

SEISMIC PERMIT AGREEMENT

STATE OF TEXAS §
 §
COUNTY OF TOM GREEN §

This Seismic Permit Agreement (hereinafter referred to as "this Agreement" or "the Agreement") is made and entered into by and among the following parties:

- (a) Tom Green County, a legal and political subdivision of the State of Texas, 122 W. Harris Avenue, San Angelo, Tom Green County, Texas 76903; hereinafter referred to as Owner
- (b) Lavanco Energy, LTD, hereinafter referred to as Operator

All of the parties to this Agreement are hereinafter collectively referred to as "the Parties."

Recitals

- a. The Owner owns the surface estate and the oil, gas and other minerals of the real property located in Tom Green County, Texas, described in Exhibit A, which is attached hereto and incorporated herein for all purposes ("the Property").
- b. Operator desires to acquire from Owner and Owner is willing to grant to Operator a non-exclusive right to conduct Seismic Operations on the Property for a period of twelve (12) months from the Effective Date of this Agreement (as hereinafter defined). This Agreement also provides that Operator may extend the period within which to conduct Seismic Operations and other geophysical and geochemical surveys on the Property for an additional period of twelve (12) months upon proper notice and payment of the additional compensation to Owner as set forth below.
- c. "Seismic Operations" is defined to mean seismic operations and other geophysical and geochemical surveys by use of seismograph or other geophysical and geochemical means but only if such operations or surveys are non-destructive in nature. Operator shall use the vibroseis method only; no explosives and "shot holes" are allowed.

The Parties desire to memorialize their agreements with respect to such matters in writing.

NOW, THEREFORE, for good and valuable consideration, including the mutual promises and agreements of the Parties set forth in this Agreement, the receipt, adequacy and sufficiency of all such consideration being hereby acknowledged by each of the Parties, it is agreed as follows:

1. Right to Conduct Seismic Operations.

Owner grants to Operator the non-exclusive right, but not the obligation, to conduct Seismic Operations on and across the Property (including the right to reasonable ingress and egress to the Property) for a period of twelve (12) months from the Effective Date of this Agreement ("the Seismic

Period"). Owner also grants to Operator the option to extend the Seismic Period for an additional twelve (12) months by (a) giving Owner written notice thereof at least thirty (30) days prior to expiration of the twelve (12) month Seismic Period and (b) paying to Owner concurrently with such notice the consideration specified in paragraph 2.2 of this Agreement. Such option to extend the Seismic Period may only be exercised with respect to all of the Property and shall not be exercisable with respect to less than all of the Property.

2. Consideration for the Agreement.

2.1 Right to Conduct Seismic Operations. As consideration for the non-exclusive right to conduct Seismic Operations on the Property, Operator shall pay to Owner concurrently with the execution of this Agreement the sum of Thirty Dollars (\$30.00) per acre.

2.2 Right to Extend Seismic Period. As consideration for extending the Seismic Period for an additional twelve (12) months in accordance with paragraph 1 of this Agreement, Operator shall pay to Owner concurrently with the exercise of such option to extend the sum of Thirty Dollars (\$30.00) per acre, and such option to extend the Seismic Option may only be exercised with respect to all of the Property and shall not be exercisable as to less than all of the Property.

3. Ownership of Surface Estate and Mineral Estate. To the best of the knowledge and belief of Owner the mineral estate is owned by Owner; however, no warranty, express or implied, is made by Owner to Operator with respect thereto, and Operator represents and warrants to Owner that it has performed its own analysis of the title to the Property and that it is satisfied that the description of the Property is correct. In the event the Property is incorrectly described or Owner does not own all of the mineral estate, the Owner shall not be required to return to Operator the payments made pursuant to this Agreement in excess of the correct amount.

This Agreement is made subject to all rights-of-ways, easements, oil and gas leases, conveyances, leases and other encumbrances of record and any discrepancies, conflicts, or shortages in area or boundary lines and prescriptive rights whether of record or not and include such apparent by visual inspection.

