or delivering a check or draft therefor to Lessor at the address indicated hereinabove.

All persons entitled to participate or share in such payments shall, at the request of Lessee, unite in a written designation of one person, bank or corporation as Lessor's agent to receive such payments, to the end that Lessee shall not be required to make any payment otherwise than by one check, which check shall by payable to but one payee, such payee to assume the burden and responsibility of making a proper distribution without expense to Lessee among the persons entitled thereto. When such designation is made, said payments may be made by mailing such check to the payee at the address designated.

A waiver by Lessee of the provisions of this paragraph in the making of any payment shall not be deemed a waiver thereof with respect to subsequent payments. If at any time there be no one person, bank or corporation authorized to receive payments hereunder, the time for making such payment shall be extended until Lessee has been notified of such designation.

14) The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their respective heirs, executors, administrators, successors and assigns, but no change in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No such change or division in the ownership of the land, rentals or royalties shall be binding

upon Lessee for any purpose until such pe[illegible] acquiring any interest has furnished Lessee with [illegible] instrument or instruments, or certified copies thereof, constituting his chain of title from the original Lessor. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder, and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such Lessee or assignee or fail to comply with any other provision or obligation of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which Lessee or any assignee thereof shall make payment of said rentals or otherwise remain in compliance with the provisions and obligations of this lease. The commencement of drilling operations on said land and the prosecution thereof either by Lessee or any assignee hereunder shall inure to the benefit of all leasehold owners, and shall protect and maintain the lease as a whole. Should more than six parties become entitled to rentals or royalties hereunder, Lessee may require the appointment of a single agent to receive payment for all and may withold payment until such appointment has been made.

15) Lessor hereby warrants and agrees to defend the title to said land, and agrees that Lessee, at its option, may discharge any tax, mortage, or other lien upon said land, and in the event Lessee does so, it shall be subrogated to such lien and shall have the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. If Lessor owns a less interest in the leased premises than the entire fee simple estate or the entire interest in the leased substances under the leased land (whether Lessor's interest is herein specified or not), then the rentals and royalties accruing hereunder shall be paid to Lessor in the proportion which his interest bears to the entire fee simple estate or to the entire estate in said leased substances. Lessor hereby leases and lets unto the Lessee the entire interest and estate which Lessor now has or may hereafter acquire in the leased premises and all parts thereof including canals, roads and alleys thereupon or adjoining. Should Lessor hereafter acquire a further or additional interest in the leased premises or in the leased substances produced therefrom, then the rentals and royalties accruing hereunder by reason of such increase in interest shall become effective and payable to Lessor as of the next succeeding rental or royalty payment date after Lessee has been advised of such after acquired title. If any claim is asserted or any action or proceeding instituted by Lessor, or by any third party claiming title to the leased land or any part thereof or any interest therein or in any production therefrom adverse to Lessor or in hostility to rights claimed in good faith by Lessee under this lease, then during the pendency of such controversy and until 90 days after final determination thereof, Lessee may defer or discontinue all operations on the leased land and/or Lessee may withhold all rentals, royalties and other payments accruing hereunder with respect to the contested interest without liability for interest on such funds, pending the final determination of such controversy. All the rights and obligations of the parties hereto are expressly set out or referenced herein and no implied covenants shall be read into or otherwise imputed to this lease.

16) Lessee shall pay all taxes levied upon or assessed against its improvements, fixtures and personal property on the leased land, including Lessee's oil stored thereon. Lessor agrees to pay all taxes and assessments levied against Lessor's interest in said land and against Lessor's improvements thereon, except that Lessee shall pay the increase of taxes on petroleum mineral rights in said land, less the royalty share, when such increase is caused by the discovery of oil or gas thereon, and Lessor agrees to pay the royalty share of such increased assessment. In the event the United States, the state, county, municipality or other governmental authority or agency levies a license, severance, production or other tax on the oil or gas produced hereunder, or on Lessee's right to operate on said land, then and in that event Lessor agrees to pay the royalty share of said tax and Lessee agrees to pay the balance of said tax. Lessee shall not be liable for any special assessment for local improvements or benefits. Provided, however, Lessee shall not be liable for payment of any taxes on Lessor's petroleum mineral rights in said land prior to discovery of oil, gas or leased substances on said land or on land pooled therewith.

