

STATE OF TEXAS

§

BEFORE THE CLERK FOR RECORD

§

COMMISSIONERS' COURT NOV 10: 48

COUNTY OF MIDLAND

§

OF MIDLAND COUNTY TEXAS

CHERYL BECKER
COUNTY CLERK
MIDLAND COUNTY, TX.
BY *Coleen White* DEPUTY

**PETITION REQUESTING CREATION OF A FRESH WATER SUPPLY DISTRICT
TO BE KNOWN AS "MIDLAND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1"**

TO THE HONORABLE JUDGE AND COMMISSIONERS OF MIDLAND COUNTY:

COMES NOW Fort Stockton Holdings L.P., a Texas limited partnership (hereinafter the "Petitioner") and petitions the Honorable Commissioners' Court of Midland County (hereinafter the "Court") for the creation of the Midland County Fresh Water Supply District No. 1 (hereinafter the "District") *see* TEXAS WATER CODE §§ 53.011, 53.013, 53.019, and in support thereof would show the Court as follows:

I.

**Description of the Property to be included within
the District & its Ownership**

The Property proposed to be included in the District contains an area of 20.00 acres, more or less, situated wholly in Midland County, Texas, and is described by metes and bounds in Exhibit "A" to that Special Warranty Deed into Fort Stockton Holdings, L.P., attached hereto as Appendix "A" and reflected on the Plat and Preliminary Land Use Plan, attached hereto as Appendix "B" and Appendix "C," respectively. Appendices "A," "B" and "C" all are incorporated herein for all purposes (the "Property"). The area composing the District is contiguous and is not separate bodies of land separated by land not included in the District. *See* TEXAS WATER CODE § 53.014. The Special Warranty Deed attached hereto as Appended hereto as Appendix "A" established Petitioner's ownership of the Property sought to be included in the District.

The Property is located approximately eleven (11) miles west of the City of Midland, and wholly located within the City's Extraterritorial Jurisdiction ("ETJ"). A map showing the location of the proposed District and the Property's boundaries is attached hereto and incorporated herein by reference as Appendix "D."

The undersigned Petitioner is the owner of one hundred percent of the title to the Property to be included within the District. Accordingly, the Petitioner is authorized by law to make this Petition and have the same granted. *See* TEXAS WATER CODE § 53.014(1).

II.

District Name

The name of the proposed District shall be known as the "Midland County Fresh Water Supply District No. 1." *See* TEXAS WATER CODE § 53.014(2)(E).

III.

Constitutional & Statutory Authority to Create

The District shall be organized, created and established, and shall exist under, and shall have the powers authorized by the terms and provisions of Article XVI, Section 59, Constitution of Texas, and Chapters 49 and 53 of Texas Water Code. The applicable provisions for the creation of the District are set forth in Subchapter B, Chapter 53, TEXAS WATER CODE, and in particular Sections 53.011 through 53.029, inclusive, TEXAS WATER CODE. *See* TEXAS WATER CODE §§ 53.011-53.029, 53.061.

IV.

Purposes for the District's Creation

The District shall be created and organized for the purposes (i) contemplated by Article XVI, Section 59 of the Texas Constitution, (ii) exercising the powers, duties and authority authorized by the Texas Legislature pursuant to all applicable laws, including without limitation Chapters 49 and 53, Texas Water Code, and (iii) of conserving, transporting, and

distributing fresh water from any source for domestic and commercial purposes. *See* TEXAS WATER CODE §§ 53.101-53.102. As determined by its governing board, the District may purchase, construct, acquire, own, operate, repair, improve, and extend sanitary sewer services to control waters inside of the District in accordance with applicable laws. *See* TEXAS WATER CODE §§ 53.121-53.122.

V.
**General Description of the Proposed District Improvements
& Statement of Feasibility**

The proper and orderly development of lands within the proposed District requires that water and water treatment, storage and related water transportation facilities be provided, operated, and maintained for the future development. If feasible, development of wastewater treatment and disposal facilities will assist in the orderly and efficient development of property depending upon the contemplated population densities. The concept of developing regional centralized utility systems, such as those that exist in districts, has several advantages which make it superior to privately owned, individually owned and operated water and wastewater service facilities. The overall capital and operating costs of the centralized utility service will generally be less if the District concept is implemented and the water system and (if built) wastewater system should provide a better quality of service for the various users. At the present time, no other district, municipality, or regional authority provides or proposes any of these facilities and utility functions to the Property.

The general nature of the work to be done by the District at the present time to provide these essential facilities and utility functions to the Property (collectively referred to as the "Project") includes:

- (1) The acquisition, construction, operation, and maintenance of a waterworks system, for the development, treatment and distribution of potable water municipal, domestic, industrial, and commercial purposes (*See* TEXAS WATER CODE §§ 53.101-53.126;
- (2) The acquisition, construction, operation, and maintenance of a wastewater system for domestic, industrial, and commercial purposes if determined to be useful and necessary (*See* TEXAS WATER CODE §§ 53.102-53.103, 53.121-53.122, AND 53.126); and
- (3) All such other purchase, construction, acquisition, ownership, lease, operation, maintenance, repair, improvement, and extension of such additional improvements, facilities, plants, equipment, and appliances as shall be necessary to facilitate, implement and accomplish the purposes for which the District shall be organized. *See* TEXAS WATER CODE §§ 53.101-53.126.

The Project, including the proposed improvements, is practicable and feasible, in that based upon testing of an existing well on the Property there is an ample supply of water available pursuant to groundwater rights owned by the Petitioner, and the terrain of the territory to be included in the District is of such a nature that a waterworks system and a wastewater system (if determined to be useful and necessary) can be constructed at a reasonable cost. In addition, there is a public necessity for creation and operation of the District, and the District and its proposed improvements would be a benefit to the land to be included in the District, in that such territory will be developed and will continue so to develop in an orderly and efficient manner until the majority of the territory located therein is used for commercial purposes, thereby furthering the public welfare. The water utility services and (if determined to be useful and necessary) wastewater utility services capable of being provided by the District are not presently available to or within the Property. *See* TEXAS WATER CODE §53.014(2)(C).

The District will construct its water treatment, distribution, storage and pressure maintenance facilities in order to provide retail water service within the Property to be included within the District. *See* TEXAS WATER CODE §53.014(2)(B)-(C).

The construction of these water facilities may be financed by a variety of means, including the issuance of a series of revenue bond issues by the District, each of which will be adequate to construct a logical increment of the total development. The issuance of any bonds will be subject to review and approval by the TCEQ and Office of Attorney General prior to issuance. See TEXAS WATER CODE §§ 1.082, 49.181 *et seq.*; 53.171 *et seq.*; 30 TAC §§ 293.41-293.61. The District will establish appropriate rates for water to be delivered to its customers on a retail and wholesale basis, as appropriate, which are adequate. See TEXAS WATER CODE §§ 53.105, 53.176-53.190.

All of the proposed water supply improvements will be designed in accordance with the applicable regulatory requirements of the TCEQ, the Texas Department of Health (TDH), Midland County and the City of Midland. The proposed facilities are reflected on the plat, entitled "Proposed Improvements Within the District," attached hereto as Appendix "E," and incorporated herein by reference. A more detailed description of the water utility facilities, and the estimated costs associated with their design and construction, can be found in the (i) Preliminary Land Use Plan for the District attached hereto as Appendix "C," and incorporated herein by reference, and (ii) Preliminary Engineering Report for the District attached hereto as Appendix "F," and incorporated herein by reference.

All of the proposed facilities are necessary for development of the District, the health and welfare of its future residents, and will be a benefit to all of the land to be included in the District. Additionally, based on Petitioner's preliminary engineering studies, the proposed District, including its systems and subsequent development, will not adversely affect land elevation, subsidence, groundwater levels within the region, the recharge capability of

groundwater sources, natural runoff rates and drainage, or water quality within the District. Alternative methods of providing utility services to the Property that would have to be utilized if the District was not formed would potentially have more significant impacts.

VII.
Estimated Cost of District Improvements

It is now estimated by Petitioner, from such information as is available at this time, that the, ultimate cost of the Project described in this Paragraph VII. will be approximately \$446,000.00 (all costs are in terms of 2009 dollars), based upon the following summary:

Water System Improvements	\$ 53,000.00
Water Production Improvements	\$ 150,000.00
Water Treatment Improvements	\$ 82,000.00
Water Transmission Improvements	\$ 66,000.00
Engineering, Review, Inspection Fees	\$ 35,000.00
Contingencies	<u>\$ 60,000.00</u>
Total	\$ 446,000.00

It should be noted that the costs presented herein were developed using preliminary information concerning the necessary facilities for the production, treatment, storage and transmission necessary to provide retail water service within the District and to customers of the District, and represent an opinion of an Engineer licensed to practice in Texas based on the best available information at the time. *See* TEXAS WATER CODE § 53.014(2).

VIII.
Petition Filing

This Petition was filed with the office of the county clerk of Midland County on November 13, 2009. *See* TEXAS WATER CODE §§ 53.013.

IX.
District's Preliminary Plan

The District' s Preliminary Land Use Plan (Appendix "C") , Plat reflecting "Prop osed

Improvements Within The District (Appendix “E”), and (Preliminary Engineering Report (Appendix “F”) reflect the location of both existing and proposed facilities and improvements, including highways, roads, utility mains and sizing, structures, wells and utility treatment and storage sites, and document that no areas within the proposed District are located within the 100-year flood plain and 100-year floodway. These Appendices also contain other information pertinent to the Project. *See* TEXAS WATER CODE § 53.014(2).

X.
Preliminary Engineering Report

The District’s Preliminary Engineering Report (Appendix “F”) includes, as applicable, a description of the existing area, conditions, topography and proposed improvements; preliminary land use plan; 100-year flood computations or source of information; tentative itemized cost estimates of the proposed capital improvements and itemized cost summary for anticipated bond issue requirement; projected tax rate and water rates; an investigation and evaluation of the availability of comparable service from other systems including, but not limited to, water districts, municipalities, and regional authorities capable of providing comparable utility service to the Property today; an evaluation of the effect the District and its systems and subsequent development within the District will have on land elevation, subsidence, groundwater level within the region, recharge capability of a groundwater source, natural run-off rates and drainage and water quality; a table summarizing overlapping taxing entities and the most recent tax rates by those entities; and a justification for creation of the District supported by evidence that the Project is feasible, practicable, necessary, will benefit all of the land and residents to be included in the District, and will further the public welfare. *See* TEXAS WATER CODE § 53.014.