4. Inspection.

Operator acknowledges and agrees that Operator has inspected Owner's Property and is relying on Operator's own examination of the Property insofar as its suitability and fitness for Operator's intended purpose. Operator agrees that Operator is taking the Property "as is" with any and all latent and patent defects and that there is no warranty by Owner that the Property is fit for a particular purpose. Operator is taking the Property with the express understanding and stipulation that there are no express or implied warranties, representations, statements, or other assertions with respect to the condition of the Property by Owner.

5. Environmental Protection; Hazardous Materials.

5.1 Operator agrees to cause all its employees, agents, representatives, contractors, subcontractors, and any other persons occupying or present on the Property under authority of

Operator to comply with all applicable federal, state, and local environmental laws. Operator shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, the Property and adjoining property, by any waste, pollutant, or contaminant. Operator shall not bring or permit to remain on the Property any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances (including such defined as "hazardous" under any federal, state, or local law or regulation), except those products commonly used in connection with Operator's operations and stored in the usual manner and quantities.

5.2 Upon the occurrence of a spill, leak, discharge or release of any hazardous materials on and into the Property or that adjoining property of Owner or upon the occurrence of any other event of pollution or contamination of any environmental medium, in, on, or under the Property and adjoining property, Operator shall: (a) immediately take all reasonable and necessary steps to stop and contain such contamination or pollution; (b) promptly report same to the Owner and to the appropriate governmental agency having jurisdiction over the particular type of spill or release which has occurred; and (c) immediately take all reasonable and necessary steps to clean up, remove, correct and remedy any surface, soil, and ground water contamination, pollution, and damage in conformance with the requirements of applicable law, rules and regulations and with sound engineering practices. Operator shall insure that all contractors comply with the terms of this paragraph. Operator have the absolute responsibility and liability for the clean-up of all pollution or contamination caused by Operator's operations and the reclamation of said lands, including the bearing of all costs and expenses thereof. Owner shall not have any responsibility to inspect or oversee Operator's operations or to identify or correct any potentially harmful, dangerous or damaging conditions, and Owner shall not have the right to control any details of Operator's operations, nor to designate or control Operator's contractors.

5.3 Operator shall be strictly liable to Owner for all actual damages caused by such contamination or pollution. Operator is obligated under this paragraph regardless of whether such contamination, pollution, and damage was caused by Operator or Operator's employees, contractors, customers, or invitees and without regard to whether such resulted from negligence or other legal fault. Operator shall pay Owner for such actual damages within 60 days from the date of the occurrence of such damages.

5.4 Operator agrees to indemnify, defend and hold Owner harmless from all liability, costs (including reasonable attorney fees, court costs, environmental consultants, engineers, and expert witness fees), losses, damages, fines, penalties, remediation costs, claims, demands, causes of action, suits and proceedings of every kind and character (including but not limited to administrative proceedings) that Owner incurs by reason of any contamination or pollution arising out of Operator's operations and activities. It is expressly intended that this indemnity protects Owner even if it is asserted and proven that Owner is negligent or otherwise legally at fault.

6. Release, Indemnity and Insurance.

For purposes of this paragraph, "Claims" is defined to mean any and all liability, cost (including reasonable attorney's fees and court costs), loss, damages, claims, demands, causes of action, suits, and proceedings of every kind and character (including such for administrative matters, fines, penalties, and remediation). "Indemnified Parties" is defined to mean Owner, Owner's surface lessee, the Christoval Independent School District, and the employees, representatives, elected officials, and agents of Owner, Owner's surface lessee and the Christoval Independent School District.

Indemnified Parties make no warranty, express or implied, as to the condition, habitability, or fitness for any purpose of the Property. Operator assumes all risk and responsibility and further releases Indemnified Parties from all Claims---regardless of Indemnified Parties' own negligence, premises liability, strict liability, or other legal responsibility--including claims for personal injury, death, or damage to property.

