

GROUNDWATER LEASE

THE STATE OF TEXAS
COUNTY OF BURLESON

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KNOW ALL MEN BY THESE PRESENTS, THAT:

This Groundwater Lease, (hereinafter referred to as "Said Lease" or "Lease"), is made this 12th day of August, 2013, by and between **JOE F. BALDWIN**, (hereinafter referred to as "Lessor"), and **METROPOLITAN WATER COMPANY, L.P.**, (hereinafter referred to as "Lessee").

W I T N E S S E T H:

WHEREAS, Lessor is the fee simple absolute owner of the surface of the land with all of the rights and privileges to withdraw and use water for any beneficial purpose; and

WHEREAS, Lessee is engaged in the acquisition, development, production, transportation and wholesale delivery of water from groundwater and underground water percolating below the surface of the earth; and

WHEREAS, the ownership and rights of the owner of the land and his lessees and assigns in and to the underground water have been long recognized by the Courts and Legislature of the State of Texas; and

WHEREAS, Lessor and Lessee both recognize that the real property laws of the State of Texas support the free alienability, conveyance and lease by the owner of the land of interests in groundwater and in the points of withdrawal thereof, and that no subsequent laws can abridge these conveyances and agreements; and

WHEREAS, Lessor desires to grant, lease and let unto Lessee and Lessee desires to accept delivery from Lessor of the groundwater and rights therein for the exploration, development, production, severance and transportation of groundwater from the lands more particularly described below.

NOW, THEREFORE, in consideration of Ten Dollars (\$10.00) cash in hand paid and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and the covenants and agreements of Lessee hereinafter contained, Lessor and Lessee have reached and hereby enter into the following agreements, as follows:

1. **GRANT.** Lessor does hereby grant, lease and let unto Lessee, its successors and assigns, the lands hereinafter described, including all necessary and convenient uses of the surface and subsurface estate covered hereby, for the purposes of and with the exclusive right of: exploring, investigating, conducting geologic, hydrogeologic and geophysical surveys and tests; drilling for, producing, recharging, storing, selling and transporting groundwater/water (from and/or within geological formations capable of producing or storing groundwater/water), constructing and operating wells and waterworks, storing water, transporting water; laying water gathering and transportation pipelines and electric lines, installing metering devices, building storage tanks, building treatment facilities, establishing power and pumping

stations, telephone lines, roads and all other structures thereon, therein or thereunder that are necessary and useful in Lessee's operations to find, produce, sever, save, care for, measure, recharge, store, treat and transport the groundwater/water over said lands, including the right to install and place wells, pumps, pipes, tanks, treatment facilities and interconnection facilities, transportation, distribution or utility systems, and together with the right of access for ingress and egress reasonably necessary to conduct the foregoing activities on, over and across the lands covered hereby or any other land adjacent thereto which may be owned by Lessor. The lands covered hereby, herein called "Said Lands" or "Lands", located in the County of Burleson, State of Texas, being more particularly described on Exhibit "A", attached hereto and made a part hereof.

This Lease covers and includes, in addition to the above described real property, all parcels or tracts, if any, contiguous, adjacent to or adjoining Said Lands described above and either owned or claimed by Lessor through limitations, prescription, possession, reversion or unrecorded instrument; or, to which Lessor is entitled a preferential right to acquire. Lessor shall execute and deliver to Lessee any supplemental instrument for a more complete or accurate description of Said Lands or the groundwater rights therein, including easements fee point of withdrawal well sites, or permits. It is specifically understood and agreed that this Groundwater Lease does not cover oil, gas or other minerals.

2. **TERM.** This Lease is for a term of fifteen (15) years from the date hereof, hereinafter called the "primary term", and so long thereafter as groundwater is being produced from Said Lands or lands which Said Lands are pooled or unitized therewith with no cessation of more than twelve (12) consecutive months or this Lease is maintained in force under some other provision hereof.

3. **SANITARY CONTROL EASEMENT.** Lessor does hereby grant unto Lessee the right to designate sanitary control easements to consist of a tract in the form of a circle surrounding and centered on each completed water well and having a radius of one hundred and fifty feet (150') from the well or a tract of such reasonable size and configuration necessary to comply with the requirements or regulations of the State of Texas relating to any water produced under this Lease for sale to a potable water system or utility. Lessor, for themselves, their heirs, successors and assigns covenant and agree not to conduct activities, surface or subsurface, which would interfere with Lessee's use, protection and maintenance of each sanitary control easement so designated, or impair the quality or safety of the groundwater from its natural state or condition as pumped from Said Lands. Further, Lessor, for themselves, their heirs, successors and assigns, agree that they shall be prohibited from installing, constructing, operating or authorizing within each such sanitary control easement any feed lot or poultry facility, septic or sewage-related tank, facility, lateral or apparatus or other facility or infrastructure that is now or hereafter regulated or proscribed by governmental authority having jurisdiction within the proximity of any commercial water well or facility. Upon request by Lessee, Lessor agrees to execute a separate document entitled "Sanitation Control Easement" in a form substantially as set forth in Title 30

Texas Administrative Code, Section 290.47, as amended to provide sanitation easements around each well site, being in substantially the same form as the Sanitary Control Easement set out on Exhibit "B", attached hereto.

4. **SURFACE USE ACCOMMODATION.** No water well shall be drilled nearer than 1,000 feet to any house, structure or facility now existing on Said Lands without the consent of Lessor. All pipelines will be buried so that the top of the pipe is at least twenty-four inches (24") below ground. Lessee shall take reasonable steps to accommodate existing or future uses of the surface of Said Lands. All wells to be constructed by Lessee under this Lease shall be installed in compliance with all applicable rules and regulations.

