

## AGREEMENT FOR LEASE OF CITY OWNED PROPERTY

**THIS LEASE AGREEMENT** (the "Agreement") is made effective as of this \_\_\_\_ day of \_\_\_\_\_, 2010 by and between the **CITY OF EULESS**, having an address at 201 N. Ector Drive, Euless, Texas 76039 (hereinafter "Lessor"), and **PEREGRINE PIPELINE COMPANY, LP**, having an address at 214 W. Texas, Ste. 400, Midland, Texas 79701 (hereinafter "Lessee").

1. Lessor, subject to the terms and conditions hereof, hereby leases to Lessee the 5,074 square feet of city owned property as described in Exhibit "A" hereto (the "Site") for the purpose of locating an access easement and metering station associated with the installation of a natural gas pipeline as described in Exhibit "B".
2. The term of this Agreement shall commence on the date on which this agreement is fully executed ("Commencement Date") and shall be for a period of five (25) consecutive years ("Initial Term") at a rate of \$1.00 per foot per year, paid annually for the 5,074 square feet; thereafter, with three (3) additional automatic five (5) year renewal periods. First renewal (Years 26 thru 30) at a rate of \$1.13 per foot/\$5,733.62 annual; second renewal (Years 31 thru 35) at a rate of \$1.28 per foot/\$6,494.72 annual; and third renewal (Years 36 thru 40) at a rate of \$1.47 per foot/\$7,458.78 annual. Said renewal period shall commence automatically without further action on the part of Lessor or Lessee: provided, however, that Lessee may terminate this Agreement at any time by giving Lessor not less than one hundred eighty (180) days prior written notice of its intention to terminate this Agreement. The date of such termination need not be an anniversary date of this Lease.
3. (a) Lessee shall pay to Lessor an annual rent of Five Thousand Seventy Four dollars and no/100 (\$5,074.00) ("Base Rent") during the Initial Term of this Agreement which shall be payable on the same day of every year.  
  
(b) Effective on the first day of the first renewal term of this Agreement and on the first day of any renewal period thereafter, the Base Rent payable by Lessee to Lessor shall be adjusted as follows:
  1. The Annual Base Rent for the first renewal term of this Agreement shall be Five Thousand Seven Hundred Thirty Three dollars and 62/100 (\$5,733.62).
  2. The Annual Base Rent for the second renewal term of this Agreement shall be Six Thousand Four Hundred Ninety Four dollars and 72/100 (\$6,494.72).
  3. The Annual Base Rent for the third renewal of this Agreement shall be Seven Thousand Four Hundred Fifty Eight dollars and 78/100 (\$7,458.78).

4. If at the end of twenty-five (25) years this Agreement has not been terminated by either party giving to the other written notice of an intention to so terminate it at least three (3) months prior to the end of such term, this Agreement shall continue in force upon the same covenants, terms and conditions, for a further term of one (1) year, and so on from year to year until terminated by either party giving to the other written notice of an intention to so terminate at least three (3) months prior to the end of such term. The rental for any such additional one (1) year term shall be an annual rental of Eight thousand dollars (\$8,000.00) to be paid in equal monthly installments of six hundred and sixty dollars and 66 cents (\$666.66) per month.
  - (a) All sums payable hereunder by Lessee including, but not limited to, the monthly Base Rent payable pursuant to this Paragraph 3, shall be payable to the City of Euless.
5. (a) Lessee shall operate its metering station and related equipment (the Equipment) during the term hereof in compliance with all present and future rules and regulations imposed by any local, state or federal authority having jurisdiction with respect thereto (including, without limitation, the rules and regulations of the Environmental Protection Agency (the “EPA” and the Texas Railroad Commission (the “RRC”). Prior to installation of its Equipment, or any modifications or changes to the Equipment, if any, Lessee shall comply with the following:
  1. Lessee shall submit, in writing, all plans for such installations, modifications or changes for Lessor’s approval, such approval not to be unreasonably withheld, to: *City of Euless, 201 N. Ector Drive, Euless, Texas 76039, Attn: City Manager.*
  2. All of the Equipment shall be clearly marked to show Lessee’s name, address, telephone number and the name of the person to contact in case of emergency.
6. (a) Lessee at its sole cost and expense shall be responsible for the maintenance of it Equipment and improvements at the Site, if any, in accordance with all applicable laws and regulations and this Agreement.
  - (b) At the expiration of this Agreement or earlier termination thereof, Lessee shall remove all the Equipment. Any and all removal of the Equipment shall be performed by a certified contractor previously approved in writing by Lessor and in accordance with a previously approved removal plan, in a workmanlike manner, without any interference, damage or destruction to any other equipment, structures or operations at the Site.
  - (c) Lessee shall have access to the Site twenty-four (24) hours per day, 365 days per year for installing, maintaining, repairing, replacing, or relocating the Equipment.
7. Lessee agrees to indemnify and hold Lessor harmless from all costs of any damage done to Lessor’s property, facilities or equipment located at the Site that occur as a

result of the installation, operation or maintenance of the Equipment or other improvements installed by Lessee.