Operator agrees to indemnify and defend Indemnified Parties from all Claims arising out of, caused by, or connected with Contractor's operations and activities under this Agreement--regardless of Indemnified Parties' own negligence or other legal responsibility--including, but not limited to, the following: (a) Claims for personal injury, death, or damage to property asserted by Operator's employees, agents, representatives, contractors, subcontractors, invitees, or any person coming onto Indemnified Parties' Property with the express or implied consent of Operator; and (b) Claims for personal injury, death, or property damage asserted by third parties. **It is expressly intended that this indemnity protects Indemnified Parties from Claims founded in whole or in part upon the negligence, premises liability, strict liability, or other legal responsibility of Indemnified Parties. This indemnity does not protect Indemnified Parties from Indemnified Parties' gross negligence or willful misconduct.**

Operator shall carry, at least, the following insurance and limits: (a) commercial general liability -- \$1,000,000.00 occurrence/\$2,000,000.00 general aggregate, damages to rented premises \$1,000,000.00, personal and advertising injury \$1,000,000.00, products/completed operations \$1,000,000.00; (b) automobile liability coverage (any auto) -- combined single limit each accident \$1,000,000.00; (c) umbrella liability policy -- \$5,000,000.00 occurrence/aggregate; and (d) Worker's compensation insurance (statutory limits) and Employer's Liability -- \$1,000,000.00 limits.

Operator shall require as a condition of entry into the Property, that any contractor performing the Seismic Operations shall carry the following insurance and limits: (a) commercial general liability -- \$1,000,000.00 occurrence/\$2,000,000.00 general aggregate, damages to rented premises \$1,000,000.00, personal and advertising injury \$1,000,000.00, products/completed operations \$1,000,000.00; (b) automobile liability coverage (any auto) -- combined single limit each accident \$1,000,000.00; (c) umbrella liability policy -- \$5,000,000.00 occurrence/aggregate; and (d) Worker's compensation insurance (statutory limits) and Employer's Liability -- \$1,000,000.00 limits.

7. Non Assignable.

This Agreement is personal and may not be assigned by Operator without the written consent of Owner. This permit is nonexclusive and Owner reserve the right for Owner and Owner's successors and assigns to grant similar or dissimilar permits to others on the above Property.

8. Damages.

Operator shall be liable for all damages caused by its operations and exercise of the rights conferred in this Agreement to real and personal property including livestock, buildings and other structures, fences, gates, cattle guards, tanks, windmills, water wells, water troughs, watering facilities, culverts, roads, any other real estate improvements, oak trees, grasses and other foliage, soil, surface water and ground water. Damages shall be based upon replacement cost for real estate improvements and market value for all other damages. Damages shall be paid to Owner or to the person beneficially interested in the damaged property within 60 days after written notice to Operator of the accrual of such damages.

9. Operations.

9.1 Operator must give reasonable notice -- no less than 72 hours -- of commencement of Seismic Operations. Then, prior to commencement of such operations, Operator is obligated to confer with Owner for the purposes of determining entry points to the Property; designating roads to be used; designating entry points for interior fences; demarcating water wells and pipelines; determining trees that must not be removed and other brush control considerations; discussion of wet conditions (if applicable); and any other relevant purposes.

9.2 Energy sources shall be kept at a safe distance -- at least 500 feet -- from all water wells, watering facilities, tanks, ponds, the river, buildings, houses and other structures. Energy source locations and trucks, 4-wheelers, and other vehicles are not permitted within Pugh Park. In such areas Operator may only lay seismic lines and must do so on foot.