17) Lessee shall have the right to drill on the leased land for water or otherwise to use water obtained from the leased land (but not water from Lessor's wells or reservoirs), as well as oil or gas produced from or attributable to the leased land, for all operations hereunder, including but not limited to repressuring, pressure maintenance, cyling, and secondary recovery, and no rent, royalty, fee or other payment shall be required of Lessee therefor. Lessor shall have the right to occupy and use the leased land in any manner and to any extent not inconsistent with Lessee's right or in interference with Lessee's operations hereunder. Lessee shall occupy or otherwise utilize only so much of the surface of the leased land as is reasonable, necessary or convenient in order to conduct operations hereunder or otherwise exercise the rights herein conferred upon Lessee.

18) Lessee shall conduct its drilling and producing activities on said land in accordance with good oil and gas field practice, and shall carry on all operations hereunder in a careful and workmanlike manner. All labor to be performed and material to be furnished in the operations hereunder shall be at the cost and expense of Lessee, and Lessor shall not be chargeable with, nor liable for, any part thereof. During the life of this lease Lessee shall keep said land duly and fully protected against liability for judgments based upon liens for labor or materials arising from, or connected with, its operations. Lessee will at all times hold Lessor harmless from any damage or liability to any third person or persons by reason of the operations conducted by Lessee on said l[illegible] Lessee agrees that no well shall be drilled within two hundred (200) feet of any dwelling house now on the leased premises, without the written co[illegible]nt of Lessor.

19) Lessee shall pay the surface owner or surface tenant for all damages to livestock, growing crops and trees, and existing fences, pipe lines, canals, buildings and other improvements directly caused by its operations under this lease. When required by Lessor in writing, Lessee shall fence pump holes or other openings to safeguard livestock on the leased premises and shall lay all pipe lines which it constructs through cultivated fields below the depth to which said fields are being plowed or cultivated at the time of such construction.

20) The performance of any of the obligations of Lessee hereunder shall, notwithstanding anything contained in this lease to the contrary, be suspended while and so long as Lessee is prevented from complying with such obligations in part or in whole, by strikes, lockouts, acts of God, action of the elements, accidents, laws, rules and regulations of any federal, state, county, municipal, or other governmental agency, zoning or land use ordinances of any governmental agency, acts or requests of any governmental officer or agent purporting to act under authority, delays in transportation, inability to obtain necessary materials in the open market, inadequate facilities for the transportation of materials or for the disposition of production, or other matters beyond the reasonable control of the Lessee whether similar to the matters herein specifically enumerated or not, or while legal action contesting Lessor's title to said land or Lessee's right in said land by virtue hereof shall be pending final adjudication in a court assuming jurisdiction thereof, or when there is no available market for oil produced hereunder at the well. All covenants of this lease shall be subject to all Federal, State and local laws, executive orders, rules or regulations and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation. If from any of the above causes Lessee is prevented from conducting drilling or reworking operations on, or producing oil or gas from, the leased land or land pooled therewith, the time while 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 drilling or reworking operations on, or producing oil or gas from, such leased land or land pooled therewith, notwithstanding any other provision hereof. Time consumed in cleaning, repairing, deepening, or improving any producing well or its necessary appurtenances shall not be deemed or construed as an interruption or discontinuance of Lessee's operations under this lease. Lessee need not perform any requirement hereunder, the performance of which would violate any reasonable conservation and/or curtailment program or plan of orderly development to which Lessee may voluntarily or by order of any governmental agency subscribe or observe.

21) Lessor, at all reasonable times and at Lessor's sole risk, may inspect the leased land and the work done and in progress thereon, and the production therefrom. Lessor may also examine the books and records kept by Lessee in relation to the amount and character of the production from the leased land and the disposition thereof.

22) Lessee shall have the right at any time to remove from the leased land any machinery, rigs, piping, casing and other property and improvements belonging to or furnished by Lessee, including that installed in wells or otherwise affixed to the land; provided that, in the event of the termination of this lease in its entirety, such removal shall be completed within 4 months thereafter and, in the event of the termination of this lease as to a portion of the leased land, all such property not needed by Lessee for its operations on land retained under this lease shall be removed from the land as to which this lease is terminated within 4 months after such partial termination and the remainder shall be removed within 4 months after the termination of the lease in its entirety. Lessee, after termination of this lease, shall fill all sump holes and other excavations made by it on the leased land and in other respects restore the leased land as nearly to its original condition as is reasonably practical, or at Lessee's option it may pay Lessor or the appropriate owner the market value of that portion of the land, if any, which may be damaged and not restored. In no event shall Lessee be obliged to restore anything for which it may theretofore have made payment by way of damages.

