City of Abilene
City Council Agenda

Weldon Hurt, Mayor Pro-tem
Shane Price, Council Member
Jack Rentz, Council Member
Robert Hanna, City Manager

Anthony Williams, Mayor

Donna Albus, Council Member
Kyle McAlister, Council Member
Travis Craver, Council Member
Stanley Smith, City Attorney
Shawna Atkinson, City Secretary

SPECIAL CALLED MEETING

Notice is hereby given of a virtual meeting of the City Council of City of Abilene to be held on May 12, 2020, at 11:15 a.m., virtually via Zoom meeting, for the purpose of considering the following agenda items. All agenda items are subject to action. The City Council reserves the right to meet in a closed session on any agenda item should the need arise and if applicable pursuant to authorization by Title 5, Chapter 551, of the Texas Government Code.

CALL TO ORDER

INVOCATION

1. Mayor Pro-tem Weldon Hurt

PLEDGE TO THE UNITED STATES FLAG AND THE TEXAS FLAG

EXECUTIVE SESSION

2. **The City Council of the City of Abilene reserves the right to adjourn into executive session at any time during the course of this meeting to discuss any of the matters listed below, as authorized by the noted Texas Government Code Sections:**

   551.071 (Consultation with Attorney)
   1. Water Partnership Interlocal Agreement

REGULAR AGENDA - ORDINANCES AND PUBLIC HEARINGS - RESOLUTIONS

3. **Resolution:** Receive a Report, Hold a Discussion and Public Hearing, and Take Action on Authorizing the Execution of an Interlocal Agreement Between the City of Midland, the City of Abilene, and the City of San Angelo Regarding Assignment of an Untreated Groundwater Supply Contract between the City of Midland and Fort Stockton Holdings, L.P. ***(Robert Hanna)***

ADJOURNMENT

In compliance with the Americans with Disabilities Act, the City of Abilene will provide for reasonable accommodations for persons attending City Council meetings. To better serve you, requests should be received 48 hours prior to the meetings. Please call 325-676-6208.

CERTIFICATION

I hereby certify the above meeting notice was posted on the bulletin board at the City Hall of the City of Abilene, Texas, on the 8th day of May, 2020 at 11:50 a.m.

_____

Shawna Atkinson, City Secretary

NOTICE REGARDING PUBLIC PARTICIPATION

Governor Greg Abbott has granted a temporary suspension of certain rules to allow for telephone or video conference public meetings in an effort to reduce in-person meetings that assemble large groups of people, due to the COVID-19 (coronavirus) public health emergency.

In an effort to reduce the spread of the virus, the City Council meeting will be closed to in person attendance by the public, individuals will be able to address the Council via telephone conference call.

There are two phone numbers to call for this meeting:
1) To call in to a Listen Only version of the meeting, call 888-475-4499. The meeting ID is 9654-5699-724
2) To call in to Speak on a public hearing on an agenda item please call 877-853-5257. The meeting ID is 513-873-0228. Please note, this line needs to be used only when the agenda item you wish to speak on is being presented.

Pursuant to Section 551.007 of the Texas Government Code, individuals wishing to address the Council for items listed as public hearings will be recognized when the public hearing is opened. For individuals wishing to speak on a non-public hearing item, they may either address the Council during the Public Comments portion of the meeting or when the item is considered by the City Council.

The agenda packet can be viewed online here: https://www.abilenetx.gov/714/Agendas-Minutes

CITY OF ABILENE

City Council
Agenda Memo

City Council Meeting Date: 5/12/2020

TO:

FROM:

SUBJECT: **2. The City Council of the City of Abilene reserves the right to adjourn into executive session at any time during the course of this meeting to discuss any of the matters listed below, as authorized by the noted Texas Government Code Sections:**

551.071 (Consultation with Attorney)
1. Water Partnership Interlocal Agreement

GENERAL INFORMATION

The City Council of the City of Abilene reserves the right to adjourn into executive session at any time during the course of this meeting to discuss any of the matters listed below, as authorized by the noted Texas Government Code Sections:

A. 551.071 (Consultation with Attorney)

1. **City of Abilene, Texas v. Aurora Bumgarner; 104th Judicial District Court,Taylor County, Texas; filed November 17, 2011**
2. **Ruby Flores and Cory Almanza v. Jesus Verastegui, Alfredo Verastegui, Rosalva Verastegui, and City of Abilene, Cause No. 49368-A, 42nd District Court, Abilene, Taylor County, Texas, filed April 13, 2016**
3. **Robert Steven Reitz v. City of Abilene, Texas, et al., Case No. 1:16-cv-00181-BL; In the U.S. District Court, Northern District of Texas, Abilene Division, filed October 10, 2016**
4. **Officer Patrick Sumrall and City of Abilene, Case No. 01-18-000-8653; Appeal of Indefinite Suspension to Arbitration, filed February 6, 2018**
5. **Alfredo Valencia v. Corey Davis and City of Abilene; Case No. 1:19-cv-00017-C; In the United States District Court, Northern District of Texas, Abilene Division, filed February 4, 2019.**

6. **City of Abilene v. Patrick Sumrall; Cause No. 27,733-B, In the 104th Judicial District Court, Taylor County, Texas, filed May 28, 2019**
7. **Ovation Services, LLC v. Blanca Cortez, et al.; Case No. 11875-D; In the 350th Judicial District Court, Taylor County, Texas; filed July 15, 2019**
8. **City of Abilene v. 3118 South 22nd Street, Abilene, Texas, et al.; Cause No. 11968-D, In the 350th Judicial District Court, Taylor County, Texas; filed October 11, 2019**
9. **City of Abilene, Texas and Garfield Public/Private LLC v. Ken Paxton, Attorney General of Texas; Cause No. D-1-GN-20-000900, In the 261st Judicial District Court, Travis County, Texas, filed February 13, 2020**
10. **Chandler Brooks v. Taylor County, et al.; Civil Action No. 1:20-cv-00049, In the United States District Court, Northern District of Texas, Abilene Division; filed March 5, 2020**
11. **Sanctuary City for the Unborn**
12. **Moving General Election to non-uniform election date**
13. **Governor's Executive Order GA-21 and local enforcement issues**

B. 551.072 (Deliberations about Real Property)

1. **Clyde Water**

C. 551.073 (Deliberations about Gifts and Donations)

D. 551.074 (Personnel Matters)

1. **City Council may consider appointment, employment, compensation, reassignment, duties, discipline, or dismissal of public officers or employees, City Manager, City Attorney, Municipal Court Judge, City Secretary, and City Board and Commission Members**
2. **City of Abilene Boards and Commissions may be discussed, as needed for (re)appointment**

E. 551.076 (Deliberations about Security Devices)

F.551.087 (Business Prospect/Economic Development)

1. **Abilene Convention Center Hotel Project**

SPECIAL CONSIDERATIONS

FUNDING/FISCAL IMPACT

STAFF RECOMMENDATION

BOARD OR COMMISSION RECOMMENDATION

ATTACHMENTS:

None

City Council
Agenda Memo

City Council Meeting Date: 5/12/2020

TO: **Honorable Mayor and City Council Members**

FROM: **Robert Hanna, City Manager**

SUBJECT: **3. Resolution: Receive a Report, Hold a Discussion and Public Hearing, and Take Action on Authorizing the Execution of an Interlocal Agreement Between the City of Midland, the City of Abilene, and the City of San Angelo Regarding Assignment of an Untreated Groundwater Supply Contract between the City of Midland and Fort Stockton Holdings, L.P.** ***(Robert Hanna)***

GENERAL INFORMATION

For many years, the City of Abilene, the City of Midland, and the City of San Angelo (West Texas Water Partnership) have partnered in finding regional solutions to the cities' ongoing water needs. As a result of that partnership, the City of Midland will enter into an Untreated Groundwater Supply contract with Fort Stockton Holdings, L.P. for the purchase of 28,400 acre feet of groundwater. The contract allows Midland to transfer or assign all or a part of the contract to one or more Assignees. Of that 28,400 acre feet, this Interlocal Agreement will assign 8,400 acre feet per year to the City of Abilene, and 5,000 acre fee per year to the City of San Angelo.

SPECIAL CONSIDERATIONS

This agreement will require the City of Abilene to pay the following for the length of the contract on an annual basis:

2020 to 2024: $838,252
2025 to 2029: $937,473
2030: $1,505,432 with a .05% escalator each year till 2070.

Abilene's portion of future infrastructure cost is approximately $90,000,000.

FUNDING/FISCAL IMPACT

STAFF RECOMMENDATION

BOARD OR COMMISSION RECOMMENDATION

ATTACHMENTS:

1. 2020 Resolution Interlocal Water Midland SA
2. Interlocal Agreement - Water from Fort Stockton Holdings L.P. (final)
3. 20200511 COM-FSH Groundwater Purchase and Sale Agreement
4. 20200511 Appendix

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL, CITY OF ABILENE, TEXAS, AUTHORIZING THE EXECUTION OF AN INTERLOCAL AGREEMENT BETWEEN THE CITY OF ABILENE, THE CITY OF MIDLAND, AND THE CITY OF SAN ANGELO REGARDING ASSIGNMENT OF AN UNTREATED GROUNDWATER SUPPLY CONTRACT BETWEEN THE CITY OF MIDLAND AND FORT STOCKTON HOLDINGS, L.P.

WHEREAS, the cities of Abilene, Midland, and San Angelo (the "Parties") have determined that they have common issues related to securing adequate water supplies for their respective residents; and

WHEREAS, the Parties have been cooperating in the evaluation, selection, and development of water management strategies to address such issues; and

WHEREAS, as part of that cooperation the Parties have agreed that purchasing groundwater from Fort Stockton Holdings, L.P. ("FSH") will assist the Parties in meeting their needs to develop future water supplies; and

WHEREAS, the City of Midland as entered into a certain Untreated Groundwater Supply Contract with FSH (the "Contract") for the purchase of 28,400 acre-feet of groundwater from FSH annually; and

WHEREAS, the Contract allows Midland to transfer or assign all or part of the Contract to one or more assignees, subject to the terms and conditions of the Contract; and

WHEREAS, as part of the cooperation of the Parties, Midland desires to assign and transfer portions of the Contract to the City of Abilene and the City of San Angelo; and

WHEREAS, as part of the cooperation of the Parties, the City of Abilene and the City of San Angelo desire to accept such assignment; and

WHEREAS, this Interlocal Agreement is made under the authority of the Interlocal Cooperation Act as codified in Chapter 791 of the Texas Government Code; and

WHEREAS, the City Council finds that it is in the public interest to authorize the execution of the Interlocal Agreement between the Parties for the purposes stated above.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ABILENE, TEXAS:

PART 1: That the City Manager is hereby authorized and directed to execute, on behalf of the City of Abilene, an Interlocal Agreement between the City of Abilene, the City of

Midland, and the City of San Angelo; provided, however, that the City Manager shall not execute said Interlocal Agreement unless and until such agreement has been approved by the governing bodies of the City of Midland and the City of San Angelo.

PART 2: That the City Manager is hereby authorized and directed to negotiate and execute, on behalf of the City of Abilene, any and all related agreements, amendments, easements, legal instruments, or documents necessary and appropriate to carry out the intent of said Interlocal Agreement.

PART 3: That this Resolution is effective immediately upon approval by the City Council.

ADOPTED THIS 12th DAY OF MAY, 2020.

ATTEST:

_____ _____

Shawna Atkinson, City Secretary Anthony Williams, Mayor

APPROVED:

_____

Stanley Smith, City Attorney

INTERLOCAL AGREEMENT

This Interlocal Agreement (this "Agreement"), dated effective as of the Effective Date (as defined below), is entered into by and among the City of Abilene, Texas, a home rule municipal corporation operating pursuant to its City Charter and the laws of the State of Texas ("Abilene"), the City of Midland, Texas, a home rule municipal corporation operating pursuant to its City Charter and the laws of the State of Texas ("Midland"), and the City of San Angelo, Texas, a home rule municipal corporation operating pursuant to its City Charter and the laws of the State of Texas ("San Angelo"). Abilene, Midland and San Angelo are each referred to individually herein as a "Party", and collectively as the "Parties".

RECITALS:

WHEREAS, the Parties have determined that they have common issues related to securing adequate water supplies for their respective residents;

WHEREAS, the Parties have been cooperating in the evaluation, selection, and development of water management strategies to address such issues;

WHEREAS, as part of that cooperation the Parties have agreed that purchasing groundwater from Fort Stockton Holdings, L.P., a Texas limited partnership ("FSH"), will assist the Parties in meeting their needs to develop future water supplies;

WHEREAS, Midland entered into that certain Untreated Groundwater Supply Contract with FSH (the "Contract"), dated effective as of May 12, 2020, 2020 (the "Effective Date"), and attached hereto as Exhibit "A" for the purchase of 28,400 acre-feet of Groundwater (such term being used in this Agreement as defined in the Contract) from FSH annually, as more particularly described in the Contract;

WHEREAS, Section 8.1 of the Contract allows Midland to transfer or assign all or part of the Contract to one or more assignees, subject to the terms and conditions of the Contract;

WHEREAS, Midland desires to assign and transfer portions of the Contract to Abilene and to San Angelo, as more particularly set forth in this Agreement, and Abilene and San Angelo desire to accept assignment of portions of the Contract from Midland, as more particularly set forth in this Agreement; and

WHEREAS, this Agreement is made under the authority of the Interlocal Cooperation Act as codified in Chapter 791 of the Texas Government Code.

AGREEMENT:

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. PARTIAL ASSIGNMENT OF CONTRACT.

1.1. Partial Assignment to Abilene. Simultaneously with the assignment contained in Section 1.2 below, Midland hereby assigns unto Abilene an undivided 8400/28400 (or 21/71) interest in and to all of Midland's right, title, interest, duties, obligations and liabilities under the Contract ("Abilene's Pro-Rata Share"), including, without limitation, all rights to purchase 8,400 acre-feet of Groundwater from FSH annually, pursuant to the terms and conditions of the Contract, and Abilene hereby accepts and assumes all of Midland's right, title, interest, duties, obligations and liabilities under the Contract as to said assigned undivided interest. Abilene represents to Midland and to San Angelo that Abilene is capable of performing all of the duties and obligations and assuming all of the liabilities under the Contract as to Abilene's Pro-Rata Share.

1.2. Partial Assignment to San Angelo. Simultaneously with the assignment contained in Section 1.1 above, Midland hereby assigns unto San Angelo an undivided 5000/28400 (or 25/142) interest in and to all of Midland's right, title, interest, duties, obligations and liabilities under the Contract ("San Angelo's Pro-Rata Share"), including, without limitation, all rights to purchase 5,000 acre-feet of Groundwater from FSH annually, pursuant to the terms and conditions of the Contract, and San Angelo hereby accepts and assumes all of Midland's right, title, interest, duties, obligations and liabilities under the Contract as to said assigned undivided interest. San Angelo represents to Midland and to Abilene that San Angelo is capable of performing all of the duties and obligations and assuming all of the liabilities under the Contract as to San Angelo's Pro-Rata Share.

1.3. Remaining Interest in Contract to Midland. For purposes of clarification, after the assignments of undivided interests in the Contract contained in Sections 1.1 and 1.2 above, Midland shall own and retain an undivided 15000/28400 (or 75/142) interest in and to all of the right, title, interest, duties, obligations and liabilities originally granted to Midland by FSH under the Contract ("Midland's Pro-Rata Share"), including, without limitation, all rights to purchase 15,000 acre-feet of Groundwater from FSH annually, pursuant to the terms and conditions of the Contract. Midland represents to Abilene and to San Angelo that Midland is capable of performing all of the duties and obligations and retaining all of the liabilities under the Contract as to Midland's Pro-Rata Share.

2. **INFRASTRUCTURE.** The Parties acknowledge that pursuant to and in accordance with the terms and conditions of the Contract, FSH granted to Midland the right to design, lay and construct a Wellfield System (as defined in the Contract), together with groundwater wells, pumps and pumping facilities, pipelines, measurement equipment and appurtenances, electric transmission lines, communications lines, utility poles, water storage, water treatment facilities, and related infrastructure, fixtures, and equipment as may be necessary or convenient for the purposes set forth in the Contract (collectively, the "Infrastructure"). Without limiting Article 1 above, the Parties acknowledge and agree that

the out-of-pocket costs and expenses incurred by the Parties in connection with the initial design, laying and construction of the Infrastructure (collectively, the "Initial Infrastructure Costs") shall be borne by and paid for proportionally by Abilene in accordance with Abilene's Pro-Rata Share, by Midland in accordance with Midland's Pro-Rata Share, and by San Angelo in accordance with San Angelo's Pro-Rata Share. In the event any Party pays a greater share of the Initial Infrastructure Costs than it is responsible for under the terms of this Agreement, upon written notice from such overpaying Party, each underpaying Party shall promptly pay to the overpaying Party such underpaying Party's appropriate proportional share of such Initial Infrastructure Costs overpaid by the overpaying Party. With respect to out-of-pocket costs and expenses incurred by the Parties in connection with the Infrastructure which are not Initial Infrastructure Costs, for example, but without limitation, costs of maintaining, operating, inspecting, testing, repairing and replacing Infrastructure (collectively, the "Variable Infrastructure Costs"), the Parties shall use good faith efforts to agree upon a fair and reasonable allocation among the Parties of such Variable Infrastructure Costs.

3. RIGHTS OF FIRST REFUSAL.

3.1 Proposed Transfer to Third Party. If at any time during the term of this Agreement subsequent to the assignments contained in Article 1 of this Agreement, any Party desires to assign or transfer (the "Transferring Party") all or any part of its interest in or under the Contract (such portion of the Contract to be assigned or transferred being hereinafter referred to as the "Offered Interest") and such Transferring Party has received from a third party (meaning any person other than a Party to this Agreement) an offer to acquire the Offered Interest (the "Third Party Offer"), the Transferring Party shall give written notice of the Third Party Offer to the other Parties within thirty (30) days following the Transferring Party's receipt of the Third Party Offer, with detailed information concerning the material terms of the Third Party Offer (the "Third Party Offer Notice"). The other Parties shall have a right of first refusal to acquire the Offered Interest on the same terms as those contained in the Third Party Offer Notice. Each of the other Parties shall have sixty (60) days after the receipt of the Third Party Offer Notice within which to elect in writing to exercise its right of first refusal. Failure to so elect and agree to the terms and conditions of the Third Party Offer within such sixty (60) day period shall be deemed a waiver by such Party of the right of first refusal. If either of the other Parties timely exercises the right of first refusal, then, subject to the provisions below, the Transferring Party will assign or transfer to the Party or Parties that timely exercise the right of first refusal the Offered Interest on substantially the same terms as contained in the Third Party Offer Notice. If neither of the other Parties timely exercises the right of first refusal, then the Transferring Party shall be free to assign or transfer the Offered Interest to the prospective third party transferee on substantially the same terms as contained in the Third Party Offer Notice. Notwithstanding anything to the contrary contained above, in the event both of the other Parties timely exercise their rights of first refusal, then the Transferring Party will assign or transfer to such other Parties the Offered Interest on substantially the same terms as contained in the Third Party Offer Notice, provided,

however, that such other Parties shall acquire the Offered Interest on a proportional basis based upon such other Parties' then current ownership interests in the Contract, and the terms of such Third Party Offer Notice shall be adjusted proportionally to apply to such proportional assignments of the Offered Interest to the other Parties.

3.2 Proposed Transfer to Another Party. If at any time during the term of this Agreement subsequent to the assignments contained in Article 1 of this Agreement, a Transferring Party desires to assign or transfer any Offered Interest and such Transferring Party has received from another Party (the "Offering Party") an offer to acquire the Offered Interest (the "Co-Owner Offer"), the Transferring Party shall give written notice of the Co-Owner Offer to the Party that did not make the Co-Owner Offer (the "Non-Offering Party"), within thirty (30) days following the Transferring Party's receipt of the Co-Owner Offer, with detailed information concerning the material terms of the Co-Owner Offer (the "Co-Owner Offer Notice"). The Non-Offering Party shall have a right of first refusal to acquire the Proportional Offered Interest (as defined below) on the same proportional terms as those contained in the Co-Owner Offer Notice. The Non-Offering Party shall have sixty (60) days after the receipt of the Co-Owner Offer Notice within which to elect in writing to exercise its right of first refusal. Failure to so elect and agree to the terms and conditions of the Co-Owner Offer as to the Proportional Offered Interest within such sixty (60) day period shall be deemed a waiver by such Non-Offering Party of the right of first refusal. If the Non-Offering Party timely exercises the right of first refusal, then, subject to the provisions below, the Transferring Party will assign or transfer to the Non-Offering Party the Proportional Offered Interest on substantially the same proportional terms as contained in the Co-Owner Offer Notice. If the Non-Offering Party does not timely exercise the right of first refusal, then the Transferring Party shall be free to assign or transfer the entirety of the Offered Interest to the Offering Party on substantially the same terms as contained in the Co-Owner Offer Notice. The term "Proportional Offered Interest" as used herein means a fractional share of the Offered Interest with the numerator of such fraction being equal to the then current number of acre-feet of Groundwater that the Non-Offering Party has the right to purchase from FSH annually pursuant to the terms and conditions of the Contract and with the denominator of such fraction being equal to the then current total number of acre-feet of Groundwater that both the Non-Offering Party and the Offering Party have the right to purchase from FSH annually pursuant to the terms and conditions of the Contract. For clarification, the right of first refusal which the Non-Offering Party has pursuant to this Section 3.2 applies only to the Proportional Offered Interest. Therefore, regardless of whether the Non-Offering Party exercises its right of first refusal, the portion of the Offered Interest that is not included in the Proportional Offered Interest (the "Remaining Offered Interest") may be assigned or transferred to the Offering Party on substantially the same terms as contained in the Co-Owner Offer Notice; provided, however, that if the Non-Offering Party timely exercises its right of first refusal, the terms of such Co-Owner Offer Notice shall be adjusted proportionally to apply to the Remaining Offered Interest assigned or transferred to the Offering Party.

3.3 Restrictions on Rights of First Refusal. With respect to the rights of first refusal contained in Sections 3.1 and 3.2 above, the Parties acknowledge and agree that (i) such rights of first refusal are personal to the named Parties to this Agreement and that no Party may assign or transfer its right of first refusal without the prior written consent of the other Parties to this Agreement, and (ii) such rights of first refusal shall not apply to any assignment or transfer by all of the Parties of such Parties' interests in the Contract to a political subdivision formed for the purpose of acquiring all of the Parties' interests in the Contract.

4. **TERM.** This Agreement shall be effective for all purposes of the Effective Date and shall continue until the expiration or termination of the Contract.

5. **SEVERAL LIABILITY.** Notwithstanding anything to the contrary contained in this Agreement, the Parties acknowledge and agree that each Party shall have no liability or responsibility for any obligations or liabilities of any other Party under this Agreement or the Contract. Without limiting the foregoing, any payments due to FSH under the terms of the Contract in connection with a Party's pro-rata share of the Contract shall be paid directly to FSH by such Party in accordance with the terms of the Contract. In the event any Party pays any amount in connection with this Agreement or the Contract, including, without limitation, any amount paid to FSH under any indemnification obligation under the Contract, which is attributable to the obligations or liabilities of another Party to this Agreement, upon written request such other Party shall promptly reimburse the paying Party for such amount.

6. **FURTHER ASSURANCES.** The Parties each agree to execute and deliver such other instruments, documents or agreements and to take such other actions as may be reasonably necessary or desirable for the implementation of this Agreement and the consummation of the transactions contemplated herein. Each Party shall execute and deliver such additional instruments, documents, conveyances, or assurances and take such other actions as shall be reasonably necessary or desirable, or otherwise reasonably requested by any other Party, to confirm and assure the rights and obligations provided for in this Agreement and to render effective the consummation of the transactions contemplated herein or otherwise to carry out the intent and purposes of this Agreement.

7. **GENERAL PROVISIONS.**

7.1 Notices. All notices, requests, demands and claims, if any, under this Agreement shall be in writing and addressed to the intended recipient as set forth below:

If to the City of Abilene:

City of Abilene
Attn: City Manager
PO Box 60
Abilene, Texas 79604

If to the City of Midland:

City of Midland
Attn: City Manager
300 N. Loraine
Midland, Texas 79701

If to the City of San Angelo:

City of San Angelo
Attn: City Manager
72 W College Ave.
San Angelo, Texas 76903

7.2 Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. Without limiting the provisions of Article 3 above, no Party may assign either this Agreement or any of its rights, interests, obligations or liabilities under this Agreement without the prior written consent of the other Parties.

7.3 Payments from Current Revenues. Any payments due under this Agreement by any Party shall be made from current revenues of the paying Party. Without limiting the foregoing, pursuant to Section 271.903 of the Texas Local Government Code, as to each Party hereto, this Agreement is conditioned on a best efforts attempt by the governing body of such Party to obtain and appropriate funds for payment of amounts due under this Agreement.

7.4 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas without giving effect to any choice or conflict of law provision or rule (whether of the State of Texas or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Texas. THE PARTIES EXPRESSLY WAIVE TRIAL BY JURY IN ANY LITIGATION ARISING OUT OF, CONNECTED WITH, OR RELATING TO THIS AGREEMENT.

7.5 Entire Agreement; Amendments. This Agreement constitutes the entire agreement among the Parties and supersedes any prior understandings, agreements, or representations by or among the Parties, written or oral, to the extent they have related in any way to the subject matter of this Agreement. This Agreement may not be modified or amended except by an instrument in writing signed by all of the Parties hereto.

7.6 Severability. If any provision of this Agreement shall be held invalid, illegal or incapable of being enforced, the validity, legality or enforceability of the other provisions of this Agreement shall not be affected.

7.7 Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

7.8 Headings. The headings of sections and subsections of this Agreement are for guidance and convenience of reference only and shall not limit or otherwise affect any of the terms or provisions provided for herein.

7.9 No Third Party Beneficiaries. The Parties have entered into this Agreement solely for their own benefit and agree that nothing herein shall be deemed or construed to confer any right, privilege or benefit on any person or entity other than the Parties hereto and their respective successors and permitted assigns. This Agreement shall be for the sole and exclusive benefit of the Parties hereto and shall never be deemed or construed to confer any right, privilege or benefit on any third party.

7.10 Counterparts; Electronic Signatures. This Agreement may be executed in any number of counterparts and each counterpart shall be deemed to be an original instrument, but all such counterparts shall constitute but one instrument. This Agreement is not effective or enforceable until all Parties have signed it. Except as may otherwise be required by law, any signature to this Agreement delivered by facsimile or scanned and sent via e-mail shall be deemed an original for all purposes.

[Remainder of page intentionally left blank; signature pages follow.]

EXECUTED by each Party hereto as of the date indicated underneath its respective signature, to be effective for all purposes as of the Effective Date.

CITY OF ABILENE, TEXAS

By:_____
Robert Hanna, City Manager

Date:_____

ATTEST:

_____
Shawna Atkinson, City Secretary

CITY OF MIDLAND, TEXAS

By:_____
Courtney Sharp, City Manager

Date:_____

ATTEST:

_____
Amy M. Turner, City Secretary

CITY OF SAN ANGELO, TEXAS

By:_____
Daniel Valenzuela, City Manager

Date:_____

ATTEST:

_____
Name:_____
Title:_____

Exhibit "A"
attached to Interlocal Agreement entered into by and among the City of Abilene, Texas, the City of Midland, Texas, and the City of San Angelo, Texas

Copy of Untreated Groundwater Supply Contract between the City of Midland, Texas, and Fort Stockton Holdings, L.P.

(see attached)

UNTREATED GROUNDWATER SUPPLY CONTRACT BETWEEN FORT STOCKTON HOLDINGS, L.P., AND THE CITY OF MIDLAND, TEXAS

This Untreated Groundwater Supply Contract is made by and between the City of Midland, Texas, a home rule municipal corporation located in Midland County, Texas, operating pursuant to its city charter and the laws of the State of Texas (the "***City***"), and Fort Stockton Holdings, L.P., a Texas limited partnership with a principal place of business located at the address for notification purposes referenced below ("***FSH***"). FSH and the City are each referred to in this agreement generally as a Party and collectively as the Parties. This contract is referenced throughout as the "***Contract***". Words and phrases used throughout this Contract are subject to the definitions provided in the attached appendix unless expressly defined otherwise.

RECITALS

1. FSH would like to repurpose the groundwater resources it owns and controls and has developed historically to make the same available for purposes of selling a specified volume of untreated groundwater to the City to facilitate the City's ability to meet its long-term municipal water supply needs and the additional water supply needs within the West Texas region.

2. The City would like to secure FSH's groundwater supplies in effort to meet its long-term municipal water supply needs and the additional water supply needs within the West Texas region.

3. FSH holds a Regular Permit issued by the Middle Pecos Groundwater Conservation District effective July 18, 2017, authorizing the production, transport, and use of up to 28,400 acre-feet of groundwater per year from the Aquifer underlying the Contract Premises for multiple beneficial purposes within and outside the boundaries of the District.

4. This Contract covers and includes only the Groundwater FSH is authorized to produce from the Aquifer underlying the Contract Premises pursuant to the Regular Permit, and expressly excludes any rights FSH has to produce Groundwater pursuant to the H&E Permits or otherwise from the Aquifer or any other aquifer underlying the Contract Premises.