9.3 Operator must use such gates and roads as are designated by Owner for the purpose of gaining access to the Property and, upon gaining entry to the Property, existing roads and passage ways will be utilized to the extent reasonably possible. Operator shall not cut, take down, alter or modify any exterior or any interior fence on Owner's Property. No heavy equipment or loads will cross Owner's cattleguards; Operator must use gates adjacent to cattleguards to move any equipment heavier than a pickup truck. Operator must keep closed all exterior gates and leave interior gates as they are found (closed gates kept closed and open gates left open).

9.4 No Seismic Operations shall be conducted under wet conditions. The determination of whether or not wet conditions exist and whether or not work may proceed is a determination to be made by Owner who must act reasonably in doing so.

9.5 Brush clearing necessary to Operator's operations will be done in a workmanlike manner. Mesquite plants and cedar plants shall be cleared by grubbing or excavating such that the root crowns of the plants are removed (versus merely pushing the brush and breaking brush off at

ground level). Live oak are not to be removed. All brush removed shall be grubbed and raked with equipment that will avoid too many rocks. Brush piles should be stacked with a brush rake and should not contain topsoil.

9.6 Operator shall conduct its Seismic Operations in a workmanlike, prudent and careful manner consistent with good business practices and with due regard for damage prevention and environmental protection. Operator or its agents, representatives, employees, contractors, subcontractors or any other party acting pursuant to the authority granted to Operator under this Agreement, shall ensure that no guns or firearms of any type will be carried in vehicles or on the person of Operator or its agents, representatives, employees, contractors, subcontractors or any other party acting pursuant to the authority granted to Operator under this Agreement.

9.7 Operator shall, at Operator's cost and expense, comply with: (1) all Texas Railroad Commission and Texas Commission on Environmental Quality (TCEQ) requirements and regulations, and all other federal, state, and local laws, rules, regulations, and safety standards applicable to Operator's occupancy of, and operations and activities on, the Property; and (2) all federal, state, and local laws, regulations, and ordinances relating to hazardous materials and all other applicable environmental laws, regulations, and ordinances.

9.8 Operator are solely responsible for the safe location of Operator's operations, activities and equipment in relation to the existence and location of pipelines, electrical lines, utilities and structures in the vicinity.

9.9 Operator shall keep the Property clean and free of any trash or debris during Seismic Operations.

9.10 No vehicle, except in case of emergency, shall travel in excess of 20 MPH.

9.11 No employee, representative, contractor, invitee, or any other person coming onto the Property with the express or implied consent of Operator shall be permitted to engage in any recreational activities including but not limited to hunting, fishing, swimming, camping, picnicking, searching for Indian relics, or sightseeing. Nothing will be brought on or removed from the Property nor any activity engaged in on the Property nor will anyone go anywhere on the Property except as necessarily required in carrying on Operator's operations. All persons entering the Property under this Agreement shall confine themselves to the Property and associated easements.

9.12 Immediately upon completion of the seismic work, Operator shall remove all equipment, materials and other property of Operator (including all survey ribbons and flags) from the Property and clean up all trash and debris of the Seismic Operations. Operator shall fill, smooth, level and restore all ruts, mounds, ridges and depressions caused by any operations of Operator to roadways on the Property so as to restore the surface of Owner's Property, insofar as reasonable and practical, to its pre-existing condition. If Operator fails to clean such up, after written notification by Owner, Owner may clean up such things and Operator agrees to pay Owner the liquidated amount of \$1,000.00 per day or part thereof which Owner are required to clean up the Property. Operator shall notify Owner in writing of completion of Seismic Operations.

9.13 The provisions of this Agreement apply to Operator's employees, agents, representatives, contractors, subcontractors, invitees and all other persons coming onto Owner's property under Operator's authority, and Operator will be primarily and jointly and severally liable for their actions.