5. **GROUNDWATER.** Lessor does hereby GRANT, LEASE, LET and ASSIGN, unto Lessee, its successors and assigns, and Lessor and Lessee intend for this Lease to cover, all groundwater, being all underground, percolating, artesian and other waters from any source (excluding surface water from Lessor's tanks, ponds and lakes), including any and all reservoirs, formations, depths and horizons beneath the surface of the earth (whether natural or introduced) in, under, or that may be produced from Said Lands, such production restricted only by applicable common law, statutes, regulations or the rules of any underground water conservation district now or hereafter created. Lessor covenants and agrees that real and personal property rights and title to the groundwater in and under Said Lands is to be vested solely, exclusively and absolutely in Lessee, specifically, including all rights and benefits accruing from historical production, use and usage, usage rights, titles, claims and interests, and any and all permits, licenses or other valuable governmental approvals that now or hereafter pertains or accrues to such groundwater production and use. All such historical usage and permits are assigned exclusively to Lessee. In addition to the rights granted to Lessee above, Lessor hereby grants, sells and conveys to Lessee fee simple title, subject to all encumbrances and covenants currently of record, to a 10,000 square foot tract in the form of a square surrounding and centered on each drilled and completed well within the lands that are the subject of this lease. The fee simple title to each said 10,000 square foot tract, (hereafter the "Fee Tract"), shall revert back to Lessor once the well located within the subject Fee Tract has been plugged and abandoned or when this Lease terminates. Such fee simple title conveyance, for the Fee Tract, shall reserve all the oil, gas and other minerals (without the right of ingress and egress) unto Lessor. Upon completion of a production well by Lessee, Lessor shall execute a recordable memorandum of deed confirming that the Fee Tract has been conveyed to Lessee, subject to the applicable right of reversion; provided, however, that such free use shall never constitute conduct that matures a cause or action for title to the groundwater that is the subject of this Lease or like cause based on groundwater withdrawals or violates the requirements of the sanitation easements. Notwithstanding the provisions of this paragraph, Lessor may construct and install, or continue to operate, one (1) or more water well(s) that withdraws groundwater solely for Lessor's domestic, livestock watering and/or irrigation purposes for beneficial use on Said Lands only, and not for any industrial/commercial purposes and/or sales to third parties. In the event that Lessee

drills and completes a producing water well on the above described Lands, then Lessor shall have the right to use water from such well, free of cost, solely for Lessor's domestic or livestock watering purposes for beneficial use on the Lands only, and not for any commercial irrigation or industrial/commercial purpose and/or sales to third parties. However, all costs associated with the connection, treatment, delivery and metering of such water shall be borne solely by Lessor. Further, Lessor shall indemnify, save and hold Lessee harmless from all claims, demands and causes of action arising from Lessor taking water from any well drilled by Lessee. Any such water used by Lessor from a well drilled and operated by Lessee shall be metered separately and such amount used by Lessor shall be deducted monthly from the total amount produced by Lessee, and such amount used by Lessor shall not be subject to the payment of royalties by Lessee. However, as an alternative to Lessor taking water from a well that Lessee drills on the above described land, Lessee retains the right to drill an exempt well for Lessor's sole use. Once such exempt well has been drilled and paid for by Lessee, Lessee will convey such well to Lessor, free of cost. Lessee shall have the right, free from the payment of royalties, to use water from its wells in connection with its field operations and use of such water shall be metered separately.

6. **POINT OF WITHDRAWAL - WELL SITES.** Lessor, in consideration of the amount of Fifty Thousand Dollars (\$50,000.00) per well site to be paid by Lessee, does hereby lease unto Lessee, its successors and assigns, and Lessor and Lessee intend for this Lease to cover a tract of land not to exceed 3.00 acres in size, including the area contained within each Fee Tract conveyed by Lessor under Section 5 above, and including all groundwater/water and groundwater/water withdrawal rights, titles, interests and estates (but expressly excluding all oil, gas or other minerals in, under or which may be produced therefrom) for the primary term of this Lease, and so long thereafter as operations are conducted on Said Land or upon lands which Said Lands are pooled or unitized therewith. Lessee shall have the right to erect a fence around such tract. Lessor agrees that Lessee is entitled to drill, develop and maximize, to the extent permitted by law, regulation or the rules of any underground water conservation district now or hereafter created, the maximum quantity of well sites, and the maximum allowable production from each well. The historical production and historical use of each producing well shall attach to and be exclusively associated with the point of withdrawal for each well site owned in fee by Lessee.

7. **ROYALTY.** As royalty, Lessee covenants and agrees to pay Lessor on groundwater/water produced, saved and sold by Lessee from Said Lands ten percent (10%) of the amount realized by Lessee from the sale thereof, computed at the mouth of the well. However, no royalties shall be paid on any water used by Lessor, as provided for in this Lease, or which may be used by Lessee in field operations. Any water used either by Lessor or Lessee shall be metered separately and be deducted from the total production. Lessor shall not be entitled to receive any royalties on any water used by Lessor from any well drilled and completed by Lessee and as contemplated and discussed in

paragraph no. 5 hereinabove. If, after the expiration of the primary term or at any time or times thereafter, there is any well on Said Lands or on land with which Said Lands or any part thereof has been pooled, that is capable of producing groundwater, and all such wells are shut-in, this Lease shall, nevertheless, continue in force as though groundwater was being produced and marketed from Said Lands for so long as said wells are shut-in, and thereafter this Lease shall remain in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize and market at a delivery point on Said Lands the groundwater capable of being produced from said wells, but in the exercise of such diligence, Lessee is not obligated to install or furnish transportation facilities other than ordinary groundwater lease facilities such as surface and subsurface wells, pumps, gathering pipelines, interconnection facilities and storage tanks. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of six (6) consecutive months, and during such time there has been no operations on Said Lands and/or production and marketing of groundwater from Said Lands, then on or before the expiration of the six (6) consecutive month period, Lessee may pay or tender by check or draft of Lessee, as a shut-in royalty, an amount equal to Ten Dollars (\$10.00) for each acre of land then covered by this Lease and while such payment is made, it shall be deemed that Lessee is producing and marketing groundwater from this Lease. No further shut-in payments shall be due as the result of the intermittent production or marketing of groundwater during the one (1) year period ensuing after payment by Lessee of shut-in royalty pursuant to this paragraph. Lessee may make like payments at or before the end of each anniversary of the expiration of said six (6) consecutive month period if upon such anniversary this Lease is being continued in force solely by reasons of the shut-in well royalties

