

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 THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

RATIFICATION of OIL, GAS and MINERAL LEASE

THE STATE OF TEXAS
COUNTY OF HIDALGO

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§
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KNOW ALL MEN BY THESE PRESENTS THAT:

WHEREAS, by Oil, Gas and Mineral Lease, dated May 16, 2005 being filed for record as Document No. 1533394 of the Official Records of Hidalgo County, Texas, **JOHN R. FREELAND AND WIFE, JAYNE FREELAND** did lease to **SUEMAUR EXPLORATION & PRODUCTION, LLC**, those certain lands described in the above described Oil, Gas and Mineral Lease, (hereinafter referred to as the "Lands"), in Hidalgo County, Texas, reference to the Lease and the recording thereof being made for all purposes; and

WHEREAS, by Oil, Gas and Mineral Lease, dated March 24, 2007, being filed for record as Document No. _____ of the Official Records of Hidalgo County, Texas **SHRINERS HOSPITALS FOR CHILDREN**, did lease to **SUEMAUR EXPLORATION & PRODUCTION, LLC**. those certain lands described in the above described Oil, Gas and Mineral Lease, (hereinafter referred to as the "Lands"), in Hidalgo County, Texas, reference to the Lease and the recording thereof being made for all purposes; and

WHEREAS, **HIDALGO COUNTY, TRUSTEE** whose address is 100 North Closner, Edinberg, Texas 78539, does own a Non Participating Royalty Interest out of a portion of the Lands covered by the above described Oil, Gas and Mineral Leases and does hereby wish to adopt, ratify and confirm the above referenced Oil, Gas and Mineral Leases along with any amendments thereto.

NOW, THEREFORE, for and in consideration of the premises, the sum of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, **HIDALGO COUNTY, TRUSTEE**, does hereby **ADOPT, RATIFY** and **CONFIRM** the Leases, as amended, and all of its terms, and does hereby **LEASE, LET** and **DEMISE** said Lands unto **SUEMAUR EXPLORATION & PRODUCTION, LLC**, subject to and in accordance with all of the terms and provisions of the Leases, as amended, and **HIDALGO COUNTY, TRUSTEE**, do hereby **AGREE** and **DECLARE** that all of the terms and provisions of the above described Oil, Gas and Mineral Leases, as amended, are binding on them, their respective executors, administrators, heirs, successors and assigns and that the above referenced leases are valid and subsisting Oil, Gas and Mineral Leases.

IN WITNESS WHEREOF, this instrument is effective as of the effective date of each of the above described leases, and is executed on the date set out in the acknowledgment attached hereto.

HIDALGO COUNTY, TRUSTEE

By: _____
(printed name)

Title: _____



70 2005 01533394

Hidalgo County
J. D. Salinas III
County Clerk
Edinburg, TX 78540

Instrument Number: 2005-1533394

Recorded On: October 18, 2005
As Recording

Parties:

To

Billable Pages: 7

Number of Pages: 8

Comment: MINERAL LEASE

** Examined and Charged as Follows: **

Recording	40.00
Total Recording:	40.00

***** THIS PAGE IS PART OF THE INSTRUMENT *****
Any provision herein which restricts the Sale, Rental or use of the described REAL PROPERTY because of color or race is invalid and unenforceable under federal law.

File Information:

Document Number: 2005-1533394

Receipt Number: 714024

Recorded Date/Time: October 18, 2005 01:28P

Book-Vol/Pg: BK-SC VL-3 PG-91092

User / Station: M Cantu - Cash Station

Record and Return To:
MOFFIT & ASSOCIATES, INC.
P.O. BOX 2786
CORPUS CHRISTI TX 78403

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OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this

16th

day of

May

→ 2005

, between

JOHN R. FREELAND and wife, JAYNE FREELAND

Lessor (whether one or more), whose address is: c/o 806 West Pecan, McAllen, Texas 78501,
 and **Suemaur Exploration & Production LLC**, whose address is: 1000 Frost Bank Plaza,
 802 N. Carancahua, Corpus Christi, Texas 78471

Lessee, WITNESSETH:

1. Lessor, in consideration of Ten and No/100 Dollars and other good and valuable consideration, receipt of which is hereby acknowledged, and of the covenants and agreements of Lessee hereinafter contained, does hereby grant, lease and let unto Lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil, gas, sulphur and other minerals produced in association with oil or gas, together with the right to make surveys on said land, lay pipe lines, establish and utilize facilities for subsurface disposal of salt water produced from the leased premises, construct roads and bridges, build tanks, telephone lines, and other structures on said land necessary or useful in Lessee's operations in exploring, drilling for, producing, treating, storing and transporting minerals produced from the land covered hereby. The land covered hereby, herein called the "leased premises", is located in the County of HIDALGO, State of Texas, and is described as follows:

