

TERMINATION

DATE 12/01/2012
LEASING LOP
MAPS J
GIS Mc

Rentals: MB

Lease
Admin:

Mineral J
Maps:

GIS- AS

STATE LEASE

MF104580

CONTROL

BASEFILE

COUNTY

04-020213

100888 -

REEVES

/195

SURVEY : PUBLIC SCHOOL LAND
BLOCK : 58
TOWNSHIP : 00
SECTION/TRACT: 41
PART :
ACRES : 129.00
DEPTH LIMITS : NO

LESSEE : FOSTER, C. DANNY PETROLEUM LAN
LEASE DATE : Jan 18 2005
PRIMARY TERM : 5 yrs
BONUS (\$) : 21041.19
RENTAL (\$) : 5.00
ROYALTY : 0.25000000
VAR ROYALTY :



CAUTION

Documents in this file have been
placed in Table of Contents order and
scanned.

Please help keep documents in
content order and let the
ScanLab know when new documents
are added to this file.

Thank you for your assistance.

Archives and Records Staff

CONTENTS OF FILE NO. M- **104580**

1. BID FORM	01/18/05	Scanned sm 8/20/13
2. OIL & GAS LEASE	01/18/05	20. Well Records: 42-389-32497 06/10/2014
3. TRANSMITTAL LETTER	02/22/05	21. Production Report: 42-389-32497 06/10/2014
4. CERTIFIED COPY OF LEASE	10/17/05	22. Termination letter 06/10/2014
5. Letter + fee assignment	10/17/05	23. Well Timeline 06/10/2014
6. Assignment	10/18/05	24. Email To Shell 06/10/2014
7. Rental Payment	12/12/05	25. Termination Notice To Fin Man 06/10/2014
8. RENTAL PAYMENT	12/18/06	26. Email re termination of lease 10/30/2014
9. RENTAL PAYMENT		27. Email to Fin Man re termination of lease 10/30/2014
See MF104231 #7 for Assignment 6-21-07		28. Letter To COG re termination of lease 02/12/2015
9. Partial Report 12/30/07		29. Release 04/22/15
10. Pooling Committee Report 4194		30. Ltr + fees - release 04/22/15
4 Term Pooling Agreement 5/7/08		31. Limited Review Billing 6/5/15
11. Ltr. From Clark Jobe 6/16/08		Scanned PJ 11-16-15
12. Ltr. to Clark Jobe 6/16/08		32. Half Original Bonus 7-20-16
Well logs received 9/16/08		See MF052863 #83 FY14 Demand letter 8/4/16
13. Ltr. From M&M with recorded term Pooling Agreement 10/16/08		Scanned PJ 8-25-16
14. Pooling Committee Report + first Amendment of Term Pooling Agreement 2/6/09		33. Plugging report 42-389-32497 7/18/16
15. Partial Report 12/18/08		Scanned PJ 9-20-16
16. DIVISION ORDER 3/11/09		34. Well Timeline 3/28/19
ASSIGNMENT FILED IN MF 090897 #35 3/11/09		Scanned PJ 4-9-2019
17. Ltr. From M&M with recorded Amendment Agreement 3/19/09		35. Letter to Chesapeake 1-13-2020 5-24-2021
ASSIGNMENT FILED IN MF 104231 #10 1/15/09		36. Letter to Chesapeake 5-4-2020 5-24-2021
18. Unit Agreement Memo + Emails		Scanned PJ June 2021
Doesn't go to GIS. File Only. Per Daryl Morgan. 4554 3/18/10		
Unit for accounting purposes only		
19. Memo to file - as drilled plat - e-mails re: revenue 7-28-10		

State Lease Number
M-104580
For GLO Use Only



January 18, 2005

MINERAL LEASE BID APPLICATION

APPLICANT AGREEMENT

I agree, if awarded a lease on the referenced tract, to comply with all terms and conditions of said lease and with all applicable laws that so govern said lease, and as those laws may be amended.

APPLICANT IDENTIFICATION TO APPEAR ON LEASE (type/print)

Name: C. Danny Foster Petroleum Land Services, Inc.
 Address: P. O. Box 1700
 City: Clinton State: MS Zip: 39060-1700
 (Include +4 Code)
 Telephone: (601)925-0087

AREA DESCRIPTION

County(ies): Reeves Survey/Area: Public School
 (If Applicable)

Block/Tsp.: 58 Section/Tract: 41 Acres: 129
 (If Applicable)

BID SUBMISSION

(A) Bonus Amount (\$21,041.19

Twenty one thousand forty one and 19/100 dollars
 (type/print above)

(B) Sales Fee Amount (\$315.62

Three hundred fifteen and 62/100 dollars
 (type/print above)

This Sales Fee is 1½% of the cash bonus as provided in Section 32.110 of the Natural Resources Code as amended.

MGL. NO.

65

APPLICANT NAME

BONUS AMOUNT ONLY (A)
 (Do Not include sales fee)

C. Danny Foster Petroleum Land Services, Inc. X (\$21,041.19
 (same as above)

STATE OF TEXAS
 TAX I.D. #

[REDACTED]
 (must be an 11-digit number)

SIGNATURE OF
 AGENT

[REDACTED]
 (signature)

[REDACTED]
 (type/print name)

05019959
 05019960

X 315.62

C. DANNY FOSTER / PETROLEUM LAND SERVICES, INC.

12443

Commissioner of the Texas General Land Of

1/14/2005

Reimbursed Expenses:Lease Bonus

Lease Bid - MGL No. 65 (Block 58, Tract 41, 129 gross acres)

21,041.19

Checking

Lease Bid - MGL No. 65

21,041.19

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PAYMENT
RECORD

Checking

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315.62

PAYMENT
RECORD

Checking

Sales Fee - MGL No. 65

315.62



1.
File No. WA 104580

Edgman

Date Filed: 11/8/05

Jerry E. Patterson, Commissioner

By _____

1303

The State of Texas



Austin, Texas

OIL AND GAS LEASE NO. M-104580

WHEREAS, pursuant to the Texas Natural Resources Code Chapters 32, 33, 51, and Chapter 52, Subchapters A-D and H, (said Code being hereinafter referred to as N.R.C.), and subject to all rules and regulations promulgated by the Commissioner of the General Land Office and/or the School Land Board pursuant thereto, and all other applicable statutes and amendments to said N.R.C., the following area, to-wit:

WEST ONE-HALF (W/2) OF SECTION 41, BLOCK 58, PUBLIC SCHOOL LAND SURVEY, REEVES COUNTY, TEXAS, CONTAINING APPROXIMATELY 129 ACRES, AS SHOWN ON THE OFFICIAL MAP OF REEVES COUNTY, TEXAS NOW ON FILE IN THE TEXAS GENERAL LAND OFFICE, AUSTIN, TEXAS,

was, after being duly advertised, offered for lease on the **18th day of January, 2005**, at 10:00 o'clock a.m., by the Commissioner of the General Land Office of the State of Texas and the School Land Board of the State of Texas, for the sole and only purpose of prospecting and drilling for, and producing oil and/or gas that may be found and produced from the above described area; and

WHEREAS, after all bids and remittances which were received up to said time have been duly considered by the Commissioner of the General Land Office and the School Land Board at a regular meeting thereof in the General Land Office, on the **18th day of January, 2005**, hereinafter the "effective date" and it was found and determined that **C. DANNY FOSTER PETROLEUM LAND SERVICES, INC.** whose address is **P.O. BOX 1700, CLINTON, MISSISSIPPI 39060-1700** had offered the highest and best bid for a lease of the area above described and is, therefore, entitled to receive a lease thereon:

NOW, THEREFORE, I, Jerry E. Patterson, Commissioner of the General Land Office of the State of Texas, hereinafter sometimes referred to as "Lessor," whose address is Austin, Texas, by virtue of the authority vested in me and in consideration of the payment by the hereinafter designated Lessee, the sum of **Twenty-One Thousand Forty-One And 19/100 Dollars (\$21,041.19)**, receipt of which is hereby acknowledged and of the royalties, covenants, stipulations and conditions contained and hereby agreed to be paid, observed and performed by Lessee, do hereby demise, grant, lease and let unto the above mentioned bidder the exclusive right to prospect for, produce and take oil and/or gas from the aforesaid area upon the following terms and conditions, to-wit:

1. RESERVATION: There is hereby excepted and reserved to Lessor the full use of the property covered hereby and all rights with respect to the surface and subsurface thereof for any and all purposes except those granted and to the extent herein granted to Lessee, together with the rights of ingress and egress and use of said lands by Lessor and its mineral lessees, for purposes of exploring for and producing the minerals which are not covered, or which may not be covered in the future, under the terms of this lease, but which may be located within the surface boundaries of the leased area. All of the rights in and to the leased premises retained by Lessor and all of the rights in and to the leased premises granted to Lessee herein shall be exercised in such a manner that neither shall unduly interfere with the operations of the other.

2. TERM: Subject to the other provisions hereof, this lease shall be for a term of **five (5) years** from the effective date hereof (herein called "primary term") and as long thereafter as oil or gas is produced in paying quantities from said area.

3. DELAY RENTALS: If no well is commenced on the land hereby leased on or before the anniversary date of this lease, this lease shall terminate as to both parties unless the Lessee on or before said date shall pay or tender to the Commissioner of the General Land Office of the State of Texas at Austin, Texas, the amount specified in the following schedule multiplied by the number of acres in the premises, which shall operate as a rental and cover the privilege of deferring the commencement of a well for **twelve (12) months** from said date. In like manner and upon payments or tenders of amounts set out in the following schedule, the commencement of a well may be further deferred for a like period of the same number of months.

<u>Anniversary Date</u>	<u>Delay Rental per Acre</u>
First	\$ 5.00
Second	\$ 5.00
Third	\$25.00
Fourth	\$25.00

4. PRODUCTION ROYALTIES: Subject to the provisions for royalty reductions set out in subparagraph (E) of this paragraph 4, upon production of oil and/or gas, the Lessee agrees to pay or cause to be paid to the Commissioner of the General Land Office in Austin, Texas, for the use and benefit of the State of Texas, during the term hereof:

(A) OIL: As a royalty on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, 1/4 part of the gross production or the market value thereof, at the option of the Lessor, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is the greater. Lessee agrees that before any gas produced from the land hereby leased is sold, used or processed in a plant, it will be run free of cost to Lessor through an adequate oil and gas separator of conventional type or other equipment at least as efficient to the end that all liquid hydrocarbons recoverable from the gas by such means will be recovered. Upon written consent of Lessor, the requirement that such gas be run through such a separator or other equipment may be waived upon such terms and conditions as prescribed by Lessor.

(B) NON-PROCESSED GAS: As a royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (A) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) 1/4 part of the gross production or the market value thereof, at the option of the Lessor, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater provided that the maximum pressure base in measuring the gas under this lease contract shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to test made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(C) PROCESSED GAS: As a royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons, $\frac{1}{4}$ part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the Lessor. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%) or that percent accruing to Lessee, whichever is the greater, of the total plant production of liquid hydrocarbons, attributable to the gas produced from this lease; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arms' length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is the greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons), whichever is the greater. In no event, however, shall the royalties payable under this paragraph be less than the royalties which would have been due had the gas not been processed.

(D) OTHER PRODUCTS: As a royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry" or any other gas, by fractionating, burning or any other processing, $\frac{1}{4}$ part of gross production of such products, or the market value thereof, at the option of Lessor, such market value to be determined as follows:

- (1) On the basis of the highest market price of each product, during the same month in which such product is produced, or
- (2) On the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

(E) VARIABLE ROYALTY: (i) Subject to the other provisions of this lease, it is hereby provided that in the event production in paying quantities is established pursuant to the terms of this lease and such production is brought on line and sales thereof are commenced within eighteen (18) months of the effective date hereof, the royalty rate provided herein shall be reduced to 20%, and shall apply to each subsequent well drilled and produced on the land covered by this lease. Provided that, if during such eighteen (18) month term during which Lessee may earn a reduced royalty rate of 20% as herein provided, Lessee should drill in good faith and complete the first well as a dry hole on the land covered by this lease, Lessee may receive a three (3) month extension of the term in which to earn a reduced royalty rate by giving notice to the Commissioner of the General Land Office, commencing drilling operations on an additional well prior to the expiration of such three (3) month period and prosecuting diligently and in good faith the drilling of such additional well and completing same so that production in paying quantities is established and so that such production is brought on line and sales thereof are commenced prior to the expiration of such three (3) month extension period.

(ii) In the event production in paying quantities is established pursuant to the terms of this lease and such production is brought on line and sales thereof are commenced after the expiration of eighteen (18) months from the effective date hereof but prior to the expiration of twenty-four (24) months from the effective date hereof, the royalty rate provided herein shall be reduced to 22.5% and shall apply to each subsequent well drilled and produced on the land covered by this lease. Provided that, if during such six (6) month term during which Lessee may earn a reduced royalty rate of 22.5% as herein provided, Lessee should drill in good faith and complete the first well as a dry hole on the land covered by this lease, Lessee may receive a three (3) month extension of the term in which to earn a reduced royalty rate by giving notice to the Commissioner of the General Land Office, commencing drilling operations on an additional well prior to the expiration of such three (3) month period and prosecuting diligently and in good faith the drilling of such additional well and completing same so that production in paying quantities is established and so that such production is brought on line and sales thereof are commenced prior to the expiration of such three (3) month extension period.

(F) NO DEDUCTIONS: Lessee agrees that all royalties accruing to Lessor under this lease shall be without deduction for the cost of producing, transporting, and otherwise making the oil, gas and other products produced hereunder ready for sale or use.

(G) ROYALTY IN KIND: Notwithstanding anything contained herein to the contrary, Lessor may, at its option, upon not less than 60 days notice to Lessee, require at any time or from time to time that payment of all or any royalties accruing to Lessor under this lease be made in kind without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and otherwise making the oil, gas and other products produced hereunder ready for sale or use. Lessor's right to take its royalty in kind shall not diminish or negate Lessor's rights or Lessee's obligations, whether express or implied, under this lease.

(H) PLANT FUEL AND RECYCLED GAS: No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding anything contained herein to the contrary, and subject to the consent in writing of the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises after the liquid hydrocarbons contained in the gas have been removed, and no royalties shall be payable on the gas so recycled until such time as the same may thereafter be produced and sold or used by Lessee in such manner as to entitle Lessor to a royalty thereon under the royalty provisions of this lease.

(I) MINIMUM ROYALTY: During any year after the expiration of the primary term of this lease, if this lease is maintained by production, the royalties paid to Lessor in no event shall be less than an amount equal to \$5.00 per acre; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of this lease a sum equal to \$5.00 per acre less the amount of royalties paid during the preceding year.

(J) MARGINAL PRODUCTION ROYALTY: Upon Lessee's written application, the School Land Board may reduce the royalty rate set out in this paragraph and/or the minimum royalty set out in subparagraph 4 (I) to extend the economic life of this lease and encourage recovery of oil or gas that might otherwise remain unrecovered. Any such royalty reduction must conform to the requirements of any School Land Board administrative rules on this subject. Royalty may not be reduced below the applicable statutory minimum.

5. ROYALTY PAYMENTS AND REPORTS: All royalties not taken in kind shall be paid to the Commissioner of the General Land Office at Austin, Texas, in the following manner: Payment of royalty on production of oil and gas shall be as provided in the rules set forth in the Texas Register. Rules currently provide that royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. In all cases the authority of a manager or agent to act for the Lessee herein must be filed in the General Land Office. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid on each lease. If Lessee pays his royalty on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% on the royalty or \$25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or \$25.00 whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.

6. (A) RESERVES, CONTRACTS AND OTHER RECORDS: Lessee shall annually furnish the Commissioner of the General Land Office with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease and shall furnish said Commissioner with copies of all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts within thirty (30) days after entering into or making such contracts, agreements or amendments. Such contracts and agreements when received by the General Land Office shall be held in confidence by the General Land Office unless otherwise authorized by Lessee. All other contracts and records pertaining to the production, transportation, sale and marketing of the oil and gas produced on said premises, including the books and accounts, receipts and discharges of all wells, tanks, pools, meters, and pipelines shall at all times be subject to inspection and examination by the Commissioner of the General Land Office, the Attorney General, the Governor, or the representative of any of them.

(B) DRILLING RECORDS: Written notice of all operations on this lease shall be submitted to the Commissioner of the General Land Office by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or wells. Such written notice to the General Land Office shall include copies of Railroad Commission forms for application to drill. Copies of well tests, completion reports and plugging reports shall be supplied to the General Land Office at the time they are filed with the Texas Railroad Commission. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above-described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to the total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after the making of said survey.

(C) **PENALTIES:** Lessee shall incur a penalty whenever reports, documents or other materials are not filed in the General Land Office when due. The penalty for late filing shall be set by the General Land Office administrative rule which is effective on the date when the materials were due in the General Land Office.

7. **RETAINED ACREAGE:** Notwithstanding any provision of this lease to the contrary, after a well producing or capable of producing oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the production thereon.

(A) **VERTICAL:** In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall then terminate as to all of the leased premises, EXCEPT (1) 40 acres surrounding each oil well capable of producing in paying quantities and 320 acres surrounding each gas well capable of producing in paying quantities (including a shut-in oil or gas well as provided in Paragraph 11 hereof), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or (2) the number of acres included in a producing pooled unit pursuant to Natural Resources Code Sections 52.151-52.153, or (3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. Within 90 days of a partial termination of this lease in accordance with this subparagraph and upon payment of the minimum filing fee set by General Land Office rules in effect at the time of the partial termination, Lessee shall have the right to obtain a surface lease for ingress and egress on and across the terminated portion of the leased premises as may be reasonably necessary for the continued operation of the portions of the lease remaining in force and effect. If Lessee fails to apply for a surface lease within the 90 day period specified above, Lessee may apply for a surface lease from the Land Office, but the Land Commissioner has the discretion to grant or deny such application and to set the fee for such surface lease.

(B) **HORIZONTAL:** In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall further terminate as to all depths below 100 feet below the total depth drilled (hereinafter "deeper depths") in each well located on acreage retained in Paragraph 7 (A) above, unless on or before two (2) years after the primary or extended term Lessee pays an amount equal to one-half (1/2) of the bonus originally paid as consideration for this lease (as specified on page 1 hereof). If such amount is paid, this lease shall be in force and effect as to such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.

(C) **IDENTIFICATION AND FILING:** The surface acreage retained hereunder as to each well shall, as nearly as practical, be in the form of a square with the well located in the center thereof, or such other shape as may be approved by the School Land Board. Within thirty (30) days after partial termination of this lease as provided herein, Lessee shall execute and record a release or releases containing a satisfactory legal description of the acreage and/or depths not retained hereunder. The recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the filing fee prescribed by the General Land Office rules in effect on the date the release is filed. If Lessee fails or refuses to execute and record such release or releases within ninety (90) days after being requested to do so by the General Land Office, then the Commissioner at his sole discretion may designate by written instrument the acreage and/or depths to be released hereunder and record such instrument at Lessee's expense in the county or counties where the lease is located and in the official records of the General Land Office and such designation shall be binding upon Lessee for all purposes. If at any time after the effective date of the partial termination provisions hereof, the applicable field rules are changed or the well or wells located thereon are reclassified so that less acreage is thereafter allocated to said well or wells for production purposes, this lease shall thereupon terminate as to all acreage not thereafter allocated to said well or wells for production purposes.

8. **OFFSET WELLS:** If oil and/or gas should be produced in commercial quantities from a well located on land privately owned or on State land leased at a lesser royalty, which well is within one thousand (1,000) feet of the area included herein, or which well is draining the area covered by this lease, the Lessee shall, within sixty (60) days after such initial production from the draining well or the well located within one thousand (1,000) feet from the area covered by this lease begin in good faith and prosecute diligently the drilling of an offset well on the area covered by this lease, and such offset well shall be drilled to such depth as may be necessary to prevent the undue drainage of the area covered by this lease, and the Lessee, manager or driller shall use all means necessary in a good faith effort to make such offset well produce oil and/or gas in commercial quantities. Only upon the determination of the Commissioner and with his written approval, may the payment of a compensatory royalty satisfy the obligation to drill an offset well or wells required under this Paragraph.

9. **DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM:** If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 10, using the expiration of the primary term as the date of cessation of production under Paragraph 10. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises payments may be made in accordance with the shut-in provisions hereof.

10. **CESSATION, DRILLING, AND REWORKING:** If, after the expiration of the primary term, production of oil or gas from the leased premises, after once obtained, should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within sixty (60) days after such cessation, and this lease shall remain in full force and effect for so long as such operations continue in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days. If such drilling or reworking operations result in the production of oil or gas, the lease shall remain in full force and effect for so long as oil or gas is produced from the leased premises in paying quantities or payment of shut-in oil or gas well royalties or payment of compensatory royalties is made as provided herein or as provided by law. If the drilling or reworking operations result in the completion of a well as a dry hole, the lease will not terminate if the Lessee commences additional drilling or reworking operations within sixty (60) days after the completion of the well as a dry hole, and this lease shall remain in effect so long as Lessee continues drilling or reworking operations in good faith and in a workmanlike manner without interruptions totaling more than sixty (60) days. Lessee shall give written notice to the General Land Office within thirty (30) days of any cessation of production.

11. **SHUT-IN ROYALTIES:** For purposes of this paragraph, "well" means any well that has been assigned a well number by the state agency having jurisdiction over the production of oil and gas. If at any time after the expiration of the primary term of a lease that, until being shut in, was being maintained in force and effect, a well capable of producing oil or gas in paying quantities is located on the leased premises, but oil or gas is not being produced for lack of suitable production facilities or lack of a suitable market, then Lessee may pay as a shut-in oil or gas royalty an amount equal to \$10.00 per acre, but not less than \$1,200 a year for each well capable of producing oil or gas in paying quantities. To be effective, each initial shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the Lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after Lessee completes a drilling or reworking operation in accordance with the lease provisions; whichever date is latest. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one year from the end of the primary term, or from the first day of the month following the month in which production ceased, and, after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four more successive periods of one (1) year by paying the same amount each year on or before the expiration of each shut-in year.

12. **COMPENSATORY ROYALTIES:** If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir, or in any case in which drainage is occurring, the right to continue to maintain the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the lease for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in the lease of the market value of production from the well causing the drainage or which is completed in the same producing reservoir and within one thousand (1,000) feet of the leased premises. The compensatory royalty is to be paid monthly to the Commissioner beginning on or before the last day of the month following the month in which the oil or gas is produced from the well causing the drainage or that is completed in the same producing reservoir and located within one thousand (1,000) feet of the leased premises; if the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period; and none of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in N.R.C. Section 52.034; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties shall satisfy the obligation to drill offset wells. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 5 of this lease.

13. EXTENSIONS: If, at the expiration of the primary term of this lease, production of oil or gas has not been obtained on the leased premises but drilling operations are being conducted thereon in good faith and in a good and workmanlike manner, Lessee may, on or before the expiration of the primary term, file in the General Land Office written application to the Commissioner of the General Land Office for a thirty (30) day extension of this lease, accompanied by payment of Three Thousand Dollars (\$3,000.00) if this lease covers six hundred forty (640) acres or less and Six Thousand Dollars (\$6,000.00) if this lease covers more than six hundred forty (640) acres and the Commissioner shall, in writing, extend this lease for a thirty (30) day period from and after the expiration of the primary term and so long thereafter as oil or gas is produced in paying quantities; provided further, that Lessee may, so long as such drilling operations are being conducted make like application and payment during any thirty (30) day extended period for an additional extension of thirty (30) days and, upon receipt of such application and payment, the Commissioner shall, in writing, again extend this lease so that same shall remain in force for such additional thirty (30) day period and so long thereafter as oil or gas is produced in paying quantities; provided, however, that this lease shall not be extended for more than a total of three hundred ninety (390) days from and after the expiration of the primary term unless production in paying quantities has been obtained.

14. USE OF WATER; SURFACE: Lessee shall have the right to use water produced on said land necessary for operations hereunder and solely upon the leased premises; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for water flood operations without the prior written consent of Lessor. Subject to its obligation to pay surface damages, Lessee shall have the right to use so much of the surface of the land that may be reasonably necessary for drilling and operating wells and transporting and marketing the production therefrom, such use to be conducted under conditions of least injury to the surface of the land. Lessee shall pay surface damages in an amount set by the General Land Office fee schedule which is effective on the date when the activity requiring the payment of surface damages occurs.

15. POLLUTION: In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties.

(A) UPLANDS: Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon.

(B) SUBMERGED LANDS: No discharge of solid waste or garbage shall be allowed into State waters from any drilling or support vessels, production platform, crew or supply boat, barge, jack-up rig or other equipment located on the leased area. Solid waste shall include but shall not be limited to containers, equipment, rubbish, plastic, glass, and any other man-made non-biodegradable items. A sign must be displayed in a high traffic area on all vessels and manned platforms stating, "Discharge of any solid waste or garbage into State Waters from vessels or platforms is strictly prohibited and may subject a State of Texas lease to forfeiture." Such statement shall be in lettering of at least 1" in size.

(C) RIVERS: To the extent necessary to prevent pollution, the provisions found in subsections (a) and (b) of this paragraph shall also apply to rivers and riverbeds.

(D) PENALTY: Failure to comply with the requirements of this provision may result in the maximum penalty allowed by law including forfeiture of the lease. Lessee shall be liable for the damages caused by such failure and any costs and expenses incurred in cleaning areas affected by the discharged waste.

16. IDENTIFICATION MARKERS: Lessee shall erect, at a distance not to exceed twenty-five (25) feet from each well on the premises covered by this lease, a legible sign on which shall be stated the name of the operator, the lease designation and the well number. Where two or more wells on the same lease or where wells on two or more leases are connected to the same tank battery, whether by individual flow line connections direct to the tank or tanks or by use of a multiple header system, each line between each well and such tank or header shall be legibly identified at all times, either by a firmly attached tag or plate or an identification properly painted on such line at a distance not to exceed three (3) feet from such tank or header connection. Said signs, tags, plates or other identification markers shall be maintained in a legible condition throughout the term of this lease.

17. ASSIGNMENTS: The lease may be transferred at any time; provided, however, that the liability of the transferor to properly discharge its obligation under the lease, including properly plugging abandoned wells, removing platforms or pipelines, or remediation of contamination at drill sites shall pass to the transferee upon the prior written consent of the Commissioner of the General Land Office. The Commissioner may require the transferee to demonstrate financial responsibility and may require a bond or other security. All transfers must reference the lease by the file number and must be recorded in the county where the area is located, and the recorded transfer or a copy certified to by the County Clerk of the county where the transfer is recorded must be filed in the General Land Office within ninety (90) days of the execution date, as provided by N.R.C. Section 52.026, accompanied by the filing fee prescribed by the General Land Office rules in effect on the date of receipt by the General Land Office of such transfer or certified copy thereof. Every transferee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior transferee of the lease, including any liabilities to the state for unpaid royalties.

18. RELEASES: Lessee may relinquish the rights granted hereunder to the State at any time by recording the relinquishment in the county where this area is situated and filing the recorded relinquishment or certified copy of same in the General Land Office within ninety (90) days after its execution accompanied by the filing fee prescribed by the General Land Office rules in effect on the date of receipt by the General Land Office of such relinquishment or certified copy thereof. Such relinquishment will not have the effect of releasing Lessee from any liability theretofore accrued in favor of the State.

19. LIEN: In accordance with N.R.C. Section 52.136, the State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure payment of all unpaid royalty and other sums of money that may become due under this lease. By acceptance of this lease, Lessee grants the State, in addition to the lien provided by N.R.C. Section 52.136 and any other applicable statutory lien, an express contractual lien on and security interest in all leased minerals in and extracted from the leased premises, all proceeds which may accrue to Lessee from the sale of such leased minerals, whether such proceeds are held by Lessee or by a third party, and all fixtures on and improvements to the leased premises used in connection with the production or processing of such leased minerals in order to secure the payment of all royalties or other amounts due or to become due under this lease and to secure payment of any damages or loss that Lessor may suffer by reason of Lessee's breach of any covenant or condition of this lease, whether express or implied. This lien and security interest may be foreclosed with or without court proceedings in the manner provided in the Title 1, Chapter 9 of the Texas Business and Commerce Code. Lessee agrees that the Commissioner may require Lessee to execute and record such instruments as may be reasonably necessary to acknowledge, attach or perfect this lien. Lessee hereby represents that there are no prior or superior liens arising from and relating to Lessee's activities upon the above-described property or from Lessee's acquisition of this lease. Should the Commissioner at any time determine that this representation is not true, then the Commissioner may declare this lease forfeited as provided herein.

20. FORFEITURE: If Lessee shall fail or refuse to make the payment of any sum within thirty (30) days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under

this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease to the highest bidder, under the same regulations controlling the original sale of leases. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

21. RIVERBED TRACTS: In the event this lease covers a riverbed, Lessee is hereby specifically granted the right of eminent domain and condemnation as provided for in N.R.C. Sections 52.092-52.093, as a part of the consideration moving to Lessor for the covenants herein made by Lessee.

22. APPLICABLE LAWS AND DRILLING RESTRICTIONS: This lease shall be subject to all rules and regulations, and amendments thereto, promulgated by the Commissioner of the General Land Office governing drilling and producing operations on Permanent Free School Land (specifically including any rules promulgated that relate to plans of operations), payment of royalties, and auditing procedures, and shall be subject to all other valid statutes, rules, regulations, orders and ordinances that may affect operations under the provisions of this lease. Without limiting the generality of the foregoing, Lessee hereby agrees, by the acceptance of this lease, to be bound by and subject to all statutory and regulatory provisions relating to the General Land Office's audit billing notice and audit hearings procedures. Said provisions are currently found at 31 Texas Administrative Code, Chapter 4, and Texas Natural Resources Code Sections 52.135 and 52.137 through 52.140. In the event this lease covers land franchised or leased or otherwise used by a navigation district or by the United States for the purpose of navigation or other purpose

incident to the operation of a port, then Lessee shall not be entitled to enter or possess such land without prior approval as provided under Section 61.117 of the Texas Water Code, but Lessee shall be entitled to develop such land for oil and gas by directional drilling; provided, however, that no surface drilling location may be nearer than 660 feet and special permission from the Commissioner of the General Land Office is necessary to make any surface location nearer than 2,160 feet measured at right angles from the nearest bulkhead line or from the nearest dredged bottom edge of any channel, slip, or turning basin which has been authorized by the United States as a federal project for future construction, whichever is nearer.

23. REMOVAL OF EQUIPMENT: Upon the termination of this lease for any cause, Lessee shall not, in any event, be permitted to remove the casing or any part of the equipment from any producing, dry, or abandoned well or wells without the written consent of the Commissioner of the General Land Office or his authorized representative; nor shall Lessee, without the written consent of said Commissioner or his authorized representative remove from the leased premises the casing or any other equipment, material, machinery, appliances or property owned by Lessee and used by Lessee in the development and production of oil or gas therefrom until all dry or abandoned wells have been plugged and until all slush or refuse pits have been properly filled and all broken or discarded lumber, machinery, or debris shall have been removed from the premises to the satisfaction of the said Commissioner or his authorized representative.

24. FORCE MAJEURE: Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling operations thereon, or from producing oil and/or gas therefrom, after effort made in good faith, by reason of war, rebellion, riots, strikes, fires, acts of God or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended upon proper and satisfactory proof presented to the Commissioner of the General Land Office in support of Lessee's contention and Lessee shall not be liable for damages for failure to comply therewith (except in the event of lease operations suspended as provided in the rules and regulations adopted by the School Land Board); and this lease shall be extended while and so long as Lessee is prevented, by any such cause, from drilling, reworking operations or producing oil and/or gas from the leased premises; provided, however, that nothing herein shall be construed to suspend the payment of rentals during the primary or extended term, nor to abridge Lessee's right to a suspension under any applicable statute of this State.

25. LEASE SECURITY: Lessee shall take the highest degree of care and all proper safeguards to protect said premises and to prevent theft of oil, gas, and other hydrocarbons produced from said lease. This includes, but is not limited to, the installation of all necessary equipment, seals, locks, or other appropriate protective devices on or at all access points at the lease's production, gathering and storage systems where theft of hydrocarbons can occur. Lessee shall be liable for the loss of any hydrocarbons resulting from theft and shall pay the State of Texas royalties thereon as provided herein on all oil, gas or other hydrocarbons lost by reason of theft.

26. REDUCTION OF PAYMENTS: If, during the primary term, a portion of the land covered by this lease is included within the boundaries of a pooled unit that has been approved by the School Land Board in accordance with Natural Resources Code Sections 52.151-52.153, or if, at any time after the expiration of the primary term or the extended term, this lease covers a lesser number of acres than the total amount described herein, payments that are made on a per acre basis hereunder shall be reduced according to the number of acres pooled, released, surrendered, or otherwise severed, so that payments determined on a per acre basis under the terms of this lease during the primary term shall be calculated based upon the number of acres outside the boundaries of a pooled unit, or, if after the expiration of the primary term, the number of acres actually retained and covered by this lease.

27. SUCCESSORS AND ASSIGNS: The covenants, conditions and agreements contained herein shall extend to and be binding upon the heirs, executors, administrators, successors or assigns of Lessee herein.

28. ANTIQUITIES CODE: In the event that any feature of archeological or historical interest on Permanent School Fund Land is encountered during the activities authorized by this lease, Lessee will immediately cease activities and will immediately notify the General Land Office (ATTN: Archaeologist, Asset Management Division, 1700 N. Congress Ave., Austin, Texas 78701) and the Texas Historical Commission (P.O. Box 12276, Austin, TX 78711) so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate. Lessee is expressly placed on notice of the National Historical Preservation Act of 1966 (PB-89-66, 80 Statute 915; 16 U.S.C.A. 470) and the Antiquities Code of Texas, Chapter 191, Tex. Nat. Code Ann. (Vernon 1993 & Supp. 1998). On state-owned land not dedicated to the Permanent School Fund, lessee shall notify the Texas Historical Commission before breaking ground at a project location. An archaeological survey might be required by the commission before construction of the project can commence. Further, in the event that any site, object, location, artifact or other feature of archaeological, scientific, educational, cultural or historic interest is encountered during the activities authorize by this lease, lessee will immediately notify lessor and the Texas Historical Commission so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate.

29. VENUE: Lessor and lessee, including lessee's successors and assigns, hereby agree that venue for any dispute arising out of a provision of this lease, whether express or implied, regarding interpretation of this lease, or relating in any way to this lease or to applicable case law, statutes, or administrative rules, shall be in a court of competent jurisdiction located in Travis County, State of Texas.

30. LEASE FILING: Pursuant to Chapter 9 of the Tex. Bus. & Com. Code, this lease must be filed of record in the office of the County Clerk in any county in which all or any part of the leased premises is located, and certified copies thereof must be filed in the General Land Office. The prescribed filing fee shall accompany the certified copies sent to the General Land Office.

2.

31. EXECUTION: This oil and gas lease must be signed and acknowledged by the Lessee before it is filed of record in the county records and in the General Land Office of the State of Texas.

File No. MF 104580
Lease
11/8/05
Date Filed: _____
By Jerry E. Patterson, Commissioner

LESSEE
BY: _____
TITLE: _____
DATE: _____

IN TESTIMONY WHEREOF, witness the signature of the Commissioner of the General Land Office of the State of Texas under the seal of the General Land Office.

COMMISSIONER OF THE GENERAL LAND OFFICE
OF THE STATE OF TEXAS

APPROVED

Contents _____
Legal _____
DC _____
Exec _____

STATE OF _____
COUNTY OF _____

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared _____
known to me to be the person whose name is subscribed to the foregoing instrument, as _____ of
_____ and acknowledged to me that he executed the same
for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the _____ day of _____, 20_____.

Notary Public in and for _____

STATE OF _____
COUNTY OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

Before me, the undersigned authority, on this day personally appeared _____
known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the
same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the _____ day of _____, 20_____.

Notary Public in and for _____

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

February 22, 2005

Mr. Danny Foster
C. Danny Foster Petroleum Land Services, Inc.
P.O. Box 1700
Clinton, Mississippi 39060-1700

Dear Mr. Foster:

Thank you for participating in the General Land Office Oil and Gas Lease Sale held on January 18, 2005. I am pleased to inform you that C. Danny Foster Petroleum Land Services, Inc. was the high bidder on **MGL. No. 65**, which has been assigned the lease number **M-104580**.

The lease agreement for State Lease M-104580 is enclosed and will serve as your receipt for the amount of your bid. This lease form must be signed and acknowledged by the lessee, and then recorded in the County Clerk's office of the county or counties in which lands covered by the lease are located. After signing and recording the lease, please submit a certified copy of the recorded lease to the attention of the undersigned. These requirements are material provisions of the lease; therefore, please return the certified copy at your earliest convenience.

The lessee's other contractual and statutory responsibilities are outlined in the lease agreement, such as Section 6(B), which requires operators to submit written notice of all drilling, production, and related activities. When lessees file specific forms with the Texas Railroad Commission, they are required to submit copies of these forms to the General Land Office. Examples of these forms are: W-1, Application to Drill, Deepen, or Plug Back; W-2, Oil Well Potential Test, Completion or Recompletion Report and Log; W-3, Plugging Record; G -1, Gas Well Back Pressure Test, Completion/ Recompletion Report and Log; G-5, Gas Well Classification Report; G-10, Gas Well Status Report; W-10, Oil Well Status Report; W-12, Inclination Report; Electric Logs; Directional Surveys.

Please let me know if you have any questions or need any additional information.

Sincerely,

Robert B. Hatter, Director
Mineral Leasing Division

3.

File No. MF 704580
Keller
Date Filed: 7-22-05
Jerry E. Patterson, Commissioner
By [Signature]

FILE# 2349

Lease Form
Revised 10/99
Surveyed School Land

The State of Texas



Austin, Texas

OIL AND GAS LEASE NO. M-104580

WHEREAS, pursuant to the Texas Natural Resources Code Chapters 32, 33, 51, and Chapter 52, Subchapters A-D and H, (said Code being hereinafter referred to as N.R.C.), and subject to all rules and regulations promulgated by the Commissioner of the General Land Office and/or the School Land Board pursuant thereto, and all other applicable statutes and amendments to said N.R.C., the following area, to-wit:

WEST ONE-HALF (W/2) OF SECTION 41, BLOCK 58, PUBLIC SCHOOL LAND SURVEY, REEVES COUNTY, TEXAS, CONTAINING APPROXIMATELY 129 ACRES, AS SHOWN ON THE OFFICIAL MAP OF REEVES COUNTY, TEXAS NOW ON FILE IN THE TEXAS GENERAL LAND OFFICE, AUSTIN, TEXAS,

was, after being duly advertised, offered for lease on the 18th day of January, 2005, at 10:00 o'clock a.m., by the Commissioner of the General Land Office of the State of Texas and the School Land Board of the State of Texas, for the sole and only purpose of prospecting and drilling for, and producing oil and/or gas that may be found and produced from the above described area; and

WHEREAS, after all bids and remittances which were received up to said time have been duly considered by the Commissioner of the General Land Office and the School Land Board at a regular meeting thereof in the General Land Office, on the 18th day of January, 2005, hereinafter the "effective date" and it was found and determined that C. DANNY FOSTER PETROLEUM LAND SERVICES, INC. whose address is P.O. BOX 1700, CLINTON, MISSISSIPPI 39060-1700 had offered the highest and best bid for a lease of the area above described and is, therefore, entitled to receive a lease thereon:

NOW, THEREFORE, I, Jerry E. Patterson, Commissioner of the General Land Office of the State of Texas, hereinafter sometimes referred to as "Lessor," whose address is Austin, Texas, by virtue of the authority vested in me and in consideration of the payment by the hereinafter designated Lessee, the sum of **Twenty-One Thousand Forty-One And 19/100 Dollars (\$21,041.19)**, receipt of which is hereby acknowledged and of the royalties, covenants, stipulations and conditions contained and hereby agreed to be paid, observed and performed by Lessee, do hereby demise, grant, lease and let unto the above mentioned bidder the exclusive right to prospect for, produce and take oil and/or gas from the aforesaid area upon the following terms and conditions, to-wit:

1. **RESERVATION:** There is hereby excepted and reserved to Lessor the full use of the property covered hereby and all rights with respect to the surface and subsurface thereof for any and all purposes except those granted and to the extent herein granted to Lessee, together with the rights of ingress and egress and use of said lands by Lessor and its mineral lessees, for purposes of exploring for and producing the minerals which are not covered, or which may not be covered in the future, under the terms of this lease, but which may be located within the surface boundaries of the leased area. All of the rights in and to the leased premises retained by Lessor and all of the rights in and to the leased premises granted to Lessee herein shall be exercised in such a manner that neither shall unduly interfere with the operations of the other.

2. **TERM:** Subject to the other provisions hereof, this lease shall be for a term of **five (5) years** from the effective date hereof (herein called "primary term") and as long thereafter as oil or gas is produced in paying quantities from said area.

3. **DELAY RENTALS:** If no well is commenced on the land hereby leased on or before the anniversary date of this lease, this lease shall terminate as to both parties unless the Lessee on or before said date shall pay or tender to the Commissioner of the General Land Office of the State of Texas at Austin, Texas, the amount specified in the following schedule multiplied by the number of acres in the premises, which shall operate as a rental and cover the privilege of deferring the commencement of a well for **twelve (12) months** from said date. In like manner and upon payments or tenders of amounts set out in the following schedule, the commencement of a well may be further deferred for a like period of the same number of months.

Anniversary Date	Delay Rental per Acre
First	\$ 5.00
Second	\$ 5.00
Third	\$25.00
Fourth	\$25.00

4. **PRODUCTION ROYALTIES:** Subject to the provisions for royalty reductions set out in subparagraph (E) of this paragraph 4, upon production of oil and/or gas, the Lessee agrees to pay or cause to be paid to the Commissioner of the General Land Office in Austin, Texas, for the use and benefit of the State of Texas, during the term hereof:

(A) **OIL:** As a royalty on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, 1/4 part of the gross production or the market value thereof, at the option of the Lessor, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is the greater. Lessee agrees that before any gas produced from the land hereby leased is sold, used or processed in a plant, it will be run free of cost to Lessor through an adequate oil and gas separator of conventional type or other equipment at least as efficient to the end that all liquid hydrocarbons recoverable from the gas by such means will be recovered. Upon written consent of Lessor, the requirement that such gas be run through such a separator or other equipment may be waived upon such terms and conditions as prescribed by Lessor.

