

GROUNDWATER LEASE

THIS GROUNDWATER LEASE ("Lease") is made and entered into as of _____, 2025 (the "Effective Date"), by and between **He-Juan Tong & Lei Guo & Hefen Tong** ("Lessor") and the **City of La Vernia**, a general law municipality ("Lessee"). Lessor and Lessee may be referred to herein, individually as a "Party" and collectively as the "Parties."

1. DEFINITIONS

The following terms shall have the meanings set forth below when used in this Lease:

"assignment" is defined in Section 8.1 of this Lease.

"Commercial Quantities" means the ability to produce Groundwater from the Wells developed by Lessee on the Leased Premises in quantities sufficient to meet Lessee's municipal water supply needs, as determined by Lessee in its reasonable discretion.

"District" means the Evergreen Underground Water Conservation District, and any successor to such agency.

"Environmental Protection Laws" means any and all applicable local, state, and federal environmental laws and any amendments to such statutes; any regulations promulgated under such statutes; or any other environmental statutes or regulations, whether now in force or enacted after the Effective Date of this Lease, administered by the U.S. Environmental Protection Agency, the U.S. Department of Transportation, the U.S. Coast Guard, the U.S. Army Corps of Engineers, the U.S. Fish & Wildlife Service, the National Oceanic and Atmospheric Administration, the Department of Commerce, the Department of the Interior, the Council on Environmental Quality, the Texas Parks & Wildlife Department, the General Land Office, the Texas Water Commission, the Texas Air Control Board, the Railroad Commission of Texas, the Texas Department of Health, the Texas Commission on Environmental Quality, or any successor to any such governmental agency.

"Extended Term" is defined in Section 3.3 of this Lease.

"Groundwater" means the underground, percolating, artesian, and other waters beneath the surface of the earth in any subsurface water-bearing reservoir.

"Lease Payments" is defined in Section 4.2(b) of this Lease.

"Leased Premises" is defined in Section 2.1 of this Lease.

"Pay Period" is defined in Section 4.2(a) of this Lease.

"Primary Term" is defined in Section 3.1 of this Lease.

"Reservation Fee" is defined in Section 4.1(a) of this Lease.

"TCEQ" means the Texas Commission on Environmental Quality, and any successor to such agency.

"Well(s)" means water wells constructed for the purpose of producing Groundwater.

"Well Site" means an area within the Leased Premises not to exceed one acre in size, to be configured to the extent feasible in the shape of a rectangle or square, the location of which has been coordinated with and approved by Lessor, which approval shall not be unreasonably denied or withheld, or delayed, in which Lessee shall be allowed to drill and operate Wells.

2. GRANTING CLAUSE, WELL SITE, WARRANTY OF TITLE, AND RESERVATIONS

2.1 Granting Clause. Lessor, in consideration of Ten (\$10.00) Dollars and other good and valuable consideration in hand paid by Lessee, the receipt of which is hereby acknowledged, and the other covenants, agreements and obligations of Lessee herein contained, and upon the conditions and with the limitations hereinafter set forth and contained, hereby leases and lets unto the said Lessee that certain 1.0693 acres of land located in Wilson County, Texas, more particularly described on **Exhibit A** attached hereto and made a part hereof for all purposes (the "**Leased Premises**") for the following purposes: (a) exclusive rights in exploring, investigating, conducting geologic, hydrogeologic and geophysical surveys and tests, drilling, operating for, producing, withdrawing, capturing, owning, and conveying all right, title and interest in and to the Groundwater; and (b) rights to submit application(s) for and complete the administrative process necessary for Lessee to obtain the necessary permit(s) to drill for, develop, produce, and withdrawal the Groundwater from beneath the Leased Premises.

2.2 Well Site. The well site will be located on Lessee's property. No equipment is to be located on Lessor's property.

2.3 Special Warranty of Title; Quiet Enjoyment. Lessor warrants and agrees to defend title to the Groundwater underlying the Leased Premises by, through and under Lessor, but not otherwise. Lessor covenants that Lessee shall peaceably and quietly hold and enjoy the Groundwater while this Lease remains in effect without hindrance from Lessor or any party claiming by, through or under Lessor.