Three hundred thirty-two and 57/100 (332.57) gross acres of land, more or less, out of the A. J. McColl Subdivision in Hidalgo County, Texas, according to the map recorded in Volume 021, Page 598 of the Hidalgo County Deed Records, and out of the Kelly-Pharr Subdivision, being out of Porciones 69 and 70 of Hidalgo County, Texas, according to the map recorded in Volume 003, Page 133-134 of the Hidalgo County Deed Records, reference made hereto for all purposes herein, which 332.57 gross acres are more particularly described in three tracts as follows, to-wit:

Tract One: 132.57 gross acres of land, more or less, being all of Lot Nos. 2, 7 and 8 of Block 12 of the A. J. McColl Subdivision, according to map or plat thereof and being more particularly described in that certain Mineral Deed dated December 9, 1950, recorded in Volume 112 at Page 154 of the Oil and Gas Records of Hidalgo County, Texas, between C. J. Griffin, as Grantor, and John R. Freeland, as Grantee, reference made hereto for all purposes herein;

Tract Two: 120.00 gross acres of land, more or less, being all of Lot Nos. 327, 329 and 330 of the Kelly-Pharr Subdivision out of Porciones 69 and 70 of Hidalgo County, Texas, according to the map or plat thereof of record in the Deed Records of Hidalgo County, Texas, said 120.00 gross acres being also described in that certain Mineral Deed dated November 22, 1961, recorded in Volume 266 at Page 537 of the Oil and Gas record of Hidalgo County, Texas, between W. G. Perkin, as Grantor, and John R. Freeland, as Grantee, reference made hereto for all purposes herein;

Tract Three: 80.00 gross acres of land, more or less, being all of Lot No. 343, the West 32.0 acres of Lot 346 and the East 8.0 acres of Lot 346 of the Kelly-Pharr Subdivision out of Porciones 69 and 70 of Hidalgo County, Texas, according to the map or plat thereof of record in the Deed Records of Hidalgo County, Texas, said 120.00 gross acres being also described in that certain Mineral Deed dated July 11, 1961, recorded in Volume 264 at Page 139 of the Oil and Gas record of Hidalgo County, Texas, between C. J. Griffin, as Grantor, and John R. Freeland, as Grantee, reference made hereto for all purposes herein.

For the purpose of determining the amount of any bonus or other payment hereunder, the leased premises shall be deemed to contain **332.57 gross** acres, whether actually containing more or less, and the above recital of acreage in any tract shall be deemed to be the true acreage thereof.

2. Except as expressly provided below, and unless sooner terminated under other provisions hereof, this lease shall remain in force for a term of **three (3)** years from the date hereof, hereinafter called "primary term", and as long thereafter as operations, as defined in paragraph 4, are conducted upon the leased premises with no cessation for more than **ninety (90)** consecutive days. This is a "paid-up" lease, and no delay rental payments are necessary to maintain this Lease in effect during the primary term.

3. (a) As royalty, Lessee covenants and agrees: (i) To deliver to the credit of Lessor, in the pipeline to which Lessee may connect its wells, the equal **one-fourth (1/4th)** part of all oil, condensate and liquid hydrocarbons produced and saved by Lessee from the leased premises, or from time to time, at the option of Lessor, Lessee shall sell Lessor's share of such oil with Lessee's share and shall pay Lessor one-fourth (1/4th) of the total proceeds received by Lessee from the sale of all oil, condensate and liquid hydrocarbons produced and saved from the leased premises; (ii) to pay Lessor on gas and casinghead gas produced from the leased premises (1) when sold by Lessee in an arms-length sale to an unaffiliated third party, **one-fourth (1/4th)** of the total proceeds received by Lessee or affiliate of Lessee, the market value, at the point of sale, of **one-fourth (1/4th)** of such gas and casinghead gas; and (iii) to pay Lessor on all other minerals mined and marketed or utilized by Lessee from the leased premises, **one-fourth (1/4th)** of the total proceeds received by Lessee (if sold) or market value thereof, at the point of sale or use. "Market value" as used herein with respect to gas shall mean the amount realized under any bona fide contract or contracts for the sale of gas produced hereunder, made or entered into by Lessee, with interests of itself and its royalty owners in mind, with some third person or entity (in which Lessee has no interest, direct or indirect or through a subsidiary) provided that such contract(s) at the time made provides a price for such gas at least as high as the highest price reasonably obtainable under new gas contracts made at or near the time that the contract for sale of gas produced hereunder is made, in the field where the leased premises are located, for the sale of gas of substantially the same quantity and quality (including legal quality), delivered under comparable conditions. If gas is sold at the wells (whether or not it may be redelivered at some point downstream) under a bona fide contract meeting

the test for market value herein provided, Lessee shall not be required to account for royalties on any basis other than the amount realized under such contract.