XII.
Affidavits of Qualified Potential Temporary Supervisors

Prior to the Court's hearing on the Petition, the Petitioner will submit affidavits from at least five (5) persons who are interested in appointment by the Commissioners' Court as Temporary Supervisors of the District, showing compliance with applicable statutory requirements of qualifications and eligibility for office as temporary supervisors, in accordance with Sections 49.052 and 53.063, TEXAS WATER CODE. *See* TEXAS WATER CODE §§ 49.052, 53.063. The affidavits will be substantially in the form attached hereto as Appendix "G."

XIII.
Conclusion & Prayer

For the reasons set forth above, there is a necessity for the above-described work and the creation of the District. The area proposed to be within the District is within the growing and increasingly developed environs of Midland County, Texas, in the corridor near the Midland County Airport between the Cities of Midland and Odessa and within the immediate future will experience a substantial and sustained residential and commercial growth. There is not now available within the area an adequate waterworks system or wastewater system capable of serving the Property. The health and welfare of the future occupants of the Property and the proposed District, and of territories adjacent thereto, require the acquisition, construction, maintenance, and operation of an adequate waterworks system and, possibly, adequate wastewater system. A public necessity therefore exists for the creation and organization of the District to provide for the purchase, construction, extension, improvement, maintenance, and operation of such waterworks system and, possibly, wastewater system to promote the public health and welfare of the community.

WHEREFORE, Petitioner respectfully prays that this Petition be properly filed as provided by law; that it be set down for hearing at a date to be fixed in keeping with the provisions of Chapter 53, TEXAS WATER CODE; that notice of such hearing be given as provided therein; that such hearing be held, that this Petition be in all things granted; that the District be organized; that five (5) Temporary Supervisors thereof be appointed to serve as Temporary Supervisors of the District until such time as their successors are duly elected or appointed and qualified; and that such other orders, acts, procedure and relief be granted and issued as are proper, necessary and appropriate to the purposes of organizing the District and to the execution of the purposes for which the District shall be organized as the Honorable Commissioners of Midland County, Texas, shall deem proper and necessary.

RESPECTFULLY SUBMITTED this 13th day of November, 2009.

PETITIONER:

Fort Stockton Holdings L.P.,
A Texas limited partnership



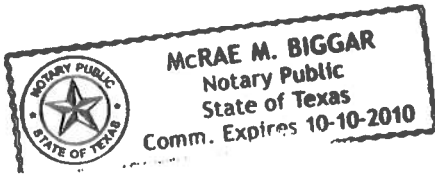
Paul Latham, Vice President

ACKNOWLEDGEMENT & VERIFICATION

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This instrument was acknowledged before me on the 13th day of November, 2009, by Paul Latham, acting in his capacity as Vice President of Fort Stockton Holdings L.P., a Texas limited partnership, who after being duly sworn, did state under oath that he had executed the foregoing Petition in the capacity and for the purposes stated therein, and that to the best of his

knowledge the statements therein are true and correct.



McRae M. Biggar

Notary Public, State of Texas

Printed Name: McRae M. Biggar

My commission expires: 10-10-2010

APPENDICES

Appendix "A" - Special Warranty Deed containing metes and bounds description of approximately 20 acres of land, more or less, situated wholly in Midland County, Texas.

Appendix "B" - Plat reflecting property to be included within the District.

Appendix "C" - Preliminary Land Use Plan for the property to be included within the District.

Appendix "D" - Map showing the location of the Proposed District..

Appendix "E" - Plat reflecting Proposed Improvements within the District.

Appendix "F" - Preliminary Engineering Report for the District.

Appendix "G" - Affidavits of Persons Interested in Appointment as Temporary Supervisors.

Appendix “A”

Special Warranty Deed containing metes and bounds description of approximately 20 acres of land, more or less, situated wholly in Midland County, Texas.

SPECIAL WARRANTY DEED

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

Date: May 19, 2009

Grantor: **DJK, INC.**

Grantor's Mailing Address: 700 N. Grant, Ste 600
Odessa, Texas 79761

Grantee: **FORT STOCKTON HOLDINGS, L.P.**

Grantee's Mailing Address: 6 Desta Drive, Suite 6500
Midland, Texas 79705

Consideration: \$10.00 and other for good and valuable consideration in hand paid.

Property (including any improvements): Approximately twenty (20) acres of land as shown on **Exhibit "A"** attached hereto located in Midland (the "Land")

Exceptions to Conveyance and Warranty: as set forth on Schedule 1 attached hereto

Restrictive Covenant: Grantor imposes the following restrictive covenant on the Property. Grantee, its successors and assigns, shall not conduct any activity which shall be a public nuisance, nor shall the Property be used for the permanent storage of waste, refuse or materials remaining after mining activities.

Grantor grants, sells, and conveys to Grantee the Property, together with all and singular the rights and appurtenances thereto in any way belonging, to have and to hold it to Grantee and Grantee's heirs, successors, and assigns forever. Grantor binds Grantor and Grantor's heirs and successors to warrant and forever defend all and singular the Property to Grantee and Grantee's heirs, successors, and assigns against every person whomsoever lawfully claiming or to claim the same or any part thereof when the claim is

Grantor and Grantee agree that Grantee is taking the Property "AS IS" with any and all latent and patent defects and that there is no warranty by Grantor that the Property has a particular financial value or is fit for a particular purpose. Grantee acknowledges and stipulates that Grantee is not relying on any representation, statement or other assertion with respect to the Property condition but is relying on Grantee's examination of the Property. Grantee takes the Property with the express understanding and stipulation that there are no express or implied warranties except for warranties of title set forth in this deed.

When the context requires, singular nouns and pronouns include the plural.

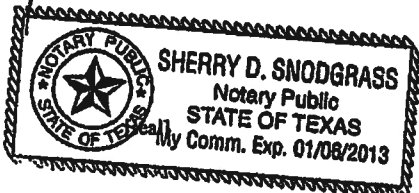
GRANTOR:

DJK, INC.

By: [Signature]
Name: JOHN BUSHMAN
Title: VICE PRESIDENT

STATE OF TEXAS §
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Sworn to and subscribed before me by John Bushman as
Vice President of DJK, INC., on behalf of same on the 19 day of
May, 2009.



[Signature]
Notary Public in and for the
State of Texas

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SCHEDULE 1

- a. **AS TO TRACTS 1 & 2:** Rights of parties in possession under any unrecorded, written or oral lease agreements by and between the present owner and/or their predecessors in title as lessor and unknown persons as lessees covering any of the herein described property; including but not limited to: (a) Assignment and Assumption of leases executed by Collecting Bank, N.A. to John Casselman, Jr., dated August 14, 1992, and recorded in Volume 1133, Page 204, Deed Records of Midland County, Texas; and that certain unrecorded Lease Agreement with Option to Purchase by and between John Casselman, Jr. and Dorothy Casselman, as Lessor, and CSA Materials, Inc., Lessee, dated May 12, 2002 and assigned by that certain Assignment of Lease Agreement with Option to Purchase, executed by Dorothy K. Casselman, Individually and as attorney-in-fact for John Casselman, Jr., as Assignors, to DJK, Inc., as Assignee, dated January 31, 2005.
- b. **AS TO THAT PART OF TRACTS 1 & 2 IN SECTION 48:** Minerals reservation, and the rights of the owners incident thereto as contained in Warranty Deed executed by Myrtle Mae Chandler and husband, J. M. Chandler, to T. E. McReynolds, dated December 28, 1935, and recorded in Volume 55, Page 70; and as contained in Warranty Deed executed by H. S. Foster and wife, Myrtle Foster, to Harriett P. Faudree, dated September 2, 1953, and recorded in Volume 199, Page 72, all in the Deed Records of Midland County, Texas.
- c. **AS TO THAT PART OF TRACT 1 IN SECTION 1:** Minerals reservation, and the rights of the owners incident thereto as contained in Warranty Deed executed by H. S. Foster and wife, Myrtle Foster, to Harriett P. Faudree, dated September 2, 1953, and recorded in Volume 199, Page 72, all in the Deed Records of Midland County, Texas.
- d. **AS TO THAT PART OF TRACTS 1 & 2 IN SECTION 48:** Blanket Right of Way Grant covering all of Section 48, Block 41, T-1-S, granting the right of ingress and egress to and from said pipe line and other rights necessary for the operation of the line and appurtenances, executed by H. S. Foster and wife, Myrtle Foster, to The Texas Pipe Line Company dated June 25, 1947, and recorded in Volume 98, Page 7; and subsequently assigned from The Texas Pipe Line Company, et al, to Shell Pipe Line Corporation, et al, by document dated August 10, 1951, and recorded in Volume 149, Page 584, all in the Deed Records of Midland County, Texas; and further assigned to Basin Pipeline Holdings, L.P. by Assignment of Rights-of-Way and Easements dated August 1, 2002, and recorded in Volume 207, Page 210, Official Records of Midland County, Texas.
- e. **AS TO THAT PART OF TRACTS 1 & 2 IN SECTION 48:** Blanket Easement for Right-of-Way across Sections 1, 2, 3 and 4, Block 41, T-2-S, and Section 48, Block 41, T-1-S, describing a centerline and granting the rights of ingress, egress, and other rights necessary for the operation of the line and appurtenances, executed by Harriett P. Faudree and spouse, Bill B. Faudree, to Colorado River Municipal Water District dated February 17, 1959 and recorded in Volume 310, Page 206 of the Deed Records of Midland County, Texas.
- f. **AS TO THAT PART OF TRACTS 1 & 2 IN SECTION 48:** Blanket Easement For Underground Facilities covering Section 48, Block 41, T-1-S, describing a 20' wide centerline easement and granting the right of ingress and egress to and from easement and other rights necessary for the operation of line and appurtenances, executed by Collecting Bank, N.A. to Southwestern Bell dated August 8, 1989, and recorded in Volume 1034, Page 410, Deed Records of Midland County, Texas.
- g. **AS TO THAT PART OF TRACTS 1 & 2 IN SECTION 48:** Blanket Easement For Underground Facilities covering the SE/4 of Section 48, Block 41, T-1-S, describing a 20' wide centerline easement and granting the right of ingress and egress to and from easement and other rights necessary for the operation of line and appurtenances, executed by HBF Corporation to Southwestern Bell dated August 8, 1989, and recorded in Volume 1034, Page 411, Deed Records of Midland County, Texas.
- h. **AS TO THAT PART OF TRACTS 1 & 2 IN SECTION 48:** Blanket Right of Way Easement covering the SE/4 of Section 48, Block 41, T-1-S, describing 30' wide easement and granting the right of ingress and egress to and from said easement and other rights necessary for the operation of the water pipeline and appurtenances, executed by John Casselman, Jr. and wife, Dorothy Casselman, to the City of Midland dated June 1, 1994, and recorded in Volume 1228, Page 684, Official Records of Midland County, Texas.