8. **POOLING.** Lessor hereby grants Lessee the continuing right to pool, combine, or unitize all or any part of Said Land or interests covered by this Lease with any other lands, leases or interests, as to any and all groundwater (geological) formations, reservoirs, depths or horizons, either before or after the production and marketing of groundwater, whenever Lessee in its sole discretion deems it necessary or proper to do so in order to explore, develop, operate or obtain the maximum allowable production from any well or when required by any governmental authority for the assignment of or allocation of acreage for the right to produce. A unit formed by such pooling for water well drilling, groundwater/water production or groundwater/water sale, shall substantially conform to classification, location, spacing and maximum allowable production provisions of the rules or regulations of any governmental authority with jurisdiction over such matters. The pooling in one or more instances as to specific formations, reservoirs, depths or horizons, shall not exhaust the rights of Lessee to pool this Lease or portions thereof into other units. Operations conducted on or water produced from any part of such unit, regardless of whether such operations were commenced before or after execution of this Lease or the instrument designating the pooled unit, shall be deemed for all purposes (except the payment of royalties on production and marketing of groundwater from the pooled unit) as operations

conducted on Said Lands under this Lease and references herein to operations or production on Said Lands shall be deemed to include operations or production on each separately owned tract within such pooled unit. For the purpose of computing Lessor's royalties and other payments out of production, there shall be allocated to the Lands covered by this Lease and included in such unit that portion of the total production of unitized groundwater from the unit which the number of surface acres included in the unit from the lands covered by this Lease bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalties, overriding royalties and other payments out of production, to be the entire production of unitized groundwater from the Lands to which allocated in the same manner as though produced therefrom under the terms of this Lease. When used in this paragraph, the words "operations" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a water well in search for or an endeavor to obtain production of groundwater, and the production of groundwater, whether or not in paying quantities.

Any unit formed hereunder may be revised, increased or decreased in size or changed in configuration by Lessee at its sole discretion, without the joinder of Lessor, at any time, and from time to time after the original written designation thereof, in order to conform to the rules and regulations of any governmental authority having jurisdiction, or then to do so would, in the sole judgment of Lessee, promote the conservation of groundwater in and under and that may be produced from Said Land or permit the drilling of an additional water well or wells when location, spacing and maximum production provisions of the rules and regulations are applicable; or would allow for one (1) or more water wells to be operated more efficiently. Lessee may dissolve any unit formed hereunder by providing to Lessor a written and dated declaration to that effect. The formation of any unit hereunder which includes lands, leases or interests 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 be payable under this Lease) between persons owning water rights in the Lands covered by this Lease and persons owning water rights in lands not covered by this Lease. Neither shall impair the right of Lessee to release as provided hereinbelow.

9. **DELAY RENTALS.** If operations are not commenced on Said Land, or on lands pooled therewith, on or before one (1) year from the date hereof, this Lease shall terminate as to both parties, unless on or before such date Lessee shall pay or tender (or make a bona fide attempt to pay or tender) to Lessor at Lessor's address, as provided for in this Lease, the sum of Three Dollars (\$3.00) (herein called "rental") per net surface acre owned by Lessor in Said Lands, which shall cover the privilege of deferring commencement of operations for a period of twelve (12) months. In like manner and upon like payment or tender annually, the commencement of operations may be further deferred for successive periods of twelve (12) months each during the primary term. The payment or tender of rental under this paragraph and of shut-in royalty under Paragraph 7 on any well which is not being produced may be made by check or

draft of Lessee mailed or delivered to the parties entitled thereto on or before the date of payment. If Lessee shall make a bona fide attempt, on or before any payment date, to pay the rental (or shut-in royalty) to a party or parties entitled thereto, according to Lessee's records, or to a party or parties who, prior to such attempted payment, have given Lessee notice, in accordance with the provisions of this Lease, of their right to receive the rental (or shut-in royalty), and if such payment shall be ineffective or erroneous in any regard, Lessee shall be unconditionally obligated to pay to such party or parties entitled thereto rental (or shut-in royalty) properly payable for the rental (shut-in royalty) period involved, and this Lease shall not terminate but shall be maintained in the same manner as if such erroneous or ineffective rental (shut-in royalty) payment had been properly made, provided that the erroneous or ineffective rental (shut-in royalty) payment be corrected within thirty (30) days after receipt by Lessee of written notice by such party or parties of such error. Failure to make proper payment of the rental (shut-in royalty), as to any interest in Said Lands, shall not affect this Lease as to any interest therein as to which proper payment is made. Lessee may at any time, and from time to time, execute and deliver to Lessor, or file for record, a release or releases of this Lease as to any part or all of Said Lands. If this Lease is released as to a portion of Said Lands, the delay rental, shut-in royalty and other payments computed in accordance therewith shall thereupon be reduced in the proportion that the acreage released bears to the acreage which was covered by this Lease immediately prior to such release.

10. **SURFACE DAMAGES.** Lessee shall pay for all actual damages to roads, fences, livestock, improvements, hay/grass meadows, trees and/or growing crops caused by its operations hereunder within twenty (20) days of the occurrence, and will fill and level all pits and mounds, level and fill all ruts, and restore the surface of the ground to as near its original condition as is reasonably practicable within ninety (90) days after cessation of operations.