23) Lessee, at its option, may at any time quitclaim and surrender all of the leased land, in which event this lease shall be at an end and Lessee shall be relieved of all obligations thereunder save and except the obligation to pay rents and royalties theretofore accrued and any obligation hereby imposed for removal of equipment and restoration of the premises. Lessee, at its option, may at any time, or from time to time, quitclaim and surrender any part of the leased land not desired by it, and in such event the amount of any rental or advance royalty provided for in this lease shall thereafter accrue only on the basis of the land not so quitclaimed. Land so quitclaimed shall remain subject to the easements and rights of way herein provided for so long as operations are being carried on by Lessee on the retained part of the leased land. A quitclaim deed shall be effective when mailed or delivered to Lessor or when filed for record by either party with the County Recorder. Upon the expiration of this lease or its sooner termination, in whole or in part, Lessee shall surrender possession of the leased land as to which this lease may be terminated and shall deliver to Lessor or file for record a good and sufficient quitclaim deed to such premises. Lessor shall have no right to locate, drill or bottom any well for oil or gas upon or under surrendered or forfeited land hereunder within 330 feet of the boundary of any of said land retained by Lessee.

24) Should there be a diversified ownership in the leased land, all of the leased land shall be developed and operated as one lease in which event the several parties herein termed "Lessor" do hereby pool their interests in this lease and agree that during the continuance of this lease each owner of land subject hereto shall share in all benefits accruing hereunder to all owners in the ratio which the acreage owned by each owner bears to the entire acreage hereby leased. Upon surrender by Lessee of less than all of the land described herin the owner or owners of surrendered land shall cease to participate in rentals and royalties payable hereunder and attributable to such surrendered land. Upon the total surrender of the leased premises, the land of each owner shall be free from the effect of this lease

25) Lessee is hereby given the power and right, as to all or any part of land described herein and as to any one or more of the formations thereunder and the minerals therein or produced therefrom, at its option and without Lessor's joinder or further consent, at any time, and from time to time, either before or after production, to pool and unitize the leasehold estate and the Lessor's royalty estate created by this lease with the rights of third parties, if any, in all or any part of the land described herein and with any other land, lands, leases, mineral and royalty rights, or any of them adjacent,

adjoining or located within the immediate vicinity of this lease, whether owned by Lessee or some other person, firm or corporation, so as to create by such pooling and unitization one or more drilling or production units, when to do so would, in the sole judgment of Lessee, promote the conservation of oil, gas or other leased substances. Each such drilling or production unit, when limited to any one or more formations and to any one or more of the minerals therein or produced therefrom, may from time to time be enlarged and extended by Lessee to include additionally any other formation or formations and any other mineral or minerals therein or produced therefrom. Also, any such unit may be altered or enlarged by Lessee at any time so long as the total acreage therein does not exceed the maximum hereinafter specified. Each such drilling or production unit shall not exceed 40 acres, plus an acreage tolerance not to exceed ten percent (10%) of 40 acres, when created for the purpose of drilling for or producing oil therefrom and 640 acres, plus an acreage tolerance not to exceed ten percent (10%) of 640 acres, when created for the purpose of drilling for or producing gas, condensate or any combination of such minerals therefrom, provided, however, if the maximum drilling or production unit fixed or allowed by the regulatory authority, Federal or State, having jurisdiction in the premises, as a basis for the development and operation of or the production from the field in which the above described land is located, be more or less than said maximum, then, in either such event, each such unit created hereunder shall not exceed the maximum so prescribed or permitted and in force in the field at the time such unit is created. As to each such unit so created by Lessee, there shall be allocated to the acreage covered by this lease, and included in the pooled unit, such portion of the production from said unit as the number of acres out of this lease placed in any such unit, as such unit from time to time may be constituted, bears to the total number of acres incuded in such unit, and Lessor agrees to accept and shall receive the royalties (shut-in or other kind) elsewhere specified in this lease, based upon the production so allocated to this lease or the proceeds therefrom. The commencement, drilling, completion of, reworking of or production from a well on any portion of the unit created hereunder shall have the same effect upon the terms of this lease as if a well were commenced, drilled, completed, reworked or producing on the land embraced by this lease. Lessee may place and use on each unit created hereunder common measuring and reworking tanks for production from such unit. If Lessee does create any such unit or units under the rights herein granted, then Lessee shall execute in writing and record in the county or counties in which each such unit or units created hereunder may be located an instrument identifying and describing each such unit or units so created. The development of and production from each such unit shall be in accordance with the valid orders, rules and regulations of the lawful authority, either Federal or State, having jurisdiction in the premises. Any such unit created by Lessee in accordance with the terms hereof may be released and dissolved by Lessee by a release filed for record in the county or counties in which such unit is located at any time after the completion of a dry hole or the cessation of production on such unit. Upon the dissolution of any such unit created hereunder, whether or not this lease or any other lease involved therein remains in effect, all rights of Lessor hereunder to royalty on pooled substances produced from the lands which were so pooled (other than the leased land) shall cease and terminate; but such dissolution shall not otherwise affect or impair any of Lessee's rights or obligations under this lease, including its right to create a new unit or units out of lands previously pooled pursuant to this paragraph, or constitute a surrender of any part of or any interest in the leasehold estate created hereby. The provisions of this paragraph shall be construed as a covenant running with the land and shall inure to the benefit of and be binding upon the parties hereto, their heirs, legal representatives, successors and assigns. In lieu of the taxes provided to be paid by Lessor under the paragraph 16 hereof, Lessor shall bear and pay the royalty share of the proportion of such taxes on any such Pooled Area and the production therefrom equal to the proportion of the production allocated to Lessor's land. A grant, assignment, conveyance or other document evidencing the transfer of the Lessor's interest in lands included in any such Pooled Area or in the mineral, oil or gas rights in such lands shall, unless therein otherwise expressly provided, be deemed to include Lessor's rights hereunder to share in the production allocated from such Pooled Area to the interest so conveyed or transferred.