2.4 Reservations. This Lease is granted subject to the following exceptions and reservations:

(a) **Surface Uses.** Without destroying the intended purpose of this Lease, Lessor retains the right for the full and complete enjoyment and use of the Leased Premises for any and all purposes, except for the uses specifically granted to Lessee pertaining to the Groundwater.

3. TERM

3.1 Primary Term. Subject to the other provisions contained herein, in consideration of the Reservation Fee, this Lease shall be for a primary term of ten (10) years (the “Primary Term”) for the purpose of exploration and development to determine if Groundwater can be produced from the Lease Premises in Commercial Quantities. The Primary Term shall automatically expire on the eleventh anniversary date after the date this Lease is signed UNLESS, (i) the Parties extend the Primary Term pursuant to the terms of this Lease or an amendment thereto, or (ii) the Lessee has commenced production of Groundwater in Commercial Quantities.

3.2 Commercial Quantities. If production of Groundwater in Commercial Quantities is not viable, this Lease shall terminate upon written notice from Lessee, and Lessee shall remove all of its equipment and materials from the Leased Premises at its own expense. If production of Groundwater in Commercial Quantities is viable, Lessee shall proceed with its activities to produce Groundwater in Commercial Quantities. If Lessee is engaged in drilling or reworking operations on the Leased Premises at the end of the Primary Term, or has a duly licensed water well driller under contract to commence drilling a Well, to the extent there is a gap between the end of the Primary Term and the commencement of production of Groundwater in Commercial Quantities, the Lessee may extend the Primary Term for up to one (1) year by providing written notice to Lessor (the “Extended Primary Term”). If Lessee fails to commence production of Groundwater in Commercial Quantities by the end of the Extended Primary Term, this Lease shall automatically terminate. Lessee shall timely notify Lessor of the commencement of Commercial Production.

3.3 Extended Term. Subject to the other provisions contained herein, this Lease shall continue in full force and effect so long as Groundwater is being produced in Commercial Quantities (“Extended Term”). Notwithstanding the foregoing in this Section 3.3, this Lease shall continue in full force and effect when production in Commercial Quantities is not possible due to (i) drought conditions, (ii) a lawful order limiting or curtailing production issued by a court of competent jurisdiction or governmental entity with jurisdiction over the production of groundwater, (iii) Lessee is in the process of obtaining or renewing necessary governmental approval or authority, including without limitation any license or permit, authorizing Groundwater production, or (iv) Lessee is in the process of repairing, redrilling or deepening a well for the purpose of continuing groundwater production. Lessee must exercise reasonably due diligence when repairing, redrilling or deepening a well.

4. COMPENSATION

4.1 Compensation. As of the Effective Date and as full consideration for this Agreement, Lessee shall use the Existing Water Facilities to provide up to one million (1,000,000) gallons of water per year to Lessor for the purpose of providing domestic water services to the residence located on the Leased Premises.

4.2 Measurement. Lessee shall accurately meter and measure all Groundwater removed from the Leased Premises. Upon Lessor’s written request, Lessee agrees to furnish Lessor copies of any and all water analyses, gauge reports, meter tests, and any other information reasonably

requested by Lessor associated with the measurement, testing, sampling, or other analysis of Groundwater production from the Leased Premises within thirty (30) days from Lessee's receipt of Lessor's written request.

4.3 Right to Inspect Records. Lessor, at Lessor's sole cost, expense, and risk, shall have the right at all reasonable times, upon reasonable notice, personally or by representative, to inspect, audit and copy the books, accounts, contracts, records and data of Lessee pertaining to the exploration, development, production, operation, saving, transportation, and sale of Groundwater from the Leased Premises.

5. TERMINATION

5.1 Release upon Termination. Upon termination of this Lease for any reason, Lessee shall execute, record and deliver to Lessor a release of this Lease.

5.2 Voluntary Release. Lessee may at any time or from time to time execute, place of record, and deliver to Lessor a release or releases of this Lease as to all or any part of the Leased Premises and thereby be relieved from all obligations as to the released acreage except as to obligations and liability then accrued.

