



- e. “Productive Drainhole Length” is the length of a Horizontal Drainhole that begins at the regulatory setback of the Field Interval OR the First Take Point, whichever is closer to the lease line nearest to the surface location, and runs along the actual as-drilled surveyed wellbore path to the Last Take Point.
- f. “Sharing Well” is a Horizontal Well whose Productive Drainhole Length is located on and traverses through the Subject Lands, which will be completed within 12 months of the effective date of this agreement.
- g. “Productive Acreage” shall mean a Horizontal Well, whether classified as an oil or gas well under the Rules and Regulations of the Railroad Commission then in effect, shall earn and retain the amount of acreage calculated using the following formula:  $0.032 \times L = A$ , where L = the length (in feet) of the Productive Drainhole Length, and A = the area in acres assigned to the Sharing Well, provided that, if A is not evenly divisible by the number 20, A will be rounded up to the next number divisible by 20.

Interest Owners shall share in the Sharing Well, from the date of first production, on the basis of such Interest Owner's ownership in the Subject Lands multiplied by an “Allocation Factor”; such Allocation Factor being defined as a fraction, the numerator of which is equal to the length of that portion of the Productive Drainhole Length lying within the Subject Lands, under which the Interest Owner owns, and the denominator being the total Productive Drainhole Length.

With the exception of the allocation of the proceeds from a Sharing Well in accordance with the allocation set out above, operations on or production from a Sharing Well shall be treated as if they were actual operations on or production from the Leases (and thus shall be subject to all provisions contained in the Leases, including but not limited to provisions concerning the use of the surface of the lands covered by the Leases). Interest Owners consent to a Sharing Well traversing the Lease's boundaries, notwithstanding the spacing requirements of the Railroad Commission of Texas. Except as set forth in this Agreement, all other provisions of the Leases shall remain in full force and effect as originally written.

Not later than twenty-five (25) days after the end of the first month of production of oil and/or gas from a Sharing Well, Lessee shall provide to University Lands, an “as-drilled” survey of the Sharing Well, such survey to identify the well's Productive Drainhole Length, the first and last Take Points, and the location of the lease boundary lines as it relates to the Productive Drainhole Length. In the event that after completion of a Sharing Well, the actual Productive Drainhole Length changes as a result of Lessee's operations including but not limited to plug back, recompletion or otherwise, Lessee shall, not later than twenty (20) days after such change, deliver to University Lands, an updated as-drilled survey (according to the same specifications set out above).

Production Acreage will be assigned to the Sharing Well upon the completion of the as-drilled survey based on the Productive Acreage formula defined in Section 1.g. herein. Lessee will present to University Lands, for University Lands' approval, a proposed designation of Production

Acreage for the Sharing Well, which must be delivered in writing (electronic mail is acceptable) to University Lands along with a preliminary diagram of the proposed Production Acreage. Lessee will ensure that the acreage designated as Production Acreage will be in form of a square or rectangle around the Productive Drainhole Length of the Sharing Well. Upon receipt of University Lands' approval of the configuration of the Productive Acreage, Lessee will record in the appropriate county of record, a survey document that will include the survey of the Productive Acreage, the name of the Sharing Well, and the as-drilled location of the Sharing well. Lessee will provide a copy of the recorded document within forty-five (45) days of receipt of Lessor's approval. In the event that the actual Productive Drainhole Length changes as described in Section 3 herein, Lessee shall submit an amended Production Acreage designation and shall amend the recorded survey document upon University Lands' approval of the amended Production Acreage.

After completion of the Sharing Well, if such well shall be plugged back or recompleted in such a manner that production from the Productive Drainhole Length is no longer produced from all of the Subject lands, then such well shall only be considered a Sharing Well as to the Subject Lands of the Productive Drainhole Length that traverses the Subject Lands. In the event the Sharing Well is plugged back or recompleted in such manner that the well no longer traverses more than one Lease within the Subject Lands, such well shall no longer be considered a Sharing Well for purposes of this Agreement.

Operations on or production from each Sharing Well shall be treated as actual operations on or production from the Subject Lands, provided, however, that production shall be allocated to the Subject Lands in accordance with Paragraph 2 herein. Except as set forth in this Agreement, all other provisions of the lease described in Exhibit "A" and part of the Subject Lands shall remain in full force and effect as originally written.