- i. **AS TO THAT PART OF TRACTS 1 & 2 IN SECTION 48:** Notice of Existence of Seismic Option Agreement With Option to Purchase Oil and Gas Lease covering Section 48, Block 41, T-1-S, by and between The Estate of Dorothy C. Leonard, Deceased, and Andrew C. Shapira, effectively dated September 12, 1997, and recorded in Volume 1506, Page 30, and subsequently assigned to Titan Resources, LP by document dated October 28, 1997, and recorded in Volume 1509, Page 14, Official Records of Midland County, Texas.
- j. **AS TO THAT PART OF TRACTS 1 & 2 IN SECTION 48:** Oil, Gas and Mineral Lease to Lothian Oil, Inc. executed by: (a) Kenneth Lesley and Perry Elliot, Co-Independent Executors of the Estate of Bobby John Foster, Deceased, dated November 10, 2006, and recorded in Volume 2828, Page 609; and (b) Bettie Yvon Lesley, dated November 16, 2006, and recorded in Volume 2828, 615; and all subsequently assigned to EXL Petroleum, LP, et al, by document effectively dated March 1, 2007, and recorded in Volume 2828, Page 630; and further partially assigned from Michael Fowler to Nawab Energy Partners by document effectively dated March 1, 2008, and recorded in Volume 3012, Page 468, and corrected in Volume 3128, Page 54, all in the Official Records of Midland County, Texas.
- k. **AS TO THAT PART OF TRACTS 1 & 2 IN SECTION 48:** Memorandum of Joint Operating Agreement covering all of Section 48, Block 41, T-1-S, by and between EXL Petroleum, LP and Amrose Energy I, LP, effectively dated March 1, 2007, and recorded in Volume 2828, Page 633, Official Records of Midland County, Texas.
- l. **AS TO THAT PART OF TRACTS 1 & 2 IN SECTION 48:** Oil, Gas and Mineral Lease to Lothian Oil, Inc. executed by: (a) James K. Leonard, dated January 22, 2007, and recorded in Volume 2847, Page 380; (b) Diane L. Oehler, Individually and as Independent Executor of the Estate of Dorothy C. Leonard, Deceased, dated January 22, 2007, and recorded in Volume 2847, Page 386; and (c) Joseph F. Leonard, III, dated January 22, 2007, and recorded in Volume 2847, Page 392; and subsequently assigned to EXL Petroleum, LP by document effectively dated March 1, 2007, and recorded in Volume 2861, Page 351; and further partially assigned from Michael Fowler to Nawab Energy Partners by document effectively dated March 1, 2008, and recorded in Volume 3012, Page 468, and corrected in Volume 3128, Page 54; and further partially assigned by and between Ambrose Energy I, Ltd. and TCW Energy Funds X and XI Holdings, L.P. by document dated March 31, 2009, and recorded in Document Number 2009-6975, all in Official Records of Midland County, Texas.
- m. **AS TO THAT PART OF TRACTS 1 & 2 IN SECTION 48:** Oil, Gas and Mineral Lease executed by Cheryl L. Chandler Schmidt to EXL Petroleum, L.P., dated April 12, 2007, and recorded in Volume 2878, Page 607; and subsequently assigned by and between Ambrose Energy I, Ltd. and TCW Energy Funds X and XI Holdings, L.P. by document dated March 31, 2009, and recorded in Document Number 2009-6975, all in the Official Records of Midland County, Texas.
- n. **AS TO THAT PART OF TRACT 1 IN SECTION 1:** Blanket Right of Way covering Sections 1 and 2 in Block 41, T-2-S, granting the right of ingress and egress on, over, and through described lands and other rights necessary for the operation of pipe line and appurtenances, executed by Eva Mae Warren and husband, W. C. Warren, to Atlantic Oil Producing Company dated December 22, 1927, and recorded in Volume 39, Page 278; and subsequently assigned to ARCO Pipe Line Company by document dated January 1, 1971, and recorded in Volume 536, Page 585; and further assigned to Fin-Tex Pipe Line Company by document dated May 1, 1972, and recorded in Volume 554, Page 373, all in the Deed Records of Midland County, Texas; and further amended by Amendment of Easement and Right-of-Way executed by John R. Casselman, Jr. to FinTex Pipe Line Company dated March 3, 1998, and recorded in Volume 1549, Page 1; and further assigned from Fin-Tex Pipe Line Company to Alon Pipeline Assets, LLC by document effectively dated February 28, 2005, and recorded in Volume 2487, Page 637, Official Records of Midland County, Texas.
- o. **AS TO THAT PART OF TRACT 1 IN SECTION 1:** Oil, Gas and Mineral Lease to Lothian Oil, Inc. executed by: (a) Kenneth Lesley and Perry Elliot, Co-Independent Executors of the Estate of Bobby John Foster, Deceased, dated November 10, 2006, and recorded in Volume 2828, Page 609; and (b) Bettie Yvon Lesley, dated November 16, 2006, and recorded in Volume 2828, Page 615; and all subsequently partially assigned to EXL Petroleum, LP, et al, by document effectively dated March 1, 2007, and recorded in Volume 2828, Page 630; and further partially assigned from Michael Fowler to Nawab Energy Partners by document effectively dated March 1, 2008, and recorded in Volume 3012, Page 468, and corrected in Volume 3128, Page 54; and further partially assigned by and between Ambrose Energy I, Ltd. and TCW Energy Funds X and XI Holdings, L.P. by document dated March 31, 2009, and recorded in Document Number 2009-6975, all in the Official Records of Midland County, Texas.

- p. **AS TO THAT PART OF TRACT 1 IN SECTION 1:** Oil, Gas and Mineral Lease executed by Betty A. Davis, Individually and as Trustee of the Betty A. Davis Mineral Trust, to Lothian Oil, Inc. dated November 20, 2006, and recorded in Volume 2828, Page 620; and subsequently assigned to EXL Petroleum, LP, et al, by document effectively dated March 1, 2007, and recorded in Volume 2828, Page 630; and further partially assigned from Michael Fowler to Nawab Energy Partners by document effectively dated March 1, 2008, and recorded in Volume 3012, Page 468, and corrected in Volume 3128, Page 54; and further partially assigned by and between Ambrose Energy I, Ltd. and TCW Energy Funds X and XI Holdings, L.P. by document dated March 31, 2009, and recorded in Document Number 2009-6975, all in the Official Records of Midland County, Texas.
- q. **AS TO THAT PART OF TRACT 1 IN SECTION 1:** Oil, Gas and Mineral Lease to ExL Petroleum, L.P., executed by: (a) Dennis Kogan, dated April 12, 2007, and recorded in Volume 2862, Page 793; (b) Marta Kogan Rukavina, dated April 12, 2007, and recorded in Volume 2862, Page 796; (c) Marlene F. Moss, dated May 14, 2007, and recorded in Volume 2905, Page 124; (d) Lorraine Burton, dated May 3, 2007, and recorded in Volume 2905, Page 127; (e) Noble Energy, Inc., effectively dated April 15, 2007, and recorded in Volume 2908, Page 536; (f) Roberta Stone, dated June 6, 2007, and recorded in Volume 2956, Page 419; (g) Janet Dahlem, dated June 6, 2007, and recorded in Volume 2956, Page 422; (h) Patricia L. Kaad, dated March 14, 2008, and recorded in Volume 3078, Page 871; (i) Mary P. Goldstein, dated March 14, 2008, and recorded in Volume 3078, Page 862; and subsequently ratified by document executed by Richard A. Burton, dated March 28, 2008, and recorded in Document Number 2009-7964; and further ratified by document executed by Roger D. Burton, dated March 19, 2008, and recorded in Document Number 2009-7965; and further ratified by document executed by Patricia L. Kaad, dated March 22, 2008, and recorded in Document Number 2009-7966; (j) Richard A. Burton, dated March 14, 2008, and recorded in Volume 3078, Page 865; (k) Roger D. Burton, dated March 14, 2008, and recorded in Volume 3078, Page 868; and (l) Doris A. Devine, Trustee of the Devine Family Trust Dated November 24, 1987, dated March 27, 2007, and recorded in Volume 3087, Page 691; and subsequently assigned by and between Ambrose Energy I, Ltd. and TCW Energy Funds X and XI Holdings, L.P. by document dated March 31, 2009, and recorded in Document Number 2009-6975, all in the Official Records of Midland County, Texas.
- r. **AS TO THAT PART OF TRACT 1 IN SECTION 1:** Oil, Gas and Mineral Lease executed by Michael Fowler to Nawab Energy Partners, L.P., effectively dated January 1, 2008, and recorded in Document Number 2009-4670, Official Records of Midland County, Texas.
- s. **AS TO TRACTS 1 & 2:** Blanket Right-of-Way Agreement covering Sections 1, 2, 3, and 12, Block 41, T-2-S, granting a 60' wide easement and right-of-way and other rights necessary for the operation of the pipe line and appurtenances, executed by Harriett P. Faudree, et vir, to Pasotex Pipe Line Company dated July 18, 1961, and recorded in Volume 368, Page 107; and subsequently assigned to Texas Pipe Line Company by document dated March 22, 1963, and recorded in Volume 405, Page 395, Deed Records of Midland County, Texas.
- t. **AS TO TRACTS 1 & 2:** Blanket Airspace and Aircraft Noise Easement covering Sections 1 and 12, Block 41, T-2-S and Section 48, Block 41, T-1-S, granting other rights incident to flight in airspace above the surface, executed by Harriett P. Faudree and HBF Corporation to the City of Midland, Texas, dated February 18, 1982, and recorded in Volume 736, Page 137, Deed Records of Midland County, Texas.
- u. **AS TO TRACTS 1 & 2:** Blanket Easement for Right-of-Way covering Section 48, Block 41, T-1-S, and Section 1, Block 41, T-2-S, describing several easements and granting the right of ingress and egress to and from the same and other rights necessary for the operation of the pipeline and appurtenances, executed by John Casselman, Jr. to Colorado River Municipal Water District dated September 28, 1993, and recorded in Volume 1178, Page 659, Deed Records of Midland County, Texas.
- v. **AS TO TRACTS 1 & 2:** Notice of Existence of Seismic Option Agreement With Option to Purchase Oil and Gas Lease covering Sections, 1, 2 and 12, Block 41, T-2-S and Section 48, Block 41, T-1-S, by and between Bobby J. Foster and Bettie Yvon Lesley and Andrew C. Shapira, effectively dated September 8, 1997, and recorded in Volume 1506, Page 31; and subsequently assigned to Titan Resources, LP by document dated October 28, 1997, and recorded in Volume 1509, Page 13, all in the Official Records of Midland County, Texas.

