


MEMORANDUM

DATE: July 19, 2024

TO: Mayor Lankford & City Council

VIA: Mercy Rushing, City Manager

FROM: Cindy Karch, City Secretary 

SUBJECT: Approval of Oil and Gas Lease for Radio Tower Site
Council Meeting Agenda Item for July 22, 2024

Background

The City of Mineola recently purchased a property from SuddenLink and has since constructed a new communications tower on the site. The mineral rights for this property were also included in the purchase. We have now been presented with an offer for an oil and gas lease for this property.

Details of the Lease:

- **Property:** 1.563 acres situated in the Wm. Page Survey, A 452, Wood County, Texas.
- **Lease Term:** Primary term of 3 years, with an option to extend for an additional 2 years.
- **Royalty:** One-sixth (1/6) of production.
- **Bonus Consideration:** \$75.00 per net mineral acre.
- **Extension Option:** \$50.00 per net mineral acre for the additional 2-year extension.

Review and Recommendation:

An independent Texas Landman has reviewed the lease agreement and confirmed that it is a standard lease. They have recommended its approval. Although the property is small and may not generate significant revenue, entering into this agreement is considered beneficial for the city.

Directional Drilling:

Importantly, the lease specifies that there will be no surface structures or drilling operations directly on the property. All drilling will be conducted using directional drilling techniques from adjacent properties. This method ensures that the surface of our property remains unaffected while still allowing us to benefit from the mineral rights.

Revenue Allocation:

Currently, there is a lease on the tower to Mineola ISD for \$2,000 per year. Since the tower was constructed with a grant, all revenues generated from leasing activities are allocated to a special fund for maintenance and repairs to the tower. Given that this fund is already established and considering the likely small revenue from the mineral rights, I propose that any proceeds from the

mineral rights lease be deposited to the Radio Tower Maintenance Fund. These funds should be earmarked specifically for the upkeep of the tower, ensuring its continued operation and longevity.

Recommendation:

In light of the review and recommendation of independent parties, it is in the best interest of the City of Mineola to approve and execute the oil and gas lease with Millennium PetroCapital Corporation. This agreement will ensure that the city is positioned to benefit from any potential oil and gas production on the property.

Action Required:

The City Council is requested to:

1. Approve the oil and gas lease agreement.
2. Authorize the Mayor to sign the necessary documents to execute the lease.

Attachments:

- Copy of the Oil and Gas Lease
- Memorandum of Oil and Gas Lease
- Correspondence from Kelly LaGrone, Petroleum Landman

June 26, 2024

City of Mineola,
Attn: Cindy Karch, City Secretary
PO Box 179
Mineola, TX 75773

RE: Oil and Gas Lease covering-

Being 1.563 acres of land, more or less, situated in the Wm. Page Sy, A 452, Wood County, Texas, and being the same land described in that certain Special Warranty Deed dated September 22, 2023 from Cebridge Acquisition, L. P. to City of Mineola, and recorded as Instrument #2023-00009213 in the Deed Records of Wood County, Texas.

Dear Ms. Karch,

As indicated above, our records show that you own **1.563** net mineral acres in the above-described property. Enclosed please find an Oil and Gas Lease covering your interest, along with copies for your records. The terms of the lease are a **3-year** primary term, a **One-Sixth (1/6)** royalty and bonus consideration paid at **\$75.00** per net mineral acre, with a **2-year** option to extend primary term at **\$50.00** per net mineral acre. This offer is contingent upon approval and acceptance of title, contracts and documents pertaining to your property.

In the presence of a notary, please execute the Oil and Gas Lease document. Sign the document as typed and fill out the W-9 form. Please do not make any changes to the document, instead, please contact me if you have any questions or comments using the contact information below.

For proper execution, please process and return the documents to the address listed below, as follows:

- Signed, notarized Paid-Up Oil and Gas Lease;
- Signed, notarized Memorandum of Oil and Gas Lease; and
- Completed W-9.

If you have any questions, or need any additional information, please feel free to phone me at 903-841-1036.