(b) Lessee shall place oil and gas produced from the leased premises in marketable condition and shall market same as agent for Lessor, for the mutual benefit of Lessee and Lessor, at no cost to Lessor. Lessor's royalty shall bear Lessor's proportionate part of any costs of transporting oil, gas or liquid hydrocarbon products beyond the boundary of the leased premises. Lessor's royalty shall not be charged directly or indirectly with any of the following: expenses of production, gathering, dehydration, compression, manufacturing, processing by Lessee on the leased premises, treating or marketing of gas, oil, or any liquefiable hydrocarbons extracted therefrom. If gas produced from the leased premises is processed for the recovery of liquefiable hydrocarbon products prior to sale, and if such processing plant is not owned by Lessee or any subsidiary or affiliate of Lessee, Lessor's royalty shall be calculated based upon the total proceeds received by Lessee received by Lessee (or any subsidiary or affiliate of Lessee) from Lessee's sale of such liquefiable hydrocarbons and residue gas, or the market value thereof, at the point of sale, whichever is applicable.

(c) All royalties that may become payable hereunder shall commence to be paid on any well completed on the leased premises within ninety (90) days after the first day of the month following the month during which said well is completed and commences production. Thereafter, all royalties on oil shall be paid to Lessor on or before the last day of the second month following the month of production. Royalties not paid when due shall bear interest at two percent (2.0%) above the prime rate quoted in the Wall Street Journal as the base rate on corporate loans at large U. S. Money Center Commercial Banks, commencing at the rate as quoted on the date such payment was due, and fluctuating thereafter as such rate fluctuates. Interest charges shall commence on the date payment is due and shall continue until payment is made in full. In no event shall the interest rate charged be greater than the maximum allowed by law.

(d) If royalty is not paid by the date due, Lessor may give Lessee written notice of nonpayment of royalty, and if Lessor's royalty is not paid on or before expiration of thirty (30) days from Lessee's receipt of such notice, Lessor may terminate this Lease. However, if there is a bona fide dispute or a good faith question of royalty entitlement (either as to ownership or as to amount), based on an attorney's written opinion furnished to Lessor prior to the expiration of such thirty (30) days, Lessee may pay the disputed portion of Lessor's royalty to a trustee to be selected by both parties, to be retained by such trustee and invested in interest-bearing accounts pending resolution of the entitlement issue, with the interest to belong to the successful party. If the parties do not or cannot agree on a trustee, Lessee may tender the royalty into a court of competent jurisdiction by Bill of Interpleader, to be so held and invested by the clerk under the direction of the court. If the royalty is so paid to such trustee or to the court within the time provided, then Lessor shall not have the right to terminate this Lease for non-payment of royalty.

(e) It shall not be necessary for Lessor to execute any division or transfer order in order to be entitled to payment of royalties due under this Lease other than that which is prescribed under the provisions of the Texas Natural Resources Code. If Lessor agrees to accept payment of royalties from a purchaser of oil or gas produced from the leased premises, or from another party designated to distribute royalties other than Lessee, Lessor's acceptance of such payments shall not relieve Lessee of its obligation to pay royalty hereunder except to the extent of payments actually received by Lessor from such third party, and if such third party fails to pay any sums due as royalty under this Lease, Lessee shall remain fully liable therefor, whether or not Lessee has received payment for production from such purchaser or third party.

(f) Lessor hereby retains a security interest in (i) all of the oil and gas produced and saved from the leased premises or lands pooled therewith, under and pursuant to this Lease, and (ii) all proceeds of sale of such oil and gas and all accounts arising therefrom (the "Collateral"), to secure Lessee's payment of royalties and compliance with the other terms and provisions of this Lease. In addition to any other remedies provided in this Lease, Lessor, as a secured party, may in event of Lessee's default in any obligation of Lessee under this Lease proceed under the Texas Uniform Commercial Code (the "Code") as to the Collateral, in any manner permitted by the Code. In the event of default by Lessee, Lessor shall have the right to take possession of the Collateral, and to receive the proceeds attributable thereto and to hold same as security for Lessee's obligations or to apply it on the amounts owing to Lessor hereunder. The Collateral includes minerals to be financed at the wellhead of the wells and accounts from the sale thereof.