26) Drilling operations under this lease may be conducted by means of a well or wells, the surface locations of which are on other land and which are drilled into and bottomed in the leased land (any such well being deemed to be drilled on the leased land) or by means of a well or wells the surface locations of which are on the leased land and which are bottomed in the leased land, or by a combination of such wells. Drilling operations under lands pooled or unitized in accordance with paragraphs 25 or 28 may also be conducted by means of well or wells, the surface locations of which are on other lands and which are drilled into and bottomed in the pooled lands (any such well being deemed to be drilled on the pooled lands), or by means of a well or wells the surface locations of which are on the pooled lands and which are bottomed in the pooled lands, or by a combination of such wells.

27) Lessor hereby grants to Lessee or to Lessee's nominee, for Lessee's benefit, permission to conduct geological and geophysical surveys on said land and surveys and explorations on said land by other methods, whether similar to those specified or not, and whether now known or not, including the right to drill core holes for the purpose of determining subsurface geological conditions, provided that Lessee, or Lessee's nominee shall pay the party or parties entitled thereto for any damages to person or property, including damage to water wells located on said land, resulting from the making of such surveys; provided further that claim therefor is made by such party or parties within ninety (90) days from the date such survey or surveys are completed. The drilling of core holes or slim hole drilling for geological information shall not be construed as drilling operations as defined in paragraph 12 hereof.

28) In addition to and distinct from the rights granted Lessee under paragraph 25 hereof, Lessee is hereby given the right to make this lease and Lessor's rights herein and the said lands, or any part thereof, subject to any unit agreement or any plan or agreement which may be subscribed to or entered into by Lessee and approved by any governmental authority, having for its purpose the orderly and efficient development and operation of one or more oil or gas producing zones underlying said lands and other lands within the field or productive area in which the said lands are situated, the prevention of waste and damage to subsurface reservoirs, and the promotion of conservation of the oil and gas deposits underlying said area. The development and operation of the leases and properties included within the productive area designated in said agreement or plan in accordance with the terms and conditions thereof shall constitute full performance of all obligations and conditions imposed upon Lessee by this lease for the development operation of said lands; and provided further, that the royalties herein reserved shall thereafter be calculated on the proportion of the production of oil, gas, hydrocarbons and associated substances produced from all of the leases and properties unitized within said area, allocated under said agreement or plan to said lands, and shall be in lieu of royalties on production from said lands. If there shall be production in paying quantities on any of the leases or tracts covered by said agreement or plan, this lease shall continue in force so long as such production continues. Lessor shall formally express Lessor's consent to any such Unit Agreement or plan adopted by Lessee and approved by any governmental agency by executing the same or a consent thereto upon request of Lessee.