Respectfully,

Kelly LaGrone
Petroleum Landman
211 N. Loop 1604 E., Ste. 220, San Antonio, TX 78232
903-841-1036
kellylagrone@yahoo.com



211 North Loop 1604 East, Suite 220
San Antonio, Texas 78232



210.960.1000



MillenniumPetroCapital.com

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

MEMORANDUM OF OIL AND GAS LEASE

STATE OF TEXAS §
 COUNTY OF WOOD §

KNOW ALL MEN BY THE PRESENTS:

Be it remembered that made effective as of the 22nd day of July 2024, an Oil, Gas and Mineral Lease (the "Lease") was made and entered into between City of Mineola, a municipal corporation, by Jayne Lankford, Mayor, hereinafter referred to as "LESSOR", whose address is PO Box 179, Mineola, Texas 75773, and MILLENNIUM PETROCAPITAL CORPORATION., hereinafter referred to as "LESSEE", whose address is 211 N Loop 1604 E #220, San Antonio, TX 78232. Under the terms of the Lease, Lessor granted, leased and let exclusively unto Lessee for the purpose of exploring, drilling, operating for, producing and owning oil, gas and their respective constituent products, together with the right to make surveys, lay pipelines, build tanks and roads and other structures thereon necessary or useful in Lessee's operations in exploring, drilling for, producing, treating, storing and transporting said products from the land leased thereunder, those certain lands of the Lessors situated in **Wood County, Texas, comprising 1.563 acres**, more or less, described as follows:

Being 1.563 acres of land, more or less, situated in the Wm. Page Sy, A 452, Wood County, Texas, and being the same land described in that certain Special Warranty Deed dated September 22, 2023 from Cebridge Acquisition, L.P. to City of Mineola, and recorded as Instrument #2023-00009213 in the Deed Records of Wood County, Texas.

Unless sooner terminated or longer kept in force under other provisions thereof, the Lease shall remain in effect for a term of (3) THREE years from the date thereof (therein called "primary term"), with an option to extend the term for an additional TWO (2) years, and as long thereafter as operations, as therein defined, are conducted upon said land.

Executed copies of the Lease are in the possession of Lessors and Lessee at the offices of Lessors and Lessee at their addresses listed first above.

This instrument may be executed either as one instrument or in several partially executed counterparts and the original and all counterparts shall be construed together and shall constitute one instrument. Should less than all of the named Lessors execute this instrument, this instrument shall be binding on those who are signatories. For recordation and all other purposes, the separate signature pages and acknowledgments may be affixed to the body of an original instrument without necessity of recording the entirety of each separate counterpart.

IN WITNESS WHEREOF, the parties hereto have executed and made this instrument effective as of the 22nd day of July 2024, to evidence of record in the Official Records of the County Clerk of **Wood** County, Texas, the existence of the Lease and for all other purposes.

LESSOR:

 City of Mineola, a municipal corporation, by
 Jayne Lankford, Mayor

ACKNOWLEDGMENT

STATE OF TEXAS §
 §
 COUNTY OF _____ §

This instrument was acknowledged before me on this ____ day of _____, 2024, by City of Mineola, a municipal corporation, by Jayne Lankford, Mayor.

 Notary Public, State of Texas

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

PAID UP OIL AND GAS LEASE

THIS LEASE is made and entered into to be effective on the 22nd day of July 2024, deemed the Effective Date, between City of Mineola, a municipal corporation, by Jayne Lankford, Mayor, whose address is PO Box 179, Mineola, TX 75773, hereinafter referred to as "LESSOR" and Millennium PetroCapital Corporation, hereinafter referred to as "LESSEE", whose address is 211 N Loop 1604 E #220, San Antonio, TX 78232.

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

Being 1.563 acres of land, more or less, situated in the Wm. Page Sy, A 452, Wood County, Texas, and being the same land described in that certain Special Warranty Deed dated September 22, 2023 from Cebridge Acquisition, L. P. to City of Mineola, and recorded as Instrument #2023-00009213 in the Deed Records of Wood County, Texas.

in the county of **Wood**, State of Texas, **containing 1.563 gross acres**, more or less, (including any interests therein which Lessor may hereafter acquire by reversion, prescriptions or otherwise), for the purpose exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith. The term "gas" as used herein included helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. All other minerals are reserved to the Lessor herein. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of **THREE (3)** years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be **(1/6th)** of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be **(1/6th)** of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in **DIRECT TO LESSOR AT ABOVE ADDRESS** or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the U.S. Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

5. If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. (A) Lessee, at its option, is hereby given the right and power to pool or combine the leased premises, or any portion thereof, as to oil and gas, or either of them, with any other land covered by this lease, or with any other contiguous land, lease or leases to the extent stipulated herein.