8. In the event the Site or any part thereof is damaged or destroyed by elements or any other cause, Lessor may elect to repair, rebuild, or restore the Site, or any part thereof, to the same condition as it was immediately prior to such casualty. In such event, the payment required herein shall cease as of the date of such casualty until the Site, in Lessor's reasonable opinion, is restored to a usable condition for Lessee's operation. If Lessor chooses not to repair, restore or rebuild the Site, Lessor shall send to Lessee a notice of cancellation of this Agreement within thirty (30) days of such casualty. If this Agreement is canceled, the payments required herein shall terminate as of the date of such casualty. Lessor shall not be responsible or liable to Lessee for any loss, damage or expense that may be occasioned by, through, or in connection with any acts or omissions of other licensees or tenants occupying the Site, or any part of the premises adjacent to or in connection with the Site, or for any structural or power failures or destruction or damage to the Site or of any portion thereof, unless caused in whole or in part by the negligence or willful misconduct of Lessor, its agents, employees or servants.
9. Lessee hereby acknowledges that the existence of the Equipment and other improvements at the Site may result in an increase in the assessed valuation of the Site. Lessee agrees to reimburse Lessor upon receipt of documentation showing that the Equipment or other improvements by Lessee caused an increase in the assessed value of the Site (subject to Lessee having the right to obtain, on Lessor's behalf, an exemption of the same), for Lessee's proportionate share of any increases in the real estate taxes payable by Lessor as a consequence of the increase in assessed valuation. Lessor hereby agrees to cooperate with Lessee, at Lessee's sole cost and expense, to obtain an abatement of any such increased assessment. In the event any sales, use or other tax shall be payable by Lessor in connection with this Agreement, Lessee shall reimburse Lessor on demand for such payments or shall furnish necessary documentation to the appropriate governmental authorities to show that fee payments hereunder shall be exempt from such sales, use or other tax.
10. All notices required to be given hereunder shall be given in writing either by overnight courier or certified or registered mail at the following addresses or at such other address as may be designated in writing by either party:

If to the Lessor:      City of Euless  
                                    City Manager  
                                    201 N. Ector Drive

Eules, Texas 76039-3595

If to the Lessee: Peregrine Pipeline Company, LP  
214 W. Texas, Ste. 400  
Midland, Texas 79701-5093

Notice given by mail shall be deemed given three (3) days after the date of mailing thereof.

11. In the event (a) of Lessee's default hereunder, including, but not limited to, (i) the failure of payment of Base Rent, additional fees or other payment set forth herein, (ii) any case, proceeding or other action under any existing or future law of any jurisdiction, domestic or foreign relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have any dissolution, composition or other relief with respect to it or its debts; or (iii) the making by Lessee of an assignment or any other arrangement for the general benefit of creditors under any state statute, and (b) such default shall continue, after Lessee has received written notice thereof from Lessor, for a period of fifteen (15) days with respect to defaults of a monetary nature or for thirty (30) days with respect to defaults of a non monetary nature or for such longer period as shall be necessary to correct a non monetary default which by its nature is not curable in a thirty (30) day period provided Lessee commences to cure within thirty (30) days after receipt of written notice and thereafter diligently and continuously pursues such cure to completion, be entitled at Lessor's option to terminate this Agreement and to remove all of the Equipment, improvements or personal property located at the Site at Lessee's cost and expense. In the event Lessor should, as a result of the default in the performance of Lessee of its obligations hereunder, incur any costs or expenses on behalf of Lessee or in connection with Lessee's obligations hereunder, such sums shall be immediately due to Lessor upon rendering of an invoice to Lessee as an additional fee hereunder.
12. This Agreement is made subject to all local, state and federal laws and regulations now or hereafter in force, and shall not be modified, extended or terminated (other than as set forth herein), except by an instrument duly signed by Lessor and Lessee. Waiver of a breach of any provision hereof under any circumstances will not constitute a waiver of any subsequent breach of such provision, or of a breach of any other provision of this Agreement.
13. Lessor represents and covenants that upon paying of rent and the fulfillment of Lessee's other obligations hereunder, Lessee shall peaceably and quietly hold and enjoy the Site for the purposes stated herein during the term of this lease as may be extended, without hindrance or molestation by Lessor or any persons or entities claiming under the Lessor. Lessee may, without Lessor's consent, assign or sublet any or all of Lessee's interest hereunder to any party controlling, controlled by or in common control with Lessee or to Lessee's lenders. This Agreement is otherwise non-assignable.

**Lessor:**

CITY OF EULESS  
201 N. Ector Drive  
Eules, Texas 76039

By: \_\_\_\_\_  
Mary Lib Saleh

Printed Name: \_\_\_\_\_  
Title: Mayor

Date: \_\_\_\_\_

**Lessee:**

PEREGRINE PIPELINE COMPANY, LP  
214 W. Texas, Ste. 400  
Midland, Texas 79701

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_