(B) **NON-PROCESSED GAS:** As a royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (A) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) 1/4 part of the gross production or the market value thereof, at the option of the Lessor, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater provided that the maximum pressure base in measuring the gas under this lease contract shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to test made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

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(C) **PROCESSED GAS:** As a royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons, $\frac{1}{4}$ part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the Lessor. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%) or that percent accruing to Lessee, whichever is the greater, of the total plant production of liquid hydrocarbons, attributable to the gas produced from this lease; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arms' length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is the greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons), whichever is the greater. In no event, however, shall the royalties payable under this paragraph be less than the royalties which would have been due had the gas not been processed.

(D) **OTHER PRODUCTS:** As a royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry" or any other gas, by fractionating, burning or any other processing, $\frac{1}{4}$ part of gross production of such products, or the market value thereof, at the option of Lessor, such market value to be determined as follows:

- (1) On the basis of the highest market price of each product, during the same month in which such product is produced, or
- (2) On the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

(E) **VARIABLE ROYALTY:** (i) Subject to the other provisions of this lease, it is hereby provided that in the event production in paying quantities is established pursuant to the terms of this lease and such production is brought on line and sales thereof are commenced within eighteen (18) months of the effective date hereof, the royalty rate provided herein shall be reduced to 20%, and shall apply to each subsequent well drilled and produced on the land covered by this lease. Provided that, if during such eighteen (18) month term during which Lessee may earn a reduced royalty rate of 20% as herein provided, Lessee should drill in good faith and complete the first well as a dry hole on the land covered by this lease, Lessee may receive a three (3) month extension of the term in which to earn a reduced royalty rate by giving notice to the Commissioner of the General Land Office, commencing drilling operations on an additional well prior to the expiration of such three (3) month period and prosecuting diligently and in good faith the drilling of such additional well and completing same so that production in paying quantities is established and so that such production is brought on line and sales thereof are commenced prior to the expiration of such three (3) month extension period.

(ii) In the event production in paying quantities is established pursuant to the terms of this lease and such production is brought on line and sales thereof are commenced after the expiration of eighteen (18) months from the effective date hereof but prior to the expiration of twenty-four (24) months from the effective date hereof, the royalty rate provided herein shall be reduced to 22.5% and shall apply to each subsequent well drilled and produced on the land covered by this lease. Provided that, if during such six (6) month term during which Lessee may earn a reduced royalty rate of 22.5% as herein provided, Lessee should drill in good faith and complete the first well as a dry hole on the land covered by this lease, Lessee may receive a three (3) month extension of the term in which to earn a reduced royalty rate by giving notice to the Commissioner of the General Land Office, commencing drilling operations on an additional well prior to the expiration of such three (3) month period and prosecuting diligently and in good faith the drilling of such additional well and completing same so that production in paying quantities is established and so that such production is brought on line and sales thereof are commenced prior to the expiration of such three (3) month extension period.

(F) **NO DEDUCTIONS:** Lessee agrees that all royalties accruing to Lessor under this lease shall be without deduction for the cost of producing, transporting, and otherwise making the oil, gas and other products produced hereunder ready for sale or use.

(G) **ROYALTY IN KIND:** Notwithstanding anything contained herein to the contrary, Lessor may, at its option, upon not less than 60 days notice to Lessee, require at any time or from time to time that payment of all or any royalties accruing to Lessor under this lease be made in kind without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and otherwise making the oil, gas and other products produced hereunder ready for sale or use. Lessor's right to take its royalty in kind shall not diminish or negate Lessor's rights or Lessee's obligations, whether express or implied, under this lease.

(H) **PLANT FUEL AND RECYCLED GAS:** No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding anything contained herein to the contrary, and subject to the consent in writing of the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises after the liquid hydrocarbons contained in the gas have been removed, and no royalties shall be payable on the gas so recycled until such time as the same may thereafter be produced and sold or used by Lessee in such manner as to entitle Lessor to a royalty thereon under the royalty provisions of this lease.

(I) **MINIMUM ROYALTY:** During any year after the expiration of the primary term of this lease, if this lease is maintained by production, the royalties paid to Lessor in no event shall be less than an amount equal to \$5.00 per acre; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of this lease a sum equal to \$5.00 per acre less the amount of royalties paid during the preceding year.

(J) **MARGINAL PRODUCTION ROYALTY:** Upon Lessee's written application, the School Land Board may reduce the royalty rate set out in this paragraph and/or the minimum royalty set out in subparagraph 4 (I) to extend the economic life of this lease and encourage recovery of oil or gas that might otherwise remain unrecovered. Any such royalty reduction must conform to the requirements of any School Land Board administrative rules on this subject. Royalty may not be reduced below the applicable statutory minimum.

5. ROYALTY PAYMENTS AND REPORTS: All royalties not taken in kind shall be paid to the Commissioner of the General Land Office at Austin, Texas, in the following manner: Payment of royalty on production of oil and gas shall be as provided in the rules set forth in the Texas Register. Rules currently provide that royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. In all cases the authority of a manager or agent to act for the Lessee herein must be filed in the General Land Office. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid on each lease. If Lessee pays his royalty on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% on the royalty or \$25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or \$25.00 whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.

6. (A) RESERVES, CONTRACTS AND OTHER RECORDS: Lessee shall annually furnish the Commissioner of the General Land Office with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease and shall furnish said Commissioner with copies of all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts within thirty (30) days after entering into or making such contracts, agreements or amendments. Such contracts and agreements when received by the General Land Office shall be held in confidence by the General Land Office unless otherwise authorized by Lessee. All other contracts and records pertaining to the production, transportation, sale and marketing of the oil and gas produced on said premises, including the books and accounts, receipts and discharges of all wells, tanks, pools, meters, and pipelines shall at all times be subject to inspection and examination by the Commissioner of the General Land Office, the Attorney General, the Governor, or the representative of any of them.

(B) DRILLING RECORDS: Written notice of all operations on this lease shall be submitted to the Commissioner of the General Land Office by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or wells. Such written notice to the General Land Office shall include copies of Railroad Commission forms for application to drill. Copies of well tests, completion reports and plugging reports shall be supplied to the General Land Office at the time they are filed with the Texas Railroad Commission. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above-described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to the total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after the making of said survey.

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(C) **PENALTIES:** Lessee shall incur a penalty whenever reports, documents or other materials are not filed in the General Land Office when due. The penalty for late filing shall be set by the General Land Office administrative rule which is effective on the date when the materials were due in the General Land Office.

7. **RETAINED ACREAGE:** Notwithstanding any provision of this lease to the contrary, after a well producing or capable of producing oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the production thereon.

(A) **VERTICAL:** In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall then terminate as to all of the leased premises, EXCEPT (1) 40 acres surrounding each oil well capable of producing in paying quantities and 320 acres surrounding each gas well capable of producing in paying quantities (including a shut-in oil or gas well as provided in Paragraph 11 hereof), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or (2) the number of acres included in a producing pooled unit pursuant to Natural Resources Code Sections 52.151-52.153, or (3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. Within 90 days of a partial termination of this lease in accordance with this subparagraph and upon payment of the minimum filing fee set by General Land Office rules in effect at the time of the partial termination, Lessee shall have the right to obtain a surface lease for ingress and egress on and across the terminated portion of the leased premises as may be reasonably necessary for the continued operation of the portions of the lease remaining in force and effect. If Lessee fails to apply for a surface lease within the 90 day period specified above, Lessee may apply for a surface lease from the Land Office, but the Land Commissioner has the discretion to grant or deny such application and to set the fee for such surface lease.

(B) **HORIZONTAL:** In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall further terminate as to all depths below 100 feet below the total depth drilled (hereinafter "deeper depths") in each well located on acreage retained in Paragraph 7 (A) above, unless on or before two (2) years after the primary or extended term Lessee pays an amount equal to one-half (1/2) of the bonus originally paid as consideration for this lease (as specified on page 1 hereof). If such amount is paid, this lease shall be in force and effect as to such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.

(C) **IDENTIFICATION AND FILING:** The surface acreage retained hereunder as to each well shall, as nearly as practical, be in the form of a square with the well located in the center thereof, or such other shape as may be approved by the School Land Board. Within thirty (30) days after partial termination of this lease as provided herein, Lessee shall execute and record a release or releases containing a satisfactory legal description of the acreage and/or depths not retained hereunder. The recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the filing fee prescribed by the General Land Office rules in effect on the date the release is filed. If Lessee fails to execute and record such release or releases within ninety (90) days after being requested to do so by the General Land Office, then the Commissioner at his sole discretion may designate by written instrument the acreage and/or depths to be released hereunder and record such instrument at Lessee's expense in the county or counties where the lease is located and in the official records of the General Land Office and such designation shall be binding upon Lessee for all purposes. If at any time after the effective date of the partial termination provisions hereof, the applicable field rules are changed or the well or wells located thereon are reclassified so that less acreage is thereafter allocated to said well or wells for production purposes, this lease shall thereupon terminate as to all acreage not thereafter allocated to said well or wells for production purposes.

8. **OFFSET WELLS:** If oil and/or gas should be produced in commercial quantities from a well located on land privately owned or on State land leased at a lesser royalty, which well is within one thousand (1,000) feet of the area included herein, or which well is draining the area covered by this lease, the Lessee shall, within sixty (60) days after such initial production from the draining well or the well located within one thousand (1,000) feet from the area covered by this lease begin in good faith and prosecute diligently the drilling of an offset well on the area covered by this lease, and such offset well shall be drilled to such depth as may be necessary to prevent the undue drainage of the area covered by this lease, and the Lessee, manager or driller shall use all means necessary in a good faith effort to make such offset well produce oil and/or gas in commercial quantities. Only upon the determination of the Commissioner and with his written approval, may the payment of a compensatory royalty satisfy the obligation to drill an offset well or wells required under this Paragraph.

9. **DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM:** If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 10, using the expiration of the primary term as the date of cessation of production under Paragraph 10. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises payments may be made in accordance with the shut-in provisions hereof.

10. **CESSATION, DRILLING, AND REWORKING:** If, after the expiration of the primary term, production of oil or gas from the leased premises, after once obtained, should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within sixty (60) days after such cessation, and this lease shall remain in full force and effect for so long as such operations continue in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days. If such drilling or reworking operations result in the production of oil or gas, the lease shall remain in full force and effect for so long as oil or gas is produced from the leased premises in paying quantities or payment of shut-in oil or gas well royalties or payment of compensatory royalties is made as provided herein or as provided by law. If the drilling or reworking operations result in the completion of a well as a dry hole, the lease will not terminate if the Lessee commences additional drilling or reworking operations within sixty (60) days after the completion of the well as a dry hole, and this lease shall remain in effect so long as Lessee continues drilling or reworking operations in good faith and in a workmanlike manner without interruptions totaling more than sixty (60) days. Lessee shall give written notice to the General Land Office within thirty (30) days of any cessation of production.

11. **SHUT-IN ROYALTIES:** For purposes of this paragraph, "well" means any well that has been assigned a well number by the state agency having jurisdiction over the production of oil and gas. If at any time after the expiration of the primary term of a lease that, until being shut in, was being maintained in force and effect, a well capable of producing oil or gas in paying quantities is located on the leased premises, but oil or gas is not being produced for lack of suitable production facilities or lack of a suitable market, then Lessee may pay as a shut-in oil or gas royalty an amount equal to \$10.00 per acre, but not less than \$1,200 a year for each well capable of producing oil or gas in paying quantities. To be effective, each initial shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the Lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after Lessee completes a drilling or reworking operation in accordance with the lease provisions; whichever date is latest. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one year from the end of the primary term, or from the first day of the month following the month in which production ceased, and, after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four more successive periods of one (1) year by paying the same amount each year on or before the expiration of each shut-in year.

12. **COMPENSATORY ROYALTIES:** If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir, or in any case in which drainage is occurring, the right to continue to maintain the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the lease for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in the lease of the market value of production from the well causing the drainage or which is completed in the same producing reservoir and within one thousand (1,000) feet of the leased premises. The compensatory royalty is to be paid monthly to the Commissioner beginning on or before the last day of the month following the month in which the oil or gas is produced from the well causing the drainage or that is completed in the same producing reservoir and located within one thousand (1,000) feet of the leased premises; if the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period; and none of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in N.R.C. Section 52.034; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties shall satisfy the obligation to drill offset wells. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 5 of this lease.

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13. **EXTENSIONS:** If, at the expiration of the primary term of this lease, production of oil or gas has not been obtained on the leased premises but drilling operations are being conducted thereon in good faith and in a good and workmanlike manner, Lessee may, on or before the expiration of the primary term, file in the General Land Office written application to the Commissioner of the General Land Office for a thirty (30) day extension of this lease, accompanied by payment of Three Thousand Dollars (\$3,000.00) if this lease covers six hundred forty (640) acres or less and Six Thousand Dollars (\$6,000.00) if this lease covers more than six hundred forty (640) acres and the Commissioner shall, in writing, extend this lease for a thirty (30) day period from and after the expiration of the primary term and so long thereafter as oil or gas is produced in paying quantities; provided further, that Lessee may, so long as such drilling operations are being conducted make like application and payment during any thirty (30) day extended period for an additional extension of thirty (30) days and, upon receipt of such application and payment, the Commissioner shall, in writing, again extend this lease so that same shall remain in force for such additional thirty (30) day period and so long thereafter as oil or gas is produced in paying quantities; provided, however, that this lease shall not be extended for more than a total of three hundred ninety (390) days from and after the expiration of the primary term unless production in paying quantities has been obtained.

14. **USE OF WATER; SURFACE:** Lessee shall have the right to use water produced on said land necessary for operations hereunder and solely upon the leased premises; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for water flood operations without the prior written consent of Lessor. Subject to its obligation to pay surface damages, Lessee shall have the right to use so much of the surface of the land that may be reasonably necessary for drilling and operating wells and transporting and marketing the production therefrom, such use to be conducted under conditions of least injury to the surface of the land. Lessee shall pay surface damages in an amount set by the General Land Office fee schedule which is effective on the date when the activity requiring the payment of surface damages occurs.

15. **POLLUTION:** In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties.

(A) **UPLANDS:** Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon.

(B) **SUBMERGED LANDS:** No discharge of solid waste or garbage shall be allowed into State waters from any drilling or support vessels, production platform, crew or supply boat, barge, jack-up rig or other equipment located on the leased area. Solid waste shall include but shall not be limited to containers, equipment, rubbish, plastic, glass, and any other man-made non-biodegradable items. A sign must be displayed in a high traffic area on all vessels and manned platforms stating, "Discharge of any solid waste or garbage into State Waters from vessels or platforms is strictly prohibited and may subject a State of Texas lease to forfeiture." Such statement shall be in lettering of at least 1" in size.

(C) **RIVERS:** To the extent necessary to prevent pollution, the provisions found in subsections (a) and (b) of this paragraph shall also apply to rivers and riverbeds.

(D) **PENALTY:** Failure to comply with the requirements of this provision may result in the maximum penalty allowed by law including forfeiture of the lease. Lessee shall be liable for the damages caused by such failure and any costs and expenses incurred in cleaning areas affected by the discharged waste.

16. **IDENTIFICATION MARKERS:** Lessee shall erect, at a distance not to exceed twenty-five (25) feet from each well on the premises covered by this lease, a legible sign on which shall be stated the name of the operator, the lease designation and the well number. Where two or more wells on the same lease or where wells on two or more leases are connected to the same tank battery, whether by individual flow line connections direct to the tank or tanks or by use of a multiple header system, each line between each well and such tank or header shall be legibly identified at all times, either by a firmly attached tag or plate or an identification properly painted on such line at a distance not to exceed three (3) feet from such tank or header connection. Said signs, tags, plates or other identification markers shall be maintained in a legible condition throughout the term of this lease.

17. **ASSIGNMENTS:** The lease may be transferred at any time; provided, however, that the liability of the transferor to properly discharge its obligation under the lease, including properly plugging abandoned wells, removing platforms or pipelines, or remediation of contamination at drill sites shall pass to the transferee upon the prior written consent of the Commissioner of the General Land Office. The Commissioner may require the transferee to demonstrate financial responsibility and may require a bond or other security. All transfers must reference the lease by the file number and must be recorded in the county where the area is located, and the recorded transfer or a copy certified to by the County Clerk of the county where the transfer is recorded must be filed in the General Land Office within ninety (90) days of the execution date, as provided by N.R.C. Section 52.026, accompanied by the filing fee prescribed by the General Land Office rules in effect on the date of receipt by the General Land Office of such transfer or certified copy thereof. Every transferee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior transferee of the lease, including any liabilities to the state for unpaid royalties.

18. **RELEASES:** Lessee may relinquish the rights granted hereunder to the State at any time by recording the relinquishment in the county where this area is situated and filing the recorded relinquishment or certified copy of same in the General Land Office within ninety (90) days after its execution accompanied by the filing fee prescribed by the General Land Office rules in effect on the date of receipt by the General Land Office of such relinquishment or certified copy thereof. Such relinquishment will not have the effect of releasing Lessee from any liability theretofore accrued in favor of the State.

19. **LIEN:** In accordance with N.R.C. Section 52.136, the State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure payment of all unpaid royalty and other sums of money that may become due under this lease. By acceptance of this lease, Lessee grants the State, in addition to the lien provided by N.R.C. Section 52.136 and any other applicable statutory lien, an express contractual lien on and security interest in all leased minerals in and extracted from the leased premises, all proceeds which may accrue to Lessee from the sale of such leased minerals, whether such proceeds are held by Lessee or by a third party, and all fixtures on and improvements to the leased premises used in connection with the production or processing of such leased minerals in order to secure the payment of all royalties or other amounts due or to become due under this lease and to secure payment of any damages or loss that Lessor may suffer by reason of Lessee's breach of any covenant or condition of this lease, whether express or implied. This lien and security interest may be foreclosed with or without court proceedings in the manner provided in the Title 1, Chapter 9 of the Texas Business and Commerce Code. Lessee agrees that the Commissioner may require Lessee to execute and record such instruments as may be reasonably necessary to acknowledge, attach or perfect this lien. Lessee hereby represents that there are no prior or superior liens arising from and relating to Lessee's activities upon the above-described property or from Lessee's acquisition of this lease. Should the Commissioner at any time determine that this representation is not true, then the Commissioner may declare this lease forfeited as provided herein.

20. **FORFEITURE:** If Lessee shall fail or refuse to make the payment of any sum within thirty (30) days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under

this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease to the highest bidder, under the same regulations controlling the original sale of leases. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

21. **RIVERBED TRACTS:** In the event this lease covers a riverbed, Lessee is hereby specifically granted the right of eminent domain and condemnation as provided for in N.R.C. Sections 52.092-52.093, as a part of the consideration moving to Lessor for the covenants herein made by Lessee.

22. **APPLICABLE LAWS AND DRILLING RESTRICTIONS:** This lease shall be subject to all rules and regulations, and amendments thereto, promulgated by the Commissioner of the General Land Office governing drilling and producing operations on Permanent Free School Land (specifically including any rules promulgated that relate to plans of operations), payment of royalties, and auditing procedures, and shall be subject to all other valid statutes, rules, regulations, orders and ordinances that may affect operations under the provisions of this lease. Without limiting the generality of the foregoing, Lessee hereby agrees, by the acceptance of this lease, to be bound by and subject to all statutory and regulatory provisions relating to the General Land Office's audit billing notice and audit hearings procedures. Said provisions are currently found at 31 Texas Administrative Code, Chapter 4, and Texas Natural Resources Code Sections 52.135 and 52.137 through 52.140. In the event this lease covers land franchised or leased or otherwise used by a navigation district or by the United States for the purpose of navigation or other purpose



True and Correct
copy of
Original filed in
Reeves County
Clerks Office

50.17.01

incident to the operation of a port, then Lessee shall not be entitled to enter or possess such land without prior approval as provided under Section 61.117 of the Texas Water Code, but Lessee shall be entitled to develop such land for oil and gas by directional drilling; provided, however, that no surface drilling location may be nearer than 660 feet and special permission from the Commissioner of the General Land Office is necessary to make any surface location nearer than 2,160 feet measured at right angles from the nearest bulkhead line or from the nearest dredged bottom edge of any channel, slip, or turning basin which has been authorized by the United States as a federal project for future construction, whichever is nearer.

23. REMOVAL OF EQUIPMENT: Upon the termination of this lease for any cause, Lessee shall not, in any event, be permitted to remove the casing or any part of the equipment from any producing, dry, or abandoned well or wells without the written consent of the Commissioner of the General Land Office or his authorized representative; nor shall Lessee, without the written consent of said Commissioner or his authorized representative remove from the leased premises the casing or any other equipment, material, machinery, appliances or property owned by Lessee and used by Lessee in the development and production of oil or gas therefrom until all dry or abandoned wells have been plugged and until all slush or refuse pits have been properly filled and all broken or discarded lumber, machinery, or debris shall have been removed from the premises to the satisfaction of the said Commissioner or his authorized representative.

24. FORCE MAJEURE: Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling operations thereon, or from producing oil and/or gas therefrom, after effort made in good faith, by reason of war, rebellion, riots, strikes, fires, acts of God or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended upon proper and satisfactory proof presented to the Commissioner of the General Land Office in support of Lessee's contention and Lessee shall not be liable for damages for failure to comply therewith (except in the event of lease operations suspended as provided in the rules and regulations adopted by the School Land Board); and this lease shall be extended while and so long as Lessee is prevented, by any such cause, from drilling, reworking operations or producing oil and/or gas from the leased premises; provided, however, that nothing herein shall be construed to suspend the payment of rentals during the primary or extended term, nor to abridge Lessee's right to a suspension under any applicable statute of this State.

25. LEASE SECURITY: Lessee shall take the highest degree of care and all proper safeguards to protect said premises and to prevent theft of oil, gas, and other hydrocarbons produced from said lease. This includes, but is not limited to, the installation of all necessary equipment, seals, locks, or other appropriate protective devices on or at all access points at the lease's production, gathering and storage systems where theft of hydrocarbons can occur. Lessee shall be liable for the loss of any hydrocarbons resulting from theft and shall pay the State of Texas royalties thereon as provided herein on all oil, gas or other hydrocarbons lost by reason of theft.

26. REDUCTION OF PAYMENTS: If, during the primary term, a portion of the land covered by this lease is included within the boundaries of a pooled unit that has been approved by the School Land Board in accordance with Natural Resources Code Sections 52.151-52.153, or if, at any time after the expiration of the primary term or the extended term, this lease covers a lesser number of acres than the total amount described herein, payments that are made on a per acre basis hereunder shall be reduced according to the number of acres pooled, released, surrendered, or otherwise severed, so that payments determined on a per acre basis under the terms of this lease during the primary term shall be calculated based upon the number of acres outside the boundaries of a pooled unit, or, if after the expiration of the primary term, the number of acres actually retained and covered by this lease.

27. SUCCESSORS AND ASSIGNS: The covenants, conditions and agreements contained herein shall extend to and be binding upon the heirs, executors, administrators, successors or assigns of Lessee herein.

28. ANTIQUITIES CODE: In the event that any feature of archeological or historical interest on Permanent School Fund Land is encountered during the activities authorized by this lease, Lessee will immediately cease activities and will immediately notify the General Land Office (ATTN: Archaeologist, Asset Management Division, 1700 N. Congress Ave., Austin, Texas 78701) and the Texas Historical Commission (P.O. Box 12276, Austin, TX 78711) so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate. Lessee is expressly placed on notice of the National Historical Preservation Act of 1966 (PB-89-66, 80 Statute 915; 16 U.S.C.A. 470) and the Antiquities Code of Texas, Chapter 191, Tex. Nat. Code Ann. (Vernon 1993 & Supp. 1998). On state-owned land not dedicated to the Permanent School Fund, lessee shall notify the Texas Historical Commission before breaking ground at a project location. An archaeological survey might be required by the commission before construction of the project can commence. Further, in the event that any site, object, location, artifact or other feature of archaeological, scientific, educational, cultural or historic interest is encountered during the activities authorize by this lease, lessee will immediately notify lessor and the Texas Historical Commission so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate.

29. VENUE: Lessor and lessee, including lessee's successors and assigns, hereby agree that venue for any dispute arising out of a provision of this lease, whether express or implied, regarding interpretation of this lease, or relating in any way to this lease or to applicable case law, statutes, or administrative rules, shall be in a court of competent jurisdiction located in Travis County, State of Texas.

30. LEASE FILING: Pursuant to Chapter 9 of the Tex. Bus. & Com. Code, this lease must be filed of record in the office of the County Clerk in any county in which all or any part of the leased premises is located, and certified copies thereof must be filed in the General Land Office. The prescribed filing fee shall accompany the certified copies sent to the General Land Office.

50.17.01



True and Correct
copy of
Original filed in
Reeves County
Clerks Office

31. EXECUTION: This oil and gas lease must be signed and acknowledged by the Lessee before it is filed of record in the county records and in the General Land Office of the State of Texas.

C. Danny Foster Petroleum Land Services, Inc.
 LESSEE
 BY: [Signature]
 TITLE: President
 DATE: 3-8-05

IN TESTIMONY WHEREOF, witness the signature of the Commissioner of the General Land Office of the State of Texas under the seal of the General Land Office.

[Signature]
 COMMISSIONER OF THE GENERAL LAND OFFICE
 OF THE STATE OF TEXAS
 APPROVED
 Contents [Signature]
 Legal [Signature]
 DC [Signature]
 Exec [Signature]

STATE OF Mississippi
 COUNTY OF Hinds

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared C. Danny Foster
 known to me to be the person whose name is subscribed to the foregoing instrument, as President of
C. Danny Foster Petroleum Land Services, Inc. and acknowledged to me that he executed the same
 for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 8th day of March, 2005

[Signature]
 Notary Public in and for Hinds Co.
Mississippi



STATE OF _____
 COUNTY OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

Before me, the undersigned authority, on this day personally appeared _____
 known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the
 same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the _____ day of _____, 20____.

Notary Public in and for _____

FILE NO. 2349

FILED FOR RECORD ON THE 16TH DAY OF JUNE A.D. 2005 2:11 P M.

DULY RECORDED ON THE 20TH DAY OF JUNE A.D. 2005 9:00 A M.

BY: [Signature], DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
 REEVES COUNTY, TEXAS

ANY PROVISION HEREIN TO THE EFFECT OF THE SALE, RENTAL,
 OR USE BY THE INDEBTED PARTY BECAUSE OF COLOR
 OR PAGE IS VOID AND INEFFECTIVE UNDER FEDERAL
 LAW

50.17.07



True and Correct
 copy of
 Original filed in
 Reeves County
 Clerks Office

4.

File No. MF 704580
Ortved Case
Date Filed: 10/17/05
Jerr E. Patterson, Commissioner
By [Signature]

CERTIFIED TRUE AND CORRECT COPY CERTIFICATE
STATE OF TEXAS
COUNTY OF REEVES

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 703, PAGE 289 THRU 294.



I hereby certified on JUNE 20, 2005

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY [Signature]
JOSIE FLORES DEPUTY

704580

1601 ELM STREET, STE 3400
THANKSGIVING TOWER
DALLAS, TEXAS 75201-7201



TEL: 214-880-8400
FAX: 214-880-7171

October 10, 2005

State of Texas General Land Office
P.O. Box 12873
Austin, Texas 78711
Attn: Ms. Beverly Boyd

Dear Ms. Boyd,

Enclosed please find Petro-Hunt, L.L.C.'s check in the amount of \$200.00 as payment for appropriate filing fees for four (4) leases which were assigned to Petro-Hunt L.L.C. in one (1) Oil and Gas Assignment. A list of the leases assigned is as follows:

1. Lessor: General Land Office 01/18/2005 \$25.00- Lease Fee
State of TX M-104580 \$25.00- Assignment Fee
Lessee: C. Danny Foster
C/O_Petroleum Land Services, Inc.
Recorded: Volume 703, Page 289
Description: W/2 of Section 41, Blk 58, PSL Survey
2. Lessor: General Land Office 01/18/2005 \$25.00- Lease Fee
State of TX M-104580 \$25.00- Assignment Fee
Lessee: C. Danny Foster
C/O_Petroleum Land Services, Inc.
Recorded: Volume 703, Page 295
Description: SW/4 of Section 44, Blk 58, PSL Survey
3. Lessor: General Land Office 01/18/2005 \$25.00- Lease Fee
State of TX M-104580 \$25.00- Assignment Fee
Lessee: C. Danny Foster
C/O_Petroleum Land Services, Inc.
Recorded: Volume 703, Page 301
Description: Section 21, Blk 58, PSL Survey

RECEIVED
OCT 17 PM 2:19
ENERGY RESOURCES

4. Lessor: General Land Office 01/18/2005 \$25.00- *Lease Fee*
State of TX M-104580 \$25.00- *Assignment Fee*
Lessee: C. Danny Foster
C/O_Petroleum Land Services, Inc.
Recorded: Volume 703, Page 307
Description: NW/4, S/2, and S/2 of the NE/4 of Section 28,
Block 59, Public School Land Survey

Also enclosed are certified copies of each of the Oil & Gas Leases along with the corresponding Assignment. If you should have any questions, my phone number is 214-880-8493.

Yours very truly,



William A. Hearne
Senior Landman

PETRO-HUNT, L.L.C.
1601 Elm Street, Suite 3400
Dallas, Texas 75201
(214) 880-8400

Bank One, N.A.
Jefferson County
8200 Hwy 69
Port Arthur, Texas 77640

Page 1 of 1

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE	58207	Oct-12-2005	4086313	\$200.00

10AP906	101005	10/10/05	200.00	0.00	200.00
"APPROPRIATE FILING FEES 4 LEASES ASSIGNED TO PHLLC"					
TOTAL INVOICES PAID					X 200.00

129

Attn: Beverly
Boyd

06007821
RECEIVED
05 OCT 17 PM 2:19
ENERGY RESOURCES

05.10.07

5.
File No.

MF104580

Letter + fee assignment

Date Filed:

10/17/05

Jerry E. Patterson, Commissioner

By

80

707230

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

October 18, 2005

William Hearne
Petro-Hunt LLC
1601 Elm Street, Suite 3400
Dallas, TX 75201-7201

RE: Assignment filing; GLO ID 5207

Dear Mr. Hearne,

The General Land Office received the following instrument(s) and has filed them in the appropriate files. Please see attached "Exhibit A" for reference.

Assignment of Oil and Gas Leases executed September 29th, 2005
from C. Danny Foster Petroleum Land Services, Inc., as Assignor,
to Petro-Hunt LLC, as Assignee. **MF104580**.

Filing fees of \$25.00 were received in connection with the above lease. If you have any questions, please feel free to call me at (800) 998-4GLO, or at my direct number at (512) 463-6521.

Sincerely,

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Stephen F. Austin Building • 1700 North Congress Avenue • Austin, Texas 78701-1495

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

Exhibit "A"

<i>GLO ID</i>		<i>County</i>	<i>Lease</i>
5207	Reeves		MF104580
5207	Reeves		MF104580
5207	Reeves		MF104580

Tuesday, October 18, 2005

1601 ELM STREET, STE 3400
THANKSGIVING TOWER
DALLAS, TEXAS 75201-7201



MF104580

TEL: 214-880-8400
FAX: 214-880-7171

9/9/05

25⁰⁰

October 10, 2005

State of Texas General Land Office
P.O. Box 12873
Austin, Texas 78711
Attn: Ms. Beverly Boyd

Dear Ms. Boyd,

Enclosed please find Petro-Hunt, L.L.C.'s check in the amount of \$200.00 as payment for appropriate filing fees for four (4) leases which were assigned to Petro-Hunt L.L.C. in one (1) Oil and Gas Assignment. A list of the leases assigned is as follows:

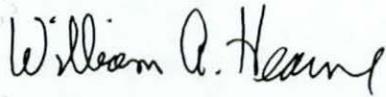
- | | | | |
|---------------------|--|------------|-------------------------|
| 1. <u>Lessor:</u> | General Land Office | 01/18/2005 | \$25.00- Lease Fee |
| | State of TX M-104580 | | \$25.00- Assignment Fee |
| <u>Lessee:</u> | C. Danny Foster | | |
| | C/O_Petroleum Land Services, Inc. | | |
| <u>Recorded:</u> | Volume 703, Page 289 | | |
| <u>Description:</u> | W/2 of Section 41, Blk 58, PSL Survey | | |
| | | | |
| 2. <u>Lessor:</u> | General Land Office | 01/18/2005 | \$25.00- Lease Fee |
| | State of TX M-104580 | | \$25.00- Assignment Fee |
| <u>Lessee:</u> | C. Danny Foster | | |
| | C/O_Petroleum Land Services, Inc. | | |
| <u>Recorded:</u> | Volume 703, Page 295 | | |
| <u>Description:</u> | SW/4 of Section 44, Blk 58, PSL Survey | | |
| | | | |
| 3. <u>Lessor:</u> | General Land Office | 01/18/2005 | \$25.00- Lease Fee |
| | State of TX M-104580 | | \$25.00- Assignment Fee |
| <u>Lessee:</u> | C. Danny Foster | | |
| | C/O_Petroleum Land Services, Inc. | | |
| <u>Recorded:</u> | Volume 703, Page 301 | | |
| <u>Description:</u> | Section 21, Blk 58, PSL Survey | | |

RECEIVED
05 OCT 17 PM 2:19
ENERGY RESOURCES

4. <u>Lessor:</u>	General Land Office	01/18/2005	\$25.00- <i>Lease Fee</i>
	State of TX M-104580		\$25.00- <i>Assignment Fee</i>
<u>Lessee:</u>	C. Danny Foster		
	C/O Petroleum Land Services, Inc.		
<u>Recorded:</u>	Volume 703, Page 307		
<u>Description:</u>	NW/4, S/2, and S/2 of the NE/4 of Section 28, Block 59, Public School Land Survey		

Also enclosed are certified copies of each of the Oil & Gas Leases along with the corresponding Assignment. If you should have any questions, my phone number is 214-880-8493.

Yours very truly,



William A. Hearne
Senior Landman

FILE# 4510

5207

9-29-05

ASSIGNMENT OF OIL AND GAS LEASES

STATE OF TEXAS ><
 COUNTY OF REEVES >< KNOW ALL MEN BY THESE PRESENTS, THAT:

FOR AND IN CONSIDERATION of the sum of Ten Dollars (\$10.00) cash in hand paid, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, **C. Danny Foster Petroleum Land Services, Inc.**, whose address is P. O. Box 1700, Clinton, Mississippi 39060 (hereinafter referred to as "Assignor"), does hereby sell, transfer, convey, set over and assign unto **Petro-Hunt, L.L.C.** whose address is 1601 Elm Street, Suite 3400, Dallas, Texas 75201 (hereinafter referred to as "Assignee") all of the right, title and interest of Assignor in and to the oil, gas and mineral leases described in Exhibit "A" attached hereto.

This assignment is subject to and Assignee shall bear its proportionate share of the lessor's royalty and any overriding royalty interests with which Assignor's interest is currently burdened.

Assignee agrees to observe and perform the terms, provisions, obligations and covenants, express or implied, and Assignee further agrees to indemnify and hold harmless Assignor from all loss, damage and expense of every character whatsoever which Assignor may incur by reason of failure of Assignee to observe and perform such terms, provisions, obligations and covenants.

This assignment is made by Assignor without any warranties of title, express or implied, on the part of Assignor. Assignor, however, does hereby transfer, assign and subrogate to Assignee, with respect to each oil, gas and mineral lease described herein, all warranties of title, if any, made to Assignor by any and all former owners of the interest herein conveyed.

This instrument and its terms and provisions shall inure to the benefit of and be binding upon the parties and their respective successors and assigns, forever.

IN WITNESS WHEREOF, this instrument is executed effective the 9th day of September, 2005.

C. Danny Foster Petroleum Land Services, Inc.

By: C. Danny Foster
 Title: President

ACKNOWLEDGMENT

STATE OF MISSISSIPPI
 COUNTY OF HINDS

I hereby certify, that on this day, before me, a Notary Public duly authorized in the state and county aforesaid to take acknowledgments, personally appeared **C. Danny Foster**, President of C. Danny Foster Petroleum Land Services, Inc. and he acknowledged that he executed the foregoing instrument for and on behalf of said corporation, after duly being authorized to do so.

Given under my hand and seal of office this 9th day of September, 2005

My Commission Expires:

8-22-09



Doris Kizziah
 Notary Public

904707



True and Correct
 copy of
 Original filed in
 Reeves County
 Clerks Office

EXHIBIT "A"

Attached to and made of that certain Assignment of Oil and Gas Leases dated September 9, 2005 from C. Danny Foster Petroleum Land Services, Inc., as Assignor to Petro-Hunt, LLC, as Lessee.

Lessor	Description	Date	Recording
General Land Office State of TX M-104580	Blk 58: PSL Survey Sec 41: W/2	1/18/2005	Vol 703 Page 289
General Land Office State of TX M-104580	Blk 58: PSL Survey Sec 441: SW/4	1/18/2005	Vol 703 Page 295
General Land Office State of TX M-104580	Blk 59: PSL Survey Sec 21: All	1/18/2005	Vol 703 Page 301
General Land Office State of TX M-104580	Blk 59: PSL Survey Sec 28: NW/4, S/2 & S/2 OF NE/4	1/18/2005	Vol 703 Page 307

FILE NO. 4510

FILED FOR RECORD ON THE 30TH DAY OF SEPTEMBER A.D. 2005 2:53 P. M.

DULY RECORDED ON THE 3RD DAY OF OCTOBER A.D. 2005 9:30 A. M.

BY: *Annie Jones*, DEPUTYDIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

ANY PROVISION HEREIN WHICH ATTEMPTS TO LIMIT, RENT, OR USE BY THE DESCRIBED ESTATE PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW

90.27.07



True and Correct
copy of
Original filed in
Reeves County
Clerks Office

6.

File No. PF 104580
Assignment
Date Filed 10/18/05
Jerry E. Patterson, Commissioner
By [Signature]

CERTIFIED TRUE AND CORRECT COPY CERTIFICATE
STATE OF TEXAS
COUNTY OF REEVES

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 713, PAGE 580, THRU 581. **OFFICIAL PUBLIC RECORDS**

I hereby certified on OCTOBER 3, 2005



DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

By [Signature] DEPUTY

10.13.05

PETRO-HUNT, L.L.C.
1601 Elm Street, Suite 3400
Dallas, Texas 75201
(214) 880-8400

Bank One, N.A.
Jefferson County
8200 Hwy 69
Port Arthur, Texas 77640

Page 1 of 1

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE		Dec-05-2005	7003830	\$645.00

LEASE NUMBER
118*1019541

ORIGINAL LESSOR/LEASE NAME
ST OF TEXAS M-104580

DATE

12/05/05

CHECK NO 7003830

LEASE DATE MONTHS
01/18/05 12

RENTAL PERIOD FROM TO FILE ID
01/18/06 01/18/07 68350-0043

**** PAYMENT TYPE **** DELAY RENTAL ****

PAYMENT AMOUNT 645.00

BANK SERVICE CHG

TOTAL AMOUNT 645.00

TO BE CREDITED TO

ADDITIONAL TEXT

OWNER # 58207
TEXAS GENERAL LAND OFFICE
1700 N CONGRESS AVE RM 600
AUSTIN, TEXAS 78701
SSN/TAX ID

RECORDED BOOK 703 PAGE 289

ENTRY

PROSPECT N W TOYAH PROSPECT

COUNTY/PARISH REEVES

STATE TX

TRACT NO 20329

LEGAL DESCRIPTION

REEVES COUNTY TEXAS BLOCK 58, PUBLIC
SCHOOL LAND SURVEY SEC. 41: W/2 BEING
129.00 ACRES MORE OR LESS

121

06016069

50.21.21

7.
File No. MF104580
Dental Payment
Date Filed: 12/12/05
Jerry E. Patterson, Commissioner
By [Signature]

15.15.02

701109

PETRO-HUNT, L.L.C.
 1601 Elm Street, Suite 3400
 Dallas, Texas 75201
 (214) 880-8400

JPMorgan Chase Bank, N.A.
 Jefferson County
 8200 Hwy 69
 Port Arthur, Texas 77640

Page 1 of 1

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE		Dec-12-2006	7005312	\$645.00

LEASE NUMBER
 118*1019541

ORIGINAL LESSOR/LEASE NAME
ST OF TEXAS M-104580
 RENTAL PERIOD

DATE 12/12/06

CHECK NO 7005312

LEASE DATE MONTHS FROM TO FILE ID
 01/18/05 12 01/18/07 01/18/08 68350-0043

**** PAYMENT TYPE **** DELAY RENTAL ****

PAYMENT AMOUNT 645.00

TO BE CREDITED TO

ADDITIONAL TEXT

BANK SERVICE CHG

TOTAL AMOUNT 645.00

OWNER # 58207
 TEXAS GENERAL LAND OFFICE
 1700 N CONGRESS AVENUE ROOM 60
 AUSTIN, TEXAS 78701

RECORDED BOOK 703 PAGE 289

ENTRY

PROSPECT N W TOYAH PROSPECT

COUNTY/PARISH REEVES

STATE TX

TRACT NO 20329

LEGAL DESCRIPTION

REEVES COUNTY TEXAS BLOCK 58, PUBLIC

SCHOOL LAND SURVEY SEC. 41: W/2 BEING

129.00 ACRES MORE OR LESS

07017258



8.