(i) Units pooled for oil hereunder may include any amount of acreage up to, but not exceeding:

(a) 80 acres for each oil well that is not a Horizontal Drainhole Well as defined by Railroad Commission of Texas Statewide Rule 86(4) (a "Horizontal Drainhole Well"); or

(b) if the oil well is a Horizontal Drainhole Well, 640 acres plus a maximum acreage tolerance of 10%.

(ii) Units pooled for gas hereunder may include any amount of acreage up to, but not exceeding:

(a) 640 acres, plus a maximum acreage tolerance of 10%, around each gas well that is not a Horizontal Drainhole Well; or

(b) If the gas well is a Horizontal Drainhole Well, the greater of (x) 640 acres plus a maximum acreage tolerance of 10%, or (y) 40 acres plus an additional amount of acreage equal to 40 acres for each 330 feet of horizontal displacement of the well bore between the first and last Take Points.

(iii) In any case, an area larger (but not smaller) than those described in (i) or (ii) above, (x) if permitted by the Texas Railroad Commission in accordance with its rules; or (y) in order to conform to the well spacing or density pattern of the Railroad Commission of Texas under the Statewide or Special Field Rules applicable to the reservoir or field interval in question. The terms "oil well" and "gas well" mean the well classification given to the applicable well by the Railroad Commission.

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 units into which the lease is pooled in any other stratum or strata and oil units need not conform to gas units. The pooling in one or more instances shall not exhaust the rights of the lessee to pool this lease or portions thereof into other units, and pooling for a vertical well does not preclude separate pooling for Horizontal Drainhole Wells. A unit formed containing more than one stratum may be modified at any time to exclude one or more strata, so long as there is no production of unitized substances from such excluded stratum or strata at the time of such modification.

- (B) Lessee shall file for record in the appropriate records of the county in which the leased premises are located an instrument describing and designating the pooled unit and upon such recordation the unit will 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.
- (C) Lessee may at its discretion exercise its pooling option before or after commencing operations 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. A pooled unit established hereunder shall be effective for all purposes even though there may be mineral, royalty or leasehold interests in the lands included in the unit which are not effectively pooled or unitized.
- (D) If any pooled unit formed hereunder contains less than the maximum number of acres specified above, Lessee may, at any time, whether before or after production is obtained, enlarge the pooled unit by adding additional acreage, but the enlarged unit shall in no event exceed the applicable size set forth above. If an existing unit is enlarged or otherwise amended, the amendment will be effective on the first day of the first month following its recordation in the applicable county, unless the amendment states a different effective date.
- (E) For purposes of maintaining this lease in force and effect, operations or production anywhere on a pooled unit or units including any part of the leased premises shall be considered to be operations or production on 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. 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 surface acres included in the pooled unit.
- (F) By filing of record in the applicable county a declaration of termination, Lessee may terminate any pooled unit created hereunder at any time, so long as at such time there is no production in paying quantities from such pooled unit.
- (G) If this lease now or hereafter covers separate tracts, no pooling of royalty interest as between any separate tracts is intended or shall be implied merely from the inclusion of such separate tracts within this lease but Lessee shall nevertheless have the right to pool as provided herein with consequent allocation of production as provided above. The term "separate tract" means any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that of any other part of the leased premises. Pooling hereunder shall not constitute a cross-conveyance of interests.
- (H) In addition to the creation of pooled units as provided for in this provision, Lessee may, at its option, drill Cross Unit Wells.
- (I) For the purpose of computing the royalty to which owners of royalties and payments out of production are entitled on production of oil or gas from a Cross Unit Well, there shall be allocated to each pooled unit containing Take Points in a Cross Unit Well a pro rata portion of the production from the Cross Unit Well, which pro rata portion is equal to the total production from the Cross Unit Well multiplied by a fraction, the numerator of which is the Productive Drainhole Length in the applicable pooled unit and the denominator of which is the total Productive Drainhole Length in the Cross Unit Well. The portion of the production from a Cross Unit Well allocated to a pooled unit containing this lease shall be further allocated to the owners of royalties and payments out of production under this lease as provided for in paragraph F hereof. Operations on or production from a Cross Unit Well shall be deemed to be operations on or production on this lease.
- (J) Certain Defined Terms:
 - (i) "Cross Unit Well" means a Horizontal Drainhole Well with Take Points in: (x) two or more pooled units, or (y) a pooled unit and one or more leases not included in such pooled unit.
 - (i) "Take Point" means any point along a horizontal wellbore where oil or gas can be produced in the wellbore from the reservoir or field interval in question.
 - (i) "Productive Drainhole Length" means the horizontal length of the wellbore path that begins at the first Take Point and runs along the actually surveyed path of the wellbore to the last Take Point. This length will be determined by an "as drilled" survey performed after the cross-unit well is drilled and completed.