(g) If, by reasons of assignments or undivided interests in Lessee's interest in this Lease, more than one party becomes entitled to a portion of Lessee's share of gas produced from any well on the leased premises, and if any or all of such co-owners elect to take their share of gas in kind, resulting in split-stream deliveries of gas to different purchasers, Lessor shall be entitled at Lessor's election, to require the operator of the leased premises to pay and account to Lessor for all royalties due on gas production from the well or wells from which split-stream deliveries are being made, so that Lessor shall not be required to receive royalties from more than one (1) purchaser or party on the same gas stream. If Lessor exercises such election, the operator of the leased premises (or of that portion of the leased premises upon which the split-stream production is located) shall pay to Lessor all royalties due on such gas production and shall provide production statements from all purchasers of such gas showing the amounts sold and the price paid therefor, with any applicable adjustments. Such election, if made, shall not relieve any party otherwise liable for payment of royalties from such liability, and all parties owning an undivided interest in all or any portion of the leased premises shall be and remain jointly and severally liable for the payment of all royalties due on production therefrom.

4. The term "operations" as used in this Lease shall mean only (i) the production of oil, gas or other hydrocarbons in paying quantities and (ii) the actual drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil or gas, conducted in good faith and with due diligence and drilling operations will not be considered as being conducted unless a rig capable of drilling to the prospective depth is actually in place and rotating under power.

5. If there shall be a well on the leased premises capable of producing gas or gas and condensate in paying quantities, but from which neither gas nor condensate is sold or used off the leased premises for lack of a satisfactory

market (which well is herein sometimes called a "shut-in" gas well), Lessee may pay or tender to Lessor, or to the depository bank herein provided, as shut-in gas well royalty, a yearly sum equal to **Twenty-five and no/100 Dollars (\$25.00)** multiplied by the number of acres subject to this Lease at the time such payment is made. The first such payment of shut-in gas well royalty is to be made on or before **ninety (90)** days after the day on which (i) such well is shut in or (ii) this Lease ceases to be in force by any other provision hereof, whichever is later. Succeeding payments may be made annually thereafter on or before the anniversary of the due date of such payment, and if such shut-in gas well royalty shall be paid or tendered as above provided, it shall be considered for purposes of this Lease that such well is producing gas in paying quantities for a period of one (1) year from the due date of such payment, and for like annual periods thereafter; provided, however, that the payment of shut-in gas well royalty shall not prevent the termination of this Lease as to portions of acreage covered hereby, in accordance with the provisions of paragraph 6 hereof. Notwithstanding the making of such shut-in gas well royalty payments, Lessee shall be and remain under the continuing obligation to (i) use all reasonable efforts to find a market for said gas and to commence or resume marketing same when a market is available, (ii) reasonably develop the lands then subject to this lease and (iii) drill all such wells on the lands then subject to this lease as may be reasonably necessary to protect same from drainage by wells on adjoining or adjacent lands. All payments or tenders provided for in this paragraph shall be made to Lessor personally or to the depository bank provided for elsewhere in this Lease.

6. (a) The production of oil, gas or other minerals under the terms of this Lease will maintain this lease beyond its primary term only as to that portion of the leased premises actually included within a pooled oil or pooled gas unit or units created and designated around wells then producing in paying quantities. Notwithstanding any density rules applicable to any well, however, no pooled oil or pooled gas unit assigned to any well shall exceed the following sizes:

(1) If the well is classified as an oil well under the Rules and Regulations of the Railroad Commission of Texas then in effect, the maximum size of the pooled oil unit shall be **forty (40)** acres.

(2) If the well is classified as a gas well under the Rules and Regulations of the Railroad Commission of Texas then in effect, the maximum size of the pooled gas unit shall be **three hundred twenty (320)** acres if the well is producing from formations less than **eight thousand (8,000)** feet beneath the surface, and **six hundred forty (640)** acres if the well is producing from formations below **eight thousand (8,000)** feet beneath the surface.

(b) Insofar as possible, taking into consideration the productive limits of the producing interval and the configuration of the leased premises, the lands included within the pooled oil or pooled gas unit for a well shall be in the form of a square or rectangle. Every effort shall be made in designating pooled oil or pooled gas units to avoid releasing small or irregularly shaped portions of the leased premises, or portions not contiguous with other released portions. Acreage assigned to wells producing from different zones may overlap, and shall overlap when necessary to comply with the requirements of this section. If a well is producing from more than one formation, its pooled gas unit's size and configuration shall conform to the Railroad Commission rules applicable to the well which provide the largest pooled gas unit (subject to the size limitations stated above). If all or a portion of the leased premises is included in a pooled unit with other lands, then for purposes of this paragraph all the lands within the pooled unit shall be considered a part of the leased premises, and the size and configuration of the pooled unit must conform to the requirements of this paragraph for a pooled oil or pooled gas unit.