File No. MF704580

RENTAL PAYMENT

Date Filed: 12/18/06

Jerry E. Patterson, Commissioner

By [Signature]

13788

0101528

791492

PETRO-HUNT, L.L.C.
1601 Elm Street, Suite 3400
Dallas, Texas 75201
(214) 880-8400

JPMorgan Chase Bank, N.A.
Jefferson County
8200 Hwy 69
Port Arthur, Texas 77640

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
ST OF TX GENERAL LAND OFFICE		Dec-11-2007	7006930	\$3,225.00

LEASE NUMBER 118*1019541 ORIGINAL LESSOR/LEASE NAME ST OF TEXAS M-104580 DATE 12/11/07 CHECK NO 7006930

LEASE DATE 01/18/05 MONTHS 12 RENTAL PERIOD FROM 01/18/08 TO 01/18/09 FILE ID 68350-0043

**** PAYMENT TYPE **** DELAY RENTAL ****

PAYMENT AMOUNT 3,225.00

BANK SERVICE CHG 0.00

TOTAL AMOUNT 3,225.00

TO BE CREDITED TO ADDITIONAL TEXT

OWNER # 73251
ST TX MF 104580
RECORDED BOOK 703 PAGE 289 ENTRY
PROSPECT N W TOYAH PROSPECT
COUNTY/PARISH REEVES STATE TX
TRACT NO 20329
LEGAL DESCRIPTION
REEVES COUNTY TEXAS BLOCK 58, PUBLIC
SCHOOL LAND SURVEY SEC. 41: W/2 BEING
129.00 ACRES MORE OR LESS

RECEIVED
07 DEC 2007 12:41
08007972

PETRO-HUNT, L.L.C.1601 Elm Street, Suite 3400
Dallas, Texas 75201
(214) 880-8400**JPMorgan Chase Bank, N.A.**Jefferson County
8200 Hwy 69
Port Arthur, Texas 77640

Page 1 of 1

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE	58207	Oct-09-2007	4121325	\$3,000.00

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
10AP945	100807	10/08/07	3,000.00	0.00	3,000.00
"RE-ISSUING ANNUAL DELAY RENTAL CHECK 37006770 LEASE 368350-0031"					3,000.00
TOTAL INVOICES PAID					3,000.00
LEASE NUMBER		ORIGINAL LESSOR?LEASE NAME		DATE	CHECK NUMBER
118*1018106		MCCORD B J		10/09/07	4121325
		RENTAL PERIOD			
LEASE DATE	MONTHS	FROM	TO	FILE ID	
11/02/04	12	11/02/07	11/02/08	68350-0031	
****PAYMENT TYPE****DELAY RENTAL ****				PAYMENT AMOUNT	3,000.00
				BANK SERVICE CHG	

TO BE CREDITED TO

ADDITIONAL TEXT

TOTAL AMOUNT

3,000.00

OWNER #74385

ST TX MF104780

RECORDED BOOK694 PAGE 362 ENTRY

PROSPECT N W TOYAH PROSPECT

COUNTY/PARISH REEVES

STATE TEXAS

TRACT NO 19042

LEGAL DESCRIPTION

REEVES COUNTY TEXAS BLOCK 58, PUBLIC

SCHOOL LAND SURVEY SEC. 30:N/2 OF

SW/4 BEING 80.00 ACRES MORE OR LESS

RECEIVED
OCT 17 PM 2:11

08003601

10.17.07

9.
File No: MF-104520
RENTAL PAYMENT

Date Filed: 12-20-07
Jerry E. Patterson, Commissioner

By LINDA ANDERSON

70-15-05 362040

DO NOT DESTROY



Texas General Land Office
UNIT AGREEMENT MEMO

PA08-30

Unit Number 4194
Operator Name PETRO-HUNT L L C Effective Date 2/5/2008
TaxID: [REDACTED] Unitized For Oil & Gas
Unit Name Block 58, State 42 1-H Unit Term 12 Months
County1 Reeves
County2 0
County3 0
RRC District: 08 0
Unit Type: Temporary 0
State Royalty Interest: 0.097453125 0
State Part in Unit: 0.7015625
Unit Depth Well: Other
Below Depth 11978 TVD Formation: Barnett and Woodford Shales
Above Depth 13040 TVD Participation Basis: Surface Acreage
[If Exclusions Apply: See Remarks]

MF Number MF104580 ✓ Tract Number 1
Lease Acres 129 / Total Unit Acres 1280 =
Tract Participation: 0.1007813 X
Lease Royalty 0.25 = Manual Tract Participation:
Tract Royalty Participation 0.0251953 Manual Tract Royalty:

See Remarks

Tract Royalty Reduction No
Tract Royalty Rate 0
Tract On-Line Date:

04-020213

MF Number	MF107612 ✓	Tract Number	2																		
Lease Acres	133	/	Total Unit Acres 1280 =																		
Tract Participation:	0.1039063	X																			
Lease Royalty	0.1	=	Manual Tract Participation: <table><tr><td></td><td></td><td></td><td></td><td></td><td>0</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>0</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>0</td></tr></table> See Remarks						0						0						0
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Tract Royalty Participation	0.0103906		Manual Tract Royalty: <table><tr><td></td><td></td><td></td><td></td><td></td><td>0</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>0</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>0</td></tr></table>						0						0						0
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Tract Royalty Reduction

No

Tract Royalty Rate

0

Tract On-Line Date:

07-105232

MF Number	MF105289 ✓	Tract Number	3																		
Lease Acres	12.4	/	Total Unit Acres 1280 =																		
Tract Participation:	0.0096875	X																			
Lease Royalty	0.1	=	Manual Tract Participation: <table><tr><td></td><td></td><td></td><td></td><td></td><td>0</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>0</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>0</td></tr></table> See Remarks						0						0						0
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Tract Royalty Participation	0.0009688		Manual Tract Royalty: <table><tr><td></td><td></td><td></td><td></td><td></td><td>0</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>0</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>0</td></tr></table>						0						0						0
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Tract Royalty Reduction

No

Tract Royalty Rate

0

Tract On-Line Date:

07-105241

MF Number	MF107733 ✓	Tract Number	4																		
Lease Acres	6.2	/	Total Unit Acres 1280 =																		
Tract Participation:	0.0048438	X																			
Lease Royalty	0.125	=	Manual Tract Participation: <table><tr><td></td><td></td><td></td><td></td><td></td><td>0</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>0</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>0</td></tr></table> See Remarks						0						0						0
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Tract Royalty Participation	0.0006055		Manual Tract Royalty: <table><tr><td></td><td></td><td></td><td></td><td></td><td>0</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>0</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>0</td></tr></table>						0						0						0
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Tract Royalty Reduction

No

Tract Royalty Rate

0

Tract On-Line Date:

07-105241

MF Number MF104778 ✓ Tract Number 5
Lease Acres 451 / Total Unit Acres 1280 =
Tract Participation: 0.3523438 X
Lease Royalty 0.125 = Manual Tract Participation: 0 | See Remarks
Tract Royalty Participation 0.0440430 Manual Tract Royalty: 0 |

Tract Royalty Reduction No
Tract Royalty Rate 0
Tract On-Line Date:

 07-105250

MF Number MF105285 ✓ Tract Number 6
Lease Acres 164 / Total Unit Acres 1280 =
Tract Participation: 0.1281250 X
Lease Royalty 0.125 = Manual Tract Participation: 0 | See Remarks
Tract Royalty Participation 0.0160156 Manual Tract Royalty: 0 |

Tract Royalty Reduction No
Tract Royalty Rate 0
Tract On-Line Date:

 07-105250

MF Number MF108664 ✓ Tract Number 7
Lease Acres 2.4 / Total Unit Acres 1280 =
Tract Participation: 0.0018750 X
Lease Royalty 0.125 = Manual Tract Participation: 0 | See Remarks
Tract Royalty Participation 0.0002344 Manual Tract Royalty: 0 |

Tract Royalty Reduction No
Tract Royalty Rate 0
Tract On-Line Date:

 07-105241

API Number

RRC Number

Remarks:

--

Prepared By:

REW

GLO Base Updated By:

M

RAM Approval By:

J/K

GIS By:

AS

Mineral Maps By:

Prepared Date:

02/05/08

GLOBase Date:

2-5-08

RAM Approval Date:

2-7-08

GIS Date:

5-15-08

Mineral Maps Date:

Pooling Committee Report

To: School Land Board

PA08-30

Date of Board Meeting: February 5, 2008

Unit Number: 4194

Effective Date: 2/5/2008

Unit Expiration Date: 2/5/2009

Applicant: PETRO-HUNT L L C

Attorney Rep: Paul Tough

Operator: PETRO-HUNT L L C

County 1: Reeves

County 2:

County 3:

Unit Name: Block 58, State 42 1-H

Field Name: Toyah N.W. (Shale)

<u>Lease Type</u>	<u>MF Number</u>	<u>Lease Royalty</u>	<u>Expiration Date</u>	<u>Lease Term</u>	<u>Lease Acres</u>	<u>Lease Acres in Unit</u>	<u>Royalty Participation</u>
SF	MF104580	0.25	1/18/2010	5 years	129	129	0.0251953
RAL	MF104778	0.125	2/18/2008	3 years	615	451	0.0440430
RAL	MF105285	0.125	9/1/2008	3 years	615	164	0.0160156
RAL	MF105289	0.1	2/8/2008	3 years	69	12.4	0.0009688
RAL	MF107612	0.1	8/1/2008	3 years	133	133	0.0103906
RAL	MF107733	0.125	11/30/2009	3 years	18.6	6.2	0.0006055
RAL	MF108664	0.125	11/15/2010	3 years	2.4	2.4	0.0002344

SF = State Fee RAL = Relinquishment Act FR = Free Royalty UR = Unleased River

Private Acres: 382
State Acres: 898
Total Unit Acres: 1280

Participation Basis:

Surface Acreage

State Acreage: 70.16%

State Unit Royalty: 9.75%

Unit Type: Unitized for:
Temporary Oil & Gas
Term: 12 Months

Well Location:
State Land

RRC Rules: Spacing Acres:
Special Field Rule 1280 Acres

REMARKS:

- Petro-Hunt LLC is requesting 12-month temporary oil and gas pooling of the Barnett and Woodford Shale Formations, defined as the stratigraphic interval or its correlative equivalent occurring from 11,978 feet to 13,040 feet as shown on the Petro-Hunt Block 59 State 35 # 1H well log.
- The applicant spud the vertical unit well on December 20, 2007, to test the Barnett and Woodford Shale Formations. The well has drilled to a depth of 7,894 feet as of January 24, 2008. Proposed total vertical depth is 13,000 feet. The applicant is planning on drilling a 4000 foot horizontal lateral across lease lines.
- With approval of the unit the State's unit royalty participation will be 9.75%.
- The State will participate from the date of first production.
- Approval by the School Land Board in no way ratifies the State leases included in this proposed unit.

POOLING COMMITTEE RECOMMENDATION:

- The Pooling Committee recommends Board approval of a 12-month temporary oil and gas unit under the above-stated provisions.


Jeffee Martinez-Vargas - Office of the Attorney General

1-24-08
Date:


Peter A. Boone - General Land Office

1-24-08
Date:


David Zimmerman - Office of the Governor

1-24-08
Date:



Petro-Hunt, L.L.C.
 Block 58, State 42 1-H Unit
 Toyah N.W. (Shale) Field
 MF104580, MF104778, MF105285,
 MF105289, MF107612, MF107733
 and MF108664
 Reeves County
 PA08-30

NAD_1927_Albers
 Projection: Albers
 False_Easting: 0.000000
 False_Northing: 0.000000
 Central_Meridian: -100.000000
 Standard_Parallel_1: 28.000000
 Standard_Parallel_2: 35.000000
 Latitude_Of_Origin: 31.000000

GCS_North_American_1927
 0 1,000 2,000 Feet



The Texas General Land Office
 makes no representations or
 warranties regarding the accuracy
 or completeness of the information
 depicted on the map or the data
 from which it was produced.
 This map is NOT suitable for
 navigational purposes and does
 not purport to depict or establish
 boundaries between private
 and public land.



Map Compiled By:
 Ferrel Taylor
 Information Systems - GIS
 February 5, 2008

TERM POOLING AGREEMENT
PETRO-HUNT, L.L.C.
BLOCK 58, STATE 42 1-H UNIT
REEVES COUNTY, TEXAS

THIS AGREEMENT is entered into by and between the Commissioner of the General Land Office, on behalf of the State of Texas, as "Lessor" and Petro-Hunt, L.L.C., herein referred to as "Lessee", and such other interested parties as may join in the execution hereof, the undersigned parties herein collectively referred to as the "parties", in consideration of the mutual agreements hereinafter set forth and other valuable considerations, the receipt and sufficiency of which are hereby acknowledged, and for the purposes and upon the terms and conditions which follow:

PURPOSES:

1.

This Pooling Agreement ("Agreement") is made for the purposes of conservation and utilization of the pooled mineral, to prevent waste, to facilitate orderly development and to preserve correlative rights. To such end, it is the purpose of this Agreement to effect equitable participation within the unit formed hereby. This Agreement is intended to be performed pursuant to and in compliance with all applicable statutes, decisions, regulations, rules, orders and directives of any governmental agency having jurisdiction over the production and conservation of the pooled mineral and in its interpretation and application shall, in all things, be subject thereto.

UNIT DESCRIPTION:

2.

The oil and gas leases, which are included within the pooled unit, are listed on the attached Exhibit "A", to which leases and the records thereof reference is here made for all pertinent purposes. The pooled unit shall consist of all of the lands described in Exhibit "B" attached hereto and made a part hereof. A plat of the pooled unit is attached hereto as Exhibit "C".

MINERAL POOLED:

3.

The mineral pooled and unitized ("pooled mineral") hereby shall be oil and gas including all hydrocarbons that may be produced from an oil well or a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to those depths underlying the surface boundaries of the pooled unit in the Barnett and Woodford Shale formations, together defined as the stratigraphic interval or its correlative equivalent occurring from 11,978 feet to 13,040 feet as seen on the log of the Petro-Hunt, L.L.C., Block 59, State 35 No. 1H well ("unitized interval").

POOLING AND EFFECT:

4.

The parties hereto commit all of their interests which are within the unit to the extent and as above described into said unit and unitize and pool hereunder the separate tracts described on the attached Exhibit "B", for and during the term hereof, so that such pooling or unitization shall have the following effect:

- (a) The unit, to the extent as above described, shall be operated as an entirety for the exploration, development and production of the pooled mineral, rather than as separate tracts.
- (b) All drilling operations, reworking or other operations with respect to the pooled mineral on land within the unit shall be considered as though the same were on each separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement. In the event the unitized area covered by this Agreement is maintained in force by drilling or reworking operations conducted on a directional well drilled under the unitized area from a surface location on adjacent or adjoining lands not included within the boundaries of the unitized area, such operations shall be considered to have been commenced on the unitized area when drilling is commenced on the adjacent or adjoining land for the purpose of directionally drilling under the unitized area and production of oil or gas from the unitized area through any directional well surfaced on adjacent or adjoining land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations, as the case may be, on the unitized area for all purposes under this Agreement. Nothing in this Agreement is intended or shall be construed as granting to Lessee any leasehold interest, easements, or other rights in or with respect to any such adjacent or adjoining land in addition to any such leasehold interests, easements, or other rights which the lessee, operator or other interest owner in the unitized area may have lawfully acquired from the state or others.
- (c) Production of the pooled mineral from the unit allocated to each separate tract, respectively, as hereinafter provided, shall be deemed to have been produced from each such separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.
- (d) All rights to the production of the pooled mineral from the unit, including royalties and other payments, shall be determined and governed by the lease or other contract pertaining to each separate tract, respectively, based upon the production so allocated to such tract only, in lieu of the actual production of the pooled mineral therefrom. Provided that, payments that are made on a per acre basis shall be reduced according to the number of acres pooled and included herein, so that payments made on a per acre basis shall be calculated based upon the number of acres actually included within the boundaries of the pooled unit covered by this Agreement.
- (e) A shut-in oil or gas well located upon any land or lease included within said unit shall be considered as a shut-in oil or gas well located upon each land or lease included within said unit; provided, however, that shut-in oil or gas well royalty shall be paid



to the State on each State lease wholly or partially within the unit, according to the terms of such lease as though such shut-in oil or gas well were located on said lease, it being agreed that shut-in royalties provided in each State lease shall not be shared with other royalty owners.

- (f) Notwithstanding any other provision hereof, it is expressly agreed that each State lease may be maintained in force as to areas lying outside the unitized area described in Exhibit "B" only as provided in each such lease without regard to unit operations or unit production. Neither production of the pooled mineral, nor unit operations with respect thereto, nor the payment of shut-in royalties from a unit well, shall serve to hold any State lease in force as to any area outside the unitized area described in Exhibit "B" regardless of whether the production or operations on the unit are actually located on the State lease or not. "Area" as used in this paragraph shall be based upon surface acres to the end that, except as may otherwise be provided in each State Lease, the area inside the surface boundaries of the pooled unit, if held, will be held as to all depths and horizons.
- (g) If the Railroad Commission of Texas (or any other Texas regulatory body having jurisdiction) shall adopt special field rules providing for oil and/or gas proration units of less than 1,280 acres, then Lessee agrees to either (1) drill to the density permitted by the Railroad Commission, (2) make application to the School Land Board of the State of Texas to reform the unit to comply with Railroad Commission unit rules, or (3) make application to the School Land Board of the State of Texas for such remedy as may be agreeable to the Board.
- (h) This Agreement shall not relieve Lessee from the duty of protecting the State leases described in Exhibit "A" and the State lands within the boundaries of the pooled unit described in Exhibit "B" from drainage from any well situated on privately owned land, lying outside the unitized area described in Exhibit "B", but, subject to such obligation, Lessee may produce the allowable for the entire unit as fixed by the Railroad Commission of Texas or other lawful authority, from any one or more wells completed thereon.
- (i) There shall be no obligation to drill internal offsets to any other well on separate tracts within the pooled unit, nor to develop the lands within the boundaries thereof separately, as to the pooled mineral.
- (j) Should this Agreement terminate for any cause, in whole or in part, the leases and other contracts affecting the lands within the unit, if not then otherwise maintained in force and effect, shall remain and may be maintained in force and effect under their respective terms and conditions in the same manner as though there had been production or operations under said lease or contract and the same had ceased on the date of the termination of this Agreement.

ALLOCATION OF PRODUCTION:

5.

For the purpose of computing the share of production of the pooled mineral to which each interest owner shall be entitled from the pooled unit, there shall be allocated to each tract committed to said unit that pro rata portion of the pooled mineral produced from the pooled unit which the number of surface acres covered by each such tract and included in the unit bears to the total number of surface acres included in said unit, and the share of production to which each interest owner is entitled shall be computed on the basis of such owner's interest in the production so allocated to each tract.

TAKING ROYALTY IN KIND:

6.

Notwithstanding anything contained herein to the contrary, the State may, at its option, upon not less than sixty (60) days notice to Lessee, require that payment of all or any royalties accruing to the State under this pooling or unitization agreement be made in kind, without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and otherwise making the oil, gas and other products produced hereunder ready for sale or use.

FULL MARKET VALUE:

7.

In the event the State does not elect to take its royalty in kind, the State shall receive full market value for its royalty hereunder, such value to be determined as follows:

- (a) As to royalty on oil by (1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity for the field where produced and when run, or (2) the highest market price thereof offered or paid for the field where produced and when run, or (3) gross proceeds of the sale thereof, whichever is the greater;
- (b) As to royalty on gas, such value to be based on (1) the highest market price paid or offered for gas of comparable quality for the field where produced and when run, or (2) the gross price paid or offered to the producer, whichever is the greater.

(For the purposes of this Agreement "field" means the general area in which the lands covered hereby are located.)

EFFECTIVE DATE:

8.

Upon execution by the Commissioner of the General Land Office of the State of Texas this Agreement shall become effective as of February 5, 2008.



TERM:

9.

Unless this agreement expires earlier pursuant to the terms of the respective leases included as a part of this Agreement, or on such other date approved by the School Land Board and mutually agreed to by the undersigned parties, their successors or assigns, this Agreement shall expire on February 5, 2009. Nothing herein shall amend or modify Section 52.031 of the Natural Resources Code, or any of the provisions thereof, which are contained in any State lease covered by this Agreement.

STATE LAND:

10.

Insofar as the royalty interest of the State of Texas in and under any State tract committed to the unit is concerned, this Agreement is entered into, made and executed by the undersigned Commissioner of the General Land Office by virtue of the authority and pursuant to the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, authorizing the same, after the prerequisites, findings and approval hereof, as provided in said Code having been duly considered, made and obtained.

DISSOLUTION:

11.

The unit covered by this Agreement may be dissolved by Lessee, his heirs, successors or assigns, by an instrument filed for record in Reeves County, Texas, and a certified copy thereof filed in the General Land Office at any time after the cessation of production on said unit or the completion of a dry hole thereon prior to production or upon such other date as may be approved by the School Land Board and mutually agreed to by the undersigned parties, their successors or assigns.

RATIFICATION/WAIVER:

12.

Nothing in this Agreement, nor the approval of this Agreement by the School Land Board, nor the execution of this Agreement by the Commissioner shall: (1) operate as a ratification or revivor of any State lease that has expired, terminated, or has been released in whole or in part or terminated under the terms of such State lease or the laws applicable thereto; (2) constitute a waiver or release of any claim for money, oil, gas or other hydrocarbons, or other thing due to the State by reason of the existence or failure of such lease; (3) constitute a waiver or release of any claim by the State that such lease is void or voidable for any reason, including, without limitation, violations of the laws of the State with respect to such lease or failure of consideration; (4) constitute a confirmation or recognition of any boundary or acreage of any tract or parcel of land in which the State has or claims an interest; or (5) constitute a ratification of, or a waiver or release of any claim by the State with respect to any violation of a statute, regulation, or any of the common laws of this State, or any breach of any contract, duty, or other obligation owed to the State.

COUNTERPARTS:

13.

This Agreement may be executed in counterparts and if so executed shall be valid, binding and have the same effect as if all the parties hereto actually joined in and executed one and the same document. For recording purposes and in the event counterparts of this Agreement are executed, the executed pages, together with the pages necessary to show acknowledgments, may be combined with the other pages of this Agreement so as to form what shall be deemed and treated as a single original instrument showing execution by all parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement upon the respective dates indicated below.

Date Executed 5/2/09

STATE OF TEXAS

Legal
Content
Geology
Executive

[Signature]

[Signature]
By: Jerry E. Patterson, Commissioner
General Land Office



Date Executed March 10, 2008

PETRO-HUNT, L.L.C.

By: BW Hunt

Bruce W. Hunt

Its: President

*with
3/6/08*

[Signature]

CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on the 5th day of February, 2008, the foregoing instrument was presented to and approved by said Board under the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am custodian.

IN TESTIMONY WHEREOF, witness my hand this the 6th day of May, 2008.

Stephanie Crenshaw
Secretary of the School Land Board

STATE OF TEXAS

COUNTY OF Dallas

This instrument was acknowledged before me on March 10, 2008, 2008, by Bruce W. Hunt
as President of Petro-Hunt, L.L.C., a Delaware
limited liability company on behalf of said company.
corporation on behalf of said corporation.



Susan M. Lecroy
Notary Public in and for the
State of Texas

Chesapeake Exploration, L.L.C.,
an Oklahoma limited liability company

By: _____
Henry J. Hood, Senior Vice President –
Land and Legal & General Counsel

[Handwritten signature]

STATE OF OKLAHOMA)
) §
COUNTY OF OKLAHOMA)

This instrument was acknowledged before me on this 1st day of April, 2007, by Henry J. Hood, as Senior Vice President - Land and Legal & General Counsel of Chesapeake Exploration, L.L.C. on behalf of said limited liability company.

Anne Rawlins
Notary Public

My Commission Expires: 09/28/2011
Commission Number: 07009181



00.014

Exhibit A
Schedule of Leases
Block 58, State 42 1-H Unit

Tract 1: Section 41: W/2 129 Acres MF No. 104580

LESSOR	LESSEE	LEASE DATE	RECORDING DATE REEVES COUNTY
General Land Office State of Texas	Petro-Hunt L.L.C.	1/18/05	Vol. 703 Page 289

Tract 2: Section 41: NE 1/4 133 Acres MF No. 107612

LESSOR	LESSEE	LEASE DATE	RECORDING DATE REEVES COUNTY
Cathy Crist	Petro-Hunt L.L.C.	8/1/05	Vol. 721 Page 461
Louise Johnson Moranetz	Petro-Hunt L.L.C.	8/1/05	Vol. 721 Page 490
Londa Beth Johnson	Petro-Hunt L.L.C.	8/1/05	Vol. 721 Page 480
Charles L. Wyatt, Jr.	Petro-Hunt L.L.C.	8/1/05	Vol. 721 Page 500
Laura Lynn Johnson Ciaramella	Petro-Hunt L.L.C.	8/1/05	Vol. 721 Page 471
Gary Brent Wyatt	Petro-Hunt L.L.C.	8/1/05	Vol. 721 Page 510
Bernie Byron Wyatt	Petro-Hunt L.L.C.	8/1/05	Vol. 739 Page 491

Tract 3: Section 41: South 18.6 Acres of SE 1/4 MF No. 105289 & 107733

LESSOR	LESSEE	LEASE DATE	RECORDING DATE REEVES COUNTY
Fred P. Armstrong (MF 105289)	Petro-Hunt L.L.C.	2/8/05	Vol. 700 Page 149
Betty B. Armstrong	Petro-Hunt L.L.C.	11/30/06	Vol. 753 Page 505
April Armstrong Perez	Petro-Hunt L.L.C.	11/30/06	Vol. 753 Page 527
Weldon Scott Armstrong	Petro-Hunt L.L.C.	11/30/06	Vol. 753 Page 516
David Armstrong	Petro-Hunt L.L.C.	11/30/06	Vol. 753 Page 494
John Cole Armstrong	Petro-Hunt L.L.C.	11/30/06	Vol. 753 Page 483

Tract 4: Section 41: North 2.4 Acres of SE 1/4 MF No. 108664

LESSOR	LESSEE	LEASE DATE	RECORDING DATE REEVES COUNTY
Kelly Baxter	Petro-Hunt L.L.C.	11/5/05	Vol. 781 Page 471

Tract 5: All of Section 42: 615 Acres MF No. 104778 & 105285

LESSOR	LESSEE	LEASE DATE	RECORDING DATE REEVES COUNTY
Anne Covington Henderson	Petro-Hunt L.L.C.	10/21/07	Vol. 788 Page 542
Jane Covington Drake	Petro-Hunt L.L.C.	10/21/07	Vol. 788 Page 533
Ted Michael Covington	Petro-Hunt L.L.C.	10/21/07	Vol. 778 Page 524
Dela Minerals	Petro-Hunt L.L.C.	2/18/05	Vol. 707 Page 241
Estate of Nellie May Gohlke	Petro-Hunt L.L.C.	4/6/07	Vol. 724 Page 462
Wells Fargo Bank Mary Hewitt Trust	Petro-Hunt L.L.C.	9/1/05	Vol. 724 Page 31
Wells Fargo Mary Tippins Trust	Petro-Hunt L.L.C.	9/1/05	Vol. 724 Page 16
Wells Fargo Bank Esther Shumon Trust	Petro-Hunt L.L.C.	9/1/05	Vol. 781 Page 1
Scottish Rite Hospital	Petro-Hunt L.L.C.	12/1/05	Vol. 721 Page 249
Catherine F. Wall Tr. B	Petro-Hunt L.L.C.	12/1/05	Vol. 724 Page 82
D.D. Wall Tr. B	Petro-Hunt L.L.C.	12/1/05	Vol. 724 Page 97
Catherine F. Wall Tr. A	Petro-Hunt L.L.C.	12/1/05	Vol. 726 Page 625
D.D. Wall Tr. A.	Petro-Hunt L.L.C.	12/1/05	Vol. 726 Page 639

Private Lands Leases in Unit North 382 Acres of R.E. Montgomery Survey A-538

LESSOR	LESSEE	LEASE DATE	RECORDING DATE REEVES COUNTY
Belinda Harrington	Petro-Hunt L.L.C.	11/29/07	Vol. 779 Page 772
Arwilda Harrington	Petro-Hunt L.L.C.	11/3/04	Vol. 687 Page 799
P.D. Sams	Petro-Hunt L.L.C.	11/24/07	Vol. 775 Page 455
Diane H. Leinweber	Petro-Hunt L.L.C.	11/3/07	Vol. 687 Page 144
White Living Trust	Petro-Hunt L.L.C.	9/25/07	Vol. 779 Page 520
Anne Louise Leeds	Petro-Hunt L.L.C.	9/26/07	Vol. 779 Page 526
Helen R. Baumgartner	Petro-Hunt L.L.C.	9/25/07	Vol. 779 Page 524
Estate of I.J. Kahn	Petro-Hunt L.L.C.	12/6/07	Vol. 781 Page 481
Merle B. Taylor	Petro-Hunt L.L.C.	10/15/07	Vol. 779 Page 528
Fasken Foundation	Petro-Hunt L.L.C.	4/18/06	Vol. 743 Page 313
Wells Fargo Bank Susan Fasken Hartin Management Trust	Petro-Hunt L.L.C.	5/1/08	Vol. 791 Page 849
Wells Fargo Bank Fasken Family LP	Petro-Hunt L.L.C.	5/1/08	Vol. 791 Page 844
G.R. Fasken	Petro-Hunt L.L.C.	4/18/06	Vol. 791 Page 826
Steven Price Fasken Revocable Trust	Petro-Hunt L.L.C.	4/18/06	Vol. 791 Page 830
Frank Andrew Fasken	Petro-Hunt L.L.C.	4/18/06	Vol. 791 Page 838

Exhibit B
Unit Lands
Block 58 State 42 1-H Unit

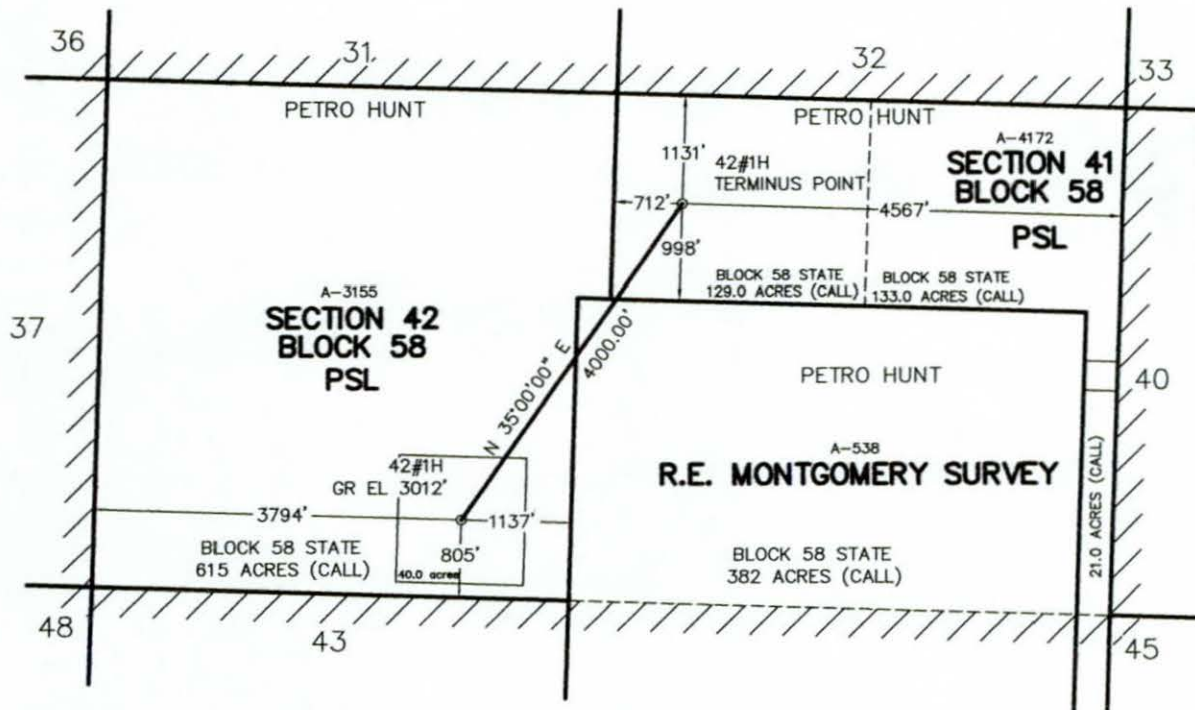
The Unit Lands are located in Reeves County, Texas

283 acres of land being all of Section 41, Block 58, PSL Survey

615 acres of land being all of Section 42, Block 58, PSL Survey

382 acres being the north 382 acres of the R.E. Montgomery Survey A-538

EXHIBIT C
Plat of Unit Lands
Block 58 State 42 1-H Unit



TOTAL LEASE ACREAGE =
1280 ACRES (CALL)

NOTE: THIS PERMIT PLAT HAS BEEN PREPARED FROM A CERTIFIED SURVEY PLAT
ON FILE IN THE OFFICE OF WATSON & ASSOCIATES, MIDLAND, TEXAS.

NAD 83, TEXAS CENTRAL ZONE COORDINATES (HERE POSITION)

SURFACE LOCATION:

OF THE 42#1H: N=10494662.6', E=1189024.7'.

LATITUDE & LONGITUDE OF THE 42#1H:

LATITUDE=31°24'40.3", LONGITUDE=-103°53'03.7".

TERMINUS POINT:

OF THE 42#1H: N=10497939.2', E=1191319.0'.

LATITUDE & LONGITUDE OF THE 42#1H:

LATITUDE=31°25'13.4", LONGITUDE=-103°52'38.4".

APPROXIMATELY 7.9 MILES NORTHWEST OF TOYAH, TEXAS



GRID
SCALE 1"=2000'

PERMIT PLAT
PETRO-HUNT, L.L.C.
BLOCK 58 STATE 42#1H
SURFACE LOCATION: 805' FSL & 1137 FEL
SECTION 42,
TERMINUS POINT: 998' FSL & 712' FWL
SECTION 41,
BLOCK 58, PSL SURVEY
REEVES COUNTY, TEXAS

WATSON & ASSOCIATES OF MIDLAND, INC.



P.O. DRAWER 11186
MIDLAND, TEXAS 79702
(432) 520-9200
FAX (432) 520-9212
(800) 495-6443

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT THE SURVEY
INFORMATION FOUND ON THIS PLAT WAS DERIVED FROM ACTUAL FIELD
NOTES OF ON-THE-GROUND SURVEYS MADE BY ME OR UNDER MY
SUPERVISION AND IS TRUE AND CORRECT TO THE BEST OF MY
KNOWLEDGE AND BELIEF. NO WARRANTY IS MADE OR INTENDED FOR THE
LOCATION OF ANY OR ALL EASEMENTS THAT MAY EXIST WITHIN THE
BOUNDS OF THIS SURVEY. THE INFORMATION PRESENTED HEREON IS FOR
THE PRIVATE USE OF THE PARTY NAMED IN THE "REFERENCE PORTION"
OF THE TITLE BLOCK AND DOES NOT CONSTITUTE A COMPLETE
BOUNDARY SURVEY AS DEFINED BY THE "PROFESSIONAL LAND SURVEYING
PRACTICES ACT."

REGISTERED PROFESSIONAL LAND SURVEYOR

1/9/08

1980

DATE

RPLS

CONSULTING ENGINEERS, LAND SURVEYORS & PLANNERS

DATE: OCTOBER 13, 2007 ACAD FILE: BLOCK 59 PSL 6 30 07.DWG

F/B 571/61, STAKED 11/4/07, DRAWN BY: TA

W-504-07 REVISED 1/8/08, 1/9/08

10

File No: MT 704589
Police Committee Report
4 John Poling Agreement

Date Filed: 5/7/08
By: Jerry E. Patterson, Commissioner

4100

McELROY, SULLIVAN & MILLER, L.L.P.

Attorneys at Law

MAILING ADDRESS

P.O. BOX 12127
AUSTIN, TX 78711

1201 SPYGLASS DRIVE
SUITE 200
AUSTIN, TX 78746

TELEPHONE

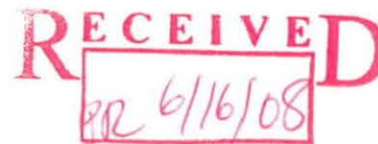
(512) 327-8111

FAX

(512) 327-6566

June 16, 2008

Mr. J. Daryl Morgan, CPL
Energy Resources Division
Texas General Land Office
Stephen F. Austin Building, 6th Floor
1700 No. Congress Avenue
Austin, Texas 78701-1495



Re: Block 58, State 42 1-H Unit, Reeves County, Texas *M-104580*

Dear Mr. Morgan:

Chesapeake Exploration, LLC requests permission to substitute the attached corrected Exhibit A to for the original Exhibit A for this pooling agreement.

With the agreement of Petro-Hunt, the operator of record, Chesapeake has assumed operations of this unit under a Joint Operating Agreement. After assuming operations, Chesapeake discovered certain unleased undivided mineral interests in the private acreage in the R.E. Montgomery Survey, A-538. Chesapeake has leased those interests and now desires to correct Exhibit A. These interests are the various Fasken interests shown as the last five entries on the corrected Exhibit A, all filed in Volume 791 of the Official Records of Reeves County.

The correction of Exhibit A does not add any land to the unit, and no changes are required in Exhibit B or C. It also does not change the State's interest in the unit.

If this filing is acceptable, I would appreciate a letter acknowledging receipt of the filing.

Sincerely,

A handwritten signature in blue ink, appearing to read "Clark Jobe", with a long horizontal flourish extending to the right.

Clark Jobe

Enclosure

Exhibit A
Schedule of Leases
Block 58, State 42 1-H Unit

Tract 1: Section 41: W/2 129 Acres MF No. 104580

LESSOR	LESSEE	LEASE DATE	RECORDING DATE REEVES COUNTY
General Land Office State of Texas	Petro-Hunt L.L.C.	1/18/05	Vol. 703 Page 289

Tract 2: Section 41: NE 1/4 133 Acres MF No. 107612

LESSOR	LESSEE	LEASE DATE	RECORDING DATE REEVES COUNTY
Cathy Crist	Petro-Hunt L.L.C.	8/1/05	Vol. 721 Page 461
Louise Johnson Moranetz	Petro-Hunt L.L.C.	8/1/05	Vol. 721 Page 490
Londa Beth Johnson	Petro-Hunt L.L.C.	8/1/05	Vol. 721 Page 480
Charles L. Wyatt, Jr.	Petro-Hunt L.L.C.	8/1/05	Vol. 721 Page 500
Laura Lynn Johnson Ciaramella	Petro-Hunt L.L.C.	8/1/05	Vol. 721 Page 471
Gary Brent Wyatt	Petro-Hunt L.L.C.	8/1/05	Vol. 721 Page 510
Bernie Byron Wyatt	Petro-Hunt L.L.C.	8/1/05	Vol. 739 Page 491

Tract 3: Section 41: South 18.6 Acres of SE 1/4 MF No. 105289 & 107733

LESSOR	LESSEE	LEASE DATE	RECORDING DATE REEVES COUNTY
Fred P. Armstrong (MF 105289)	Petro-Hunt L.L.C.	2/8/05	Vol. 700 Page 149
Betty B. Armstrong	Petro-Hunt L.L.C.	11/30/06	Vol. 753 Page 505
April Armstrong Perez	Petro-Hunt L.L.C.	11/30/06	Vol. 753 Page 527
Weldon Scott Armstrong	Petro-Hunt L.L.C.	11/30/06	Vol. 753 Page 516
David Armstrong	Petro-Hunt L.L.C.	11/30/06	Vol. 753 Page 494
John Cole Armstrong	Petro-Hunt L.L.C.	11/30/06	Vol. 753 Page 483

Tract 4: Section 41: North 2.4 Acres of SE 1/4 MF No. 108664

LESSOR	LESSEE	LEASE DATE	RECORDING DATE REEVES COUNTY
Kelly Baxter	Petro-Hunt L.L.C.	11/5/05	Vol. 781 Page 471

Tract 5: All of Section 42: 615 Acres MF No. 104778 & 105285

LESSOR	LESSEE	LEASE DATE	RECORDING DATE REEVES COUNTY
Anne Covington Henderson	Petro-Hunt L.L.C.	10/21/07	Vol. 788 Page 542
Jane Covington Drake	Petro-Hunt L.L.C.	10/21/07	Vol. 788 Page 533
Ted Michael Covington	Petro-Hunt L.L.C.	10/21/07	Vol. 778 Page 524
Dela Minerals	Petro-Hunt L.L.C.	2/18/05	Vol. 707 Page 241
Estate of Nellie May Gohlke	Petro-Hunt L.L.C.	4/6/07	Vol. 724 Page 462
Wells Fargo Bank Mary Hewitt Trust	Petro-Hunt L.L.C.	9/1/05	Vol. 724 Page 31
Wells Fargo Mary Tippins Trust	Petro-Hunt L.L.C.	9/1/05	Vol. 724 Page 16
Wells Fargo Bank Esther Shumon Trust	Petro-Hunt L.L.C.	9/1/05	Vol. 781 Page 1
Scottish Rite Hospital	Petro-Hunt L.L.C.	12/1/05	Vol. 721 Page 249
Catherine F. Wall Tr. B	Petro-Hunt L.L.C.	12/1/05	Vol. 724 Page 82
D.D. Wall Tr. B	Petro-Hunt L.L.C.	12/1/05	Vol. 724 Page 97
Catherine F. Wall Tr. A	Petro-Hunt L.L.C.	12/1/05	Vol. 726 Page 625
D.D. Wall Tr. A.	Petro-Hunt L.L.C.	12/1/05	Vol. 726 Page 639

Private Lands Leases in Unit North 382 Acres of R.E. Montgomery Survey A-538

LESSOR	LESSEE	LEASE DATE	RECORDING DATE REEVES COUNTY
Belinda Harrington	Petro-Hunt L.L.C.	11/29/07	Vol. 779 Page 772
Arwilda Harrington	Petro-Hunt L.L.C.	11/3/04	Vol. 687 Page 799
P.D. Sams	Petro-Hunt L.L.C.	11/24/07	Vol. 775 Page 455
Diane H. Leinweber	Petro-Hunt L.L.C.	11/3/07	Vol. 687 Page 144
White Living Trust	Petro-Hunt L.L.C.	9/25/07	Vol. 779 Page 520
Anne Louise Leeds	Petro-Hunt L.L.C.	9/26/07	Vol. 779 Page 526
Helen R. Baumgartner	Petro-Hunt L.L.C.	9/25/07	Vol. 779 Page 524
Estate of I.J. Kahn	Petro-Hunt L.L.C.	12/6/07	Vol. 781 Page 481
Merle B. Taylor	Petro-Hunt L.L.C.	10/15/07	Vol. 779 Page 528
Fasken Foundation	Petro-Hunt L.L.C.	4/18/06	Vol. 743 Page 313
Wells Fargo Bank Susan Fasken Hartin Management Trust	Petro-Hunt L.L.C.	5/1/08	Vol. 791 Page 849
Wells Fargo Bank Fasken Family LP	Petro-Hunt L.L.C.	5/1/08	Vol. 791 Page 844
G.R. Fasken	Petro-Hunt L.L.C.	4/18/06	Vol. 791 Page 826
Steven Price Fasken Revocable Trust	Petro-Hunt L.L.C.	4/18/06	Vol. 791 Page 830
Frank Andrew Fasken	Petro-Hunt L.L.C.	4/18/06	Vol. 791 Page 838

11

File No. M-104590
LT- From Clark Johns

Date Filed: 6/16/08
Jerry E. Patterson, Commissioner
By Daryl Morgan



June 16, 2008

Mr. Clark Jobe
McElroy, Sullivan & Miller, L.L.P.
P. O. Box 12127
Austin, Texas 78711-2127

RE: Pooling Agreement
Chesapeake Exploration, LLC/
Petro-Hunt
Block 58, State 42 1-H Unit
Reeves County, Texas

Dear Mr. Jobe:

I hereby acknowledge receipt of your letter dated June 16, 2008, and the revised Exhibit "A", to the Block 58, State 42 1-H Unit. These revisions do not change the participation of the State and are acceptable to the General Land Office. I have substituted the revised Exhibit "A" for the one previously attached to the Pooling Agreement.