11. **CESSATION OF PRODUCTION.** If, after discovery and production of groundwater, the production thereof should cease from any cause, this Lease shall not terminate if Lessee commences additional drilling, testing, completing, recharging, reworking, recompleting, deepening, plugging back or repairing of any well in search for or in an endeavor to obtain production of groundwater within twelve (12) months thereafter. If, after the expiration of the primary term, groundwater is not being produced from Said Lands (or on lands pooled therewith), but Lessee is then engaged in any of the operations defined above, or shall have completed a well thereon within twelve (12) months prior to the end of the primary term, this Lease shall remain in force so long as the same or any additional operations, as defined hereinabove, are prosecuted with no cessation of more than twelve (12) months, and if they result in the production and marketing of water, so long thereafter as groundwater is produced from Said Lands (or on lands pooled therewith).

12. **WARRANTY OF TITLE.** Lessor hereby warrants and agrees to defend title to Said Lands and the water rights therein against the claims of all persons whomsoever. Lessor covenants and agrees to provide Lessee with

quiet enjoyment, without restrictions or limitation, of Said Lands. Lessor's rights and interests hereunder shall be charged primarily with any mortgages, real property taxes or other liens or interests or other charges on Said Lands, 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 in the event Lessee does so, it shall be subrogated to such lien or encumbrance with the right to enforce same and apply rentals and royalties accruing hereunder towards satisfying same.

13. **PROPORTIONATE REDUCTION.** If this Lease covers or is hereafter determined or statutorily limited or regulated to cover a lesser interest in the groundwater, subsurface groundwater estate, or the limited portion of the well site point of withdrawal surface estate transferred herein, in all or part of Said Lands, then, in that event, any part as to which this Lease covers less than the 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. If applicable laws, regulations, rules, orders or governmental actions result in a proportionate reduction in ownership, then, solely in that event, the vested rights of Lessor in groundwater which are not covered hereby shall be held, used and exercised by Lessor in a trust for the exclusive benefit of Lessee as a trust beneficiary.

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. **TEMPORARY ABANDONMENT OF WELLS.** Lessor does hereby grant unto Lessee the right to temporarily abandon any water well located on Said Lands if such temporary abandonment would allow Lessee to drill a water well which could otherwise not be drilled due to spacing requirements or other rules or regulations, or whenever Lessee, in its sole discretion, deems it necessary or proper to do so. In the event that Lessee does temporarily abandon a water well located on Said Lands, then Lessee, at its sole cost and expense, will either (i) drill, complete and equip a new well for Lessor which produces a like quantity and quality of water as that from the temporarily abandoned well; or (ii) provide potable water from a well or supply system in the area which is of like quantity and quality of the water from the temporarily abandoned well. Lessee will be responsible for all costs and expenses associated with the temporary abandonment of any well, including the costs of a replacement well in the event that the temporarily abandoned well can not be brought back into production at such time as Lessee deems it appropriate to do so.

15. **ASSIGNMENT.** The rights and estates of any party hereto may be assigned from time to time in whole or in part. All of the covenants, obligations and considerations of this Lease shall extend to and be binding upon the Lessor and Lessee herein, their heirs, successors, assigns and successive assigns. No change or division in the ownership of Said Lands, royalties or other monies, or any part thereof, however effected, shall increase the obligations or diminish the rights of Lessee, including, but not limited to, the location and drilling of wells and measurement of

production. Notwithstanding any actual or constructive knowledge or notice to Lessee, its successors or assigns, no change or division in the ownership of Said Lands or of the royalties or other monies, or the right to receive the same, howsoever affected, shall be binding upon the then record owner of this Lease until thirty (30) days after they have been furnished to Lessee by Lessor, which evidence of such change or division, and of such instruments as shall be necessary to establish the validity of such change or division. In the event Lessee transfers or assigns its ownership of the well(s) and infrastructure established under the Lease, with or without title to the related Fee Tract(s), any consideration paid to Lessee from Lessee's respective successors or assigns for the transfer or purchase of such ownership shall not be considered as income for the purpose of calculating royalty payable to Lessor. Any conveyance or transfer by sale or assignment from Lessee to any third party must be made subject to the provisions of the Lease Agreement.

16. **RELEASE.** Lessee may, at any time and from time to time, deliver to Lessor or file for record a release or releases of this Lease as to any part or all of Said Lands, interest or groundwater reservoirs, formations, depth or horizon hereunder, and thereby be relieved of all obligations and covenants, as to the released acreage or interest. However, once this Lease has been included into a producing production unit, this Lease may not be released unless such production unit is dissolved.

17. **EQUIPMENT REMOVAL.** Lessee shall have the right at any time during or within six (6) months after the expiration or release of this Lease to remove all property and fixtures placed by Lessee on Said Lands, including the right to draw and remove all casings.

18. **CONSENTS OR APPROVALS.** Whenever this Lease requires approval and/or consent to be hereafter given by either party, each party agrees that such approval or consent shall not be unreasonably withheld or delayed.

19. **FUTURE ASSURANCES.** Lessor and Lessee shall execute and deliver to the other any document or transfer instrument that Lessee determines to be necessary or useful to fully carry out the transactions, grants, conveyances, assignments and sales covered by this Lease, including any pending or future applications for permits, amendments to permits or purchase of any permits relating to Said Lands carried out in conformance with applicable governmental authority now or hereafter having authority over the drilling of water wells, the spacing of water wells, the production of groundwater or the sale of water within or without the boundaries of any governmental authority. In addition, Lessor agrees to amend this Lease in any manner necessary to cause this Lease to be in full compliance, now or hereafter, with any applicable rules and regulations, transfer program rules, or groundwater filing and recordation information of any governmental entity with jurisdiction in the premises. In lieu of filing this Lease for record in the Office of the County Clerk in which Said Lands are located, Lessor and Lessee agree to execute any form of memorandum

of lease provided by Lessee, necessary to provide public notice of this Lease; provided, however, that Lessee shall have the authority, without Lessor's prior consent, to file a copy of this Lease or the memorandum thereof in any public office or in accordance with any governmental regulations, transfer program rules or filing and recording requirements for such conveyances as set out under the terms of this Lease.