7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or cancelled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default.

and Lessee fails to do so.

13 Lessor hereby warrants and agrees to defend title to said land against the claims of all persons whomsoever. Lessor's rights and interests hereunder shall be charged primarily with any mortgages, taxes or other liens, or interest and other charges on said land, but Lessor agrees that Lessee shall have the right at any time to pay or reduce same for Lessor, either before or after maturity, and be subrogated to the rights of the holder thereof and to deduct amounts so paid from royalties or other payments payable or which may become payable to Lessor and/or assigns under this lease. If this lease covers a less interest in the oil, gas, sulphur, or other minerals in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not), or no interest therein, then the royalties and other moneys accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by Lessor) shall be paid out of the royalty herein provided. This lease shall be binding upon each party who executes it without regard to whether it is executed by all those named herein as Lessor

14. Should the right or interest of Lessee hereunder be disputed by Lessor, or any other person, the time covered by the pendency of such dispute shall not be counted against Lessee either as affecting the term of the lease or for any other purpose, and Lessee may suspend all payments without interest until there is a final adjudication or other determination of such dispute.

15. Lessee is specifically authorized to utilize and traverse the sub-surface of the leased premises for all purposes incidental to the exploration for oil and gas by means of directionally drilling a well or wells to be bottomed beneath other lands not owned by Lessor, including the right to directionally drill, complete, operate and produce such well or wells, to conduct any operations which may be necessary, useful or desirable in exploring for or producing minerals therefrom, to plug or abandon such well or wells and to remove casing and other equipment therefrom, which rights, if commenced during the term of this lease, shall continue until one hundred eighty (180) days after cessation of the use or exercise thereof.

16. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease and/or minerals covering any or all of the rights and interests covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease or with mineral offer effective at any time, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease and/ or minerals or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

FOR ADDITIONAL PROVISIONS TO THIS LEASE, PLEASE SEE EXHIBIT "A" ATTACHED TO AND MADE A PART OF FOR ALL PURPOSES.

LESSOR(S):

City of Mineola, a municipal corporation, by
Jayne Lankford, Mayor

ACKNOWLEDGMENT

STATE OF TEXAS §

§

COUNTY OF §

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This instrument was acknowledged before me on the _____ day of _____ 2024, by
City of Mineola, a municipal corporation, by Jayne Lankford, Mayor.

Notary Public, State of Texas

EXHIBIT "A" ADDENDUM

Attached to and made a part of that certain Oil and Gas Lease dated July 22, 2024, by and between City of Mineola, a municipal corporation, by Jayne Lankford, Mayor, as Lessor, and Millennium PetroCapital Corporation, as Lessee.

1. *This Exhibit "A" Takes Precedence.* NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, the following provisions shall apply as an exhibit to the foregoing Oil, Gas and Mineral Lease, and shall be in force and effect as a part of said Lease. In the event of a conflict between the provisions contained in this Exhibit "A" and the provisions as stated on the printed lease form, the provisions in this Exhibit "A" shall prevail.

2. *Liquids and Gas Only.* Notwithstanding any provision in this Lease to the contrary, it is hereby agreed between Lessor and Lessee that this Lease covers only oil, gas, and associated hydrocarbons, as well as sulphur, all in liquid, gaseous or vaporous forms or state, which can or may be produced through the bore of a well. No other minerals or substances including iron ore, coal, lignite, bentonite and gravel or any other hard minerals shall be covered hereby.

3. *Additional Property.* This lease also covers (a) any and all accretions to the above described lease premises; (b) any and all small or nominal strips or parcels of land contiguous or adjacent to the above described lease premises, and which are owned or claimed by lessor by limitation, prescription, possession, reversion or unrecorded instrument, or as to which Lessor has preferential right of acquisition; and (c) any and all lakes, rivers, streams, roads, easements and right of ways now or hereafter owned or claimed by Lessor which traverse or adjoin any of the above described lease premises. It is not the intent of the foregoing provision to affect a lease of any large tracts of land, which are capable of being separately described, but which are not specifically described as part of the leased premises.