(c) As to any acreage which is not included within any pooled unit at the expiration of the primary term, Lessee may maintain this Lease as to such excluded acreage beyond the primary term only by conducting drilling operations thereon with no cessation of more than **ninety (90)** consecutive days; and at such time as such operations cease, Lessee shall designate any additional pooled gas units resulting from such operations, and this Lease shall automatically terminate and be of no further force or effect as to any acreage not within such designated units.

(d) In addition, at the end of the primary term, or (if at the end of the primary term Lessee is conducting drilling operations on the leased premises) upon cessation of such operations for more than **ninety (90)** consecutive days, whichever is later, this Lease shall terminate as to all depths and horizons under each pooled gas unit below one hundred feet (100') below the deepest depth drilled in the well on such pooled gas unit.

(e) As to acreage which is included within a pooled gas unit, this Lease may be held in force after the termination of the primary term only by production from, or operations conducted (as provided in this Lease) on, such unit; and production from, or operations conducted on, one unit will not maintain this Lease in force as to any other acreage included within any other unit, but such production or operations will maintain this Lease only as to the acreage within the unit or units upon which such production or operations are being maintained or conducted.

(f) Upon termination of this Lease as to any portion of the leased premises, Lessee shall deliver to Lessor a plat showing the designated pooled gas units around each well and a partial release complying with the requirements of this paragraph, suitable for recording.

7. Lessee shall have the right at any time and from time to time during the term of this Lease to release from the lands covered hereby any lands subject to this Lease and thereby be relieved of all obligations thereafter accruing as to the acreage so released, provided that Lessee may not release any portion of this Lease included in a pooled unit as long as operations are being conducted on such unit.

8. (a) Subject to any limitations provided below, Lessee is hereby granted the right, at its option, to pool or unitize any land covered by this lease with any other land covered by this lease, and/or with any other land, lease, or leases, as to any or all minerals or horizons, so as to establish pooled units.

(b) Lessee shall exercise said option as to each desired pooled unit by executing an instrument identifying such pooled unit and filing it for record in the public office in which this lease is recorded, and furnishing a copy to Lessor. Each of said options may be exercised by Lessee at any time and from time to time while this

lease is in force, and whether before or after production has been established either on the leased premises, or on the portion of the leased premises included in the pooled unit, or on other land unitized therewith. A pooled unit established hereunder shall be valid and effective for all purposes of this lease even though there may be mineral, royalty, or leasehold interests in lands within the pooled unit which are not effectively pooled or unitized. Any operations conducted on any part of such unitized land shall be considered, for all purposes, except the payment of royalty, operations conducted upon that portion of the leased premises included in the pooled unit.

(c) There shall be allocated to the land covered by this lease within each such pooled unit (or to each separate tract within the pooled unit if this lease covers separate tracts within the pooled unit) that proportion of the total production of unitized minerals from the pooled unit which the number of surface acres in such land (or in each such separate tract) covered by this lease within the pooled unit bears to the total number of surface acres in the pooled unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty under this lease, to be the entire production of unitized minerals from the land to which allocated in the same manner as though produced therefrom under the terms of this lease. The formation of any pooled unit hereunder which includes land not covered by this lease shall not have the effect of exchanging or transferring any interest under this lease (including, without limitation, any shut-in royalty which may become payable under this lease) between parties owning interests in land covered by this lease and parties owning interests in land not covered by this lease. Neither shall it impair the right of Lessee to release as provided in Paragraph 7 hereof, except that Lessee may not so release as to lands within a pooled unit while there are operations thereon for unitized minerals. At any time while this lease is in force Lessee may dissolve any pooled unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals.

(d) If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but Lessee shall nevertheless have the right to pool or unitize as provided in this Paragraph 8 with consequent allocation of production as herein provided. As used in this Paragraph 8, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

(e) Pooled units created hereunder shall not exceed the lesser of the following sizes: (1) not more than **forty (40)** surface acres, plus 10% acreage tolerance, for any well classified as an oil well by the Railroad Commission of Texas; (2) not more than **six hundred forty (640)** surface acres plus 10% tolerance, for any well classified as a gas well by the Railroad Commission of Texas; or, (3) if the Railroad Commission of Texas has established special field rules for the field from which the unit well is or is to be located, the minimum amount of acreage necessary to obtain a regular permit for the drilling of the well, as required by the field rules of the Railroad Commission of Texas applicable to the field from which such well is producing.