20. **TAXES, FEES AND OTHER GOVERNMENTAL ASSESSMENTS.** Lessee shall pay, when due, any user fees, well registration fees or other like fees when due to applicable governmental authority having jurisdiction, including any underground or groundwater conservation district fees and assessments for its pro rata interest in Said Lands. Lessor and Lessee shall each be responsible for and any water production taxes (including any other type of taxes which may hereinafter be levied on Said Lands as a result of operations/production hereunder) in proportion to each party's ownership percentage interest in revenue. Lessee shall have the right, but not the obligation, to initiate and prosecute any administrative proceedings relating to Said Lands and the groundwater rights conveyed herein, including, but not limited to, (i) contesting of any taxes or fees assessed to or levied upon Said Lands pursuant to the groundwater withdrawal rights, or (ii) protesting, defending or preserving the rights to withdraw water. Lessor covenants and agrees not to contest Lessee's exclusive ownership of groundwater produced from Said Lands, the historical and other rights accruing to such production, or the ownership of the point of withdrawal of the groundwater. Lessor covenants and agrees to cooperate with Lessee's efforts to defend and improve title to the foregoing and will not act or fail to act so as to adversely affect Said Lands or the groundwater withdrawal rights granted hereunder. If required by law or administrative practice, Lessee may take any administrative action in the name of Lessor.

Lessor assigns to Lessee an interest in and to any condemnation awards or insurance proceeds which would otherwise be payable to Lessor to the extent such awards or proceeds are payment for the water rights conveyed by this Lease, or are for any improvements, equipment, or other thing of value installed by Lessee under this Lease on or within the surface or subsurface interests covered by this Lease.

21. **FORCE MAJEURE.** The express and implied covenants and agreements in this Lease shall be subject to all valid laws, regulations, rules and orders, and this Lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith if compliance is prevented by, or if such failure is the result of any law, regulation, rule, order, pumping limit or proration schedule, whether or not based in whole or in part on any legal preferential use provision (whether or not now or hereafter created), or by act of God, war, civil unrest, strike, interference, weather or drought event, or other casualty, or any other force majeure beyond the reasonable control of Lessee. The Lessor agrees that the performance under this Lease is excused and this Lease shall be extended until a reasonable time after any such force majeure event ceases to exist. If Lessee is denied its use of the water rights

conveyed hereunder by reason of any laws, regulations, rules or governmental action or other acts outside the control of Lessee, Lessee shall be excused from its obligations hereunder for so long as these circumstances exist.

22. **ASSIGNMENT AND BILL OF SALE OF EQUIPMENT, PERMITS AND DECLARATION OF HISTORICAL USE.** Lessor hereby conveys, assigns and transfers to Lessee (for and during the life of this Lease and subject to the payment of royalties as provided for in Section no. 7 hereinabove), all of Lessor's right, title and interest in, under and to all:

a) applications for permits or other governmental approvals now owned or that may be hereafter acquired, granted or issued through any application and permitting process of any governmental authority having jurisdiction over the drilling, completion, production, sale and transfer of groundwater or water located on Said Lands (permits or other governmental approvals which Lessor may acquire for its own water wells are not affected/covered by this paragraph);

b) all historical production rights associated with the ownership of any new well or wells drilled on Said Lands for the production of groundwater and the right to withdraw groundwater located on Said Lands (save and except any quantity of water from wells on the property which are owned by Lessor and used for domestic, livestock watering and/or irrigation purposes, as provided for in this lease, unless such water is provided by Lessee.);

c) any past historical production or use, and future historical production or use, and production or use that may accrue or be prescribed to Said Lands and to the point of withdrawal and well sites hereinabove dedicated, including uses and permits or other regulatory, statutory, or common law rights related to the production or use of groundwater;

d) declarations of historical use now or hereafter existing before any governmental authority having jurisdiction; and

e) all claims and permits, easements and all rights and obligations of applicable federal, state, local or conservation agency programs and cooperative or association memberships.

By these presents, all governmental authorities are hereby authorized to transfer on their records and by issuance of a new certificate of title or authority the hereinabove groundwater rights.

23. **WATER WELL MITIGATION.** In the event that Lessee's operations hereunder are directly related to a water well on Said Lands, or on neighboring lands, to cease producing, then Lessee shall be subject to mitigation procedures in association therewith. Mitigation procedures shall mean that Lessee, at its sole cost and expense, would perform for Lessor and/or its successors and assigns (i) recompletion of the existing well; (ii) drill, complete and equip a new well that produces a like quantity of potable water; or (iii) provide potable water from a well or supply system in the area for a like quantity of potable water.

24. **MISCELLANEOUS.**

A. **Time.** Time is of the essence in this Lease and every provision hereof.

B. **Addresses and Notice.** Service of all notices under this agreement shall be sufficient when hand delivered or sent by certified mail to the respective address set forth below, or at such address as may be provided in writing from time to time in accordance herewith. Any such notice mailed to such address shall be effective when hand delivered, deposited in the United States mail, certified, duly addressed, and with postage prepaid or national overnight courier.

If to Lessor: Joe F. Baldwin
6775 Private Road 1010
Caldwell, Texas 77836
Telephone No. [REDACTED]

If to Lessee: Metropolitan Water Company, L.P.
Post Office Drawer 1146
Brenham, Texas 77834-1146
Attention: W. Scott Carlson
Telephone No. (979) 836-0122

C. **Historic Use Permit.** This Groundwater Lease in no way affects or encumbers the groundwater that Lessor and/or Lessor's Tenant/Representative can produce and utilize from a well or wells located on Said Land (or on land adjoining or near Said Land) pursuant to a Historic Use Permit issued by the Post Oak Savannah Groundwater Conservation District. This Groundwater Lease only covers the groundwater rights associated with Said Land which are separate and apart from the groundwater rights associated with such Historic Use Permit along with the volume of groundwater which Lessor does not utilize under such Historic Use Permit. Provided, however, that, if at some point in the future while this Lease is still in full force and effect, Lessor elects to stop using all or any portion of the groundwater subject to the herein referenced Historic Use Permit for irrigation purposes, then such quantity of water shall be deemed to be covered by this Lease and Lessor will be paid royalties on such additional water, in accordance with the terms and provisions of this Lease.