5. Since the issuance of the Regular Permit on July 18, 2017, the total volume of Groundwater the District has permitted FSH to produce is 47,418 acre feet each year from the Aquifer underlying the Contract Premises, which includes both FSH's H&E Permits (19,018 acre-feet per year authorized for agricultural use) and the Regular Permit (28,400 acre-feet per year authorized for agricultural, industrial, and municipal uses both within and outside the District).

6. FSH has historically relied on production from 25 existing groundwater wells within the Contract Premises, known as the Farm Wells, that were drilled for irrigation use and permitted by the District to produce Groundwater from the Aquifer within the Contract Premises.

7. None of the Farm Wells were designed, engineered, or constructed to meet either federal or state drinking water standards, nor are any of the Farm Wells classified by the TCEQ as public water supply wells.

8. The Regular Permit has been issued to allow for the production, transport, and use of up to 28,400 acre feet annually of Groundwater produced and transported from the Contract Premises for use within the West Texas region both inside and outside of Pecos County, Texas, for beneficial uses, including municipal, agricultural, and industrial purposes.

9. The Regular Permit, and the right to produce Groundwater from the Contract Premises pursuant to the Regular Permit, is subject to the regulatory jurisdiction of the District, including the terms of the Regular Permit and the provisions of the District's Management Plan, rules, enabling legislation, and Chapter 36 of the Texas Water Code, and other applicable law and/or regulatory authority of other governmental entities with jurisdiction over Groundwater.

10. FSH is willing to sell to the City the 28,400 acre-feet of Groundwater annually as authorized by the Regular Permit.

11. The City is willing to purchase from FSH the 28,400 acre-feet of Groundwater annually authorized by the Regular Permit.

12. The City is willing to design, construct, operate, measure, and maintain the necessary Groundwater production, collection, and transport infrastructure, including all wells, pumps, water storage and treatment facilities, pipeline transmission lines, ingress, egress, and utility corridors, and related facilities for producing, delivering, transporting, measuring, treating, storing, and using up to 28,400 acre feet of Groundwater annually pursuant to the terms of this Contract.

13. FSH is willing to provide the City with all reasonable access to the Contract Premises, and license to exercise the production, transport, and use authorizations in the Regular Permits, necessary for the City to effectively and efficiently explore for, develop, produce, deliver, transport, and use the 28,400 acre feet of Groundwater annually.

14. The Parties acknowledge and agree that this Contract involves the sale of Groundwater delivered and measured at a meter located proximate to each wellhead on the Contract Premises.

15. The Parties acknowledge that the negotiation of this Contract, and the post-closing development and operation of the City's Wellfield System, involve the exchange and delivery of confidential and proprietary information between the Parties, including by not limited to information related to:

(i) the volume and reliability of Groundwater resources, and

(ii) the geologic and hydrogeologic characteristics of the Contract Premises and the underlying Aquifer, and

(iii) the market conditions for the sales market and pricing of the groundwater to be produced, and the economic benefits to be derived by the Parties pursuant to the confidential and proprietary information to be exchanged between the Parties.

NOW, THEREFORE, the Parties agree to the following:

ARTICLE I

CONTRACT FOR SALE OF AND ACCESS TO GROUNDWATER

Section 1.1. Groundwater Sale. FSH agrees to sell to the City and the City agrees to buy the Annual Volume. FSH shall grant a license to the City to use the Regular Permit, including the ability to pursue amendments to it from the District, to facilitate the production of Groundwater for subsequent beneficial use, subject to the terms of this Contract.

Section 1.2. Groundwater Access. During the Contract Term, FSH grants to the City the exclusive right to design, develop, construct, maintain, and operate the Wellfield System to produce the Annual Volume of Groundwater underlying the Contract Premises pursuant to the terms of the Regular Permit and subject to the terms of this Contract.

Section 1.3. Groundwater Development and Production. The City shall have the right, at the City's sole cost and expense, to develop the Annual Volume of the Groundwater underlying the Contract Premises contracted to the City and to construct wells and a gathering and collection system on, about, and under the Contract Premises to transport the Groundwater to the City-controlled property for the storage and transmission to the City's customers and service areas.

ARTICLE II

CONTRACT TERM

Section 2.1. Contract Term. Except as otherwise provided below, the Contract shall begin on the Effective Date and continue until the Termination Date.

Section 2.2. Early Termination by the Parties. (a) The rights of termination prescribed in this Section 2.2 are intended to be in addition to, and not a limitation upon or an election by any Party with respect to, the remedies otherwise available to the Parties at law or in equity, or pursuant to other provisions of this Contract.

(b) FSH has the right to terminate this Contract early, in whole or in part, if:

(1) the City commits a material breach of this Contract; or

(2) the City becomes insolvent, files a petition in bankruptcy, or is placed in receivership; or

(3) the District terminates the Regular Permit without issuing a replacement permit having equivalent or more favorable terms to the Regular Permit, or the District refuses to grant the Parties, or either of them, either an amendment to the Regular Permit or an additional permit (*e.g.*, a permit to drill and produce from a new well or replacement well constructed to meet TCEQ standards for municipal supply wells) that the Parties, or either of them, consider essential to the fulfillment of their obligations under this Contract.

(c) Subject to the City's opportunity to cure, as set out in Section 10.4, FSH may terminate this Contract prior to the Termination Date and seek such legal remedies at law or in equity as may be available to it, by providing written notice to the City in response to any one or more of the above events.

(d) The City has the right to terminate this Contract early, in whole or in part, if:

(1) FSH commits a material breach of this Contract; or

(2) FSH becomes insolvent, files a petition in bankruptcy, or is placed in receivership; or

(3) the District terminates the Regular Permit without issuing a replacement permit having equivalent or more favorable terms, or the District refuses to grant the Parties, or either of them, either an amendment to the Regular Permit or an additional permit (*e.g.*, a permit to drill and produce from a new well or replacement well constructed to meet TCEQ standards for municipal supply wells) that the Parties, or either of them, considered essential to the fulfillment of their obligations under this Contract.

(e) Subject to FSH's opportunity to cure, as set out in Section 10.4, the City may terminate this Contract prior to the Termination Date and seek such legal remedies at law or in equity as may be available to it, by providing written notice to FSH in response to any one or more of the above events.

Section 2.3. Contract Extension. If the Contract is not terminated early pursuant to Section 2.2, then the City, in its exclusive discretion, may extend the Contract under the terms and conditions then in effect until the First Extension Date, and then again until the Second Extension Date, if the City notifies FSH in writing on or before two years before the applicable termination date of the City's election to extend the Contract Term.

Section 2.4. Permits, City Wells, Facilities, and Easements upon termination. (a) On the Termination Date the following shall occur:

(1) the City's license in the Regular Permit automatically terminates;

(2) any permit held by the City on the date of termination that is tied to activities on the Contract Premises conducted in furtherance of this Contract automatically transfers to FSH;

(3) all easements granted to or for the benefit of the City under this Contract expire; provided that the City shall have a temporary easement for ingress and egress to the Contract Premises to facilitate the City's removal and restoration activities on the Contract Premises pursuant to subsection (d).

(b) FSH has the option to acquire:

(1) each City Well and each well pump and pump motor from each City Well for the consideration of $100.00 per well;

(2) any of the City's Facilities for its fair market value at termination; and

(3) any permits other than those described in subsection (a)(2).

(c) To exercise its options in subsection (b), FSH must notify the City by written declaration no later than two months before the Termination date.

(d) Before the expiration of eight months following the Termination Date, the City must:

(1) remove all well pumps and pump motors from each City Well and properly plug each remaining City Well to applicable local, state, and federal standards;

(2) clear the property of all City vehicles, equipment, personal property, and litter and other garbage, and remove all booster pumps, above-ground storage and pressure maintenance facilities, pump houses, security fencing, and other above-ground structures in the Wellfield System; and

(3) seed soils within equipment and storage yards and demolition areas with native variety grass species.

(e) FSH shall be responsible, at its sole costs, for preparing and recording any release or assignment of any such easements in a recordable form acceptable to FSH. This provision survives the termination of the Contract.

(f) The City is relieved of all responsibilities for removal, plugging, and restoration of the assets and the areas attributable to those assess that FSH acquires pursuant to Section 2.4(b).

ARTICLE III

ACCESS AND POINT OF DELIVERY

Section 3.1. Point of Delivery for Groundwater. The point of delivery by FSH to the City of the Groundwater being sold to the City on a volumetric basis is to be at the wellhead and measured at the Well Meters to be installed and maintained by the City at each well used by the City to produce Groundwater from the Contract Premises.

Section 3.2. Title Matters. (a) Title to the Groundwater Estate, including that portion of the Groundwater Estate underlying the Contract Premises from which the Groundwater that is the subject of this Contract is to be produced, is vested in, owned by, and shall remain vested in and owned by FSH.

(b) Title to the Groundwater, together with all risk, liability, obligations, benefits, and rights associated with the produced Groundwater, transfers to the City at such time as the water is measured at the Well Meters.

Section 3.3. Wellfield System Development & Surface Use Rights. (a) The City shall have the right, at the City's sole cost and expense, to develop the Annual Volume of the Groundwater underlying the Contract Premises contracted to the City and to construct wells and a gathering and

collection system on, about, and under the Contract Premises to transport the Groundwater to the City-controlled property for the storage and transmission to the City's customers and service areas. In connection with, and for the limited purposes of this Contract and subject to the limitations below, FSH grants to the City for use during the term of this Contract all necessary easements and rights-of way on, under, and across the Contract Premises for the purpose of designing, laying, constructing, maintaining, operating, inspecting, testing, repairing, replacing, and removing groundwater wells, pumps and pumping facilities, pipelines, measurement equipment and appurtenances, electric transmission lines, communications lines, utility poles, water storage, water treatment facilities and related infrastructure, fixtures, and equipment as may be necessary or convenient to accomplish the following:

(1) the efficient production, gathering, storage, treatment, and transportation of Groundwater produced pursuant to this Contract;

(2) the construction of a well field of public water supply wells, and a pipeline system and appurtenant infrastructure and related facilities necessary to produce and develop the Groundwater for purposes of transporting the same off of the Contract Premises to the City's places of beneficial use;

(3) the transportation of Groundwater on and across the Contract Premises for gathering and for delivery to the City's points of collection, storage, treatment and use, including the interconnection to the City's pipeline system for delivery to the City's customers and places of beneficial use;

(4) reasonable ingress and egress access to the areas of the Contract Premises necessary for the production, storage, treatment, and transportation of Groundwater and the construction, operation, inspection, maintenance, and repair of all necessary facilities for such activities; and

(5) the placement and drilling of new and/or replacement wells reasonably necessary to develop and produce the Annual Volume contracted to the City pursuant to the Regular Permit, as well as any new Groundwater collection and distribution system on the Contract Premises reasonably necessary to collect and distribute the Annual Volume.

(b) In connection with the easements and rights-of-way granted by FSH to the City by this Contract, the City shall locate such easements and rights-of-way on the Contract Premises only in such locations as to enable the City to access the Contract Premises by necessary and convenient ingress and egress for purposes of this Contract, develop the design of the Wellfield System, access and produce Groundwater to the surface, construct necessary and convenient pumps and pumping facilities, collect, transport, treat, and remove Groundwater using a reasonable number and size of production and conveyance facilities and pipelines that will not unreasonably interfere with FSH's use of the Contract Premises in accordance with the Preliminary Design.

(c) The City will develop a Preliminary Design of the Wellfield System that will not unreasonably interfere with (1) FSH's existing uses of the Contract Premises, or (2) FSH's access to or use of the Reserved Volume; ***PROVIDED FURTHER,*** FSH shall have and maintain the right to use the Contract Premises for any and all future uses FSH desires pursuant to its ownership of the

Groundwater Estate, and the rights retained in this Contract, so long as such uses do not unreasonably interfere with the City's use of the Contract Premises as authorized by this Contract.

(d) Following a reasonable opportunity to review the Preliminary Design, FSH must approve the Preliminary Design in writing before construction of the Wellfield System can begin. FSH shall have 90 days to review the Preliminary Design, recognizing that time is of the essence, and will not unreasonably withhold its approval. If FSH has not approved the Preliminary Design within the 90-day review period, the Preliminary Design shall be automatically deemed approved by operation of time. The City will endeavor to design a Wellfield System that respects FSH's private property rights in the Contract Premises, and the Parties agree to work in good faith to address any objections to location of facilities.

(e) Following FSH's approval of the Preliminary Design, the City will construct the Wellfield System in accordance with the Preliminary Design and will have the locations of all facilities surveyed and platted for purposes of developing and recording all necessary final easements and rights-of-way. Pipelines, roadways, and utility lines shall be identified and surveyed by center line.

(f) The City will survey all easements and will file final easements and rights-of-way in the real property records of Pecos County.

(g) Notwithstanding the rights granted to the City in subparagraph (a) above of this Contract, the Parties agree that those rights do not include and expressly exclude and prohibit any of the following actions or activities, absent a separate written agreement or easement between FSH and the City expressly authorizing such actions or activities:

(1) the disposal in, on, under, or beneath the Contract Premises of any waste stream, product, or by-product resulting from the City's activities on the Contract Premises;

(2) development or operation of an aquifer storage and recovery project on the Contract Premises;

(3) any underground water storage facilities on the Contract Premises;

(4) the right to grant any third-party any right of ingress, egress, or use of the surface of the Contract Premise for any purpose not related exclusively to the purposes of this Contract;

(5) any other above ground facilities or improvements, including pipelines and/or power or communication lines or related infrastructure, that would interfere with farming and ranching conducted on the Contract Premises; and

(6) Any improvement, facility, or activity on the Contract Premises not directly related to the City's performance of its duties and obligations under the Contract.

(h) FSH shall have no obligation to provide or pay for any portion of any of the Facilities used or relied upon by the City in the performance of its duties, or any other item necessary for the City to carry out its operations, pursuant to this Contract.

(i) The City is responsible for obtaining its own electrical or alternative power supply, or other utility service(s) the City deems necessary for the Facilities and the City's full performance under this Contract. The City shall obtain all utilities and utility accounts in its own name and at its sole cost and expense. The City shall timely pay all utility charges for water, sewer, electricity, heat, gas, and telephone service used on, in, or about the Contract Premises for its purposes, including any charges or costs for necessary connections, extensions, equipment, or meters for such services, and shall indemnify and hold harmless FSH from the same.

(1) The City is responsible for all costs associated with pumping of any portion of the Annual Volume, inclusive of the pumping of the Groundwater to the Well Meter.

(2) FSH agrees to cooperate with the City with respect to the granting of easements and/or rights-of-ways on, over, under, and across the Contract Premises necessary for bringing power or other utility services necessary for the City's Facilities.

Section 3.4. Compensation for Easements, Rights-of-Way, and Surface Damages. (a) Upon the designation of easements and rights-of-way pursuant to 3.3(d), as consideration for FSH's conveyance to the City, the City will pay a rate based upon 75% of the minimum rate published by University Lands Rate and Damage Schedule in effect at the time. FSH assigns each applicable easement to the City, as follows:

(1) for roads constructed by the City, the per rod rate for roads requiring easements;

(2) for pipelines, the applicable rate for University Lands Mineral Lessee New Pipeline Easement based upon pipeline diameter, provided, that consideration for damages shall exclude any per barrel or other volumetric import/export fee or pass-through charge;

(3) for electric and communication above-ground utility lines, the applicable rate for University Lands Mineral Lessee New Utility Line Easement by category as applicable; and

(4) for groundwater well pad sites, pump station facilities, equipment and maintenance yards, storage tank sites, and water treatment facilities sites, surface damages equal to the applicable rate for Re-entry New University Lease based upon the applicable size of the damaged area; and

(5) the above activities shall not be subject to any renewal rates published by University Lands.

(b) If the size or scope of any of the factors used to calculate compensation for any of the easements described in subsection (a) are modified after the date of the original easement assignment, the compensation shall be adjusted accordingly based on the applicable rate in effect on the date of the original easement assignment, provided in the event that the consideration charged for a pipeline easement as provided in subsection (a)(2) above is subsequently modified to provide compensation for damages solely by an import, export or throughput volume, the damage calculation for pipelines shall be determined on a square footage basis at the minimum damage rate charged by the University Lands for General Damages-Pad extensions.

ARTICLE IV

RIGHTS, OBLIGATIONS, AND USE OF CONTRACT PREMISES

Section 4.1. Exercise of Rights in Regular Permit. (a) In addition to the access and surface use rights granted to the City pursuant to this Contract, including in Section 3.3:

(1) FSH grants a license to the City to undertake all authorizations provided for in the Regular Permit the City needs to lawfully explore for, drill for, pump, transport, treat, market, sell, use, and reuse annually for beneficial use the Annual Volume.

(2) FSH shall remain the owner of the Groundwater Estate and the Regular Permit; however, this Contract shall serve as a license authorizing the City to take such actions, in consultation with FSH, including pursue amendments to the Regular Permit, as the City deems necessary to the implementation of this Contract so long as such actions do not threaten to, or damage, the Regular Permit and/or the rights of FSH under the Regular Permit. FSH will cooperate with the City in making any such amendments, including joining in the execution of said applications as the holder/owner of the Regular Permit and/or the Contract Premises.

(3) The City shall exercise its rights under this Contract and the Regular Permit in a reasonable, responsible, and prudent professional manner consistent and compliant with and subject to the terms and conditions of the Regular Permit, the District's Rules and Management Plan, and all applicable laws.

(4) Notwithstanding the City's obligations to take all actions necessary to implement this Contract, FSH agrees to cooperate with and assist the City in the City's efforts to secure any governmental authorization, permit, or acknowledgement necessary to implement this Contract.

(b) FSH's grant of a license to the City of the right to operate pursuant to FSH's Regular Permit does not effect, imply, or constitute a transfer, assignment, or conveyance of ownership of the Regular Permit to the City. FSH shall hold and retain ownership of all rights to and under the Regular Permit. FSH's grant of a license to the City reflects the Parties' intent that the City shall have full rights, enjoyment, authorizations, and obligations to operate under the Regular Permit, including the rights to develop, produce, transport, and use Groundwater in the manner and to the degree contemplated by this Contract.

(c) Subject to Section 4.4, FSH agrees to cooperate with the City in connection with any request to modify or amend the Regular Permit in a manner deemed necessary by the City to its implementation of and full performance or realization of its rights and obligations under this Contract and the Regular Permit; ***PROVIDED, HOWEVER***, that such action by the City does not threaten either the Regular Permit, H&E Permits, or FSH's rights under the Regular Permit. Unless agreed to otherwise by the Parties, each Party shall be responsible for their respective costs incurred to perform the obligations set forth in this Section 4.1; ***PROVIDED, HOWEVER***, that if the City requests FSH to take some action, or provide specific support to secure an authorization, including a permit or permit amendment from a governmental entity, including the District, that the City determines is necessary to fulfill its obligations or realization of rights under the Contract, then the Parties shall coordinate to develop a specific set of tasks and obligations for FSH to perform.

Section 4.2. New Wells. (a) During the Contract Term and at the request of the City, FSH agrees to cooperate with the City to secure the necessary authorization from the District for the City to drill, re-drill or rework wells on the Contract Premises to be designed, engineered, and constructed in accordance with TCEQ criteria to meet drinking water quality standards and be classified as public water supply wells; ***PROVIDED, HOWEVER,*** that the City agrees to pay all costs associated with the cost to design, drill, complete, and construct the City Wells and Facilities together with the costs of operating the foregoing.

(b) Notwithstanding the City's obligations in subsection (a) above, FSH agrees to allow the City a limited right of access to and use of the Farm Wells, which the City acknowledges are neither constructed or operated as, nor qualified to be classified as, public water supply wells, for the limited purpose of conducting aquifer testing and Wellfield System construction in anticipation of the City's securing the District's authorization to drill and construct, and thereafter, drilling and constructing the City's TCEQ-approved public water supply wells to implement this Contract. Nothing in this Contract obligates, or is intended to obligate, FSH to provide public water supply wells to the City.

(c) FSH retains the right to apply for drilling and/or production permits from the District for the drilling and use of new and/or replacement wells for purposes of development of FSH's Groundwater Estate, including wells to be completed in the Edwards-Trinity Aquifer, to the extent such development and production is not in conflict with the City's rights and obligations elsewhere provided for in this Contract. FSH will pay its costs for applications it voluntarily files, as well as the cost of any new wells it drills. To the extent FSH voluntarily files any such applications, FSH will pay for its costs incurred.

(d) In the event that FSH intends to apply for additional permits, whether for drilling or production purposes, that would increase its permitted production of Groundwater underlying the Contract Premises, FSH shall (i) provide the City with not less than thirty (30) days written notice in advance of filing any application with the District, and (ii) give the City a reasonable amount of time to confirm at the City's discretion that such additional permits will not have a Materially Adverse Effect on the City's rights and/or obligations under this Contract. If the City determines that FSH's additional permits would impact directly or negatively the City's rights to produce the Annual Volume under this Contract, upon receipt of written notice from the City detailing the nature of the adverse impacts, FSH will work with the City to modify its application to ensure that the City's rights and obligations under this Contract to produce, transport, and use the Annual Volume will not be adversely affected.

Section 4.3. Data and Reports. During the Term of this Contract: (a) FSH agrees to share with the City copies of all data, reports, studies, and application forms and permits relating to the development of Groundwater that are in FSH's possession or control, and/or that may be generated in the future as a result of continued farming and/or ranching operations on the Contract Premises; and

(b) the City shall provide FSH with copies of all of the City's future data, reports, or studies relating to the City's Wells for FSH's use in the continued study and preservation of the Aquifer, as well as copies of all information the City provides to the District, the City of Fort Stockton, Pecos County and any regional and statewide water regulatory bodies.

Section 4.4. Consultants. In connection with the City's exercise of its rights and obligations set forth in this Article IV, FSH agrees to make a good faith and diligent effort to assist and cooperate with the City in obtaining, maintaining, or defending any permit (including the Regular Permit) or authorizations and related filings, hearings or other regulatory matters, including providing access to FSH's consultants and their prior reports related to the Contract Premises and the Aquifer.

Section 4.5. Permits. (a) FSH shall apply for the renewal of the Regular Permit to extend the term beyond July of 2020. Upon the renewal of the Regular Permit, FSH will file notice with the District of the City as licensee under the permit having all authority to conduct operations under the permit.

(b) The City shall have the right to seek or obtain such federal, state, or local permit rights and authorizations, other than permits from the District, the City deems necessary for the development of the Groundwater and performance under this Contract for the production and use of the Annual Volume of the Groundwater pursuant to the terms of this Contract.

Section 4.6. Metering. (a) Prior to the City's production of any Groundwater from the Contract Premises, the Transport Meter and Well Meters shall be installed and calibrated by the City at the City's sole cost. The City shall provide copies of the calibration test results to FSH.

(b) All Metering Equipment installed by the City shall meet the minimum standards of any governmental entity with regulatory jurisdiction over the production of Groundwater, including the District and TCEQ. Thereafter, the Metering Equipment shall be calibrated (i) as required by law, or (ii) at any reasonable time by either Party at such Party's expense, provided that the Party making the calibration test shall notify the other Party at least one (1) week in advance and allow the other Party to witness the calibration. At a minimum, the Metering Equipment shall be tested for accuracy and calibrated by the City at the City's expense at least once each calendar year, at intervals of approximately 12 months, or such shorter periods as required by District rules, the Regular Permit or other applicable rule or regulation of a governmental authority having jurisdiction over the production or exportation of Groundwater. A report of each such calibration test shall be furnished to FSH within 10 business days of completion of the calibration. The City shall provide FSH with reasonable notice of the date of the annual calibration test and FSH shall have the right to witness such testing and calibration. The City shall maintain records of the results of all such calibrations in accordance with its applicable records retention policies.

(c) The City, at its sole cost and expense, shall install, own, maintain, test, repair, and, as necessary, replace all Transport Meters and Well Meters on the Contract Premises, including any Farm Well authorized under the Regular Permit, which are used by the City for any purpose under this Contract to measure the production of Groundwater actually produced, and/or transported, by the City from the Contract Premises. The City shall provide the necessary Metering Equipment, to the satisfaction of FSH, to measure separately and/or allocate the volume of Groundwater produced by the City, as well as the volume of Groundwater transported off of the Contract Premises whether for beneficial use by the City, or sale to the City's third-party customers, necessary to comply with District rules and the Regular Permit.

(d) If a question arises as to the accuracy of any Metering Equipment at any time between regular annual calibration tests, then the affected Meter(s) or other Metering Equipment shall be tested promptly upon demand of either Party. The expense of such test shall be paid by the requesting Party,

unless (i) requested by FSH and upon testing the Metering Equipment is registering inaccurately by more than 3%, in which case the City shall pay for all expenses, or (ii) the Parties mutually agree to split the costs of the test. Notwithstanding any provision of this Contract to the contrary, in the event that testing of any Metering Equipment is lawfully required to be performed by the District or any other governmental authorities, the cost of such testing shall be the sole responsibility of the City.

(e) If, as a result of any test, any Well Meter or the Transport Meter is found to be registering inaccurately in excess of 3% of the applicable calibration test results described in this Section, unless mandated by a District rule or some other lawful regulation, statute, or ordinance, the prior meter readings shall be corrected at the rate of the documented inaccuracy for any period which is definitely known or agreed upon or, if no such period is known or agreed upon, the shorter of (i) a period extending back either 180 days from the date of demand for the test or, if no demand for the test was made, 180 days from the date of the test; or (ii) a period extending back one-half of the time elapsed since the last previous test.

(f) The City shall be responsible for the timely reporting of all production of Groundwater from the City Wells and, as appropriate, the volume of the Groundwater produced and transported from the Contract Premises, to FSH in order for FSH to report the same to the District in accordance with the District's rules and the Regular Permit. FSH shall provide the City with a copy of all production reports filed by FSH with the District.

Section 4.7. Monitor Wells. FSH shall maintain and repair at its sole expense the Monitoring Equipment until the Service Date, at which time such obligations shall become the obligation of the City. To the extent the District requires the installation of new or additional monitor wells on the Contract Premises, or the modification of FSH's existing monitor wells as a condition to production of Groundwater pursuant to the Regular Permit, such construction, and/or work, and the maintenance costs, shall be shared equally between the Parties.

Section 4.8. Water Quality Monitoring. (a) Pursuant to the District rules, the terms of the Regular Permit, and the terms of the District Settlement, FSH is required to monitor and report on the quality of the Groundwater produced from the Contract Premises. FSH will undertake these water quality monitoring obligations at its sole cost and expense until the Service Date, at which time such obligations shall become the responsibility of the City.

(b) Subject to any additional water quality monitoring requirements imposed by the District, or by any other governmental authority with jurisdiction over the Groundwater, as a condition to production of Groundwater pursuant to the Regular Permit, FSH shall at its sole cost conduct groundwater testing until the Service Date, at which time the such obligations shall become the responsibility of the City. The Party responsible shall conduct testing as follows:

(1) at least monthly, and more often as required by law, to assure compliance with the Regular Permit, the District's rules, and State and/or Federal drinking water laws, rules, regulations and standards, including Chapter 290 of 30 Texas Administration Code, as the same may be amended, superseded, or replaced from time-to-time, and/or the so-called "Groundwater Rule" adopted by the Environmental Protection Agency;

(2) report all test results, including copies of all reports related to the test results if requested, to the other Party and the District. Such Party shall be responsible to report the water quality test results to any other Party to whom it may be required to report such results; and

(3) all testing shall be conducted pursuant to District approved protocols and accomplished by an authorized laboratory acceptable to the District.

Section 4.9. Existence and Compliance. (a) the City will comply with all laws, regulations, and governmental requirements applicable to home rule cities and the fulfillment of its respective duties and obligations contemplated by this Contract.

(b) Without limiting the generality of subsection (a) above, the City shall comply with (i) the terms of the Regular Permit and this Contract, (ii) all Environmental Laws applicable to the City, its personnel, agents, consultants, and contractors, and/or any equipment, personal property, and/or operations on the Contract Premises; and (iii) the rules and regulations of the District, TCEQ, and any other governmental authority with jurisdiction over Groundwater and the City's activities pursuant to this Contract, as the same may be promulgated or amended from time to time.

(c) In connection with construction and operation of the Facilities, the City agrees to conform to and comply with all applicable regulatory requirements relating to the Facilities, including, without limitation, properly permitting, equipping, and maintaining the Facilities, and reporting pumping volumes, quality information, and any other data and information as may now or in the future be required by any governmental or regulatory body having jurisdiction over (i) production of Groundwater from the Contract Premises, (ii) any other use by the City of the Contract Premises pursuant to this Contract, or (iii) continuation and establishment of Groundwater production rights under any applicable laws or regulations now existing or that in the future may exist. The City shall copy FSH on all applications, reports, or other filings contemplated by this Contract contemporaneously with the making, filing, or reporting of the same with the applicable entity.

(d) Pursuant to all applicable laws and regulations, the City represents and covenants that all payments to be made to FSH pursuant to this Contract shall constitute reasonable and necessary operating expenses of the City's water utility system and that all such payments will be made from revenues of its water utility system. The City further covenants and agrees to operate and maintain its water system continuously, and to fix and collect rates and charges for water services to be supplied by the water utility system sufficient to produce revenues necessary to make all payments due and owing to FSH pursuant to this Contract.