(f) Lessee shall have no right to pool the leased premises with other lands for the production of oil or gas unless either (i) all of the leased premises are included within the pooled unit thereby created, or (ii) it is not possible to form a proration unit which would be entitled to the maximum allowable under the rules of the Railroad Commission of Texas from "excess" acreage within the leased premises (acreage which is not already assigned to a proration unit for a well or wells located on the leased premises), and in the latter event, all of the excess acreage within the leased premises must be included in the pooled unit so created.

(g) If there are royalty interests in oil and gas in the leased premises now owned by parties other than Lessor, Lessor makes no warranty or representation that this Lease grants Lessee the power or authority to pool such royalty interests, but in the event of pooling hereunder Lessor's royalty on production from the pooled unit shall be calculated and paid as if Lessee has the power, and had exercised the power, to pool such royalty interests, whether or not Lessee in fact has such authority.

(h) In the event a portion or portions of the land herein leases is pooled or unitized with other land so as to form a pooled unit or units, operations on, completion of a well upon, or production from such pooled unit will not maintain this Lease in force as to the land not included in such pooled unit or units. This lease may be maintained in force as to any land covered hereby and not included in such pooled unit or units in any manner provided for herein.

9. The rights and estate of any party hereto may be assigned from time to time in whole or in part and as to any mineral or horizon. All of the covenants, obligations, and considerations of this lease shall extend to and be binding upon the parties hereto, their heirs, successors, assigns, and successive assigns. No assignment by Lessee (or any assignee of Lessee) of all or any portion of or interest in this lease shall relieve Lessee (or any assignee of Lessee) of any liability for breach of any covenant, warranty or other obligation of Lessee hereunder, whether theretofore or thereafter accrued. Each assignee of all or any portion of the rights of Lessee hereunder agrees to be bound by the provisions of this lease to the same extent as if such assignee were an original party to this lease. Lessee shall within thirty (30) days of the assignment of this lease or any part thereof notify Lessor of such assignment and furnish Lessor a true copy of any assignment. All notices to Lessee hereunder may be given to the Lessee named herein, notwithstanding the assignment of part or all of this Lease. No change or division in the ownership of the leased premises, royalties, or other moneys, or any part thereof, howsoever effected, shall increase the obligations or diminish the rights of Lessee, including, but not limited to, the location and drilling of wells and the measurement of production. Notwithstanding any other actual or constructive knowledge or notice thereof to Lessee, its successors or assigns, no change or division in the ownership of the leased premises or of the royalties, or other moneys, or the right to receive the same, howsoever effected, shall be binding upon the then record owner of this lease until thirty (30) days after there has been furnished to such record owner at his or its principal place of business by Lessor or Lessor's heirs, successors, or assigns, notice of such change or division, supported by either originals or copies of the instruments which have been properly filed for record and which evidence such change or division, and of such court records and proceedings, transcripts, or other documents as shall be necessary in the opinion of such record owner to establish the validity of such change or division. If any such change in ownership occurs by reason of the death of the owner, Lessee may nevertheless pay or tender such royalties, or other moneys, or part thereof, to the credit of the decedent in a depository bank provided for above.

10. This lease is made without warranty of title, express, implied or statutory. Lessor's rights and interests hereunder shall be charged primarily with any mortgages, taxes or other liens, or interest and other charges on the leased premises, 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 or gas in all or any part of the leased premises 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. Except as provided in paragraph 8, all royalty interest covered by this lease (whether or not owned by lessor) shall be paid out of the royalty herein provided.

11. Should Lessee be prevented from complying with any express or implied covenant of this lease (except payment of money), from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises. However, no event or cause stated in the preceding sentence shall be effective to extend the primary term of this lease more than ninety (90) days beyond the date which is three(3) years from the date of this Lease.