29) Upon failure of Lessee to pay any rental or royalty moneys properly due hereunder for sixty (60) days after receipt of written notice from Lessor of Lessee's default therein, or upon the violation of any of the other substantial terms or conditions of this lease by Lessee and the failure to proceed to remedy the same within ninety (90) days after receipt of written notice from Lessor so to do, then, at the option of Lessor, this lease shall forthwith cease and terminate and all rights of the Lessee in and to the leased premises shall be at an end, saving and excepting as to any and all wells theretofore drilled or being drilled and in respect to which Lessee shall not be in default, together with appurtenances of said wells and 40 acres of land surrounding each such well which has been or is being drilled for oil, and 640 acres of land surrounding each such well which has been or is being drilled for gas or any of the other leased substances, such acreage in each case to be selected and located by Lessee, and saving and excepting easements and rights-of-way over forfeited or surrendered lands necessary or convenient for continuing Lessee's operations on lands retained. Forfeiture shall be the only remedy of Lessor for failure of Lessee to comply with any of its obligations hereunder, except obligations as relate to the payment of money or the delivery of roylaty for which forfeiture will not lie.

30) Any notice to be given by either party to the other hereunder may be delivered in person or by registered or certified mail, postage prepaid, addressed to the party for whom intended as follows: to Lessor at P.O. Box 320, Lodi, CA 95241, ______ and to Lessee at Fidelity Union Tower, Dallas, Texas 75201. Either party may from time to time by written notice to the other, designate a different address which shall be substituted for the one above specified. If any notice from one party to the other is given by registered or certified mail, usual time for transmission of mail shall be computed and at the end of such time service of notice will be considered made.

31) This lease may be executed in any number of counterparts by any person having an interest in the lease land, whether named herein or not, with the same effect as if all Lessors herein were named as Lessor in one document and all had signed the same document. All counterparts shall be construed together and shall constitute one lease. The failure of any person owning an interest in the leased premises, or the failure of any person named as Lessor in this lease or any counterpart, to execute this lease or a counterpart hereof shall not affect the binding force of this lease as to those who have executed or shall execute this lease or a counterpart hereof. All the terms and conditions of this lease, together with any extensions, renewals or modifications hereof, shall be binding upon and inure to the benefit of the heirs, executors, administrators, grantees, successors and assigns of the respective parties hereto.

INITIAL 32) attached hereto and made a part hereof.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be duly executed as of the date first hereinabove written.

Texas Oil & Gas Corp.	CITY OF LODI
By ______	By: Fred M. Reid, Mayor
ATTEST:	Attest:
By ______	By: Alice M. Reimche, City Clerk
Assistant Secretary	
	LESSOR

Approved as to form: [signature] Ron Stein, City Attorney

EXHIBIT "A"

Portions of Sections 23, 24, 25 and 26, Township 3 North, Range 5 East, Mount Diablo Base and Meridian, also being described as Assessor's Parcels 055-120-1, 055-120-7, 055-130-4, 055-130-13, 055-130-14, 055-130-15, 055-150-11, 055-150-12, 055-150-14, 055-150-15, and 055-150-17. The property is also commonly known as the White Slough Control Plant Property.

INITIAL

32) Lessor shall permit drillsites only at such locations on "said lands" as may be mutually agreed upon by Lessor and Lessee.

INITIAL

Producers 88 - TXO Form 386 (7/81)
With Pooling Clause
California Standard Short Form

L-D

Recording Requested by
and When Recorded Mail to:

Texas Oil & Gas Corp.
FIDELITY UNION TOWER
DALLAS, TEXAS 75201

AP # 055-120-1, 7; 055-130-4, 13, 14, 15; 055-150-11, 12, 14, 15, 17

Space above for recorder's use

OIL AND GAS LEASE
(Short Form)

THIS AGREEMENT made this 1st day of September, 1981, between The CITY OF LODI,

Lessor (whether one or more), whose address is P.O. Box 320, Lodi, CA 95241,

and Texas Oil & Gas Corp.,

Lessee, whose address is Fidelity Union Tower, Dallas, Texas 75201

WITNESSETH:

Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the land hereinafter described, for the purposes and with the exclusive right of prospecting, exploring (by geophysical and/or any other means), mining, drilling, operating for and producing, oil and all gas of whatsoever nature or kind, including all liquid or gaseous hydrocarbons, as well as all other commercially valuable substances or minerals associated or produced therewith by means of wells utilizing whatever method or means, whether or not similar in composition to the specifically above mentioned substances (hereinafter referred to as "oil and gas", or "leased substances"). The land hereby leased is situated in San Joaquin County, California, and is described as follows:

See Exhibit "A" attached hereto and made a part hereof.