10. Remedies.

10.1 In the event of default hereunder, the parties shall be entitled to all remedies provided by law or in equity. Failure of Operator to comply with any terms of this Agreement shall, at Owner's option: (1) entitle Owner to specific performance, or (2) entitle Owner to seek such other relief as may be provided by law or in equity. Owner may enforce any provision of this Agreement by restraining orders and injunction (temporary or permanent) commanding compliance; restraining orders and injunction will be obtainable on proof of lack of compliance without the necessity of proof of inadequacy of legal remedies or irreparable harm. The act of obtaining an injunction or restraining order will not be deemed to be an election or a waiver of any other rights or remedies available at law or in equity.

10.2 Any payment of Operator under this Agreement that is not paid on or before its due date shall accrue interest at the rate of ten percent (10%) per annum or the maximum rate allowed by law, whichever is lesser, from the date payment was due until the date payment is made.

10.3 If Owner must file a legal action to enforce any obligation of this Agreement, and Owner receives a favorable judgment, then Operator shall reimburse Owner for Owner's reasonable attorney's fees, costs of litigation and court costs.

11. Recordation of Memorandum of Agreement.

Any Party shall have the right to record a memorandum of this Agreement at any time after the Effective Date. Any such memorandum shall contain the following and no other information: (a) the names of the Parties; (b) the Effective Date; (c) the rights granted are non exclusive and (d) a recitation that the option expires automatically if it is not exercised within twelve (12) months following the Effective Date. If the Seismic Permit is extended, the memorandum may be supplemented in order to reflect the new expiration date of the Option Period.

12. Notice.

In order to be effective, any notice given pursuant to this Agreement must be in writing and may be given by hand-delivery, over night delivery service, United States mail or other means, but it shall only be effective when received by the Party (or their duly authorized representative) to whom it is directed. Copies of all notices must likewise be delivered to each of the other parties.

Owner: Stephen C. Floyd
Tom Green County Judge
122 W. Harris Avenue
San Angelo, Texas 76903

Operator: Dan Knox
Lavanco Energy, Ltd.
P.O. Box 60087
San Angelo, Texas 76906

13. Miscellaneous.

Each of the Parties signing this Agreement in a representative capacity does hereby covenant, warrant and represent that such Party has the requisite authority and consent to execute this Agreement in such capacity and that this Agreement is binding upon such party in the capacity or capacities set forth herein. This Agreement shall be binding upon and shall inure to the benefit of all of the Parties and their respective heirs, personal representatives, successors and assigns. This Agreement may not be amended or modified except by a written instrument duly executed and acknowledged by all of the Parties whose interests are affected by such amendment or modification. The Parties agree that the Agreement shall be deemed to be performable by the Parties in Tom Green County, and the Parties further agree that it shall be construed and interpreted, and all rights, remedies and obligations of the Parties shall be determined under the laws of the State of Texas. The headings used in this Agreement are for the convenience of the Parties and shall not be used in the interpretation and construction of this Agreement.

This Seismic Permit and its recording memorandum may be executed in multiple counterparts, each of which, when so executed shall be deemed an original; and all such counterparts, when taken together, shall constitute one and the same instrument. For recordation purposes, the separate signature pages and acknowledgments may be affixed to the body of one original instrument without the necessity of recording each separate counterpart in its entirety.

The effective date of this Agreement is August 26, 2014.

IN WITNESS THEREOF, the Parties have duly executed this Agreement on the dates set forth below.

OPERATOR:

LAVANCO ENERGY, LTD.

By: _____

Dan Knox

OWNER:

TOM GREEN COUNTY

By: _____

Stephen C. Floyd, County Judge, acting in his official capacity and not in his individual capacity

STATE OF TEXAS §

COUNTY OF TOM GREEN §

This instrument was acknowledged before me on August 26, 2014, by Stephen C. Floyd, as County Judge of Tom Green County, a legal and political subdivision of the State of Texas, on behalf of Tom Green County.



Elizabeth McGill, County Clerk, Tom Green County, Texas



THE STATE OF TEXAS

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COUNTY OF TOM GREEN

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This instrument was acknowledged before me on the 27th day of August, 2014, by Dan Knox, Mng. Partner of Lavanco Energy, Ltd, _____.