Section 4.10. Environmental Matters. (a) With respect to the City's use of or operations on the Contract Premises, the City shall immediately, and in no instance more than 24 hours following the occurrence or event, advise FSH in writing of any and all enforcement, cleanup, remedial, removal, or other governmental or regulatory actions instituted, completed, or threatened pursuant to any applicable federal, state, or local laws or ordinances, including regulations relating to any Hazardous Materials affecting the Contract Premises or Groundwater.

(b) With respect to Hazardous Materials, the City shall:

(1) be liable for all costs and expenses incurred in addressing environmental matters for which the City or its agents, contractors, or invitees are directly or indirectly responsible;

(2) take all steps to prohibit the generation, manufacture, storage, or disposal of any Hazardous Materials upon the Contract Premises by itself or by others under its control, except such materials as are incidental to the City's normal course of business on the Contract Premises and that are handled in compliance with all applicable Environmental Laws;

(3) take all steps to prohibit the use of any Hazardous Materials upon the Contract Premises or that might affect the Groundwater, except such materials as are incidental to the City's normal course of business on the Contract Premises and that are handled in compliance with all applicable Environmental Laws;

(4) provide FSH, its agents, contractors, employees, and representatives with access to, and copies of, any and all data and documents in its possession or control relating to, or dealing with, any Hazardous Materials used, generated, manufactured, stored, or disposed of upon the Contract Premises within five (5) days of the request therefore; and

(5) indemnify FSH against any and all losses, damages, claims or liabilities arising out of or resulting from any such matter contemplated by this Section 4.10.

Section 4.11. The City's Use of the Groundwater. The City has the right to produce and beneficially use as set forth herein the Groundwater from the Contract Premises contracted by the City for production pursuant to the Regular Permit and the terms of this Contract, but only in the manner and amounts authorized by this Contract, the Regular Permit, or other permits or other authorizations issued by the District or other regulatory authority having jurisdiction over the Groundwater, and in compliance with the same.

Section 4.12. Regulatory Limitations. (a) The City accepts the right to explore for, develop, drill for, and produce, store, maintain, hold, transport, use, and reuse the Annual Volume subject to all limitations now and hereafter placed upon such Groundwater, as set forth: (i) in the Regular Permit; (ii) under applicable District rules; (iii) by any statute, ordinance, or other governmental regulation; (iv) by an order of a court of competent jurisdiction; (v) by any other applicable regulatory authority, or (vi) by contracts or agreements between the City and its customers subject to the limitations in this Contract.

(b) Except as expressly prescribed herein or agreed to by the Parties in a separate written agreement, all costs associated with, required by, or incurred as a result of the City's compliance with this Contract shall be borne solely by the City.

(c) The City acknowledges and agrees that the City is responsible for compliance with the requirements for the beneficial use of the Groundwater for municipal purposes, including all federal and state drinking water requirements for public water supply systems, specifically the identification, surveying and recording of all required sanitary control easements.

Section 4.13. Costs of Permitting, Engineering, Design, and Construction. With the exception of the renewal of the Regular Permit scheduled for July 2020, (a) the City will bear all costs associated

with (i) the production of the Annual Volume; and (ii) complying with and obtaining and maintaining as current all permits and licenses required by the District or any applicable federal, state, or local laws, regulations, or rules relating to the City's authorization to produce, transport, and use Groundwater, including all assessments and fees associated therewith; and (iii) the design, engineering, construction, and other development steps together with the operation, inspection, and maintenance of Wellfield System, including the Facilities on the Contract Premises.

(b) The City shall pay promptly when due all items for which it is responsible and for which the failure to pay may result in the loss or impairment of the Regular Permit or the placement of a lien on the Groundwater, the Contract Premises, or any of the Facilities. The City shall indemnify and hold harmless FSH from all such costs. In the event the City fails to make any such payment in a timely manner, FSH shall have the right, but not the obligation, to make any such payment and, thereafter, shall have the right to recover any such payment from the City.

(c) In the event the City receives notice of any lien being placed upon the Regular Permit, the Contract Premises, or the Groundwater arising out of the City's activities pursuant to this Contract, the City shall promptly (i) provide notice to FSH, and (ii) secure the removal and release of the same.

(d) To the extent the City requires FSH to apply for and prosecute any application for a new or amended drilling or regular production permit from the District for any purpose authorized by this Contract, the City shall provide FSH with detailed information about the necessary permit or amendment. The Parties acknowledge that neither makes any warranty, guarantee, or other representation with respect to whether any such application will be granted.

Section 4.14. Regulatory Filings. (a) During the Contract Term, and except as otherwise expressly provided herein, to the extent filings are or may be required in the future under any laws or regulations, or orders, in order to establish groundwater production volumes for the purpose of issuing permits or for any other purpose in connection with any this Contract, FSH shall be responsible for all such filings through the Service Date and the City shall be responsible thereafter and the filing party shall promptly provide the other Party with a copy of such records and data as may be necessary to establish or preserve the Groundwater Estate and the right to produce Groundwater from the Contract Premises. In any such filing process, if the filing party requests the other's assistance therewith, that party shall make a good faith and diligent effort to (i) provide copies of available data, research, reports, and related materials in the party's possession pertinent to the City's development, permitting, marketing, production, and sale of the Groundwater; and (ii) execute any application or reporting forms required by the District or such other governmental authority having jurisdiction.

(b) With respect to any regulatory filing required to be made by either Party to the District, or any other governmental authority, based upon either Party's operations on the Contract Premises, the production of the Annual Volume, or other activities under this Contract, the filing Party shall (i) timely provide the other Party with all required information to comply with the filing Party's obligations, and (ii) indemnify and hold harmless non-filing Party from any liability, damages, claims, fines or penalties, threatened or imposed, as a result of the other Party's failure to timely or completely perform in the manner required or prescribed by the District or other regulatory authority.

Section 4.15. Administrative Relief. (a) the City will assist and fully cooperate with FSH in protecting the interest and rights of FSH before local, state, and federal administrative authorities and

agencies, including the District, with jurisdiction over the exploration, development, capture, production, ownership, or sale of the Annual Volume, and the Regular Permit. Notwithstanding the foregoing, the City and FSH agree that FSH, or FSH's representative, shall have the concurrent right and privilege along with the City to pursue or defend against proceedings before any administrative agency without the joinder or consent of the City, and the City agrees that FSH shall have standing to pursue or defend any matter before any administrative agency.

(b) Upon request by the City, FSH agrees to support the City in the fulfillment of the City's duties contemplated by subsection (a) above.

Section 4.16. Cooperation. The Parties have agreed herein to offer cooperation in connection with the development and operation of the Wellfield System, the maintenance and perpetuation of the Regular Permit, and implementation of this Contract. For purposes of this Contract and, unless specifically provided otherwise, the requirement of cooperation shall mean that each Party shall by its actions, statements, motions, filings, or other proceeding support the action of the other Party to accomplish any of the foregoing; provided that except as expressly set forth herein, cooperation shall not require the out-of-pocket expenditures of money.

ARTICLE V

RESERVED RIGHTS

Section 5.1. Rights Reserved. (a) Subject to the City's rights under this Contract, including the City's right to produce up to the Annual Volume authorized by the Regular Permit, FSH reserves and excepts from this Contract (i) ownership of the Regular Permit, (ii) the right to the Reserved Volume, and (iii) all title and real property rights to the entirety of the Groundwater Estate of the Contract Premises. FSH expressly reserves the right to produce from the Contract Premises annually any volume of Groundwater out of the Annual Volume which is not taken by the City, subject to Section 5.3. Upon the request of FSH, the City and FSH shall meet to discuss the City's anticipated near-term water needs under this contract to enable FSH planning of water usage, including agricultural and potential water sales for the purpose of preserving the integrity of the Regular Permit.

Section 5.2. Oil, Gas, and Other Minerals. (a) FSH reserves (i) any and all right and title to the mineral estate, and (ii) the right to develop the mineral estate, including the execution of new leases to third persons in, on, or under the Contract Premises for the exploration, development, drilling, and production of oil, gas, and other minerals it owns or controls the executive rights to lease, including all so-called mineral classified and/or university lands, in, on, or under the Contract Premises.

(b) The right to develop and produce the mineral estate as set forth above, whether owned by FSH or some third-party, does not include the right to use any portion of the Contract Premises that unreasonably interferes with the City's ability to produce Groundwater from below the surface of the Contract Premises, or to transport and use Groundwater beyond the boundaries of the Contract Premises, including the City's ability to design, construct, operate, and maintain the Wellfield System. FSH's right to develop and produce the mineral estate includes the right to use Other Groundwater as is reasonably necessary to develop and produce the mineral estate, but does not include the right to

use any of the Annual Volume, or any Groundwater that unreasonably interferes with the City's ability to produce, transport, and use any portion of the Annual Volume.

(c) To the extent FSH may lawfully do so, any such lease shall be made expressly subject to the City's rights under this Contract and subject to any surface and subsurface protection or use agreements between the Parties.

(d) In connection with any lease authorizing the exploration, development, and drilling for and production of oil, gas, and other minerals on the Contract Premises, FSH shall have the exclusive right for the sale of Other Groundwater from the Contract Premises.

(e) FSH will not enter into any new lease, lease amendment, or other agreement for the use of any Groundwater underlying the Contract Premises authorized pursuant to the Regular Permit to be used in secondary or tertiary recovery operations to enhance production of oil, gas, or other minerals from the Contract Premises or elsewhere.

Section 5.3. FSH Use or Sale of Annual Volume to Third Parties. (a) At all times and from time to time during the Contract Term, FSH shall have the following additional rights with respect to that portion of the Annual Volume not taken by the City in any Year:

(1) to use, or allow the surface owner of the Contract Premises to use, such volumes for agricultural purposes on the Contract Premises. FSH shall be responsible for all costs of production of such volumes; and

(2) to sell for any non-municipal beneficial purpose off the Contract Premises. FSH shall be responsible for all costs of production of such volumes.

(b) The volumes described in 5.3(a)(1) shall be without reimbursement to the City and FSH shall reimburse the City for any volume sold pursuant to 5.3(a)(2) at the Annual Rate in effect at the date of the sale on or before the twentieth day of the month following such sale.

(c) All sales and uses made pursuant to this section shall be subject to the City's right to at all times produce, transport, and use all of the Annual Volume.

Section 5.4. Pipeline Access. FSH desires to have the right to utilize excess capacity that may exist from time to time in any Pipeline used to transport the Annual Volume. The Parties agree to work together in good faith on agreements affecting the ownership, funding, or use of any Pipeline.

ARTICLE VI

REPRESENTATIONS, WARRANTIES, AND DISCLAIMERS

Section 6.1. FSH's Representations and Warranties. FSH hereby represents and warrants to the City that: (a) FSH is a validly existing Texas limited partnership duly formed and authorized to do all things required of it under the terms of this Contract. The execution and delivery of this Contract

and the performance of FSH's obligations hereunder have been duly authorized by all necessary action on the part of FSH, and this Contract constitutes the legal, valid, and binding obligation of FSH.

(b) The execution by FSH of this Contract and the consummation by FSH of the transactions contemplated hereby do not and will not result in a breach of any of the terms or provisions of, or constitute a default or a condition which upon notice or lapse of time or both will ripen into a default under any contract, deed of trust, security agreement, indenture agreement, instrument, or obligation to which FSH is a party or by which it is bound, including the terms of the Regular Permit.

(c) The Regular Permit, the FSH Farm Wells, the Groundwater and the Contract Premises are located within and are subject to the jurisdiction of the District.

(d) The Regular Permit authorizes the production, transport, and use for beneficial purposes within and beyond the boundaries of the District 28,400 acre feet of Groundwater annually.

Section 6.2. The City's Representations and Warranties. The City hereby represents and warrants to FSH as follows: (a) The City is a home rule municipality duly formed and authorized to do all things required of it under the terms of this Contract pursuant to the Texas Constitution, and the applicable laws of the state and its home rule charter. The execution and delivery of this Contract, and the performance of the obligations hereunder by the City, have been duly authorized by all necessary action on the part of the City pursuant to applicable laws and its Charter provisions. This Contract constitutes a legal, valid, and binding obligation of the City.

(b) The execution by the City of this Contract and the consummation by the City of the transactions contemplated hereby by the City (i) does not and will not result in a breach of any of the terms or provisions of, or constitute a default, or a condition which upon notice or lapse of time or both will ripen into a default under any contract, deed of trust, security agreement, indenture agreement, instrument, or obligation to which the City is a party or by which it is bound, including any bond or bond indenture issued by the City, (ii) is in compliance with all applicable bidding and procurement statutes, regulations and rules, including the City's charter, and (iii) is fully compliant with all other applicable statutes and regulations.

(c) The City shall promptly pay when due all items for which it is responsible that may result in the placement of a lien on the Contract Premises, the Groundwater Estate, or any Groundwater production and/or transport or export permit from the District. If The City fails to pay any such item, including but not limited to any tax, charge, or assessment, or any mechanic's or materialmen's expenses, or if any lien is placed upon the Contract Premises, Groundwater Estate, or any Groundwater production and/or transport or export permit from the District, FSH shall have the right, but not the obligation, to make such payment as a service being provided to the City, and the City hereby covenants to reimburse FSH immediately for any amount so expended or paid, with interest thereon at the highest legal rate per annum from the date of such payment until the date of such reimbursement.

(d) All Facilities, and all alterations, improvements, additions, and repairs made by the City to the Contract Premises or Facilities, shall be constructed, placed, or made in a good and workmanlike manner.

(e) The City will apply for, secure from appropriate governmental authorities, and maintain all required licenses, permits, and other regulatory approvals required to carry out and perform the City's duties and obligations pursuant to this Contract and, throughout the Term of this Contract, comply with the terms and conditions of the Regular Permit together with District rules and applicable laws, including the District's enabling legislation and Chapter 36, Texas Water Code, as well as all other applicable local, state, and federal regulations and laws. To the extent the City requires additional permits or authorizations from the District, the City shall coordinate with FSH timely to secure such permits or authorizations from the District which do not interfere with, impair or negatively impact FSH's Regular Permit, H&E Permit and/or rights to produce and beneficially use either its Groundwater and or Groundwater Estate.

(f) All procedural and administrative requirements necessary for the consideration and approval of this Contract have been properly and timely completed, including the publication of all required notices and action taken at open public meetings of the City.

Section 6.3. FSH's Disclaimers. FSH MAKES NO REPRESENTATIONS OR WARRANTIES, AND HEREBY DISCLAIMS EXPRESSLY ALL WARRANTIES AND REPRESENTATIONS OF EVERY KIND, WHETHER EXPRESS OR IMPLIED, WITH RESPECT TO THE FOLLOWING:

(i) THAT THE CITY CAN OR WILL BE ABLE TO SECURE ANY LICENSES, PERMITS, AND/OR ANY OTHER REQUIRED GOVERNMENTAL AUTHORIZATION OR APPROVAL THE CITY DEEMS TO BE NECESSARY OR DESIRABLE FOR THE CITY'S PURPOSES IN ADDITION TO THE REGULAR PERMIT, INCLUDING FROM THE DISTRICT; AND/OR

(ii) THAT THE GROUNDWATER THE CITY IS ABLE TO PRODUCE FROM THE CONTRACT PREMISES PURSUANT TO THE REGULAR PERMIT IS OF EITHER THE QUANTITY OR THE QUALITY DESIRED BY THE CITY TO BE ABLE TO FULFILL ITS OBLIGATIONS UNDER THIS CONTRACT OR FOR ANY OTHER PURPOSE OR PURPOSES OR USE; AND/OR

(iii) THAT THE GROUNDWATER THAT THE CITY IS ABLE TO PRODUCE FROM THE CONTRACT PREMISES WILL BE CAPABLE OF BEING TREATED OR TRANSPORTED TO ITS CUSTOMERS, OR BE MARKETABLE OR SUITABLE FOR ANY PURPOSE OR USE OF THE CITY, THE CITY'S CUSTOMERS OR OTHERWISE.

ARTICLE VII

INDEMNIFICATION AND INSURANCE

Section 7.1. Indemnity. (a) TO THE GREATEST EXTENT ALLOWED BY LAW, FSH SHALL NOT BE LIABLE AND THE CITY AGREES, ON BEHALF OF ITSELF AND

ITS RESPECTIVE GOVERNING BODIES, OFFICERS AND MANAGERS, AND AFFILIATES, SUBSIDIARIES, SUCCESSORS, AND ASSIGNS, TO DEFEND, INDEMNIFY, AND SAVE HARMLESS FSH, ITS PARTNERS, AND AFFILIATES AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, HEIRS, AND ASSIGNS (COLLECTIVELY "*FSH's INDEMNIFIED PARTIES*"), FROM AND AGAINST ANY AND ALL LIABILITIES, DAMAGES, LOSSES, CLAIMS, SUITS, JUDGMENTS, SETTLEMENTS, COSTS (INCLUDING COSTS OF SUIT, REASONABLE ATTORNEYS' AND EXPERT FEES, AND COSTS OF INVESTIGATION) AND ACTIONS OF ANY KIND FOR ANY INJURY TO OR DEATH OF ANY PERSON OR DAMAGE TO OR LOSS OF PROPERTY, REAL OR PERSONAL, CAUSED BY, ARISING OUT OF, OR RELATED, DIRECTLY OR INDIRECTLY, TO ANY ACT OR OMISSION ON THE PART OF THE CITY, OR ANY OF THEIR RESPECTIVE INVITEES, LICENSEES, EMPLOYEES, DIRECTORS, OFFICERS, AGENTS, SERVANTS, CONTRACTORS, SUBCONTRACTORS, OR REPRESENTATIVES OF THE CITY, OR ON THE PART OF ANY PERSON ENTERING THE PROPERTY UNDER THE EXPRESSED OR IMPLIED INVITATION OF THE CITY OR BY ANY BREACH, VIOLATION, OR NONPERFORMANCE OF ANY COVENANT OR OBLIGATION OF THE CITY UNDER THIS CONTRACT (COLLECTIVELY THE "*INDEMNIFIED CLAIMS*"). IF ANY ACTION OR PROCEEDING SHALL BE BROUGHT AGAINST THE FSH INDEMNIFIED PARTIES IN CONNECTION WITH ANY SUCH LIABILITY OR CLAIM, THE CITY, ON NOTICE FROM FSH, SHALL DEFEND SUCH ACTION OR PROCEEDING, AT THE CITY'S EXPENSE, BY OR THROUGH ATTORNEYS REASONABLY SATISFACTORY TO THE FSH INDEMNIFIED PARTIES. THE PROVISIONS OF THIS SECTION 7.1 SHALL APPLY TO ALL ACTIVITIES OF THE CITY, WITH RESPECT TO THE CONTRACT PREMISES AND/OR GROUNDWATER. MOREOVER, THE CITY SHALL INDEMNIFY AND HOLD HARMLESS THE FSH INDEMNIFIED PARTIES FROM AND AGAINST ANY AND ALL INDEMNIFIED CLAIMS ARISING FROM OR OUT OF THE QUANTITY OR QUALITY OF GROUNDWATER PRODUCED, AND/OR SOLD OR DEVELOPED FROM THE CONTRACT PREMISES BY THE CITY, REGARDLESS OF ITS SOURCE, AND TRANSPORTED TO ANY THIRD-PARTY, WHETHER OR NOT A DIRECT CUSTOMER OR END USER OF THE CITY.

(b) TO THE GREATEST EXTENT ALLOWED BY LAW, THE CITY SHALL NOT BE LIABLE AND FSH AGREES, ON BEHALF OF ITSELF AND ITS AFFILIATES, SUBSIDIARIES, SUCCESSORS, AND ASSIGNS, TO DEFEND, INDEMNIFY, AND SAVE HARMLESS THE CITY AND THE CITY'S OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, HEIRS, AND ASSIGNS (COLLECTIVELY "*THE CITY INDEMNIFIED PARTIES*"), FROM AND AGAINST ANY AND ALL LIABILITIES, DAMAGES, LOSSES, CLAIMS, SUITS, JUDGMENTS, SETTLEMENTS, COSTS (INCLUDING COSTS OF SUIT, REASONABLE ATTORNEYS' AND EXPERT FEES, AND COSTS OF INVESTIGATION) AND ACTIONS OF ANY KIND FOR ANY INJURY TO OR DEATH OF ANY PERSON OR DAMAGE TO OR LOSS OF PROPERTY, REAL OR PERSONAL, CAUSED BY, ARISING OUT OF, OR RELATED, DIRECTLY OR INDIRECTLY, TO ANY ACT OR OMISSION ON THE PART OF FSH OR ANY INVITEE, LICENSEE, EMPLOYEE, DIRECTOR, OFFICER, AGENT, SERVANT, CONTRACTOR, SUBCONTRACTOR, OR REPRESENTATIVE OF FSH, OR ON THE

PART OF ANY PERSON ENTERING THE CONTRACT PREMISES UNDER THE EXPRESSED OR IMPLIED INVITATION OF FSH, OR BY ANY BREACH, VIOLATION, OR NONPERFORMANCE OF ANY COVENANT OR OBLIGATION OF FSH UNDER THIS CONTRACT. IF ANY ACTION OR PROCEEDING SHALL BE BROUGHT AGAINST ANY CITY INDEMNIFIED PARTY IN CONNECTION WITH ANY SUCH LIABILITY OR CLAIM, FSH, ON NOTICE FROM THE CITY INDEMNIFIED PARTY, SHALL DEFEND SUCH ACTION OR PROCEEDING, AT FSH'S EXPENSE, BY OR THROUGH ATTORNEYS REASONABLY SATISFACTORY TO THE CITY INDEMNIFIED PARTY. THE PROVISIONS OF THIS SECTION 7.1 SHALL APPLY TO ALL ACTIVITIES OF FSH WITH RESPECT TO THE CONTRACT PREMISES OR GROUNDWATER.

(c) IN NO EVENT SHALL EITHER PARTY BE LIABLE OR RESPONSIBLE TO THE OTHER PARTY FOR ANY INCIDENTAL, INDIRECT, SPECIAL, OR CONSEQUENTIAL DAMAGES WHATSOEVER, EVEN IF SUCH PARTY HAS BEEN ADVISED, KNEW, OR SHOULD HAVE KNOWN OF THE POSSIBILITY THEREOF.

(d) THE PROVISIONS OF THIS SECTION 7.1 ARE APPLICABLE TO THE PARTIES AND THEIR SUCCESSORS AND ASSIGNS, AND NO ASSIGNMENT OF THIS CONTRACT SHALL RELIEVE A PARTY OF ITS OBLIGATIONS UNDER THIS SECTION 7.1, ALL OF WHICH OBLIGATIONS EACH OF THE PARTIES' SUCCESSORS AND ASSIGNS ASSUME BY ACCEPTANCE OF THIS CONTRACT.

(e) THE PROVISIONS OF THIS SECTION 7.1 SHALL SURVIVE TERMINATION OF THIS CONTRACT FOR A PERIOD OF FOUR YEARS.

Section 7.2. Insurance. Prior to the City performing any activities on the Contract Premises pursuant to the terms of this Contract, the City must deliver evidence to FSH that the City has insurance covering its proposed activities on the Contract Premises. Such insurance (i) shall provide a waiver of subrogation, (ii) shall name FSH as an additional insured as to the obligations assumed by the City and covered by the insurance policy, and (iii) shall be in amounts of coverage not less than One million dollars ($1,000,000.00) per occurrence.

ARTICLE VIII

ASSIGNMENT

Section 8.1. Assignment by the City. (a) The City may transfer or assign this Contract in whole or in part if the assignment is made expressly subject to this Contract, which assignment must be in writing and signed by the assignee and the following terms and conditions are fully satisfied:

(b) If the assignee is not a governmental entity in the business and capable of competently providing retail or wholesale municipal water supplies to customers, then the sale, transfer, conveyance, or assignment of the entirety or any portion of, or any interest in, the Contract to an assignee or successor, shall require the prior written consent and approval by FSH, which consent and approval shall not be unreasonably withheld or delayed.

(c) If the assignee is a governmental entity in the business and capable of competently providing retail or wholesale municipal water supplies to customers, then the sale, transfer, conveyance, or assignment of the entirety or any portion of, or any interest in, the Contract to an assignee or successor, shall require the City to give FSH prior written notice, but shall not require FSH's prior consent, of the sale, transfer, conveyance, or assignment.

(d) No assignment shall become effective until all of the following conditions have been met:

(1) the City is current in the payment of all amounts due and owing to FSH pursuant to this Contract; and

(2) the City is not in breach of this Contract; and

(3) the City is in compliance with all requirements of the Regular Permit, and any applicable rules, Court order, statutes or other requirement; and

(4) the City's successor or assignee is capable of performing all of City's duties and obligations, including the financial obligations, under both this Contract and the financial obligations of City incurred in connection with the groundwater project contemplated by this Contract, and acknowledges the same in writing to FSH; and

(5) the assignment of this Contract expressly recites and confirms the successor's or assignee's assumption of the terms and conditions of this Contract, and such assignment is signed by the successor or assignee.

(e) The City shall remain obligated to FSH for performance of all City's obligations under this Contract that accrued prior to the date of the assignment, including (i) any of City's payment and reporting obligations which are provided for in this Contract, and (ii) any claim or liability arising out of City's activities under this Contract prior to the date of the assignment, including any such claim or obligation not discovered until afterwards.

(f) Any such successor or assignee of City's rights and obligations shall be bound by the terms and conditions of this Contract to the same extent as City, and such assignment or transfer shall not create or impose upon FSH burdens or obligations greater than set forth in this Contract.

(g) City shall not have any right or authority to make any assignment, transfer, or conveyance of any right or benefit under this Contract to any third-party that is not in the furtherance of this Contract, and any assignment by City shall terminate contemporaneously with the termination of this Contract.

Section 8.2. Assignment by FSH. (a) FSH may, in its sole discretion, freely assign this Contract in whole or in part if the assignment is in writing, signed by the assignee, and is made expressly subject to this Contract and any modifications or amendments thereof.

(b) Before any assignment of the Contract by FSH is effective, the City must agree to the assignment in writing. The City will not unreasonably withhold or delay its consent to the FSH's free assignment of this Contract.

Section 8.3. Condition Precedent to Assignment. No assignment of this Contract will be effective until the assigning Party delivers to the non-assigning Party a copy of the executed assignment agreement, which agreement shall include verification of the assignee's acceptance and assumption of all of the assigning Parties' obligations under the Contract.

Section 8.4. Several Liability. Notwithstanding anything to the contrary contained in this Contract, each Party and any assignee of any portion of any Party's rights and obligations under this Contract (each Party and each such assignee are referred to herein individually as a "***Liable Party***") are severally liable and therefore it is agreed that each Liable Party shall have no liability or responsibility for any obligations or liabilities of any other Liable Party under this Contract.

ARTICLE IX

ANNUAL PAYMENTS

Section 9.1. Annual Payment. (a) Each calendar year during the Contract Term, the City will pay to FSH an amount equal to the Volume Rate in effect for such year multiplied by the Annual Volume (the "***Annual Payment***"). The Volume Rate for the term of this Contract shall be:

(1) Effective Date though December 31, 2024: $0.30625.

(2) January 1, 2025 through December 31, 2029: $0.3425.

(3) January 1, 2030 through December 31, 2030: $0.55.

(b) On January 1, 2031, the Volume Rate then in effect ($0.55) shall be adjusted upward by one-half of one percent, and thereafter, in a like manner, on the first day of January of each succeeding year the Volume Rate then in effect shall be adjusted upward by one-half of one percent.

(c) The City will make the first Annual Payment to FSH within 30 calendar days of the Effective Date, as prorated for the first year based on the number of days remaining in the calendar year from the Effective Date divided by 365. The City will make each subsequent Annual Payment in two equal payments due on the 15th day of January and July of each year. FSH will submit to the City an invoice indicating the total amount due at least 30 days in advance of the due date of each Annual Payment. However, FSH's failure to provide such invoice at any time does not relieve the City of its obligation to pay the total amount due to FSH at the time otherwise required by this subsection. Invoices shall be submitted to the address for "Notice" to the City provided below.

(d) In the event the City fails to pay any payment due and payable pursuant to this Contract within 30 days of the due date, in addition to any other remedy authorized by this Contract or the law, the City shall pay interest on the unpaid balance until the outstanding balance is paid in full at the lesser of (i) the maximum rate of interest permitted by applicable law, or (ii) a variable rate equal to the Index Rate published by the Federal Reserve Rate, plus five percent (5%) per annum. If the Federal Reserve

Rate ceases to publish the Index Rate, FSH may designate a substitute Index Rate determined by FSH to be comparable. In any event, FSH will not impose or collect, and the City will not pay, an amount of interest considered to be illegal or usurious. The amounts due and payable to FSH shall always be reduced to the maximum lawful non-usurious amount.

(e) All payments owed to FSH hereunder shall be made payable to FSH and delivered by ACH or other electronic funds transfer method acceptable to each Party. FSH shall provide the City with appropriate wiring instructions, or the functional equivalent of wiring instructions, upon execution of this Contract. Similarly, FSH is responsible for providing the City with funding instructions in advance of the date any payment is due as the instructions may change from time to time.

(f) All fees and payments to FSH are (i) non-refundable, and (ii) shall not entitle the City to any form of credit toward the purchase, acquisition, or use of water beyond the payment for and use of the Annual Volume during the calendar year for which payment is made. There shall be no banking of water, or the right to water under this Contract, for the inability or failure to take water in prior calendar years.