Thank you for your assistance with this matter, if you have any questions, please do not hesitate to contact me.

Sincerely,

J. Daryl Morgan, CPL
Energy Resources Division
(512) 305-9106

File No. M-104580
Ltr. to Clerk Labe

Date Filed: 6/16/08

Jerry E. Patterson, Commissioner

By Daryl Morgan

McELROY, SULLIVAN & MILLER, L.L.P.

Attorneys at Law

MAILING ADDRESS

P.O. BOX 12127
AUSTIN, TX 78711

1201 SPYGLASS DRIVE
SUITE 200
AUSTIN, TX 78746

TELEPHONE

(512) 327-8111

FAX

(512) 327-6566

October 16, 2008

Mr. J. Daryl Morgan, CPL
Energy Resources Division
Texas General Land Office
Stephen F. Austin Building, 6th Floor
1700 No. Congress Avenue
Austin, Texas 78701-1495

Re: Block 58, State 42 #1H Unit, Reeves County *M-104580*

Dear Mr. Morgan:

Enclosed for your records is a certified copy of the Term Pooling Agreement for this unit, as recorded in Book 804, page 333 of the Official Records of Reeves County.

Thank you for your assistance with this matter. Please let me know if I can answer any questions regarding this filing.

Sincerely,



Clark Jobe

Enclosure

FILE# 4127

TERM POOLING AGREEMENT
PETRO-HUNT, L.L.C.
BLOCK 58, STATE 42 1-H UNIT
REEVES COUNTY, TEXAS

THIS AGREEMENT is entered into by and between the Commissioner of the General Land Office, on behalf of the State of Texas, as "Lessor" and Petro-Hunt, L.L.C., herein referred to as "Lessee", and such other interested parties as may join in the execution hereof, the undersigned parties herein collectively referred to as the "parties", in consideration of the mutual agreements hereinafter set forth and other valuable considerations, the receipt and sufficiency of which are hereby acknowledged, and for the purposes and upon the terms and conditions which follow:

PURPOSES:

1.

This Pooling Agreement ("Agreement") is made for the purposes of conservation and utilization of the pooled mineral, to prevent waste, to facilitate orderly development and to preserve correlative rights. To such end, it is the purpose of this Agreement to effect equitable participation within the unit formed hereby. This Agreement is intended to be performed pursuant to and in compliance with all applicable statutes, decisions, regulations, rules, orders and directives of any governmental agency having jurisdiction over the production and conservation of the pooled mineral and in its interpretation and application shall, in all things, be subject thereto.

UNIT DESCRIPTION:

2.

The oil and gas leases, which are included within the pooled unit, are listed on the attached Exhibit "A", to which leases and the records thereof reference is here made for all pertinent purposes. The pooled unit shall consist of all of the lands described in Exhibit "B" attached hereto and made a part hereof. A plat of the pooled unit is attached hereto as Exhibit "C".

MINERAL POOLED:

3.

The mineral pooled and unitized ("pooled mineral") hereby shall be oil and gas including all hydrocarbons that may be produced from an oil well or a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to those depths underlying the surface boundaries of the pooled unit in the Barnett and Woodford Shale formations, together defined as the stratigraphic interval or its correlative equivalent occurring from 11,978 feet to 13,040 feet as seen on the log of the Petro-Hunt, L.L.C., Block 59, State 35 No. 1H well ("unitized interval").

POOLING AND EFFECT:

4.

The parties hereto commit all of their interests which are within the unit to the extent and as above described into said unit and unitize and pool hereunder the separate tracts described on the attached Exhibit "B", for and during the term hereof, so that such pooling or unitization shall have the following effect:

- (a) The unit, to the extent as above described, shall be operated as an entirety for the exploration, development and production of the pooled mineral, rather than as separate tracts.
- (b) All drilling operations, reworking or other operations with respect to the pooled mineral on land within the unit shall be considered as though the same were on each separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement. In the event the unitized area covered by this Agreement is maintained in force by drilling or reworking operations conducted on a directional well drilled under the unitized area from a surface location on adjacent or adjoining lands not included within the boundaries of the unitized area, such operations shall be considered to have been commenced on the unitized area when drilling is commenced on the adjacent or adjoining land for the purpose of directionally drilling under the unitized area and production of oil or gas from the unitized area through any directional well surfaced on adjacent or adjoining land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations, as the case may be, on the unitized area for all purposes under this Agreement. Nothing in this Agreement is intended or shall be construed as granting to Lessee any leasehold interest, easements, or other rights in or with respect to any such adjacent or adjoining land in addition to any such leasehold interests, easements, or other rights which the lessee, operator or other interest owner in the unitized area may have lawfully acquired from the state or others.
- (c) Production of the pooled mineral from the unit allocated to each separate tract, respectively, as hereinafter provided, shall be deemed to have been produced from each such separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.
- (d) All rights to the production of the pooled mineral from the unit, including royalties and other payments, shall be determined and governed by the lease or other contract pertaining to each separate tract, respectively, based upon the production so allocated to such tract only, in lieu of the actual production of the pooled mineral therefrom. Provided that, payments that are made on a per acre basis shall be reduced according to the number of acres pooled and included herein, so that payments made on a per acre basis shall be calculated based upon the number of acres actually included within the boundaries of the pooled unit covered by this Agreement.
- (e) A shut-in oil or gas well located upon any land or lease included within said unit shall be considered as a shut-in oil or gas well located upon each land or lease included within said unit; provided, however, that shut-in oil or gas well royalty shall be paid

00074



True and Correct
copy of
Original filed in
Reeves County
Clerks Office

to the State on each State lease wholly or partially within the unit, according to the terms of such lease as though such shut-in oil or gas well were located on said lease, it being agreed that shut-in royalties provided in each State lease shall not be shared with other royalty owners.

- (f) Notwithstanding any other provision hereof, it is expressly agreed that each State lease may be maintained in force as to areas lying outside the unitized area described in Exhibit "B" only as provided in each such lease without regard to unit operations or unit production. Neither production of the pooled mineral, nor unit operations with respect thereto, nor the payment of shut-in royalties from a unit well, shall serve to hold any State lease in force as to any area outside the unitized area described in Exhibit "B" regardless of whether the production or operations on the unit are actually located on the State lease or not. "Area" as used in this paragraph shall be based upon surface acres to the end that, except as may otherwise be provided in each State Lease, the area inside the surface boundaries of the pooled unit, if held, will be held as to all depths and horizons.
- (g) If the Railroad Commission of Texas (or any other Texas regulatory body having jurisdiction) shall adopt special field rules providing for oil and/or gas proration units of less than 1,280 acres, then Lessee agrees to either (1) drill to the density permitted by the Railroad Commission, (2) make application to the School Land Board of the State of Texas to reform the unit to comply with Railroad Commission unit rules, or (3) make application to the School Land Board of the State of Texas for such remedy as may be agreeable to the Board.
- (h) This Agreement shall not relieve Lessee from the duty of protecting the State leases described in Exhibit "A" and the State lands within the boundaries of the pooled unit described in Exhibit "B" from drainage from any well situated on privately owned land, lying outside the unitized area described in Exhibit "B", but, subject to such obligation, Lessee may produce the allowable for the entire unit as fixed by the Railroad Commission of Texas or other lawful authority, from any one or more wells completed thereon.
- (i) There shall be no obligation to drill internal offsets to any other well on separate tracts within the pooled unit, nor to develop the lands within the boundaries thereof separately, as to the pooled mineral.
- (j) Should this Agreement terminate for any cause, in whole or in part, the leases and other contracts affecting the lands within the unit, if not then otherwise maintained in force and effect, shall remain and may be maintained in force and effect under their respective terms and conditions in the same manner as though there had been production or operations under said lease or contract and the same had ceased on the date of the termination of this Agreement.

ALLOCATION OF PRODUCTION:

5.

For the purpose of computing the share of production of the pooled mineral to which each interest owner shall be entitled from the pooled unit, there shall be allocated to each tract committed to said unit that pro rata portion of the pooled mineral produced from the pooled unit which the number of surface acres covered by each such tract and included in the unit bears to the total number of surface acres included in said unit, and the share of production to which each interest owner is entitled shall be computed on the basis of such owner's interest in the production so allocated to each tract.

TAKING ROYALTY IN KIND:

6.

Notwithstanding anything contained herein to the contrary, the State may, at its option, upon not less than sixty (60) days notice to Lessee, require that payment of all or any royalties accruing to the State under this pooling or unitization agreement be made in kind, without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and otherwise making the oil, gas and other products produced hereunder ready for sale or use.

FULL MARKET VALUE:

7.

In the event the State does not elect to take its royalty in kind, the State shall receive full market value for its royalty hereunder, such value to be determined as follows:

- (a) As to royalty on oil by (1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity for the field where produced and when run, or (2) the highest market price thereof offered or paid for the field where produced and when run, or (3) gross proceeds of the sale thereof, whichever is the greater;
- (b) As to royalty on gas, such value to be based on (1) the highest market price paid or offered for gas of comparable quality for the field where produced and when run, or (2) the gross price paid or offered to the producer, whichever is the greater.

(For the purposes of this Agreement "field" means the general area in which the lands covered hereby are located.)

EFFECTIVE DATE:

8.

Upon execution by the Commissioner of the General Land Office of the State of Texas this Agreement shall become effective as of February 5, 2008.

2

00014



True and Correct
copy of
Original filed in
Reeves County
Clerks Office

TERM:

9.

Unless this agreement expires earlier pursuant to the terms of the respective leases included as a part of this Agreement, or on such other date approved by the School Land Board and mutually agreed to by the undersigned parties, their successors or assigns, this Agreement shall expire on February 5, 2009. Nothing herein shall amend or modify Section 52.031 of the Natural Resources Code, or any of the provisions thereof, which are contained in any State lease covered by this Agreement.

STATE LAND:

10.

Insofar as the royalty interest of the State of Texas in and under any State tract committed to the unit is concerned, this Agreement is entered into, made and executed by the undersigned Commissioner of the General Land Office by virtue of the authority and pursuant to the provisions of Subchapter E, Chapter 52 of the Natural Resources Code, authorizing the same, after the prerequisites, findings and approval hereof, as provided in said Code having been duly considered, made and obtained.

DISSOLUTION:

11.

The unit covered by this Agreement may be dissolved by Lessee, his heirs, successors or assigns, by an instrument filed for record in Reeves County, Texas, and a certified copy thereof filed in the General Land Office at any time after the cessation of production on said unit or the completion of a dry hole thereon prior to production or upon such other date as may be approved by the School Land Board and mutually agreed to by the undersigned parties, their successors or assigns.

RATIFICATION/WAIVER:

12.

Nothing in this Agreement, nor the approval of this Agreement by the School Land Board, nor the execution of this Agreement by the Commissioner shall: (1) operate as a ratification or revivor of any State lease that has expired, terminated, or has been released in whole or in part or terminated under the terms of such State lease or the laws applicable thereto; (2) constitute a waiver or release of any claim for money, oil, gas or other hydrocarbons, or other thing due to the State by reason of the existence or failure of such lease; (3) constitute a waiver or release of any claim by the State that such lease is void or voidable for any reason, including, without limitation, violations of the laws of the State with respect to such lease or failure of consideration; (4) constitute a confirmation or recognition of any boundary or acreage of any tract or parcel of land in which the State has or claims an interest; or (5) constitute a ratification of, or a waiver or release of any claim by the State with respect to any violation of a statute, regulation, or any of the common laws of this State, or any breach of any contract, duty, or other obligation owed to the State.

COUNTERPARTS:

13.

This Agreement may be executed in counterparts and if so executed shall be valid, binding and have the same effect as if all the parties hereto actually joined in and executed one and the same document. For recording purposes and in the event counterparts of this Agreement are executed, the executed pages, together with the pages necessary to show acknowledgments, may be combined with the other pages of this Agreement so as to form what shall be deemed and treated as a single original instrument showing execution by all parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement upon the respective dates indicated below.

Date Executed 5/2/08

STATE OF TEXAS

Legal
Content
Geology
Executive

[Signature]
[Signature]

By: *[Signature]*
Jerry E. Patterson, Commissioner
General Land Office



80-074



True and Correct
copy of
Original filed in
Reeves County
Clerks Office

Date Executed March 10, 2008

PETRO-HUNT, L.L.C.

By: *B. W. Hunt*
Bruce W. Hunt
 Its: President

with 3/10/08
3/10/08

CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on the 5th day of February, 2008, the foregoing instrument was presented to and approved by said Board under the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am custodian.

IN TESTIMONY WHEREOF, witness my hand this the 10th day of May, 2008.

Stephanie Crenshaw
 Secretary of the School Land Board

STATE OF TEXAS

COUNTY OF Dallas

This instrument was acknowledged before me on March 10, 2008, by Bruce W. Hunt
 as Proxal President of Petro-Hunt, L.L.C., a Delaware
limited liability company incorporated in said company.



Susan M. Lecroy
 Notary Public in and for the
 State of Texas

00014



True and Correct
 copy of
 Original filed in
 Reeves County
 Clerks Office

Chesapeake Exploration, L.L.C.,
an Oklahoma limited liability company

By: [Signature]
Henry J. Hood, Senior Vice President -
Land and Legal & General Counsel

[Handwritten initials]

STATE OF OKLAHOMA)
)
COUNTY OF OKLAHOMA) §

This instrument was acknowledged before me on this 1st day of April, 2007, by Henry J. Hood, as Senior Vice President - Land and Legal & General Counsel of Chesapeake Exploration, L.L.C. on behalf of said limited liability company.

[Signature: Anne Rawlins]
Notary Public

My Commission Expires: 09/28/2011
Commission Number: 07009181



00.014



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Reeves County
Clerks Office

**Exhibit A
Schedule of Leases
Block 58, State 42 1-H Unit**

Tract 1: Section 41: W/2 129 Acres MF No. 104580

LESSOR	LESSEE	LEASE DATE	RECORDING DATE REEVES COUNTY
General Land Office State of Texas	Petro-Hunt L.L.C.	1/18/05	Vol. 703 Page 289

Tract 2: Section 41: NE 1/4 133 Acres MF No. 107612

LESSOR	LESSEE	LEASE DATE	RECORDING DATE REEVES COUNTY
Cathy Crist	Petro-Hunt L.L.C.	8/1/05	Vol. 721 Page 461
Louise Johnson Moranetz	Petro-Hunt L.L.C.	8/1/05	Vol. 721 Page 490
Londa Beth Johnson	Petro-Hunt L.L.C.	8/1/05	Vol. 721 Page 480
Charles L. Wyatt, Jr.	Petro-Hunt L.L.C.	8/1/05	Vol. 721 Page 500
Laura Lynn Johnson Ciaramella	Petro-Hunt L.L.C.	8/1/05	Vol. 721 Page 471
Gary Brent Wyatt	Petro-Hunt L.L.C.	8/1/05	Vol. 721 Page 510
Bernie Byron Wyatt	Petro-Hunt L.L.C.	8/1/05	Vol. 739 Page 491

Tract 3: Section 41: South 18.6 Acres of SE 1/4 MF No. 105289 & 107733

LESSOR	LESSEE	LEASE DATE	RECORDING DATE REEVES COUNTY
Fred P. Armstrong (MF 105289)	Petro-Hunt L.L.C.	2/8/05	Vol. 700 Page 149
Betty B. Armstrong	Petro-Hunt L.L.C.	11/30/06	Vol. 753 Page 505
April Armstrong Perez	Petro-Hunt L.L.C.	11/30/06	Vol. 753 Page 527
Weldon Scott Armstrong	Petro-Hunt L.L.C.	11/30/06	Vol. 753 Page 516
David Armstrong	Petro-Hunt L.L.C.	11/30/06	Vol. 753 Page 494
John Cole Armstrong	Petro-Hunt L.L.C.	11/30/06	Vol. 753 Page 483

Tract 4: Section 41: North 2.4 Acres of SE 1/4 MF No. 108664

LESSOR	LESSEE	LEASE DATE	RECORDING DATE REEVES COUNTY
Kelly Baxter	Petro-Hunt L.L.C.	11/5/05	Vol. 781 Page 471



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Tract 5: All of Section 42: 615 Acres MF No. 104778 & 105285

LESSOR	LESSEE	LEASE DATE	RECORDING DATE REEVES COUNTY
Anne Covington Henderson	Petro-Hunt L.L.C.	10/21/07	Vol. 788 Page 542
Jane Covington Drake	Petro-Hunt L.L.C.	10/21/07	Vol. 788 Page 533
Ted Michael Covington	Petro-Hunt L.L.C.	10/21/07	Vol. 778 Page 524
Dela Minerals	Petro-Hunt L.L.C.	2/18/05	Vol. 707 Page 241
Estate of Nellie May Gohlke	Petro-Hunt L.L.C.	4/6/07	Vol. 724 Page 462
Wells Fargo Bank Mary Hewitt Trust	Petro-Hunt L.L.C.	9/1/05	Vol. 724 Page 31
Wells Fargo Bank Mary Tippins Trust	Petro-Hunt L.L.C.	9/1/05	Vol. 724 Page 16
Wells Fargo Bank Esther Shumon Trust	Petro-Hunt L.L.C.	9/1/05	Vol. 781 Page 1
Scottish Rite Hospital	Petro-Hunt L.L.C.	12/1/05	Vol. 721 Page 249
Catherine F. Wall Tr. B	Petro-Hunt L.L.C.	12/1/05	Vol. 724 Page 82
D.D. Wall Tr. B	Petro-Hunt L.L.C.	12/1/05	Vol. 724 Page 97
Catherine F. Wall Tr. A	Petro-Hunt L.L.C.	12/1/05	Vol. 726 Page 625
D.D. Wall Tr. A.	Petro-Hunt L.L.C.	12/1/05	Vol. 726 Page 639

Private Lands Leases in Unit North 382 Acres of R.E. Montgomery Survey A-538

LESSOR	LESSEE	LEASE DATE	RECORDING DATE REEVES COUNTY
Belinda Harrington	Petro-Hunt L.L.C.	11/29/07	Vol. 779 Page 772
Arwilda Harrington	Petro-Hunt L.L.C.	11/3/04	Vol. 687 Page 799
P.D. Sams	Petro-Hunt L.L.C.	11/24/07	Vol. 775 Page 455
Diane H. Leinweber	Petro-Hunt L.L.C.	11/3/07	Vol. 687 Page 144
White Living Trust	Petro-Hunt L.L.C.	9/25/07	Vol. 779 Page 520
Anne Louise Leeds	Petro-Hunt L.L.C.	9/26/07	Vol. 779 Page 526
Helen R. Baumgartner	Petro-Hunt L.L.C.	9/25/07	Vol. 779 Page 524
Estate of I.J. Kahn	Petro-Hunt L.L.C.	12/6/07	Vol. 781 Page 481
Merle B. Taylor	Petro-Hunt L.L.C.	10/15/07	Vol. 779 Page 528
Fasken Foundation	Petro-Hunt L.L.C.	4/18/06	Vol. 743 Page 313
Wells Fargo Bank Susan Fasken Hartin Management Trust	Petro-Hunt L.L.C.	5/1/08	Vol. 791 Page 849
Wells Fargo Bank Fasken Family LP	Petro-Hunt L.L.C.	5/1/08	Vol. 791 Page 844
G.R. Fasken	Petro-Hunt L.L.C.	4/18/06	Vol. 791 Page 826
Steven Price Fasken Revocable Trust	Petro-Hunt L.L.C.	4/18/06	Vol. 791 Page 830
Frank Andrew Fasken	Petro-Hunt L.L.C.	4/18/06	Vol. 791 Page 838



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Reeves County
Clerks Office

Exhibit B
Unit Lands
Block 58 State 42 1-H Unit

The Unit Lands are located in Reeves County, Texas

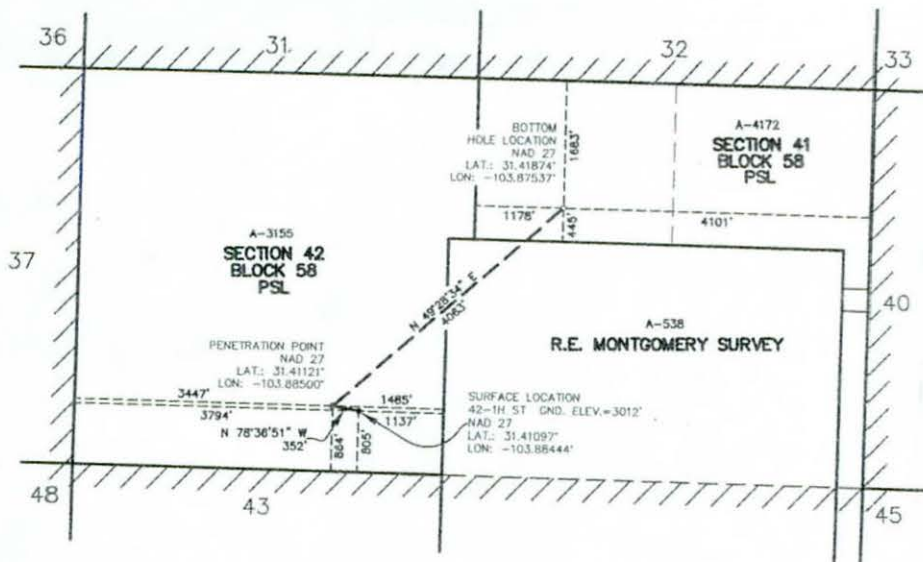
283 acres of land being all of Section 41, Block 58, PSL Survey

615 acres of land being all of Section 42, Block 58, PSL Survey

382 acres being the north 382 acres of the R.E. Montgomery Survey A-538



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Original filed in
Reeves County
Clerks Office



● SURFACE LOCATION OF THE 42-1H ST
1137' FEL AND 805' FSL GND. ELEV.=3012'
SECTION 42, BLOCK 58, P.S.L.
NAD 27 LAT: 31.41097° LON: -103.88444°

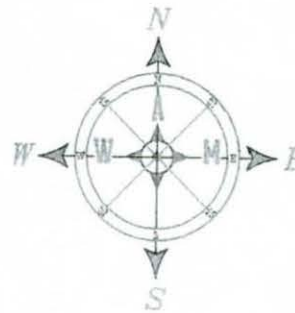
⊕ PENETRATION POINT
1485' FEL AND 864' FSL
SECTION 42, BLOCK 58, P.S.L.
NAD 27 LAT: 31.41121° LON: -103.88500°

○ BOTTOM HOLE LOCATION
1178' FWL & 445' FSL
SECTION 41, BLOCK 58, P.S.L.
NAD 27 LAT: 31.41874° LON: -103.87537°

(SURFACE LOCATION COORDINATES AS STAKED.
PENETRATION POINT AND BOTTOM HOLE COORDINATES
PROVIDED BY CHESAPEAKE)

NAD 83, TEXAS CENTRAL ZONE COORDINATES (HERE POSITION)
SURFACE LOCATION: N=10494662.6', E=1189024.7',
LATITUDE=31°24'40.3", LONGITUDE=-103°53'03.7"

NOTE: THIS AS-DRILLED PLAT HAS BEEN PREPARED FROM A CERTIFIED SURVEY
PLAT ON FILE IN THE OFFICE OF WATSON & ASSOCIATES, MIDLAND, TEXAS.
APPROXIMATELY 7.9 MILES NORTHWEST OF TOYAH, TEXAS.



2000' 0 2000' 4000' FEET
BEARINGS AND DISTANCES ARE GROUND AND HAD 83 T&C

AS-DRILLED PLAT
CHESAPEAKE OPERATING INC.
BLOCK 58 STATE 42-1H ST, DRILLING UNIT
SECTIONS 41 & 42, BLOCK 58, PSL SURVEY
AND PORTIONS OF
R.E. MONTGOMERY SURVEY
REEVES COUNTY, TEXAS



Watson
Professional
Group Inc.

4500 W. LINDSAY
SUITE 201 (79703)
P.O. DRAWER 11166 (79702)
MIDLAND, TEXAS
PHN (432) 520-9200
FAX (432) 520-9212
gshoults@watsoninc.com

CONSULTING ENGINEERS, LAND SURVEYORS & PLANNERS

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT THE SURVEY INFORMATION
FOUND ON THIS PLAT WAS DERIVED FROM ACTUAL FIELD NOTES OF
ON-THE-GROUND SURVEYS MADE BY ME OR UNDER MY SUPERVISION AND
IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF. NO
WARRANTY IS MADE OR INTENDED FOR THE LOCATION OF ANY OR ALL
EASEMENTS THAT MAY EXIST WITHIN THE BOUNDS OF THIS SURVEY. THE
INFORMATION PRESENTED HEREON IS FOR THE PRIVATE USE OF THE PARTY
NAMED IN THE "REFERENCE PORTION" OF THE TITLE BLOCK AND DOES NOT
CONSTITUTE A COMPLETE BOUNDARY SURVEY AS DEFINED BY THE
"PROFESSIONAL LAND SURVEYING PRACTICES ACT."

Gregory W. Shoults 8/22/08
GREGORY W. SHOULTS RPLS 5356 DATE

FILE: M:\BLOCK 59 PSL\dwg\BLOCK 59 PSL 6 30 07 carlson.dwg

CHESAPEAKE OPERATING, INC.,
BLOCK 58 STATE 42-1H ST
SURF. LOC. 805' FSL & 1137' FEL, SEC. 42,
P.P. 864' FSL & 1485' FEL, SEC. 42,
B.H.L. 445' FSL & 1778' FWL, SEC. 41,
BLOCK 58, P.S.L., REEVES COUNTY, TEXAS.

JOB NO.: W-8212-08 FIELD BOOK DRAFT TA REV. 0

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL,
OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR
OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL
LAW

FILE# 4127

FILED FOR RECORD ON THE 29TH DAY OF SEPTEMBER A.D. 2008 8:57 A.M.

DULY RECORDED ON THE 1ST DAY OF OCTOBER A.D. 2008 9:00 A.M.

BY: *Deivise O. Valdez* DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS



True and Correct
copy of
Original filed in
Reeves County
Clerks Office

13

File No. M-104580
Let From M & M. In Recorded
Let From M & M. In Recorded
Date Filed: 10/16/08
Jerry E. Patterson, Commissioner
By Daryl Morgan

CERTIFIED TRUE AND CORRECT COPY CERTIFICATE
STATE OF TEXAS
COUNTY OF REEVES

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 804, PAGE 333, THRU 341.



I hereby certified on 10/03/2008
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY Denise G. Valdez DEPUTY
DENISE G. VALDEZ

DO NOT DESTROY



Texas General Land Office
UNIT AGREEMENT MEMO

PA08-223

Unit Number 4390
Operator Name CHESAPEAKE OPERATING INC Effective Date 2/5/2009
TaxID: [REDACTED] Unitized For Oil & Gas
Unit Name Block 58, State 42 1-H Unit Term 6 Months
County1 Reeves
County2 Old Unit Number 4194 Inactive Status Date 2/5/2009
County3 0
RRC District: 08 0
Unit Type: Temporary 0
State Royalty Interest: 0.097453125 0
State Part in Unit: 0.7015625
Unit Depth Well: Other
Below Depth 11987 TVD Formation: Barnett and Woodford Shales
Above Depth 13040 TVD Participation Basis: Surface Acreage
[If Exclusions Apply: See Remarks]

MF Number MF104580 Tract Number 1
Lease Acres 129 / Total Unit Acres 1280 =
Tract Participation: 0.1007813 X
Lease Royalty 0.25 = Manual Tract Participation:
Tract Royalty Participation 0.0251953 Manual Tract Royalty:

Tract Royalty Reduction No
Tract Royalty Rate 0
Tract On-Line Date:

See Remarks

04-020213

MF Number MF107612

Tract Number 2

Lease Acres 133 / Total Unit Acres 1280 =

Tract Participation: 0.1039063 X

Lease Royalty 0.1 =

Manual Tract Participation:

0 | See Remarks

Tract Royalty Participation 0.0103906

Manual Tract Royalty:

0 |

Tract Royalty Reduction No

Tract Royalty Rate 0

Tract On-Line Date:

07-105232

MF Number MF105289

Tract Number 3

Lease Acres 12.4 / Total Unit Acres 1280 =

Tract Participation: 0.0096875 X

Lease Royalty 0.1 =

Manual Tract Participation:

0 | See Remarks

Tract Royalty Participation 0.0009688

Manual Tract Royalty:

0 |

Tract Royalty Reduction No

Tract Royalty Rate 0

Tract On-Line Date:

07-105241

MF Number MF107733

Tract Number 4

Lease Acres 6.2 / Total Unit Acres 1280 =

Tract Participation: 0.0048438 X

Lease Royalty 0.125 =

Manual Tract Participation:

0 | See Remarks

Tract Royalty Participation 0.0006055

Manual Tract Royalty:

0 |

Tract Royalty Reduction No

Tract Royalty Rate 0

Tract On-Line Date:

07-105241

MF Number	MF104778	Tract Number	5								
Lease Acres	451	/	Total Unit Acres 1280 =								
Tract Participation:	0.3523438	X									
Lease Royalty	0.125	=	Manual Tract Participation: <table><tr><td></td><td>0</td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr></table> See Remarks		0						
	0										
Tract Royalty Participation	0.0440430		Manual Tract Royalty: <table><tr><td></td><td>0</td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr></table>		0						
	0										

Tract Royalty Reduction No

Tract Royalty Rate 0

Tract On-Line Date:

07-105250

MF Number	MF105285	Tract Number	6								
Lease Acres	164	/	Total Unit Acres 1280 =								
Tract Participation:	0.1281250	X									
Lease Royalty	0.125	=	Manual Tract Participation: <table><tr><td></td><td>0</td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr></table> See Remarks		0						
	0										
Tract Royalty Participation	0.0160156		Manual Tract Royalty: <table><tr><td></td><td>0</td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr></table>		0						
	0										

Tract Royalty Reduction No

Tract Royalty Rate 0

Tract On-Line Date:

07-105250

MF Number	MF108664	Tract Number	7								
Lease Acres	2.4	/	Total Unit Acres 1280 =								
Tract Participation:	0.0018750	X									
Lease Royalty	0.125	=	Manual Tract Participation: <table><tr><td></td><td>0</td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr></table> See Remarks		0						
	0										
Tract Royalty Participation	0.0002344		Manual Tract Royalty: <table><tr><td></td><td>0</td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr></table>		0						
	0										

Tract Royalty Reduction No

Tract Royalty Rate 0

Tract On-Line Date:

07-105241

API Number

RRC Number

Remarks:

--

Prepared By:

REW

GLO Base Updated By:

M

RAM Approval By:

JKig

GIS By:

Prepared Date:

11/19/08

GLOBase Date:

11/20/08

RAM Approval Date:

11/26/08

GIS Date:

Pooling Committee Report

To: School Land Board
Date of Board Meeting: November 18, 2008
Effective Date: 2/5/2009
Unit Expiration Date: 8/5/2009
Applicant: CHESAPEAKE EXPLORATION LLC
Attorney Rep: Clark Jobe
Operator: CHESAPEAKE OPERATING INC
County 1: Reeves
County 2:
County 3:
Unit Name: Block 58, State 42 1-H
Field Name: Toyah N.W. (Shale)

<u>Lease Type</u>	<u>MF Number</u>	<u>Lease Royalty</u>	<u>Expiration Date</u>	<u>Lease Term</u>	<u>Lease Acres</u>	<u>Lease Acres in Unit</u>	<u>Royalty Participation</u>
SF	MF104580	0.25	1/18/2010	5 years	129	129	0.0251953
RAL	MF104778	0.125	2/18/2008	3 years	615	451	0.0440430
RAL	MF105285	0.125	9/1/2008	3 years	615	164	0.0160156
RAL	MF105289	0.1	2/8/2008	3 years	69	12.4	0.0009688
RAL	MF107612	0.1	8/1/2008	3 years	133	133	0.0103906
RAL	MF107733	0.125	11/30/2009	3 years	18.6	6.2	0.0006055
RAL	MF108664	0.125	11/15/2010	3 years	2.4	2.4	0.0002344

SF = State Fee RAL = Relinquishment Act FR = Free Royalty UR = Unleased River

Private Acres: 382
State Acres: 898
Total Unit Acres: 1280

Participation Basis:
 Surface Acreage
State Acreage: 70.16%
State Unit Royalty: 9.75%

Unit Type: Temporary
Unitized for: Oil & Gas
Term: 6 Months

Well Location:
 State Land

RRC Rules: Special Field Rule
Spacing Acres: 1280 Acres

REMARKS:

- Chesapeake Exploration LLC is requesting a 36-month extension of the temporary Block 58, State 42 1-H Unit.
- On February 5, 2008, the School Land Board approved 12-month temporary oil and gas pooling from 11,978 feet to 13,040 feet.
- The applicant completed the unit well on August 5, 2008 at a rate of 2.9 MMCFGPD.
- With approval of the unit extension the State's unit royalty will remain 9.75%.
- Approval by the School Land Board in no way ratifies the State leases included in this unit.

POOLING COMMITTEE RECOMMENDATION:

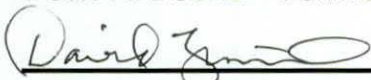
- The Pooling Committee recommends Board approval of a 6-month extension of the Block 58, State 42-1H Unit.



Jeffrey L. Palmer - Office of the Attorney General



Peter A. Boone - General Land Office



David Zimmerman - Office of the Governor

11-5-08

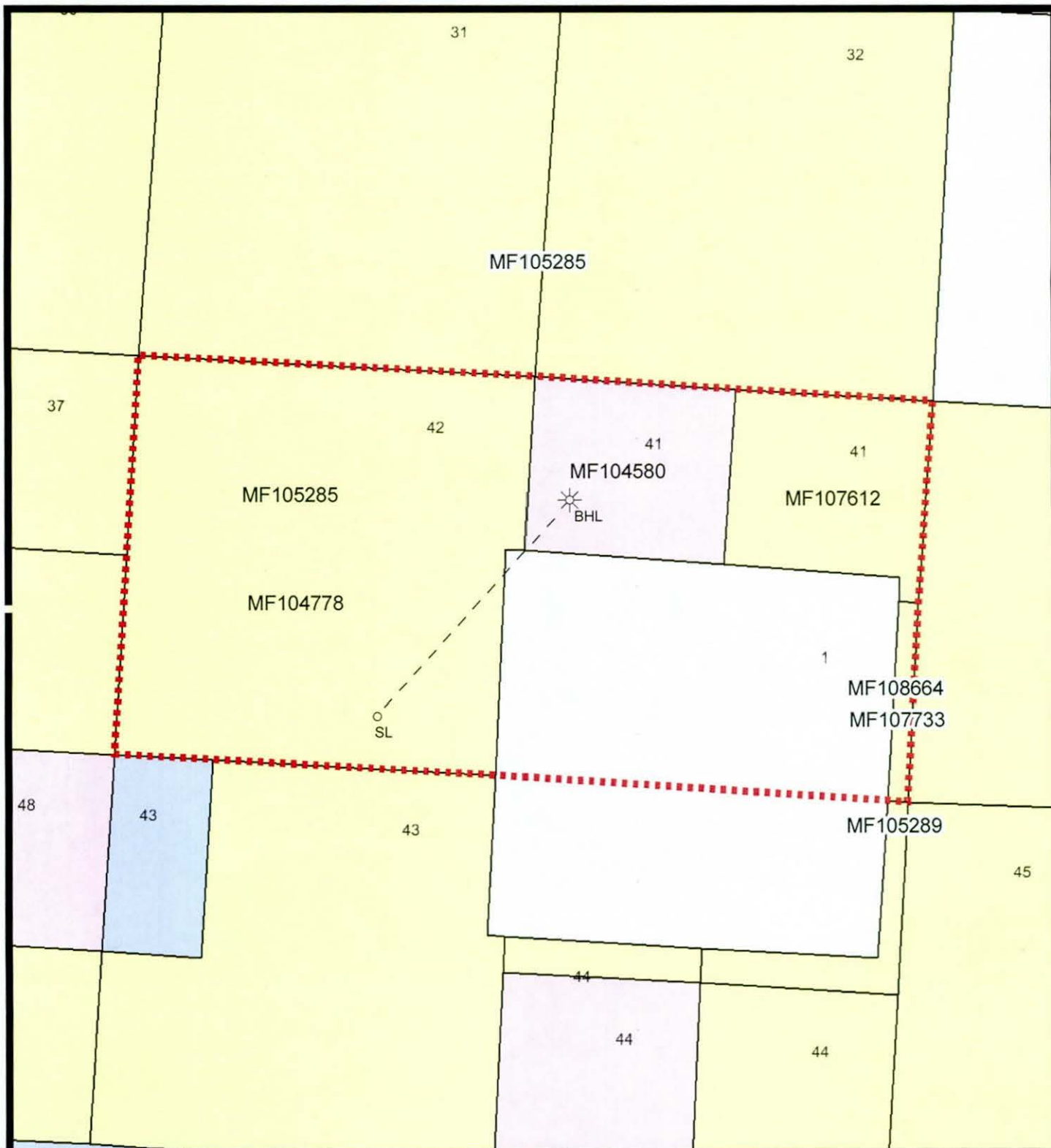
Date:

11-5-08

Date:

11-5-08

Date:



Chesapeake Exploration L.L.C.
 Block 58, State 42 1-H Unit
 Toyah N.W. (Shale) Field
 Reeves County
 MF104580, MF104778, MF105285, MF105289
 MF107612, MF107733, MF108664
 Unit # 4390
 PA08-223

NAD_1927_Albers
 Projection: Albers
 False_Easting: 0.000000
 False_Northing: 0.000000
 Central_Meridian: -100.000000
 Standard_Parallel_1: 28.000000
 Standard_Parallel_2: 35.000000
 Latitude_Of_Origin: 31.000000
 GCS_North_American_1927

0 750 1,500 3,000 Feet



The Texas General Land Office
 makes no representations or
 warranties regarding the accuracy
 or completeness of the information
 depicted on the map or the data
 from which it was produced.
 This map is NOT suitable for
 navigational purposes and does
 not purport to depict or establish
 boundaries between private
 and public land.



Map Compiled By:
 Zeke Guillen
 Information Systems - GIS
 November 18, 2008

**FIRST AMENDMENT OF TERM POOLING AGREEMENT
PETRO-HUNT, L.L.C.
BLOCK 58, STATE 42 1-H UNIT
REEVES COUNTY, TEXAS**

WHEREAS, on February 5, 2008, the Block 58, State 42 1-H Unit was presented to and approved by the School Land Board of the State of Texas pursuant to the provisions of Subchapter E, Chapter 52, of the Texas Natural Resources Code; and

WHEREAS, pursuant to such approval Petro-Hunt, L.L.C. et al. and the Commissioner of the General Land Office of the State of Texas entered into that certain Term Pooling Agreement ("Agreement") to pool certain State lands into the Block 58, State 42 1-H Unit, covering 1,280 acres of land in Reeves County, Texas, as more particularly described in said Agreement on file in the Archives and Records of the Texas General Land Office at Austin, Texas, in Mineral File No. M-104580; and

WHEREAS, Chesapeake Exploration, L.L.C. is the current operator of the Block 58, State 42 1-H Unit; and

WHEREAS, said Agreement was executed by the parties thereto subject to the provision that it would expire on February 5, 2009; and

WHEREAS, on November 18, 2008, Chesapeake Exploration, L.L.C. made application and the School Land Board approved its application to extend the term of said Agreement so that the Agreement will now expire on August 5, 2009; and

WHEREAS, the Commissioner of the General Land Office finds that amending said Agreement as approved by the School Land Board is in the best interest of the State of Texas:

NOW THEREFORE, in consideration of the premises and of the mutual agreements contained in said Agreement, it is agreed that said Agreement is amended as to Paragraph 9 thereof by deleting said paragraph in its entirety and substituting the following paragraph therefor:

"TERM:

9.

Unless this Agreement expires earlier pursuant to the terms of the respective leases included as a part of this Agreement, or on such other date approved by the School Land Board and mutually agreed to by the undersigned parties, their successors or assigns, this Agreement shall expire on August 5, 2009. Nothing herein shall amend or modify Section 52.031 of the Natural Resources Code, or any of the provisions thereof, which are contained in any State lease covered by this Agreement."

Nothing in this Amendment, nor the approval of this Amendment by the School Land Board, nor the execution of this Amendment by the Commissioner shall: (1) operate as a ratification or revivor of any State lease that has expired, terminated, or has been released in whole or in part or terminated under the terms of such State lease or the laws applicable thereto; (2) constitute a waiver or release of any claim for money, oil, gas or other hydrocarbons, or other thing due to the State by reason of the existence or failure of such lease; (3) constitute a waiver or release of any claim by the State that such lease is void or voidable for any reason, including, without limitation, violations of the laws of the State with respect to such lease or failure of consideration; or (4) constitute a confirmation or recognition of any boundary or acreage of any tract or parcel of land in which the State has or claims an interest; or (5) constitute a ratification of, or a waiver or release of any claim by the State with respect to any violation of a statute, regulation, or any of the common laws of this State, or any breach of any contract, duty, or other obligation owed to the State.

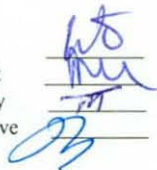
This First Amendment of Term Pooling Agreement may be executed in counterparts and, if so executed, shall be valid, binding and have the same effect as if all the parties hereto actually joined in and executed one and the same document. For recording purposes and in the event counterparts of this First Amendment of Term Pooling Agreement are executed, the executed pages, together with the pages necessary to show acknowledgments, may be combined with the other pages of this First Amendment of Term Pooling Agreement so as to form what shall be deemed and treated as a single original instrument showing execution by all parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment of Term Pooling Agreement upon the respective dates indicated below but to be effective as of February 5, 2009, for purposes of extending the Agreement.