12. LESSEE SHALL INDEMNIFY AND HOLD HARMLESS LESSOR, LESSOR'S HEIRS, REPRESENTATIVES, SUCCESSORS, AND ASSIGNS, AGAINST ANY AND ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE OR INJURY TO OR DEATH OF PERSONS AND/OR LOSS OR DAMAGE TO PROPERTY INCLUDING, WITHOUT LIMITATION, ATTORNEY'S FEES, EXPERT FEES, AND COURT COSTS CAUSED BY LESSEE'S OPERATIONS ON THE LEASED PREMISES OR LESSEE'S MARKETING OF PRODUCTION AND PRODUCTS THEREFROM OR ANY VIOLATION OF ANY ENVIRONMENTAL REQUIREMENTS BY LESSEE, WHETHER OR NOT SUCH CLAIM RESULTS FROM OR IS CAUSED BY THE NEGLIGENCE OF LESSEE OR LESSOR, AND WHETHER OR NOT LESSEE'S OR LESSOR'S LIABILITY RESULTS FROM APPLICATION OF ANY THEORY OF STRICT LIABILITY, EITHER STATUTORY OR BY COMMON LAW. IT IS UNDERSTOOD, HOWEVER, THAT THE INDEMNITY PROVIDED FOR IN THIS SUBSECTION SHALL HAVE NO APPLICATION TO ANY CLAIM, LOSS, DAMAGE, CAUSE OF ACTION, SUIT, AND LIABILITY WHERE THE INJURY, DEATH, OR DAMAGE RESULTS FROM THE SOLE AND GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF LESSOR. THE TERMS "LESSEE" AND "LESSOR" AS USED HEREIN SHALL INCLUDE THEIR RESPECTIVE AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, OR ANY PERSON ACTING UNDER ITS DIRECTION OR CONTROL.

13. Lessee agrees to provide written notice to Lessor of Lessee's entry upon the leased premises to drill. Lessee agrees to furnish Lessor, upon Lessee's receipt of written request from Lessor, copies of all title opinions covering the leased premises, copies of all filings made by Lessee with the Railroad Commission of Texas pertinent to drilling and completing wells, copies of all daily drilling reports, full information as to the production and sales from wells on the leased premises, and a copy of all gas contracts or any other agreements pursuant to which Lessee shall sell, use, transfer or dispose of any hydrocarbon substance or product extracted therefrom which was produced from the leased premises. Lessor shall have the right to inspect, audit and copy all records of Lessee pertaining to the production and sale of oil and gas from the leased premises and the calculation and payment of Lessor's royalty hereunder.

14. If oil or gas is discovered on the leased premises, Lessee shall develop the leased premises as a reasonable and prudent operator. Lessee shall protect the oil and gas in and under the leased premises from drainage by wells on adjoining or adjacent tracts or leases as a reasonable and prudent operator. Neither the royalties nor the shut-in gas well royalties paid or to be paid hereunder, nor any other provision of this lease, shall relieve Lessee of the obligation to reasonably develop the leased premises and to reasonably protect the oil and gas in and under the leased premises from drainage by wells on adjoining lands or leases. Lessee agrees to notify Lessor of the need to sue an adjoining owner, lessee or operator for damages resulting from drainage or for damage to a common reservoir. If Lessee intends to make a claim or to file suit for such drainage or damage, Lessee will notify Lessor and will represent Lessor in such claim or cause of action without cost to Lessor unless Lessor notifies Lessee in writing to the contrary. If Lessee recovers damages as a result of such claim, either by settlement or judgment, Lessor shall be entitled to share in such recover pro rata in accordance with Lessor's interest in production from the leased premises whether or not Lessor is a party to such settlement or judgment.

15. Neither the acceptance of royalties, shut-in royalties or other payment by Lessor (regardless of any notation thereon or instrument accompanying same), nor Lessor's execution of any division order or transfer order or similar instrument, shall ever constitute or be deemed to effect (a) a ratification, renewal or amendment of this lease or of any pooled unit designation filed by Lessee purporting to exercise the pooling rights granted to Lessee in this lease, or (b) a waiver of the rights granted to Lessor, or the obligations imposed upon Lessee, express or implied, by the terms of this lease, or remedies for Lessee's breach thereof, or (c) an estoppel against Lessor preventing Lessor from enforcing Lessor's rights or Lessee's obligations hereunder, express or implied, or from seeking damages for Lessee's breach thereof. Lessor's agreement to accept royalties from any purchaser shall not affect Lessee's obligation to pay royalties pursuant to this lease. No instrument executed by Lessor shall be effective to constitute a ratification, renewal, extension or amendment of this lease unless the instrument is clearly titled to indicate its purpose and intent.

16. Lessee shall have the right to conduct seismic operations on the leased premises, and to contract with third parties to conduct seismic operations, for Lessee's own account and use. If Lessee contracts with an independent contractor third party to perform seismic operations on Lessee's behalf, Lessor shall nevertheless be entitled to deal only with a representative of Lessee in connection with such operations, and shall not be required to contract or negotiate with such independent contractor. Lessee shall have no right to grant permits to any third party for the conduct of seismic operations on the leased premises, or to divulge, license or sell the results of Lessee's own seismic surveys on the leased premises to any third party who has no interest in the leased premises. Lessor shall have the right to conduct seismic operations on the leased premises, and to grant permits to third parties for the conduct of such operations, and Lessor shall be entitled to all consideration paid by any third party for such right, and Lessee shall have no interest in or right to such seismic information.