(g) Notwithstanding any other provision of this Contract to the contrary, if the City is prevented from producing, transporting, or using any portion of the maximum volumes authorized by the Regular Permit through no fault of the City as a result of any rule, law, or regulation ("***Regulatory Curtailment***"), or at any time the Aquifer is incapable of yielding any portion of the maximum volumes authorized by the Regular Permit from the Contract Premises ("***Availability Curtailment***"), then Annual Volume shall be reduced during either such curtailment to those volumes the City is authorized to produce in the event of a Regulatory Curtailment or such volumes capable of production from the Contract Premises in the event of an Availability Curtailment.

Section 9.2. Taxes and Other Assessments/Charges. (a) The City is responsible for any and all taxes, including ad valorem taxes, assessed on the Annual Volume insofar as the same is assessed on the Contract Premises or the Groundwater, as well as any production fees, transport fees, or Export Fees assessed by the District charged on the Annual Volume, whether or not produced.

(b) The City is responsible for the costs imposed by law for all taxes on (i) any improvements the City makes to the Contract Premises, (ii) any equipment, vehicles, and other personal property brought onto the Contract Premises by or on behalf of the City during Contract Term, and (iii) any improvements, equipment, vehicles, and/or other personal property used by the City on the Contract Premises.

(c) The City is responsible for any federal, state, and local income taxes imposed on it by law that are attributable to the City's operations on, or use of the, Contract Premises and Groundwater.

(d) Notwithstanding anything in this paragraph 9.2 to the contrary, to the extent that the tax, fee, or assessment is attributable to any portion of the Annual Volume taken and used by FSH, or sold, traded, or assigned by FSH to a third-party other than the City or the City's assignee, FSH shall be responsible for the tax, fee, or assessment levied for the production, transportation, or export of that portion of the Annual Volume taken by FSH and sold pursuant to 5.3.

Section 9.3. Unavailability of Taxes. FSH has no right to demand payment by the City of any obligation assumed or imposed under this Contract, including the obligation to make payments to FSH, from funds raised or to be raised by taxation.

Section 9.4. Interlocal Governmental Agreements. (a) The City may enter into contracts with other political subdivisions pursuant to applicable laws of the State of Texas authorizing contracts between political subdivisions related to the development and provision of water supplies under such terms and conditions as the City determines to be in its best interest.

(b) The City may contract with public and private third-parties for the operation and development of any component of Preliminary Design and the Wellfield System contemplated by this Contract to insure the production, treatment, storage, and transportation of Groundwater from the Contract Premises under such terms and conditions as the City deems to be in its best interest.

(c) Nothing in this Section shall (i) relieve City of its obligations to pay FSH for the Annual Volumes, or (ii) impose on FSH obligations or burdens greater than or diminish FSH's rights set forth in this Contract.

Section 9.5. Limitation of resale of water for Oil Field Operations. The City will not resell water purchased under this Contract for oil field services or other industrial uses outside of its service area.

Section 9.6. Limitation of resale of water for public water supply purposes. (a) FSH will not resell water from the Annual Volume provided for under this Contract to any public water supplier or otherwise to be used for any other public water supply purposes.

(b) The City acknowledges that FSH has from time to time made short-term sales of Groundwater to the City of Ft. Stockton, Texas, Pecos County Water Conservation and Improvement District No. 1, and Pecos County, Texas. FSH acknowledges that the City at its discretion may make similar sales of its Annual Volume to the three entities from time to time under similar circumstances.

ARTICLE X

MISCELLANEOUS PROVISIONS

Section 10.1. Addresses and Notice. (a) All notices and other communications required or permitted under this Contract shall be in writing. Service of all notices under this Contract shall be sufficient if given personally, by national overnight courier, certified mail, or facsimile to the Party involved at its respective address set forth below, or at such address as such Party may provide in writing from time to time in accordance herewith. Any such notice mailed to such address shall be effective when delivered by United States mail, certified, duly addressed, or national overnight courier.

For FSH:

Fort Stockton Holdings L.P.
6 Desta Drive
Suite 3000
Midland, Texas 79705
Attention: T. Mark Tisdale

Telephone: (432) 688-3096
Facsimile: (432) 688-3225

For the City:

City of Midland
300 N. Loraine
City Hall
Midland, Texas 79701
Attention: City Manager

Telephone: (432) 685-7200
Facsimile: (432) 686-1600

(b) Either Party may change its address by giving written notice of the change to the other Party at least fourteen (14) days before the change becomes effective.

Section 10.2. Entire Agreement. The provisions set forth in this Contract shall constitute the entire agreement and understanding between the Parties with respect to the subject matters contained herein and except as expressly provided in this Contract, shall supersede all prior contracts, agreements, and/or understandings between the Parties, or any of them.

Section 10.3. Modification. The provisions of this Contract may be modified or altered only by written agreement, signed by both Parties.

Section 10.4. Remedies on Default. (a) In addition to other remedies available at law or equity, in the event of a monetary default by the City hereunder, including nonpayment on a timely basis of any amount due, that continues for a period of thirty days or more, then FSH shall give written notice to the City of such default and request that such default be remedied with all reasonable dispatch. In the event that the City has not cured such default within sixty (60) days after the receipt of such notice, FSH may terminate this Contract and pursue all available remedies against the City in law and equity.

(b) In the event of any non-monetary default, upon continuance of the default for a period of thirty days or more, then the non-defaulting Party shall give written notice to the asserted defaulting Party specifying the matter with respect to the default and request that the default be remedied. In the event that the asserted defaulting Party has not cured such default within sixty (60) days after the receipt of such notice, the non-defaulting Party may pursue all available remedies against the asserted defaulting Party in law and equity.

(c) The remedies provided for herein are not exclusive, and all other remedies at law or in equity may be availed of by either Party, and shall be cumulative, except as otherwise provided herein.

(d) To the extent permitted by law, neither Party shall be liable to the other for special, consequential, incidental, punitive, exemplary, or indirect damages whether arising in agreement, tort, strict liability, or otherwise.

Section 10.5. Attorneys' Fees and Costs. If, as a result of a breach of this Contract, the Parties, or any of them, employ an attorney or attorneys to enforce its rights hereunder, then the breaching or defaulting Party agrees to pay the prevailing Party's reasonable attorneys' fees and costs incurred to enforce this Contract.

Section 10.6. County Records. (a) FSH and the City agree to record in the real property records of Pecos County a Memorandum of Agreement, providing notice of this Contract, in a form substantially similar to Exhibit No. 1.

(b) FSH may provide a copy of the recorded Memorandum to the District.

Section 10.7. Further Assurances. FSH and the City each agree to execute and deliver such other documents or agreements and to take such other action as may be reasonably necessary or desirable for the implementation of this Contract and the consummation of the transactions contemplated herein. Each Party shall execute and deliver such additional instruments, documents, conveyances, or assurances and take such other actions as shall be necessary, or otherwise reasonably requested by the other Party, to confirm and assure the rights and obligations provided for in this Contract and render effective the consummation of the transactions or otherwise to carry out the intent and purposes of this Contract.

Section 10.8. Waiver. No covenant or condition of this Contract may be waived except by the written consent of the affected Party. Forbearance or indulgence by the affected Party in any regard whatsoever shall not constitute a waiver of the covenant or condition to be performed by the obligated Party to which the same may apply. Until performance by the obligated Party of said covenant or condition is completed, the affected Party shall, except as limited under the terms of this Contract, be entitled to invoke any remedy available at law or in equity despite any said forbearance or indulgence. Any waiver by either Party of any provision of this Contract shall not be a waiver of any other provision hereof.

Section 10.9. Authority. Each of the persons signing on behalf of FSH and the City confirm they have the authority to execute this Contract on behalf of the Party indicated by their signature and have the authority to bind such Party to this Contract. The City warrants that this Contract was approved by the governing body in accordance with all applicable regulations and statutes.

Section 10.10. Construction. The Parties agree that they have drafted this Contract jointly and that construction of the terms of this Contract shall not be interpreted to favor either Party on the basis of authorship. The titles and captions used in connection with the Sections of this Contract are for convenience only and shall not be deemed to construe or limit the meaning of the language contained in this Contract or used as interpreting the meanings and provisions hereof.

Section 10.11. Severability. (a) The provisions of this Contract are severable and if, for any reason, any one or more of the provisions contained in this Contract shall be held to be invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability shall not affect any other provision of this Contract, and this Contract shall remain in effect and be construed as if the invalid, illegal, or unenforceable provision had never been contained in this Contract.

(b) Notwithstanding the breadth of Subsection (a) above, any determination of invalidity or unenforceability related to the City's payment of any sums payable, or due or owing to FSH, which obligation goes to a primary underlying intent and objective of this Contract, any such determination shall render this Contract null and void in its entirety **SAVE AND EXCEPT** (i) the City's obligations to make any payments then due and owing to FSH which shall remain in full force and effect; (ii) the City's responsibilities and obligations for any liabilities related to its operations as described herein shall also remain in full effect; and (iii) the City's obligation to restore and return the Contract Premises to FSH in as good or better condition than FSH delivered the same to the City pursuant to this Contract.

Section 10.12. Force Majeure. Except for the obligation of the City to make payments timely, neither FSH nor the City shall be required to perform any term, condition, or covenant herein, so long as such performance is delayed or prevented by events of Force Majeure. An event of Force Majeure shall not excuse performance under this Contract.

Section 10.13. Governing Law. This Contract shall be construed under, and in accordance with, the laws of the State of Texas.

Section 10.14. Place of Performance/Venue. This Contract is executed and deemed fully performable in Midland County, Texas. Venue as to any cause of action relating to this Contract shall be in the state district courts of Midland County, Texas.

Section 10.15. No Third-party Beneficiaries. (a) FSH and the City have entered into this Contract solely for their own benefit and agree that nothing herein shall be construed to confer any right, privilege or benefit on any person or entity other than FSH and the City, their successors and assigns. The Parties agree as follows:

(1) This Contract shall be for the sole and exclusive benefit of the Parties hereto and shall never be construed to confer any benefit on any third-party. This Contract shall be binding upon each Party, its successors, and assigns.

(2) This Contract does not create any third-party benefits to any person or entity other than the signatories hereto and their authorized assigns and/or successors in interest and is solely for the consideration herein expressed.

(b) Nothing in this section is intended to limit or otherwise modify the rights of assignment provided for in Article VIII.

Section 10.16. Execution in Counterparts. This Contract may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same contract. Upon execution of this Contract, a Party may effect delivery by electronic transmission,

including a scanned copy of the executed Contract delivered by email, and such copy so delivered shall be binding on all Parties.

Section 10.17. Effective Date. The Parties agree that this Contract shall become enforceable as of the Effective Date.

Section 10.18. Water Conservation/Regulatory Compliance. (a) The Parties agree to implement this Contract and to use the Groundwater contemplated to be produced, sold, and delivered pursuant to this Contract in a manner that complies with all applicable local, state, and federal rules, regulations, ordinances, and statutes. This obligation expressly includes compliance with the lawful terms and conditions of any permit issued by the District for the production and transport of groundwater from Pecos County, Texas, to the City.

(b) The Parties agree to implement practices and techniques intended to provide for the conservation of water, and to adopt water conservation and drought management plans that comply with the lawful requirements of any applicable governmental authority with jurisdiction over the water to be used by the City.

(c) The City agrees to include requirements similar to those prescribed in this Section 10.18 in any contracts it enters into for the sale or resale of water provided pursuant to this Contract.

Section 10.19. Procedural Matters. The Parties warrant to one another that all procedural requirements necessary for the respective Party to execute this Contract and render the same an enforceable obligation and agreement of the Party have been accomplished, including where applicable the requirements of Chapter 551 of the Texas Government Code.

Section 10.20. Protection of Proprietary Information. The Parties agree that any third-party request for information related to this contract will be processed in accordance with the protections provided for proprietary information under the Texas Public Information Act. In an effort to protect the rights of and benefits to the Parties, respectively, the Parties agree to exercise due care and take all actions reasonably available to them to protect themselves and the confidential and proprietary information from release and/or disclosure, including as may appropriate the following:

(i) Each Party providing the other Party of prompt notice of any request for disclosure or release of any information, including in particular information considered to be confidential and proprietary, related to this Contract by any third-party, and

(ii) Each Party agreeing to take prompt reasonable steps to protect against the disclosure or release of any confidential and proprietary information by pursuing protection pursuant to a court order, attorney general opinion, other regulatory relief or related remedies, with notice to the other Party to afford them the opportunity to participate and/or pursue their own separate relief.

WHEREFORE, the Parties execute this Contract for the considerations and purposes stated herein.

SIGNATURES

EXECUTED by the following duly authorized representatives:

FORT STOCKTON HOLDINGS, L.P.
BY ITS GENERAL PARTNER,
CLAYTON WILLIAMS FARMS, INC.

_____
Mel Riggs, Vice President

ACKNOWLEDGMENT

STATE OF TEXAS §
§
COUNTY OF MIDLAND §

This instrument was acknowledged before me on this 12th day of May 2020 by Mel Riggs, Vice President of Clayton Williams Farms, Inc., general partner of Fort Stockton Holdings, L.P.

_____
Notary Public, State of Texas

My Commission Expires_____

Notary Seal:_____

CITY OF MIDLAND, TEXAS, A HOME RULE MUNICIPALITY

_____ _____

Courtney Sharp
City Manager

Date

Attest:

_____ _____

Amy Turner
City Secretary

Date

ACKNOWLEDGMENT

STATE OF TEXAS §
§
COUNTY OF MIDLAND §

This instrument was acknowledged before me on this 12th day of May 2020 by Courtney Sharp, City Manager of the City of Midland, Texas.

_____
Notary Public, State of Texas

My Commission Expires_____

Notary Seal:_____

APPENDIX

to

UNTREATED GROUNDWATER SUPPLY CONTRACT
BETWEEN FORT STOCKTON HOLDINGS, L.P., AND
THE CITY OF MIDLAND, TEXAS

SCHEDULE 1	DEFINITIONS
EXHIBIT NO. 1	MEMORANDUM OF AGREEMENT
EXHIBIT NO. 2	CONTRACT PREMISES
EXHIBIT NO. 3	REGULAR PERMIT

DEFINITIONS
to
UNTREATED GROUNDWATER SUPPLY CONTRACT
BETWEEN FORT STOCKTON HOLDINGS, L.P., AND
THE CITY OF MIDLAND, TEXAS

"Annual Volume" means the 28,400 acre feet of Groundwater that is authorized by the Regular Permit to be, subject to curtailment pursuant to Section 9.1(f):

(i) developed, drilled for, and produced from below the surface of the Contract Premises; and

(ii) purchased by the City for export beyond the boundaries of the District for municipal, industrial, and agricultural irrigation uses.

"Aquifer" means the geologic water-bearing formation known as the Edwards-Trinity Aquifer as set out in the Regular Permit.

"City Wells" means the groundwater wells drilled and completed in the Aquifer on the Contract Premises, including new wells and replacement wells, operated by or for the City as part of the Wellfield System for the production of Groundwater pursuant to this Contract.

"Contract Premises" means the 14,191.08 acres, more or less, in Pecos County, more specifically described in Exhibit No. 2.

"Contract Term" means the period beginning on the Effective Date and continuing until the Termination Date.

"District" means the Middle Pecos Groundwater Conservation District.

"District Settlement" means that certain agreement titled "Settlement Proposal" effective April 28, 2017, among Fort Stockton Holdings LP and the District et. al.

"Effective Date" is the date of the last signature of the duly authorized representatives executing this Contract.

"Environmental Laws" means any applicable law of the United States or Texas, whether common law, statute, ordinance, rule, regulation, or judicial or administrative decision, policy, or guideline, pertaining to Hazardous Materials, health, industrial hygiene, environmental conditions, or the regulation or protection of the environment, and all amendments thereto as of the Effective Date and thereafter.

"Export Fee" means any lawful fee assessed by the District for the transport of the Groundwater from the Contract Premises to a place of beneficial use outside of District's boundaries as authorized by Section 36.122 of the Texas Government Code, or any successor statute.

"Facilities" means the equipment, pipelines, pumps, compression, power systems, tankage, storage facilities, and buildings, other than the City Wells, comprising the City's Wellfield System.

"Farm Wells" means the existing 25 Groundwater wells on the Contract Premises, generally described in the Regular Permit, that are permitted by the District to produce Groundwater historically used primarily for irrigation use.

"First Extension Date" means December 31, 2090, which is the end of the extended 20-year period following December 31, 2070.

"Force Majeure" shall mean strikes, insurrections, civil disobedience, lockouts, governmental regulation (excluding the Districts refusal to grant the Regular Permit), material or labor restrictions by any governmental authority, floods, epidemics, pandemics, or any Act of God or other similar cause not reasonably within the control of FSH or the City and which, by the exercise of due diligence, FSH or the City is unable, wholly or in part, to prevent or overcome.

"Groundwater" means all of the underground water, percolating water, artesian water, and any other water from any and all depths producible from the Aquifer beneath the surface of the Contract Premises excluding all portions of the Groundwater Estate.

"Groundwater Estate" means the legal title to and the real property interest in the Groundwater in place and the Groundwater Rights, together with all of the associated rights and hereditaments owned by FSH, including all Reserved Volume.

"Groundwater Rights" means (1) the right to test, explore for, drill for, develop, withdraw, capture, or otherwise produce and beneficially use the Groundwater; (2) the right to use the surface of the Contract Premises for access to, and to explore for, develop, treat, produce, and transport the Groundwater; (3) the right to impose upon the surface of the Contract Premises any sanitary control easements that may be required by the TCEQ, or any successor agency; and (4) all permits, licenses, or other governmental authorizations relating to any portion of the Groundwater acquired by the City for purposes of exercising the rights under this Contract.

"H&E Permits" means the Historic and Existing Use Permits issued by the District that, as of the Effective Date, authorize FSH to produce and beneficially use up to 19,018 acre-feet of Groundwater from the Contract Premises.

"Hazardous Materials" means (a) any substance, material, or waste that is included within the definitions of **"**hazardous substances," "hazardous materials," "hazardous waste," "toxic substances," "toxic waste," or words of similar import in any applicable Environmental Law of the United States or Texas; and (b) those substances listed as hazardous substances by the United States Department of Transportation (or any successor agency) (49 C.F.R. part 172.101 and amendments thereto) or by the Environmental Protection Agency (or any successor agency) (40 C.F.R. part 302 and amendments thereto).

"Materially Adverse Effect" means a material harmful impact on the City's ability to reasonably and cost-effectively produce, transport, and use the Annual Volume.

"Metering Equipment" means the Transport Meter, each Well Meter, and any appurtenant equipment and facilities.

"Monitoring Equipment" means the radio controlled data reporting equipment and SCADA equipment installed on four of the FSH Farm Wells located on the Contract Premises that were converted into monitor wells pursuant to the District Settlement.

"Mineral Estate" means all right and title to all oil, gas, and other minerals which FSH may own within, on, or under the Contract Premises.

"Other Groundwater" means all of the underground water, percolating water, artesian water, and any other water in place or producible from any aquifer underlying the Contract Premises other than the Aquifer, including by way of example only, and without limitation, the Rustler, Pecos Valley and Capitan Reef aquifers.

"Pipeline" means the pipeline or pipelines constructed by or for, or acquired by the City to transport the Annual Volume from the Contract Premises to the City's service area or other customers, and includes pipelines constructed, acquired, leased, or otherwise utilized by or for the City to transport the Groundwater produced from the Contract Premises.

"Preliminary Design" means, at a minimum, the intended locations of new roads or other means of access to the Contract Premises, electric and communications utilities infrastructure, groundwater wells and well sites, pipelines, pumps, and pumping facilities, above-ground water storage facilities, water treatment facilities, construction areas and equipment yards, and other facilities and means of surface access necessary and convenient for the construction, operation and maintenance of the Wellfield System.

"Regular Permit" means the regular operating permit issued by the District to FSH dated July 18, 2017, and appended hereto as Exhibit No. 3 authorizing the annual production, and transportation and use within and beyond the boundaries of the District, of up to 28,400 acre feet of Groundwater for municipal, industrial, and agricultural irrigation purposes, as the permit may be amended or renewed from time-to-time.

"Reserved Volume" means all Groundwater, Other Groundwater, and Groundwater Estate underlying the Contract Premises, together with the appurtenant Groundwater Rights other than the Annual Volume being sold under this Contract authorized for production and use pursuant to the Regular Permit.

"Second Extension Date" means December 31, 2110, which is the end of the extended 20-year period following December 31, 2090.

"Service Date" means the date a pipeline connecting the Contract Premises to the City is completed and operational to its service area.

"TCEQ" means the Texas Commission on Environmental Quality, or its predecessor and successor agencies.

"Termination Date" means the earlier of:

(a) December 31, 2070;

(b) the First Extension Date, if the Contract is extended until the First Extension Date pursuant to Section 2.3;

(c) the Second Extension Date, if the Contract is extended until the Second Extension Date pursuant to Section 2.3; or

(d) the date on which the Contract is earlier terminated pursuant to Section 2.2.

"Transport Meter" means a meter to be installed at the Contract Premises to measure the volume of Groundwater produced by the City under this Contract and transported from the Contract Premises for beneficial use pursuant to the Regular Permit.

"Volume Rate" means the volumetric rate to be paid by the City to FSH for each 1,000 gallons of Annual Volume determined in accordance with this Contract.

"Well Meter" means the meter to be installed on each of the separate City Wells to be constructed and operated on the Contract Premises by the City for purposes of producing Groundwater under this Contract.

"Wellfield System" means the groundwater production, collection, and transport system, including all City Wells, pumps, Metering Equipment, storage and treatment facilities, pipeline transmission lines, connector or spur lines, electric transmission lines, communication lines, utility poles, and related infrastructure to be designed, engineered and constructed, or acquired and, thereafter, maintained and operated by or for the City to produce and transport Groundwater.

EXHIBIT NO. 1

to

UNTREATED GROUNDWATER SUPPLY CONTRACT
BETWEEN FORT STOCKTON HOLDINGS, L.P., AND
THE CITY OF MIDLAND, TEXAS

MEMORANDUM OF AGREEMENT

MEMORANDUM OF UNTREATED GROUNDWATER SUPPLY CONTRACT

THIS MEMORANDUM OF UNTREATED GROUNDWATER SUPPLY CONTRACT (this "**Memorandum**") is entered into as of May 12, 2020 (the "**Effective Date"**), by and between The City of Midland Texas, a home rule municipal corporation located in Midland County, Texas, operating pursuant to its City Charter and the laws of the State of Texas (the "**City**") and Fort Stockton Holdings, L.P., a Texas limited partnership ("**FSH**") (collectively, the "**Parties"**).

WITNESSETH

The City and FSH have entered an Untreated Groundwater Supply Contract as of the Effective Date (the "**Agreement**"). The Agreement sets forth the terms and conditions for the purchase of produced groundwater from those lands located in Pecos County, Texas more particularly described on Exhibit "A" (the "**Property**") pursuant to that certain permit issued to FSH by the Middle Pecos Groundwater Conservation District attached hereto as Exhibit "B." The City and FSH desire to record this Memorandum for the purpose of placing the public on notice of inquiry as to the specific provisions, terms, covenants and conditions of the Agreement insofar as the Agreement pertains to the Property and the respective rights of the Parties thereon, including the City's right to conduct surface operations thereon to produce, gather, store, treat, and transport groundwater for beneficial use by the City, its customers and assigns. The Agreement is for an initial term of 50 years, and includes options for two additional twenty-year extensions. All the provisions of the Agreement and the Exhibits attached thereto are incorporated herein by reference with the same force and effect as if herein set forth in full.

This Memorandum is being recorded in lieu of recording the Agreement itself for the purpose of placing the public on notice of inquiry as to the specific provisions, terms, covenants and conditions thereof, and nothing herein contained is intended to or does change, modify or affect any of the terms or provisions of the Agreement or the rights, duties, obligations and covenants created thereby, all of which remain in full force and effect. Copies of the Agreement are on file with each of the Parties, whose addresses are:

Fort Stockton Holdings L.P.
6 Desta Drive
Suite 3000
Midland, Texas 79705
Attention: T. Mark Tisdale

City of Midland
300 N. Loraine
City Hall
Midland, Texas 79701
Attention: City Manager

This Memorandum may be executed in one (1) or more counterparts, each of which, when so executed, shall be deemed to be an original. Such counterparts shall together constitute and be one and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Agreement to be effective as of the date set forth above.

FORT STOCKTON HOLDINGS, L.P.
BY ITS GENERAL PARTNER,
CLAYTON WILLIAMS FARMS, INC.

_____
Mel Riggs, Vice President

ACKNOWLEDGMENT

STATE OF TEXAS §
§
COUNTY OF MIDLAND §

This instrument was acknowledged before me on this 12th day of May 2020 by Mel Riggs, Vice President of Clayton Williams Farms, Inc., general partner of Fort Stockton Holdings, L.P.

_____
Notary Public, State of Texas

My Commission
Expires_____

Notary Seal:_____

CITY OF MIDLAND, TEXAS, A HOME RULE MUNICIPALITY

_____ _____
Courtney Sharp Date
City Manager

Attest:

_____ _____
Amy Turner Date
City Secretary

ACKNOWLEDGMENT

STATE OF TEXAS §
§
COUNTY OF MIDLAND §

This instrument was acknowledged before me on this 12th day of May 2020 by Courtney Sharp, City Manager of the City of Midland, Texas.

_____
Notary Public, State of Texas

My Commission
Expires_____

Notary Seal:_____

EXHIBIT "A"
To
MEMORANDUM OF UNTREATED GROUNDWATER SUPPLY CONTRACT

All or any portion of the following lands in lands in Pecos County, Texas, in which Fort Stockton Holdings, L.P. owns the water rights:

Caramba Farms North:

Section 542, Torres Irrigation and Manufacturing Co. Survey
Section 311, C McKinley Survey,
Section 2, Blk Z2, CT&MC RR Co Survey,
Section 2, Blk 203, F L Cook Survey,
Section 1, Blk 203 JH Handy Survey,
Section 22, Blk 146, T&STL RR Co Survey.

Caramba Farms South:

Section 93, Blk OW,
Section 95, Blk OW,
Section 105, Blk OW,
Section 311, C McKinney Survey,
Section 2, Blk Z2, CT&MC RR Co Survey,
Section 92, Blk OW, GC&SF RR Co Survey.

Stockton Farms:

Sections 97, 98, 99, E/2 102, 104, 110, & 111, Blk OW, GC&SF RR Co Survey,
Sections 26, 28, W/2 29, 56, 72, & 97 Blk 3, T&P RR Co Survey,

Mesa Farms:

Sections 68, 69, 100, 101, 111, 142, 152, 153, & 184, Blk 3, T&P RR Co Survey

EXHIBIT "B"
To
MEMORANDUM OF UNTREATED GROUNDWATER SUPPLY CONTRACT

Copy of FSH's Regular Groundwater Production Permit Issued
by the Middle Pecos Groundwater Conservation District

MIDDLE PECOS
Groundwater Conservation District
Drawer 1644, Fort Stockton, Texas 79735
Phone: 432/336-0698 Fax: 432/336-3407

"AMENDED" APPLICATION FOR A PRODUCTION PERMIT AND AUTHORIZING EXPORT

General Instructions: A Production Permit is required by the District for operating or producing groundwater from any non-exempt well for which a Historic and Existing Use Permit or amendment thereto to include the well has not been issued by the District or timely applied for and awaiting District action. An application for a Production Permit shall contain all the information requested in Rule 11.9. An applicant may file a Production Permit Application for more than one well and also, if the wells are part of a well system as defined by the District's Rules.

Applicant(s) Information: Provide the information requested below. If the Applicant is more than one individual with different residences, attach a separate sheet with a description of their respective interests in the well(s), listing their names and addresses, and designating a contact person. If the Applicant is a corporation, partnership, limited partnership or other business association, state its name and address below and attach written documentation that the Authorized Representative, whose name is provided below, is authorized to represent the well owner. If the applicant is other than the owner of the property, attach documentation establishing the applicable authority to construct and operate a well(s) subject to this application.

Please Print or Type

Applicant: Fort Stockton Holdings, L.P. Phone: (432) 688-3038 Fax: (432) 688-3247

Mailing Address: 6 Desta Drive, Suite 6500 City Midland ST TX Zip 78705

Physical Address: Same E-Mail: platham@claytonwilliams.com

Contact/Authorized Representative: ~~Paul Latham, Vice President (See Attachments "A" and "B")~~ See **Appendix A**

Relationship to Owner/Applicant ~~Vice President, Clayton Williams Farms, Inc., general partner, Fort Stockton Holdings, L.P.~~ See **Appendix A**

Phone: ~~Same~~ Fax: ~~Same~~ E-mail: ~~Same~~

Mailing Address: ~~Same~~ City ~~Same~~ ST Zip ~~Same~~

Aquifer: This application is for a Production Permit from the following Aquifer: Edwards-Trinity

Proposed Groundwater Withdrawal Amount: Total amount of groundwater applied for in this application in acre-feet per year (1 acre-foot equals 325,851 gallons): ~~47,41849,000 ac-ft/year, *less* the volume of water produced under Applicant's Existing and Historic Use Permits for the same wells during the same calendar year.*~~ **28,400** acre-feet per year

List the requested amount of groundwater withdrawal for each purpose in acre-feet per year (1 acre-foot is 325,851 gallons), the duration required for each use (if perpetual, mark as such, otherwise, provide a date for the last withdrawal) and describe in detail each proposed use:

Domestic Amount: ~~N/A 0.0 ac-ft/yr~~ Duration of Use: ~~N/A0.0 ac-ft/yr~~

Livestock Amount: ~~N/A0.0 ac-ft/yr~~ Duration of Use: ~~N/A0.0 ac-ft/yr~~

Proposed Use (Number and type of livestock): ~~N/A0.0 ac-ft/yr~~

Irrigation Amount: ~~N/A0.0 ac-ft/yr~~ Duration of Use: ~~N/A0.0 ac-ft/yr~~

Proposed Use (Type and acreage of crops, type of irrigation (spray, drip, etc.)): ~~N/A0.0 ac-ft/yr~~

28,400 ac-ft/yr for **Agricultural** use, less the volume produced for other authorized uses of **municipal** and **industrial**.