Date Executed 2/2/09

STATE OF TEXAS

Legal
Content
Geology
Executive



By: 
Jerry E. Patterson, Commissioner
General Land Office

Date Executed 12/3/08

CHESAPEAKE EXPLORATION, L.L.C.

By: _____

Henry J. Hood

Senior Vice President – Land and Legal &
General Counsel of Chesapeake Exploration,
L.L.C., an Oklahoma limited liability company

CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on November 18, 2008, the foregoing instrument was presented to and approved by said Board under the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am custodian.

IN TESTIMONY WHEREOF, witness my hand this 3rd day of February, 2009.

Stephanie Crenshaw
Secretary of the School Land Board

STATE OF OKLAHOMA

COUNTY OF OKLAHOMA

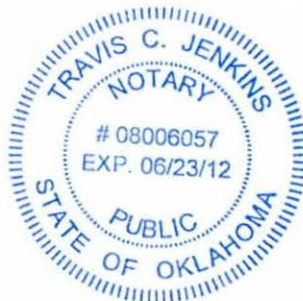
This instrument was acknowledged before me on December 3rd, 2008, by Henry J. Hood

as Senior Vice President – Land and Legal &
General Counsel of Chesapeake Exploration, of Chesapeake Exploration, L.L.C., on behalf of said limited liability company.

Travis C. Jenkins
Notary Public in and for the State of Oklahoma

My Commission Expires: 6/23/12

Commission Number: 08006057



14.

File No. MT 104580
Vol. Comm. the report
First Amendment of Term
Date Filed: 7/6/09 Order
Jerry Patterson, Commissioner
By [Signature]

Handwritten notes:
no search of
investigation



Handwritten:
7/20/09

CHESAPEAKE OPERATING, INC. ✓ P.O. BOX 18496 OKLAHOMA CITY, OK 73154

LEASE OBLIGATION DEPOSIT RECEIPT

09006559

WE HAVE THIS DAY DECEMBER 5, 2008

TENDERED TO

COMMISSIONER OF THE GENERAL LAND

THE SUM OF \$3,225.00 DOLLARS FOR THE CREDIT OF PARTY OR PARTIES NAMED BELOW
IN AMOUNT STATED PURSUANT TO THE TERMS OF THE LEASE IDENTIFIED HEREIN, FOR THE PERIOD FROM
1/18/2009 TO 1/18/2010 COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

Survey: PUBLIC SCHOOL LAND Block/Suffix: 58 Section: 41 Short Desc: W2 OF SEC 41, BLK 58, PSLs

PAYMENT RENTAL

LEASE NUMBER

TX0011480-000

LEASE DATE: 1/18/2005

PROSPECT: BALMORHEA

RECORDED: BOOK

703

PAGE

289

ENTRY NUMBER: 2349

COUNTY/PARISH REEVES

STATE

TX

OR CREDIT OF:

AMOUNT

017397

COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
STEPHEN F. AUSTIN BUILDING
1700 NORTH CONGRESS, SUITE 600
AUSTIN, TX 78701

Acct:

\$25/AC RENTAL FOR 3RD & 4TH ANNIVERSARY

3,225.00

PLEASE SIGN
AND RETURN

121

M-104580

IMPORTANT

The attached check is for the person(s) named above. Please date, sign and return the attached receipts on the day you receive it. If directed to bank, please deposit the amount to the credit of the person(s) named above and date, sign and return the receipt on the day you receive it. If correspondence required, please make reference to lease number.

Date Received

Sign Here

By

Subtotal

BANK SERVICE CHARGE \$

Grand Total

Check No.

3,225.00

0.00

3,225.00

39639

File No. MF-104580

Dental Report

Date Filed: 12/18/08

Jerry E. Patterson, Commissioner

By AM

15

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

March 11, 2009

Chesapeake Operating Inc.
PO Box 18496
Oklahoma City, OK 73154

Re: State Lease MF105285, MF104580, MF104778 - **Please refer to this lease number with all correspondence**
Block 58 State 1H ST
61921

The General Land Office has received and filed the division order submitted for the above-referenced state lease. Please be advised that the payment of royalties attributable to state-owned mineral interests is set by statute. As the execution of division orders may, in some cases, affect the manner in which such payments are paid or calculated, it is the policy of this office not to execute them.

Subject to applicable state law and the state's right to take its production in-kind, the General Land Office acquiesces to the sale of oil and gas under the terms and conditions set out in the oil and gas lease. If you should have questions concerning this matter, please feel free to call me at (512) 463-6521.

Sincerely,

Beverly Boyd, Lease Analyst
Mineral Leasing Division

✓ 104580
104778
105285

Stephen F. Austin Building • 1700 North Congress Avenue • Austin, Texas 78701-1495

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

DIVISION ORDER

TO: CHESAPEAKE OPERATING, INC., PAYOR
P.O. BOX 18496
OKLAHOMA CITY, OK 73154

PROPERTY NO: 619121
EFFECTIVE: 8/5/2008
PREPARED BY: ANITA ROBINSON
DATE PREPARED: 12/9/2008
PRODUCT/ZONE: OIL & GAS

This agreement is made and entered into on December 9, 2008.

The undersigned severally and not jointly certifies it is the legal owner of the interest set out below of all the oil, gas and related liquid hydrocarbons produced from the property described below:

OPERATOR CHESAPEAKE OPERATING, INC. OWNER NO: 646157 INT TYPE: 5 (1 = WI, 2 = RI, 3 = ORI)
PROPERTY: BLOCK 58 STATE 42 1H ST OWNER: STATE OF TEXAS
LEGAL DESCRIPTION: SEC 41&42, BLK 58, PSL SUR,& RE MONTGOMERY SUR A-538 UNIT ACRES: 1280.000000
REEVES COUNTY, TX COMMENTS N/A

Unit 4194

Status	BPO Net Ac	BPO Lse NRI/RI	BPO Unit Int.	APO1 Net Ac	APO1 Lse NRI/RI	APO1 Unit Int.	APO2 Net Ac	APO2 Lse NRI/RI	APO2 Unit Int.
SM	0.000000	0.10000000	0.01135938	0.000000	0.10000000	0.01135938	N/A	N/A	N/A

DIVISION OF INTEREST

THIS AGREEMENT DOES NOT AMEND ANY LEASE OR OPERATING AGREEMENT BETWEEN THE INTEREST OWNERS AND THE LESSEE OR OPERATOR OR ANY OTHER CONTRACTS FOR THE PURCHASE OF OIL OR GAS.

The following provisions apply to each interest owner ("Owner") who executes this agreement:

TERMS OF SALE: The undersigned will be paid in accordance with the division of interest set out above. The payor shall pay all parties at the price agreed to by the operator for oil and gas to be sold pursuant to this division order. Purchaser shall compute quantity and make corrections for gravity and temperature and make deductions for impurities in the oil.

PAYMENT: From the effective date, payment is to be made monthly by payor's check, based on this division of interest, for oil runs within 60 days after the end of the month of production and for gas within 90 days after the end of the month of production from the property listed above, less taxes required by law to be deducted and remitted by payor as purchaser. Payments of less than \$100.00 may be accrued before disbursement until the total amount equals \$100.00, or until July 31st of each year, whichever occurs first. However, the Payor may hold accumulated proceeds of less than \$10.00 until production ceases, or the Payor's responsibility for making payment for production ceases, whichever occurs first. Payee agrees to refund to payor any amounts attributable to an interest or part of an interest that payee does not own.

INDEMNITY: The owner agrees to indemnify and hold payor harmless from all liability resulting from payments made to the owner in accordance with such division of interest, including but not limited to attorney fees or judgments in connection with any suit that affects the owner's interest to which payor is made a party.

DISPUTE; WITHHOLDING OF FUNDS: If a suit is filed that affects the interest of the owner, written notice shall be given to payor by the owner together with a copy of the complaint or petition filed. In the event of a claim or dispute that affects title to the division of interest credited herein, payor is authorized to withhold payments accruing to such interest, without interest unless otherwise required by applicable statute, until the claim or dispute is settled.

TERMINATION: Termination of this agreement is effective on the first day of the month that begins after the 30th day after the date written notice of termination is received by either party.

NOTICES: The owner agrees to notify payor in writing of any change in the division of interest, including changes of interest contingent on payment of money or expiration of time. No change of interest is binding on payor until the recorded copy of the instrument of change or documents satisfactorily evidencing such change are furnished to payor at the time the change occurs. Any change of interest shall be made effective on the first day of the month following receipt of such notice by payor. Any correspondence regarding this agreement shall be furnished to the addresses listed unless otherwise advised by either party. In addition to the legal rights provided by the terms and provisions of this division order, an owner may have certain statutory rights under the laws of this state.

WITNESS	SIGNATURE OF INTEREST OWNER	SOCIAL SECURITY/ TAX I.D. NO.	REVENUE ADDRESS
			CORRESPONDENCE ADDRESS

WORK PHONE NUMBER: ()	HOME PHONE NUMBER: ()	FAX NUMBER: ()
---------------------------	---------------------------	--------------------

Failure to furnish your Social Security/Tax I.D. number will result in withholding tax in accordance with federal law, and any tax withheld will not be refundable by payor.

THIS COPY CAN BE RETAINED FOR YOUR RECORDS

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TO: CHESAPEAKE OPERATING, INC., PAYOR
P.O. BOX 18496
OKLAHOMA CITY, OK 73154

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MONTGOMERY SUR A-538
REEVES COUNTY, TX COMMENTS N/A

MF104580
Unit 4194
TRACT 1

Status	BPO Net Ac	BPO Lse NRI/RI	BPO Unit Int.	APO1 Net Ac	APO1 Lse NRI/RI	APO1 Unit Int.	APO2 Net Ac	APO2 Lse NRI/RI	APO2 Unit Int.
SM	129.000000	0.25000000	0.02519531	129.000000	0.25000000	0.02519531	N/A	N/A	N/A

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REEVES COUNTY, TX COMMENTS N/A

Status	BPO Net Ac	BPO Lse NRI/RI	BPO Unit Int.	APO1 Net Ac	APO1 Lse NRI/RI	APO1 Unit Int.	APO2 Net Ac	APO2 Lse NRI/RI	APO2 Unit Int.
SM	0.000000	0.12500000	0.06089844	0.000000	0.12500000	0.06089844	N/A	N/A	N/A

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			CORRESPONDENCE ADDRESS
WORK PHONE NUMBER: ()		HOME PHONE NUMBER: ()	FAX NUMBER: ()

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THIS COPY CAN BE RETAINED FOR YOUR RECORDS

16.

File No. MF704580

DIVISION ORDER

Date Filed: 3/11/09

Jerry E. Patterson, Commissioner

By [Signature]

13.13.00

McELROY, SULLIVAN & MILLER, L.L.P.

Attorneys at Law

MAILING ADDRESS

P.O. BOX 12127
AUSTIN, TX 78711

1201 SPYGLASS DRIVE
SUITE 200
AUSTIN, TX 78746

TELEPHONE

(512) 327-8111

FAX

(512) 327-6566

March 19, 2009

Mr. J. Daryl Morgan, CPL
Energy Resources Division
Texas General Land Office
Stephen F. Austin Building, 8th Floor
1700 No. Congress Avenue
Austin, Texas 78701-1495

Unit 4390

M-104500

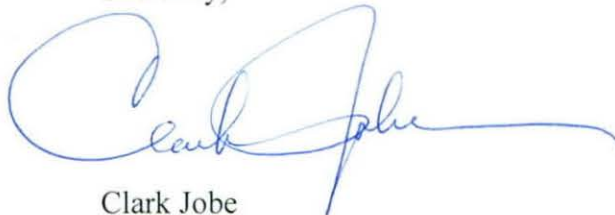
Re: Term Pooling Agreement with Chesapeake Exploration, L.L.C. for the
Block 58, State 42 #1H Unit, Reeves County, Texas

Dear Mr. Morgan:

Enclosed for your records is a copy of the First Amendment of the Term Pooling Agreement for the Block 58, State 42 #1H Unit that has been recorded in Book 815, of the records of Reeves County, beginning on page 166.

Thank you for your assistance with this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Clark Jobe", with a long horizontal flourish extending to the right.

Clark Jobe

Enclosure

FILE # 621

**FIRST AMENDMENT OF TERM POOLING AGREEMENT
PETRO-HUNT, L.L.C.
BLOCK 58, STATE 42 1-H UNIT
REEVES COUNTY, TEXAS**

WHEREAS, on February 5, 2008, the Block 58, State 42 1-H Unit was presented to and approved by the School Land Board of the State of Texas pursuant to the provisions of Subchapter E, Chapter 52, of the Texas Natural Resources Code; and

WHEREAS, pursuant to such approval Petro-Hunt, L.L.C. et al. and the Commissioner of the General Land Office of the State of Texas entered into that certain Term Pooling Agreement ("Agreement") to pool certain State lands into the Block 58, State 42 1-H Unit, covering 1,280 acres of land in Reeves County, Texas, as more particularly described in said Agreement on file in the Archives and Records of the Texas General Land Office at Austin, Texas, in Mineral File No. M-104580; and

WHEREAS, Chesapeake Exploration, L.L.C. is the current operator of the Block 58, State 42 1-H Unit; and

WHEREAS, said Agreement was executed by the parties thereto subject to the provision that it would expire on February 5, 2009; and

WHEREAS, on November 18, 2008, Chesapeake Exploration, L.L.C. made application and the School Land Board approved its application to extend the term of said Agreement so that the Agreement will now expire on August 5, 2009; and

WHEREAS, the Commissioner of the General Land Office finds that amending said Agreement as approved by the School Land Board is in the best interest of the State of Texas:

NOW THEREFORE, in consideration of the premises and of the mutual agreements contained in said Agreement, it is agreed that said Agreement is amended as to Paragraph 9 thereof by deleting said paragraph in its entirety and substituting the following paragraph therefor:

"TERM: 9.

Unless this Agreement expires earlier pursuant to the terms of the respective leases included as a part of this Agreement, or on such other date approved by the School Land Board and mutually agreed to by the undersigned parties, their successors or assigns, this Agreement shall expire on August 5, 2009. Nothing herein shall amend or modify Section 52.031 of the Natural Resources Code, or any of the provisions thereof, which are contained in any State lease covered by this Agreement."

Nothing in this Amendment, nor the approval of this Amendment by the School Land Board, nor the execution of this Amendment by the Commissioner shall: (1) operate as a ratification or revivor of any State lease that has expired, terminated, or has been released in whole or in part or terminated under the terms of such State lease or the laws applicable thereto; (2) constitute a waiver or release of any claim for money, oil, gas or other hydrocarbons, or other thing due to the State by reason of the existence or failure of such lease; (3) constitute a waiver or release of any claim by the State that such lease is void or voidable for any reason, including, without limitation, violations of the laws of the State with respect to such lease or failure of consideration; or (4) constitute a confirmation or recognition of any boundary or acreage of any tract or parcel of land in which the State has or claims an interest; or (5) constitute a ratification of, or a waiver or release of any claim by the State with respect to any violation of a statute, regulation, or any of the common laws of this State, or any breach of any contract, duty, or other obligation owed to the State.

This First Amendment of Term Pooling Agreement may be executed in counterparts and, if so executed, shall be valid, binding and have the same effect as if all the parties hereto actually joined in and executed one and the same document. For recording purposes and in the event counterparts of this First Amendment of Term Pooling Agreement are executed, the executed pages, together with the pages necessary to show acknowledgments, may be combined with the other pages of this First Amendment of Term Pooling Agreement so as to form what shall be deemed and treated as a single original instrument showing execution by all parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment of Term Pooling Agreement upon the respective dates indicated below but to be effective as of February 5, 2009, for purposes of extending the Agreement.

Date Executed 2/2/09

STATE OF TEXAS

Legal
Content
Geology
Executive

By: Jerry E. Patterson
Jerry E. Patterson, Commissioner
General Land Office

Date Executed 12/3/08

CHESAPEAKE EXPLORATION, L.L.C.

By: 

Henry J. Hood KSC
 Senior Vice President - Land and Legal &
 General Counsel of Chesapeake Exploration, ny
 L.L.C., an Oklahoma limited liability company

CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on November 18, 2008, the foregoing instrument was presented to and approved by said Board under the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am custodian.

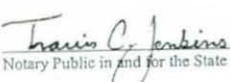
IN TESTIMONY WHEREOF, witness my hand this 3rd day of February, 2009

 Secretary of the School Land Board

STATE OF OKLAHOMA

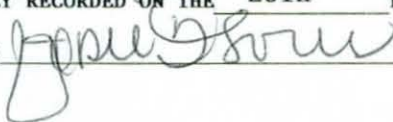
COUNTY OF OKLAHOMA

This instrument was acknowledged before me on December 3rd, 2008, by Henry J. Hood
 as Senior Vice President - Land and Legal & of Chesapeake Exploration, L.L.C., on behalf of said limited liability company.
General Counsel of Chesapeake Exploration,


 Notary Public in and for the State of Oklahoma

My Commission Expires: 6/23/12Commission Number: 08006057

2

FILE# 621FILED FOR RECORD ON THE 19TH DAY OF FEBRUARY A.D. 2009 11:04 A M.DULY RECORDED ON THE 20TH DAY OF FEBRUARY A.D. 2009 9:00 A M.BY: , DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
 REEVES COUNTY, TEXAS

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL,
 OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR
 OR RACE IS HEREBY AND IRREVOCABLY UNDER FEDERAL
 LAW

17

File No. M-104500

Ut From MS+M with
Record Amendment Agent

Date Filed: 3/19/09

Jerry E. Patterson, Commissioner

By

Daryl Morgan

Chesapeake did not apply for this unit.
It is only for royalty revenue reporting only.
Each lease in this unit is "Producing" as
opposed to
"No Net Limit Acres."

DO NOT DESTROY



Texas General Land Office

UNIT AGREEMENT MEMO

PA09-125

Unit Number	4554		
Operator Name	CHESAPEAKE OPERATING INC	Effective Date	8/5/2009
Customer ID	C000025243	Unitized For	Oil & Gas
Unit Name	Block 58 State 42 1-H	Unit Term	0 Months
County 1	Reeves		
County 2		<u>Old Unit Number</u>	<u>Inactive Status Date</u>
County 3		4194	2/5/2009
RRC District:	08	4390	8/5/2009
Unit Type:	Permanent	0	
State Royalty Interest:	0.102356631	0	
State Part in Unit:	0.662607	0	
Unit Depth	All	Well:	Other
Below Depth	0	Formation:	Penn. Barnett and Woodford Shales
Above Depth	0	Participation Basis:	See Remarks
		[If Exclusions Apply: See Remarks]	

MF Number	MF104580	Tract Number	1
Lease Acres	99.8	Total Unit Acres	513 =
Tract Participation:	0.16268767	X	
Lease Royalty	0.25	=	
Tract Royalty Participation	0.040671917		
Tract Royalty Reduction	No	Manual Tract Participation:	☐ 0.16268767
Tract Royalty Rate	0	Manual Tract Royalty:	☐ 0.040671917
Tract On-Line Date:			

See Remarks

MF Number	MF104778	Tract Number	2
Lease Acres	190.887	Total Unit Acres	513 =
Tract Participation:	0.36188399	X	
Lease Royalty	0.125	=	
Tract Royalty Participation	0.045235498		
		Manual Tract Participation:	<u>0.36188399</u> See Remarks
		Manual Tract Royalty:	<u>0.045235498</u>

Tract Royalty Reduction No
Tract Royalty Rate 0
Tract On-Line Date:

MF Number	MF105285 - CB	Tract Number	3
Lease Acres	69.413	Total Unit Acres	513 =
Tract Participation:	0.13803534	X	
Lease Royalty	0.1191667	=	
Tract Royalty Participation	0.016449216		
		Manual Tract Participation:	<u>0.13803534</u> See Remarks
		Manual Tract Royalty:	<u>0.016449216</u>

Tract Royalty Reduction No
Tract Royalty Rate 0
Tract On-Line Date:

API Number	RRC Number
4238932497	244453

Remarks:

Applicant did not approve the unit. Unit # for accounting purposes only. Royalty payments will be based on length of horizontal borehole under each lease on well 42-389-32497/RRC ID # 244453.

Prepared By: REW

GLO Base Updated By: TM

RAM Approval By: ZKj

GIS By: _____

Prepared Date: 03/11/2010

GLOBase Date: 3-11-10

RAM Approval Date: 3-17-2010

GIS Date: _____

Pooling Committee Report

To: School Land Board
Date of Board Meeting: July 14, 2009
Effective Date: 8/5/2009
Unit Expiration Date: Permanent
Applicant: CHESAPEAKE EXPLORATION LLC
Attorney Rep: Clark Jobe
Operator: CHESAPEAKE OPERATING INC
County 1: Reeves
County 2:
County 3:
Unit Name: Block 58 State 42 1-H
Field Name: Toyah N.W. (Shale)

PA09-125
Unit Number: 4554

<u>Lease Type</u>	<u>MF Number</u>	<u>Lease Royalty</u>	<u>Expiration Date</u>	<u>Lease Term</u>	<u>Lease Acres</u>	<u>Lease Acres in Unit</u>	<u>Royalty Participation</u>
SF	MF104580	0.25	1/18/2010	5 years	129	99.8	0.040671917
RAL	MF104778	0.125	2/18/2008	3 years	615	190.887	0.045235498
RAL	MF105285	0.1192	9/1/2008	3 years	615	69.413	0.016449216

SF = State Fee RAL = Relinquishment Act FR = Free Royalty UR = Unleased River

Private Acres:	152.9
State Acres:	360.1
Total Unit Acres:	513

<u>Participation Basis:</u>	
Surface Acreage	
<u>State Acreage:</u>	70.19%
<u>State Unit Royalty:</u>	10.24%

<u>Unit Type:</u>	<u>Unitized for:</u>
Permanent	Oil & Gas
<u>Term:</u>	0 Months

<u>Well Location:</u>
State Land

<u>RRC Rules:</u>	<u>Spacing Acres:</u>
Special Field Rule	640 Acres

File No. MF104580 18.
Unit 4554 for Roy
rev only
Date Filed: 3-11-10
Jerry E. Patterson, Commissioner
By JEP

MEMO TO FILE MF 104778, 105285 & 104580

Date: September 28, 2010

From: Harriet Dunne

Re: Status of leases - Unit 4554

MF104778:

MF 104778A lease covers lands in Sec 39, 40, & 42, Blk 58, PSL in Reeves Co TX.

MF 104778B-J cover only lands in Sec 42, Blk 58, PSL.

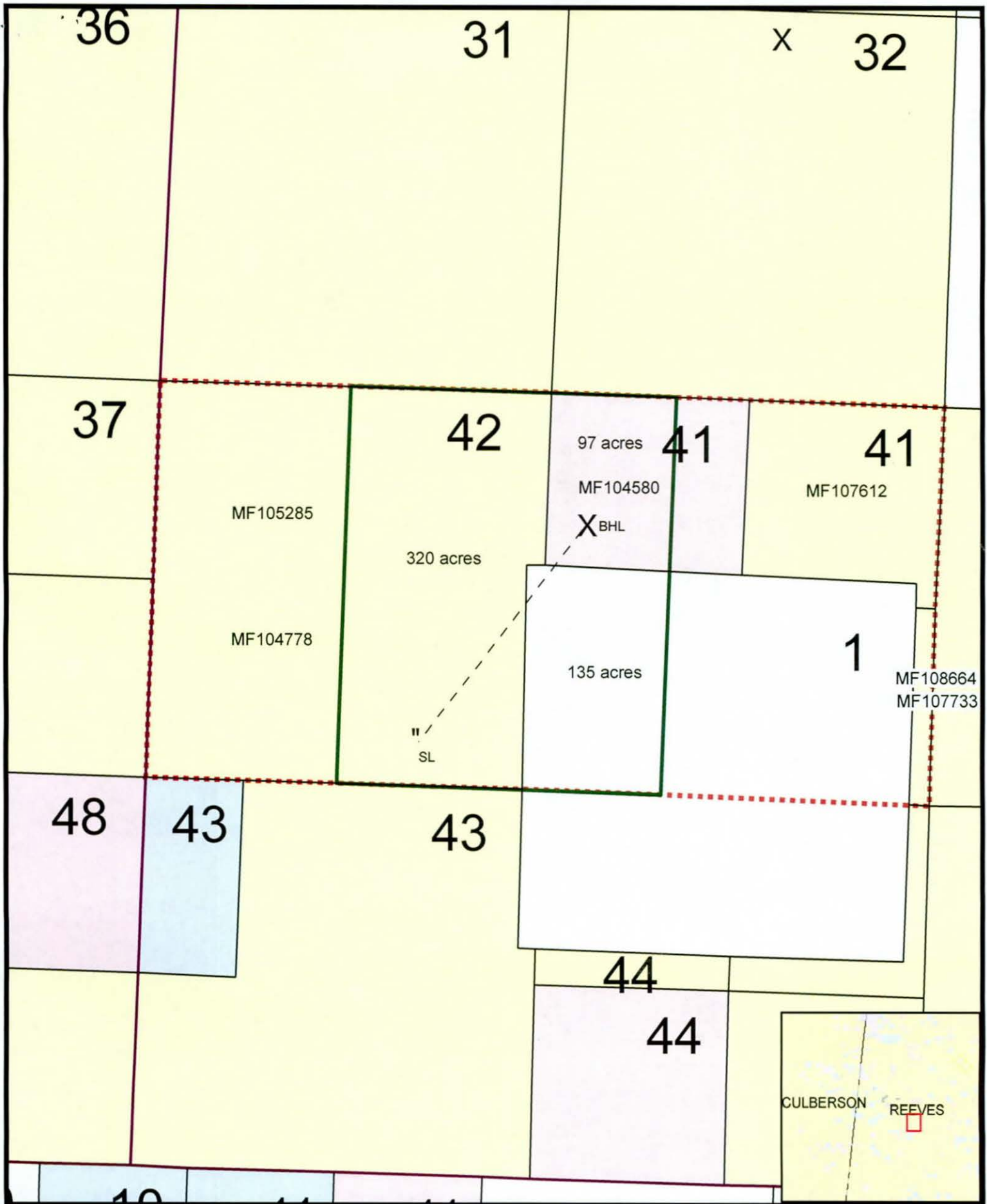
The A lease participates in the Block 58 State 42 1-H Well, API 389+32497, RRC #244453, Dist 08.

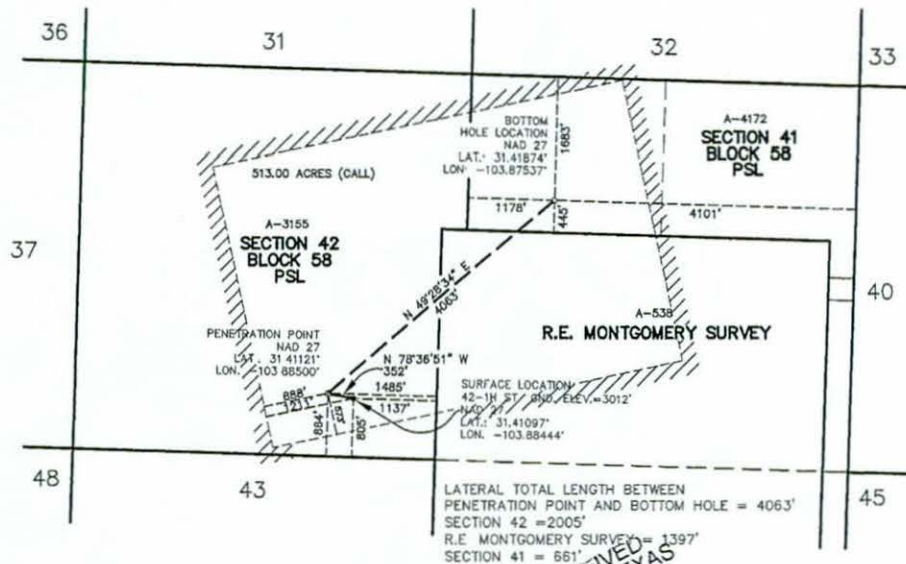
MF 104778 B & E leases are exactly the same lease recorded twice in Reeves Co. The rentals were paid under the E lease. Both those leases have expired. B – D leases are also expired.

Leases F & J expired in April 2010. It is possible those leases covered the same interest. The file is not clear about that.

Leases G-H-I are renewals of leases C-D-E and rentals are paid through 10-21-11. Primary term expires 10-21-12.

Lease 104778A lease plus **MF105285** and **MF104580** are included in Unit 4554 for accounting purposes only. Chesapeake, operator of the well on this property, did not agree to extend the unit agreement 4390. Therefore, the Unit 4554 is in existence solely for the purposes of accounting for the royalty among the three subject leases. The three leases share in the revenue from the above mentioned well based on the length of the horizontal borehole under each lease.





- SURFACE LOCATION OF THE 42-1H ST
1137' FEL AND 805' FSL GND. ELEV.=3012'
SECTION 42, BLOCK 58, P.S.L.
NAD 27 LAT.: 31.41097° LON: -103.88444°

- ⊕ PENETRATION POINT
1485' FEL AND 864' FSL
SECTION 42, BLOCK 58, P.S.L.
NAD 27 LAT.: 31.41121° LON: -103.88500°

- BOTTOM HOLE LOCATION
1178' FWL & 445' FSL
SECTION 41, BLOCK 58, P.S.L.
NAD 27 LAT.: 31.41874° LON: -103.87537°

(SURFACE LOCATION COORDINATES AS STAKED.
PENETRATION POINT AND BOTTOM HOLE COORDINATES
PROVIDED BY CHESAPEAKE)

NAD 83, TEXAS CENTRAL ZONE COORDINATES (HERE POSITION)
SURFACE LOCATION: N=10494662.6', E=1189024.7',
LATITUDE=31°24'40.3", LONGITUDE=-103°53'03.7".

NOTE: THIS AS-DRILLED PLAT HAS BEEN PREPARED FROM A CERTIFIED SURVEY
PLAT ON FILE IN THE OFFICE OF WATSON PROFESSIONAL GROUP INC,
MIDLAND, TEXAS.

APPROXIMATELY 7.9 MILES NORTHWEST OF TOYAH, TEXAS.

AS-DRILLED PLAT

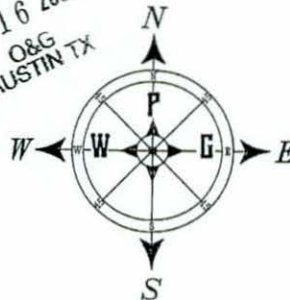
CHESAPEAKE OPERATING INC.
BLOCK 58 STATE 42-1H ST, DRILLING UNIT
SECTIONS 41 & 42, BLOCK 58, PSL SURVEY
AND PORTIONS OF
R.E. MONTGOMERY SURVEY
REEVES COUNTY, TEXAS



**Watson
Professional
Group Inc.**

4500 W. ILLINOIS
SUITE 201 (79703)
P.O. DRAWER 11186 (79702)
MIDLAND, TEXAS
PHN (432) 520-9200
FAX (432) 520-9212
gaboult@wam-elp.com

CONSULTING ENGINEERS, LAND SURVEYORS & PLANNERS



2000' 0 2000' 4000' FEET
BEARINGS AND DISTANCES ARE GRID NAD 83 TWO

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT THE SURVEY INFORMATION
FOUND ON THIS PLAT WAS DERIVED FROM ACTUAL FIELD NOTES OF
ON-THE-GROUND SURVEYS MADE BY ME OR UNDER MY SUPERVISION AND
IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF. NO
WARRANTY IS MADE OR INTENDED FOR THE LOCATION OF ANY OR ALL
EASEMENTS THAT MAY EXIST WITHIN THE BOUNDS OF THIS SURVEY. THE
INFORMATION PRESENTED HEREON IS FOR THE PRIVATE USE OF THE PARTY
NAMED IN THE "REFERENCE PORTION" OF THE TITLE BLOCK AND DOES NOT
CONSTITUTE A COMPLETE BOUNDARY SURVEY AS DEFINED BY THE
"PROFESSIONAL LAND SURVEYING PRACTICES ACT."

W.D. WATSON, JR. RPLS 1989

10/26/09

DATE

FILE: M:\BLOCK 59 PSL\dwg\BLOCK 59 PSL 6 30 07.dwg

CHESAPEAKE OPERATING, INC.,
BLOCK 58 STATE 42-1H ST
SURF. LOC. 805' FSL & 1137' FEL, SEC. 42,
P.P. 864' FSL & 1485' FEL, SEC. 42,
B.H.L. 445' FSL & 1778' FWL, SEC. 41,
BLOCK 58, P.S.L., REEVES COUNTY, TEXAS.

JOB NO.: 09-1572-01 FIELD BOOK DRAFT TA REV. 1

389-32497-Judy

Form P-15
(5-5-71)
DBC0697

STATEMENT OF PRODUCTIVITY OF ACREAGE
ASSIGNED TO PRORATION UNITS

The undersigned states that he is authorized to make this statement; that he has knowledge of the facts concerning the CHESAPEAKE OPERATING INC OPERATOR, BLOCK 58 STATE 42 LEASE, No. 1H WELL; that such well is completed in the TOYAH, NW (SHALE) Field, REEVES County, Texas and that the acreage claimed, and assigned to such well for proration purposes as authorized by special rule and as shown on the attached certified plat embraces _____ 513 acres which can reasonably be considered to be productive of hydrocarbons.

- CERTIFICATE -

I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that data and facts stated therein are true, correct, and complete, to the best of my knowledge.

Date 11/13/09 Signature Lindsey Melott
Telephone _____ (405) 935-8323 Title REG. COMP. SPECIALIST
AREA CODE

RECEIVED
RRC OF TEXAS

NOV 16 2009

O&G
AUSTIN TX

352 + 200 = 552 AC
11/18/09

STATEMENT OF PRODUCTIVITY OF ACREAGE
ASSIGNED TO PRORATION UNITS

Form P-15
(5-5-71)
DBC0697

The undersigned states that he is authorized to make this statement; that he has knowledge

of the facts concerning the CHESAPEAKE OPERATING INC ,
OPERATOR

BLOCK 58 STATE 42 , No. 1H ; that such well is
LEASE WELL
completed in the TOYAH, NW (SHALE) Field, REEVES County,

Texas and that the acreage claimed, and assigned to such well for proration purposes as

authorized by special rule and as shown on the attached certified plat embraces _____

513 acres which can reasonably be considered to be productive of hydrocarbons.

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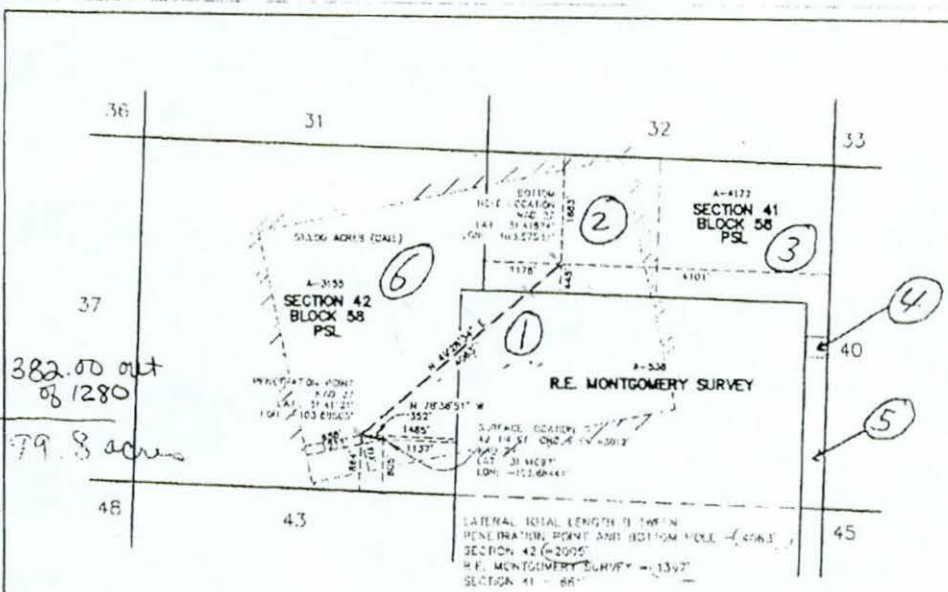
Date 11/13/09 Signature Lindsey Melott

Telephone _____ (405) 935-8323 Title REG. COMP. SPECIALIST
AREA CODE

Updated Plot

Tract

- ① Fee Acreage - 34.383460%
- ② 16.268767%
- ③ 260.3 acres
- ④ 49.347773%



- SURFACE LOCATION OF THE 42-1H ST 1137' FEL AND 805' FSL GND. ELEV. = 3012' SECTION 42, BLOCK 58, P.S.L. NAD 27 LAT. = 31° 41' 09.7" LON. = -103° 88' 44.4"
- PENETRATION POINT 1485' FEL AND 864' FSL SECTION 42, BLOCK 58, P.S.L. NAD 27 LAT. = 31° 41' 12.1" LON. = -103° 88' 50.0"
- BOTTOM HOLE LOCATION 1178' FWL & 445' FSL SECTION 41, BLOCK 58, P.S.L. NAD 27 LAT. = 31° 41' 8.74" LON. = -103° 87' 53.1"

(SURFACE LOCATION COORDINATES AS STAKED, PENETRATION POINT AND BOTTOM HOLE COORDINATES PROVIDED BY CHESAPEAKE)

NAD 83, TEXAS CENTRAL ZONE COORDINATES (HERE POSITION)

SURFACE LOCATION: N=10494662.6, E=1189024.7, LATITUDE=31° 24' 40.3", LONGITUDE=-103° 53' 03.7"

NOTE: THIS AS-DRIILLED PLAT HAS BEEN PREPARED FROM A CERTIFIED SURVEY PLAT ON FILE IN THE OFFICE OF WATSON PROFESSIONAL GROUP INC., MIDLAND, TEXAS.

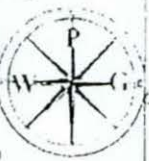
APPROXIMATELY 7.9 MILES NORTHWEST OF TOYAH, TEXAS.

AS-DRIILLED PLAT
CHESAPEAKE OPERATING INC.
BLOCK 58 STATE 42-1H ST, DRILLING UNIT
SECTIONS 41 & 42, BLOCK 58, PSL SURVEY
AND PORTIONS OF
R.E. MONTGOMERY SURVEY
REEVES COUNTY, TEXAS



Watson Professional Group Inc.

4500 W. BENTLEY
SUITE 301 (79703)
P.O. BOX 1106 (79703)
MIDLAND, TEXAS
PHONE (432) 534-0200
FAX (432) 534-0202
johnd@watsongroup.com



I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT THE SURVEY INFORMATION FOUND ON THIS PLAT HAS DERIVED FROM ACTUAL FIELD NOTES OF PRE-1913 OR LATER SURVEYS MADE BY ME, OR UNDER MY SUPERVISION, AND IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE, AND THAT NO WARRANTY IS MADE OR IMPLIED FOR THE LOCATION OF ANY OF THE EASEMENTS THAT MAY EXIST WITHIN THE BOUNDS OF THIS SURVEY. THE INFORMATION PRESENTED HEREON IS FOR THE KNOWLEDGE OF THE PARTY NAMED IN THE "REFERENCE PORTION" OF THE TITLE BLOCK AND DOES NOT CONSTITUTE A COMPLETE BOUNDARY SURVEY AS DEFINED IN THE PROFESSIONAL LAND SURVEYING PRACTICE ACT.

W.D. WATSON, JR. RPLS 1980
DATE 10/26/09

CHESAPEAKE OPERATING, INC.,
BLOCK 58 STATE 42-1H ST
SURF. LOC. 805' FSL & 1137' FEL, SEC. 42,
P.P. 864' FSL & 1485' FEL, SEC. 42,
B.H.L. 445' FSL & 1178' FWL, SEC. 41,
BLOCK 58, P.S.L., REEVES COUNTY, TEXAS.

CONSULTING ENGINEERS, LAND SURVEYORS & PLANNERS

JOB NO. 09-1572-01 FIELD BOOK DRAFT TA REV. 1

PA 09-125

From: Kim Haley <kim.haley@chk.com>
To: 'Beverly Boyd' <Beverly.Boyd@GLO.STATE.TX.US>
Date: 2/11/2010 12:47 PM
Subject: Block 58 State 42 1-H- Unit 4554
Attachments: Block 58 State 42 1H ST breakdown.xls; 619121- Block58State42#1-Hextended2n
 d- Unit 4554 Eff 08-09.xls

Beverly,

I received a revised unit set-up effective 08/09 for the above referenced well that does not match what our DO dept. is showing it should be. Please see the comments and attachment I received. The second excel sheet is the set-up I received from Lannie. Can you please check into this and see if you agree.

Thanks,
Kim

As for the Block 58 State 42 1H..they have the wrong unit acres. The acreage is 513 and they do not own and interest in Tract 1 which represents the Fee Acreage. Please see my breakdown on the revised unit. Tract 2 is based on a revised wellbore percent of 16.268767(661'/4063' per survey plat) and the wellbore percent covering Tract 6 is 49.347773%(2005'/4063' per survey plat).

Anita Robinson
 Sr. Division Order Analyst
 Chesapeake Energy Exploration LLC
 telephone 405.935-4052
 fax 405.849-4052

Start 9/09

This email (and attachments if any) is intended only for the use of the individual or entity to which it is addressed, and may contain information that is privileged, confidential and exempt from disclosure under applicable law. If the reader of this email is not the intended recipient, or the employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify the sender immediately by return email and destroy all copies of the email (and attachments if any).