6. TAXES, FEES AND OTHER ASSESSMENTS

Lessee shall pay when due any user fees, well registration fees, or other like fees when due to applicable governmental authority having jurisdiction, including any District fees and assessments for its interest in the Groundwater. Lessor will remain responsible for payment of ad valorem and similar taxes assessed against Lessor's interest in the Leased Premises. Lessee shall have the right, but not the obligation, to initiate and prosecute any administrative proceedings relating to the Groundwater rights leased herein, including, but not limited to, (i) contesting any fees assessed to or levied upon the Leased Premises pursuant to Groundwater withdrawal rights, or (ii) protesting, defending or preserving the rights to withdraw Groundwater.

7. COMPLIANCE WITH LAWS

All authorized activities conducted pursuant to this Lease will be at the sole risk and cost of Lessee. Lessee shall conduct its operations on the Leased Premises in compliance with all applicable laws (including Environmental Protection Laws), permitting requirements, rules, and regulations of local, state and federal agencies, regulatory commissions, and other governmental or regulatory authorities having jurisdiction over Lessee's operations, including without limitation those of the TCEQ and the District.

8. ASSIGNMENT

8.1 Assignment. The rights hereby granted to Lessee under this Lease shall be assignable by Lessee to any third party without requiring the prior written consent of Lessor. Any assignee of Lessee shall, by acceptance of such assignment, be bound by all terms and provisions hereof. The term "assignment", as used herein, shall include, without limitation, any sublease,

farmout, operating agreement, assignment, or any other agreement by which any share of the operating rights granted by this Lease are assigned or conveyed, or agreed to be assigned or conveyed, to any other party.

8.2 "Lessee" Includes Successors. It is expressly agreed that all references to "Lessee" in this Lease shall mean, include, and apply to the named Lessee and all parties claiming any interest or interests in this Lease by, through or under said original Lessee.

9. GROUNDWATER CONSERVATION DISTRICT

9.1 Evergreen Underground Water Conservation District. The Parties acknowledge that the Leased Premises is located within the jurisdictional boundaries of, and subject to the regulatory jurisdiction of, the Evergreen Underground Water Conservation District (the "District").

9.2 District Regulation. Both Lessor and Lessee are subject to the lawful exercise of the jurisdiction and regulatory powers of the District, including pursuant to (i) Chapter 36, Texas Water Code, (ii) the District's enabling legislation codified as Chapter 8863, Texas Special District Local Laws Code, and (iii) the District's lawfully adopted Rules and Management Plan, all as the same may be amended from time-to-time.

9.3 Permits. Prior to drilling any non-exempt Well(s) or producing any groundwater for a non-exempt purpose, pursuant to this Agreement, Lessee agrees to obtain any and all permits and authorizations required by the District, and to pay all fees, payments and expenses associated with such permits and authorizations. Lessor agrees to cooperate with Lessee in its applications for, and hearings relating to, any governmental approval or authority necessary to acquire any and all permits and authorizations required to produce the Groundwater from the Leased Premises. In the event that any necessary governmental approval or authority, including without limitation any license or permit, cannot be procured by Lessee after reasonable efforts, Lessee in its sole and absolute discretion, may terminate this Lease.

10. SANITARY CONTROL EASEMENT

Lessor does hereby grant unto Lessee the right to designate sanitary control easements around each Well drilled and operated by Lessee in its development of the Groundwater. Each sanitary control easement shall consist of a tract in the form of a circle having a radius of one hundred fifty feet (150') surrounding and centered on each completed Well located within the Well Site. Any sanitary control easement will contain then applicable restrictions on use as set out by TCEQ at the time of the request. Upon request by Lessee, Lessor agrees to execute a separate instrument entitled "Sanitary Control Easement" with content required by TCEQ. The Parties further agree that (i) the Sanitary Control Easement may extend beyond the perimeter of the Well Site where the Well is located and (ii) the Sanitary Control Easements may be enlarged from time-to-time if required to comply with any applicable law, rule or regulation of any governmental authority with jurisdiction over Lessee's development of the Groundwater.