This lease is for a term of Five (5) years from and after the date hereof, and so long thereafter as oil and gas, leased substances, or any of them are produced from the leased land, or lands pooled or combined therewith, or this lease may be otherwise maintained. This lease is subject to all the terms, provisions, covenants and conditions set forth in that certain Oil and Gas Lease of even date herewith between the parties hereto covering the land hereinabove described, and said Oil and Gas Lease is hereby incorporated herein with the same force and effect as though the terms and provisions thereof were herein set forth at length.

IN WITNESS WHEREOF, said parties have caused this lease to be duly executed as of the date first hereinabove written.

LEESEE:

Texas Oil & Gas Corp.

By:

Attest:
Assistant Secretary

LESSOR: CITY OF LODI

By:
Fred M. Reid, Mayor

Attest:
By:
Alice M. Reimche, City Clerk

Approved as to form: Ron Stein
Ron Stein, City Attorney

STATE OF TEXAS X
X
COUNTY OF DALLAS X

On _____, before me, the undersigned, a Notary Public in and for said State, personally appeared _____.

known to me to be the _____ President of TXO PRODUCTION, a Delaware corporation that executed the within instrument, known to me to be the person who executed the within instrument on behalf of TXO PRODUCTION, and acknowledged to me that said corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

Signature _____

STATE _____ X
X
COUNTY OF _____ X

On _____, before me, the undersigned, Notary Public in and for said State, personally appeared _____.

known to me to be the _____ President, and _____,

known to me to be the _____ Secretary of the corporation that executed the within instrument, known to me to be the persons who executed the within instrument on behalf of the corporation therein named and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

Signature _____

STATE OF _____ X
X
COUNTY OF _____ X

On _____, before me, the undersigned, a Notary Public in and for said State, personally appeared _____

_____

_____,

known to me to be the person _____ whose name _____ subscribed to the within instrument and acknowledged that _____ executed the same.

WITNESS my hand and official seal.

Signature _____

STATE OF CALIFORNIA)
COUNTY OF _____)

On _____, 198___, before me, the undersigned, a Notary Public in and for said State, personally appeared _____, personally known to me to be the person whose name is subscribed to the within Instrument as a witness thereto, who being by me duly sworn, deposed and says:

That _____ resides in _____ and that _____

_____ was present and saw _____, personally known to _____

_____ to be the same person thereto, execute and deliver the same, executed the same; and that affiant subscribed _____ name thereto as a Witness.

WITNESS my hand and official seal.

_____
Notary Public in and for said State

EXHIBIT "A"

Portions of Sections 23, 24, 25 and 26, Township 3 North, Range 5 East, Mount Diablo Base and Meridian, also being described as Assessor's Parcels 055-120-1, 055-120-7, 055-130-4, 055-130-13, 055-130-14, 055-130-15, 055-150-11, 055-150-12, 055-150-14, 055-150-15, and 055-150-17. The property is also commonly known as the White Slough Control Plant Property.

INITIAL

CITY COUNCIL

FRED M. REID, Mayor
ROBERT C. MURPHY, Mayor Pro Tempore
EVELYN M. OLSON
JAMES W. PINKERTON, Jr.
JOHN R. (Randy) SNIDER

CITY OF LODI

CITY HALL, 221 WEST PINE STREET
POST OFFICE BOX 320
LODI, CALIFORNIA 95241
(209) 334-5634

HENRY A. GLAVES, Jr.
City Manager

ALICE M. REIMCHE
City Clerk

RONALD M. STEIN
City Attorney

July 26, 1982

Mr. Patrick A. Rogers
Land Respresentative
TXO Production Corp.
100 Howe Avenue, Suite 200 North
Sacramento, California 95825

Re: Oil and Gas Lease Covering 760.87 Acres

Dear Pat:

Pursuant to your July 9, 1982 letter and previous telephone conversations we brought to the Council at the July 21, 1982 meeting the retyped oil and gas leases for the subject acreage. Council authorized Mayor Fred Reid and myself to execute these documents on behalf of the City.