- w. **AS TO TRACTS 1 & 2:** Memorandum of Lease Agreement covering Section 48, Block 41, T-1-S, and Sections 1, 2 and 12, Block 41, T-2-S, executed by and between John Casselman, Jr. and wife, Dorothy Casselman, to CSA Materials, Inc. dated May 17, 2002, and recorded in Volume 1996, Page 153, Official Records of Midland County, Texas.
- x. **AS TO TRACTS 1 & 2: BY WAY OF INFORMATION, BUT NOT BY WAY OF EXCEPTION OR REQUIREMENT:** That the subject property is located in the City of Midland Extra Territorial Jurisdiction area and may be subject to platting requirements.
- y. **AS TO TRACTS 1 & 2:** Specific 30' Wide Non-Exclusive Access and Utility Easement covering a described tract of land in the Section 48, Block 41, T-1-S, to be executed by DJK, Inc., to be recorded in the Official Records of Midland County, Texas.
- z. **AS TO TRACTS 1 & 2:** Unrecorded Lease Agreement with Option to Purchase by and between John Casselman, Jr. and Dorothy Casselman, as Lessor, and CSA Materials, Inc., as Lessee, dated May 12, 2002 and assigned by Assignment of Lease Agreement with Option to Purchase, executed by Dorothy K. Casselman, Individually and as attorney-in-fact for John Casselman, Jr., as Assignors, to DJK, Inc., as Assignee, dated January 31, 2005.

RECEIPT FOR INSTRUMENT FILED FOR RECORD

FILE NO. _____

TYPE IN INSTRUMENT SUD

FROM DIK

TO Dot & Stockton Holdings

ASSIGNED _____

GF 96590

182

FILED FOR RECORD IN
Midland County
Cheryl Becker
COUNTY CLERK

ON: May 19, 2009 AT 01:13P

as
Recording after Aug 2005

Document Number: 10351
Total Fees : 52.00

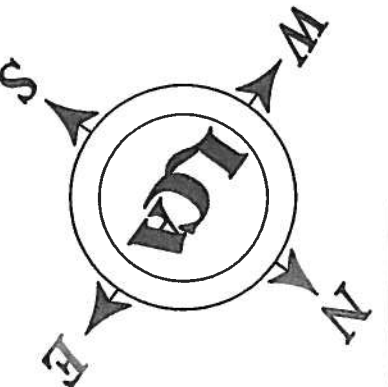
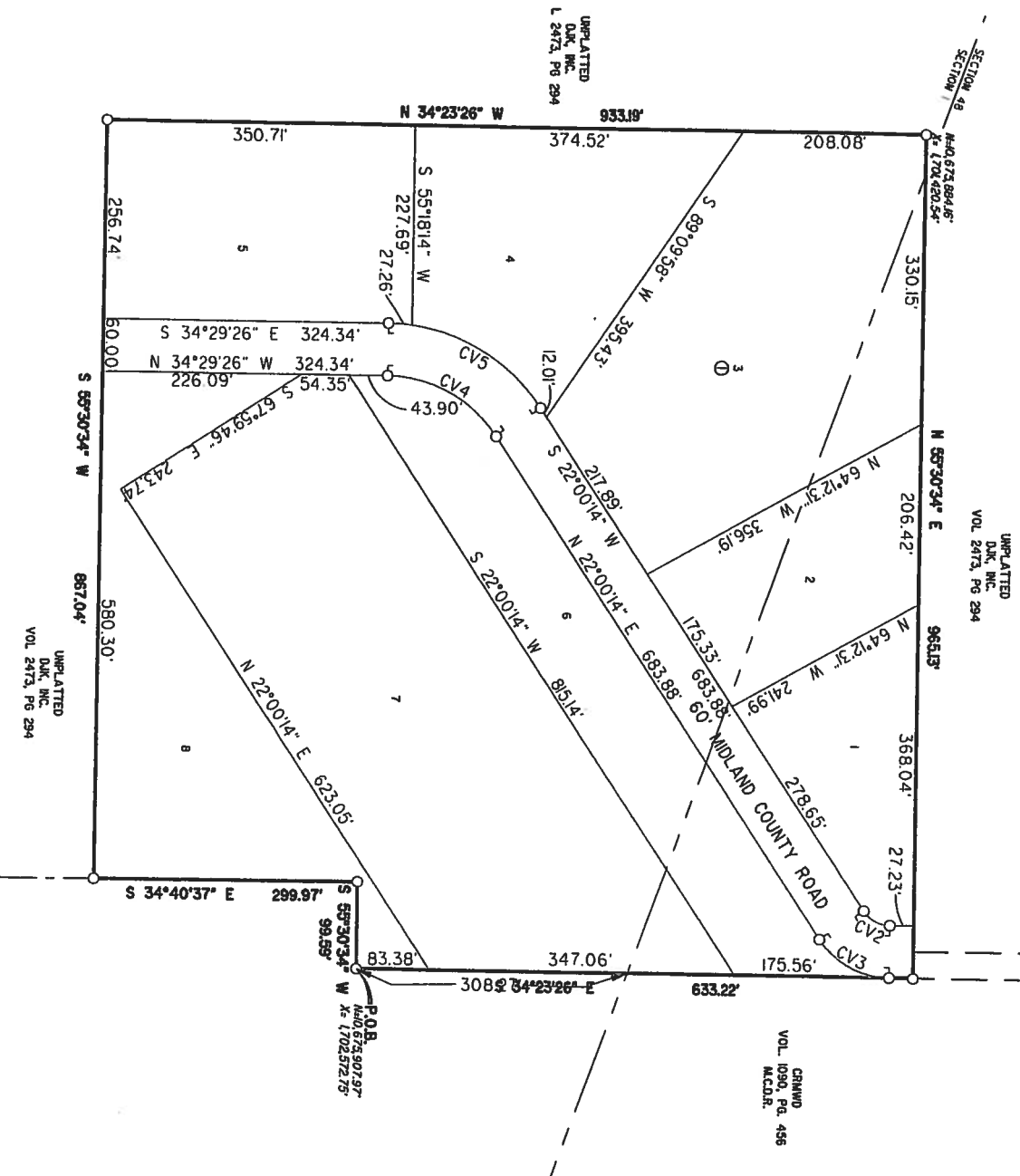
Receipt Number - 285449
By,
Araceli Hernandez, Deputy

Appendix “B”

Plat reflecting property to be included within the District

APPENDIX "B"

MIDLAND COUNTY FRESHWATER SUPPLY DISTRICT NO. 1



SCALE : 1" = 200'

ENG. _____ E.T. _____
SVY. _____ DFT. _____
LCA JOB No. 2009-039

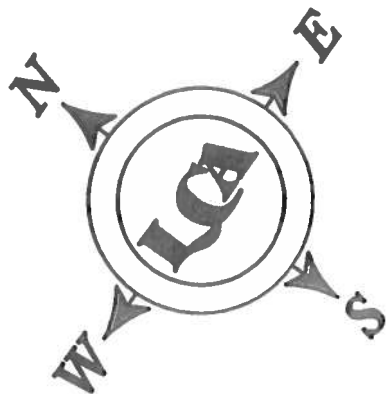
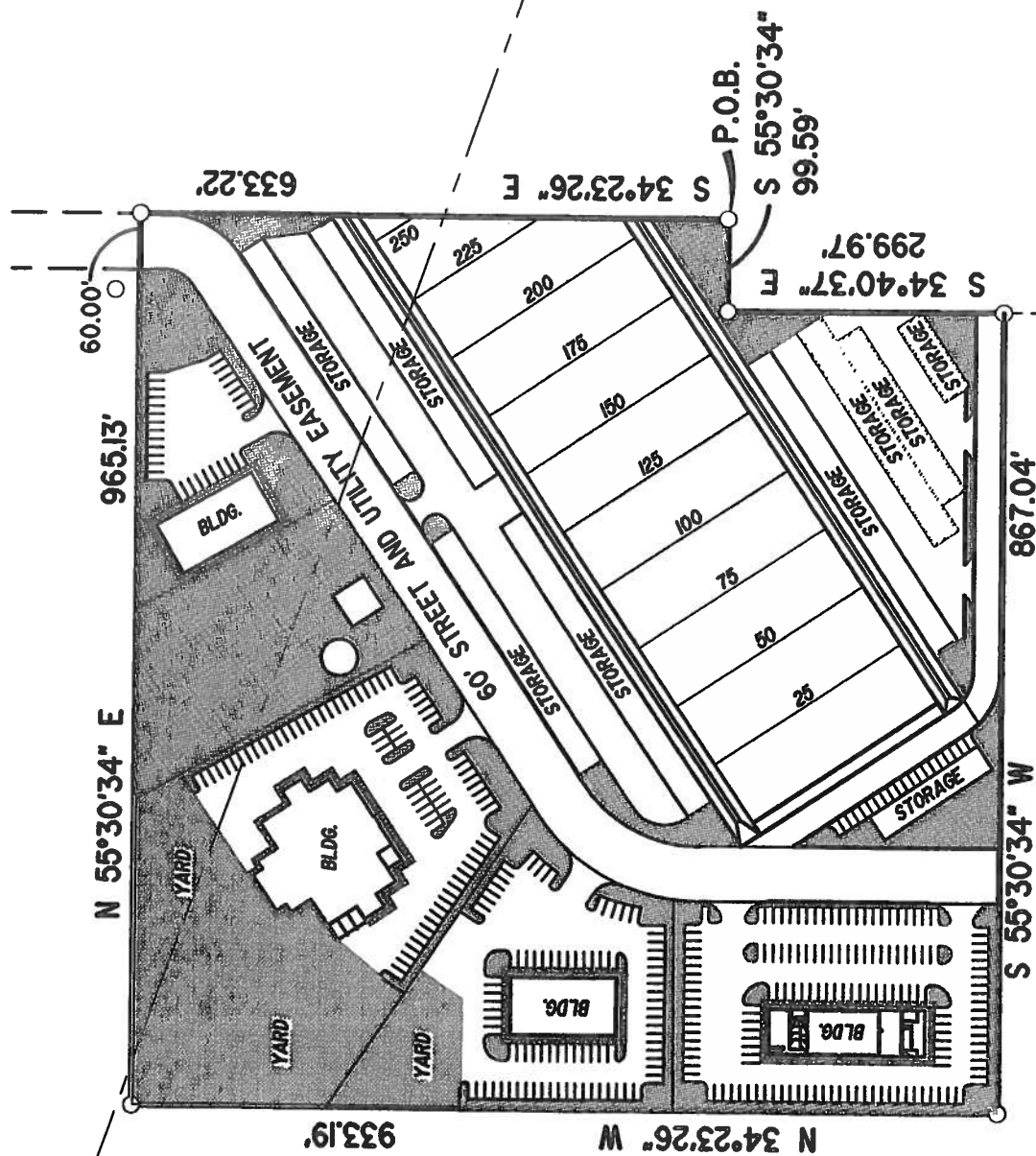


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Appendix “C”

Preliminary Land Use Plan for the property to be included within the District.