11. PROTECTION OF SURFACE

11.1 Notice of Operations. Prior to commencing drilling operations for any new Well, Lessee shall notify Lessor of such operations. Such notice will be given at least fourteen (14) days prior to entry onto the Leased Premises for purposes of such drilling operations. Lessee agrees to cooperate and consult with Lessor in all its operations on the surface estate of the Leased Premises so that Lessee's operations will interfere as little as possible with the use of the surface and to avoid any adverse impacts to the ongoing or future surface developments by Lessor or its assigns. Further, Lessee shall consult with Lessor, or Lessor's representative prior to designating the locations of drill sites, flowlines, and other lease facilities to be placed on the Leased Premises, taking into consideration Lessor's use of the surface in designating such locations. In addition, Lessee will use its best efforts, consistent with current practices and available drilling technologies, to locate drill sites in accordance with a plan that will minimize the amount of surface acreage that must be used and occupied by Lessee in its drilling on and development of the Leased Premises.

12. MISCELLANEOUS

12.1 Choice of Law and Venue. This Lease shall be governed by and construed under the Laws of the State of Texas. The rights and obligations of the parties hereunder shall be performable in the county in which the Leased Premises are located, and any suit brought as a result of or arising out of this Lease must be filed in the state district courts of such county, the parties hereto having irrevocably chosen such county as the exclusive venue for all suits.

12.2 Payments. All payments required under this Lease to be made to Lessor may be paid directly to Lessor.

12.3 Notices. Any notice to be given hereunder by either Party to the other Party shall be in writing and may be affected by personal delivery, by facsimile, or by sending said notices by registered or certified mail, return receipt requested, to the address set forth below. Notice shall be deemed given when received by facsimile or e-mail, if available, or by personal delivery, or three days after deposited with the United States Postal Service with sufficient postage affixed.

Any notice mailed to Lessor shall be addressed:

Rice To Go,

Any such notice mailed to Lessee shall be addressed:

City of La Vernia
P.O. Box 225
102 E. Chihuahau St.
La Vernia, Texas 78121

Either Party may change the address or facsimile number for notice to it by giving notice of such change in accordance with the provisions of this paragraph.

12.4 Attorneys' Fees. Should either party be required to resort to legal action to enforce any of its rights under this Lease, the prevailing party in any such dispute shall be entitled to reimbursement from the other party for reasonable attorneys' fees, court costs, and other legal expenses actually incurred in enforcing such rights.

12.5 Binding on Successors and Assigns. All the terms, provisions, agreements and obligations of this Lease shall be binding upon and shall inure to the benefit of the parties hereto, their successors, sublessees and permitted assigns. The masculine pronoun, as used herein, shall include the feminine and neuter, and vice versa; and, when appropriate, the singular shall include the plural, and vice versa.

12.6 Multiple Counterparts. This Lease may be executed in multiple counterparts, all of which shall be construed together as an original instrument to the same extent and with like effect as though all the parties hereto had executed each counterpart. The parties specifically agree that the execution and acknowledgment pages from the several counterparts may be aggregated into one counterpart for recordation and other purposes.

12.7 Memorandum of Lease. Lessor and Lessee will execute a Memorandum of Lease in the form set forth on **Exhibit C** attached hereto for recording in the records of the county in which the Leased Premises are situated, to give record notice of this Lease.

12.8 Notice of Default. Except as otherwise provided herein, in the event of Default by either Party, the non-defaulting Party must give the defaulting Party written notice specifying the event of Default (the "Notice"). If the defaulting Party fails to commence efforts to cure the default within sixty (60) calendar days after receipt of the Notice, and thereafter to diligently pursue such cure until complete, then the non-defaulting Party may terminate this Lease, or pursue all legal or equitable remedies against the defaulting Party. Notwithstanding the foregoing of this Section 12.8, if the nature of the default is such that it cannot reasonably be cured within sixty (60) days, the defaulting Party shall not be deemed to be in default if it commences the cure within such period and diligently pursues the cure to completion.

12.9 Headings. The headings of sections and paragraphs in this Lease are for convenience only and shall not be considered a part of this Lease or considered in interpretation or construction of any provision of this Lease.

12.10 Savings. In the event any one or more covenants, clauses or provisions of this Lease shall be held invalid or illegal, such invalidity or unenforceability shall not affect any other provisions of this Lease.

12.11 Time. Time is of the essence with respect to all obligations under this Lease. All deadlines set out herein shall be strictly construed without considering weekends or legal holidays.