Public Supply Amount: ~~N/A 47,418 ac-ft/yr, *less* the volume of water produced under Applicant's Existing and Historic Use Permits for the same wells during the same calendar year, and less the volume of water produced for Industrial use pursuant to this permit during the same calendar year.*~~ **28,400 ac-ft/yr**, less the volume produced for other authorized uses of **agricultural** and **industrial.**

Duration of Use: ~~5 years minimum/50 years contingent, as further described in the attached Permit Supplement D(1), and renewable thereafter. Applicant intends to apply for renewals.~~

See **Special Permit Condition 2** (attached)

Proposed Use (location, number of people, provide copy of contract): Supply wholesale water to municipal water purveyors within the Texas Water Development Board's State Water Plan "Region F" Planning Area (31 TAC) as described in the attached Permit Supplement.

Industrial Amount: ~~N/A 47,418 ac-ft/yr, *less* the volume of water produced under Applicant's Existing and Historic Use Permits for the same wells during the same calendar year, and less the volume of water produced for Public Supply use pursuant to this permit during the same calendar year.*~~ **28,400 ac-ft/yr**, less the volume produced for other authorized uses of **agricultural** and **municipal.**

Duration of Use: ~~5 years minimum/50 years contingent, as further described in the attached Permit Supplement D(1), and renewable thereafter. Applicant intends to apply for renewals.~~ See **Special Permit Condition 2** (attached)

Proposed Use (type of industry): e.g. manufacturing, electric generation, Oil & Gas, etc.

Other Amount: ~~49,000 acre-feet/year~~0.0 ac-ft/yr Duration of Use: ~~perpetual~~0.0 ac-ft/yr

Proposed Use: ~~Multiple uses for Public Supply, Industrial, Irrigation, and Livestock purposes~~0.0 ac-ft/yr

~~*** This application is not requesting any increase in the total volume of groundwater production already approved by the District, because the production allowed under this proposed permit would be limited to the amount of groundwater production not used under applicant's Existing and Historic Use Permits in a given year for the same wells. As explained in greater detail elsewhere in the Application, the maximum annual volume of water Applicant will be entitled to produce during any calendar year, whether allocated to Public Supply or Industrial purposes, shall never exceed 47,418 ac-ft/yr. Moreover, in combination with Applicant's separate Existing and Historic Use Permits issued by the District, which authorize total production of 47,418 ac-ft/yr, Applicant has requested inclusion of a Special Condition in its Production Permit to be issued pursuant to this Application which would limit Applicant's total annual production pursuant to its new Production Permit and its Existing and Historic Use Permits to a combined maximum production volume of 47,418 ac-ft/yr. Applicant understands that water produced under this permit for Public Supply and/or Industrial purposes will be subject to the District's rules relating to new permits, and not the rules which remain applicable to its Existing and Historic Use Permits.**~~

Rate of Production for each well subject to this application (in gallons per minute): ~~(See Attachment "C")~~ See **Appendix B-1**
Estimated Rate of withdrawal per year: ~~(See Attachment "C")~~ See **Appendix B-1**
Maximum Rate of withdrawal per year: ~~(See Attachment "C")~~ See **Appendix B-1**

Location of Use: Please describe the location of use: Within Texas Water Development Board's State Water Plan "Region F" Planning Area (31 TAC) as described in the attached Supplement. ~~(See Attachment "D")~~

If the proposed location of use is outside Pecos County, attach a separate sheet that addresses the three issues set forth in District Rule 11.9.1(a)~~(7)~~. See Attached ~~Supplement~~ **Special Permit Conditions**

Land ownership: Total number of acres of land contiguous in ownership with the land where the well(s) are located: ~~18,510.61~~ ~~acres.~~ 14,191.08 acres

Provide well owner's identification name for each well relied upon to support this application: See **Appendix C**

Well Owner's Name:	Well Reference in Applicant's Registration
~~Fort Stockton Holdings, L.P.~~	~~See Attachment "C"~~
Same	
Same	

SEE SUPPLEMENT ATTACHED

DECLARATION: I agree that the water withdrawn from the well(s) will be put to beneficial, nonwasteful use at all times. I agree that reasonable diligence will be used to protect groundwater quality. I agree to abide by the rules of the Middle Pecos Groundwater Conservation District, the District Management Plan, and orders of the District's Board of Directors. I agree to comply with the District's well capping and plugging guidelines and report any well closure to the District. Furthermore, I agree not to exceed the production allowance of the Production Permit. **I understand and agree that my withdrawal and beneficial use of groundwater authorized by a Production Permit issued by the District may be limited if the District determines that reductions are necessary pursuant to the aquifer-based production limit, proportional adjustment, or permit limit rules of the District (District Rules 10.3, 10.4, and 10.5).**

Although Applicant understands this permit will be subject to the District's rules, and Applicant agrees to abide by such rules, nothing in this application should be construed as a waiver of Applicant's right to obtain compensation for a taking of its vested property rights in the event that the application of the District's rules to Applicant's groundwater rights results in a taking of vested property rights in any given year. Furthermore, nothing in this application should be construed as a waiver of Applicant's right to appeal or challenge the validity of any of the District's rules either administratively or in a court of competent jurisdiction.

I hereby certify that the information contained herein is true and correct to the best of my knowledge and belief.

Signature of Applicant: _____ Date: July 8, 2009

L. Paul Latham, Vice President

AFFIDAVIT

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

Before me, the undersigned authority, on this day personally appeared L. Paul Latham, acting in his capacity as Vice President, Clayton Williams Farms, Inc., a Delaware corporation, as the sole General Partner of Fort Stockton Holdings, L.P., a Texas limited partnership, the Applicant in Application filed with the Middle Pecos Groundwater Conservation District on July 13, 2009, who after being by me duly sworn, upon oath deposes and says that he has read the statements and information in the foregoing letter providing amendatory and supplemental/clarifying language in connection with said July 13th Application and that the same are true and correct to the best of his knowledge.

L. Paul Latham for the Applicant

Subscribed and Sworn to before me this 24th day of September, 2009.

McRAE M. BIGGAR
Notary Public
State of Texas
Comm. Expires 10-10-2010

McRae M. Biggar
Signature of Notary

McRae M. Biggar
Printed Name of Notary

10-10-2010
Date of Expiration

Approval or denial of this application is subject to the rules of the District.

For District Use Only:

Date Application Received: 9/28/09 Mapped: _____

Field Inspection: _____

District Well Nos. _____

Application Approved:
____ YES ✓ NO

Signature: [signature]

Date: 10 June 2011

Paul Weatherby
Signature

General Manager 9/28/09
Title Date

Permit Approved.

Jerry McGuairt
Jerry McGuairt 7-18-17
Board President **Date**

See attached special permit.

FORT STOCKTON HOLDINGS, L.P. PRODUCTION PERMIT
SPECIAL PERMIT CONDITIONS

1. Groundwater production is authorized in the amount of 28,400 acre-feet of Edwards-Trinity aquifer per year produced from the FSH-owned (not leased) properties for municipal, industrial, and agricultural purposes within and outside of the District.

2. The permit term shall be three years as provided for in Texas Water Code Section 36.122(i)(1), or thirty years as provided for in Texas Water Code Section 36.122(i)(2).

3. Production from this Production Permit shall be from those wells in those amounts set forth on the attached well schedule; provided, however, FSH may file applications for new or replacement wells as authorized by the District's rules.

4. FSH will not file a permit application to produce additional quantities of groundwater from the Edwards-Trinity aquifer on the properties at issue in FSH's application for a period of not less than five (5) years.

5. If the District imposes Management Zone 1 pro-rata cutbacks and those cutbacks are less restrictive than the restrictions in the special permit condition, the less restrictive cutbacks are applicable to FSH.

6. FSH agrees that it is subject to the District's rules as may be amended.

7. FSH must develop and adopt a conservation plan consistent with the District's rules, including a provision requiring FSH's subsequent customers to develop and implement water conservation plans consistent with the District's Rules, including notice of potential curtailment of production.

8. FSH agrees to meter and report separately water produced from its wells for agricultural use on the FSH property and water transported for municipal and industrial purposes off the property under its H&E Permits and the new Operating Permit.

9. FSH agrees to designate those wells identified in the attached "Monitor Well Thresholds and Cutbacks" as monitor wells and install monitoring and associated satellite telemetry equipment to allow the District to monitor aquifer conditions based upon its production. The selection of these wells and details of the monitoring equipment and related commitments must be mutually agreed upon with the District and memorialized in a monitoring well agreement between FSH and the District.

FORT STOCKTON HOLDINGS, L.P. PRODUCTION PERMIT
SPECIAL PERMIT CONDITIONS

10. FSH agrees to pay the District an export or transport fee on groundwater produced and delivered for beneficial use outside of the District at a rate either on a per acre-foot or 1,000 gallon unit basis consistent with other export fee rates the District has negotiated recently, which the Parties anticipate to be an agreed export fee rate of $0.025 per 1,000 gallons. This agreement will be similar to existing agreements for payment of export fees recently entered into with other permittees.

11. FSH will look to the development of aquifers other than the Edwards-Trinity Aquifer (specifically, the Capitan and/or Rustler Aquifers) for additional permitted water for export for municipal and industrial purposes before applying for permits to export additional Edwards-Trinity Aquifer water for municipal and industrial use.

12. This permit is contingent on FSH's and Republic Water Company of Texas, LLC's (Republic LLC's) performance under the settlement agreement executed among the District, FSH, Republic LLC, and Clayton Williams Farms, Inc.

13. **The attached schedule entitled "Monitor Well Thresholds and Cutbacks" applies to this permit until a Joint Study can be conducted and until such time as the Board determines relaxing the restrictions in this schedule are justified by the results of the Joint Study. Any cutbacks in this schedule shall go into effect April 1st of each year and remain effect through March 31st of the immediately following year.**

14. **The Study scope, project management, and responsibility for funding shall be agreed to between FSH and District within 6 months. The study shall commence shortly after an agreement is reached on the scope.**

15. If the District imposes MZ 1 pro-rata cutbacks and those cutbacks are less restrictive than the restrictions in this special permit condition, the less restrictive cutbacks are applicable to FSH.

Monitor Well Thresholds and Cutbacks

Well		Reference Point Elevation (ft MSL)	Winter Threshold 1		Winter Threshold 2 (Historic Minimum)		Winter Threshold 3		Winter Threshold 4		Maximum Recent Drawdown (Winter to Summer)	Summer Threshold		Recent Depth to Water	
Short Name	Long Name		Depth to Water (ft)	Basis	Depth to Water (ft)	Basis	Depth to Water (ft)	Basis	Depth to Water (ft)	Basis		Depth to Water (ft)	Basis	Winter	Summer
Mpgcd320	King, Woodward, #320	3068	205	Win2+5	200	Data 1/1999	195	Win2-5	190	Win2-10	45	245	Win2+Max DD	113	148
Mpgcd323	Ft Stockton, Cemetery, #323	3031	198	Win2+5	193	Data 1/2000	188	Win2-5	183	Win2-10	15	208	Win2+Max DD	146	148
C-5	C-5, FSH Well	3009	110	Win2+5	105	WPC 1973	100	Win2-5	95	Win2-10	72	177	Win2+Max DD	60	107
M-9	M-9, FSH Well	3261	313	Win2+5	308	WPC 1973	303	Win2-5	298	Win2-10	48	356	Win2+Max DD	246	283
S-45	S-45, FSH Well	3067	165	Win2+5	160	WPC 1973	155	Win2-5	150	Win2-10	56	216	Win2+Max DD	92	115
S-6	S-6, FSH Well	3123	205	Win2+5	200	WPC 1973	195	Win2-5	190	Win2-10	62	262	Win2+Max DD	118	159
Mpgcd305	Cockrell_Belding, #305	3233	292	Win2+5	287	WPC 1973	282	Win2-5	277	Win2-10	75	362	Win2+Max DD	206	250
Mpgcd318	Goldman Ranch, Well 1	2957	72	Win2+5	67	WPC 1975	62	Win2-5	57	Win2-10	33	100	Win2+Max DD	30	49
Mpgcd334	Carpenter, #334	3051	140	Win2+5	135	WPC 1975	130	Win2-5	125	Win2-10	36	171	Win2+Max DD	104	126
Interstate	Interstate Well, FSH Well	2988	96	Win2+5	91	WPC 1975	86	Win2-5	81	Win2-10	40	131	Win2+Max DD	49	71
Prison	TDCJ, Prison Well	3199	258	Win2+5	253	WPC 1973	248	Win2-5	243	Win2-10	50	303	Win2+Max DD	184	224

Threshold	Action
Winter Threshold 1	If 6 of 11 are below threshold, 100% reduction in FSH non-historical use pumping
Winter Threshold 2	If 6 of 11 are below threshold, 50% reduction in FSH non-historical use pumping
Winter Threshold 3	If 6 of 11 are below threshold, 30% reduction in FSH non-historical use pumping
Winter Threshold 4	If 6 of 11 are below threshold, 10% reduction in FSH non-historical use pumping
Summer Threshold	If 6 of 11 are below threshold, meeting in 60 days between FSH and MPGCD to discuss data

Notes

Maximum Recent Drawdown (Winter to Summer) based on evaluation of recent data (~2010 to 2016)

Summer Thresholds derived by adding maximum recent drawdown (from historic data) to Winter 1 Threshold

Recent Depth to Water are from actual data: maximum (summer) and minimum (winter) from spring 2016 to winter 2017

Appendix A

Contact/Authorized Representative

Jeff Williams
#6 Desta Drive
Suite 5725
Midland, TX 79705
Phone: (432) 682-6324
Fax: (432) 336-3842
E-Mail: gataga73@yahoo.com

Ed McCarthy
1122 Colorado Street
Suite 2399
Austin, TX 78701
Phone: (512) 904-2310
Fax: (512) 692-2826
E-Mail: ed@ermlawfirm.com

Mike Thornhill
1104 S. Mays Street
Suite 200
Round Rock, TX 78664
Phone: (512) 244-2172
E-Mail: MThornhill@tgi-water.com

COPY

Appendix B-1

PBPGCD Number	Well	General Description	Longitude	Latitude	Elevation (feet AMSL)	Survey Name	Abstract Number	Range of Well Depth (feet below ground level)	Aquifer	Property Offsets	Peak Rate of Production (gpm)	Pump and Pump Capacity
2005021409	C-1	2.16 miles ESE of intersection of I-10 Service Rd. and CR 4839	-103.028650	30.890990	3005	GC&SF RR CO	4402	362**	Edwards	1,042 feet from West property line 2,740 feet from North property line	2,000	125 HP, 2,000 gpm (est)
2005021410	C-2	2 miles ESE of intersection of I-10 Service Rd. and CR 4839	-103.031400	30.891090	3006	GC&SF RR CO	4402	346**	Edwards	179 feet from West property line 2,756 feet from North property line	3,000	300 HP, 3,000 gpm (est)
2005021411	C-3	1.83 miles ESE of intersection of I-10 Service Rd. and CR 4839	-103.034550	30.891260	3008	Taylor, E.	4627	350**	Edwards	811 feet from East property line 1,208 feet fromSouth property line	3,000	300 HP, 3,000 gpm (est)
2005021412	C-4	2.42 miles ESE of intersection of I-10 Service Rd. and CR 4839	-103.025820	30.886550	3006	GC&SF RR CO	4402	406**	Edwards	1,970 feet from West property line 1,665 feet from South property line	2,000	200 HP, 2,000 gpm (est)
2005021130	M-1	2.26 miles S of southernmost intersection of CR 896 & FM 2037	-103.026135	30.757445	3293	T&P RR CO	5276	725***	Edwards	45 feet from West property line 27 feet from south property line	2,200	450 HP, 2,200 gpm (est)
2005021131	M-2	1.76 miles S of southernmost intersection of CR 896 & FM 2037	-103.026150	30.764695	3279	T&P RR CO	5276	432*	Edwards	48 feet from West property line 2,663 feet from South property line	1,500	450 HP, 1,500 gpm (est)
2005021132	M-3	1.51 miles S of southernmost intersection of CR 896 & 2037	-103.026160	30.768281	3277	T&P RR CO	5276	410***	Edwards	49 feet from West property line 1,358 feet from North property line	2,200	450 HP, 2,200 gpm (est)
2005021133	M-4	0.76 miles S of southernmost intersection of CR 896 & FM 2037	-103.026148	30.779308	3262	T&P RR CO	5274	410***	Edwards	62 feet from West property line 2,642 feet from North property line	1,800	200 HP, 1,800 gpm (est)
2005021134	M-5	0.82 miles E of nothermost intersection of CR 896 & FM 2037	-103.007656	30.792598	3238	T&P RR CO	6015	330***	Edwards	605 feet from West property line 2,316 feet from South property line	2,200	450 HP, 2,200 gpm (est)
2005021135	M-6	0.92 miles E of nothernmost intersection of CR 896 & FM 2037	-103.005992	30.792928	3231	T&P RR CO	6015	335**	Edwards	1,130 feet from West property line 2,316 feet from South property line	2,000	300 HP, 2,000 gpm (est)
2005021136	M-7	0.9 miles E of northernmost intersection of CR 896 & FM 2037	-103.006354	30.794657	3213	T&P RR CO	6015	343*	Edwards	1,029 feet from West property line 2,945 feet from South property line	2,000	450 HP, 2,000 gpm (est)
2005021137	M-8	0.95 miles E of intersection of FM 2037 & Old Alpine Hwy.	-102.993600	30.800244	3195	T&P RR CO	6015	520**	Edwards	308 feet from East property line 206 feet from North property line	1,000	250 HP, 1,000 gpm (est)
2005021138	M-9	1.26 miles E of northernmost intersection of CR 896 & FM 2037	-103.026153	30.772017	3282	T&P RR CO	5276	545*	Edwards	55 feet from West property line 0 feet from North property line	800	100 HP, 800 gpm (est)
2005021444	NC-2	0.34 miles NE of intersection of I-10 Service Rd. & Leon Farms Rd.	-102.963650	30.899027	2981	Handy, J.H.	5486	na	unknown	1,493 feet from West property line 15 feet from South property line	500	150 HP, 500 gpm (est)
2005020923	S-1	2.6 miles N of Old Alpine Hwy & Pecan Rd.	-103.043509	30.815876	3152	T&P RR CO	5601	340***	Edwards	62 feet from East property line 50 feet from South property line	1,400	250 HP, 1,400 gpm (est)

COPY

2005020924	S-2	2.5 miles NW of Intersectionof FM 2037 & Old Alpine Hwy.	-103.043829	30.823565	3144	T&P RR CO	5601	465**	Edwards	155 feet from East property line 2,470 feet from North property lin
2005020926	S-4	1,480 feet N of S-2	-103.013542	30.827628	3141	T&P RR CO	5601	510*	Edwards-Trinity	60 feet from East property line feet from North property line
2005020928	S-6	2,407 feet N of S-2	-103.043513	30.830453	3121	T&P RR CO	8970	455*	Edwards	55 feet from East property line feet from South property line
2005020933	S-11	0.99 miles south of Intersection of Williams Rd. & Brangus Rd.	-103.025942	30.830560	3128	T&P RR CO	9548	425**	Edwards-Trinity	100 feet from West property line feet from South property line
2005020937	S-13	2,743 feet E of S-11	-103.017201	30.830579	3131	T&P RR CO	9548	360***	Edwards	2,354 feet from East property line feet from South property line
2005021109	S-18	0.45 miles W of Intersection of FM 2037 & Brangus Rd.	-103.010304	30.859055	3066	GC&SF RR CO	8357	312*	Edwards	2,325 feet from east property line feet from South property line
2005021110	S-19	3,593 feet W of S-18	-103.021756	30.859023	3074	GC&SF RR CO	8357	302*	Edwards-Trinity	179 feet from West property line feet from South property line
2005021111	S-20	468 feet N of S-19	-103.021846	30.860309	3064	GC&SF RR CO	8357	360*	Edwards	150 feet from West property line feet from South property line
200502116	S-26	2.05 miles W of Intersection of FM 2037 & Brangus Rd.	-103.037221	30.858870	3077	GC&SF RR CO	4563	500**	Edwards	738 feet from East property line feet from North property line
2005021120	S-32	1.93 miles W of Intersection of FM 2037 & Brangus Rd.	-103.035110	30.858848	3088	GC&SF RR CO	4563	316**	Edwards	76 feet from East property line feet from North property line

Appendix C

FSH/CWF Well Schedule

Farm/ Well Name	MPGCD #	Historic & Existing Use	New Operating Permit	Historic & Existing Remaining	Year of Maximum H&E Use			
Mesa Farm								
M-1	2005021130	2,129.00	2,129.00	0.00	1993			
M-2	2005021131	1,419.00	1,419.00	0.00	1993			
M-3	2005021132	2,149.00	2,149.00	0.00	1990			
M-4	2005021133	1,758.00	1,758.00	0.00	1990			
M-5	2005021134	1,328.00	1,328.00	0.00	2004			
M-6	2005021135	1,727.00	1,727.00	0.00	2003			
M-7	2005021136	1,727.00	1,727.00	0.00	2003			
M-8	2005021137	928.00	928.00	0.00	1994			
M-9	2005021138	332.00	332.00	0.00	1994			
		13,497 H&E	13,497.00	0.00				
Stockton Farm								
#1	2005020923	458.00	458.00	0.00	1996			
#2	2005020924	1,352.00	1,352.00	0.00	2002			
#3	2005020925	27.00		27.00	1993			
#4	2005020926	1,839.00	1,839.00	0.00	2004			
#5	2005020927	1,590.00		1,590.00	[redacted]			Leased on Ryan
#6	2005020928	424.00	424.00	0.00	2000			
#7	2005020929	1,297.00		1,297.00	2004			
#8	2005020930	1,400.00		1,400.00	1993			
#9	2005020931	742.00		742.00	2003			
#10	2005020932	1,789.00		1,789.00	1990			
#11	2005020933	1,381.00	1,381.00	0.00	2002			
#12	2005020934	8.00		8.00	2001			
#13	2005020937	924.00	920.00	0.00	2002			
#15	2005020938	948.00		948.00	2004			
#18	2005021109	406.00	406.00	0.00	1994			
#19	2005021110	406.00	406.00	0.00	1994			
#20	2005021111	406.00	406.00	0.00	1994			
#21	2005021112	2,456.00		2,456.00	[redacted]			
#22	2005021113	1,452.00		1,452.00	[redacted]			Leased on McKenzie
#23	2005021114	1,638.00		1,638.00	[redacted]			
#25	2005021115	1,169.00		1,169.00	2004			
#26	2005021116	1,318.00	1,318.00	0.00	2004			
#27	2005021117	940.00		944.00	2004			
#28	2005021118	875.00		875.00	2004			
#29	2005021119	875.00		875.00	2004			
#32	2005021120	1,537.00	1,537.00	0.00	2004			
#33	2005021121	1,678.00		1,678.00	2004			
#34	2005021122	1196	Rustler (0)		[redacted]			Leased on Pryor
#40	2005021123	66.00		66.00	1996			
		30,597 H&E	10,447.00	18,954.00				
Caramba Farms								
C-1 (Brown#1)	2005021409	849.00	849.00	0.00				
C-2 (Brown#2)	2005021410	1,273.00	1,273.00	0.00				
C-3 (Brown#3)	2005021411	1,273.00	1,273.00	0.00				
C-4 (Brown#4)	2005021412	849.00	849.00	0.00				
Caramba#2	2005021444	212.00	212.00	0				
		4,456 H&E	4,456.00	0.00				
NOTE: MOVED 4 AC-FT FROM #13 TO #27 (WILL REQUEST IN AMENDMENT)								
		Total H&E (Historic & Existing based land)	New Operating Permit	Remaining H&E Permit	H&E on Leased Land			
Mesa Farm		13,497.00	13,497.00	0.00	0.00			
Stockton Farm		30,597.00	10,447.00	18,954.00	8,332.00			
Caramba		4,456.00	4,456.00	0.00	0.00			
Grand Totals		48,550.00			8,332.00			
	S#34 Rustler 1196 ac-ft							
	Totals	[redacted]	[redacted]	[redacted]	7,136 E/T			
				20,150 ac-ft total H&E Remaining				
FSH shows 47,418. There is an error from Caramba farms C-6 40 ac-ft and Caramba farms C-Orchard 14 ac-ft and a correction on S-6 from 434 to 424 ac-ft Board action on Jan 18th 2006 is only 5 wells on Caramba for 4,456								

EXHIBIT NO. 2
to
UNTREATED GROUNDWATER SUPPLY CONTRACT
BETWEEN FORT STOCKTON HOLDINGS, L.P., AND
THE CITY OF MIDLAND, TEXAS

CONTRACT PREMISES

Those lands depicted and described on the following four maps, less and except those tracts denoted as leased lands:

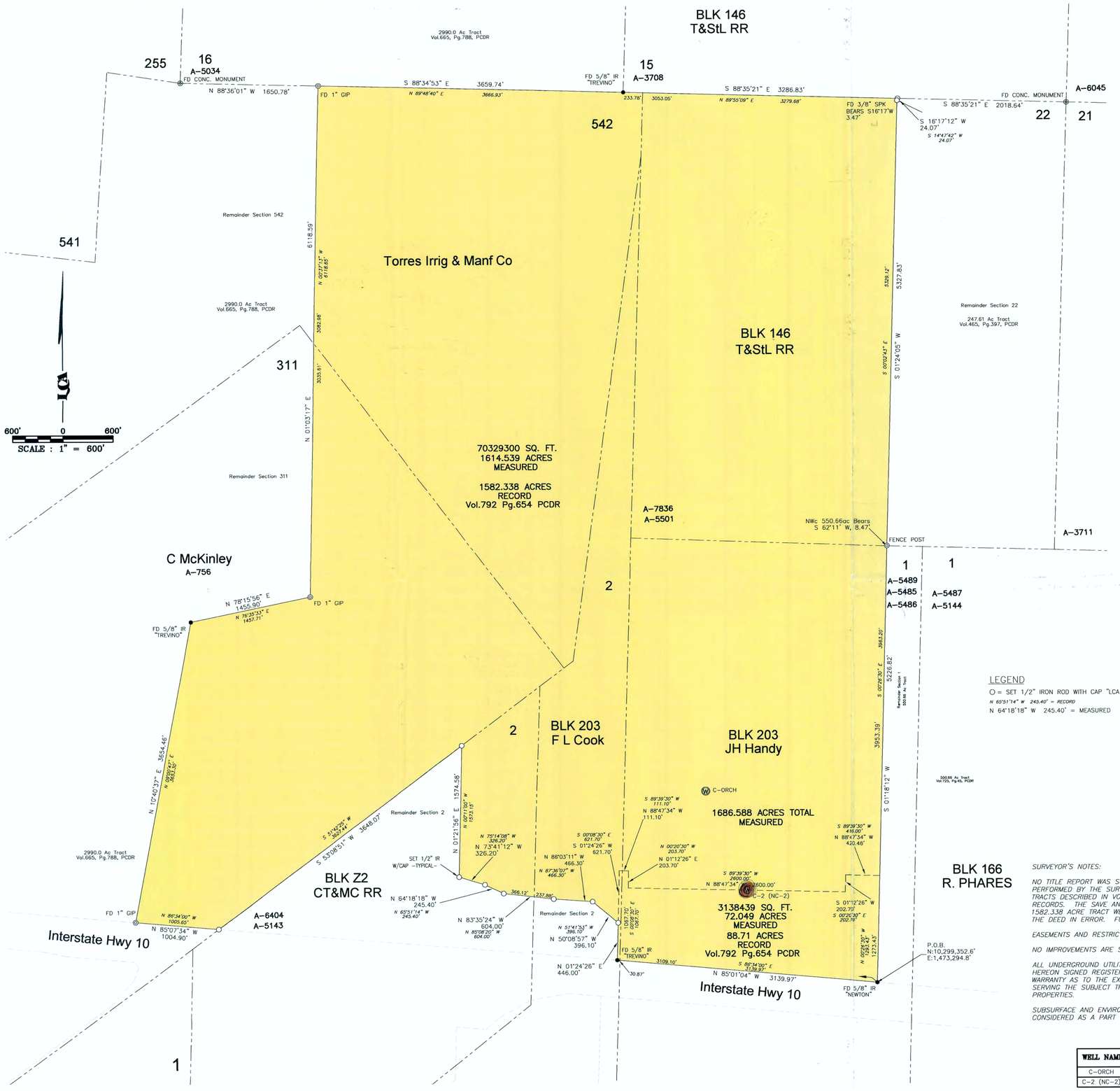
Caramba Farms North,

Caramba Farms South,

Stockton Farms,

Mesa Farms.