D. **Depth Restrictions.** It is specifically agreed to by Lessor and Lessee that Lessee shall not produce and sell water from any wells drilled on Said Lands in any aquifer/sand/formation which lies above the Carrizo-Wilcox Aquifer Group. However, Lessee shall have the right to produce water from aquifers above the Carrizo-Wilcox Aquifer Group for drilling operations and/or field operations.

E. **Use of Surface.** Nothing in this Lease shall be construed as limiting Lessor's ability to utilize the surface of Said Land for whatever purposes that Lessor deems appropriate.

F. **No Hunting or Fishing.** It is expressly provided that this Lease does not cover or include any rights or privileges of hunting or fishing on any lands of Lessor, all such hunting and fishing rights being expressly reserved to Lessor.

G. **Lessor's Right to Information.** During Lessee's regular office hours and upon thirty (30) days prior written notice to Lessee, Lessor shall have reasonable access to all information concerning geologic data, the drilling, testing and completing or recompleting of any and all wells drilled on Said Land; all well logs and surveys; production charts and records; and information concerning the production and marketing of water from said lands, along with copies of all forms filed with any governmental authority having jurisdiction over Lessee's operations on this Lease; provided Lessor agrees to keep confidential all non-public information obtained under the terms of this paragraph and will not divulge such non-public information to parties other than other royalty owners under the leased premises and Lessor's attorneys, geologists, engineers, accountants, financial consultants, guardians or other personnel or legal representatives, for five (5) years after Lessor receives same or until the expiration of this Lease, whichever happens later.

H. **Lessor's Right to Audit.** Lessor expressly reserves the right and Lessee expressly grants to Lessor the right to audit on an annual basis the drilling and completing of Lessor's wells, the production, transportation, sale, marketing, revenue and the calculation and payment of revenues to Lessor by Lessor giving Lessee written notice of the exercise of this right and, within one hundred twenty (120) days after receipt of such notice, Lessee shall make available Lessor at Lessee's office as designated by Lessee during reasonable business hours, all books, accounts and records (together with copies thereof if requested by Lessor) along with all other data necessary for Lessor or his agent to audit such production, revenue and or royalty payments. Lessor and Lessee shall select the accounting procedure to be utilized in such audit and such procedure selected shall be binding on Lessee and Lessor so long as such procedure is accepted under general accounting practice and standards. If the amount of underpaid royalties owed to the Lessor herein ultimately agreed upon by Lessor and Lessee exceeds one thousand dollars (\$1,000), in any calendar year, Lessee shall reimburse Lessor for the actual, reasonable, out-of-pocket costs and expenses of the portion of such audit covering such year, together with all unpaid revenue and interest thereon. Notwithstanding the foregoing, Lessor may not conduct such audits more than once a year.

I. **Venue:** The parties agree that all disputes in any way relating to, arising under, connected with, or incident to this Lease, and over which the federal courts do not have subject matter jurisdiction, shall be litigated, if at all, exclusively in the District Court of Travis County, Texas, and, if necessary, the corresponding appellate courts. The parties further agree that all disputes in any way relating to, arising under, connected with, or incident to this Lease and over which the federal courts have subject matter jurisdiction, shall be litigated, if at all, exclusively in the United

States District Court for the Eastern District of Texas, and, if necessary, the corresponding appellate courts. In this regard, unless a Federal Court has exclusive jurisdiction, Lessee hereby expressly agrees to waive any right that Lessee may have to remove any suit filed against Lessee for damages or other actions hereunder to any federal court. The parties also agree that Texas law exclusively shall govern all terms of this Lease, including this paragraph. The parties expressly submit themselves to the personal jurisdiction of the State of Texas.

J. **Bankruptcy Proceedings.** In the event Lessee should file for voluntary Bankruptcy or insolvency or for reorganization, or should some third party force Lessee into involuntary Bankruptcy or insolvency for the benefit of creditors in any court pursuant to any statute either of the United States or and State, or should Lessee enter into an agreement with creditors for the appointment of a receiver or trustee, covering all or a portion of Lessee's interest in and to the leased premises, then upon the occurrence of any of the above events and at the election of Lessor, Lessee, shall not be relieved of any of its obligations under the Lease, including but not limited to any unpaid royalty due Lessor. For purposes of enforcing Lessee's obligations in Bankruptcy Court, Lessor shall be considered for all purposes a preferred secured creditor with the highest class permitted by law. **LESSEE FURTHER AGREES TO INDEMNIFY LESSOR FOR ANY AND ALL LOSS AND DAMAGE SUFFERED BY LESSOR BY REASON OF SUCH BANKRUPTCY INCLUDING BUT NOT LIMITED TO REASONABLE ATTORNEYS FEES AND COURT COSTS, IF ANY.**

K. **Royalty Payments.** Notwithstanding anything to the contrary contained in Section No. 7 of this Lease, it is expressly provided that Lessor's royalty shall be paid to lessor free and clear of any and all development, production, treating, storing, transporting, processing and marketing costs of any kind or character that may be incurred by Lessee in order to get the water produced under this Lease to the Central Collection Facility located in the respective Well Field(s), except, however, any taxes and/or fees applicable to Lessor's share of production which are paid by Lessee.

L. **Timely Payment of Royalties.** Notwithstanding any other provisions of this Lease to the contrary, and as to payment of royalties under this Lease, Lessee shall make the first payment of such royalties due Lessor within one hundred twenty (120) days after receipt of such payment by Lessee unless there should exist a legitimate title problem. Thereafter, Lessee shall pay Lessor for any royalties due within sixty (60) days after receipt of payment for any production from the leased premises. If Lessee fails to comply with the provisions of this paragraph, then Lessor shall, at his option, have the right to terminate this Lease. Lessor shall, however, give written notice of such intention to Lessee and Lessee shall have sixty (60) days in which to comply with the requirements of this paragraph and failure to comply herewith shall cause a forfeiture and termination of this Lease. Such written notice from Lessor shall be sent to Lessee at Lessee's current address by Certified Mail Return Receipt Requested.