APPENDIX "C" LAND USE PLAN



ENG. _____ E.T. _____
SVY. _____ DFT. _____
LCA JOB No. 2009-039

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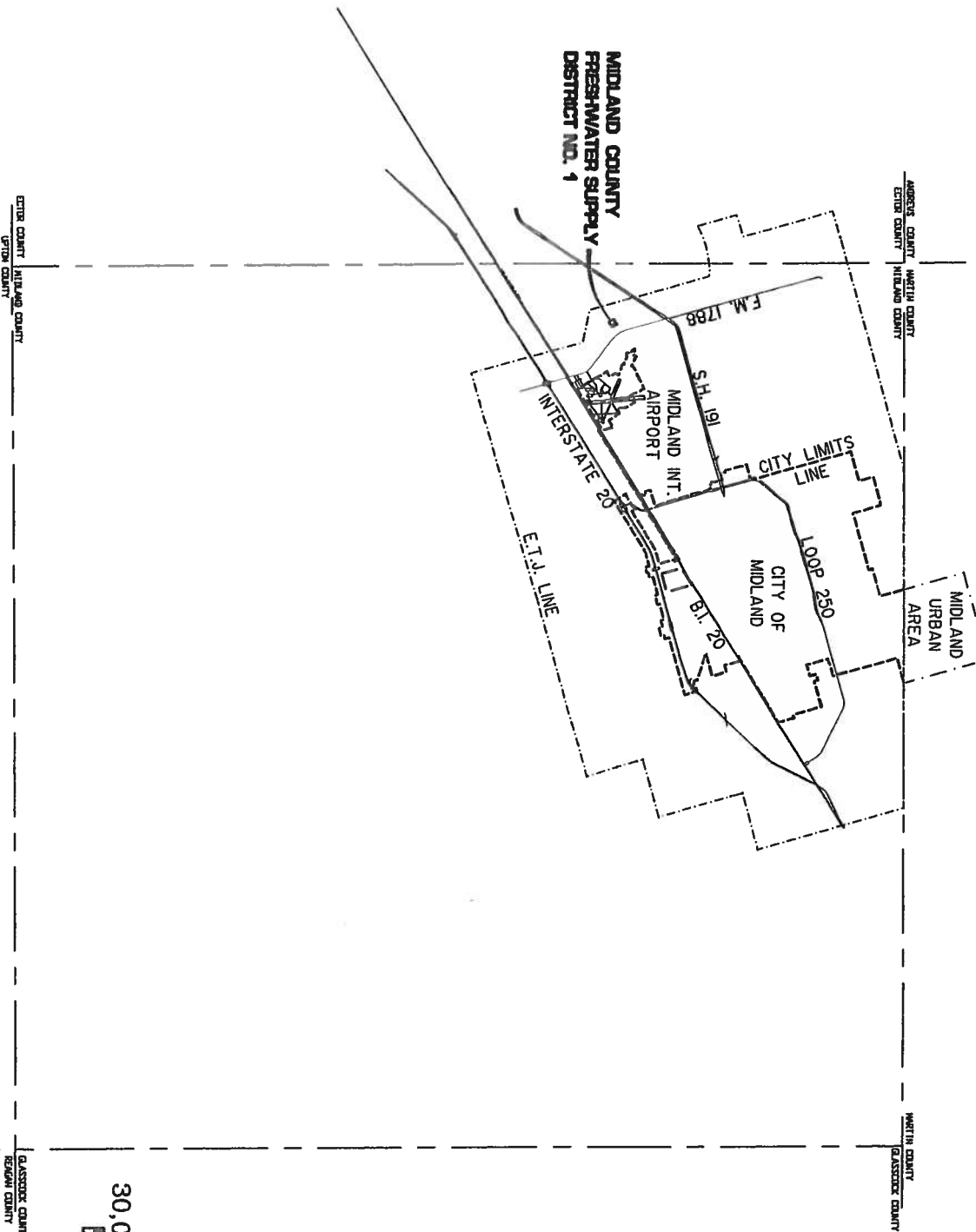
LY

Appendix “D”

Map showing the location of the Proposed District.

APPENDIX "D"

MIDLAND COUNTY FRESHWATER SUPPLY DISTRICT NO. 1



30,000' 0 30,000'

SCALE : 1" = 30,000'

LCA

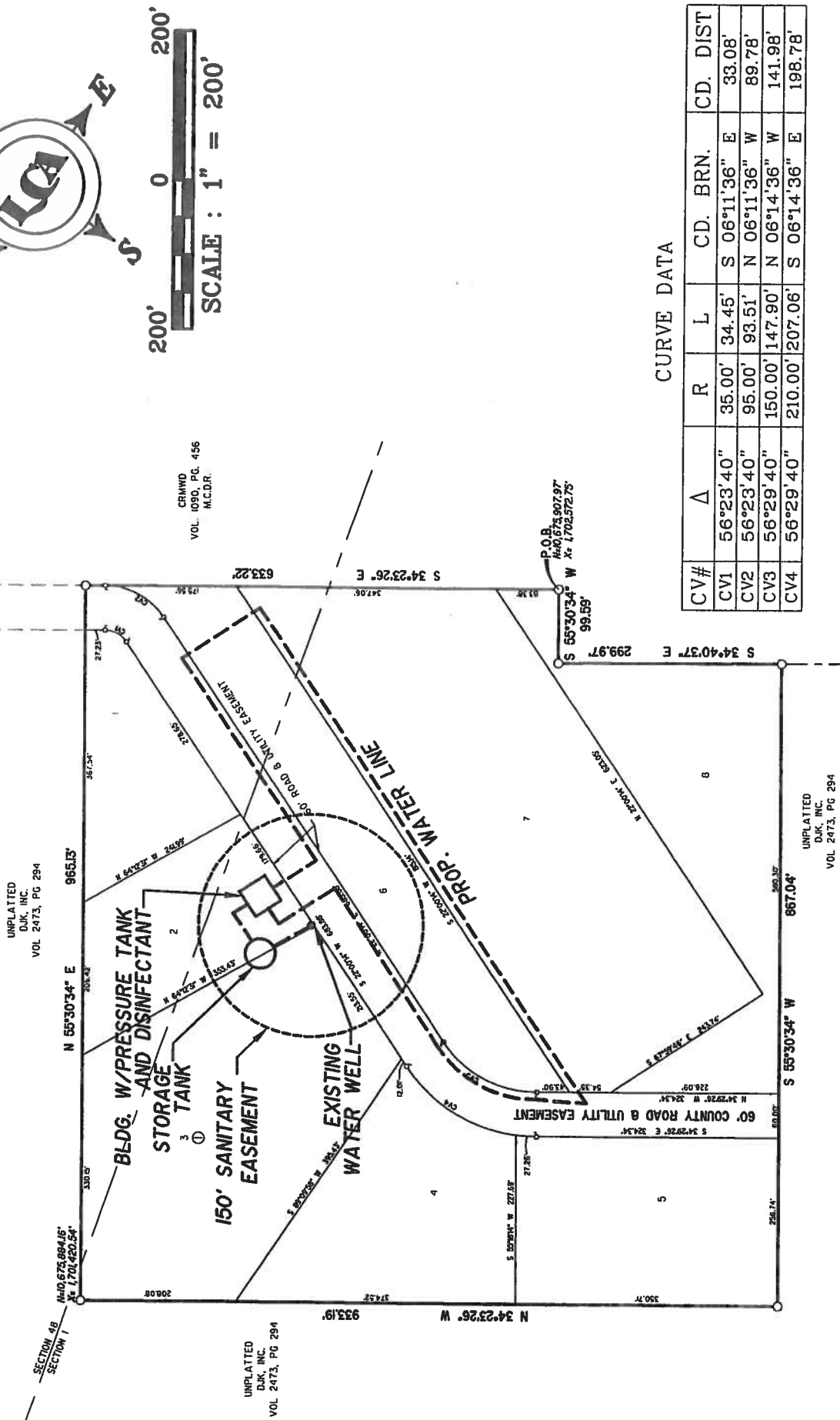
ENG. _____ E.T. _____
SVY. _____ DFT. _____
LCA JOB No. 2009-039

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Appendix “E”

Plat reflecting Proposed Improvements within the District.

APPENDIX "E" PROPOSED IMPROVEMENTS WITHIN THE DISTRICT



CURVE DATA

CV#	Δ	R	L	CD. BRN.	CD. DIST
CV1	56°23'40"	35.00'	34.45'	S 06°11'36" E	33.08'
CV2	56°23'40"	95.00'	93.51'	N 06°11'36" W	89.78'
CV3	56°29'40"	150.00'	147.90'	N 06°14'36" W	141.98'
CV4	56°29'40"	210.00'	207.06'	S 06°14'36" E	198.78'

ENG. _____ E.T. _____
SVY. _____ DFT. _____
LCA JOB No. 2009-039

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Appendix “F”

Preliminary Engineering Report for the District.

PRELIMINARY ENGINEERING REPORT
FOR THE
CREATION AND OPERATION
OF THE

**MIDLAND COUNTY FRESHWATER SUPPLY DISTRICT
NO. 1**

Midland County, Texas

Submitted to:

Fort Stockton Holdings, L.P.
6 Desta Drive, Suite 6500
Midland, Texas 79705-5510

Prepared by:

LCA
521 N. Texas Ave.
Odessa, Texas 79761
432-332-5058

November 4, 2009



INTRODUCTION

This preliminary engineering report (the "Report") is prepared in support of the creation and operation of the Midland County Freshwater Supply District No. 1 in Midland County, Texas (the "District"). The following sections of the Report provide a project description, financial analysis, evaluation of the effects of the District, and a justification for the creation of the District. The District proposes to provide water supply both within and outside of the district and wastewater (potentially) and drainage services to areas within the District.