Enclosed please find executed copies of both the short form and the long form. A Notary's acknowledgement is attached on the short form leases.

Pat, we certainly appreciate your patience in this matter and we have been assured by the County Recorder that he will record the docuements this time. If you have any questions or problems, please do not hesitate to call.

Very truly yours,

Alice M. Reimche
City Clerk

AMR/lf

Enc.

CC-27a
27b
CC-6

CITY COUNCIL MEETING

JULY 21, 1982

Council was apprised that on September 1, 1981, Council adopted Resolution No. 81-123 accepting the bid received from Texas Oil and Gas Corp. of $15,000.00 - cash bonus including the first years rent as set forth in Exhibit "A" of the specifications. The appropriate lease agreement was prepared and executed and forwarded to the San Joaquin County Recorder for recordation.

The Recorder has contended that the document was not of reproducable quality and new Agreements had to be drawn up.

MAYOR AND CITY CLERK AUTHORIZED TO EXECUTE GAS AND OIL LEASE AGREEMENT

Council authorized the Mayor and City Clerk to execute Gas and Oil Lease Agreement with Texas Oil and Gas Corporation covering 760.87 acres as approved on September 1, 1981 with Council's adoption of Resolution No. 81-123.

File
CC-27(a)

NOTICE OF PUBLIC HEARING BY THE CITY COUNCIL OF THE CITY OF LODI TO CONSIDER THE APPEAL OF TERRY PIAZZA OF BAUMBACH AND PIAZZA, CIVIL ENGINEERS, 323 WEST ELM STREET, LODI OF CONDITIONS 1 and 3 OF RESOLUTION NO. 82-74 OF THE LODI CITY COUNCIL APPROVING THE LOT LINE ADJUSTMENT BETWEEN 320 and 450 NORTH CHEROKEE LANE, LODI (i.e., ASSESSORS PARCEL NOS. 041-300-05 and 041-300-02).

NOTICE IS HEREBY GIVEN that on Wednesday, September 1,1982, at the hour of 8:00 p.m. or as soon thereafter as the matter may be heard, the Lodi City Council will conduct a public hearing in the Council Chambers, City Hall, 221 West Pine Street, Lodi, California, to consider the appeal of Terry Piazza of Baumbach and Piazza, Civil Engineers, 323 West Elm Street, Lodi of Conditions 1 and 3 of Resolution 82-74 of the Lodi City Council approving the Lot Line Adjustment between 320 and 450 North Cherokee Lane, Lodi (i.e., Assessors Parcel Nos. 041-300-05 and 041-300-02)

Resolution No. 82-74 reads in full as follows:

RESOLUTION APPROVING THE LOT LINE ADJUSTMENT BETWEEN 320 AND 450 NORTH CHEROKEE LANE, LODI, (i.e., ASSESSOR PARCEL NOS. 041-300-05 AND 041-300-02)

RESOLVED, by the City Council of the City of Lodi that pursuant to Government Code Section 66412, the lot line adjustment between 320 North Cherokee Lane, Lodi (Assessor Parcel No. 041-300-05) and 450 North Cherokee Lane, Lodi, (Assessor Parcel No. 041-300-02) as shown on Exhibit "A" attached hereto and thereby made a part hereof is hereby approved with the following conditions:

1. That street improvements be installed along the 25 feet of Cherokee Lane which is being transferred by this Lot Line Adjustment;