M. **Minimum Royalty Payments.** Once actual water production is established under this Lease, the royalty payments to be paid to Lessor shall never be less than \$25.00 per net surface acre per year (this is based upon Lessor's ability to produce 2 ac-ft of water per acre per year) during which time this Lease is producing. (This paragraph does not pertain to shut-in water wells.) The accounting periods for this minimum royalty payment shall begin with the date of first production and continue annually and any deficiency equal to the difference between \$25.00 per net surface acre per year and the total of all royalty money on production paid to Lessor during each such annual period shall be paid to Lessor directly within sixty (60) days after Lessee has received written notice from Lessor notifying Lessee that there is a deficiency in the royalties paid during the previous one (1) year period. If Lessee fails to make the minimum payment within the sixty (60) days as specified hereinabove, then Lessee must pay interest on said deficiency to Lessor beginning at the end of said sixty (60) day period. The interest payable to Lessor shall be at the rate of twelve percent (12%) per annum until such time as the deficiency is paid in full. Said notice shall be deemed given when sent to Lessee by Certified Mail Return Receipt Requested to Lessee's address.

N. **Indemnification.** Lessee agrees to indemnify, protect, defend and hold Lessor, his heirs, successors and assigns harmless of and from any and all claims, demands, costs, (including but not limited to attorney and expert fees) expenses, damages, losses, causes of action or suits for damages arising out of injury to persons (including death) and injury or damage to or loss of any property or improvements caused by the negligence, gross negligence, negligence per se, strict liability and/or any other tort and/or breach of contract by Lessee, its partners, agents, employees, servants, contractors or any person acting under its direction or control. Further, neither Lessor his heirs, successors and assigns shall ever be liable for any claims, demands, costs, expenses, damages, losses, causes of action or suits for damages because of injury to persons or property arising out of the negligence, gross negligence, negligence per se, strict liability and/or any other tort or breach of contract by Lessee, its gents, employees, servants, contractors or any person acting under its direction and control on said lands or lands pooled therewith. In the event Lessor, surface owner and/or any royalty owner under the above tract shall resort to a court of law or to arbitration to enforce or interpret any provision, covenant, condition, duty, obligation or commitment, whether expressed or implied, arising out of this agreement, then Lessee shall reimburse Lessor or surface owner or royalty owner for all damages, losses, costs, fees and expenses, including reasonable attorney's fees and expert witness fees, incurred in such suit or arbitration, in which Lessor, Surface Owner or royalty owner prevails in an ultimate final determination by a court of competent jurisdiction.

O. **Hazardous Materials.** As used in this lease, the term "Hazardous Materials" means any substance defined or identified as a hazardous, extra hazardous or toxic substance, waste, or material under any applicable federal, state, or local statute or regulation. "Remedial Work" is defined as any site investigation or

monitoring, any cleanup, containment, remedial, removal, or restoration work performed in response to any federal, state or local government authority or private attorney general action, or pursuant to any federal, state or local statute, rule regulation or other laws. Lessee agrees (1) to remove from the leased premises, if, as and when required by law, any Hazardous Materials placed or released thereon by Lessee, (2) to perform remedial work where the need therefore arises as a result of and is caused by Lessee's operations or activities on the leased premises, and (3) to comply in all respects with all federal, state and local governmental laws and regulations governing operations by Lessee and remedial work on or associated with the leased premises. All costs and expenses of remedial work made necessary by Lessee's operations shall be paid by Lessee. If Lessee shall fail to timely commence or cause to be commenced, or fail to diligently prosecute to completion, such remedial work, Lessor may, but shall not be required to cause such remedial work to be performed. Lessee promises to notify Lessor of any claim or other action by any governmental agency or other third party involving the actual or alleged existence of hazardous materials on the leased premises or on Lessor's adjoining property (if Lessee is the operator of said adjoining property) and to provide Lessor with copies of (1) any notice of any release of Hazardous Materials given to Lessee pursuant to any law or regulation and (2) any report of and response to any such incident. Lessee agrees to indemnify, pay and protect, defend and save Lessor harmless from all claims, liabilities, fees and expenses of any kind that arise from the presence or release of any Hazardous Material where such presence or release results from and is caused by Lessee's operations on the leased premises. This indemnification shall include costs in connection with any remedial work when performed by Lessor or any third party in response to any federal, state or local governmental authority, laws or regulations, due and payable upon demand therefore by Lessor.

P. **Confidentiality Agreement.** Lessor has requested special terms and provisions for this Lease from Lessee and Lessee has agreed to such request. In connection therewith, Lessor agrees to maintain the strict confidentiality of terms and provisions of this Lease for so long as this Lease remains in effect.

Q. **Entire Lease.** The provisions set forth in this Lease shall constitute the entire agreement and understanding between the Lessor and Lessee with respect to the subject matter contained herein. This Lease supersedes all prior agreements and understandings between the Lessor and Lessee with respect to such subject matter. All Exhibits referred to herein and attached hereto are incorporated herein by reference.

R. **Modification.** The provisions of this Lease may be modified or altered only by written agreement.

S. **Invalidation.** In case any provision of this Lease shall be held invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof will not in any way be affected or impaired thereby.

T. **Captions; References.** Section captions used herein are for reference purposes only, and shall not in any way affect the meaning or interpretation of this Lease.

U. **Third Party Beneficiaries.** Lessor and Lessee intend that this Lease shall not benefit or create any right or cause of action in or on behalf of any person or entity other than the Lessor and Lessee.