17. Lessor is not the owner of the surface estate, and Lessor makes no warranty with respect therein. Lessee agrees to defend, indemnify and hold harmless Lessor from and against any and all liability for injury or damages to person or property caused by or resulting from the operations of Lessee, its employees, agents, invitees or independent contractors, whether such injury or damages results from negligence, strict liability, or statutory liability of such parties or otherwise.

18. In the event Lessor considers that Lessee has not complied with all its obligations hereunder, both express and implied, Lessor shall notify Lessee in writing, setting out specifically in what respects Lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor on said Lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on Lessee. Neither the service of said notice nor the doing of any acts by Lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all its obligations hereunder.

19. All obligations of Lessee other than the payment of money shall be performable in the county or counties in which the leased premises are situated. All obligations of Lessee for the payment of money shall be performable in the county of residence of each Lessor. Venue for any action to enforce Lessee's obligations hereunder shall be in the county in which the leased premises are situated or in the county of residence of any party hereto.

20. The Depository Bank for payment and tender of any monetary payments due under the terms and conditions of this Oil, Gas and Mineral Lease (except the payment of royalty on production of oil and/or gas) is the address of Lessor as shown hereinbelow. For the purposes herein, Lessor's net interest under the leased premises is set out hereinbelow:

INTEREST OWNER

John R. Freeland and wife,
Jayne Freeland
806 West Pecan
McAllen, Texas 78501

	<u>GROSS ACRES</u>	<u>NET MIN. INT.</u>	<u>NET ACRES</u>
<u>TRACT:</u>			
McColl Subdn:			
Lot 2, Block 12	44.19	50.0000%o	22.095
Lot 7, Block 12	44.19	50.0000%o	22.095
Lot 8, Block 12	44.19	50.0000%o	22.095
Kelly-Pharr Subdn:			
Lot 327	40.00	31.8875%	12.755
Lot 329	40.00	18.3175%	7.327
Lot 330	40.00	18.3175%	7.327
Lot 343	40.00	37.5000%	15.00
W/32 ac. Lot 346	32.00	12.5000%	4.00
E/8.0 ac. Lot 346	<u>8.00</u>	37.5000%	<u>3.00</u>
TOTAL	332.57		115.694

IN WITNESS WHEREOF, this instrument is dated effective the date first above written and executed by the parties hereto on the date set out in each acknowledgement hereinbelow.

LESSOR:

John R. Freeland
JOHN R. FREELAND

Jayne Freeland
JAYNE FREELAND

LESSEE:

SUEMAUR EXPLORATION &
PRODUCTION, LLC

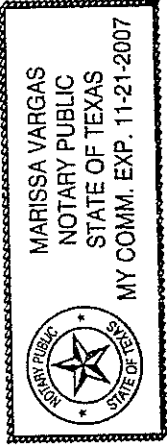
By: *Charles A. James*
Charles A. James, Senior Landman


ACKNOWLEDGEMENTS:

STATE OF TEXAS §
 §
COUNTY OF HIDALGO §

This instrument was acknowledged before me on this 20th day of May, 2005, by
JOHN R. FREELAND and wife, JAYNE FREELAND.

NOTARY STAMP OR SEAL:

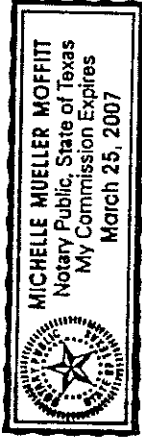


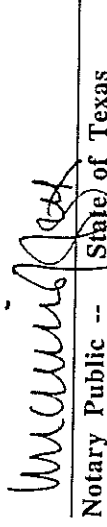

Notary Public -- State of Texas
My Commission Expires: _____

STATE OF TEXAS §
 §
COUNTY OF NUECES §

This instrument was acknowledged before me on this 24th day of May, 2005,
by **CHARLES A. JAMES, Senior Landman for SUEMAUR EXPLORATION &
PRODUCTION, LLC.**, a limited liability corporation, on behalf of said corporation.

NOTARY STAMP OR SEAL:




Notary Public -- State of Texas
My Commission Expires: _____

Reynosa (North) Prospect
332.57. ac/115.694 net.ac.
Modified TLMA OGL Form (02/02) -
Paid up, w/pooling

Filed for Record in:
Hidalgo County
by J. D. Salinas III
County Clerk
On: Oct 18, 2005 at 01:28P
As a Recording
Document Number: 1533394
Total Fees: 40.00
Receipt Number - 714024
By: MaryLou Cantor Deputy