PROJECT DESCRIPTION

Existing Area, Condition and Topography

The proposed District encompasses approximately 20 acres in western Midland County more particularly described by metes and bounds in the Deed attached hereto as Appendix 1 and depicted on the Plat and Preliminary Land Use Plan attached hereto as Appendix 2 and Appendix 3, respectively. The property is located adjacent to the CRMWD Terminal Reservoir approximately 11 miles west-southwest of the City of Midland. A vicinity map is included with this Report as Appendix 4. The proposed District boundary is reflected on both Appendices 2 and 3.

The proposed district is located in an area with little drainage to surface streams but generally drains overland to the southeast. The land is currently rangeland and is classed as Mesquite shrub/grassland by the Texas Parks and Wildlife Department.

Land Use Plan

The land use plan for the proposed District is industrial in nature. Appendix 3 presents the land use plan.

Proposed Improvements

With the exception of the roadway access to the Property within the proposed District which was recently annexed by the City of Midland, the proposed District is located entirely within the extraterritorial jurisdiction of the City of Midland in Midland County, Texas. The design and construction of all water and wastewater improvements, as applicable, will be in accordance with the requirements of the City of Midland, Midland County and the Texas Commission on Environmental Quality (TCEQ).

Water Supply and Distribution

The proposed District is not located within the service area of the City of Midland, or any other qualified retail purveyor, for water supply. The water supply for the District will

not be obtained from the City of Midland. Rather, it will be obtained from an existing well located on the property and other sources to be developed by the proposed District.

Wastewater Treatment and Collection

Little domestic wastewater will be produced within the District and that which is produced will be treated with on-site disposal. If the District determines to develop a centralized wastewater collection system, it will be designed as a gravity system and will include manholes and wastewater service lines as necessary. Due to the limited wastewater production currently anticipated, on-site disposal using one or more qualified septic systems is contemplated within the District.

Waste produced by industrial processes will be contained, transported off-site and disposed via permitted deep well injection.

Drainage Improvements

There are no channels having defined beds and banks within the District therefore no drainage improvements are anticipated other than to direct runoff from rainfall events away from the industrial facilities. These improvements will consist of swales and temporary detention facilities, as well as appropriately designed curbs to channel run-off.

100-Year Flood Plain

The proposed District is not located in any flood hazard area as established by the Federal Emergency Management Agency (FEMA).

Existing and Projected Population

The proposed District is unpopulated at this time. The population in the future is not expected to exceed 5 persons.

FINANCIAL ANALYSIS

Estimates of Probable Costs

The services to be provided by the proposed District may include water, wastewater and drainage/storm water management. It is anticipated that the District will issue revenue bonds for construction and operation of these facilities. The chart below contains a summary of the estimated cost of the projected improvements requested for the provision of retail water service within the District:

Estimated Cost of Improvements

Improvement	Cost
Water System Improvements	\$ 53,000
Water Production Improvements	\$ 150,000
Water Treatment Improvements	\$ 82,000
Water Transmission Improvements	\$ 66,000
Engineering, Review, Inspection Fees	\$ 35,000
Contingencies	\$ 60,000
Total	\$ 446,000

Projected Tax Rate

It is anticipated that the *ad valorem* tax rate for the proposed District will be zero.

Projected Water and Wastewater Rates

Anticipated water rates to be charged by the proposed District are \$2.50 per 1,000 gallons. Anticipated wastewater rates to be charged by the proposed District are expected to be zero dollars.

AVAILABILITY OF COMPARABLE SERVICE

Water Service

Attached hereto as Appendix 4 and Appendix 5, respectively, are copies of the TCEQ's water and wastewater CCN maps for Midland County, Texas. As evidenced by those maps, the Property proposed to be included within the District is not included within the certificated service area of any retail water or wastewater provider. There is no readily accessible or feasible water service available to the proposed District. One industry that is anticipated to locate within the proposed District is a facility for the desalination of brackish water. Water from this industry will be used to supplement the supply of water to the proposed District as a supplement to the available groundwater resources.

Wastewater Service

There is no wastewater service easily accessible to the proposed District for domestic or industrial wastewater treatment (see appendix 5).

EVALUATION OF THE EFFECT OF THE PROPOSED DISTRICT

Land Elevation

The development plan for the proposed District does not include major or significant alteration of land surface elevations. It is anticipated that the construction of drainage facilities, including any required storm water detention, retention or water quality facilities, may require excavation activities. Limited grading may be required for industrial site pads and to facilitate the conveyance of storm water runoff to the drainage facilities.

Subsidence

Midland County has no significant issues with subsidence.

Groundwater Level in Region

Based upon the anticipated development within the District, together with the anticipated development, as needed, of brackish groundwater supplies and the water resources outside of Midland County, the proposed District should have negligible effect on the groundwater level in the region.

Recharge Capability of Groundwater in Region

The industrial processes located within the proposed District will cover a portion of the land surface with impervious cover. This industrial development will reduce infiltration of rainfall and overland flow at those areas having impervious cover. It is not anticipated that infiltration will be significantly reduced.

Natural Runoff Rates and Drainage

Development within the proposed District will increase the storm water runoff rate over the existing storm water runoff rate. Development will adhere to regulations of the City of Midland, Midland County and any other regulatory agency to ensure that runoff rates after development are controlled or reduced.

Water Quality

The proposed District will obtain necessary permits from the TCEQ and/or Midland County for disposal of all domestic and industrial wastewaters from facilities located within the District. Adherence to the requirements and rules of the TCEQ and/or Midland County will help to ensure that the impact of development within the proposed District is negligible.

OVERLAPPING TAXING ENTITIES

The overall tax rate for property located within the proposed District is the total of the assessments charged by Midland County, Midland Independent School District, Midland County Hospital District, and the proposed District. The tax rates for these entities are listed in the Table below.

Taxing Entity	2009 Tax Rate
Midland County	0.211805
Midland Independent School District	1.152550
Midland County Hospital	0.181300
Midland College	0.171928
Proposed District	0.000000
Total Projected Overlapping Tax Rate	1.717583

JUSTIFICATION FOR THE CREATION OF THE DISTRICT

The area proposed to be within the District is within the growing and increasingly developed environs of Midland County, Texas, in the corridor near the Midland County Airport between the Cities of Midland and Odessa and within the immediate future will experience a substantial and sustained residential and commercial growth. As evidenced by Appendices 4 and 5, there is no adequate waterworks system or wastewater system capable of serving the Property currently available within the area. The health and welfare of the future occupants of the Property and the proposed District, and of territories adjacent thereto, require the acquisition, construction, maintenance, and operation of an adequate waterworks system and, possibly, adequate wastewater system. A public necessity therefore exists for the creation and organization of the District to provide for the purchase, construction, extension, improvement, maintenance, and operation of such waterworks system and, possibly, wastewater system to promote the public health and welfare of the community.

The costs associated with the development adequate utility infrastructure to serve the area of the proposed District are reasonable and achievable. Creation of the District will benefit the property within the proposed District and the adjacent areas.

LIST OF APPENDICES

- Appendix 1 Deed.
- Appendix 2 Plat.
- Appendix 3 Preliminary Land Use Plan.
- Appendix 4 Map of the TCEQ's water CCN for Midland County, Texas.
- Appendix 5 Map of the TCEQ's wastewater CCN for Midland County, Texas.

Appendix 1

Deed

SPECIAL WARRANTY DEED

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

Date: May 19, 2009

Grantor: **DJK, INC.**

Grantor's Mailing Address: 700 N. Grant, Ste 600
Odessa, Texas 79761

Grantee: **FORT STOCKTON HOLDINGS, L.P.**

Grantee's Mailing Address: 6 Desta Drive, Suite 6500
Midland, Texas 79705

Consideration: \$10.00 and other for good and valuable consideration in hand paid.

Property (including any improvements): Approximately twenty (20) acres of land as shown on **Exhibit "A"** attached hereto located in Midland (the "Land")

Exceptions to Conveyance and Warranty: as set forth on Schedule 1 attached hereto

Restrictive Covenant: Grantor imposes the following restrictive covenant on the Property. Grantee, its successors and assigns, shall not conduct any activity which shall be a public nuisance, nor shall the Property be used for the permanent storage of waste, refuse or materials remaining after mining activities.

Grantor grants, sells, and conveys to Grantee the Property, together with all and singular the rights and appurtenances thereto in any way belonging, to have and to hold it to Grantee and Grantee's heirs, successors, and assigns forever. Grantor binds Grantor and Grantor's heirs and successors to warrant and forever defend all and singular the Property to Grantee and Grantee's heirs, successors, and assigns against every person whomsoever lawfully claiming or to claim the same or any part thereof when the claim is

Grantor and Grantee agree that Grantee is taking the Property "AS IS" with any and all latent and patent defects and that there is no warranty by Grantor that the Property has a particular financial value or is fit for a particular purpose. Grantee acknowledges and stipulates that Grantee is not relying on any representation, statement or other assertion with respect to the Property condition but is relying on Grantee's examination of the Property. Grantee takes the Property with the express understanding and stipulation that there are no express or implied warranties except for warranties of title set forth in this deed.

When the context requires, singular nouns and pronouns include the plural.

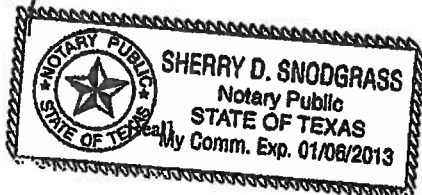
GRANTOR:

DJK, INC.

By: [Signature]
Name: JOHN BUSHMAN
Title: VICE PRESIDENT

STATE OF TEXAS §
COUNTY OF Ector §

Sworn to and subscribed before me by John Bushman as
Vice President of DJK, INC., on behalf of same on the 19 day of
MAY, 2009.