Boundary Survey Of "CARAMBA FARMS - NORTH" Being 1686.58 Acres in Section 542, TORRES IRRIG. & MANF. Co Survey, Section 311, C MCKINLEY Survey, Section 2, Block Z2, CT&MC RR Co Survey, Section 2, Block 203, F L COOK Survey, Section 1, Block 203, JH HANDY Survey and Section 22, Block 146, T&STL RR Co Survey, Pecos County, Texas



LEGAL DESCRIPTION:

Legal Description For a 1686.588 Acre Tract of Land in Section 542, Torres Irrigation & Manufacturing Co. Survey, Section 311, C. McKinley Survey, Section 2, Block Z2, CT&MC RR Co. Survey, Section 2, Block 203, FL Cook Survey, Section 1, Block 203, JH Handy Survey and Section 22, Block 146, T&STL RR Co. Survey, Pecos County, Texas. Being a 1614.539 Acre (1582.338 Acres – Record) Tract recorded as the first tract in Volume 792, Page 654 of the Pecos County Deed Records and a 72.049 Acre (88.71 Acres – Record) Tract recorded as the last tract in said Volume 792, Page 654 of the Pecos County Deed Records.

Boundary Being More Fully Described by Metes and Bounds as Follows:

BEGINNING at (Y=10,299,352.6', X=1,473,294.8') a 5/8" Iron rod with cap "Newton" found in the north right of way line of Interstate Highway 10 in said Section 1, Block 203 at the southwest corner of a 550.66 acre tract recorded in Volume 725, Page 45 of the Pecos County Deed Records and the southeast corner of said called 88.71 acre tract, being the southeast corner of this tract;

THENCE North 85°01'04" West with the north right of way line of said Interstate Highway 10, passing the west line of said Section 1, Block 203 and the east line of said Section 2, Block 203, continuing for a total distance of 3139.97 feet to a 5/8" Iron rod with cap "Trevino" found for the southwest corner of said called 88.71 acre tract, being a point of deflection in the south line of this tract;

THENCE North 01°24'26" East with the west line of said 88.71 acre tract, a distance of 446.00 feet to a ½" Iron rod with cap "LCA ODESSA TX" set for a point of deflection in the south line of said called 1582.338 acre tract, being a point of deflection in the south line of this tract;

THENCE North 50°08'57" West with the south line of said called 1582.338 acre tract, a distance of 396.10 feet to a ½" Iron rod with cap "LCA ODESSA TX" set for a point of deflection in the south line of said called 1582.338 acre tract and this tract;

THENCE North 86°03'11" West with the south line of said called 1582.338 acre tract, a distance of 466.30 feet to a ½" Iron rod with cap "LCA ODESSA TX" set for a point of deflection in the south line of said called 1582.338 acre tract and this tract;

THENCE North 83°35'24" West with the south line of said called 1582.338 acre tract, passing the west line of said Section 2, Block 203 and the west line of said Section 2, Block Z2, continuing for a total distance of 604.00 feet to a ½" Iron rod with cap "LCA ODESSA TX" set for a point of deflection in the south line of said called 1582.338 acre tract and this tract;

THENCE North 64°18'18" West with the south line of said called 1582.338 acre tract, a distance of 245.40 feet to a ½" Iron rod with cap "LCA ODESSA TX" set for a point of deflection in the south line of said called 1582.338 acre tract and this tract;

THENCE North 73°41'12" West with the south line of said called 1582.338 acre tract, a distance of 326.20 feet to a ½" Iron rod with cap "LCA ODESSA TX" set for a point of deflection in the south line of said called 1582.338 acre tract and this tract;

THENCE North 01°21'56" East with the south line of said called 1582.338 acre tract, a distance of 1574.58 feet to a ½" Iron rod with cap "LCA ODESSA TX" set in the northwest line of said Section 2, Block Z2 and the southeast line of said Section 311 for a point of deflection in the south line of said called 1582.338 acre tract and this tract;

THENCE South 53°08'51" West with the south line of said called 1582.338 acre tract, a distance of 3648.07 feet to a ½" Iron rod with cap "LCA ODESSA TX" set in the north right of line of said Interstate Highway 10 for a point of deflection in the south line of said called 1582.338 acre tract and this tract;

THENCE North 85°07'34" West with the north right of way line of said Interstate Highway 10, a distance of 1004.90 feet to a 1" Galvanized iron pipe found at the southeast corner of a 2990.0 acre tract recorded in Volume 665, Page 788 of the Pecos County Deed Records and the southwest corner of said called 1582.338 acre tract, being the southwest corner of this tract;

THENCE North 10°40'37" East with the east line of said 2990.0 acre tract, a distance of 3654.46 feet to a 5/8" Iron rod with cap "Trevino" found for a point of deflection in the east line of said 2990.0 acre tract and in the west line of said called 1582.338 acre tract, being a point of deflection in the west line of this tract;

THENCE North 78°15'56" East with the east line of said 2990.0 acre tract, a distance of 1455.90 feet to a 1" Galvanized Iron pipe found for a point of deflection in the east line of said 2990.0 acre tract and in the west line of said called 1582.338 acre tract, being a point of deflection in the west line of this tract;

THENCE North 01°03'17" East with the east line of said 2990.0 acre tract, passing the northeast line of said Section 311 and the south line of said Section 542, continuing for a total distance of 6118.59 feet to a 1" Galvanized Iron pipe found in the north line of said Section 542 and the south line of Section 16, Block 146, T&STL RR Co Survey for the northwest corner of said called 1582.338 acre tract and this tract;

THENCE South 88°34'53" East with the north line of said Section 542 and the south line of said Section 16, a distance of 3659.74 feet to a 5/8" Iron rod with cap "Trevino" found at the southeast corner of said Section 16 and the southwest corner of Section 15, said Block 146, being a point of deflection in the north line of this tract;

THENCE South 88°35'21" East with the north line of said Section 542 and the south line of said Section 15, passing the northeast corner of said Section 542 and the northwest corner of said Section 22, Block 146, continuing for a total distance of 3286.83 feet to a ½" Iron rod with cap "LCA ODESSA TX" set for the northwest corner of a 247.61 acre tract recorded in Volume 465, Page 397 of the Pecos County Deed Records and the northeast corner of said called 1582.338 acre tract, being the northeast corner of this tract, whence a 3/8" Spike nail found near this corner bears South 16°17' West, a distance of 3.47 feet;

THENCE South 16°17'12" West with the west line of said 247.61 acre tract, a distance of 24.07 feet to a ½" Iron rod with cap "LCA ODESSA TX" set for a point of deflection in the west line of said 247.61 acre tract and the east line of said called 1582.338 acre tract, being a point of deflection in the east line of this tract;

THENCE South 01°24'05" West with the west line of said 27.61 acre tract, a distance of 5327.83 feet to a fence corner post in the south line of said Section 22 and the north line of said Section 1, Block 203 for the southwest corner of said 247.61 acre tract and being a point of deflection in the east line of this tract, whence the calculated northwest corner of a 550.66 acre tract as surveyed by J. N. Newton & Associates on February 9 & 12, 2001 bears South 62°11' West, a distance of 8.47 feet;

THENCE South 01°18'12" West with the west line of said 550.66 acre tract, at a distance of 3953.39 feet pass the southeast corner of said called 1582.338 acre tract and the northeast corner of said called 88.71 acre tract, continuing for a total distance of 5226.82 feet to the Point of Beginning. Containing 1686.58 acres of land, more or less.

Bearings and coordinates are relative to the Texas Coordinate System, 1983 NAD, Central Zone, with a combined grid factor of 0.999742738 and a theta angle of -01°21'08" near the center of this survey. Distances and acreage are horizontal surface as measured.

LEGEND

○ = SET 1/2" IRON ROD WITH CAP "LCA ODESSA TX"
N 65°51'14" W 245.40' = RECORD
N 64°18'18" W 245.40' = MEASURED

SURVEYOR'S NOTES:

NO TITLE REPORT WAS SUPPLIED FOR THIS SURVEY AND NO TITLE SEARCH WAS PERFORMED BY THE SURVEYOR, ONLY A BOUNDARY SURVEY BASED ON THOSE TRACTS DESCRIBED IN VOLUME 792, PAGE 654 OF THE PECOS COUNTY DEED RECORDS. THE SAVE AND EXCEPT TRACTS DESCRIBED AFTER THE CALLED 1582.338 ACRE TRACT WERE NOT SURVEYED AND MAY HAVE BEEN INCLUDED IN THE DEED IN ERROR. FURTHER EXAMINATION IS SUGGESTED.

EASEMENTS AND RESTRICTIONS MAY AFFECT THESE PROPERTIES.

NO IMPROVEMENTS ARE SHOWN ON THIS SURVEY.

ALL UNDERGROUND UTILITIES HAVE NOT BEEN LOCATED BY THIS SURVEYOR. THE HEREON SIGNED REGISTERED PROFESSIONAL LAND SURVEYOR MAKES NO WARRANTY AS TO THE EXISTENCE OR LOCATION OF ANY SUCH UTILITY, WHETHER SERVING THE SUBJECT TRACT OR FOR THE PURPOSE OF SERVICING OTHER PROPERTIES.

SUBSURFACE AND ENVIRONMENTAL CONDITIONS WERE NOT EXAMINED OR CONSIDERED AS A PART OF THIS SURVEY.

I, John F. Landgraf, do hereby certify this plat represents a survey made on the ground by me of the property legally described hereon and that it is correct and true to the best of my knowledge and belief.

STATE OF TEXAS REGISTERED JOHN F. LANDGRAF 2410 PROFESSIONAL LAND SURVEYOR

John F. Landgraf
Registered Professional Land Surveyor
Number 2410
Date of field survey: July, 2009
Reviewed December 21, 2010

TABLE OF WATER WELLS LOCATED

WELL NAME	X (NORTHING)	Y (EASTING)	Z GROUND (ELEVATION)	LATITUDE	LONGITUDE
C-ORCH	10301642.0'	1471232.0'	2976'	30.90225°	102.96530°
C-2 (NC-2)	10300459.6'	1471729.4'	2979'	30.89903°	102.96363°

Copyright 2010 Landgraf, Crutcher and Associates, Inc.

REVISED DATE	REVISION DONE	BY

DESIGNED BY
DRAWN BY ASB
CHECKED BY DEK
REVIEWED BY JFL

SCALE 1" = 600'
DATE 04-22-2009
JOB No. 2009-005-014
DWG No. NORTH CARAMBA

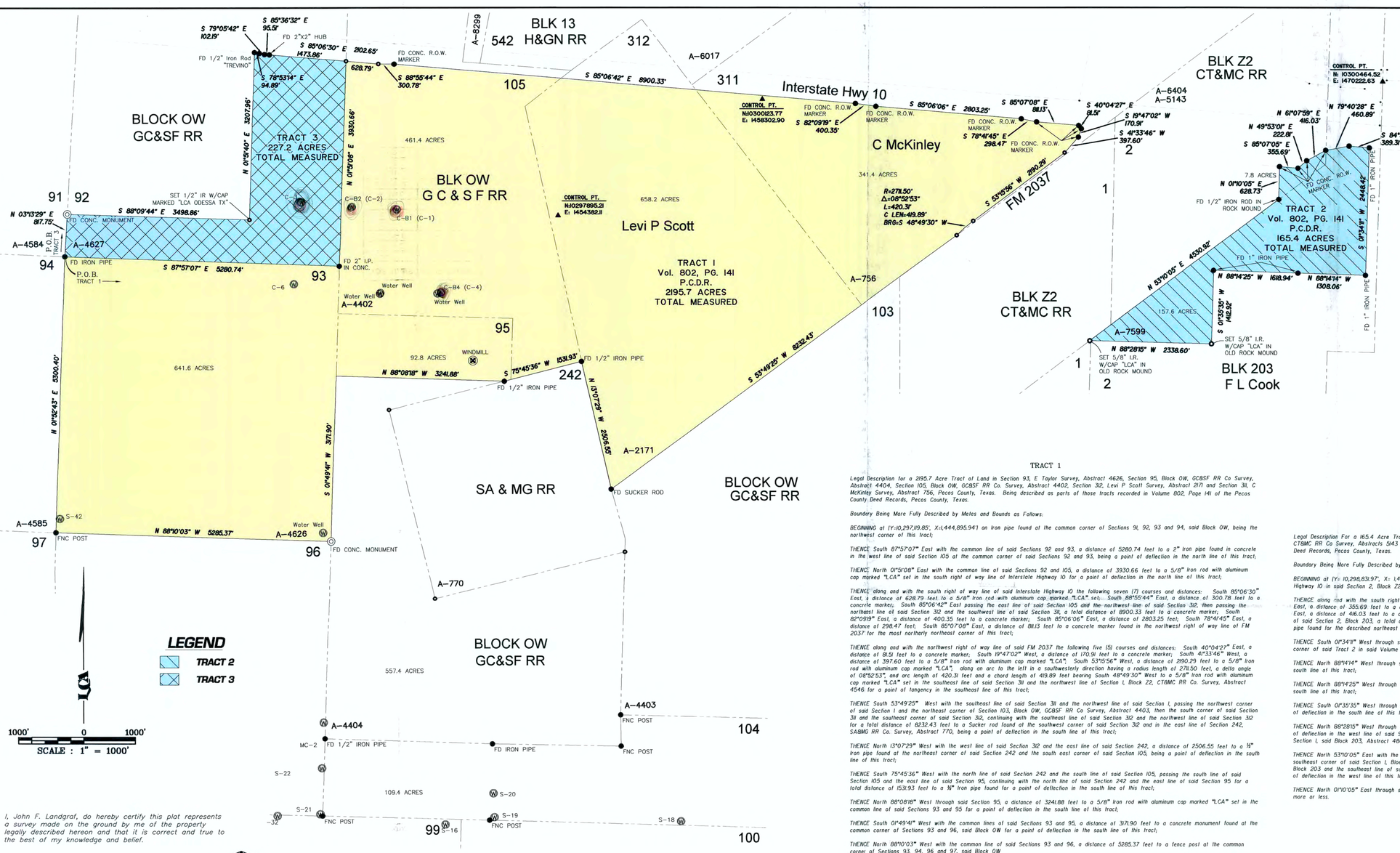
Landgraf, Crutcher and Associates, Inc.
TRANSPORTATION • ENVIRONMENTAL • CIVIL ENGINEERS ODESSA, TEXAS
Phone. # (432) 332-5058 Fax # (432) 332-8812 email: lca@lcaodessa.com

BEARINGS AND COORDINATES ARE RELATIVE TO THE TEXAS COORDINATE SYSTEM, 1983 NAD, CENTRAL ZONE, WITH A COMBINED GRID FACTOR OF 0.999742738 AND A THETA ANGLE OF -01°21'08" NEAR THE CENTER OF THIS SURVEY. DISTANCES AND ACREAGE ARE HORIZONTAL SURFACE AS MEASURED.

CARAMBA-FARMS
PECOS COUNTY

Seq. 1 of 1
Page No. 1

Survey Of "CARAMBA FARMS - SOUTH", Being 2195.7 Acres in Section 93, 95 and 105, Block OW, GC&SF RR Co Survey, Section 312, LEVI P SCOTT Survey, Section 311, C MCKINLEY SURVEY, a 165.4 Acre Tract in Section 2, Block 203, F L COOK Survey and Section 2, Block Z2, CT&MC RR Co Survey and a 227.2 Acre Tract in Section 92, Block OW, GC&SF RR Co Survey, Pecos County, Texas



LEGEND

- TRACT 2
- TRACT 3

TRACT 1

Legal Description for a 2195.7 Acre Tract of Land in Section 93, E Taylor Survey, Abstract 4626, Section 95, Block OW, GC&SF RR Co Survey, Abstract 4404, Section 105, Block OW, GC&SF RR Co. Survey, Abstract 4402, Section 312, Levi P Scott Survey, Abstract 2171 and Section 311, C McKinley Survey, Abstract 756, Pecos County, Texas. Being described as parts of those tracts recorded in Volume 802, Page 141 of the Pecos County Deed Records, Pecos County, Texas.

Boundary Being More Fully Described by Metes and Bounds as Follows:

BEGINNING at (Y=10,297,119.85', X=1,444,895.94') an iron pipe found at the common corner of Sections 91, 92, 93 and 94, said Block OW, being the northwest corner of this tract;

THENCE South 87°57'07" East with the common line of said Sections 92 and 93, a distance of 5280.74 feet to a 2" iron pipe found in concrete in the west line of said Section 105 at the common corner of said Sections 92 and 93, being a point of deflection in the north line of this tract;

THENCE North 01°51'08" East with the common line of said Sections 92 and 105, a distance of 3930.66 feet to a 5/8" iron rod with aluminum cap marked "LCA" set in the south right of way line of Interstate Highway 10 for a point of deflection in the north line of this tract;

THENCE along and with the south right of way line of said Interstate Highway 10 the following seven (7) courses and distances: South 85°06'30" East, a distance of 628.79 feet to a 5/8" iron rod with aluminum cap marked "LCA" set; South 88°55'44" East, a distance of 300.78 feet to a concrete marker; South 85°06'42" East passing the east line of said Section 105 and the northwest line of said Section 312, then passing the northeast line of said Section 312 and the southwest line of said Section 311, a total distance of 8900.33 feet to a concrete marker; South 82°09'19" East, a distance of 400.35 feet to a concrete marker; South 85°06'06" East, a distance of 2803.25 feet; South 78°41'45" East, a distance of 298.47 feet; South 85°07'08" East, a distance of 98.13 feet to a concrete marker found in the northwest right of way line of FM 2037 for the most northerly northeast corner of this tract;

THENCE along and with the northwest right of way line of said FM 2037 the following five (5) courses and distances: South 40°04'27" East, a distance of 81.5 feet to a concrete marker; South 19°47'02" West, a distance of 170.91 feet to a concrete marker; South 41°33'46" West, a distance of 397.60 feet to a 5/8" iron rod with aluminum cap marked "LCA"; South 53°15'56" West, a distance of 2902.29 feet to a 5/8" iron rod with aluminum cap marked "LCA"; along an arc to the left in a southwesterly direction having a radius length of 278.50 feet, a delta angle of 08°52'53", and arc length of 420.31 feet and a chord length of 419.89 feet bearing South 48°49'30" West to a 5/8" iron rod with aluminum cap marked "LCA" set in the southeast line of said Section 311 and the northwest line of Section I, Block Z2, CT&MC RR Co. Survey, Abstract 4546 for a point of tangency in the southeast line of this tract;

THENCE South 53°49'25" West with the southeast line of said Section 311 and the northwest line of said Section I, passing the northwest corner of said Section I and the northeast corner of Section 103, Block OW, GC&SF RR Co Survey, Abstract 4403, then the south corner of said Section 311 and the southeast corner of said Section 312, continuing with the southeast line of said Section 312 and the northwest line of said Section 312 for a total distance of 8232.43 feet to a Sucker rod found at the southwest corner of said Section 312 and in the east line of Section 242, SA&MG RR Co. Survey, Abstract 770, being a point of deflection in the south line of this tract;

THENCE North 13°07'29" West with the west line of said Section 312 and the east line of said Section 242, a distance of 2506.55 feet to a ½" iron pipe found at the northeast corner of said Section 242 and the south east corner of said Section 105, being a point of deflection in the south line of this tract;

THENCE South 75°45'36" West with the north line of said Section 242 and the south line of said Section 105, passing the south line of said Section 105 and the east line of said Section 95, continuing with the north line of said Section 242 and the east line of said Section 95 for a total distance of 1531.93 feet to a ½" iron pipe found for a point of deflection in the south line of this tract;

THENCE North 88°08'18" West through said Section 95, a distance of 3241.88 feet to a 5/8" iron rod with aluminum cap marked "LCA" set in the common line of said Sections 93 and 95 for a point of deflection in the south line of this tract;

THENCE South 01°49'41" West with the common lines of said Sections 93 and 95, a distance of 371.90 feet to a concrete monument found at the common corner of Sections 93 and 96, said Block OW for a point of deflection in the south line of this tract;

THENCE North 88°10'03" West with the common line of said Sections 93 and 96, a distance of 5285.37 feet to a fence post at the common corner of Sections 93, 94, 96 and 97, said Block OW

THENCE North 01°52'43" East with the common lines of said Sections 93 and 94, a distance of 5300.40 feet to the Point of Beginning. Containing 2195.7 acres of land, more or less.

TRACT 2

Legal Description For a 165.4 Acre Tract of Land in Section 2, Block 203, F.L. Cook Survey, Abstracts 5145 and 6405 and in Section 2, Block Z2, CT&MC RR Co Survey, Abstracts 5143 and 6404, Pecos County, Texas. Being described as Tract 2 in Volume 802, Page 141 of the Pecos County Deed Records, Pecos County, Texas.

Boundary Being More Fully Described by Metes and Bounds as Follows:

BEGINNING at (Y= 10,298,831.97', X= 1,468,239.79') a 5/8" iron rod with aluminum cap marked "LCA" set in the south right of way line of Interstate Highway 10 in said Section 2, Block Z2 for the northwest corner of this tract as described as said Tract 2 in said Volume 802, Page 141;

THENCE along and with the south right of way line of said Interstate Highway 10 the following five (5) courses and distances: South 85°07'05" East, a distance of 355.69 feet to a concrete marker; North 49°53'01" East, a distance of 222.8 feet to a concrete marker; North 61°07'59" East, a distance of 416.03 feet to a concrete marker; North 79°40'28" East passing the east line of said Section 2, Block Z2 and the west line of said Section 2, Block 203, a total distance of 460.89 feet to a concrete marker; South 84°59'29" East, a distance of 389.3 feet to a 1" iron pipe found for the described northeast corner of said Tract 2 in said Volume 802, Page 141 and the northeast corner of this tract;

THENCE South 01°34'11" West through said Section 2, Block 203, a distance of 2448.42 feet to a 1" iron pipe found for the described southeast corner of said Tract 2 in said Volume 802, Page 141 and the southeast corner of this tract;

THENCE North 88°14'14" West through said Section 2, Block 203, a distance of 1308.06 feet to a 1" iron pipe found for a point of deflection in the south line of this tract;

THENCE North 88°14'25" West through said Section 2, Block 203, a distance of 1618.94 feet to a 1" iron pipe found for a point of deflection in the south line of this tract;

THENCE South 01°35'35" West through said Section 2, Block 203, a distance of 1412.92 feet to a 5/8" iron rod set in old rock mound for a point of deflection in the south line of this tract;

THENCE North 88°28'15" West through said Section 2, Block 203, a distance of 2338.60 feet to a 5/8" iron rod set in old rock mound at a point of deflection in the west line of said Section 2, Block 203, in the southeast line of Section I, said Block Z2, Abstract 4546 and the north corner of Section L said Block 203, Abstract 4867, being the southwest corner of this tract;

THENCE North 53°10'05" East with the west line of said Section 2, Block 203 and the southeast line of said Section I, Block Z2, passing the southeast corner of said Section I, Block Z2 and the southwest corner of said Section 2, Block 203, continuing with the west line of said Section 2, Block 203 and the southeast line of said Section 2, Block Z2 a total distance of 4530.92 feet to a ½" iron rod in rock mound found for a point of deflection in the west line of this tract;

THENCE North 01°10'05" East through said Section 2, Block Z2, a distance of 628.73 feet to the Point of Beginning. Containing 165.4 acres of land, more or less.

TRACT 3

Legal Description for a 227.2 Acre Tract of Land in Sections 92, Block OW, GC&SF RR Co. Survey, Abstract 4627 Pecos County, Texas. Being described as parts of those tracts recorded in Volume 802, Page 141 of the Pecos County Deed Records, Pecos County, Texas.

Boundary Being More Fully Described by Metes and Bounds as Follows:

BEGINNING at (Y=10,297,119.85', X=1,444,895.94') an iron pipe found at the common corner of Sections 91, 92, 93 and 94, said Block OW, being the southwest of this tract;

THENCE North 03°13'29" East with the common line of Sections 93 and 94, a distance of 817.75 feet to a concrete monument found for the most westerly northwest corner of this tract;

THENCE South 88°09'44" E through said Section 92, a distance of 3498.86 feet to a 5/8" iron rod with aluminum cap marked "LCA" set for an interior corner and a point of deflection in the north line of this tract;

THENCE North 01°57'40" East continuing through said Section 92, a distance of 3207.96 feet to a ½" iron rod with cap "TREVINO" found in the south right of way line of Interstate Highway 10 for a point of deflection in the north line of this tract;

THENCE along and with the south right of way line of said Interstate Highway 10 the following four (4) courses and distances: South 78°53'14" East, a distance of 94.89 feet to a concrete marker; South 79°05'42" East, a distance of 102.19 feet to a concrete marker; South 85°36'32" East, a distance of 95.9 feet to a 2"x2" wood hub; South 85°06'30" East, a distance of 1473.86 feet to a 5/8" iron rod with aluminum cap marked "LCA" set in the common line of Sections 92 and 105, said Block OW for the northeast corner of this tract;

THENCE South 01°51'08" West with the common line of said Sections 92 and 105, a distance of 3930.66 feet to a 2" iron pipe found in concrete at the common corner of said Sections 92 and 93 for the southeast corner of this tract;

THENCE North 87°57'07" West with the common line of said Sections 92 and 93, a distance of 5280.74 feet to the Point of Beginning. Containing 227.2 acres of land, more or less.

I, John F. Landgraf, do hereby certify this plat represents a survey made on the ground by me of the property legally described hereon and that it is correct and true to the best of my knowledge and belief.

STATE OF TEXAS REGISTERED JOHN F. LANDGRAF 2410 PROFESSIONAL LAND SURVEYOR

John F. Landgraf
Registered Professional Land Surveyor
Number 2410
Date of field survey: July, 2009
Reviewed December 21, 2010

SURVEYOR'S NOTES:

NO TITLE REPORT WAS SUPPLIED FOR THIS SURVEY AND NO TITLE SEARCH WAS PERFORMED BY THE SURVEYOR, ONLY A BOUNDARY SURVEY BASED ON THOSE CERTAIN TRACTS DESCRIBED IN VOLUME 802, PAGE 141 OF THE PECOS COUNTY DEED RECORDS. FURTHER EXAMINATION IS SUGGESTED.

EASEMENTS AND RESTRICTIONS MAY AFFECT THESE PROPERTIES.

NO IMPROVEMENTS ARE SHOWN ON THIS SURVEY, EXCEPT THOSE WATER WELLS SHOWN.

ALL UNDERGROUND UTILITIES HAVE NOT BEEN LOCATED BY THIS SURVEYOR. THE HEREON SIGNED REGISTERED PROFESSIONAL LAND SURVEYOR MAKES NO WARRANTY AS TO THE EXISTENCE OR LOCATION OF ANY SUCH UTILITY, WHETHER SERVING THE SUBJECT TRACT OR FOR THE PURPOSE OF SERVICING OTHER PROPERTIES.

SUBSURFACE AND ENVIRONMENTAL CONDITIONS WERE NOT EXAMINED OR CONSIDERED AS A PART OF THIS SURVEY.

TABLE OF WATER WELLS LOCATED

WELL NAME	X (NORTHING)	Y (EASTING)	Z GROUND (ELEVATION)	LATITUDE	LONGITUDE
C-3	10298156.6'	1449435.1'	3002'	30.89123°	103.03452°
C-B2(C-2)	10298067.3'	1450407.6'	3002'	30.89105°	103.03141°
C-B1(C-1)	10298017.2'	1451276.5'	3005'	30.89097°	103.02864°
C-6	10296587.5'	1449293.7'	3011'	30.88691°	103.03484°
WATER WELL 1	10296401.4'	1450947.9'	3006'	30.88651°	103.02956°
WATER WELL 2	10296414.9'	1450956.3'	3006'	30.88655°	103.02953°
WATER WELL 3	10296404.2'	1452057.6'	3002'	30.88659°	103.02602°
C-B4(C-4)C3	10296427.5'	1452128.2'	3006'	30.88666°	103.02580°
WINDMILL	10295113.8'	1452743.3'	3017'	30.88309°	103.02374°
S-42	10292089.6'	1444797.3'	3046'	30.87425°	103.04883°
WATER WELL 4	10291817.8'	1449849.8'	3049'	30.87384°	103.03270°

Copyright 2010 Landgraf, Crutcher and Associates, Inc.

REVISED DATE	REVISION DONE	BY

DESIGNED BY ___
DRAWN BY ASB
CHECKED BY DEK
REVIEWED BY JFL

SCALE 1" = 2000'
DATE 07-25-2009
JOB No. 2009-005-014
DWG No. SOUTH-CARAMBA

Landgraf, Crutcher and Associates, Inc.
TRANSPORTATION • ENVIRONMENTAL • CIVIL ENGINEERS ODESSA, TEXAS
Phone. # (432) 332-5058 Fax # (432) 332-8812 email: lca@lcaodessa.com

BEARINGS AND COORDINATES ARE RELATIVE TO THE TEXAS COORDINATE SYSTEM, 1983 NAD, CENTRAL ZONE, WITH A COMBINED GRID FACTOR OF 0.999742738 AND A THETA ANGLE OF -01°21'08" NEAR THE CENTER OF THIS SURVEY. DISTANCES AND ACREAGE ARE HORIZONTAL SURFACE AS MEASURED.