4. *Further Acts.* Lessor and Lessee acknowledge that for the consideration paid herein, they agree to execute, if applicable, any instruments to clarify the full mineral interest leased, property description and/or acreage content of the lands leased herein. It is further agreed and understood, if applicable, that the Lessors and their predecessors, ancestors, and/or heirs in title, agree to execute respective agreements necessary to acknowledge, ratify, quitclaim, subordinate and/or clarify the full mineral ownership of the lands leased herein pursuant to the numerous conveyances transferring interest in and to the acreage leased herein.

5. *Counterparts.* This instrument may be signed in any number of counterparts, each of which shall be binding on the party or parties so signing regardless of whether all of the owners join in the granting of this agreement and the failure of any party named herein as Lessor to sign this agreement shall not affect its validity as to those whose signatures appear hereon or on a counterpart hereof. For convenience in recording, the Lessor hereby authorizes the Lessee to detach the signature pages and the acknowledgment pages from any counterpart of this Lease, attach them to a single counterpart and record them together as a single instrument.

6. *Pugh Clause.* Notwithstanding anything to the contrary herein contained, when a pooled unit or units are created, either by governmental authority or by voluntary action of the parties, or by Lessee pursuant to the terms of this Lease, which include all or a portion of the Leased Premises, drilling operations, payment of shut-in gas royalty or production from the pool, sand, or formation for which such unit or units were created, all as defined by said governmental authority, or by said voluntary unitization agreement, or by said pooling declaration, shall maintain this Lease in force after the expiration of the primary term, but only as to that portion of the Leased Premises included in said unit or units, regardless of whether said drilling operations or production are on or from the Leased Premises. As to any portion or portions of the Leased Premises not included in the geographic boundaries of the pooled unit or units, this Lease shall terminate at the end of the primary term (as defined herein).

7. *Shut In Royalty Limitation.* Notwithstanding any provision in this Oil, Gas and Mineral Lease to the contrary, Lessee cannot hold this lease under the shut-in royalty provision for more than Five (5) years in the aggregate beyond the primary term of this lease or any extension.

8. *Lease Memorandum.* Lessor and Lessee agree that, at Lessee's option, Lessee may decide not to record this Lease in the public records, but may decide to record a Notice of Lease. In the event that the Lease is recorded, this Exhibit A shall be recorded with it, and together this Lease and this Exhibit A shall be considered to be one document.

9. *Operations.* Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling, testing, completion, reworking, re-completing, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil, gas, sulphur or other minerals, excavating a mine, production of oil, gas, sulphur or other mineral, in paying quantities.

10. *Extension Option:* Lessee is hereby given the option to extend the primary term of this lease for an additional **two (2) years** from the expiration of the original primary term hereof. This option may be exercised by Lessee at any time during the original primary term by paying the sum of **Fifty Dollars, (\$50.00)** per net mineral acre to Lessor or to the credit of Lessor mailed to Lessor at the above address (which address is Lessor's agent and shall continue as the depository regardless of changes in ownership of said land). This payment shall be based upon the number of net mineral acres then covered by this lease and not at such time being maintained by other provisions hereof. This payment may be made by check of Lessee mailed or delivered to Lessor or to said bank at any time during the original primary term hereof. If such bank (or any successor bank) should fail, liquidate or be succeeded by another bank, or for any reason fail or refuse to accept payment, Lessee shall not be held in default for failure to make such payment until thirty (30) days after Lessor's delivery to Lessee of a proper recordable instrument naming another bank as agent to receive such payment. If, at the time this payment is made, various parties are entitled to specific amounts according to Lessee's records, this payment may be divided between said parties and paid in the same proportion. Should this option be exercised as herein provided, it shall be considered for all purposes as though this lease originally provided for a primary term of **five (5) years**.

11. *No Surface Use:* Notwithstanding anything herein contained to the contrary, it is understood and agreed that Lessee, its successors or assigns, shall not enter upon nor use the leased premises for conducting any surface or drilling operations hereunder. Any production from the leased premises shall be by way of pooling and/or unitization as provided herein, or by directional drilling from a surface location on other lands and bottomed under the leased premises.

SIGNED FOR IDENTIFICATION:

City of Mineola, a municipal corporation, by
Jayne Lankford, Mayor