[Signature]
Notary Public in and for the
State of Texas

EXHIBIT "A"
TO SPECIAL WARRANTY DEED

BOUNDARY SURVEY OF A 20 ACRE TRACT LOCATED IN SECTION 48, BLOCK 41, T-1-S, AND SECTION 1, BLOCK 41, T-2-S, T&P RR CO. SURVEY, MIDLAND COUNTY, TEXAS

Boundary Being More Fully Described By Metes and Bounds As Follows:

BEGINNING at (Y=10,675,907.69', X=1,702,572.75') a 1/2" Iron rod with plastic cap marked "LCA ODESSA TX" set an interior corner of a 91.466 acre tract as described in Volume 1145, Page 201, Midland County Deed Records and being the east corner of this tract, whence a 1/2" Iron pipe and a large set stone found at the southeast corner of said Section 48 and the northeast corner of said Section 1 bears N 34°23'26" W, a distance of 308.35 feet and N 74°59'33" E, a distance of 1424.53 feet;

THENCE S 55°30'34" W with a southerly line of said 91.466 acre tract, a distance of 99.59 feet to a 1/2" Iron rod with plastic cap marked "LCA ODESSA TX" set at the most westerly corner of said 91.466 acre tract and being an interior corner of this tract, whence a found 3/8" Iron rod with plastic cap marked "HOWELL" bears S 76°14' W, a distance of 1.24 feet;

THENCE S 34°40'37" E with the west line of said 91.466 acre tract, a distance of 299.97 feet to a 1/2" Iron rod with plastic cap marked "LCA ODESSA TX" set for the most easterly corner of this tract;

THENCE S 55°30'34" W, a distance of 867.04 feet to a 1/2" Iron rod with plastic cap marked "LCA ODESSA TX" set at the most southerly corner of this tract;

THENCE N 34°23'26" W, a distance of 933.19 feet to a 1/2" Iron rod with plastic cap marked "LCA ODESSA TX" set for the most northerly corner of this tract;

THENCE N 55°30'34" E, at a distance of 46.29 feet pass the north line of Section 1, Block 41, T-2-S and the south line of Section 48, Block 41, T-1-S, continuing on for a total distance of 965.13 feet to a 1/2" Iron rod with plastic cap marked "LCA ODESSA TX" set in the west line of said 91.466 acre tract and being the most northerly corner of this tract;

THENCE S 34°23'26" E with the west line of said 91.466 acre tract, at a distance of 324.87 feet pass the south line of said Section 48 and the north line of said Section 1, continuing on for a total distance of 633.22 feet to the Point of Beginning, containing 20.00 acres of land, more or less.

SCHEDULE 1

- a. **AS TO TRACTS 1 & 2:** Rights of parties in possession under any unrecorded, written or oral lease agreements by and between the present owner and/or their predecessors in title as lessor and unknown persons as lessees covering any of the herein described property; including but not limited to: (a) Assignment and Assumption of leases executed by Collecting Bank, N.A. to John Casselman, Jr., dated August 14, 1992, and recorded in Volume 1133, Page 204, Deed Records of Midland County, Texas; and that certain unrecorded Lease Agreement with Option to Purchase by and between John Casselman, Jr. and Dorothy Casselman, as Lessor, and CSA Materials, Inc., Lessee, dated May 12, 2002 and assigned by that certain Assignment of Lease Agreement with Option to Purchase, executed by Dorothy K. Casselman, Individually and as attorney-in-fact for John Casselman, Jr., as Assignors, to DJK, Inc., as Assignee, dated January 31, 2005.
- b. **AS TO THAT PART OF TRACTS 1 & 2 IN SECTION 48:** Minerals reservation, and the rights of the owners incident thereto as contained in Warranty Deed executed by Myrtle Mae Chandler and husband, J. M. Chandler, to T. E. McReynolds, dated December 28, 1935, and recorded in Volume 55, Page 70; and as contained in Warranty Deed executed by H. S. Foster and wife, Myrtle Foster, to Harriett P. Faudree, dated September 2, 1953, and recorded in Volume 199, Page 72, all in the Deed Records of Midland County, Texas.
- c. **AS TO THAT PART OF TRACT 1 IN SECTION 1:** Minerals reservation, and the rights of the owners incident thereto as contained in Warranty Deed executed by H. S. Foster and wife, Myrtle Foster, to Harriett P. Faudree, dated September 2, 1953, and recorded in Volume 199, Page 72, all in the Deed Records of Midland County, Texas.
- d. **AS TO THAT PART OF TRACTS 1 & 2 IN SECTION 48:** Blanket Right of Way Grant covering all of Section 48, Block 41, T-1-S, granting the right of ingress and egress to and from said pipe line and other rights necessary for the operation of the line and appurtenances, executed by H. S. Foster and wife, Myrtle Foster, to The Texas Pipe Line Company dated June 25, 1947, and recorded in Volume 98, Page 7; and subsequently assigned from The Texas Pipe Line Company, et al, to Shell Pipe Line Corporation, et al, by document dated August 10, 1951, and recorded in Volume 149, Page 584, all in the Deed Records of Midland County, Texas; and further assigned to Basin Pipeline Holdings, L.P. by Assignment of Rights-of-Way and Easements dated August 1, 2002, and recorded in Volume 2027, Page 210, Official Records of Midland County, Texas.
- e. **AS TO THAT PART OF TRACTS 1 & 2 IN SECTION 48:** Blanket Easement for Right-of-Way across Sections 1, 2, 3 and 4, Block 41, T-2-S, and Section 48, Block 41, T-1-S, describing a centerline and granting the rights of ingress, egress, and other rights necessary for the operation of the line and appurtenances, executed by Harriett P. Faudree and spouse, Bill B. Faudree, to Colorado River Municipal Water District dated February 17, 1959 and recorded in Volume 310, Page 206 of the Deed Records of Midland County, Texas.
- f. **AS TO THAT PART OF TRACTS 1 & 2 IN SECTION 48:** Blanket Easement For Underground Facilities covering Section 48, Block 41, T-1-S, describing a 20' wide centerline easement and granting the right of ingress and egress to and from easement and other rights necessary for the operation of line and appurtenances, executed by Collecting Bank, N.A. to Southwestern Bell dated August 8, 1989, and recorded in Volume 1034, Page 410, Deed Records of Midland County, Texas.
- g. **AS TO THAT PART OF TRACTS 1 & 2 IN SECTION 48:** Blanket Easement For Underground Facilities covering the SE/4 of Section 48, Block 41, T-1-S, describing a 20' wide centerline easement and granting the right of ingress and egress to and from easement and other rights necessary for the operation of line and appurtenances, executed by HBF Corporation to Southwestern Bell dated August 8, 1989, and recorded in Volume 1034, Page 411, Deed Records of Midland County, Texas.
- h. **AS TO THAT PART OF TRACTS 1 & 2 IN SECTION 48:** Blanket Right of Way Easement covering the SE/4 of Section 48, Block 41, T-1-S, describing 30' wide easement and granting the right of ingress and egress to and from said easement and other rights necessary for the operation of the water pipeline and appurtenances, executed by John Casselman, Jr. and wife, Dorothy Casselman, to the City of Midland dated June 1, 1994, and recorded in Volume 1228, Page 684, Official Records of Midland County, Texas.

- i. **AS TO THAT PART OF TRACTS 1 & 2 IN SECTION 48:** Notice of Existence of Seismic Option Agreement With Option to Purchase Oil and Gas Lease covering Section 48, Block 41, T-1-S, by and between The Estate of Dorothy C. Leonard, Deceased, and Andrew C. Shapira, effectively dated September 12, 1997, and recorded in Volume 1506, Page 30, and subsequently assigned to Titan Resources, LP by document dated October 28, 1997, and recorded in Volume 1509, Page 14, Official Records of Midland County, Texas.
- j. **AS TO THAT PART OF TRACTS 1 & 2 IN SECTION 48:** Oil, Gas and Mineral Lease to Lothian Oil, Inc. executed by: (a) Kenneth Lesley and Perry Elliot, Co-Independent Executors of the Estate of Bobby John Foster, Deceased, dated November 10, 2006, and recorded in Volume 2828, Page 609; and (b) Bettie Yvon Lesley, dated November 16, 2006, and recorded in Volume 2828, 615; and all subsequently assigned to EXL Petroleum, LP, et al, by document effectively dated March 1, 2007, and recorded in Volume 2828, Page 630; and further partially assigned from Michael Fowler to Nawab Energy Partners by document effectively dated March 1, 2008, and recorded in Volume 3012, Page 468, and corrected in Volume 3128, Page 54, all in the Official Records of Midland County, Texas.
- k. **AS TO THAT PART OF TRACTS 1 & 2 IN SECTION 48:** Memorandum of Joint Operating Agreement covering all of Section 48, Block 41, T-1-S, by and between EXL Petroleum, LP and Amrose Energy I, LP, effectively dated March 1, 2007, and recorded in Volume 2828, Page 633, Official Records of Midland County, Texas.
- l. **AS TO THAT PART OF TRACTS 1 & 2 IN SECTION 48:** Oil, Gas and Mineral Lease to Lothian Oil, Inc. executed by: (a) James K. Leonard, dated January 22, 2007, and recorded in Volume 2847, Page 380; (b) Diane L. Oehler, Individually and as Independent Executor of the Estate of Dorothy C. Leonard, Deceased, dated January 22, 2007, and recorded in Volume 2847, Page 386; and (c) Joseph F. Leonard, III, dated January 22, 2007, and recorded in Volume 2847, Page 392; and subsequently assigned to EXL Petroleum, LP by document effectively dated March 1, 2007, and recorded in Volume 2861, Page 351; and further partially assigned from Michael Fowler to Nawab Energy Partners by document effectively dated March 1, 2008, and recorded in Volume 3012, Page 468, and corrected in Volume 3128, Page 54; and further partially assigned by and between Ambrose Energy I, Ltd. and TCW Energy Funds X and XI Holdings, L.P. by document dated March 31, 2009, and recorded in Document Number 2009-6975, all in Official Records of Midland County, Texas.
- m. **AS TO THAT PART OF TRACTS 1 & 2 IN SECTION 48:** Oil, Gas and Mineral Lease executed by Cheryl L. Chandler Schmidt to EXL Petroleum, L.P., dated April 12, 2007, and recorded in Volume 2878, Page 607; and subsequently assigned by and between Ambrose Energy I, Ltd. and TCW Energy Funds X and XI Holdings, L.P. by document dated March 31, 2009, and recorded in Document Number 2009-6975, all in the Official Records of Midland County, Texas.
- n. **AS TO THAT PART OF TRACT 1 IN SECTION 1:** Blanket Right of Way covering Sections 1 and 2 in Block 41, T-2-S, granting the right of ingress and egress on, over, and through described lands and other rights necessary for the operation of pipe line and appurtenances, executed by Eva Mae Warren and husband, W. C. Warren, to Atlantic Oil Producing Company dated December 22, 1927, and recorded in Volume 39, Page 278; and subsequently assigned to ARCO Pipe Line Company by document dated January 1, 1971, and recorded in Volume 536, Page 585; and further assigned to Fin-Tex Pipe Line Company by document dated May 1, 1972, and recorded in Volume 554, Page 373, all in the Deed Records of Midland County, Texas; and further amended by Amendment of Easement and Right-of-Way executed by John R. Casselman, Jr. to FinTex Pipe Line Company dated March 3, 1998, and recorded in Volume 1549, Page 1; and further assigned from Fin-Tex Pipe Line Company to Alon Pipeline Assets, LLC by document effectively dated February 28, 2005, and recorded in Volume 2487, Page 637, Official Records of Midland County, Texas.
- o. **AS TO THAT PART OF TRACT 1 IN SECTION 1:** Oil, Gas and Mineral Lease to Lothian Oil, Inc. executed by: (a) Kenneth Lesley and Perry Elliot, Co-Independent Executors of the Estate of Bobby John Foster, Deceased, dated November 10, 2006, and recorded in Volume 2828, Page 609; and (b) Bettie Yvon Lesley, dated November 16, 2006, and recorded in Volume 2828, Page 615; and all subsequently partially assigned to EXL Petroleum, LP, et al, by document effectively dated March 1, 2007, and recorded in Volume 2828, Page 630; and further partially assigned from Michael Fowler to Nawab Energy Partners by document effectively dated March 1, 2008, and recorded in Volume 3012, Page 468, and corrected in Volume 3128, Page 54; and further partially assigned by and between Ambrose Energy I, Ltd. and TCW Energy Funds X and XI Holdings, L.P. by document dated March 31, 2009, and recorded in Document Number 2009-6975, all in the Official Records of Midland County, Texas.