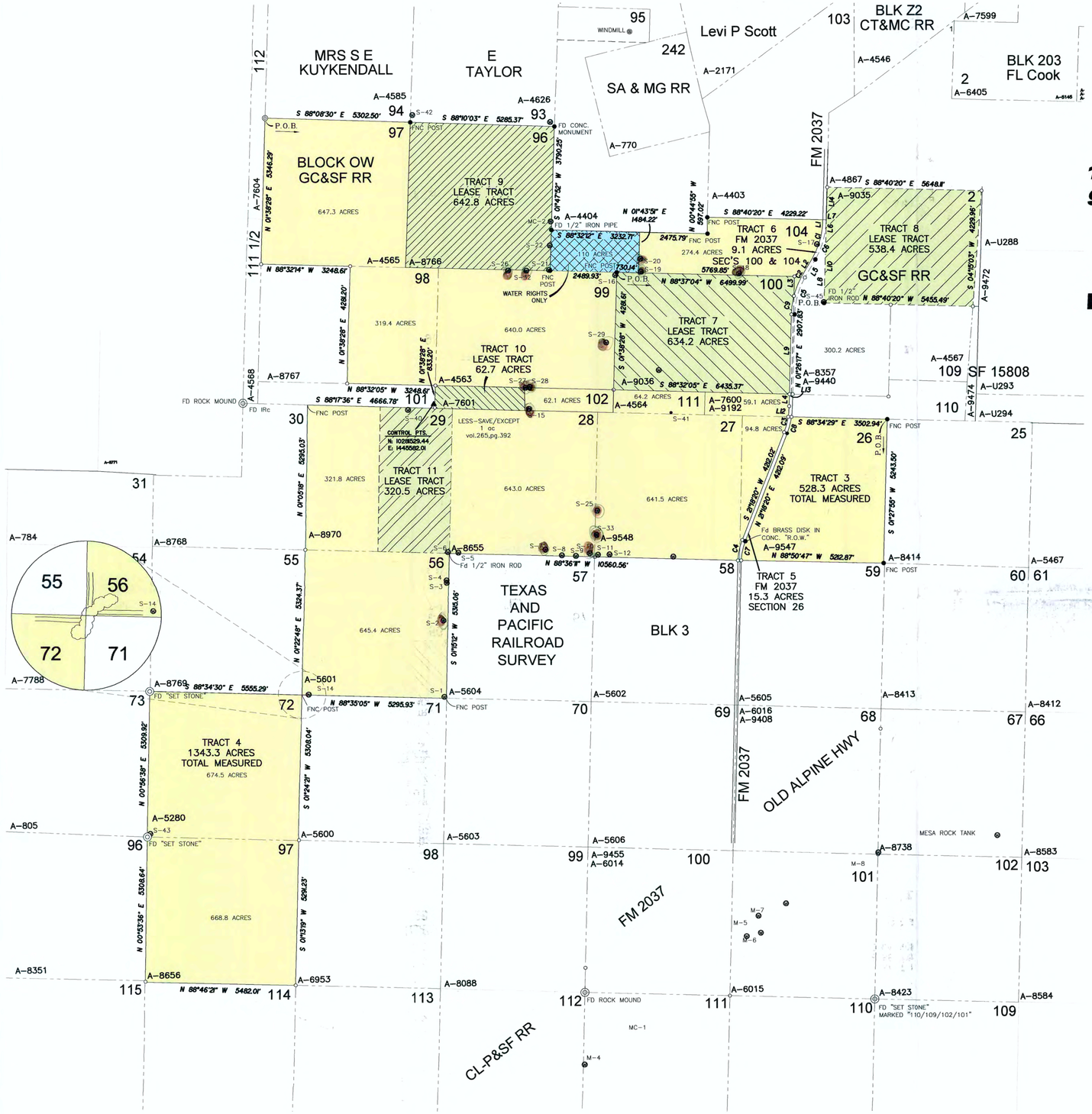
SOUTH PORTION OF CARAMBA FARMS
PECOS COUNTY
TEXAS

Seq. 1 of 1
Page No. 1

E:\2009\2009-005\2009-005-014\dwg\Drafting Exhibits\South-Caramba.dwg, 4/28/2011 1:06:45 PM

SURVEY OF "STOCKTON FARMS"

Being a 4213.70 Acre Tract in Sections 97, 98, 99, East 1/2 102, 104, 110 & 111, Block OW, GC&SF RR Co Survey & Sections 26, 27, 28, West 1/2 29 & 56, Block 3, T&P RR Co Survey, a 528.3 Acre Tract in Section 26, Block 3, T&P RR Co Survey, A 1343.3 Acre Tract in Sections 72 and 97, Block 3, T&P RR Co Survey, 15.3 Acres of FM 2037 in Section 26, Block 3, T&P RR Co Survey, 9.1 Acres of FM 2037 in Sections 100 and 104, Block OW, GC&SF RR Co Survey, A 634.2 Acre Tract in Section 100, Block OW, GC&SF RR Co Survey, A 538.4 Acre Tract in Section 2, Abstract 9035, A 642.8 Acre Tract In Section 96, A 62.7 Acre Tract In the West Half of Section 102, and A 320.5 Acre Tract in the East Half of Section 29, GC&SF RR Co Survey, Pecos County, Texas



LINE TABLE

LINE NUM.	DIRECTION	DISTANCE	TYPE OF MONUMENT (FOUND OR SET)
L1	S 01°22'17" W	42.19'	SET 5/8" I.R. W/CAP "LCA"
L2	S 30°09'19" W	760.04'	SET 5/8" I.R. W/CAP "LCA"
L3	N 01°38'28" E	714.24'	SET 5/8" I.R. W/CAP "LCA"
L4	S 01°28'18" W	442.53'	SET 5/8" I.R. W/CAP "LCA"
L5	N 30°09'19" E	760.04'	Fd BRASS DISK IN CONC. R.O.W.
L6	N 01°22'17" E	42.28'	SET 5/8" I.R. W/CAP "LCA"
L7	S 88°40'20" E	5.61'	SET 5/8" I.R. W/CAP "LCA"
L8	N 01°38'28" E	3026.35'	SET 5/8" I.R. W/CAP "LCA"
L9	S 01°25'58" W	2907.77'	SET 5/8" I.R. W/CAP "LCA"
L10	S 01°38'28" W	4224.52'	Fd 1/2" IRON ROD (POB)
L11	N 88°43'31" W	120.05'	SET 5/8" I.R. W/CAP "LCA"
L12	S 88°34'29" E	119.58'	SET 5/8" I.R. W/CAP "LCA"
L13	N 88°32'05" W	120.00'	SET 5/8" I.R. W/CAP "LCA"
L14	S 88°40'20" E	120.00'	SET 5/8" I.R. W/CAP "LCA" (POB)

CURVE TABLE

CURVE NUM.	RADIUS	LENGTH	DELTA	CHORD	BEARING
C1	2805.29'	1409.34'	28°47'04"	1394.56'	S 15°45'47" W
C2	2925.28'	791.21'	15°29'49"	788.80'	S 22°24'22" W
C3	2806.13'	973.28'	19°52'21"	968.41'	S 11°22'08" W
C4	2353.47'	758.36'	18°27'45"	755.09'	S 12°06'27" W
C5	2805.27'	1405.99'	28°42'59"	1391.32'	N 15°47'47" E
C6	2925.29'	1469.62'	28°47'04"	1454.21'	N 15°45'47" E
C7	2233.47'	716.34'	18°22'35"	713.27'	N 12°09'01" E
C8	2926.13'	625.43'	12°14'47"	624.24'	N 15°10'56" E
C9	2925.28'	674.93'	13°13'10"	673.43'	S 08°02'52" W

TABLE OF WATER WELLS LOCATED

WELL NAME	X (NORTHING)	Y (EASTING)	Z GROUND (ELEVATION)	LATITUDE	LONGITUDE
MC-2	10288175.3'	1449858.9'	3066'	30.86142°	103.03239°
S-22	10287301.2'	1449826.1'	3069'	30.89105°	103.03243°
S-26	10286394.8'	1448302.2'	3077'	30.85883°	103.03721°
S-32	10286385.1'	1448968.2'	3076'	30.85885°	103.03509°
S-21	10286415.9'	1449798.0'	3075'	30.85899°	103.03245°
S-16	10286216.1'	1452214.4'	3078'	30.85860°	103.02474°
S-19	10286357.3'	1453154.0'	3068'	30.85905°	103.02175°
S-20	10286814.9'	1453135.1'	3069'	30.86030°	103.02185°
S-18	10286272.1'	1456749.5'	3063'	30.85905°	103.01029°
S-17	10287332.5'	1459595.8'	3054'	30.86215°	103.00130°
S-45	10285228.2'	1459840.1'	3065'	30.85638°	103.00036°
S-29	10283767.0'	1451882.8'	3086'	30.85184°	103.02560°
WW1	10282756.2'	1453806.3'	3087'	30.84919°	103.01940°
S-41	10281206.3'	1454247.9'	3101'	30.84496°	103.01787°
S-27	10282124.3'	1448925.8'	3099'	30.84713°	103.03490°
S-28	10282156.3'	1449080.2'	3095'	30.84723°	103.03441°
S-15	10281350.5'	1449058.4'	3105'	30.84501°	103.03442°
S-40	10281319.3'	1444631.5'	3091'	30.84463°	103.04852°
S-25	10277625.5'	1451544.5'	3117'	30.83494°	103.02621°
S-33	10276756.8'	1451515.5'	3122'	30.83255°	103.02623°
S-7	10276212.0'	1449657.2'	3128'	30.83093°	103.03211°
S-8	10276006.3'	1450262.6'	3124'	30.83040°	103.03017°
S-9	10275986.7'	1450771.0'	3127'	30.83038°	103.02855°
S-10	10276080.2'	1451268.0'	3126'	30.83067°	103.02697°
S-11	10276032.0'	1451575.7'	3130'	30.83056°	103.02599°
S-12	10276040.2'	1452002.9'	3129'	30.83061°	103.02463°
WW2	10275961.5'	1454326.3'	3128'	30.83055°	103.01722°
S-5	10276106.5'	1446470.4'	3123'	30.83043°	103.04225°
S-6	10276127.0'	1446087.1'	3126'	30.83046°	103.04348°
S-4	10275101.4'	1446037.8'	3127'	30.82763°	103.04355°
S-3	10275005.9'	1446038.9'	3131'	30.82737°	103.04354°
S-2	10273625.7'	1445920.7'	3137'	30.82357°	103.04381°
S-1	10270825.3'	1445949.2'	3148'	30.81587°	103.04350°
S-14	10270916.8'	1440971.0'	3139'	30.81579°	103.05936°
S-43	10265777.2'	1435131.4'	3216'	30.80126°	103.07755°

SURVEYOR'S NOTES:

NO TITLE REPORT WAS SUPPLIED FOR THIS SURVEY AND NO TITLE SEARCH WAS PERFORMED BY THE SURVEYOR, ONLY A BOUNDARY SURVEY BASED ON THOSE CERTAIN TRACTS DESCRIBED IN VOLUME 802, PAGE 141 OF THE PECOS COUNTY DEED RECORDS. FURTHER EXAMINATION IS SUGGESTED.

EASEMENTS AND RESTRICTIONS MAY AFFECT THESE PROPERTIES.

NO IMPROVEMENTS ARE SHOWN ON THIS SURVEY, EXCEPT THOSE WATER WELLS SHOWN.

ALL UNDERGROUND UTILITIES HAVE NOT BEEN LOCATED BY THIS SURVEYOR. THE HEREON SIGNED REGISTERED PROFESSIONAL LAND SURVEYOR MAKES NO WARRANTY AS TO THE EXISTENCE OR LOCATION OF ANY SUCH UTILITY, WHETHER SERVING THE SUBJECT TRACT OR FOR THE PURPOSE OF SERVICING OTHER PROPERTIES.

SUBSURFACE AND ENVIRONMENTAL CONDITIONS WERE NOT EXAMINED OR CONSIDERED AS A PART OF THIS SURVEY.

LEGEND

- LEASE TRACT 7
- LEASE TRACT 8
- LEASE TRACT 9
- LEASE TRACT 10
- LEASE TRACT 11

LCA

2000' 0 2000'

SCALE : 1" = 2000'

I, John F. Landgraf, do hereby certify this plat represents a survey made on the ground by me of the property legally described hereon and that it is correct and true to the best of my knowledge and belief.

STATE OF TEXAS REGISTERED JOHN F. LANDGRAF 2410 PROFESSIONAL LAND SURVEYOR

John F. Landgraf
Registered Professional Land Surveyor
Number 2410
Date of field survey: July, 2009
Reviewed December 21, 2010

SEE SHEET 2 FOR METES AND BOUNDS DESCRIPTIONS

Copyright 2011 Landgraf, Crutcher and Associates, Inc.

REVISED DATE	REVISION DONE	BY

DESIGNED BY
DRAWN BY ASB
CHECKED BY DEK
REVIEWED BY JFL

SCALE 1" = 2000'
DATE 07-25-2009
JOB No. 2009-005-014
DWG No. STOCKTON FARMS

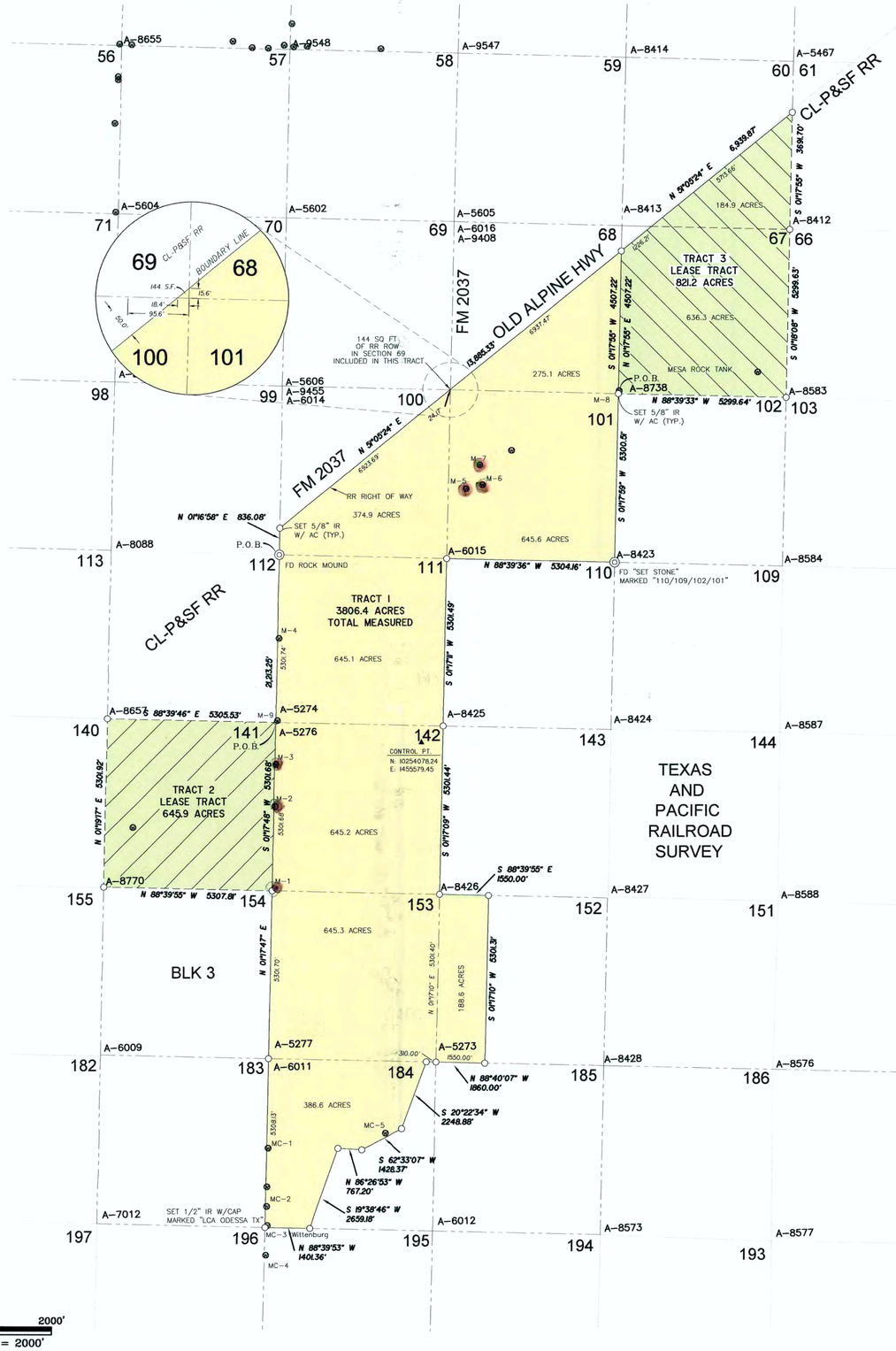
Landgraf, Crutcher and Associates, Inc.
TRANSPORTATION • ENVIRONMENTAL • CIVIL ENGINEERS ODESSA, TEXAS
Phone. # (432) 332-5056 Fax # (432) 332-8812 email: lca@lcaodessa.com

BEARINGS AND COORDINATES ARE RELATIVE TO THE TEXAS COORDINATE SYSTEM, 1983 NAD, CENTRAL ZONE, WITH A COMBINED GRID FACTOR OF 0.999742738 AND A THETA ANGLE OF -01°21'08" NEAR THE CENTER OF THIS SURVEY. DISTANCES AND ACREAGE ARE HORIZONTAL SURFACE AS MEASURED.

STOCKTON FARMS
PECOS COUNTY
TEXAS

Seq. 1 of 2
Page No. 1

E:\2009\2009-005\2009-005-014\dwg\Drafting\Exhibits\Stockton-Farms.dwg, 5/2/2011 9:39:46 AM



Survey Of "MESA FARMS"

Being 3806.4 Acres in Sections 68, 69, 100, 101, 111, 142, 152, 153 and 184, Block 3, T&P RR Co Survey, 645.9 Acres in and All of Section 141, Block 3, T&P RR Co Survey and 821.2 Acres in Sections 60 and 67, Block 3, T&P RR Co Survey, Pecos County, Texas

LEGEND

LEASE TRACT 2

LEASE TRACTS 3

NOTE:

ALL WELLS SHOWN ARE WITH IN STOCKTON FARMS BOUNDARY WITH THE EXCEPTION OF MC-4.

SURVEYOR'S NOTES:

NO TITLE REPORT WAS SUPPLIED FOR THIS SURVEY AND NO TITLE SEARCH WAS PERFORMED BY THE SURVEYOR, ONLY A BOUNDARY SURVEY BASED ON THOSE TRACTS DESCRIBED IN VOLUME 792, PAGE 466 OF THE PECOS COUNTY DEED RECORDS. FURTHER EXAMINATION IS SUGGESTED.

EASEMENTS AND RESTRICTIONS MAY AFFECT THESE PROPERTIES.

NO IMPROVEMENTS ARE SHOWN ON THIS SURVEY, EXCEPT THOSE WATER WELLS SHOWN.

ALL UNDERGROUND UTILITIES HAVE NOT BEEN LOCATED BY THIS SURVEYOR. THE HEREON SIGNED REGISTERED PROFESSIONAL LAND SURVEYOR MAKES NO WARRANTY AS TO THE EXISTENCE OR LOCATION OF ANY SUCH UTILITY, WHETHER SERVING THE SUBJECT TRACT OR FOR THE PURPOSE OF SERVICING OTHER PROPERTIES.

SUBSURFACE AND ENVIRONMENTAL CONDITIONS WERE NOT EXAMINED OR CONSIDERED AS A PART OF THIS SURVEY.

TABLE OF WATER WELLS LOCATED

WELL NAME	X (NORTHING)	Y (EASTING)	Z GROUND (ELEVATION)	LATITUDE	LONGITUDE
MESA ROCK TANK	10265760.0'	1466204.2'	3209'	30.80329°	102.97861°
M-8	10265140.4'	1461817.4	3194'	30.80130°	102.99253°
WW1	10263288.7'	1458440.0'	3211'	30.79599°	103.00315°
M5	10262084.7'	1456998.4'	3222'	30.79258°	103.00764°
M-6	10262211.3'	1457517.2'	3221'	30.79297°	103.00600°
M-7	10262834.1'	1457432.6'	3214'	30.79467°	103.00632°
M-4	10257397.7'	1451071.9'	3241'	30.77931°	103.03452°
M-9	10254744.7'	1450999.2'	3628'	30.77201°	103.02618°
M-3	10253392.7'	1450973.0'	3275'	30.76829°	103.02616°
M-2	10252088.7'	1450945.7'	3280'	30.76471°	103.02615°
M-1	10249449.7'	1450887.4'	3302'	30.75745°	103.02613°
MC-1	10241307.6'	1450710.2'	3353'	30.73505°	103.02606°
WW2	10240096.7'	1450671.8'	3369'	30.73172°	103.02609°
MC-2	10239483.2'	1450660.9'	3376'	30.73004°	103.02608°
MC-3	10238840.8'	1450634.6'	3383'	30.72827°	103.02611°
MC-4	10237945.1'	1450630.6'	3386'	30.72581°	103.02606°
MC-5	10241770.5'	1454405.3'	3341'	30.73657°	103.01434°
WW3					

I, John F. Landgraf, do hereby certify this plat represents a survey made on the ground by me of the property legally described hereon and that it is correct and true to the best of my knowledge and belief.

STATE OF TEXAS
JOHN F. LANDGRAF
2410
REGISTERED PROFESSIONAL LAND SURVEYOR

John F. Landgraf
Registered Professional Land Surveyor
Number 2410
Date of field survey: July, 2009
Reviewed December 21, 2010

TRACT 1

Legal Description for a 3806.4 Acre Tract of Land in Sections 68, 69, 100, 101, 111, 142, 152, 153 and 184, Block 3, T&P RR Co. Survey, Pecos County, Texas. Being described as parts of those tracts recorded in Volume 792, Page 466 of the Pecos County Deed Records, Pecos County, Texas.

Boundary Being More Fully Described by Metes and Bounds as Follows:

BEGINNING at (Y=10,260,025.06', X=1,451,085.89') a 5/8" iron rod with aluminum cap marked "LCA" set in an old rock mound for the common corner of Sections 99, 100, 111 and 112, said Block 3, being a point of deflection in the west line of this tract;

THENCE North 01°16'58" E with the common line of said Sections 99 and 100, a distance of 836.08 feet to a 5/8" iron rod with aluminum cap marked "LCA" set in the south right of way line of the P&SF RR for the northwest corner of this tract;

THENCE North 5°05'24" East with the south right of way line of said P&SF RR, at a distance of 6923.69 feet pass the common lines of said Sections 69 and 100, at a distance of 6947.86 feet the common line of Sections 69 and 68, continuing for a total distance of 13885.33 feet to a 5/8" iron rod with aluminum cap marked "LCA" set in the common line of Sections 68 and 67, said Block 3, being the northeast corner of this tract;

THENCE South 01°17'55" West with the common line of said Sections 68 and 67, a distance of 4507.22 feet to a 5/8" iron rod with aluminum cap marked "LCA" set for the common corner of Sections 67, 68, 101 and 102, said Block 3, being a point of deflection in the east line of this tract;

THENCE South 01°17'59" West with the common line of said Sections 101 and 102, a distance of 5300.51 feet to a "Set Stone" marked with Sections numbers 101, 102, 109 and 110 found for the common corner of Sections 101, 102, 109 and 110, said Block 3, being a point of deflection in the east line of this tract;

THENCE North 88°39'36" West with the common line of said Sections 101 and 110, a distance of 5304.16 feet to a 5/8" iron rod with aluminum cap marked "LCA" set for the common corner of Sections 100, 101, 110 and 111, said Block 3, being a point of deflection in the east line of this tract;

THENCE South 01°17'11" West with common line of said Sections 110 and 111, a distance of 5301.49 feet to a 5/8" iron rod with aluminum cap marked "LCA" set for the common corner of Sections 110, 111, 142 and 143, being a point of deflection in the east line of this tract;

THENCE South 01°17'09" West with the common line of said Sections 142 and 143, a distance of 5301.44 feet to a 5/8" iron rod with aluminum cap marked "LCA" set for the common corner of Sections 142, 143, 152 and 153, said Block 3, being a point of deflection in the east line of this tract;

THENCE South 88°39'55" East with the common line of said Sections 143 and 152, a distance of 1550.00 feet to a 5/8" iron rod with aluminum cap marked "LCA" set for a point of deflection in the east line of this tract;

THENCE South 01°17'10" West through said Section 152, a distance of 5301.31 feet to a 5/8" iron rod with aluminum cap marked "LCA" set in the common line of Sections 152 and 185 for the southeast corner of this tract;

THENCE North 88°40'07" West with the common line of said Sections 152 and 185, at a distance of 1550.00 feet pass a 5/8" iron rod with aluminum cap marked "LCA" set for the common corner of Sections 152, 153, 184 and 185, continuing with the common line of said Sections 153 and 184 for a total distance of 1860.00 feet to a 5/8" iron rod with aluminum cap marked "LCA" set for a point of deflection in the south line of this tract;

THENCE through said Section 184 the following four (4) courses and distances: South 20°22'34" West, a distance of 2248.88 feet to a 5/8" iron rod with aluminum cap marked "LCA" set; South 62°33'07" West, a distance of 1428.37 feet to a 5/8" iron rod with aluminum cap marked "LCA" set; North 86°26'53" West, a distance of 767.20 feet to a 5/8" iron rod with aluminum cap marked "LCA" set; South 19°38'46" West, a distance of 2659.18 feet to a 5/8" iron rod with aluminum cap marked "LCA" set in the common line of Sections 184 and 195, said Block 3, being a point of deflection in the south line of this tract;

THENCE North 88°39'53" West with the common line of said Sections 184 and 195, a distance of 1401.36 feet to a 5/8" iron rod with aluminum cap marked "LCA" set for the common corner of Sections 183, 184, 195 and 196, said Block 3, being the southwest corner of this tract;

THENCE North 01°17'48" East with the common line of said Sections 183 and 184, at a distance of 5308.13 feet pass a 5/8" iron rod with aluminum cap marked "LCA" set for the common corner of Sections 153, 154, 183 and 184, said Block 3, at a distance of 10609.83 feet pass a 5/8" iron rod with aluminum cap marked "LCA" set for the common corner of Sections 141, 142, 153 and 154, said Block 3, at a distance of 15911.51 feet pass a 5/8" iron rod with aluminum cap marked "LCA" set for the common corner of Sections 111, 112, 141 and 142, continuing for a total distance of 21213.25 feet to the Point of Beginning. Containing 3806.4 acres of land, more or less.

TRACT 2

Legal Description for a 645.9 Acre Tract of Land, Being all of Section 141, Block 3, T&P RR Co. Survey, Pecos County, Texas.

Boundary Being More Fully Described by Metes and Bounds as Follows:

BEGINNING at (Y=10,254,726.05', X=1,450,965.95') a 5/8" iron rod with aluminum cap marked "LCA" set for the common corner of Sections 111, 112, 141 and 142, said Block 3, being the northeast corner of this tract;

THENCE South 01°17'48" West with the common line of said Sections 141 and 142, a distance of 5301.68 feet to a 5/8" iron rod with aluminum cap marked "LCA" set for the common corner of Sections 141, 142, 153 and 154, said Block 3, being the southeast corner of this tract;

THENCE North 88°39'55" West with the common line of said Sections 141 and 154, a distance of 5307.81 feet to a 5/8" iron rod with aluminum cap marked "LCA" set for the common corner of Sections 140, 141, 154 and 155, said Block 3, being the southwest corner of this tract;

THENCE North 01°19'17" East with the common line of said Sections 140 and 141, a distance of 5301.92 feet to a 5/8" iron rod with aluminum cap marked "LCA" set for the common corner of Sections 112, 113, 140 and 141, said Block 3, being the northwest corner of this tract;

THENCE South 88°39'46" East with the common line of said Sections 112 and 141, a distance of 5305.53 feet to the Point of Beginning. Containing 645.9 acres of land, more or less.

TRACT 3

Legal Description for an 821.2 Acre Tract of Land in Sections 60 and 67, Block 3, T&P RR Co. Survey, Pecos County, Texas.

Boundary Being More Fully Described by Metes and Bounds as Follows:

BEGINNING at (Y=10,265,074.94', X=1,461,804.31') a 5/8" iron rod with aluminum cap marked "LCA" set for the common corner of Sections 67, 68, 101 and 102, said Block 3, being the southwest corner of this tract;

THENCE North 01°17'55" East with the common line of said Sections 67 and 68, a distance of 4507.22 feet to a 5/8" iron rod with aluminum cap marked "LCA" set in the south right of way line of the P&SF RR for the northwest corner of this tract ;

THENCE North 5°05'24" East with the south right of way line of said P&SF RR, at a distance of 1226.21 feet pass the common line of Sections 60 and 67, said Block 3, continuing for a total distance of 6939.87 feet to a 5/8" iron rod with aluminum cap marked "LCA" set in the common line of Sections 60 and 61, said Block 3, being the northeast corner of this tract;

THENCE South 01°17'55" West with the common line of said Sections 60 and 61, a distance of 3691.70 feet to a 5/8" iron rod with aluminum cap marked "LCA" set for the common corner of Sections 60, 61, 66 and 67, said Block 3, being a point of deflection in the east line of this tract;

THENCE South 01°18'08" West with the common line of said Sections 66 and 67, a distance of 5299.63 feet to a 5/8" iron rod with aluminum cap marked "LCA" set at the common corner of Sections 66, 67, 102 and 103, said Block 3, being the southeast corner of this tract;

THENCE North 88°39'33" West with the common line of said Sections 67 and 102, a distance of 5299.64 feet to the Point of Beginning. Containing 821.2 acres of land, more or less.

