

26 September 2019

Mr. David Hoover  
Director of Planning  
City of League City  
300 West Walker  
League City, TX 77574

Re: Tidwell Production/Pipeline Permit Variance Request

Mr. Hoover:

Please find attached a Variance Request for relief from certain items in granting a permit for the Tidwell Project. While we have worked to accommodate the requirements in the current Oil & Gas Production/Pipeline Ordinances of the City of League City, we do need to make it clear that we are not in agreement with, and in fact strongly disagree with, many of the provisions of the City Ordinances regulating Oil & Gas Exploration in the City.

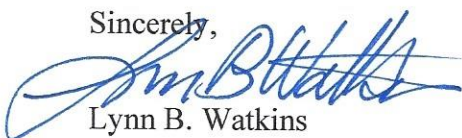
In 2015 the Texas Legislature passed House Bill 40 by which became effective September 1, 2015. This law confirmed the jurisdiction of the State of Texas in regulating drilling and production activity in regards to oil and gas.

We have made many concessions to try to achieve an amicable resolution but we do not want for this to be misconstrued as a ratification of the powers of the City of League to regulate many of the activities in its ordinance. We expressly state that the acceptance of this permit does not constitute our approval or ratification that the City Ordinance is "Commercially Reasonable" and therefore accepted, as provided for in Section 4 of H B 40 as shown below:

(d) An ordinance or other measure is considered prima facie to be commercially reasonable if the ordinance or other measure has been in effect for at least five years and has allowed the oil and gas operations at issue to continue during that period.

We have reduced our original list to four items that are necessary to allow development of our resources. These items have been reduced to this list with the understanding that the \$200,000 Letter of Credit currently held by the City will be exchanged for a similar Letter of Credit of like amount that will be provided at the time that the permit is issued. In addition we have not asked that a variance be granted for a Special Use Permit requirement since that provision has been deemed to be no longer applicable.

Sincerely,



Lynn B. Watkins