Unit Tract #			State Royalty	Participation Factor	State Unit Royalty
2	MF 104580	State Fee	25%	16.268767%	4.0671917%
6	MF 104778	RAL	12.5%	36.188399%	4.5235498%
6	MF 105285	RAL	12.5%	13.159373%	1.6449216%
Total				65.616539%	10.235663%

(Tract 6 Allocation MF 104778 = 73.3334%
 MF 105285 = 26.6666%)

Revised
Unit

BLOCK 58 STATE 42 1H ST PN 619121

% SHARE	MINERALS R.E. MONTGOMERY SURVEY, A-538 Tract 1	% of wellbore	Net Acres	Revised Unit Acres	Unit Acres	Royalty Rate	revised decimal in the unit		Versus Chris' net acres	
	(SPLIT OUT TO THE OWNERS BELOW)		382	0.000000	1280		0	0.000000%	152.9	0.40026178
0.12500000	BELINDA HARRINGTON	Fee Owner	RI	47.750000	1280	0.20000000	0.00746094	0.02984375		
0.25000000	ARWILDA B HARRINGTON	Fee Owner	RI	95.500000	1280	0.20000000	0.01492188	0.0596875		
0.13125000	P D SAMS	Fee Owner	RI	50.137500	1280	0.25000000	0.00979248	0.029377441		
0.03125000	WHITE LIVING TRUST DATED 7/1/96	Fee Owner	RI	11.937500	1280	0.25000000	0.00233154	0.006994629		
0.00204544	ANN LOUISE LEEDS	Fee Owner	RI	0.781357	1280	0.25000000	0.00015261	0.000457826		
0.00409088	ISADORE J KAHN	Fee Owner	RI	1.562714	1280	0.25000000	0.00030522	0.00091565		
0.00409088	HELEN ROCHFORD BAUMGAERTNER	Fee Owner	RI	1.562714	1280	0.25000000	0.00030522	0.00091565		
0.00250000	Merle Burleson Taylor	Fee Owner	RI	0.955000	1280	0.25000000	0.00018652	0.00055957		
0.31250000	THE FASKEN FOUNDATION	Fee Owner	RI	119.375000	1280	0.25000000	0.02331543	0.069946289		
0.12500000	DIANE LEINWEBER	Fee Owner	RI	47.750000	1280	0.20000000	0.00746094	0.02984375		
0.98772719	subtotal (leased)			377.311786			0.06623277	0.22854206		
0.00204544	MARGUERITE G STEVENS	Fee Owner	unleased	0.781357	1280	1.00000000	0.00061044			
0.00409088	Morton L and VIVIAN BLAUGRUND	Fee Owner	unleased	1.562714	1280	1.00000000	0.00122087			
0.00409088	MARY Y TIPPENS TEST TRST	Fee Owner	unleased	1.562714	1280	1.00000000	0.00122087			
0.00102281	J M EVENSEN	Fee Owner	unleased	0.390714	1280	1.00000000	0.00030525			
0.00102281	D. G EVENSEN	Fee Owner	unleased	0.390714	1280	1.00000000	0.00030525			
0.01227281	subtotal (unleased)			4.688214			0.00366267			
1.00000000				382.000000						
	CHK		WI	367.878991	1280	0.77531063	0.55598537			
	CI		WI	9.432795	1280	0.77531063	0.01425604			
				377.311786			0.57024140	0.64013684		
							0.29477483	0.22854206		
								0.775310633		
	MINERALS- section 41- Tract 2	% of wellbore	Net Acres	Revised Unit Acres	Unit Acres	Royalty Rate	decimal in the unit			
	STATE OF TEXAS (owns 100%)	0.16268767	513	83.4587743	513	0.25	0.04067192	16.2687674%	99.8	0.19454191
	SUBTOTAL			83.4587743	513	0.25	0.04067192	0.122015752		
	CHK		WI	81.372305	513	0.75	0.11896536			
	CI		WI	2.086469	513	0.75	0.00305039			
				83.458774			0.12201575	0.16268767		
	MINERALS- Section 42 Tract 6	% of wellbore	Net Acres	Revised Unit Acres	Unit Acres	Royalty Rate	decimal in the unit			
	(SPLIT OUT TO THE OWNERS BELOW)	0.49347773	513	253.154073	513	0.25	0.12336943	49.347773%	260.3	0.50740741
0.50000000	DELA MINERALS, INC			126.577037	513	0.125	0.03084236	0.215896505		
0.00833333	TEXAS SCOTTISH RITE HOSPITAL FOR CRIPPLED CHILDREN			2.109617	513	0.125	0.00051404	0.003598275		
0.01666667	MARY Y TIPPENS TEST TRST			4.219235	513	0.125	0.00102808	0.00719655		
0.00833333	ESTHER SHUMAN TEST TRST			2.109617	513	0.125	0.00051404	0.003598275		
0.03333333	MARY B HARWITT UNITRUST			8.438469	513	0.125	0.00205616	0.0143931		
0.05000000	D D WALL ESTATE TRUST A			12.657704	513	0.125	0.00308424	0.021589651		
0.05000000	DD WALL ESTATE TRUST B			12.657704	513	0.125	0.00308424	0.021589651		
0.05000000	CATHERINE FUNK WALL ESTATE TRUST A			12.657704	513	0.125	0.00308424	0.021589651		
0.05000000	CATHERINE FUNK WALL ESTATE TRUST B			12.657704	513	0.125	0.00308424	0.021589651		
0.06111111	ANN COVINGTON HENDERSON			15.470527	513	0.125	0.00376962	0.026387351		
0.06111111	JANE COVINGTON DRAKE			15.470527	513	0.125	0.00376962	0.026387351		
0.06111111	TED MICHAEL COVINGTON			15.470527	513	0.125	0.00376962	0.026387351		
0.05000000	ESTATE OF NELLIE MAY GOHLE			12.657704	513	0.125	0.00308424	0.021589651		
1.00000000	STATE OF TEXAS			0.000000	513	0.125	0.06168472	0.43179301		
	SUBTOTAL			253.154073	513		0.12336943			
	CHK		WI	246.825221	513	0.75	0.36085559			
	CI		WI	6.328852	513	0.75	0.00925271			
							0.37010829	0.49347773		
	Grand Totals	0.65616540		718.612848			1.29630223	65.616540%	513	1.10221110

0.066233
0.003663
0.570241

PA 09-125

From: Kim Haley <kim.haley@chk.com>
To: 'Beverly-Boyd' <Beverly.Boyd@GLO.STATE.TX.US>
Date: 2/11/2010 12:47 PM
Subject: Block 58 State 42 1-H- Unit 4554
Attachments: Block 58 State 42 1H ST breakdown.xls; 619121- Block58State42#1-Hextended2nd- Unit 4554 Eff 08-09.xls

Beverly,

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Thanks,
Kim

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Anita Robinson
Sr. Division Order Analyst
Chesapeake Energy Exploration LLC
telephone 405.935-4052
fax 405.849-4052

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Dayl will
contact
attys for Chesapeake
3-8-10.
Hold att on Kim.

From: Anita Robinson <anita.robinson@chk.com>
To: "ronald.widmayer@glo.state.tx.us" <ronald.widmayer@glo.state.tx.us>
Date: 3/3/2010 4:38 PM
Subject: Block 58 State 42 1H ST
Attachments: Block 58 State 42 1H ST breakdown.xls; eCopy.pdf

Per your request, here is the calculations regarding the State of Texas. We are paying based on the percentage of the wellbore in the pay zone covering Tracts 2 and 6 only. Tract 1 covers the fee owners and the are not affected by the reduction in the unit size. For example State of Texas is covered under Tracts 2 and Tract 6. The percent of the wellbore for Tr 2 is 16.268767% (661'/4063') and Tract 6 is 49.347773% (2005'/4063'). Tracts 2 & 6 are calculated on unit size of 513 while tract 1 is calculated on the original 1280 unit acres. In addition, I have attached the revised plat for your records.

Anita Robinson
Sr. Division Order Analyst
Chesapeake Energy Exploration LLC
telephone 405.935-4052
fax 405.849-4052

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129 AC

MINERALS Section 41 W/2 Tract 1

STATE OF TEXAS (owns 100%)

129 1280 0.25 0.02519531

2408 ~~1280~~
1280 AC expired 8/09
went to Unit 4554

18.
File No. MF 104580
Unit Agreement Memo &
emails. Does not go to GJS
Date Filed: 3/18/10 & filed only per
Jerry Patterson, Commissioner Karyl Morgan
By [Signature]

19.
File No. MF 104580
Memo to file - as drilled
plat - e-mails
Date Filed: 9-28-10
Jerry E. Patterson, Commissioner
By JAD

RAILROAD COMMISSION OF TEXAS
Oil and Gas DivisionForm G-1
Rev. 4/1/83

483-047

API No. 42-389 32497

7. RRC District No.

8

8. RRC Gas ID No.

244453

9. Well No.

1H

Gas Well Back Pressure Test,
Completion or Recompletion Report and Log

1. FIELD NAME (as per RRC Records or Wildcat)

Toyah, North West (Shale)

2. LEASE NAME

Block 58 State 42

3. OPERATOR'S NAME (Exactly as shown on Form P-5, Organization Report)

Chesapeake Operating, Inc.

RRC Operator No.

147715

10. County of well site

Reeves

4. ADDRESS

2010 Rankin Highway, Midland, Texas 79701

5. Location (Section, Block, and Survey)

Sec. 42, Blk. 58, A-3155, PSL/Aspin, F

5b. Distance and direction to nearest town in this county.

7.9 miles NW from Toyah

6. If operator has changed within last 60 days,
name former operator12. If workover or reclass, give former field (with reservoir) & Gas ID or
oil lease no.

FIELD & RESERVOIR

GAS ID or

OIL LEASE #

Oil - O

Gas - G

WELL

#

13. Pipe Line Connection

CEMI

Initial Potential

☒

Retest

☐

Reclass

☐Well record only
(Explain in remarks)☐

14. Completion or recompletion date

8-5-2008

15. Any condensate on hand at time of workover
or recompletion? ☐ Yes ☒ No

16. Type of Electric or other Log Run

None

Section I

GAS MEASUREMENT DATA

Date of Test		Gas Measurement Method (Check One)								Gas produced during test	
08/06 - 08/09/08		Orifice Meter	☒	Flange Taps	☒	Pipe Taps	☐	Positive Choke	☐	Orifice Vent Meter	☐
		Pitot Tube	☐	Critical-flow Prover	☐						8709 MCF
Run No.	Line Size	Orif or Choke Size	24 Hr. Coeff. Orif or Choke	Static P _m or Choke Press	Diff. h _w	Flow Temp. °F	Temp. Factor F _{tt}	Gravity Factor F _g	Compress Factor F _{pv}	Gas Rate MCF / DAY	
1	3.068	1.875	24211.62	926	16.03	125	0.9428	1.0017	1.0422	2903	
2											
3											
4											

Section II

FIELD DATA AND PRESSURE CALCULATIONS

Gravity (Dry Gas)		Gravity Liquid Hydrocarbon		Gas-Liquid Hydrocarbon Ratio		Gravity of Mixture		Avg. Shut-in Temp.		Bottom Hole Temp.	
0.5980		----- Deg. API		Dry CF/Bbl		G _{mix} = 0.5980		151 °F		229 °F @ 14050 ft (Depth)	
(D _{eff}) ^{8/3} = 38.203			$\sqrt{T_f} = \sqrt{614} = 24.78$			$\sqrt{GL} = \sqrt{8401.900} = 91.662$					
C = $\frac{1118 \times (D_{eff})^{8/3}}{\sqrt{T}} = 1118 \times 38.203 / 24.78 = 1723.674$						$\frac{\sqrt{GL}}{C} = 91.662 / 1723.674 = 0.0532$					
Run No.	Time of Run Minutes	Choke Size	Wellhead Press. PSIA P _w	Wellhead Flow Temp. °F	P _w ² (Thousands)	R	R ² (Thousands)	P ₁	P _w / P ₁		
Shut-In	24 hrs	SI	2015	74	4060.2	0.0	0.0000	2015	1.0000		
1	4320	30/64	1601	80	2563.2	154.4	23.8516	1608	0.9956		
2											
3											
4											
Run No.	F	K	S = $\frac{1}{z}$	P _f and P _s	P _f ² and P _s ² (Thousands)	P _f ² - P _s ² (Thousands)	Angle of Slope				
Shut-In	1.0000	0.2578	1.1456	1.3436	2707	7328	⊖ 45.00°				
1	0.9978	0.2560	1.1344	1.3369	2150	4623	n 1.0000				
2							Absolute Open Flow				
3							7.863 MCF / DAY				
4											

WELL TESTER'S CERTIFICATION: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I conducted or supervised this test and that data and facts shown in Sections I and II above are true, correct, and complete, to the best of my knowledge. Bottomhole temperature and the diameter and length of flow string were furnished by the operator of the well.

Signature: Well Tester

FESCO, Ltd.

Name of Company

RRC Representative

OPERATOR'S CERTIFICATION: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that I prepared or supervised and directed this report, and that data and facts stated therein are true, correct, and complete, to the best of my knowledge.

Signature: Operator's representative

Sr. Reg. Comp. Spec.

Title

9/5/08

Date

Tel: 817 556-5825x2805

A/C

Number

MAPPING

BHL OK 9/11/2009
EDL 3890/1280 + 200 = 1480 MCF per

VALID PERMIT *me*

Section III

DATA ON WELL COMPLETION AND LOG (Not Required on Retest)

17. Type of Completion:

New Well ☒Deepening ☐Plug Back ☐Other ☐

DATE

PERMIT NO.

5/13/08 649786Amended

Rule 37

CASE NO.

Exception

Water Injection
Permit

PERMIT NO.

Salt Water Disposal
Permit

PERMIT NO.

Other

PERMIT NO.

19. Notice of Intention to Drill this well was filed in the Name of

Chesapeake Operating, Inc.

20. Number of producing wells on this lease in this field (reservoir) including this well

1

21. Total number of acres in this lease

1280

22. Date Plug Back, Deepening, WorkOver or Drilling Operations:

Commenced

Completed

23. Distance to nearest well, Same Lease & Reservoir

12/21/07

6/9/08

NA

24. Location of well, relative to nearest lease boundaries of lease on which this well is located

805

Feet From

South

Line and 3794

Feet From

West

Line of the

Block 58 State 42

Lease

25. Elevation (DF, RKB, RT, GR, ETC.)

3012 GR

26. Was directional survey made other than inclination (Form W-12)?

☒

Yes

☐

No

27. Top of Pay

10950

28. Total Depth

TVD 12590

MD 16400

29. P. B. Depth

16240

30. Surface Casing Determined by:

Gr # 3087

Field Rules

☐

Recommendation of T.D.W.R.

500-1000-1450

Railroad Commission (Special)

☒

Dt. of Letter

4/24/08

Dt. of Letter

31. Is well multiple completion?

☐

Yes

☒

No

32. If multiple completion, list all reservoir names (completions in this well) and Oil Lease or Gas ID No.

FIELD & RESERVOIR

GAS ID or
OIL LEASE #Oil-O
Gas-GWell
#33. Intervals
Drilled
by:Rotary
ToolsCable
Tools☒

34. Name of Drilling Contractor

Trinidad Drlg
Rowan Drlg.35. Is Cementing Affidavit
Attached☒

Yes

☐

No

36. CASING RECORD (Report All Strings Set in Well)

CASING SIZE	WT #/FT.	DEPTH SET	MULTISTAGE TOOL DEPTH	TYPE & AMOUNT CEMENT (sacks)	HOLE SIZE	TOP OF CEMENT	SLURRY VOL. cu. ft.
13 3/8"	13.50	1660		835sxHal Lt	17 1/2 13 3/8	Surface	2261
13 3/8" continued				545sxPrem+			
9 5/8"	40	9021		895sx Halad	12 1/4	Surface	1685
			6475	1025 C			2438.5
			2ndtool 3495	805sx C			1846.9

37. LINER RECORD ~~See~~ Remarks for rest of casing prog.

Size	TOP	Bottom	Sacks Cement	Screen

38. TUBING RECORD

Size	Depth Set	Packer Set	From	To
2 3/8			11947 ft	16152 ft (MD O/A)
			From	To
			From	To
			From	To

39. Producing Interval (this completion) indicate depth of perforation or open hole

40. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.

Depth Interval	Amount and Kind of Material Used
11947 - 16152	See Attached

41. FORMATION RECORD (LIST DEPTHS OF PRINCIPAL GEOLOGICAL MARKERS AND FORMATION TOPS)

Formations	Depth	Formations	Depth
Delaware	3338		
Barnett	10950		
Woodford	12408		

REMARKS: Perfs: 11947 - 12061 ft; 13000 - 13452 ft; 13540 - 13992 ft; 14080 - 14532 ft;

14620 - 15092 ft; 15160 - 15612 ft; 15700 - 16152 ft

7 5/8" 39# set@12875 w/390SuperH 8 3/4" hole, TOC 8000, Slurry 667

4 1/2" 13.50# set @16312, 330sx Cl.H, 6 1/2" hole, TOC 10002, Slurry 864.6

File No. MF 104580

Well Records: 42-389-32497

Date Filed: 06/10/2014

Jerry E. Patterson, Commissioner

By

JEP

DISTRICT > 08 GAS LEDGER INQUIRY

FIELD > TOYAH, NW (SHALE)

90890 700

OPERATOR > SHELL WESTERN E&P

774719

LEASE > BLOCK 58 STATE 42

244453 WELL # 1H

MM/YYYY	ALLOW	GAS PROD	GAS LIFT	* AMT	* CODE	* AMT	* CODE	CUMU STAT	G/C (MCF/BBL)	RATIO
05/2012	5642 X	929	0	929	2				0	
06/2012	5544 X	5544	0	5544	2				0	
07/2012	3620 X	3620	0	3620	2				0	
08/2012	3100 X	1247	0	1247	2				0	
09/2012	5550 X	0	0						0	
10/2012	5735 X	0	0						0	
11/2012	5550 X	0	0						0	
12/2012	3627 X	2719	0	2719	2				0	
01/2013	4600 X	4600	0	4600	2				0	
02/2013	4801 X	4801	0	4801	2				0	
03/2013	6599 X	6599	0	6599	2				0	
04/2013	6599 X	6599	0	6599	2				0	

GO TO DIST > GAS RRC ID # >

PF1=HELP PF2=COND PF3=MENU PF4=PROD RMKS PF6=PROD PF7=SCHEDULE PF8=P4 PF9=LDGR

PF10=G10 PF11=STATUS PF12=G-1 PF17=P-17 PMT PF18=T-1 PF19=HIST LDG

** PRESS ENTER TO SCROLL **

DrillingInfo One-Page Production Summary


[Tag This Element](#)

API# 42-389-32497
 Well# 1H
 Lease BLOCK 58 STATE 42
 Field TOYAH, NW (SHALE)
 Lease SHELL WESTERN E&P
 Operator [Well Op History](#)
 County Reeves
 State Texas
 Location 805.0 S'LY SOUTH / 1137.0 S'LY EAST,
 PSL/ASPIN, F A-3155 Block:58 Section:42
 Elevation 3012 GL
 Date Spud --
 Date TD --
 Logs Run

Prod.	First Production	Most Recent Production	Cumulative (MCF & BBL)	Gravity (SG & API)	Gatherer
Oil	8/1/08	3/1/14	0	0.00	
Gas	8/1/08	3/1/14	506,919	0.60	ACCMO

Most Recently Reported Monthly Production (12 Months)

Mo/Yr	Gas (MCF)					Oil (BBL)				Water (BW)	#Wells Flowing	#Wells Other	Avg Gas (MCF/D)	Avg Oil (BBL/D)	Avg Wtr (BW/D)
	Produced	Sold	Used	Vented/Flared	Other	Produced	Sold	Other	Closing						
4/2013	6,599	6,599	0	0	0	0	0	0	0	0	---	---	219.97	0.00	0.00
5/2013	13,295	13,295	0	0	0	0	0	0	0	0	---	---	428.87	0.00	0.00
6/2013	516	516	0	0	---	0	0	0	0	0	---	---	17.20	0.00	0.00
7/2013	8,955	8,955	0	0	---	0	0	0	0	0	---	---	288.87	0.00	0.00
8/2013	15,254	15,254	0	0	---	0	0	0	0	0	---	---	492.06	0.00	0.00
9/2013	968	968	0	0	---	0	0	0	0	0	---	---	32.27	0.00	0.00
10/2013	587	587	0	0	---	0	0	0	0	0	---	---	18.94	0.00	0.00
11/2013	5,839	5,839	0	0	---	0	0	0	0	0	---	---	194.63	0.00	0.00
12/2013	1,946	1,946	0	0	---	0	0	0	0	0	---	---	62.77	0.00	0.00
1/2014	9,060	9,060	0	0	---	0	0	0	0	0	---	---	292.26	0.00	0.00
2/2014	2,780	2,780	0	0	---	0	0	0	0	0	---	---	99.29	0.00	0.00
3/2014	5,905	5,905	0	0	---	0	0	0	0	0	---	---	190.48	0.00	0.00
Totals	71,704	71,704	0	0	0	0	0	0	0	0	---	---	---	---	---

Annual Production

Year	Gas (MCF)	Oil (BBL)	Water (BW)	#Wells Flowing	#Wells Other	Avg Gas (MCF/D)	Avg Oil (BBL/D)	Avg Wtr (BW/D)	Annual Dec. Gas	Annual Dec. Oil
2008	114,737	0	---	---	---	754.85	0.00	0.00	---	---
2009	102,798	0	---	---	---	281.79	0.00	0.00	10.4%	---
2010	85,446	0	---	---	---	234.23	0.00	0.00	16.9%	---
2011	91,067	0	---	---	---	249.64	0.00	0.00	---	---
2012	25,167	0	---	---	---	68.99	0.00	0.00	72.4%	---
2013	69,959	0	---	---	---	191.77	0.00	0.00	---	---
2014	17,745	0	---	---	---	194.57	0.00	0.00	74.6%	---
Totals	506,919	0	---	---	---	---	---	---	---	---

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File No. MF104580

(21)

Production Report: 42-389-32497

Date Filed: 06/10/2014

Jerry E. Patterson, Commissioner

By JEP



August 29, 2013

Brian Chaffee
Staff Contracts Representative
Shell Exploration & Production Company
150 N. Dairy Ashford St., Suite C
Houston, Texas 77079-1116
(Via CMRRR#: 7011 1150 0001 2416 2987)

RE: **State Lease MF104580** Surveyed School Land lease, described on **Page 2**
State Lease MF104778 6 Surveyed School Land leases, described on **Page 2**
State Lease MF105285 13 Surveyed School Land leases, described on **Page 2**
Well: Block 58 State 42 #1H (API # 42-389-32497)

Dear Mr. Chaffee:

Our research indicates that there was a three-month lapse in production for the referenced well from September 1 through November 30, 2012.

You have 40 days from the receipt of this letter in which to present evidence and convince the General Land Office that operations were conducted adequate to perpetuate the leases without a cessation of more than sixty (60) cumulative days. If such evidence has not been presented at the expiration of the 40-day period, we will have to assume that there were no operations during the lapse period and the mineral files shall be endorsed "terminated" due to cessation of production.

Upon termination, and pursuant to the Texas Administrative Code, we request that you file with this office a recorded original or certified copy of a Release of these State Oil and Gas Leases along with a filing fee of \$25.00 per state lease to be sent to my attention.

Sincerely,

Linda Price, RL
Energy Resources, Mineral Leasing
512-463-5118
512-475-1543 (fax)
linda.price@glo.texas.gov

Brian Chaffee
Shell Exploration & Production Company
August 29, 2013
Page 2

MF104580 129 acres, covering the W/2 of Section 41, Block 58, PSL Survey, Reeves County, TX
Recorded in Book 703, Page 289
State of Texas, Lessor

MF104778A 1,095.22 acres, covering the E/2 of Section 39, SE/4 of Section 40 & all of Section 42,
Block 58, PSL Survey, Reeves, County, Texas

State Lease No.	Agent for State of TX	Lease Date	Recorded Bk/Page
MF104778A	Dela Minerals, Inc.	02/18/2005	702/686

MF104778 615 acres, covering all of Section 42, Block 58, PSL Survey, Reeves, County, Texas

State Lease No.	Agent for State of TX	Lease Date	Recorded Bk/Page
MF104778F	Nellie May Gohlke Trust	04/06/2007	777/197
MF104778G	Ann Covington Henderson	10/21/2007	778/542
MF104778H	Ted Michael Covington	10/21/2007	778/524
MF104778I	Jane Covington Drake	10/21/2007	778/533
MF104778J	The Estate of Nellie May Gohlke	04/06/2007	781/462

MF105285 1,895.47 acres, covering all of Sections 31, 32 and 42, Block 58, PSL, Reeves
County, Texas

State Lease No.	Agent for State of TX	Lease Date	Recorded Bk/Page
MF105285A	Catherine Funk Wall Trust A	12/01/2005	726/625
MF105285B	D.D. Wall Estate Trust A	12/01/2005	726/639
MF105285C	Estate of Nellie May Gohlke	11/03/2004	689/606
MF105285D	Dela Minerals, Inc.	02/18/2005	702/695
MF105285E	Ted Michael Covington	10/06/2004	687/702
MF105285F	Ann Covington Henderson	10/06/2004	687/684
MF105285G	Jane Covington Drake	10/06/2004	687/693
MF105285H	D. D. Wall Trust B	12/01/2005	724/97
MF105285I	Catherine Funk Wall Trust B.	12/01/2005	724/82
MF105285J	Mary B. Harwit Unitrust	09/01/2005	724/31
MF105285K	Mary Y. Tippens Testamentary Trust	09/01/2005	724/16
MF105285L	Esther Shuman Testamentary Trust	09/01/2005	724/1
MF105285M	Texas Scottish Rite Hospital	12/01/2005	724/249

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Sent To **BRIAN CHAFFEE**
Street, Apt. No. or PO Box No **STAFF CONTRACTS REPRESENTATIVE**
City, State, Zip **SHELL EXPLORATION & PRODUCTION CO**
150 N DAIRY ASHFORD ST SUITE C
HOUSTON TEXAS 77079-1116

PS Form 3800

18

7011 1150 0001 2416 2987

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HOUSTON, TX 77079

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August 31, 2013

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HOUSTON, TX 77201

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Facility

August 30, 2013

AUSTIN, TX 78710

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USPS Sort Facility

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AUSTIN, TX 78710

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File No. MF 1045880

Termination letter

Date Filed: 06/10/2014

By Jerry E. Patterson, Commissioner

WELL TIMELINE

	Block 58 State 32 #1		Block 58 State 31-3 #1H		Block 58 State 42 #1H
API #	42-389-32398		42-389-32452		42-389-32497
RRC ID #	08-224464		08-245061		08-244453
	MF105285 Lease Well		Unit 4484 MF105285, MF105490** & MF104782**		Unit 4554 MF104580, MF104778* & MF105285
Permit Issued	1/3/2006		1/24/2007		1/24/2007
Date Commenced	5/11/2007		6/15/2007		12/21/2007
Date Completed	6/3/2007		11/4/2007		6/9/2008
1st Production	12/1/2006		2/1/2008		8/1/2008
Shut-In Payment Received			11/1/2011		NA
Shut-In Affidavit Requested			11/19/2011		NA
Shut-In Affidavit Due			12/22/2011		NA
2nd Shut-In Payment Rec.			2/22/2012		NA
3rd Shut-In Payment Rec.			2/15/2013		NA
Gaps	05/2010 - 06/2010 12/2010 02/2011 - 05/2011 09/2011 12/2011 - 01/2012 04/2012 - 06/2012 11/2012 - 04/2013 06/2013 08/2013 11/2013 - 12/2013 04/2014		08/2011 10/2011 - 04/2013 06/2013 - 04/2014		09/2012 - 11/2012 04/2014
Termination Date	07/01/2012		01/01/2012***		12/01/2012
Last Production	03/2014		05/2013		03/2014

*MF104778 is also part of Unit 5206, with producing well 42-389-32449, which terminated 08/2012 after a 61-day gap and for which the GLO gave Shell two options.

**No second or third shut-in payment received.

*** Shut in Affidavit never received so shut in was rejected.

Revised 06/09/2014

File No. MF104580

Well Time line

Date Filed: 06/19/2014

By Jerry E. Patterson, Commissioner

Linda Price - MF104580 & MF104778, Block 58 State 42 #1H

From: Linda Price
To: Meredith.MacAllister@shell.com
Date: 6/9/2014 9:37 AM
Subject: MF104580 & MF104778, Block 58 State 42 #1H
Attachments: 4554 SWEPI 08-29-2013.pdf

Reply Requested: By 6/11/2014

Meredith:

The email thread below regarded Block 58 State 40-14 1H. In it, I said that Shell could delay executing, recording and filing a release of MF104778A until our review of Block 58 State 42 #1H was concluded.

Attached is our termination letter dated August 29, 2014 which was delivered to Shell on September 3, 2013 regarding Block 58 State 42 #1H Accounting Unit 4554. We have concluded our review of the unit and now request a full release of MF104580 and all of the undivided interests of MF104778. MF105285 was also part of the Block 58 State 42 #1H Accounting Unit 4554 but Harriet will address that lease with you by separate correspondence.

Please submit certified, recorded copies of releases of MF104580 and all of the undivided of MF104778, along with the filing fee of \$25.00 per state lease, and mail them my attention.

If you have any questions, please let me know.

Thank you.
Linda

Linda Price, RL
Texas General Land Office
Energy Resources, Mineral Leasing
Phone: (512) 463-5118
Fax: (512) 475-1543
Linda.Price@glo.texas.gov

>>> <Meredith.MacAllister@shell.com> 5/29/2014 1:56 PM >>>

Linda,

I am confirming receipt of your email and will start working on the releases.

Meredith

From: Linda Price [Linda.Price@GLO.TEXAS.GOV]
Sent: Thursday, May 29, 2014 1:38 PM

To: MacAllister, Meredith R SEPCO-UAU/L/A
Cc: Chaffee, Brian D SEPCO-UAU/L/UP
Subject: Unit Block 58 State 40-14
Importance: High

Meredith:

Because of administrative maintenance reasons, the GLO has decided to issue new mineral file numbers for the one-year backdated leases of Unit Block 58 State 40-14 rather than making the new leases part of the original lease number files.

Therefore, we will need full requests of the original leases rather than partial releases, with the exception of MF104778A. The releases will need to be effective August 29, 2012, the day before the new lease dates.

MF104778A covers 1,095.22 acres including the E/2 of Section 39, SE/4 of Section 40 and all of Section 42, Block 58, PSL Survey. It is included in a review of Unit Block 58 State 42 #1-H which has not yet been concluded. Therefore, you may either release the SE/4 of Section 40 now and possibly have to do an additional release of the other acreage covered by the lease, or you may wait until our review of Unit Block 58 State 42 #1-H has been concluded and release whatever additional acreage of that lease is determined to be terminated.

You will be receiving the GLO letter approving the new leases and listing the new lease numbers soon. Please refer to the new lease numbers when making any payments towards, or in correspondence regarding, the new leases.

Please confirm your receipt of this email and if you have any questions, please let me know.

Thank you.
Linda

Linda Price, RL
Texas General Land Office
Energy Resources, Mineral Leasing
Phone: (512) 463-5118
Fax: (512) 475-1543
Linda.Price@glo.texas.gov

File No. MF104580

(24)

Email To Shell

Date Filed: 06/10/2014

Jerry E. Patterson, Commissioner

By JEP

Linda Price - Termination Notice

From: Linda Price
To: Amanda Allen; Mike May
Date: 6/10/2014 9:55 AM
Subject: Termination Notice
Attachments: 42-389-32497 Well History 01-2010 to 04-2014.pdf

Mike & Amanda:

The following are terminated effective 12/01/2012:

Unit 4554
MF104580
MF104778

Attached for your convenience are production reports which show production from the termination date forward.

If you have any questions, please let me know.

Thank you.
Linda

Linda Price, RL
Texas General Land Office
Energy Resources, Mineral Leasing
Phone: (512) 463-5118
Fax: (512) 475-1543
Linda.Price@glo.texas.gov

File No. MF104580

(25)

Termination Notice To FinMan

Date Filed: 06/10/2014

Jerry E. Patterson, Commissioner

By JP

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

October 30, 2014

Meredith MacAllister, CPLTA
Senior Lease Analyst
Shell Exploration & Production Company
150 North Dairy Ashford Room EPC E0460-G
Houston, Texas 77079
(Via email to Meredith.MacAllister@Shell.com)

RE: State Lease MF104580 Surveyed School Land Lease effective January 18, 2005
129 acres, covering the W/2 of Section 41, Block 58, PSL Survey, Reeves
County, Texas
Recorded in Book 703, Page 289
State of Texas, Lessor
Well: Block 58 State 42 #1H (API # 42-389-32497)

Dear Ms. MacAllister:

The GLO notified Shell by letter dated August 29, 2013 that our research indicated that there was a three-month lapse in production for the referenced well from September 1 through November 30, 2012 (see copy of letter attached). Shell was given forty days from the receipt of our letter in which to present evidence and convince the GLO that a termination had not occurred. The USPS delivery receipt indicates that Shell received the letter on September 3, 2013. The GLO did not receive any evidence that the lease was maintained in response to our letter.

On June 9, 2014, by email, we requested a full release of the lease as well as all of the undivided interests of MF104778 (see copy of email attached).

Please be advised that the lease terminated effective December 1, 2012. Thereafter, all revenue from the well's production belonged to the State.

The lease tract may be nominated at a bid sale. The deadline for nominations for the January 2015 bid sale is tomorrow, Friday, October 31, 2014. The GLO contact for the bid sale is George Martin. He can be reached by phone at 512-475-1512 or by email to George.Martin@glo.texas.gov.

Sincerely,

Linda Price, RL
Energy Resources, Mineral Leasing
512-463-5118
512-475-1543 (fax)
linda.price@glo.texas.gov

Attachments

cc: Brian Chaffee
(Via email to Brian.Chaffee@Shell.com)

Stephen F. Austin Building • 1700 North Congress Avenue • Austin, Texas 78701-1495

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

August 29, 2013

Brian Chaffee
Staff Contracts Representative
Shell Exploration & Production Company
150 N. Dairy Ashford St., Suite C
Houston, Texas 77079-1116
(Via CMRRR#: 7011 1150 0001 2416 2987)

RE: State Lease MF104580 Surveyed School Land lease, described on Page 2
State Lease MF104778 6 Surveyed School Land leases, described on Page 2
State Lease MF105285 13 Surveyed School Land leases, described on Page 2
Well: Block 58 State 42 #1H (API # 42-389-32497)

Dear Mr. Chaffee:

Our research indicates that there was a three-month lapse in production for the referenced well from September 1 through November 30, 2012.

You have 40 days from the receipt of this letter in which to present evidence and convince the General Land Office that operations were conducted adequate to perpetuate the leases without a cessation of more than sixty (60) cumulative days. If such evidence has not been presented at the expiration of the 40-day period, we will have to assume that there were no operations during the lapse period and the mineral files shall be endorsed "terminated" due to cessation of production.

Upon termination, and pursuant to the Texas Administrative Code, we request that you file with this office a recorded original or certified copy of a Release of these State Oil and Gas Leases along with a filing fee of \$25.00 per state lease to be sent to my attention.

Sincerely,

Linda Price, RL
Energy Resources, Mineral Leasing
512-463-5118
512-475-1543 (fax)
linda.price@glo.texas.gov

Stephen F. Austin Building • 1700 North Congress Avenue • Austin, Texas 78701-1495

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

Brian Chaffee
Shell Exploration & Production Company
August 29, 2013
Page 2

MF104580 129 acres, covering the W/2 of Section 41, Block 58, PSL Survey, Reeves County, TX
Recorded in Book 703, Page 289
State of Texas, Lessor

MF104778A 1,095.22 acres, covering the E/2 of Section 39, SE/4 of Section 40 & all of Section 42,
Block 58, PSL Survey, Reeves, County, Texas

<u>State Lease No.</u>	<u>Agent for State of TX</u>	<u>Lease Date</u>	<u>Recorded Bk/Page</u>
MF104778A	Dela Minerals, Inc.	02/18/2005	702/686

MF104778 615 acres, covering all of Section 42, Block 58, PSL Survey, Reeves, County, Texas

<u>State Lease No.</u>	<u>Agent for State of TX</u>	<u>Lease Date</u>	<u>Recorded Bk/Page</u>
MF104778F	Nellie May Gohlke Trust	04/06/2007	777/197
MF104778G	Ann Covington Henderson	10/21/2007	778/542
MF104778H	Ted Michael Covington	10/21/2007	778/524
MF104778I	Jane Covington Drake	10/21/2007	778/533
MF104778J	The Estate of Nellie May Gohlke	04/06/2007	781/462

MF105285 1,895.47 acres, covering all of Sections 31, 32 and 42, Block 58, PSL, Reeves
County, Texas

<u>State Lease No.</u>	<u>Agent for State of TX</u>	<u>Lease Date</u>	<u>Recorded Bk/Page</u>
MF105285A	Catherine Funk Wall Trust A	12/01/2005	726/625
MF105285B	D.D. Wall Estate Trust A	12/01/2005	726/639
MF105285C	Estate of Nellie May Gohlke	11/03/2004	689/606
MF105285D	Dela Minerals, Inc.	02/18/2005	702/695
MF105285E	Ted Michael Covington	10/06/2004	687/702
MF105285F	Ann Covington Henderson	10/06/2004	687/684
MF105285G	Jane Covington Drake	10/06/2004	687/693
MF105285H	D. D. Wall Trust B	12/01/2005	724/97
MF105285I	Catherine Funk Wall Trust B.	12/01/2005	724/82
MF105285J	Mary B. Harwit Unitrust	09/01/2005	724/31
MF105285K	Mary Y. Tippens Testamentary Trust	09/01/2005	724/16
MF105285L	Esther Shuman Testamentary Trust	09/01/2005	724/1
MF105285M	Texas Scottish Rite Hospital	12/01/2005	724/249

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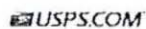
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Linda Price - MF104580 & MF104778, Block 58 State 42 #1H

From: Linda Price
To: Meredith.MacAllister@shell.com
Date: 6/9/2014 9:37 AM
Subject: MF104580 & MF104778, Block 58 State 42 #1H
Attachments: 4554 SWEPI 08-29-2013.pdf

Reply Requested: By 6/11/2014

Meredith:

The email thread below regarded Block 58 State 40-14 1H. In it, I said that Shell could delay executing, recording and filing a release of MF104778A until our review of Block 58 State 42 #1H was concluded.

Attached is our termination letter dated August 29, 2014 which was delivered to Shell on September 3, 2013 regarding Block 58 State 42 #1H Accounting Unit 4554. We have concluded our review of the unit and now request a full release of MF104580 and all of the undivided interests of MF104778. MF105285 was also part of the Block 58 State 42 #1H Accounting Unit 4554 but Harriet will address that lease with you by separate correspondence.

Please submit certified, recorded copies of releases of MF104580 and all of the undivided of MF104778, along with the filing fee of \$25.00 per state lease, and mail them my attention.

If you have any questions, please let me know.

Thank you.
Linda

Linda Price, RL
Texas General Land Office
Energy Resources, Mineral Leasing
Phone: (512) 463-5118
Fax: (512) 475-1543
Linda.Price@glo.texas.gov

>>> <Meredith.MacAllister@shell.com> 5/29/2014 1:56 PM >>>

Linda,

I am confirming receipt of your email and will start working on the releases.

Meredith

From: Linda Price [Linda.Price@GLO.TEXAS.GOV]
Sent: Thursday, May 29, 2014 1:38 PM

To: MacAllister, Meredith R SEPCO-UAU/L/A
Cc: Chaffee, Brian D SEPCO-UAU/L/UP
Subject: Unit Block 58 State 40-14
Importance: High

Meredith:

Because of administrative maintenance reasons, the GLO has decided to issue new mineral file numbers for the one-year backdated leases of Unit Block 58 State 40-14 rather than making the new leases part of the original lease number files.

Therefore, we will need full requests of the original leases rather than partial releases, with the exception of MF104778A. The releases will need to be effective August 29, 2012, the day before the new lease dates.

MF104778A covers 1,095.22 acres including the E/2 of Section 39, SE/4 of Section 40 and all of Section 42, Block 58, PSL Survey. It is included in a review of Unit Block 58 State 42 #1-H which has not yet been concluded. Therefore, you may either release the SE/4 of Section 40 now and possibly have to do an additional release of the other acreage covered by the lease, or you may wait until our review of Unit Block 58 State 42 #1-H has been concluded and release whatever additional acreage of that lease is determined to be terminated.

You will be receiving the GLO letter approving the new leases and listing the new lease numbers soon. Please refer to the new lease numbers when making any payments towards, or in correspondence regarding, the new leases.

Please confirm your receipt of this email and if you have any questions, please let me know.

Thank you.
Linda

Linda Price, RL
Texas General Land Office
Energy Resources, Mineral Leasing
Phone: (512) 463-5118
Fax: (512) 475-1543
Linda.Price@glo.texas.gov

Linda Price - MF104580

From: Linda Price
To: Brian.Chaffee@shell.com; Meredith.MacAllister@shell.com
Date: 10/30/2014 10:52 AM
Subject: MF104580
Attachments: MF104580 Shell 10-30-2014.pdf

Meredith and Brian:

Please find attached our letter regarding MF104580.

No hard copy will be sent unless so requested.

If you have any questions, please contact me.

Thank you.

Linda

Linda Price, RL
Texas General Land Office
Energy Resources, Mineral Leasing
Phone: (512) 463-5118
Fax: (512) 475-1543
Linda.Price@glo.texas.gov

Mailing Address:
P. O. Box 12873
Austin, Texas 78711-2873

Physical Address:
1700 N. Congress Avenue
Austin, Texas 78701-1495

File No. MF104580 (26)

Email letter re termination of lease

Date Filed: 10/30/2014

Jerry E. Patterson, Commissioner

By JEP

Linda Price - Fwd: MF104580

From: Linda Price
To: Mike May
Date: 10/30/2014 10:56 AM
Subject: Fwd: MF104580
Attachments: MF104580 Shell 10-30-2014.pdf

Mike:

MF104580 terminated on December 1, 2012. Upon termination, all revenue from the Block 58 State 42 #1H (API #: 42-389-32497) production belonged to the State.

Attached is my emailed letter of today reiterating our position to Shell that the lease is terminated and reminding them that 100% of the revenue belongs to the State.

Thank you.
Linda

Linda Price, RL
Texas General Land Office
Energy Resources, Mineral Leasing
Phone: (512) 463-5118
Fax: (512) 475-1543
Linda.Price@glo.texas.gov

Mailing Address:
P. O. Box 12873
Austin, Texas 78711-2873

Physical Address:
1700 N. Congress Avenue
Austin, Texas 78701-1495

>>> Linda Price 10/30/2014 10:52 AM >>>
Meredith and Brian:

Please find attached our letter regarding MF104580.

No hard copy will be sent unless so requested.

If you have any questions, please contact me.