Copyright 2010 Landgraf, Crutcher and Associates, Inc.

REVISED DATE	REVISION DONE	BY

DESIGNED BY
DRAWN BY ASB
CHECKED BY DEK
REVIEWED BY JFL

SCALE 1" = 2000'
DATE 07-25-2009
JOB No. 2009-005-014
DWG No. MESA-FARMS

Landgraf, Crutcher and Associates, Inc.
TRANSPORTATION • ENVIRONMENTAL • CIVIL ENGINEERS ODESSA, TEXAS
Phone. # (432) 332-5058 Fax # (432) 332-8612 email: lca@lcaodessa.com

BEARINGS AND COORDINATES ARE RELATIVE TO THE TEXAS COORDINATE SYSTEM, 1983 NAD, CENTRAL ZONE, WITH A COMBINED GRID FACTOR OF 0.999742738 AND A THETA ANGLE OF -01°21'08" NEAR THE CENTER OF THIS SURVEY. DISTANCES AND ACREAGE ARE HORIZONTAL SURFACE AS MEASURED.

MESA-FARMS
PECOS COUNTY
TEXAS

Seq. 1 of 1
Page No. 1

E:\2009\2009-005\2009-005-014\dwg\Drafting\Exhibits\Mesa Farms.dwg, 4/29/2011 9:08:51 AM

EXHIBIT NO. 3

to

UNTREATED GROUNDWATER SUPPLY CONTRACT
BETWEEN FORT STOCKTON HOLDINGS, L.P., AND
THE CITY OF MIDLAND, TEXAS

REGULAR PERMIT

MIDDLE PECOS
Groundwater Conservation District
Drawer 1644, Fort Stockton, Texas 79735
Phone: 432/336-0698 Fax: 432/336-3407

"AMENDED" APPLICATION FOR A PRODUCTION PERMIT AND AUTHORIZING EXPORT

General Instructions: A Production Permit is required by the District for operating or producing groundwater from any non-exempt well for which a Historic and Existing Use Permit or amendment thereto to include the well has not been issued by the District or timely applied for and awaiting District action. An application for a Production Permit shall contain all the information requested in Rule 11.9. An applicant may file a Production Permit Application for more than one well and also, if the wells are part of a well system as defined by the District's Rules.

Applicant(s) Information: Provide the information requested below. If the Applicant is more than one individual with different residences, attach a separate sheet with a description of their respective interests in the well(s), listing their names and addresses, and designating a contact person. If the Applicant is a corporation, partnership, limited partnership or other business association, state its name and address below and attach written documentation that the Authorized Representative, whose name is provided below, is authorized to represent the well owner. If the applicant is other than the owner of the property, attach documentation establishing the applicable authority to construct and operate a well(s) subject to this application.

Please Print or Type

Applicant: Fort Stockton Holdings, L.P. Phone: (432) 688-3038 Fax: (432) 688-3247

Mailing Address: 6 Desta Drive, Suite 6500 City Midland ST TX Zip 78705

Physical Address: Same E-Mail: platham@claytonwilliams.com

Contact/Authorized Representative: ~~Paul Latham, Vice President (See Attachments "A" and "B")~~ See **Appendix A**

Relationship to Owner/Applicant ~~Vice President, Clayton Williams Farms, Inc., general partner, Fort Stockton Holdings, L.P.~~ See **Appendix A**

Phone: ~~Same~~ Fax: ~~Same~~ E-mail: ~~Same~~

Mailing Address: ~~Same~~ City ~~Same~~ ST Zip ~~Same~~

Aquifer: This application is for a Production Permit from the following Aquifer: Edwards-Trinity

Proposed Groundwater Withdrawal Amount: Total amount of groundwater applied for in this application in acre-feet per year (1 acre-foot equals 325,851 gallons): ~~47,41849,000 ac-ft/year, *less* the volume of water produced under Applicant's Existing and Historic Use Permits for the same wells during the same calendar year.*~~ **28,400** acre-feet per year

List the requested amount of groundwater withdrawal for each purpose in acre-feet per year (1 acre-foot is 325,851 gallons), the duration required for each use (if perpetual, mark as such, otherwise, provide a date for the last withdrawal) and describe in detail each proposed use:

Domestic Amount: ~~N/A 0.0 ac-ft/yr~~ Duration of Use: ~~N/A0.0 ac-ft/yr~~

Livestock Amount: ~~N/A0.0 ac-ft/yr~~ Duration of Use: ~~N/A0.0 ac-ft/yr~~

Proposed Use (Number and type of livestock): ~~N/A0.0 ac-ft/yr~~

Irrigation Amount: ~~N/A0.0 ac-ft/yr~~ Duration of Use: ~~N/A0.0 ac-ft/yr~~

Proposed Use (Type and acreage of crops, type of irrigation (spray, drip, etc.)): ~~N/A0.0 ac-ft/yr~~

28,400 ac-ft/yr for **Agricultural** use, less the volume produced for other authorized uses of **municipal** and **industrial**.

Public Supply Amount: ~~N/A 47,418 ac-ft/yr, *less* the volume of water produced under Applicant's Existing and Historic Use Permits for the same wells during the same calendar year, and less the volume of water produced for Industrial use pursuant to this permit during the same calendar year.*~~ **28,400 ac-ft/yr**, less the volume produced for other authorized uses of **agricultural** and **industrial.**

Duration of Use: ~~5 years minimum/50 years contingent, as further described in the attached Permit Supplement D(1), and renewable thereafter. Applicant intends to apply for renewals.~~

See **Special Permit Condition 2** (attached)

Proposed Use (location, number of people, provide copy of contract): Supply wholesale water to municipal water purveyors within the Texas Water Development Board's State Water Plan "Region F" Planning Area (31 TAC) as described in the attached Permit Supplement.

Industrial Amount: ~~N/A 47,418 ac-ft/yr, *less* the volume of water produced under Applicant's Existing and Historic Use Permits for the same wells during the same calendar year, and less the volume of water produced for Public Supply use pursuant to this permit during the same calendar year.*~~ **28,400 ac-ft/yr**, less the volume produced for other authorized uses of **agricultural** and **municipal.**

Duration of Use: ~~5 years minimum/50 years contingent, as further described in the attached Permit Supplement D(1), and renewable thereafter. Applicant intends to apply for renewals.~~ See **Special Permit Condition 2** (attached)

Proposed Use (type of industry): e.g. manufacturing, electric generation, Oil & Gas, etc.

Other Amount: ~~49,000 acre-feet/year~~0.0 ac-ft/yr Duration of Use: ~~perpetual~~0.0 ac-ft/yr

Proposed Use: ~~Multiple uses for Public Supply, Industrial, Irrigation, and Livestock purposes~~0.0 ac-ft/yr

~~*** This application is not requesting any increase in the total volume of groundwater production already approved by the District, because the production allowed under this proposed permit would be limited to the amount of groundwater production not used under applicant's Existing and Historic Use Permits in a given year for the same wells. As explained in greater detail elsewhere in the Application, the maximum annual volume of water Applicant will be entitled to produce during any calendar year, whether allocated to Public Supply or Industrial purposes, shall never exceed 47,418 ac-ft/yr. Moreover, in combination with Applicant's separate Existing and Historic Use Permits issued by the District, which authorize total production of 47,418 ac-ft/yr, Applicant has requested inclusion of a Special Condition in its Production Permit to be issued pursuant to this Application which would limit Applicant's total annual production pursuant to its new Production Permit and its Existing and Historic Use Permits to a combined maximum production volume of 47,418 ac-ft/yr. Applicant understands that water produced under this permit for Public Supply and/or Industrial purposes will be subject to the District's rules relating to new permits, and not the rules which remain applicable to its Existing and Historic Use Permits.**~~

Rate of Production for each well subject to this application (in gallons per minute): ~~(See Attachment "C")~~ See **Appendix B-1**
Estimated Rate of withdrawal per year: ~~(See Attachment "C")~~ See **Appendix B-1**
Maximum Rate of withdrawal per year: ~~(See Attachment "C")~~ See **Appendix B-1**

Location of Use: Please describe the location of use: Within Texas Water Development Board's State Water Plan "Region F" Planning Area (31 TAC) as described in the attached Supplement. ~~(See Attachment "D")~~

If the proposed location of use is outside Pecos County, attach a separate sheet that addresses the three issues set forth in District Rule 11.9.1(a)~~(7)~~. See Attached ~~Supplement~~ **Special Permit Conditions**

Land ownership: Total number of acres of land contiguous in ownership with the land where the well(s) are located: ~~18,510.61~~ ~~acres.~~ 14,191.08 acres

Provide well owner's identification name for each well relied upon to support this application: See **Appendix C**

Well Owner's Name:	Well Reference in Applicant's Registration
~~Fort Stockton Holdings, L.P.~~	~~See Attachment "C"~~
Same	
Same	

SEE SUPPLEMENT ATTACHED

DECLARATION: I agree that the water withdrawn from the well(s) will be put to beneficial, nonwasteful use at all times. I agree that reasonable diligence will be used to protect groundwater quality. I agree to abide by the rules of the Middle Pecos Groundwater Conservation District, the District Management Plan, and orders of the District's Board of Directors. I agree to comply with the District's well capping and plugging guidelines and report any well closure to the District. Furthermore, I agree not to exceed the production allowance of the Production Permit. **I understand and agree that my withdrawal and beneficial use of groundwater authorized by a Production Permit issued by the District may be limited if the District determines that reductions are necessary pursuant to the aquifer-based production limit, proportional adjustment, or permit limit rules of the District (District Rules 10.3, 10.4, and 10.5).**

Although Applicant understands this permit will be subject to the District's rules, and Applicant agrees to abide by such rules, nothing in this application should be construed as a waiver of Applicant's right to obtain compensation for a taking of its vested property rights in the event that the application of the District's rules to Applicant's groundwater rights results in a taking of vested property rights in any given year. Furthermore, nothing in this application should be construed as a waiver of Applicant's right to appeal or challenge the validity of any of the District's rules either administratively or in a court of competent jurisdiction.

I hereby certify that the information contained herein is true and correct to the best of my knowledge and belief.

Signature of Applicant: _____ Date: July 8, 2009

L. Paul Latham, Vice President

AFFIDAVIT

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

Before me, the undersigned authority, on this day personally appeared L. Paul Latham, acting in his capacity as Vice President, Clayton Williams Farms, Inc., a Delaware corporation, as the sole General Partner of Fort Stockton Holdings, L.P., a Texas limited partnership, the Applicant in Application filed with the Middle Pecos Groundwater Conservation District on July 13, 2009, who after being by me duly sworn, upon oath deposes and says that he has read the statements and information in the foregoing letter providing amendatory and supplemental/clarifying language in connection with said July 13th Application and that the same are true and correct to the best of his knowledge.

L. Paul Latham for the Applicant

Subscribed and Sworn to before me this 24th day of September, 2009.

McRAE M. BIGGAR
Notary Public
State of Texas
Comm. Expires 10-10-2010

McRae M. Biggar
Signature of Notary

McRae M. Biggar
Printed Name of Notary

10-10-2010
Date of Expiration

Approval or denial of this application is subject to the rules of the District.

For District Use Only:

Date Application Received: 9/28/09 Mapped: _____

Field Inspection: _____

District Well Nos. _____

Application Approved:
____ YES ✓ NO

Signature: [signature]

Date: 10 June 2011

Paul Weatherby
Signature

General Manager 9/28/09
Title Date

Permit Approved.

Jerry McGuairt 7-18-17
Board President **Date**

See attached special permit.

FORT STOCKTON HOLDINGS, L.P. PRODUCTION PERMIT
SPECIAL PERMIT CONDITIONS

1. Groundwater production is authorized in the amount of 28,400 acre-feet of Edwards-Trinity aquifer per year produced from the FSH-owned (not leased) properties for municipal, industrial, and agricultural purposes within and outside of the District.

2. The permit term shall be three years as provided for in Texas Water Code Section 36.122(i)(1), or thirty years as provided for in Texas Water Code Section 36.122(i)(2).

3. Production from this Production Permit shall be from those wells in those amounts set forth on the attached well schedule; provided, however, FSH may file applications for new or replacement wells as authorized by the District's rules.

4. FSH will not file a permit application to produce additional quantities of groundwater from the Edwards-Trinity aquifer on the properties at issue in FSH's application for a period of not less than five (5) years.

5. If the District imposes Management Zone 1 pro-rata cutbacks and those cutbacks are less restrictive than the restrictions in the special permit condition, the less restrictive cutbacks are applicable to FSH.

6. FSH agrees that it is subject to the District's rules as may be amended.

7. FSH must develop and adopt a conservation plan consistent with the District's rules, including a provision requiring FSH's subsequent customers to develop and implement water conservation plans consistent with the District's Rules, including notice of potential curtailment of production.

8. FSH agrees to meter and report separately water produced from its wells for agricultural use on the FSH property and water transported for municipal and industrial purposes off the property under its H&E Permits and the new Operating Permit.

9. FSH agrees to designate those wells identified in the attached "Monitor Well Thresholds and Cutbacks" as monitor wells and install monitoring and associated satellite telemetry equipment to allow the District to monitor aquifer conditions based upon its production. The selection of these wells and details of the monitoring equipment and related commitments must be mutually agreed upon with the District and memorialized in a monitoring well agreement between FSH and the District.

FORT STOCKTON HOLDINGS, L.P. PRODUCTION PERMIT
SPECIAL PERMIT CONDITIONS

10. FSH agrees to pay the District an export or transport fee on groundwater produced and delivered for beneficial use outside of the District at a rate either on a per acre-foot or 1,000 gallon unit basis consistent with other export fee rates the District has negotiated recently, which the Parties anticipate to be an agreed export fee rate of $0.025 per 1,000 gallons. This agreement will be similar to existing agreements for payment of export fees recently entered into with other permittees.

11. FSH will look to the development of aquifers other than the Edwards-Trinity Aquifer (specifically, the Capitan and/or Rustler Aquifers) for additional permitted water for export for municipal and industrial purposes before applying for permits to export additional Edwards-Trinity Aquifer water for municipal and industrial use.

12. This permit is contingent on FSH's and Republic Water Company of Texas, LLC's (Republic LLC's) performance under the settlement agreement executed among the District, FSH, Republic LLC, and Clayton Williams Farms, Inc.

13. **The attached schedule entitled "Monitor Well Thresholds and Cutbacks" applies to this permit until a Joint Study can be conducted and until such time as the Board determines relaxing the restrictions in this schedule are justified by the results of the Joint Study. Any cutbacks in this schedule shall go into effect April 1st of each year and remain effect through March 31st of the immediately following year.**

14. **The Study scope, project management, and responsibility for funding shall be agreed to between FSH and District within 6 months. The study shall commence shortly after an agreement is reached on the scope.**

15. If the District imposes MZ 1 pro-rata cutbacks and those cutbacks are less restrictive than the restrictions in this special permit condition, the less restrictive cutbacks are applicable to FSH.

Monitor Well Thresholds and Cutbacks

Well		Reference Point Elevation (ft MSL)	Winter Threshold 1		Winter Threshold 2 (Historic Minimum)		Winter Threshold 3		Winter Threshold 4		Maximum Recent Drawdown (Winter to Summer)	Summer Threshold		Recent Depth to Water	
Short Name	Long Name		Depth to Water (ft)	Basis	Depth to Water (ft)	Basis	Depth to Water (ft)	Basis	Depth to Water (ft)	Basis		Depth to Water (ft)	Basis	Winter	Summer
Mpgcd320	King, Woodward, #320	3068	205	Win2+5	200	Data 1/1999	195	Win2-5	190	Win2-10	45	245	Win2+Max DD	113	148
Mpgcd323	Ft Stockton, Cemetery, #323	3031	198	Win2+5	193	Data 1/2000	188	Win2-5	183	Win2-10	15	208	Win2+Max DD	146	148
C-5	C-5, FSH Well	3009	110	Win2+5	105	WPC 1973	100	Win2-5	95	Win2-10	72	177	Win2+Max DD	60	107
M-9	M-9, FSH Well	3261	313	Win2+5	308	WPC 1973	303	Win2-5	298	Win2-10	48	356	Win2+Max DD	246	283
S-45	S-45, FSH Well	3067	165	Win2+5	160	WPC 1973	155	Win2-5	150	Win2-10	56	216	Win2+Max DD	92	115
S-6	S-6, FSH Well	3123	205	Win2+5	200	WPC 1973	195	Win2-5	190	Win2-10	62	262	Win2+Max DD	118	159
Mpgcd305	Cockrell_Belding, #305	3233	292	Win2+5	287	WPC 1973	282	Win2-5	277	Win2-10	75	362	Win2+Max DD	206	250
Mpgcd318	Goldman Ranch, Well 1	2957	72	Win2+5	67	WPC 1975	62	Win2-5	57	Win2-10	33	100	Win2+Max DD	30	49
Mpgcd334	Carpenter, #334	3051	140	Win2+5	135	WPC 1975	130	Win2-5	125	Win2-10	36	171	Win2+Max DD	104	126
Interstate	Interstate Well, FSH Well	2988	96	Win2+5	91	WPC 1975	86	Win2-5	81	Win2-10	40	131	Win2+Max DD	49	71
Prison	TDCJ, Prison Well	3199	258	Win2+5	253	WPC 1973	248	Win2-5	243	Win2-10	50	303	Win2+Max DD	184	224

Threshold	Action
Winter Threshold 1	If 6 of 11 are below threshold, 100% reduction in FSH non-historical use pumping
Winter Threshold 2	If 6 of 11 are below threshold, 50% reduction in FSH non-historical use pumping
Winter Threshold 3	If 6 of 11 are below threshold, 30% reduction in FSH non-historical use pumping
Winter Threshold 4	If 6 of 11 are below threshold, 10% reduction in FSH non-historical use pumping
Summer Threshold	If 6 of 11 are below threshold, meeting in 60 days between FSH and MPGCD to discuss data

Notes

Maximum Recent Drawdown (Winter to Summer) based on evaluation of recent data (~2010 to 2016)
Summer Thresholds derived by adding maximum recent drawdown (from historic data) to Winter 1 Threshold
Recent Depth to Water are from actual data: maximum (summer) and minimum (winter) from spring 2016 to winter 2017

Appendix A

Contact/Authorized Representative

Jeff Williams
#6 Desta Drive
Suite 5725
Midland, TX 79705
Phone: (432) 682-6324
Fax: (432) 336-3842
E-Mail: gataga73@yahoo.com

Ed McCarthy
1122 Colorado Street
Suite 2399
Austin, TX 78701
Phone: (512) 904-2310
Fax: (512) 692-2826
E-Mail: ed@ermlawfirm.com

Mike Thornhill
1104 S. Mays Street
Suite 200
Round Rock, TX 78664
Phone: (512) 244-2172
E-Mail: MThornhill@tgi-water.com

COPY

Appendix B-1

PBPGCD Number	Well	General Description	Longitude	Latitude	Elevation (feet AMSL)	Survey Name	Abstract Number	Range of Well Depth (feet below ground level)	Aquifer	Property Offsets	Peak Rate of Production (gpm)	Pump and Pump Capacity
2005021409	C-1	2.16 miles ESE of intersection of I-10 Service Rd. and CR 4839	-103.028650	30.890990	3005	GC&SF RR CO	4402	362**	Edwards	1,042 feet from West property line 2,740 feet from North property line	2,000	125 HP, 2,000 gpm (est)
2005021410	C-2	2 miles ESE of intersection of I-10 Service Rd. and CR 4839	-103.031400	30.891090	3006	GC&SF RR CO	4402	346**	Edwards	179 feet from West property line 2,756 feet from North property line	3,000	300 HP, 3,000 gpm (est)
2005021411	C-3	1.83 miles ESE of intersection of I-10 Service Rd. and CR 4839	-103.034550	30.891260	3008	Taylor, E.	4627	350**	Edwards	811 feet from East property line 1,208 feet fromSouth property line	3,000	300 HP, 3,000 gpm (est)
2005021412	C-4	2.42 miles ESE of intersection of I-10 Service Rd. and CR 4839	-103.025820	30.886550	3006	GC&SF RR CO	4402	406**	Edwards	1,970 feet from West property line 1,665 feet from South property line	2,000	200 HP, 2,000 gpm (est)
2005021130	M-1	2.26 miles S of southernmost intersection of CR 896 & FM 2037	-103.026135	30.757445	3293	T&P RR CO	5276	725***	Edwards	45 feet from West property line 27 feet from south property line	2,200	450 HP, 2,200 gpm (est)
2005021131	M-2	1.76 miles S of southernmost intersection of CR 896 & FM 2037	-103.026150	30.764695	3279	T&P RR CO	5276	432*	Edwards	48 feet from West property line 2,663 feet from South property line	1,500	450 HP, 1,500 gpm (est)
2005021132	M-3	1.51 miles S of southernmost intersection of CR 896 & 2037	-103.026160	30.768281	3277	T&P RR CO	5276	410***	Edwards	49 feet from West property line 1,358 feet from North property line	2,200	450 HP, 2,200 gpm (est)
2005021133	M-4	0.76 miles S of southernmost intersection of CR 896 & FM 2037	-103.026148	30.779308	3262	T&P RR CO	5274	410***	Edwards	62 feet from West property line 2,642 feet from North property line	1,800	200 HP, 1,800 gpm (est)
2005021134	M-5	0.82 miles E of nothermost intersection of CR 896 & FM 2037	-103.007656	30.792598	3238	T&P RR CO	6015	330***	Edwards	605 feet from West property line 2,316 feet from South property line	2,200	450 HP, 2,200 gpm (est)
2005021135	M-6	0.92 miles E of nothernmost intersection of CR 896 & FM 2037	-103.005992	30.792928	3231	T&P RR CO	6015	335**	Edwards	1,130 feet from West property line 2,316 feet from South property line	2,000	300 HP, 2,000 gpm (est)
2005021136	M-7	0.9 miles E of northernmost intersection of CR 896 & FM 2037	-103.006354	30.794657	3213	T&P RR CO	6015	343*	Edwards	1,029 feet from West property line 2,945 feet from South property line	2,000	450 HP, 2,000 gpm (est)
2005021137	M-8	0.95 miles E of intersection of FM 2037 & Old Alpine Hwy.	-102.993600	30.800244	3195	T&P RR CO	6015	520**	Edwards	308 feet from East property line 206 feet from North property line	1,000	250 HP, 1,000 gpm (est)
2005021138	M-9	1.26 miles E of northernmost intersection of CR 896 & FM 2037	-103.026153	30.772017	3282	T&P RR CO	5276	545*	Edwards	55 feet from West property line 0 feet from North property line	800	100 HP, 800 gpm (est)
2005021444	NC-2	0.34 miles NE of intersection of I-10 Service Rd. & Leon Farms Rd.	-102.963650	30.899027	2981	Handy, J.H.	5486	na	unknown	1,493 feet from West property line 15 feet from South property line	500	150 HP, 500 gpm (est)
2005020923	S-1	2.6 miles N of Old Alpine Hwy & Pecan Rd.	-103.043509	30.815876	3152	T&P RR CO	5601	340***	Edwards	62 feet from East property line 50 feet from South property line	1,400	250 HP, 1,400 gpm (est)

COPY

2005020924	S-2	2.5 miles NW of Intersectionof FM 2037 & Old Alpine Hwy.	-103.043829	30.823565	3144	T&P RR CO	5601	465**	Edwards	155 feet from East property line 2,470 feet from North property lin
2005020926	S-4	1,480 feet N of S-2	-103.013542	30.827628	3141	T&P RR CO	5601	510*	Edwards-Trinity	60 feet from East property line feet from North property line
2005020928	S-6	2,407 feet N of S-2	-103.043513	30.830453	3121	T&P RR CO	8970	455*	Edwards	55 feet from East property line feet from South property line
2005020933	S-11	0.99 miles south of Intersection of Williams Rd. & Brangus Rd.	-103.025942	30.830560	3128	T&P RR CO	9548	425**	Edwards-Trinity	100 feet from West property line feet from South property line
2005020937	S-13	2,743 feet E of S-11	-103.017201	30.830579	3131	T&P RR CO	9548	360***	Edwards	2,354 feet from East property line feet from South property line
2005021109	S-18	0.45 miles W of Intersection of FM 2037 & Brangus Rd.	-103.010304	30.859055	3066	GC&SF RR CO	8357	312*	Edwards	2,325 feet from east property line feet from South property line
2005021110	S-19	3,593 feet W of S-18	-103.021756	30.859023	3074	GC&SF RR CO	8357	302*	Edwards-Trinity	179 feet from West property line feet from South property line
2005021111	S-20	468 feet N of S-19	-103.021846	30.860309	3064	GC&SF RR CO	8357	360*	Edwards	150 feet from West property line feet from South property line
200502116	S-26	2.05 miles W of Intersection of FM 2037 & Brangus Rd.	-103.037221	30.858870	3077	GC&SF RR CO	4563	500**	Edwards	738 feet from East property line feet from North property line
2005021120	S-32	1.93 miles W of Intersection of FM 2037 & Brangus Rd.	-103.035110	30.858848	3088	GC&SF RR CO	4563	316**	Edwards	76 feet from East property line feet from North property line

Appendix C

FSH/CWF Well Schedule

Farm/ Well Name	MPGCD #	Historic & Existing Use	New Operating Permit	Historic & Existing Remaining	Year of Maximum H&E Use			
Mesa Farm								
M-1	2005021130	2,129.00	2,129.00	0.00	1993			
M-2	2005021131	1,419.00	1,419.00	0.00	1993			
M-3	2005021132	2,149.00	2,149.00	0.00	1990			
M-4	2005021133	1,758.00	1,758.00	0.00	1990			
M-5	2005021134	1,328.00	1,328.00	0.00	2004			
M-6	2005021135	1,727.00	1,727.00	0.00	2003			
M-7	2005021136	1,727.00	1,727.00	0.00	2003			
M-8	2005021137	928.00	928.00	0.00	1994			
M-9	2005021138	332.00	332.00	0.00	1994			
		13,497 H&E	13,497.00	0.00				
Stockton Farm								
#1	2005020923	458.00	458.00	0.00	1996			
#2	2005020924	1,352.00	1,352.00	0.00	2002			
#3	2005020925	27.00		27.00	1993			
#4	2005020926	1,839.00	1,839.00	0.00	2004			
#5	2005020927	1,590.00		1,590.00	[illegible]			Leased on Ryan
#6	2005020928	424.00	424.00	0.00	2000			
#7	2005020929	1,297.00		1,297.00	2004			
#8	2005020930	1,400.00		1,400.00	1993			
#9	2005020931	742.00		742.00	2003			
#10	2005020932	1,789.00		1,789.00	1990			
#11	2005020933	1,381.00	1,381.00	0.00	2002			
#12	2005020934	8.00		8.00	2001			
#13	2005020937	924.00	920.00	0.00	2002			
#15	2005020938	948.00		948.00	2004			
#18	2005021109	406.00	406.00	0.00	1994			
#19	2005021110	406.00	406.00	0.00	1994			
#20	2005021111	406.00	406.00	0.00	1994			
#21	2005021112	2,456.00		2,456.00	[illegible]			
#22	2005021113	1,452.00		1,452.00	[illegible]			Leased on McKenzie
#23	2005021114	1,638.00		1,638.00	[illegible]			
#25	2005021115	1,169.00		1,169.00	2004			
#26	2005021116	1,318.00	1,318.00	0.00	2004			
#27	2005021117	940.00		944.00	2004			
#28	2005021118	875.00		875.00	2004			
#29	2005021119	875.00		875.00	2004			
#32	2005021120	1,537.00	1,537.00	0.00	2004			
#33	2005021121	1,678.00		1,678.00	2004			
#34	2005021122	1196	Rustler (0)		[illegible]			Leased on Pryor
#40	2005021123	66.00		66.00	1996			
		30,597 H&E	10,447.00	18,954.00				
Caramba Farms								
C-1 (Brown#1)	2005021409	849.00	849.00	0.00				
C-2 (Brown#2)	2005021410	1,273.00	1,273.00	0.00				
C-3 (Brown#3)	2005021411	1,273.00	1,273.00	0.00				
C-4 (Brown#4)	2005021412	849.00	849.00	0.00				
Caramba#2	2005021444	212.00	212.00	0				
		4,456 H&E	4,456.00	0.00				
NOTE: MOVED 4 AC-FT FROM #13 TO #27 (WILL REQUEST IN AMENDMENT)								
		[illegible]	[illegible]	[illegible]	H&E on Leased Land			
Mesa Farm		13,497.00	13,497.00	0.00	0.00			
Stockton Farm		[illegible]	[illegible]	[illegible]	[illegible]			
Caramba		[illegible]	[illegible]	[illegible]	[illegible]			
Grand Totals		48,550.00			8,332.00			
	S#34 Rustler 1196 ac-ft							
	Totals	[illegible]	[illegible]	[illegible]	7,136 E/T			
				20,150 ac-ft total H&E Remaining				

FSH shows 47,418. There is an error from Caramba farms C-6 40 ac-ft and Caramba farms C-Orchard 14 ac-ft and a correction on S-6 from 434 to 424 ac-ft

Board action on Jan 18th 2006 is only 5 wells on Caramba for 4,456