Lessee shall have the right to make reasonable use of the surface of the Subject Lands for the purpose of exploring, drilling, producing, transporting and marketing oil and gas from the Sharing Well, subject to University Lands' Rate and Damage Schedule and Field Manual of Required Operating Procedure.

Each Interest Owner agrees that this Agreement affects only production from the Subject Well and in no way affects ownership under any other wells drilled or to be drilled on the Subject Lands.

Except as may be set forth in this Agreement, Interest Owner's execution of this instrument shall not relieve Lessee, or its assigns, of compliance with the covenants and duties implied under the law in connection with the Leases included within the Subject Lands, including but not limited to the express obligations contained in any leases and amendments thereto, the covenant of reasonable development, and the covenant to protect the Leases from drainage. Interest Owner's execution of this instrument shall NOT be deemed a waiver of any right to claim that the Lessee, or their assigns, have failed to comply with any of such covenants or duties.

This Agreement shall commence upon the effective date of \_\_\_\_\_, and shall remain effective for so long as the Leases, to the extent that they cover lands included in the Sharing Well, remain in force and effect. If the Sharing Well is not completed within 12 months of the effective date, this agreement shall terminate in its entirety.

LESSEE AGREES AND PROMISES TO FULLY AND COMPLETELY INDEMNIFY AND HOLD LESSOR, HIS/HER/THEIR HEIRS, SUCCESSORS AND ASSIGNS HARMLESS FROM ANY AND ALL ACTIONS, CLAIMS, SUITS, DEMANDS, DAMAGES, COSTS, EXPENSES, AND ANY LIABILITIES RESULTING FROM INTEREST OWNER'S EXECUTION OF THIS AGREEMENT.

This instrument shall not constitute nor be construed as a conveyance or cross-conveyance of any interest by Interest Owner to the owners of any acreage/interest entitled to participate in production from a Sharing Well.

The intent of this Agreement is to govern the allocation of production from the Sharing Well as it pertains to the Leases described on Exhibit "A" and the royalties owed thereunder. For the avoidance of doubt, Paragraph 2 of the Agreement governs how a Sharing Well's production proceeds are allocated, and how production from a Sharing Well is allocated to the Subject Lands. This Agreement does not and is not intended to address or govern the allocation of costs associated with the drilling, completing, or any other operation of the Sharing Well and in no way is intended to amend any agreements that govern the allocation of costs as between the parties to this Agreement.

This Agreement reflects the final agreement of the parties and supersedes any prior discussions, memoranda or other agreements (whether oral, written or other) concerning the subject hereof. No modifications or amendments of this Agreement will be binding or enforceable unless made in writing and signed by all of the parties.

This instrument may be executed in multiple counterparts, each of which shall be given the same effect as the execution of an original instrument. Failure of any party hereto to execute a counterpart shall not render this instrument ineffective as to any other party hereto who does execute a counterpart thereof, but shall be binding upon each executing party and its, his or her heirs, legal representatives, successors and assigns. The executed counterparts may be combined into one or more instruments for recordation, by combining the signature pages and acknowledgments, and the executing parties agree that such instruments shall be treated and given effect for all purposes as a single instrument.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the date evidenced by their respective certificate of acknowledgment hereof.

**COMPANY, LESSEE**

THE STATE OF TEXAS       §  
  §  
COUNTY OF \_\_\_\_\_ §

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
  
Date: \_\_\_\_\_

This instrument was acknowledged before me on this the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by, \_\_\_\_\_ as \_\_\_\_\_ of **COMPANY**, a \_\_\_\_\_ Corporation, on behalf of said company.

\_\_\_\_\_  
Notary Public

**COMPANY, OPERATOR**

THE STATE OF TEXAS       §  
  §  
COUNTY OF \_\_\_\_\_ §

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
  
Date: \_\_\_\_\_

This instrument was acknowledged before me on this the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by, \_\_\_\_\_ as \_\_\_\_\_ of **COMPANY**, a \_\_\_\_\_ Corporation, on behalf of said company.

\_\_\_\_\_  
Notary Public

**STATE OF TEXAS**

**BOARD FOR LEASE OF UNIVERSITY LANDS**

By: \_\_\_\_\_  
George P. Bush –  
Commissioner of the General Land Office

By: \_\_\_\_\_  
George P. Bush – Chairman,  
Board for Lease of University Lands

Date: \_\_\_\_\_

Date: \_\_\_\_\_



**Exhibit "B"**  
**Proposed Plat for Subject Well**