Thank you.
Linda

Linda Price, RL
Texas General Land Office
Energy Resources, Mineral Leasing
Phone: (512) 463-5118
Fax: (512) 475-1543

Linda.Price@glo.texas.gov

Mailing Address:
P. O. Box 12873
Austin, Texas 78711-2873

Physical Address:
1700 N. Congress Avenue
Austin, Texas 78701-1495

File No. MF 104580

Email to FinMan re termination of lease

Date Filed: 10/30/2014

Jerry E. Patterson, Commissioner

By *JEP*



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

February 12, 2015

Garrett Black, RPL
Land Coordinator
COG Operating, LLC
One Concho Center
600 W. Illinois Avenue
Midland, Texas 79705

Via Email & CMRRR #: 7011 1150 0001 2416 5117

RE: Block 58 State 42 1H API #42-389-32497, RRC #244453, District 8
Section 42, Block 58, Public School Land Survey, A-3155, Reeves
County, Texas
State of Texas Relinquishment Act Lands

Dear Mr. Black:

In a previous review of the referenced well, we found that no production was reported to the RRC for the months of September 2012 through November 2012. The GLO notified Shell of its findings by certified letter delivered September 3, 2013 and gave Shell 40 days to provide evidence that the related leases were maintained. Shell did not respond and the leases were endorsed as terminated in the GLO files effective December 1, 2012.

A recent review of the well shows production was reported to the RRC for each month of the years 2013 and 2014. The most recent production found reported was for the month of December 2014.

This letter serves as the GLO's notice to COG to cease producing the well immediately. Our Royalty Revenue Division will contact you regarding the revenue owed to the State of Texas during this time period.

If you have any questions, please contact me.

Sincerely,

Linda Price, RL
Energy Resources, Mineral Leasing
512-463-5118
512-475-1543 (fax)
Linda.Price@glo.texas.gov

cc: James Flavin, Shell (via email)
Meredith MacAllister, Shell (via email)

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Harriet Dunne - Block 58 State 42 1H

From: Linda Price
To: gblack@concho.com
Date: 2/12/2015 1:11 PM
Subject: Block 58 State 42 1H
CC: Harriet Dunne; J.Flavin@shell.com; Meredith.MacAllister@shell.com
Attachments: COG Block 58 State 42 1H 02-15-2015.pdf

Garrett:

Attached is the GLO's letter regarding the Block 58 State 42 1H which is also being sent by certified mail.

Thank you.
Linda

Linda Price, RL
Texas General Land Office
Energy Resources, Mineral Leasing
Phone: (512) 463-5118
Fax: (512) 475-1543
Linda.Price@glo.texas.gov

Mailing Address:
P. O. Box 12873
Austin, Texas 78711-2873

Physical Address:
1700 N. Congress Avenue
Austin, Texas 78701-1495

File No. MF 104580 28

Letter To COB re termination County
of lease

Date Filed: 02/12/2015

George P. Bush, Commissioner

By GPB

RELEASE OF STATE OIL AND GAS LEASES

STATE OF TEXAS §
 §
COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned do hereby release, relinquish and surrender to the hereinafter named lessor, its heirs, successors, and assigns, all of their right, title and interest in and to the following described Oil, Gas and Mineral Leases, recorded as indicated below in the Official Public Records of Real Property of Reeves County, Texas as to the lands in said county specifically described or referred to in the schedule below as to each lease respectively.

State Lease No.: M-104580
SWEPI LP No.: TX00270.001
Lessor Name: State of Texas
Date: January 18, 2005
Recorded: Vol 703 Page 289
Legal: 129 acres, covering the W/2 of Section 41, Block 58, PSL Survey, Reeves County, TX

State Lease No.: MF104778A
SWEPI LP No.: TX00349.001
Lessor Name: State of Texas, acting by and through its agent, Dela Minerals, Inc.
Date: February 18, 2005
Recorded: Vol 702 Page 686
Legal: E/2 of Section 39, SE/4 of Section 40 and All of Section 42, Block 58, Public School Land Survey containing 1,095.22 acres, more or less

State Lease No.: MF104778G
SWEPI LP No.: TX02494.001
Lessor Name: State of Texas, acting by and through its agent, Ann Covington Henderson
Date: October 21, 2007
Recorded: Vol 778 Page 542
Legal: All of Section 42, Block 58, PSL Survey containing 615 acres, more or less

State Lease No.: MF104778H
SWEPI LP No.: TX02494.003
Lessor Name: State of Texas, acting by and through its agent, Ted Michael Covington
Date: October 21, 2007
Recorded: Vol 778 Page 524
Legal: All of Section 42, Block 58, PSL Survey containing 615 acres, more or less

State Lease No.: MF104778I
SWEPI LP No.: TX02494.002
Lessor Name: State of Texas, acting by and through its agent, Jane Covington Drake
Date: October 21, 2007
Recorded: Vol 778 Page 533
Legal: All of Section 42, Block 58, PSL Survey containing 615 acres, more or less

State Lease No.: MF104778J
SWEPI LP No.: TX02495.001
Lessor Name: State of Texas, acting by and through its agent, The Estate of Nellie May Gohlke
Date: April 6, 2007
Recorded: Vol 781 Page 462
Legal: All of Section 42, Block 58, PSL Survey containing 615.1 acres, more or less

This instrument may be executed in counterparts, each of which shall be considered an original for all purposes and shall be binding upon those parties who execute whether or not executed by all parties, and all such counterparts, when taken together, shall constitute one and the same instrument. For recordation purposes, the separate signature pages and acknowledgements may be affixed to the body of one original instrument without the necessity of each separate counterpart in its entirety.

EXECUTED as of the dates of the certificates of acknowledgement hereto, but effective for all purposes as of December 1, 2012.

SWEPI LP

By: George K. Zimmerman
Attorney-in-Fact

ACKNOWLEDGEMENT

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on this 30th day of January 2015 by George K. Zimmerman, as Attorney-in-Fact for SWEPI LP, a Delaware limited partnership, on behalf of said limited partnership.

Ahne S. Khalilieh
Notary Public, State of Texas



TITLEHOLDER TEXAS, LLC

By: SWEPI LP, its Manager

By: _____
George K. Zimmerman
Attorney-in-Fact

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on the 20th day of January, 2015 by George K. Zimmerman, as Attorney-in-Fact for SWEPI LP, a Delaware limited partnership, in its capacity as Manager of Titleholder Texas, LLC, a Delaware limited liability company, on behalf of said limited liability company.

Aime S. Khalilieh
Notary Public, State of Texas



Inst No. 15-01059
DIANNE O. FLOREZ
COUNTY CLERK

2015 Feb 03 at 02:41 PM

By: Ezra B. King DEPUTY

5134

File No. 104580
County _____
Release
Date Filed: 04/22/15
George P. Bush, Commissioner
By _____



10512



April 21, 2015

Harriet Dunne
Texas General Land Office
Energy Resources, Mineral Leasing
1700 Congress Ave, Suite 600
Austin, TX 78701-1436

SWEPI LP

Land & Contracts
150 N. Dairy Ashford, WCK 4333
Houston, TX 77079
United States of America
Tel +1 832 337 1915
Fax +1 832 337 4325
Email Terry.Sloyan@shell.com
Internet <http://www.shell.com>

RE: Original Recorded Releases and Partial Releases of State Oil and Gas Leases

Dear Harriet,

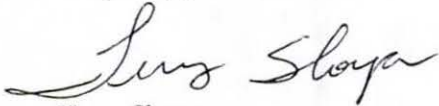
Please find enclosed the following original recorded documents:

1. Release of State Oil and Gas Leases dated January 30, 2015, but effective October 23, 2012, recorded at Volume 1142, Page 787, Reeves County, Texas. (State Lease #'s MF105494D {TX02319.001}, MF105494E {TX02320.001})
2. Release of State Oil and Gas Lease dated January 30, 2015, but effective July 16, 2014, recorded at Volume 1142, Page 781, Reeves County, Texas. (State Lease # MF115504 {TX02885.001})
3. Partial Release of State Oil and Gas Lease dated January 30, 2015, but effective June 21, 2011, recorded at Volume 1142, Page 778, Reeves County, Texas. (State Lease # MF104191 {TX02511.001})
4. Release of State Oil and Gas Leases dated January 30, 2015, but effective December 1, 2012, recorded at Volume 1142, Page 776, Reeves County, Texas. (State Lease #'s M104580 {TX00270.001}, MF104778A {TX00349.001}, MF104778G {TX02494.001}, MF104778H {TX02494.003}, MF104778I {TX02494.002}, MF104778J {TX02495.001})
5. Release of State Oil and Gas Lease dated January 30, 2015, but effective November 1, 2012, recorded at Volume 1142, Page 771, Reeves County, Texas. (State Lease #'s MF105285A through MF105285M, {TX00347.001, TX00345.001 through TX00345.004, TX00342.001 through TX00342.005, TX00346.001, TX00346.002, TX00348.001})
6. Release of State Oil and Gas Leases dated January 30, 2015, but effective August 29, 2012, recorded at Volume 1142, Page 767, Reeves County, Texas. (State Lease #'s MF107619A {TX00351.001}, MF107619B {TX00350.001}, MF107769 {TX02415.001}, MF104548 {TX00268.001})

7. Release of State Oil and Gas Lease dated January 30, 2015, but effective December 1, 2011, recorded at Volume 1142, Page 769, Reeves County, Texas. (State Lease # MF105490 {TX00269.001}, MF104782 {TX00266.001})
8. Release of State Oil and Gas Lease dated February 2, 2015, but effective March 1, 2014, recorded at Volume 1142, Page 794, Reeves County, Texas. (State Lease # MF104539 {TX02541.001})
9. Release of State Oil and Gas Lease dated February 2, 2015, but effective April 1, 2014, recorded at Volume 1142, Page 791, Reeves County, Texas. (State Lease # MF104871 {TX02307.001})
10. Partial Release of State Oil and Gas Lease dated January 30, 2015, but effective April 25, 2014, recorded at Volume 1142, Page 789, Reeves County, Texas. (State Lease #'s MF105236A through MF105236E {TX02321.001 through TX02321.005})
11. Release of State Oil and Gas Lease dated January 30, 2015, but effective June 11, 2011, recorded at Volume 1142, Page 786, Reeves County, Texas. (State Lease # MF105230 {TX02326.001})

Also enclosed is Check # 8826 in the amount of \$925.00, which represents the \$25.00 filing fee for each lease described on the above documents. Should you have any questions, please do not hesitate to contact me at 832-337-1915.

Very truly yours,



Terry Sloyan
Lease Analyst

126



SHELL EXPLORATION & PRODUCTION COMPANY
LAND & CONTRACTS

15710902

8826

62-20-311

DATE April 21, 2015

PAY TO THE ORDER OF COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS \$ 925.00

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FOR Filing Fees

Terry Sloyan

MP

⑈00008826⑈

File No. 104580

_____ County

Ltr & fees - release.

Date Filed: 04/22/15

George P. Bush, Commissioner

By _____

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Houston, TX 77001-0576

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A. Signature

X

B. Received by (Printed Name)

☐ Agent☐ Addressee

C. Date of Delivery

D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

MF 104580
MF 104778
MF 105285

Aminda
Allen

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☐ Yes

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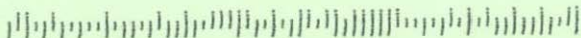
Texas General Land Office

George P. Bush, Commissioner

P.O. Box 12873

Austin, Texas 78711-2873

21510





Texas General Land Office

Limited Review Billing

George P. Bush, Commissioner

PO Box 12873
Austin, TX 78711-2873
(800) 998-4456
8:00 - 5:00 M-F

COPY

SWEPI LP
PO Box 576
Houston, TX 77001-0576

Billing Date: 4/30/2015
Billing Due Date: 5/30/2015
Customer Number: C000044963

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
15I00446	MF104580	\$49,656.42	\$0.00	\$0.00	\$0.00	\$49,656.42
15I00447	MF104778	\$122,434.65	\$0.00	\$0.00	\$0.00	\$122,434.65
15I00449	MF105285	\$46,878.23	\$0.00	\$0.00	\$0.00	\$46,878.23
Total Due		\$218,969.30	\$0.00	\$0.00	\$0.00	\$218,969.30

Penalty and interest have been calculated thru 4/30/2015. Payment remitted after 4/30/2015 will result in additional penalty and interest charges.

Contact Info: Amanda Allen (512) 475-1544 or amanda.allen@glo.texas.gov

NOTICE

- Please update GLO1 and GLO2 production reports to correct volumes.
- Please do not update GLO3 report to include billed royalty, penalty or interest. This receivable has already been recorded.
- For other royalty reporting questions, visit <http://www.glo.texas.gov>, call (512) 463-6850 or email us at glo123@glo.texas.gov.

This notice does not constitute an Audit Billing Notice as defined in Section 52.135 of the Texas Natural Resources Code and, consequently, does not preclude the TGLO from conducting further examinations of these leases, time periods or issues.

Detach and return with payment

Limited Review Billing

SWEPI LP

Billing Date: 4/30/2015

Billing Due Date: 5/30/2015

Customer Number: C000044963

Remit Payment To:

Texas General Land Office

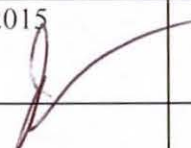
PO Box 12873

Austin, TX 78711-2873

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
15I00446	MF104580	\$49,656.42	\$0.00	\$0.00	\$0.00	\$49,656.42
15I00447	MF104778	\$122,434.65	\$0.00	\$0.00	\$0.00	\$122,434.65
15I00449	MF105285	\$46,878.23	\$0.00	\$0.00	\$0.00	\$46,878.23
Total Due		\$218,969.30	\$0.00	\$0.00	\$0.00	\$218,969.30
Amt. Paid						

**Energy Financial Management
SMAR Activity / Invoicing Approval**

Auditor/Account Examiner: Amanda Allen
Company Name: Shell Western E & P
Customer Number: C000044963
Mineral File #: MF104580
Transaction Type: Limited Review
Other / Invoice #:

Previous Amount	Current Amount	Date	AE / Reviewer's Notes	Reviewer's Signature	AR Notes
	\$49,656.42	04/09/15	Terminated lease billed 12/12 through 02/15	MM 4/29/2015 	

All original invoices must be approved.

All reductions in billing of more than \$1000 must be approved.

Customer ID: C000044963
 Invoice Number:
 GLO Lease: MF104580
 GLO Review: SHELL WESTERN E & P
 Review Period: JANUARY 2012 THROUGH FEBRUARY 2015

Auditor/AE: aallen
 Billing Date: 4/9/2015
 P&I Calculation Date: 4/30/2015
 Royalty Rate: 100.000000%

Month / Year	RRC Number	(1) Gas Volume	(2) Tract Participation Rate	(3) Price	(4) BTU	(5) Gross Value (1)x(2)x(3)x(4)	(6) Royalty Due (5) * Royalty Rate	Royalty Paid	(8) Additional Royalty Due	(9) Number of Days Late	(10) Interest Rate For Additional Royalty	(11) Penalty From Additional Royalty	(12) Interest From Additional Royalty	(13) Revenue Due (8)+(11)+(12)
Dec-12	08-244453	2,719	0.16268767	\$2.974971	0.947000	\$1,246.23	\$1,246.23	\$469.07	\$777.16	804	0.00%	\$0.00	\$0.00	\$777.16
Jan-13	08-244453	4,600	0.16268767	\$2.350301	0.952000	\$1,674.45	\$1,674.45	\$418.41	\$1,256.04	776	0.00%	\$0.00	\$0.00	\$1,256.04
Feb-13	08-244453	4,801	0.16268767	\$2.404396	0.960000	\$1,802.87	\$1,802.87	\$450.68	\$1,352.19	745	0.00%	\$0.00	\$0.00	\$1,352.19
Mar-13	08-244453	6,599	0.16268767	\$2.521749	0.980000	\$2,653.14	\$2,653.14	\$662.93	\$1,990.21	715	0.00%	\$0.00	\$0.00	\$1,990.21
Apr-13	08-244453	6,599	0.16268767	\$4.359700	0.975191	\$4,564.35	\$4,564.35	\$518.69	\$4,045.66	684	0.00%	\$0.00	\$0.00	\$4,045.66
May-13	08-244453	13,295	0.16268767	\$4.375000	0.975191	\$9,228.07	\$9,228.07	\$455.45	\$8,772.62	654	0.00%	\$0.00	\$0.00	\$8,772.62
Jun-13	08-244453	516	0.16268767	\$4.257428	0.975316	\$348.58	\$348.58	\$488.94	-\$140.36	623	0.00%	\$0.00	\$0.00	-\$140.36
Jul-13	08-244453	8,955	0.16268767	\$3.623877	0.984367	\$5,196.98	\$5,196.98	\$26.76	\$5,170.22	592	0.00%	\$0.00	\$0.00	\$5,170.22
Aug-13	08-244453	15,254	0.16268767	\$3.623877	0.984367	\$8,852.56	\$8,852.56	\$26.76	\$8,825.80	562	0.00%	\$0.00	\$0.00	\$8,825.80
Sep-13	08-244453	968	0.16268767	\$3.770000	0.978469	\$580.92	\$580.92	\$102.37	\$478.55	531	0.00%	\$0.00	\$0.00	\$478.55
Oct-13	08-244453	587	0.16268767	\$3.785000	0.983670	\$355.56	\$355.56	\$55.85	\$299.71	501	0.00%	\$0.00	\$0.00	\$299.71
Nov-13	08-244453	5,839	0.16268767	\$3.985000	0.978566	\$3,704.35	\$3,704.35	\$697.05	\$3,007.30	470	0.00%	\$0.00	\$0.00	\$3,007.30
Dec-13	08-244453	1,946	0.16268767	\$3.985000	0.978566	\$1,234.57	\$1,234.57	\$697.05	\$537.52	439	0.00%	\$0.00	\$0.00	\$537.52
Jan-14	08-244453	9,060	0.16268767	\$3.985000	0.978566	\$5,747.80	\$5,747.80	\$697.05	\$5,050.75	411	0.00%	\$0.00	\$0.00	\$5,050.75
Feb-14	08-244453	2,780	0.16268767	\$4.520806	0.400000	\$817.85	\$817.85	\$129.91	\$687.94	380	0.00%	\$0.00	\$0.00	\$687.94
Mar-14	08-244453	5,905	0.16268767	\$4.698548	0.976060	\$4,405.70	\$4,405.70	\$335.93	\$4,069.77	350	0.00%	\$0.00	\$0.00	\$4,069.77
Apr-14	08-244453	4,553	0.16268767	\$4.698548	0.970911	\$3,379.06	\$3,379.06	\$752.71	\$2,626.35	319	0.00%	\$0.00	\$0.00	\$2,626.35
May-14	08-244453	21	0.16268767	\$4.464000	0.970911	\$14.81	\$14.81	\$536.35	-\$521.54	289	0.00%	\$0.00	\$0.00	-\$521.54
Jun-14	08-244453	233	0.16268767	\$4.464000	3.970911	\$671.93	\$671.93	\$536.35	\$135.58	258	0.00%	\$0.00	\$0.00	\$135.58
Jul-14	08-244453	35	0.16268767	\$4.464000	0.970911	\$24.68	\$24.68	\$536.35	-\$511.67	227	0.00%	\$0.00	\$0.00	-\$511.67
Aug-14	08-244453	1,539	0.16268767	\$4.464000	0.970911	\$1,085.17	\$1,085.17	\$536.35	\$548.82	197	0.00%	\$0.00	\$0.00	\$548.82
Sep-14	08-244453	1,332	0.16268767	\$4.464000	0.970911	\$939.21	\$939.21	\$536.35	\$402.86	166	0.00%	\$0.00	\$0.00	\$402.86
Oct-14	08-244453	967	0.16268767	\$3.712400	0.987020	\$576.45	\$576.45	\$1,004.91	-\$428.46	136	0.00%	\$0.00	\$0.00	-\$428.46
Nov-14	08-244453	1,016	0.16268767	\$3.640000	0.987030	\$593.85	\$593.85	\$83.53	\$510.32	105	0.00%	\$0.00	\$0.00	\$510.32
Dec-14	08-244453	777	0.16268767	\$3.860000	0.978450	\$477.42	\$477.42	\$39.66	\$437.76	74	0.00%	\$0.00	\$0.00	\$437.76
Jan-15	08-244453	20	0.16268767	\$4.215000	0.984370	\$13.50	\$13.50	\$136.82	-\$123.32	46	0.00%	\$0.00	\$0.00	-\$123.32
Feb-15	08-244453	872	0.16268767	\$2.810000	1.000000	\$398.64	\$398.64	\$0.00	\$398.64	15	0.00%	\$0.00	\$0.00	\$398.64
TOTALS		101,788				\$60,588.67	\$60,588.70	\$10,932.28	\$49,656.42			\$0.00	\$0.00	\$49,656.42

COMMENTS:
 ACCORDING TO OUR RECORDS, THIS STATE LEASE TERMINATED EFFECTIVE 12/01/2012 DUE TO LACK OF PRODUCTION FOR PRODUCTION MONTHS SEPTEMBER 2012 THROUGH NOVEMBER 2012.
 THE PRODUCING OF RRC WELL LEASE ID 08-244453 IS A TRESPASS. ROYALTY DUE AMOUNT BASED ON 100% OF PRODUCTION.

Comments: Column (1) ---Volumes were taken from RRC records for the above referenced rrc well ID.

Column (2)---Tract participation rate for GLO Unit #4554.

Column (3) & (4) ---Prices & Btu's shown were taken from the production royalty reports (GLO-2) submitted to the Texas General Land Office.
 Price for production month taken from Houston Ship Channel Pricing.

NOTE 1 : PLEASE REMIT PAYMENT OF THIS INVOICE SEPARATELY FROM YOUR MONTHLY ROYALTY PAYMENTS. THE PREFERRED METHOD OF PAYMENT IS BY CHECK ACCOMPANIED WITH THE BOTTOM HALF OF THE ATTACHED INVOICE. IF PAYMENT IS MADE THROUGH ACH DEBIT, NOTIFY THE AUDITOR AS TO THE REMITTANCE DATE SO THE INVOICE CAN BE PROPERLY CREDITED.

NOTE 2: GLO-2 REPORTS NEED TO BE FILED FOR THE ABOVE PRODUCTION MONTHS REFLECTING THE ACTUAL PRICES, BTU's AND ROYALTY DUE AMOUNTS.

ATTENTION: THIYAGARAJAN BALASUBRAMANIAN

CERTIFIED MAIL NUMBER: 7011 1150 0001 2418 7157

COPY

31

File No. MF 104580
Reeves County
Limited Review Billing
Date Filed: 6/5/15
By Nayda Ramirez George R. Bush, Commissioner

COPY



Texas General Land Office

Limited Review Billing

George P. Bush, Commissioner

PO Box 12873
Austin, TX 78711-2873
(800) 998-4456
8:00 - 5:00 M-F

SWEPI LP
PO Box 576
Houston, TX 77001-0576

COPY

Billing Date: 4/30/2015
Billing Due Date: 5/30/2015
Customer Number: C000044963

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
15I00446	MF104580	\$49,656.42	\$0.00	\$0.00	\$0.00	\$49,656.42
15I00447	MF104778	\$122,434.65	\$0.00	\$0.00	\$0.00	\$122,434.65
15I00449	MF105285	\$46,878.23	\$0.00	\$0.00	\$0.00	\$46,878.23
Total Due		\$218,969.30	\$0.00	\$0.00	\$0.00	\$218,969.30

Penalty and interest have been calculated thru 4/30/2015. Payment remitted after 4/30/2015 will result in additional penalty and interest charges.

Contact Info: Amanda Allen (512) 475-1544 or amanda.allen@glo.texas.gov

NOTICE

- Please update GLO1 and GLO2 production reports to correct volumes.
- Please do not update GLO3 report to include billed royalty, penalty or interest. This receivable has already been recorded.
- For other royalty reporting questions, visit <http://www.glo.texas.gov>, call (512) 463-6850 or email us at glo123@glo.texas.gov.

This notice does not constitute an Audit Billing Notice as defined in Section 52.135 of the Texas Natural Resources Code and, consequently, does not preclude the TGLO from conducting further examinations of these leases, time periods or issues.

Detach and return with payment

Limited Review Billing

SWEPI LP

Billing Date: 4/30/2015

Billing Due Date: 5/30/2015

Customer Number: C000044963

Remit Payment To:

Texas General Land Office

PO Box 12873

Austin, TX 78711-2873

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
15I00446	MF104580	\$49,656.42	\$0.00	\$0.00	\$0.00	\$49,656.42
15I00447	MF104778	\$122,434.65	\$0.00	\$0.00	\$0.00	\$122,434.65
15I00449	MF105285	\$46,878.23	\$0.00	\$0.00	\$0.00	\$46,878.23
Total Due		\$218,969.30	\$0.00	\$0.00	\$0.00	\$218,969.30
Amt. Paid						

**Energy Financial Management
SMAR Activity / Invoicing Approval**

Auditor/Account Examiner: Amanda Allen
Company Name: Shell Wester E & P
Customer Number: C000035489
Mineral File #: MF105285
Transaction Type: Limited Review
Other / Invoice #:

Previous Amount	Current Amount	Date	AE / Reviewer's Notes	Reviewer's Signature	AR Notes
	\$46,878.23	04/09/15	Terminated lease billed at 100% for prod months 12/12 through 02/15	MM 4/29/2015 	

All original invoices must be approved.

All reductions in billing of more than \$1000 must be approved.

Customer ID: C000044963
 Invoice Number:
 GLO Lease: MF105285
 GLO Review: SHELL WESTERN E & P
 Review Period: DECEMBER 2012 THROUGH FEBRUARY 2015

Auditor/AE: aallen
 Billing Date: 4/9/2015
 P&I Calculation Date: 4/30/2015
 Royalty Rate: 100.000000%

Month / Year	RRC Number	(1) Gas Volume	(2) Tract Participation Rate	(3) Price	(4) BTU	(5) Gross Value (1)x(2)x(3)x(4)	(6) Royalty Due (5) * Royalty Rate	(7) Royalty Paid	(8) Additional Royalty Due	(9) Number of Days Late	(10) Interest Rate For Additional Royalty	(11) Penalty From Additional Royalty	(12) Interest From Additional Royalty	(13) Revenue Due (8)+(11)+(12)
Dec-12	08-244453	2,719	0.13803534	\$2.975342	0.947000	\$1,057.51	\$1,057.51	\$189.71	\$867.80	804	0.00%	\$0.00	\$0.00	\$867.80
Jan-13	08-244453	4,600	0.13803534	\$2.349017	0.952000	\$1,419.94	\$1,419.94	\$169.22	\$1,250.72	776	0.00%	\$0.00	\$0.00	\$1,250.72
Feb-13	08-244453	4,801	0.13803534	\$2.403120	0.960000	\$1,528.86	\$1,528.86	\$182.27	\$1,346.59	745	0.00%	\$0.00	\$0.00	\$1,346.59
Mar-13	08-244453	6,599	0.13803534	\$2.520076	0.980000	\$2,249.61	\$2,249.61	\$268.11	\$1,981.50	715	0.00%	\$0.00	\$0.00	\$1,981.50
Apr-13	08-244453	6,599	0.13803534	\$4.359700	0.975191	\$3,872.71	\$3,872.71	\$209.75	\$3,662.96	684	0.00%	\$0.00	\$0.00	\$3,662.96
May-13	08-244453	13,295	0.13803534	\$4.375000	0.975191	\$7,829.72	\$7,829.72	\$256.24	\$7,573.48	654	0.00%	\$0.00	\$0.00	\$7,573.48
Jun-13	08-244453	516	0.13803534	\$4.257428	0.975316	\$295.76	\$295.76	\$197.93	\$97.83	623	0.00%	\$0.00	\$0.00	\$97.83
Jul-13	08-244453	8,955	0.13803534	\$3.623877	0.984367	\$4,409.47	\$4,409.47	\$10.63	\$4,398.84	592	0.00%	\$0.00	\$0.00	\$4,398.84
Aug-13	08-244453	15,254	0.13803534	\$3.623877	0.984367	\$7,511.12	\$7,511.12	\$10.63	\$7,500.49	562	0.00%	\$0.00	\$0.00	\$7,500.49
Sep-13	08-244453	968	0.13803534	\$3.770000	0.978469	\$492.89	\$492.89	\$41.32	\$451.57	531	0.00%	\$0.00	\$0.00	\$451.57
Oct-13	08-244453	587	0.13803534	\$3.785000	0.983670	\$301.68	\$301.68	\$22.63	\$279.05	501	0.00%	\$0.00	\$0.00	\$279.05
Nov-13	08-244453	5,839	0.13803534	\$3.985000	0.978566	\$3,143.02	\$3,143.02	\$282.07	\$2,860.95	470	0.00%	\$0.00	\$0.00	\$2,860.95
Dec-13	08-244453	1,946	0.13803534	\$3.985000	0.978566	\$1,047.49	\$1,047.49	\$282.07	\$765.42	439	0.00%	\$0.00	\$0.00	\$765.42
Jan-14	08-244453	9,060	0.13803534	\$3.985000	0.978566	\$4,876.82	\$4,876.82	\$282.07	\$4,594.75	411	0.00%	\$0.00	\$0.00	\$4,594.75
Feb-14	08-244453	2,780	0.13803534	\$4.520806	0.400000	\$693.92	\$693.92	\$85.12	\$608.80	380	0.00%	\$0.00	\$0.00	\$608.80
Mar-14	08-244453	5,905	0.13803534	\$4.698548	0.976060	\$3,738.10	\$3,738.10	\$135.53	\$3,602.57	350	0.00%	\$0.00	\$0.00	\$3,602.57
Apr-14	08-244453	4,553	0.13803534	\$4.698548	0.970911	\$2,867.02	\$2,867.02	\$304.43	\$2,562.59	319	0.00%	\$0.00	\$0.00	\$2,562.59
May-14	08-244453	21	0.13803534	\$4.464000	0.970911	\$12.56	\$12.56	\$216.92	-\$204.36	289	0.00%	\$0.00	\$0.00	-\$204.36
Jun-14	08-244453	233	0.13803534	\$4.464000	3.970911	\$570.11	\$570.11	\$216.92	\$353.19	258	0.00%	\$0.00	\$0.00	\$353.19
Jul-14	08-244453	35	0.13803534	\$4.464000	0.970911	\$20.94	\$20.94	\$216.92	-\$195.98	227	0.00%	\$0.00	\$0.00	-\$195.98
Aug-14	08-244453	1,539	0.13803534	\$4.464000	0.970911	\$920.73	\$920.73	\$216.92	\$703.81	197	0.00%	\$0.00	\$0.00	\$703.81
Sep-14	08-244453	1,332	0.13803534	\$4.464000	0.970911	\$796.89	\$796.89	\$216.92	\$579.97	166	0.00%	\$0.00	\$0.00	\$579.97
Oct-14	08-244453	967	0.13803534	\$3.712400	0.987020	\$489.10	\$489.10	\$406.09	\$83.01	136	0.00%	\$0.00	\$0.00	\$83.01
Nov-14	08-244453	1,016	0.13803534	\$3.640000	0.987030	\$503.87	\$503.87	\$33.82	\$470.05	105	0.00%	\$0.00	\$0.00	\$470.05
Dec-14	08-244453	777	0.13803534	\$3.860000	0.978450	\$405.08	\$405.08	\$16.20	\$388.88	74	0.00%	\$0.00	\$0.00	\$388.88
Jan-15	08-244453	20	0.13803534	\$4.215000	0.984370	\$11.45	\$11.45	\$55.93	-\$44.48	46	0.00%	\$0.00	\$0.00	-\$44.48
Feb-15	08-244453	872	0.13803534	\$2.810000	1.000000	\$338.23	\$338.23	\$0.00	\$338.23	15	0.00%	\$0.00	\$0.00	\$338.23
TOTALS		101,788				\$51,404.62	\$51,404.60	\$4,526.37	\$46,878.23			\$0.00	\$0.00	\$46,878.23

COMMENTS:
 ACCORDING TO OUR RECORDS, THIS STATE LEASE TERMINATED EFFECTIVE 12/01/2012 DUE TO LACK OF PRODUCTION FOR PRODUCTION MONTHS SEPTEMBER 2012 THROUGH NOVEMBER 2012.
 THE PRODUCING OF RRC WELL LEASE ID 08-244453 IS A TRESPASS. ROYALTY DUE AMOUNT BASED ON 100% OF PRODUCTION.

Comments: Column (1) ---Volumes were taken from RRC records for the above referenced rrc well ID.
 Column (2)---Tract participation rate for GLO Unit #4554.
 Column (3) & (4) ---Prices & Btu's shown were taken from the production royalty reports (GLO-2) submitted to the Texas General Land Office.
 Price for production month 02/15 taken from Houston Ship Channel Pricing.

NOTE 1 : PLEASE REMIT PAYMENT OF THIS INVOICE SEPARATELY FROM YOUR MONTHLY ROYALTY PAYMENTS. THE PREFERRED METHOD OF PAYMENT IS BY CHECK ACCOMPANIED WITH THE BOTTOM HALF OF THE ATTACHED INVOICE. IF PAYMENT IS MADE THROUGH ACH DEBIT, NOTIFY THE AUDITOR AS TO THE REMITTANCE DATE SO THE INVOICE CAN BE PROPERLY CREDITED.

NOTE 2: GLO-2 REPORTS NEED TO BE FILED FOR THE ABOVE PRODUCTION MONTHS REFLECTING THE ACTUAL PRICES, BTU's AND ROYALTY DUE AMOUNTS.

ATTENTION: THIYAGARAJAN BALASUBRAMANIAN CERTIFIED MAIL NUMBER: 7011 1150 0001 2418 7157

COPY

31

File No. ME 104580

Reeves County
Limited Review Billing

Date Filed: 6/5/15.

George P. Bush, Commissioner
By Nayda Ramirez

COPY

CHESAPEAKE OPERATING, INC. P.O. BOX 18496 OKLAHOMA CITY, OK 73154

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **DECEMBER 14, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND**
THE SUM OF **\$10,520.60** DOLLARS FOR THE CREDIT OF PARTY OR PARTIES NAMED BELOW IN AMOUNT STATED
PURSUANT TO THE TERMS OF THE LEASE IDENTIFIED HEREIN, FOR THE PERIOD FROM **1/18/2012** TO **1/18/2014**
COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 41 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 2546 COUNTY: REEVES SHORT DESC: W2 OF

12704675

MF 104580

PAYMENT: PUGH RENTAL

LEASE NUMBER: TX0011480-000

LEASE DATE: 1/18/2005

PROSPECT: TOYAH

RECORDED BOOK: 703

PAGE: 289

ENTRY NUMBER: 2349

COUNTY/PARISH: REEVES

STATE: TX

FOR CREDIT OF:

ACCT:

AMOUNT

017397

COMMISSIONER OF THE GENERAL LAND

OF THE STATE OF TEXAS

1700 N CONGRESS, STE 600

STEPHEN F AUSTIN BUILDING

AUSTIN

TX 78701

1/2 ORIGINAL BONUS/ AC TO
EXT DEEP RTS

\$10,520.60

PLEASE SIGN
AND RETURN

IMPORTANT

The attached check is for the person(s) named above. Please date, sign and return the attached receipts on the day you receive it. If directed to a bank, please deposit the amount to the credit of the person(s) named above and date, sign and return the receipt on the day you receive it. If correspondence required, please make reference to lease number.

Date Received

12/19/11

Sign Here

By

Title

Subtotal \$10,520.60

BANK SERVICE CHARGE \$.00

Grand Total \$10,520.60

Check No. 437180

CHESAPEAKE OPERATING, INC. P.O. BOX 18496 OKLAHOMA CITY, OK 73154

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **DECEMBER 14, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND**
THE SUM OF **\$10,520.60** DOLLARS FOR THE CREDIT OF PARTY OR PARTIES NAMED BELOW IN AMOUNT STATED
PURSUANT TO THE TERMS OF THE LEASE IDENTIFIED HEREIN, FOR THE PERIOD FROM **1/18/2012** TO **1/18/2014**
COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 41 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 2546 COUNTY: REEVES SHORT DESC: W2 OF

PAYMENT: PUGH RENTAL

LEASE NUMBER: TX0011480-000

LEASE DATE: 1/18/2005

PROSPECT: TOYAH

RECORDED BOOK: 703

PAGE: 289

ENTRY NUMBER: 2349

COUNTY/PARISH: REEVES

STATE: TX

FOR CREDIT OF:

ACCT:

AMOUNT

017397

COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

1/2 ORIGINAL BONUS/ AC TO
EXT DEEP RTS

\$10,520.60

COPY FOR
YOUR RECORDS

IMPORTANT

The attached check is for the person(s) named above. Please date, sign and return the attached receipts on the day you receive it. If directed to a bank, please deposit the amount to the credit of the person(s) named above and date, sign and return the receipt on the day you receive it. If correspondence required, please make reference to lease number.

Date Received

12/19/11

Sign Here

[Signature]
General Land Office

By

Title

Subtotal \$10,520.60

BANK SERVICE CHARGE \$.00

Grand Total \$10,520.60

Check No. 437180

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
74-478/724

437180

DECEMBER 14, 2011

TEN THOUSAND FIVE HUNDRED TWENTY AND 60 /100 Dollars *****

\$10,520.60

PAY TO THE
ORDER OF

COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

0000437180

File No. MF 104580
Half Original Bonus

Date Filed: 12/19/11
Jerry E. Patterson, Commissioner
By EA

Plugging Record

JUL 13 2016 RAILROAD COMMISSION OF TEXAS

OIL AND GAS DIVISION

FORM W-3

Rev. 12/92

PFR0598

O&G

Midland

Job No. 42974 API NO. (if available) 42-389-32497

1. RRC District

08

FILE IN DUPLICATE WITH DISTRICT OFFICE OF DISTRICT IN WHICH
WELL IS LOCATED WITHIN THIRTY DAYS AFTER PLUGGING

4. RRC Lease or Id.

Number
244453

2. FIELD NAME (as per RRC Records)

TOYAH, NW(SHALE)

3. Lease Name

BLOCK 58 STATE 42

5. Well Number

1H

6. OPERATOR

SHELL WESTERN E&P

6a. Original Form W-1 Filed in Name of:

10. County

REEVES

7. ADDRESS

P.O. BOX 576; HOUSTON, TX 77001

6b. Any Subsequent W-1's Filed in Name of:

11. Date Drilling

Permit Issued

8. Location of Well, Relative to Nearest Lease Boundaries
of Lease on which this Well is located

Feet From

Line and

Feet From

Line of the

Lease

12. Permit Number

9a. SECTION, BLOCK, AND SURVEY

42

58

PSL

9b. Distance and Direction from Nearest Town in this
County

13. Date Drilling

Commenced

16. Type Well

(Oil, Gas, Dry)

GAS

Total Depth

12590 TVD/16400MD

17. If Multiple Completion List All Field Names and Oil Lease or Gas ID No.'s

GAS ID or
OIL LEASE #Oil - O
Gas - GWELL
#

14. Date Drilling

Completed

18. If Gas, Amt. of Cond. on
Hand at time of Plugging

15. Date Well Plugged

7/12/2016

CEMENTING TO PLUG AND ABANDON DATA:

PLUG #1

PLUG #2

PLUG #3

PLUG #4

PLUG #5

PLUG #6

PLUG #7

PLUG #8

*19. Commencing Date

7/7/16

7/7/16

7/9/16

7/10/16

7/11/16

7/12/16

7/12/16

20. Size of Hole or Pipe in which Plug Placed (inches)

4.5

4.5

4.5

4.5

4.5

4.5

4.5

21. Depth to Bottom of Tubing or Drill Pipe (ft.)

11897

10560

8000

4300

1500

1102

550

*22. Sacks of Cement Used (inch plug)

20

20

70

70

100

20

250

*23. Slurry Volume Pumped *cu. ft.)

23.6

23.6

82.6

92.4

132

23.6

330

*24. Calculated Top of Plug (ft.)

11626

10289

7800

4100

1300

794

SURF

25. Measured Top of Plug (if tagged) (ft.)

7518

1200

SURF

*26. Slurry Wt. #/Gal.

15.6

15.6

15.6

14.8

14.8

14.8

14.8

*27. Type Cement

H

H

H

C

C

C

C

28. CASING AND TUBING RECORD AFTER PLUGGING

29. Was any Non-Drillable Material (Other
than Casing) Left in This Well☐ YES☒ NO

SIZE WT. #/FT. PUT IN WELL (ft.) LEFT IN WELL (ft.) HOLE SIZE (in.)

13-3/8 1660 1660 17-1/2

9-5/8 9021 9021 12-1/4

7-5/8 12875 12875 8-3/4

4-1/2 16312 16312 6-1/2

29a. If Answer to above is "Yes" state depth to top of "junk" left in hole
and briefly describe non-drillable material. (Use Reverse Side of
Form if more space is needed.)

30. LIST ALL OPEN HOLE AND/OR PERFORATED INTERVALS

FROM 11947 TO 16152

FROM TO

FROM TO

FROM TO

FROM TO

FROM TO

FROM TO

FROM TO

FROM TO

FROM TO

FROM TO

FROM TO

I have knowledge that the cementing operations, as reflected by the information found on this form, were performed as indicated by such information.

* Designated items to be completed by Cementing Company. Items not so designated shall be completed by Operator.

Signature of Cementer or Authorized Representative

Key Energy Services

Name of Cementing Company

CERTIFICATE

I declare under penalties prescribed in Sec. 91.163, Texas Natural Resources Code, that I am authorized to make this report, that this
report was prepared by me or under my supervision and direction, and that data and facts stated therein are true, correct, and complete,
to the best of my knowledge.

REPRESENTATIVE OF COMPANY

TITLE

DATE

Phone 502 404 5156

A/C

NUMBER

SIGNATURE: REPRESENTATIVE OF RAILROAD COMMISSION



31. Was Well filled with Mud-Laden Fluid according to the regulations of the Railroad Commission? ☒ Yes ☐ No		32. How was mud Applied? Recirculator pump		33. Mud Weight 10 LBS/GAL	
34. Total Depth 12590TVD/16400MD Depth of Deepest Fresh Water 500		Other Fresh Water Source by T.D.W.R. TOP 1000 BOTTOM 1450		35. Have all Abandoned Wells on this Lease been Plugged according to RRC Rules? ☐ Yes ☐ No	
36. If NO, Explain					
37. Name and Address of Cementing or Service company who mixed and pumped cement plugs in this well Key Energy Services P.O. Box 1068 Andrews, Tx 79714				Date RRC District Office notified of plugging 6/27/2016	
38. Name and Addresses of Surface Owner of Well Site and Operators of Offset Producing Leases					
39. Was Notice Given Before Plugging to Each of the Above?					
FILL IN BELOW FOR DRY HOLES ONLY					
40. For dry Holes, this Form must be accompanied by either a Driller's, Electric, Radioactivity or Acoustical/Sonic Log or such Log must be released to a Commercial Log Service, ☐ Log Attached ☐ Log released to _____ Date _____ Type Logs: ☐ Driller's ☐ Electric ☐ Radioactivity ☐ Acoustical/Sonic					
41. Date FORM P-8 (Special Clearance) Filed?					
42. Amount of Oil produced prior to Plugging _____ bbls * * File FORM P-1 (Oil Production Report) for month this oil was produced					
R R C USE ONLY Nearest Field _____					

REMARKS 6-28-16 Notify TRRC of R/U assigned job # 42974.