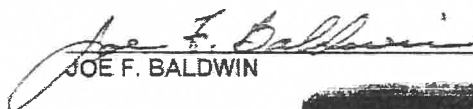
V. **Waiver.** The rights and remedies of the Lessor and Lessee are cumulative and not alternative. Neither the failure nor any delay in exercising any right, power or privilege under this Lease or the documents referred to in this Lease will operate as a waiver of such right, power or privilege and no single or partial exercise of any such right, power or privilege will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. To the maximum extent permitted by applicable law, (a) no claim or right arising out of this Lease or the documents referred to in this Lease can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other Lessor and Lessee; (b) no waiver that may be given by a party will be applicable except in the specific instance for which it is given; and (c) no notice to or demand on one Party will be deemed to be a waiver of any obligation of such party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Lease or the documents referred to in this Lease.

W. **Copyright.** Copyright 1999 by Metropolitan Water Company, L.P. Reproduction of the material herein of substantial quotation of its provisions without written permission of Metropolitan Water Company, L.P. violates the copyright laws of the United States and will subject the violator to legal prosecution. Lessor hereby acknowledges that this Groundwater Lease is subject to the U.S. Copyright laws and agrees not to copy or distribute nor permit the copying or distribution of same without the written consent of Lessee.

X. **Memorandum of Lease.** Lessor and Lessee agree to execute a Memorandum of Lease. It is expressly understood that Lessee is authorized to and shall record the said Memorandum of Lease among the Real Property Records of Burleson County, Texas.

IN WITNESS WHEREOF, this instrument is executed by Lessor and Lessee on the date first above written.

LESSOR


JOE F. BALDWIN

Social Security No. 

LESSEE

METROPOLITAN WATER COMPANY, L.P.
BY: METROPOLITAN WATER COMPANY OF TEXAS, L.L.C.,
its General Partner

BY: Betty Carlson
PRINTED NAME: Betty Carlson
TITLE: Vice President

THE STATE OF TEXAS §
COUNTY OF BURLESON §

This instrument was acknowledged before me this the 12th day of August, 2013, by
Joe F. Baldwin.



W.S. Carlson
Notary Public in and for the State of Texas.
My Comm. Expires: January 28, 2014

William S. Carlson
Printed Name of Notary Public

THE STATE OF TEXAS §
COUNTY OF WASHINGTON §

This instrument was acknowledged before me this the 15th day of August, 2013, by
Betty Carlson, Vice President of Metropolitan Water Company of Texas, L.L.C., a Texas
Limited Liability Company, on behalf of said limited liability company.



Melissa Walker
Notary Public in and for the State of Texas.
My Comm. Expires: 3/10/17
Melissa Walker
Printed Name of Notary Public

groundwater-lse1.8070

EXHIBIT "A"

Attached to and made a part of that certain Groundwater Lease dated August 12, 2013 by and between Joe F. Baldwin, as Lessor, to Metropolitan Water Company, L.P., as Lessee.

10.2026 acres of land, more or less, a part of the H. E. Davis Survey, Abstract 100, Burleson County, Texas, and being the same land as described in a Deed dated June 3, 2010 from Patti Jean Martin Wells, et al, to Joe F. Baldwin, recorded in Volume 804, Page 355 of the Official Public Records of Burleson County, Texas.

EXHIBIT "B"

SANITARY CONTROL EASEMENT

DATE: _____

GRANTOR(S): JOE F. BALDWIN

GRANTOR'S ADDRESS: 6775 Private Road 1010, Caldwell, Texas 77836

GRANTEE: METROPOLITAN WATER COMPANY, L.P.
A Texas Limited Partnership

GRANTEE'S ADDRESS: Post Office Drawer 1146
Brenham, Texas 77834-1146

SANITARY CONTROL EASEMENT:

Purpose Restrictions, and Uses of Easement:

1. The purpose of this Easement is to protect the water supply of the well described and located below by means of sanitary control.
2. The construction and operation of underground petroleum and chemical storage tanks and liquid transmission pipelines, stock pens, feed lots, dump grounds, privies, cesspools, septic tank or sewage treatment drain fields, improperly constructed water wells of any depth, and all other construction or operation that could create an insanitary condition within, upon or across the property subject to this easement are prohibited within this Easement. For the purpose of the Easement, improperly constructed water wells are those wells which do not meet the surface and subsurface standards for a public water supply well.
3. The construction of tile or concrete sanitary sewers, sewer appurtenances, septic tanks, storm sewers and cemeteries is specifically prohibited within a 50-foot radius of the water well described and located below.
4. This Easement permits the construction of homes or buildings upon the Grantor's property as long as all items in Restriction Nos. 2 and 3 are recognized and followed.
5. This Easement permits normal farming and ranching operations, except that livestock shall not be allowed within 50 feet of the water well.

The Grantor's property subject to this Easement is described in the Memorandum of Lease recorded at: _____, Volume _____, Page _____, of the Real Property Records of Burleson County, Texas.

Property Subject to Easement:

All that area within a 150 foot radius of any water well(s) located on the property as described in the said Memorandum of Lease and is further described in Exhibit "A" attached hereto.

TERM:

This Easement shall run with the land and shall be binding on all parties and persons claiming under the Grantor(s) for a period of two years from the date that this Easement is recorded; after which time, this Easement shall be automatically extended until the use of the subject water well as a source of water for sale to use one or more public water system ceases.

ENFORCEMENT:

Enforcement of this Easement shall be proceedings at law or in equity against any person or persons violating or attempting to violate the restrictions in this Easement, either to restrain the violation or to recover damages.

INVALIDATION:

Invalidation of any one of these restrictions or uses (covenants) by a judgment or court order shall not affect any of the other provisions of this Easement, which shall remain in full force and effect.

FOR AND CONSIDERATION, the sum of One Dollar (\$1.00) and for other good and valuable consideration paid by the Grantee to the Grantor(s), the receipt of which is hereby acknowledged, the Grantor does hereby grant and convey to Grantee and to its successors and assigns the Sanitary Control Easement described in this Easement.

GRANTOR(S):

JOE F. BALDWIN