Shann Kirchman
Notary Public, State of Texas

EXHIBIT "A"

Tract 1. Being 515.8000 acres more or less from the J Zerbach Survey 1827, Abstract 4217 located South East of the Township of Christoval in Tom Green County, Texas.

Tract 2. Being 354.6220 acres more or less from the J Eldridge Survey 73, Abstract 0173 located East of the Township of Christoval in Tom Green County Texas.

Tract 3. Being 127.0000 acres more or less from the G.W. Lewis (Jane Jones) Survey 2, Abstract 8667 located East of J Eldridge Survey 73, Tom Green County, Texas.

Source deed is located in Volume 212, Page 475 of the Deed Record of the Tom Green County Clerk between Sallie J. Pugh and Tom Green County recorded on October 15, 1941 and further described by metes and bounds as follows for Tract 1 and Tract 2:

BEGINNING at a Live Oak 40" on east bank of from which a do 30" bears S. 81.75 E., 60 Varas said beginning point being the SW corner of a 200 acre tract this day conveyed by grantors herin to grantees herin out of said above 2 surveys; THENCE E. with S. line of said 200 acre tract 962 Veras to a stake, its S.E. corner; THENCE North with the East line of same at 365 Veras pass North end of Survey 1827 and South line of Survey 73, in all 1350 vrs to stake in North line of said Survey 73, same being the N.E. corner of said 200 acre tract; THENCE E. with North line of said Survey 73, 2010.75 vrs to its N.E. corner; THENCE South with East line said survey 997 vrs to stake its S.E. corner on North line of Survey 1827; THENCE East with North line said Survey 1827, 583 vrs to stake, its N.E. corner; THENCE S with E line of same, 950 vrs to stake its S.E. corner; THENCE West with S. line of said Survey 1827 3434 vrs to stone mound on E. bank of S. Concho river the S.W. corner of this tract; THENCE down bank of said river with its meanders to place of BEGINNING, SAVE AND EXCEPT that certain 14.7 acre tract of land sold by Sallie Jane Pugh to J. W. Johnson, Mary B. Johnson Hall and Mrs. Ruth Gordon, widow by deed dated January 30, 1933 recorded in Volume 174, page 27 of the deed records of Tom Green County, Texas and described by metes and bounds as follows to-wit: BEGINNING at the S.E. corner of Survey 1827 in the name of Johann Zerbach and S.W. corner of Survey 1827 ½ Thomas McClure; THENCE West along the South line of said Survey 1827, 87.3 vrs to a point; THENCE North 953 vrs to a point in the N. line of Survey 1827 and a South line of Survey 1827 ½; THENCE East 87.3 vrs to the N.E. corner of Survey 1827; THENCE South along the East line of said Survey 1827, 953 vrs to the place of BEGINNING.

Tract 3 source deed is located in Volume 212, Page 476 of the Deed Record of Tom Green County between Sallie J. Pugh and Tom Green County dated October 15, 1941 and is further described by metes and bounds as follows:

127 acres more or less, a part of a 160 acre tract patented to G.W. Lewis, assignee of Jane Jones by Patent No. 365 Vol. 41 dated November 10, 1910 and recorded in Vol. 30 on page 166 of the deed records of Tom Green County, Texas described by metes and bounds as follows, to-wit; BEGINNING at a stone mound the S.E. corner of 160 acres of land patented to G.W. Lewis, which said 160 acres is described in the patent as the South part of the West half of Section No. 2, J.S. Grant, THENCE West with South line of said 160 acre tract 907 vrs to a stake on the East line of Survey No. 73, Jas Eldridge; THENCE with East line of same N. 45' E. 795 vrs to stake in N.E. cor.; THENCE East 896.70 vrs to stake in East line of said G.W. Lewis Patent for 160 acres; THENCE with East line of said South 795 vrs to the place of BEGINNING.