- p. **AS TO THAT PART OF TRACT 1 IN SECTION 1:** Oil, Gas and Mineral Lease executed by Betty A. Davis, Individually and as Trustee of the Betty A. Davis Mineral Trust, to Lothian Oil, Inc. dated November 20, 2006, and recorded in Volume 2828, Page 620; and subsequently assigned to EXL Petroleum, LP, et al, by document effectively dated March 1, 2007, and recorded in Volume 2828, Page 630; and further partially assigned from Michael Fowler to Nawab Energy Partners by document effectively dated March 1, 2008, and recorded in Volume 3012, Page 468, and corrected in Volume 3128, Page 54; and further partially assigned by and between Ambrose Energy I, Ltd. and TCW Energy Funds X and XI Holdings, L.P. by document dated March 31, 2009, and recorded in Document Number 2009-6975, all in the Official Records of Midland County, Texas.
- q. **AS TO THAT PART OF TRACT 1 IN SECTION 1:** Oil, Gas and Mineral Lease to ExL Petroleum, L.P., executed by: (a) Dennis Kogan, dated April 12, 2007, and recorded in Volume 2862, Page 793; (b) Marta Kogan Rukavina, dated April 12, 2007, and recorded in Volume 2862, Page 796; (c) Marlene F. Moss, dated May 14, 2007, and recorded in Volume 2905, Page 124; (d) Lorraine Burton, dated May 3, 2007, and recorded in Volume 2905, Page 127; (e) Noble Energy, Inc., effectively dated April 15, 2007, and recorded in Volume 2908, Page 536; (f) Roberta Stone, dated June 6, 2007, and recorded in Volume 2956, Page 419; (g) Janet Dahlem, dated June 6, 2007, and recorded in Volume 2956, Page 422; (h) Patricia L. Kaad, dated March 14, 2008, and recorded in Volume 3078, Page 871; (i) Mary P. Goldstein, dated March 14, 2008, and recorded in Volume 3078, Page 862; and subsequently ratified by document executed by Richard A. Burton, dated March 28, 2008, and recorded in Document Number 2009-7964; and further ratified by document executed by Roger D. Burton, dated March 19, 2008, and recorded in Document Number 2009-7965; and further ratified by document executed by Patricia L. Kaad, dated March 22, 2008, and recorded in Document Number 2009-7966; (j) Richard A. Burton, dated March 14, 2008, and recorded in Volume 3078, Page 865; (k) Roger D. Burton, dated March 14, 2008, and recorded in Volume 3078, Page 868; and (l) Doris A. Devine, Trustee of the Devine Family Trust Dated November 24, 1987, dated March 27, 2007, and recorded in Volume 3087, Page 691; and subsequently assigned by and between Ambrose Energy I, Ltd. and TCW Energy Funds X and XI Holdings, L.P. by document dated March 31, 2009, and recorded in Document Number 2009-6975, all in the Official Records of Midland County, Texas.
- r. **AS TO THAT PART OF TRACT 1 IN SECTION 1:** Oil, Gas and Mineral Lease executed by Michael Fowler to Nawab Energy Partners, L.P., effectively dated January 1, 2008, and recorded in Document Number 2009-4670, Official Records of Midland County, Texas.
- s. **AS TO TRACTS 1 & 2:** Blanket Right-of-Way Agreement covering Sections 1, 2, 3, and 12, Block 41, T-2-S, granting a 60' wide easement and right-of-way and other rights necessary for the operation of the pipe line and appurtenances, executed by Harriett P. Faudree, et vir, to Pasotex Pipe Line Company dated July 18, 1961, and recorded in Volume 368, Page 107; and subsequently assigned to Texas Pipe Line Company by document dated March 22, 1963, and recorded in Volume 405, Page 395, Deed Records of Midland County, Texas.
- t. **AS TO TRACTS 1 & 2:** Blanket Airspace and Aircraft Noise Easement covering Sections 1 and 12, Block 41, T-2-S and Section 48, Block 41, T-1-S, granting other rights incident to flight in airspace above the surface, executed by Harriett P. Faudree and HBF Corporation to the City of Midland, Texas, dated February 18, 1982, and recorded in Volume 736, Page 137, Deed Records of Midland County, Texas.
- u. **AS TO TRACTS 1 & 2:** Blanket Easement for Right-of-Way covering Section 48, Block 41, T-1-S, and Section 1, Block 41, T-2-S, describing several easements and granting the right of ingress and egress to and from the same and other rights necessary for the operation of the pipeline and appurtenances, executed by John Casselman, Jr. to Colorado River Municipal Water District dated September 28, 1993, and recorded in Volume 1178, Page 659, Deed Records of Midland County, Texas.
- v. **AS TO TRACTS 1 & 2:** Notice of Existence of Seismic Option Agreement With Option to Purchase Oil and Gas Lease covering Sections, 1, 2 and 12, Block 41, T-2-S and Section 48, Block 41, T-1-S, by and between Bobby J. Foster and Bettie Yvon Lesley and Andrew C. Shapira, effectively dated September 8, 1997, and recorded in Volume 1506, Page 31; and subsequently assigned to Titan Resources, LP by document dated October 28, 1997, and recorded in Volume 1509, Page 13, all in the Official Records of Midland County, Texas.

- w. **AS TO TRACTS 1 & 2:** Memorandum of Lease Agreement covering Section 48, Block 41, T-1-S, and Sections 1, 2 and 12, Block 41, T-2-S, executed by and between John Casselman, Jr. and wife, Dorothy Casselman, to CSA Materials, Inc. dated May 17, 2002, and recorded in Volume 1996, Page 153, Official Records of Midland County, Texas.
- x. **AS TO TRACTS 1 & 2: BY WAY OF INFORMATION, BUT NOT BY WAY OF EXCEPTION OR REQUIREMENT:** That the subject property is located in the City of Midland Extra Territorial Jurisdiction area and may be subject to platting requirements.
- y. **AS TO TRACTS 1 & 2:** Specific 30' Wide Non-Exclusive Access and Utility Easement covering a described tract of land in the Section 48, Block 41, T-1-S, to be executed by DJK, Inc., to be recorded in the Official Records of Midland County, Texas.
- z. **AS TO TRACTS 1 & 2:** Unrecorded Lease Agreement with Option to Purchase by and between John Casselman, Jr. and Dorothy Casselman, as Lessor, and CSA Materials, Inc., as Lessee, dated May 12, 2002 and assigned by Assignment of Lease Agreement with Option to Purchase, executed by Dorothy K. Casselman, Individually and as attorney-in-fact for John Casselman, Jr., as Assignors, to DJK, Inc., as Assignee, dated January 31, 2005.

RECEIPT FOR INSTRUMENT FILED FOR RECORD

FILE NO. _____

TYPE IN INSTRUMENT SWD

FROM DJK

TO Port Stockton Holdings

ASSIGNED _____

GF 96590

188

FILED FOR RECORD IN
Midland County
Cheryl Becker
COUNTY CLERK

ON: May 19, 2009 AT 01:13P

AS
Recording after Aug 2005

Document Number: 10351
Total Fees : 52.00

Receipt Number - 285449
By,
Araceli Hernandez, Deputy

Appendix “G”

Form of Affidavit for Persons Interested in Appointment as Temporary Supervisors.

**AFFIDAVIT FOR CONSIDERATION OF
APPOINTMENT AS TEMPORARY SUPERVISOR OF THE
MIDLAND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1**

THE STATE OF TEXAS §
 §
COUNTY OF _____ §

BEFORE ME, the undersigned authority of the State and County aforesaid, on this day personally appeared _____ who desires to be appointed a Supervisor of Midland County Fresh Water Supply District No. 1 (hereinafter the "District"), to serve until his/her successor is elected or appointed and qualifies, who on oath, did state:

1. I am at least eighteen years of age, a resident citizen of the State of Texas, and own land subject to taxation within the District.

2. I do not, at the present time, plan to live in the District. I do plan to retain ownership of my land in the District for the indefinite future, but I anticipate that I will eventually offer it for resale.

3. I am generally familiar with the responsibilities of a director of a Fresh Water Supply District. I realize that as a director I will be a public official charged with the responsibility of serving the best interests of the present and future property owners, taxpayers and residents of the District.

4. I am aware that the District will be a public agency, and that by law notice of its meetings must be posted, its meetings must be open to the public and its records available for inspection by the public at all reasonable times.

5. I am aware that the District will be subject to the continuing supervision of, and I will fully cooperate with, the Texas Commission on Environmental Quality.

6. I have reviewed the provisions of Section 49.052, TEXAS WATER CODE, and do not believe that I am disqualified to serve as a Supervisor of the District.

7. I hereby affirm that, if appointed, I will faithfully execute the duties of the office of Supervisor of the District and will to the best of my ability preserve, protect and defend the Constitution and laws of the United States, and of the State of Texas; and I hereby affirm that I have not directly nor indirectly paid, offered or promised to pay, contributed or promised to contribute any money or valuable thing, or promised any public office or employment as a reward to secure this appointment.

Name: _____

Phone Number: () -

Mailing Address: _____
_____, _____

Before me, the undersigned authority, on this day personally appeared _____ who desires to be appointed as Supervisor of Midland County Fresh Water Supply District No. 1 to serve until his successor is elected or appointed and qualifies, and who being by me duly sworn on his oath deposed and said that every response and statement set forth herein is true and correct.

SWORN TO AND SUBSCRIBED before me this _____ day of _____, 2009.

Notary Public, State of Texas

(Printed or Stamped Name of Notary)

My Commission Expires: _____

Appendix 2

Plat