12.12 Entire Agreement. This writing, together with the exhibits hereto, represents the entire understanding and agreement between Lessor and Lessee regarding the subject matter hereof and all prior communications between such parties regarding such subject matter are superseded

by this Lease. This Lease may only be amended by a subsequent writing executed by both Lessor and Lessee.

[Signatures on following page]

LESSOR:

He-Juan Tong & Lei Guo & Hefen Tong

He Juan Tong
He-Juan Tong

Lei Guo
Lei Guo

Hefen Tong
Hefen Tong

LESSEE:

City of La Vernia

By: Xavier Millan

Name: xavier millan

Title: Asstant City Administrator

EXHIBIT A

Description of Leased Premises

Being 1.0693 acres of land in Wilson County, Texas, a part of the City of La Vernia, Lot 220A and in a deed recorded in Volume 2051, Page 449 of the Deed Records of Wilson County, Texas, and being more particularly described by metes and bounds in a warranty deed dated Septemebr 12, 2018.

EXHIBIT B

Form Memorandum of Groundwater Lease

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.

MEMORANDUM OF GROUNDWATER LEASE

This Memorandum of Groundwater Lease (the "Memorandum") is made on this ____ day of _____, 2025 ("Effective Date"), by and between **He-Juan Tong & Lei Guo & Hefen Tong** ("Lessor"), whose address is 1208 10th St, Floresville, Texas 78114 and the **City of La Vernia**, a general law municipality ("Lessee"), whose address is 102 E. Chihuahua St., La Vernia, Texas 78121.

RECITALS

WHEREAS, Lessor and Lessee entered into that certain Groundwater Lease, dated _____, 2025 (the "Lease") regarding that certain 1.069300 acres of land located in Wilson County, Texas, more particularly described on **Exhibit A** attached hereto and made a part hereof for all purposes ("Property"); and

WHEREAS, the Parties agreed to give notice to the public of the Lease by filing this memorandum of record in lieu of recording the full Lease; and

WHEREAS, both Lessor and Lessee are in possession of a fully executed copy of the full Lease; and

WHEREAS, by way of example only, the Lease addresses such rights of Lessee, including the following:

- (i) Lessor's limited use of groundwater.

NOW, THEREFORE, in consideration of the mutual benefits to accrue to the Parties, Ten Dollars and other good and valuable consideration, the receipt and sufficiency of which are hereby confessed and acknowledged, the Parties Agree as follows:

AGREEMENT

1. This Memorandum shall be filed of record in the Official Public Records of Wilson County, Texas;
2. The provisions of the Lease are covenants running with the land;
3. Copies of the Lease may be obtained from the Parties.

LESSOR:

He-Juan Tong & Lei Guo & Hefen Tong

He Juan Tong
He-Juan Tong

Lei Guo
Lei Guo

Hefen Tong
Hefen Tong

STATE OF TEXAS §

COUNTY OF Wilson §

This instrument was acknowledged before me on the 7th day of Oct, 2025,
by He Juan Tong Lei Guo.

Jennifer Mair
Notary Public, State of Texas
Notary No. 135029877
My Commission Expires: 8-7-2028

[SEAL]



LESSEE:

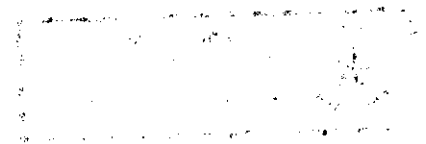
City of La Vernia

By: Xavier Millan
Name: Xavier Millan
Title: Assistant City Administrator

4. This Memorandum does not alter, amend, or modify the terms of the Lease, but is executed solely for the purpose of giving notice of the existence of the Lease and the general nature of the terms and conditions therein, which Lease is incorporated herein by reference for all purposes to the same extent and with the same effect as if set forth herein in full.

Executed to be effective as of the Effective Date.

[Signatures of following pages]



STATE OF TEXAS §

COUNTY OF Wilson §

This instrument was acknowledged before me on the 7th day of Oct, 2025, by Xavier Millan, acting in the capacity of Assistant City Administrator of the City of La Vernia, on behalf of the City.

Jennifer Mair
Notary Public, State of Texas
Notary No. 135029877
My Commission Expires: 8-7-28

[SEAL]