2. That public utility easements as required by the various utility companies and the City of Lodi be dedicated; and

3. That 2 feet of public street right-of-way be dedicated along the Lockeford Street frontage of Parcel "A".

Dated: July 21, 1982

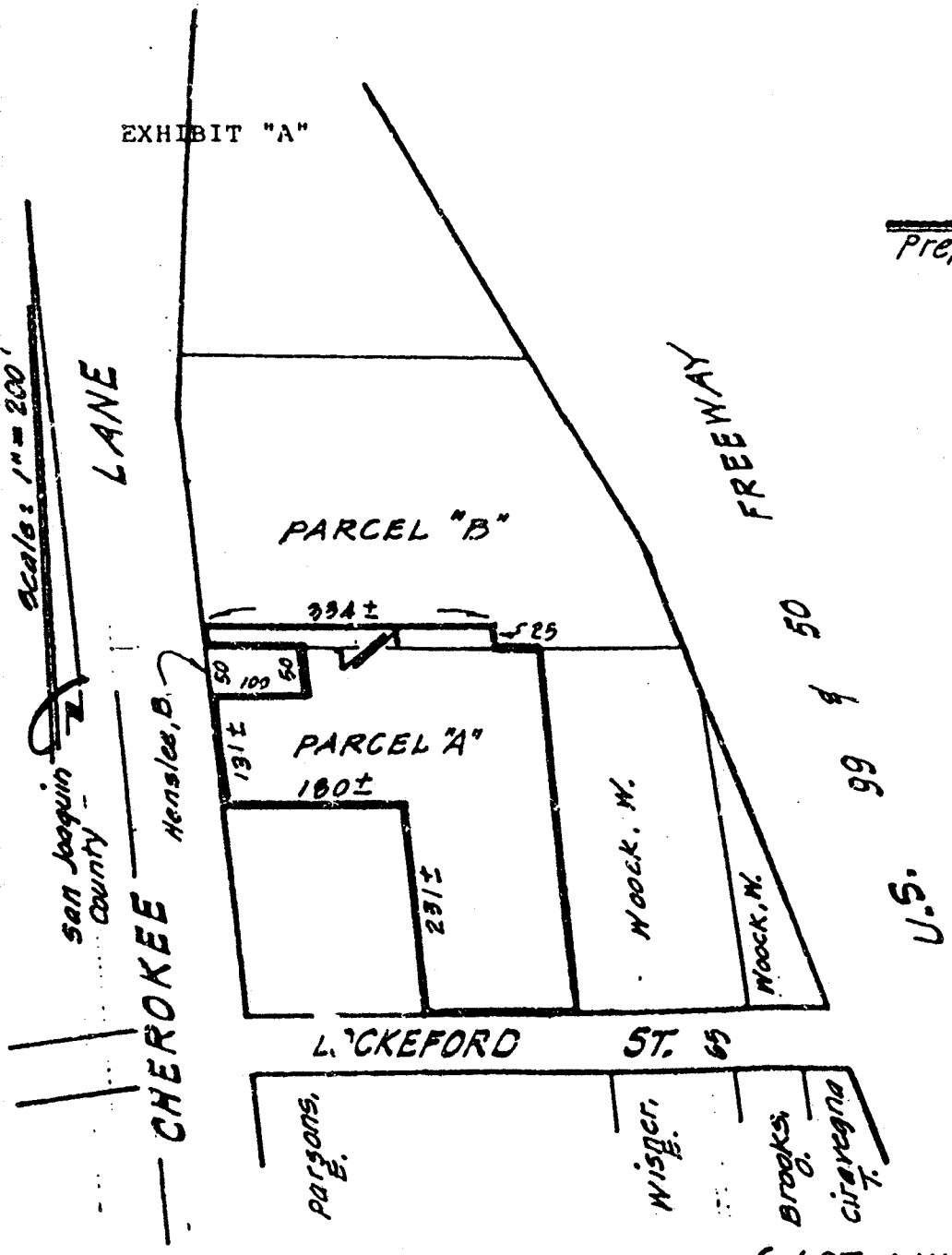
Information regarding this item may be obtained in the office of the Community Development Director at 221 West Pine Street, Lodi, California. All interested persons are invited to present their views either for or against the above matter. Written statements may be filed with the City Clerk at any time prior to the hearing scheduled herein and oral statements may be made at said hearing.

Dated: August 4, 1982

By Order of the City Council

Alice M. Reimche
ALICE M. REIMCHE
City Clerk

EXHIBIT "A"



Prepared For:
Jim Baum
1420 Edgewood Dr.
Lodi

(LOT LINE ADJUSTMENT)

TENTATIVE PARCEL MAP

A portion of Lot 46 of the "LAWRENCE HOMESTEAD ADDITION" and a portion of the northwest quarter of Section 6, T3NR7E, MDB&M, City of Lodi, San Joaquin County, California

July 1982

Scale: 1" = 200'

RECEIVED
JUL 8 - 1982
COMMUNITY DEVELOPMENT DEPARTMENT

Prepared By:
Baumbach & Piazza
323 W. Elm St.
Lodi, Calif.