7-1-16 Talk with Stephanie TRRC. Set CIBP @ 11,897'.

7-6-16 Circulate Salt Gel Mud

7-7-16 Spot 20 sacks Class H 11897'-11,637'. Spot 20 sacks Class H 10,560'-10,300'.

7-9-16 Perforate @ 8000'. Establish rate. Squeeze 70 sacks Class H 8000'-7800'. WOC.

7-10-16 Tag plug @ 7518'. Perforate @ 4300'. Establish rate. Squeeze 70 sacks Class C 4300'-4100'.

7-11-16 Talk with Mary TRRC. Perforate @ 1500'. Establish rate. Squeeze 100 sacks Class C 1500'-1300'.

Woc. Tag Plug @ 1200'. Perforate @ 1050'. Attempt to establish rate. No rate. Test 2000 PSI. Loose 350 PSI in 15 minutes.

7-12-16 Talk W/ Mark TRRC. He approved 20 sack spot. Spot 20 sacks Class C 1100'-808'. POH pressure up to 800 PSI. WOC. Perforate @ 550'. Establish rate and circulation to surface. Squeeze 250 sacks Class C 550'-Surface.



7.18.16

Shell Western E&P

Via UPS Overnight

July 15, 2016

Texas General Land Office
Attn.: Mineral Leasing Division – Energy
Resources
Stephen F. Austin Bldg.
1700 N. Congress Ave.
Austin, Texas 78701

WCK'E844J
P.O. Box 576
Houston, Texas 77001-0576
Tel (832) 337 0549
Fax (832) 337 4373
Email george.mullen@shell.com
Internet <http://www.shell.com>

RE: Block 58 State 42 Well No. 1H
State Mineral Lease No. MF104580, MF104778 and MF105285
Reeves County, Texas

Dear Sir or Madam:

Enclosed for your review and further handling you will find a RRC Form W-3 for the recent plugging of the subject well.

Should you require additional information or if I can be of any further help, please advise.

Sincerely,
SHELL WESTERN E&P

George Mullen
Senior Regulatory Specialist

Enclosure

File No. MF104580

Reeves County

Plugging Report for API 389-32497 Unit 4194

Date Filed: 7/18/16

George P. Bush, Commissioner

By Jm



WELL TIMELINE

	Block 58 State 32 #1		Block 58 State 31-3 #1H		Block 58 State 42 #1H
API #	42-389-32398		42-389-32452		42-389-32497
RRC ID #	08-224464		08-245061		08-244453
	MF105285 Lease Well		Unit 4484 MF105285, MF105490** & MF104782**		Unit 4554 MF104580, MF104778* & MF105285
Permit Issued	1/3/2006		1/24/2007		1/24/2007
Date Commenced	5/11/2007		6/15/2007		12/21/2007
Date Completed	6/3/2007		11/4/2007		6/9/2008
1st Production	12/1/2006		2/1/2008		8/1/2008
Shut-In Payment Received			11/1/2011		NA
Shut-In Affidavit Requested			11/19/2011		NA
Shut-In Affidavit Due			12/22/2011		NA
2nd Shut-In Payment Rec.			2/22/2012		NA
3rd Shut-In Payment Rec.			2/15/2013		NA
Gaps	11/2012 - 04/2013 06/2013 08/2013 - No Report		08/2011 10/2011 - 04/2013 06/2013 - 07/31/2013 08/2013 - No Report		09/2012 - 11/2012 08/2013 - No Report
Termination Date	1/1/2013		12/1/2011		11/1/2012
Last Production	7/31/2013		5/31/2013		7/31/2013

*MF104778 is also part of Unit 5206, with producing well 42-389-32449, which terminated 08/2012 after a 61-day gap and for which the GLO gave Shell two options.

**No second or third shut-in payment received.

Status of STATE LEASES MF105285-MF105490-MF104782
Chesapeake shut-in royalty and half bonus to extend deep rights

Covering Sections 31 & 32, Blk 58, PSL, Reeves Co TX											
API 389-32452 (Blk 58 State 31-3 #1H), API 389-32398 (Blk 58 State 32 #1)											
MF105285						<u>Date</u>	<u>Date 2nd</u>	<u>Date 3rd</u>		<u>Net</u>	
<u>State Lease No.</u>	<u>CHK Lease No.</u>	<u>Lease Date</u>	<u>Term</u>	<u>Roy</u>	<u>Rec data</u>	<u>shut-in pd</u>	<u>shut-in pd</u>	<u>shut-in pd</u>	<u>Date 1/2 bonus pd</u>	<u>Ac</u>	
MF105285C	TX0016622-012	11/3/2004	5 years	0.20	689/606	11/3/2011	2/21/2012	2/15/2013	* 11/4/2011	64.02	
MF105285D	TX0011621-001	2/18/2005	3 years	0.25	702/695; 707/232	11/1/2011	2/21/2012	2/15/2013		640.1	
MF105285E	TX0016622-011	10/6/2004	5 years	0.20	687/702	12/5/2011	2/22/2012	2/15/2013	9/22/2012	78.2466667	
MF105285F	TX0016622-009	10/6/2004	5 years	0.20	687/684	12/5/2011	2/22/2012	2/15/2013	9/23/2012	78.2466667	
MF105285G	TX0016622-010	10/6/2004	5 years	0.20	687/693	12/5/2011	2/22/2012	2/15/2013	9/22/2012	78.2466667	
										938.86	
API 389-32497 (Blk 58 State 42 #1H), API 389-32452 (Blk 58 State 31-3 #1H), & API 389-32398 (Blk 58 State 32 #1)											
Covering Sections 31,32 & 42, Blk 58, PSL, Reeves Co TX						<u>Date</u>	<u>Date 2nd</u>	<u>Date 3rd</u>			
<u>State Lease No.</u>	<u>CHK Lease No.</u>	<u>Lease Date</u>	<u>Term</u>	<u>Roy</u>	<u>Rec data</u>	<u>shut-in pd</u>	<u>shut-in pd</u>	<u>shut-in pd</u>	<u>Date 1/2 bonus pd</u>		
MF105285A		12/1/2005	3 years	0.25	726/625					94.7735	
MF105285B	TX0011622-008	12/1/2005	3 years	0.25	726/639	11/1/2011	2/22/2012	2/15/2013		94.7735	
MF105285H	TX0011622-006	12/1/2005	3 years	0.25	724/97	11/1/2011	2/21/2012	2/15/2013		94.7735	
MF105285I	TX0011622-005 & -007	12/1/2005	3 years	0.25	724/82	twice on 11/1/11	twice on 2/22/12	twice on 5/15/13		94.7735	
MF105285J	TX0011622-004	9/1/2005	3 years	0.25	724/31	11/1/2011	2/22/2012	2/15/2013		63.18	
MF105285K	TX0011622-003	9/1/2005	3 years	0.25	724/16	11/1/2011	2/21/2012	2/15/2013		31.59	
MF105285L	TX0011622-002	9/1/2005	3 years	0.25	724/1	11/1/2011	2/22/2012	2/15/2013		15.8	
MF105285M	TX0011622-001	12/1/2005	3 years	0.25	721/249					15.7955	
										505.4595	
API 389-32452 (Blk 58 State 31-3 #1H)											
MF104782	TX0011467-000	10/20/2004	5 years	0.2	689/31	11/1/2011			9/22/2011	160/160	
API 389-32452 (Blk 58 State 31-3 #1H)											
MF105490	TX0011479-000	3/1/2005	3 years	0.25	701/22	11/1/2011					
* Refunded 11/28/11; lease had no severance provision; didn't require 1/2 bonus to maintin deep rights.											
Shut-in affidavit requested on 11/19/2011.											x

	X
--	---

34.

File No. MF 104580

Well Timeline County

Date Filed: 3/28/19

George P. Bush, Commissioner

By AT



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

January 13, 2020

Certified Mail# 7011-1150-0001-2420-7145

Chesapeake Operating, LLC.
6100 N. Western Avenue
Oklahoma City, OK 73118
Attention: Lacy McCornack, Accounting Manager

RE: Final Audit Billing Notice for State Leases MF104792, MF084110, MF106201, MF109267 and other Toyah State Leases (in Exhibit A)

Dear Ms. McCornack:

The Texas General Land Office (GLO) has completed the audit of above referenced state leases (and other Toyah State leases on Exhibit A) that were operated and/or held by Chesapeake Operating, LLC. (Chesapeake). The audit covered the reporting period of January 2008 through March 2013. This letter constitutes an Audit Billing notice as defined in Section 52.135(c) of Texas Natural Resources Code. The audit resulted in the determination of additional amounts due as follows:

Royalty	\$1,556,486.81
Penalty	\$177,610.41
Interest	<u>\$1,481,854.03</u>
Total	<u>\$3,215,951.25</u>

Interest has been computed through August 31, 2019 in accordance with Section 52.131 of the Texas Natural Resources Code and will continue to accrue until the royalty has been paid.

The following documents are attached in support of our findings:

- Attachment I - Summary of the audit exceptions by lease;
- Attachment II – Final Audit Report which includes a brief discussion of the audit exceptions and recommendations;
- Attachment III - The procedures used for assessment of penalties and interest; and
- Attachment IV - Various schedules and documents that support royalty calculations

To ensure your company remains in good standing with the GLO, please respond within 30 days from the receipt of this Final Audit Billing Notice with your payment, or to request a hearing before the

Chesapeake Operating, LLC.

January 13, 2020

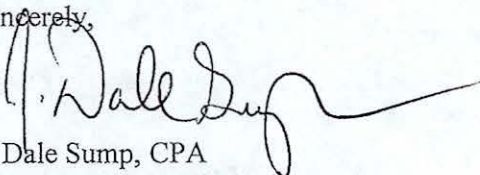
Page 2

Commissioner, or his representative, for redetermination of such assessment. In order to ensure proper credit, your payment should be mailed with your audit billing notice, to the following address:

Texas General Land Office
Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701-1495

For any questions or additional information on this audit, please contact Brian B. Raygon at 512-463-0154 or send an email to brian.raygon@glo.texas.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Dale Sump", with a long horizontal flourish extending to the right.

J. Dale Sump, CPA
Director of Minerals Audit
Texas General Land Office
(512) 463-2921 / dale.sump@glo.texas.gov

Attachments

Ltr. Log #0294

Attachment I

Summary of Audit Exceptions (Attachment I)

Lease/Unit Well Name		State Lease Number	Workpaper Reference#	Additional Gas Royalty Due	Penalty through 08/31/19	Interest through 08/31/19	Total Gas Revenue Amount	Production Months Covered
Pelican Ranch & Robertson State Units	1	MF104792	D.1.23	\$117,401.74	\$11,805.98	\$131,473.45	\$260,681.17	1/2008 through 3/2013
Harrison State	2	MF104871	D.1.26	\$170,812.60	\$17,298.97	\$165,370.03	\$353,481.60	1/2008 through 3/2013
Darden State 71-26-1H	3	MF104585	D.1.27	\$35,211.58	\$3,534.30	\$11,867.90	\$50,613.78	1/2008 through 3/2013
Darden State 71-26-1H	4	MF108655	D.1.29	\$25,760.53	\$2,595.43	\$8,971.51	\$37,327.47	1/2008 through 3/2013
Wright State Non-unit & Jobe State Unit	5	MF104186	D.1.30	\$60,571.32	\$6,147.71	\$69,337.04	\$136,056.07	1/2008 through 3/2013
Wright State Non-unit & Jobe State Unit	6	MF107630	D.1.31	\$5,222.47	\$1,054.14	\$5,918.45	\$12,195.06	1/2008 through 3/2013
Yada State	7	MF105495	D.1.32	\$73,034.10	\$7,521.51	\$83,109.78	\$163,665.39	1/2008 through 3/2013
Torrez State 61-1H	8	MF104587	D.1.33	\$41,714.56	\$4,417.20	\$37,026.77	\$83,158.53	1/2008 through 3/2013
Torrez State 61-1H	9	MF104601	D.1.35	\$19,691.33	\$2,219.26	\$15,552.98	\$37,463.57	1/2008 through 3/2013
Brackenridge State 57-44-1	10	MF105848	D.1.36	\$66,386.95	\$6,744.39	\$56,641.82	\$129,773.16	1/2008 through 3/2013
Block 59 State 27-11-1	11	MF104524	D.1.37	\$805.25	\$258.94	\$2,364.30	\$3,428.49	1/2008 through 3/2013
Block 59 State 27-11-1	12	MF104530	D.1.38	\$70,077.39	\$7,038.63	\$50,798.63	\$127,914.65	1/2008 through 3/2013
Block 59 State 27-11-1	13	MF104539	D.1.39	\$28,645.53	\$3,056.07	\$26,506.76	\$58,208.36	1/2008 through 3/2013
Jobe State 70-58-1H	14	MF104187	D.1.40	\$66,527.36	\$6,863.77	\$71,785.76	\$145,176.89	1/2008 through 3/2013
Block 59 State 35-1H	15	MF103430	D.1.42	\$36,150.35	\$3,655.27	\$23,154.50	\$62,960.12	1/2008 through 3/2013
Jobe State 70-1/C-17-18	16	MF104185	D.1.43	\$57,375.33	\$6,201.43	\$64,324.74	\$127,901.50	1/2008 through 3/2013
Caldwell State 71-5-1H	17	MF104190	D.1.44	\$15,353.63	\$1,751.66	\$14,945.44	\$32,050.73	1/2008 through 3/2013
Caldwell State 71-5-1H	18	MF104191	D.1.45	\$46,086.16	\$4,634.81	\$44,867.68	\$95,588.65	1/2008 through 3/2013
Johnson State 56-10-1	19	MF102645	D.1.46	\$27,859.69	\$2,884.52	\$34,437.38	\$65,181.59	1/2008 through 3/2013
Block 58 State Unit Wells	20	MF105285	D.1.47	\$38,573.99	\$4,010.42	\$29,846.71	\$72,431.12	1/2008 through 3/2013
McClure State 72-23 1H	21	MF105243	D.1.48	\$8,112.84	\$1,141.38	\$8,616.40	\$17,870.62	1/2008 through 3/2013
McClure State 72-23 1H	22	MF105497	D.1.49	\$25,404.10	\$2,684.14	\$26,661.03	\$54,749.27	1/2008 through 3/2013
Hodge ST 70-24, Jobe ST 72-7, Lowe ST 72-8	23	MF104184	D.1.50	\$56,178.45	\$5,926.06	\$64,335.89	\$126,440.40	1/2008 through 3/2013
Methodist ST 72-38	24	MF108406	D.1.51	\$31,229.60	\$3,296.19	\$19,580.27	\$54,106.06	1/2008 through 3/2013
Grove ST 72-21	25	MF105245	D.1.54	\$39,744.96	\$4,205.40	\$39,339.80	\$83,290.16	1/2008 through 3/2013
Grove ST 72-21	26	MF105320	D.1.55	\$6,599.95	\$1,185.80	\$6,304.99	\$14,090.74	1/2008 through 3/2013
Grove ST 72-21	27	MF106675	D.1.56	\$1,644.48	\$725.89	\$1,570.35	\$3,940.72	1/2008 through 3/2013
Grove ST 72-21	28	MF107499	D.1.57	\$1,314.60	\$700.00	\$1,255.86	\$3,270.46	1/2008 through 3/2013
Grove ST 72-21	29	MF109204	D.1.58	\$10,868.50	\$1,618.07	\$8,999.83	\$21,486.40	1/2008 through 3/2013

Lease/Unit Well Name	State Lease Number	Workpaper Reference#	Additional Gas Royalty Due	Penalty through 08/31/19	Interest through 08/31/19	Total Gas Revenue Amount	Production Months Covered	
Grove ST 72-21	30	MF109189	D.1.60	\$1,067.37	\$575.00	\$1,020.28	\$2,662.65	1/2008 through 3/2013
Block 58 ST 40-14 & ST 42-1H	31	MF104778	D.1.61	\$33,431.77	\$3,529.30	\$18,889.76	\$55,850.83	1/2008 through 3/2013
Block 58 ST 40-14	32	MF104548	D.1.62	\$19,180.95	\$2,440.13	\$18,307.74	\$39,928.82	1/2008 through 3/2013
Block 58 ST 40-14	33	MF105287	D.1.63	\$5,972.00	\$820.53	\$5,971.22	\$12,763.75	1/2008 through 3/2013
Block 58 ST 40-14	34	MF107619	D.1.64	\$4,849.38	\$1,210.11	\$3,607.67	\$9,667.16	1/2008 through 3/2013
Block 58 ST 40-14 & ST 42-1H	35	MF107733	D.1.66	\$3,777.16	\$717.75	\$3,783.08	\$8,277.99	1/2008 through 3/2013
Block 58 ST 40-14	36	MF107769	D.1.67	\$8,743.67	\$1,435.89	\$4,821.60	\$15,001.16	1/2008 through 3/2013
Block 58 ST 42-1H	37	MF104580	D.1.68	\$14,231.69	\$1,762.90	\$7,575.78	\$23,570.37	1/2008 through 3/2013
Block 58 ST 42-1H	38	MF107612	D.1.70	\$764.51	\$202.79	\$1,383.69	\$2,350.99	1/2008 through 3/2013
Lowe ST 72-8	39	MF105534	D.1.73	\$19,303.67	\$2,295.64	\$24,211.92	\$45,811.23	1/2008 through 3/2013
Block 59 ST 37-1H	40	MF104526	D.1.74	\$15,100.95	\$1,844.85	\$12,624.43	\$29,570.23	1/2008 through 3/2013
Block 59 ST 37-1H	41	MF105485	D.1.75	\$2,951.39	\$430.31	\$4,354.67	\$7,736.37	1/2008 through 3/2013
Block 59 ST 37-1H	42	MF107610	D.1.76	\$1,639.72	\$313.46	\$2,419.30	\$4,372.48	1/2008 through 3/2013
Shuffield 72-14	43	MF108598	D.1.77	\$11,559.34	\$2,034.42	\$13,015.83	\$26,609.59	1/2008 through 3/2013
Shuffield 72-14	44	MF108599	D.1.78	\$11,505.14	\$2,030.36	\$12,954.85	\$26,490.35	1/2008 through 3/2013
Hill State 71-4	45	MF105230	D.1.79	\$8,803.83	\$1,594.23	\$9,351.52	\$19,749.58	1/2008 through 3/2013
Hill State 71-4	46	MF105236	D.1.80	\$3,956.07	\$1,082.59	\$4,201.69	\$9,240.35	1/2008 through 3/2013
Hill State 71-4	47	MF105494	D.1.81	\$3,205.23	\$927.68	\$3,404.19	\$7,537.10	1/2008 through 3/2013
Hodge ST 70-24	48	MF104981	D.1.82	\$5,080.79	\$574.60	\$5,999.92	\$11,655.31	1/2008 through 3/2013
Lowe ST 72-8	49	MF105532	D.1.83	\$4,825.67	\$1,154.06	\$6,052.98	\$12,032.71	1/2008 through 3/2013
Lowe ST 72-8	50	MF105433	D.1.84	\$3,602.79	\$980.71	\$4,519.11	\$9,102.61	1/2008 through 3/2013
Lowe ST 72-8, Jobe ST 72-7	51	MF105499	D.1.85	\$4,391.12	\$1,090.11	\$4,847.66	\$10,328.89	1/2008 through 3/2013
Block 58 ST 31-3	52	MF104780	D.1.86	\$2,481.59	\$770.91	\$2,691.22	\$5,943.72	1/2008 through 3/2013
Block 58 ST 31-3	53	MF104781	D.1.88	\$2,928.11	\$841.89	\$3,163.59	\$6,933.59	1/2008 through 3/2013
Block 58 ST 31-3	54	MF104782	D.1.87	\$4,804.73	\$953.22	\$5,191.20	\$10,949.15	1/2008 through 3/2013
Block 58 ST 31-3	55	MF105291	D.1.89	\$1,601.56	\$719.75	\$1,730.33	\$4,051.64	1/2008 through 3/2013
Block 58 ST 31-3	56	MF105490	D.1.90	\$4,504.73	\$913.96	\$4,866.99	\$10,285.68	1/2008 through 3/2013
Block 58 ST 31-3	57	MF106627	D.1.91	\$2,323.42	\$795.92	\$2,500.20	\$5,619.54	1/2008 through 3/2013
Block 58 ST 31-3, Block 55 T5 ST 31-1H	58	MF106641	D.1.92	\$807.14	\$550.00	\$874.02	\$2,231.16	1/2008 through 3/2013
Block 58 ST 31-3	59	MF108251	D.1.93	\$749.55	\$550.00	\$810.68	\$2,110.23	1/2008 through 3/2013
Hodge ST 70-24	60	MF104982	D.1.94	\$3,010.65	\$545.24	\$4,667.57	\$8,223.46	1/2008 through 3/2013
Hodge ST 70-24	61	MF105825	D.1.95	\$3,763.53	\$463.29	\$4,444.32	\$8,671.14	1/2008 through 3/2013
Jobe ST 72-7	62	MF106243	D.1.96	\$1,168.28	\$300.00	\$387.93	\$1,856.21	1/2008 through 3/2013
Vaquillas Ranch	63	MF084110	D.1.99	\$49,771.57	\$5,007.93	\$58,300.44	\$113,079.94	1/2008 through 12/2010
Indus-State & Ford Unit	64	MF106201	D.1.100	\$108,208.35	\$10,860.79	\$93,651.59	\$212,720.73	1/2008 through 12/2012
Ford Unit	65	MF106600	D.1.104	\$876.91	\$112.75	\$289.01	\$1,278.67	1/2008 through 12/2012
			\$1,559,303.67	\$177,610.41	\$1,481,854.03	\$3,218,768.11	Sub-total Amount	
MBF Non-unit	66	MF104874	D.1.41	(\$2,816.86)	\$0.00	\$0.00	(\$2,816.86)	1/2008 through 3/2013
			\$1,556,486.81	\$177,610.41	\$1,481,854.03	\$3,215,951.25	Total Amount	

Attachment II

ATTACHMENT II

Final Audit Report Chesapeake Operating, LLC. Discussion of Audit Exceptions

The Texas General Land Office (GLO) has reviewed the payment of royalties made by Chesapeake Operating, LLC. (Chesapeake) on selected State Leases for the period January 2008 through March 2013. Our review consisted of examining the components that comprise the royalty payments: volume, price, and royalty interest.

Our examination of volumes consisted of comparing amounts reported to the State with documents both produced by Chesapeake and third-party documents provided to Chesapeake. Prices reported by the royalty payor(s) were compared to governing provisions of the leases, statutes, rules, agreements and contracts. The appropriate royalty interest was verified by comparison to the governing contractual agreements. Other procedures were used, as we considered necessary to enable us to determine if royalties were reported and computed properly.

As a result of our audit, we have concluded the State is due additional royalty. The exceptions and related details for the audit exceptions are summarized below. Discrepancies noted in the audit period are calculated from January 2008 through March 2013.

<u>COUNTY NAME</u>	<u>LEASE#</u>	<u>LEASE TYPE</u>	<u>AUDIT PERIOD</u>
Reeves	MF104792	Relinquishment Act Lands	1/2008 thru 3/2013
Webb	MF084110	Relinquishment Act Lands	1/2008 thru 12/2010
Tarrant	MF106201	Department of Corrections	1/2008 thru 12/2012
Tarrant	MF109267	Mental Health & Retardation	1/2008 thru 12/2012

For complete listing of audited State leases, see Exhibit A.

Under-reporting of Non-Processed Gas Volumes (Audit Exception# 1):

Audit Exception Overview

The review of non-processed Gas volumes comprised on and off-lease fuel, unaccounted Gas and Gas sales. Our testing indicated material volume differences among Chesapeake's Wellhead Meter Statements, Allocation Statements, and GLO Reports. Specifically, the auditor noted material difference between "Theo MMBtu" gas from the Allocation Statements and MMBtu Gas from GLO-2 Reports. Note that "Theo MMBtu" gas from the Allocation Statements can be traced to Wellhead Meter Statements when Gas Lift is deducted. The Gas volumes in these meter statements were produced at the lease; they were measured after oil, gas and water were separated and before being commingled with other Gas volumes in the area. For production months in which meter statements were not available (January 2008 through December 2009), the auditor reviewed and compared Gas volumes on Daily Reports (provided by Chesapeake) to those in the Allocation Statements and noted that Gas volumes from both records were comparable. Finally, due to material differences in a comparison of prices conducted between MMBtu Gas prices and prices from GLO-2 Reports, the auditor notified Chesapeake that the Weighted Average Selling Price (WASP) would be used to recalculate the GLO's Gas royalties.

MF104792 Lease Agreement Relevant Royalty Provision

According to Section 4, Paragraph (B) entitled Non Processed Gas: "Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (A) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 1/5 part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater..."

MF084110 Lease Agreement Relevant Royalty Provision

According to Section 3, Paragraph (b) entitled Non-Processed Gas: "As a royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) One-fourth (1/4) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality for the field where produced and when run, or the gross price paid or offered to the producer, whichever is greater..."

MF106201 and MF109267 Lease Agreement Relevant Royalty Provision

According to Section 4, Paragraph (B) entitled Non-Processed Gas: "As a royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (A) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) 1/4 part of the gross production or the market value thereof, at the option of the Lessor, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run or the gross price paid or offered to the producer, whichever is greater..."

MF106600 Lease Agreement Relevant Royalty Provision

According to Section 3, Paragraph (b) entitled Non-Processed Gas: "To pay Lessor on gas and casinghead gas produced from said land (1) when sold by lessee 1/4 of the amount realized by Lessee, computed at the mouth of the well, or (2) when used by Lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of 1/4 of such gas and casinghead gas..."

ADDITIONAL ROYALTY DUE:

\$1,506,715.24

Under-reporting of Processed Gas and NGLs (Audit Exception# 2)

A review of the field schematics indicated that State gas volumes were commingled with other gas volumes in the area; then production was sent to gas plants (i.e. Houston Central Plant CP) for processing of NGL and Residue Gas volumes. After processing, NGLs and Residue Gas were sold. To review and determine Processed Gas and NGL volumes and values, the auditor used the GLO's Processed Gas Model (PGM). The PGM simulates the Natural Gas Fractionation process that allows us to compute volume and value of products available in the gas stream.

The GLO used the following source documents as inputs into the PGM to determine the gross value and volume of NGL and Residue: The Gas Plant Settlement statements (Net Deliveries, Meter Totals Theoretical and Allocated Gallons, Plant Fuel Usage Percentage, Gas Mol% and prices for NGLs & Residue). Note that Inlet Gas volumes from the allocation statements were used as inlet gas inputs when gas meter statements were not available. The results from the PGM and GLO-2 Reports indicated material differences on Residue Gas, NGL volumes and values. Consequently, the PGM was used to determine the additional royalties due to the GLO.

MF084110 Lease Agreement Relevant Royalty Provision

According to Section 3, Paragraph (c) entitled Processed Gas: "As a royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons, One-fourth (1/4) part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%) or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease..."

ADDITIONAL ROYALTY DUE:

\$49,771.57

Gas Royalty Overpayment (Audit Exception# 3)

Detail Testing results indicated that Chesapeake continued to report and pay royalties after the unit and associated State leases in the unit had expired, which resulted in royalty overpayments. Incorrect Btu Factors

were used on GLO-2 Production Reports (GLO-2) that resulted in overpayment. Noted MMBtu Gas Differences between Allocation Statements and GLO-2, misallocated MMBtu Gas among unitized leases and Chesapeake used incorrect Net Royalty Interest (NRI) that resulted in gas royalty overpayments. For MF104874, Chesapeake used Btu Factor of 1 instead of the actual Btu Factors from Wellhead Meter Statements of 0.7772213 and 0.859148 in reporting gas volumes. As a result, the auditor applied these overpayments as credits to audited State leases with outstanding balances and calculated the remaining balance.

TOTAL APPLIED GAS ROYALTY CREDIT:

- \$163,942.31

For an overview of this credit, see Exhibit B

Audit Exception #1 & #2 Resolution

After several months of discussion between the GLO and Chesapeake personnel via telephone, it was agreed upon that the MMBtu Gas from the Wellhead Meter Statements are reliable and can be used to recalculate the GLO's royalty on non-processed gas. Also, that Wellhead MMBtu Gas from the Allocation Statements are not just "Theoretical Gas" as previously indicated by Chesapeake personnel in response to the Draft Audit Billing Notice. The auditor demonstrated (using field schematics) that the Wellhead Meter Statements included Gas measured when the gas was first separated from water and condensate. Furthermore, the Detail Testing results indicated that Wellhead MMBtu Gas from the Allocation Statements are comparable to those in the Wellhead Meter Statements (and Daily Reports for 2008 and 2009 production months when Meter Statements were not provided) when Gas Lift is deducted. Therefore, the Wellhead MMBtu Gas from the Allocation Statements are royalty bearing.

To determine Non-Processed Gas royalty valuation, the auditor multiplied the MMBtu Gas from the Wellhead Meter Statements (or Allocation Statements and Daily Reports) by the Lease Royalty Rate or by the State Lease Net Royalty Interest (NRI) to determine State's Production in MMBtu's. The State's production MMBtu Gas were then multiplied by the MMBtu WASP (as agreed upon by GLO and Chesapeake) from the purchase statements to arrive with Gas Royalty Due. Lastly, the recalculated Gas Royalty Due was then subtracted by the Gas royalty payments reported to the GLO to attain the Additional Gas Royalty Due.

To determine the Processed Gas royalty, the auditor multiplied Processed Gas Values by the Lease Royalty Rate or by the State Lease Net Royalty Interest (NRI) to determine Royalty Due. Gas Royalty Due was subtracted from the Gas royalty payments reported to the GLO to determine Additional Gas Royalty Due. The key factors contributing to these differences were attributed to the allocation of Residue Gas and NGLs' molecular balance and values; the reporting of Residue Gas volumes and NGLs to the GLO in compliance with the lease agreements.

For more information on royalty provisions used in the audit for other State leases, see lease agreement(s) of applicable audited leases.

Total Additional Royalty Due:

\$1,556,486.81

ATTACHMENT II

GLO Recommendations Chesapeake Operating, LLC.

1. AE# 1 – Under-reporting of Non-Sales Gas Volumes:

Recommendations: Measure on-and off-lease fuel and report and pay royalties on these volumes to the GLO, including unaccounted gas volumes. Compare Wellhead Meter Statements to Allocated Gas from the Allocation Statements and review material differences. Pay the GLO on its royalties based on Gas Gross Production. Use the price based on the highest market price paid or offered for gas of comparable quality in the general area.

2. AE# 2 – Under-reporting of Processed Gas and NGL Sales Volumes:

Recommendations: Review the volumes returned for Residue Gas and NGLs from the Plant Settlement Statements to determine and allocate each product by molecular balance, including State leases. Pay the GLO's royalties on Residue Gas Volumes at 100% per the State Lease Agreement. Communicate and request "Permission to Commingle" with the GLO and solicit guidance from the GLO's Engineers in reporting Non-processed Gas, Residue Gas and NGL Components to the GLO.

Exhibit A

<u>County Name</u>	<u>Lease#</u>	<u>Lease Type</u>	<u>Audit Period</u>
Reeves	MF104792	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104871	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104585	Upland Fee	1/2008 through 3/2013
Reeves	MF108655	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104186	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF107630	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105495	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104587	Upland Fee	1/2008 through 3/2013
Reeves	MF104601	Upland Fee	1/2008 through 3/2013
Reeves	MF105848	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104524	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104530	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104539	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104187	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104874	Free Royalty Lease	1/2008 through 3/2013
Reeves	MF103430	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104185	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104190	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104191	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF102645	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105285	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105243	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105497	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104184	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF108406	Surface Sold - All Minerals Reserved	1/2008 through 3/2013
Reeves	MF105229	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105245	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105320	Upland Fee	1/2008 through 3/2013
Reeves	MF106675	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF107499	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF109204	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF109205	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF109189	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104778	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104548	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105287	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF107619	Relinquishment Act Lease	1/2008 through 3/2013

Reeves	MF107733	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF107769	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104580	Upland Fee	1/2008 through 3/2013
Reeves	MF105289	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF107612	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF108664	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105534	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104526	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105485	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF107610	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF108598	Free Royalty Lease	1/2008 through 3/2013
Reeves	MF108599	Free Royalty Lease	1/2008 through 3/2013
Reeves	MF105230	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105236	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105494	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104981	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105532	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105433	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105499	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104780	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104781	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104782	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105291	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105490	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF106627	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF106641	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF108251	Free Royalty Lease	1/2008 through 3/2013
Reeves	MF104982	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105825	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF106243	Relinquishment Act Lease	1/2008 through 3/2013
Webb	MF084110	Relinquishment Act Lease	1/2008 through 12/2010
Tarrant	MF106201	Department of Corrections	1/2008 through 12/2012
Tarrant	MF109267	Mental Health & Retardation	1/2008 through 12/2012
Tarrant	MF106600	County Roads	1/2008 through 12/2012

Chesapeake Audit - Exhibit B (Royalty Overpayment to Chesapeake)

Lease#	WP#	Amount (Credit)
MF104585	D.1.27	(\$13,763.42)
MF104586	D.1.28	(\$28,449.06)
MF109479	D.1.28	(\$5,901.21)
MF109480	D.1.28	(\$1,003.08)
MF109559	D.1.28	(\$372.39)
MF108655	D.1.29	(\$11,150.59)
MF104186	D.1.30	(\$2,239.95)
MF107630	D.1.31	(\$11,232.67)
MF105495	D.1.32	(\$318.34)
MF104601	D.1.35	(\$2,567.74)
MF104530	D.1.38	(\$1,686.20)
MF104539	D.1.39	(\$1,555.21)
MF104874	D.1.41	(\$2,816.86)
MF103430	D.1.42	(\$2,221.14)
MF104190	D.1.44	(\$3,888.57)
MF104191	D.1.45	(\$11,665.76)
MF102645	D.1.46	(\$24,064.65)
MF105285	D.1.47	(\$1,670.99)
MF104184	D.1.50	(\$1,671.03)
MF108406	D.1.51	(\$922.32)
MF105229	D.1.52	(\$2,186.83)
MF104981	D.1.82	(\$1,437.63)
MF105825	D.1.95	(\$1,064.91)
MF106243	D.1.96	(\$2,401.75)
MF084110	D.1.99	(\$2,748.21)
MF106201	D.1.100	(\$4,877.68)
MF109267	D.1.101	(\$14,354.59)
MF106600	D.1.104	(\$5,709.53)
Total		(\$163,942.31)

Attachment III

ATTACHMENT III

SUMMARY OF PENALTY/ INTEREST ASSESSMENT RULES FOR DELINQUENT ROYALTIES AND DELINQUENT REQUIRED REPORTS OR DOCUMENTS

	Due Before 10/1/75 (Production prior to 8/1/75)	Due After 10/1/75 and Before 9/1/85 (Production 8/1/75 through 6/30/85)	Due After 9/1/85 (Production 7/1/85 through 12/31/09)	Due After 2/26/10 (Production 1/1/10 through present)
PENALTY (1) For delinquent royalty	None	The greater of 1% of the delinquent amount or \$5.00 for each 30-day delinquency	(2) For delinquencies of 30 days or less, the greater of 5% of the delinquent amount or \$25.00; for delinquencies of more than 30 days, the greater of 10% of the delinquent amount or \$25.00	(2) For delinquencies of 30 days or less, the greater of 5% of the delinquent amount or \$25.00; for delinquencies of more than 30 days, the greater of 10% of the delinquent amount or \$25.00
For delinquent report, affidavit, or other document	None	\$5.00 per document for each 30-day period of delinquency	\$10.00 per document for each 30-day period of delinquency	\$10.00 per document for each 30-day period of delinquency
INTEREST (2) For delinquent royalty	6% per year, simple; accrual begins 30 days after due date	6% per year, simple; accrual begins 30 days after due date	(3) 12% per year, simple; accrual begins 60 days after due date	(4) Prime plus 1% set on the first business day of each calendar year

(1) 31 TAC §9.51 (b) (3) (A)

(2) Penalties are not assessed in cases of title dispute as to the state's portion of the royalty or to royalty in dispute as to fair market value except when fraud is involved, in which case the fraud penalty is applicable. Penalty provisions are found at Tex Nat. Res. Code Ann §52.131 (e) (f) (h).

(3) Tex Nat. Res. Code Ann §52.131 (g)

(4) Per 31 TAC §9.51 (b) (3) (E), the interest rate on past due royalty is Wall Street Journal Prime plus 1%, to be adjusted annually.

Calendar Year	Prime Rate	Interest Rate
2010-2015	3.25%	4.25%
2016	3.50%	4.50%
2017	3.75%	4.75%
2018	4.50%	5.50%
2019	5.50%	6.50%

A royalty payment that is not accompanied by the required royalty affidavit identifying the GLO lease number is delinquent, 31 TAC §9.51 (2) (B).

The state's power to forfeit a lease shall not be affected by the assessment or payment of any delinquency, penalty, or interest provided in 31 TAC §9.51 (b) (3) (D).

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File No. 104580
Keever County

Letter to Chesapeake 1-13-2020

Date Filed: 5-24-2021

George P. Bush, Commissioner

By [Signature]



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

May 4, 2020

CERTIFIED MAIL NO. 7016-2070-0000-7391-0902

Chesapeake Operating, LLC.
6100 N. Western Avenue
Oklahoma City, OK 73118
Attention: Lacy McCornack, Accounting Manager

RE: Audit Closure Letter for the Period January 2008 through March 2013

Dear Ms. Lacy:

Chesapeake Operating, LLC (Chesapeake) directly or indirectly holds or held interest in state oil and gas leases as listed on Exhibit A. The Texas General Land Office (GLO) conducted an audit of the books, accounts, reports and other records relating to the subject leases for the audit period of January 2008 through March 2013. As a result of the audit, the GLO has received Chesapeake's payment of \$1,556,486.81 on February 18, 2020 and \$400,000 on April 27, 2020 with a total audit payment of \$1,956,486.81 to close out audit exceptions.

In accordance with the Texas Natural Resource Code Section 52.139 (b), the Commissioner may not again audit the books and records covering the same issues, time period, and leases involved in this audit. However, the Texas Natural Resource Code Section 52.139 (c) states that nothing shall preclude the GLO from conducting subsequent audits or examinations covering the same issues, time periods and leases in cases where fraud exists.

For any questions or additional information on this audit, please contact me.

Sincerely,

Brian B. Raygon
Interim Director of Minerals Audit
Texas General Land Office
(512) 463-0154 / brian.raygon@glo.texas.gov

Ltr Log # 0297

Exhibit A (List of Audited State Leases in Chesapeake Audit)

# of Lease	Audit Property Category	County Name	Lease#	Lease Type	Audit Period
1	Toyah State Leases	Reeves	MF104792	Relinquishment Act Lease	1/2008 through 3/2013
2	Toyah State Leases	Reeves	MF104871	Relinquishment Act Lease	1/2008 through 3/2013
3	Toyah State Leases	Reeves	MF104585	Upland Fee	1/2008 through 3/2013
4	Toyah State Leases	Reeves	MF104586	Upland Fee	1/2008 through 3/2013
5	Toyah State Leases	Reeves	MF109479	Relinquishment Act Lease	1/2008 through 3/2013
6	Toyah State Leases	Reeves	MF109480	Relinquishment Act Lease	1/2008 through 3/2013
7	Toyah State Leases	Reeves	MF109559	Relinquishment Act Lease	1/2008 through 3/2013
8	Toyah State Leases	Reeves	MF108655	Relinquishment Act Lease	1/2008 through 3/2013
9	Toyah State Leases	Reeves	MF104186	Relinquishment Act Lease	1/2008 through 3/2013
10	Toyah State Leases	Reeves	MF107630	Relinquishment Act Lease	1/2008 through 3/2013
11	Toyah State Leases	Reeves	MF105495	Relinquishment Act Lease	1/2008 through 3/2013
12	Toyah State Leases	Reeves	MF104587	Upland Fee	1/2008 through 3/2013
13	Toyah State Leases	Reeves	MF104601	Upland Fee	1/2008 through 3/2013
14	Toyah State Leases	Reeves	MF105848	Relinquishment Act Lease	1/2008 through 3/2013
15	Toyah State Leases	Reeves	MF104524	Relinquishment Act Lease	1/2008 through 3/2013
16	Toyah State Leases	Reeves	MF104530	Relinquishment Act Lease	1/2008 through 3/2013
17	Toyah State Leases	Reeves	MF104539	Relinquishment Act Lease	1/2008 through 3/2013
18	Toyah State Leases	Reeves	MF104187	Relinquishment Act Lease	1/2008 through 3/2013
19	Toyah State Leases	Reeves	MF104874	Free Royalty Lease	1/2008 through 3/2013
20	Toyah State Leases	Reeves	MF103430	Relinquishment Act Lease	1/2008 through 3/2013
21	Toyah State Leases	Reeves	MF104185	Relinquishment Act Lease	1/2008 through 3/2013
22	Toyah State Leases	Reeves	MF104190	Relinquishment Act Lease	1/2008 through 3/2013
23	Toyah State Leases	Reeves	MF104191	Relinquishment Act Lease	1/2008 through 3/2013
24	Toyah State Leases	Reeves	MF102645	Relinquishment Act Lease	1/2008 through 3/2013
25	Toyah State Leases	Reeves	MF105285	Relinquishment Act Lease	1/2008 through 3/2013
26	Toyah State Leases	Reeves	MF105243	Relinquishment Act Lease	1/2008 through 3/2013
27	Toyah State Leases	Reeves	MF105497	Relinquishment Act Lease	1/2008 through 3/2013
28	Toyah State Leases	Reeves	MF104184	Relinquishment Act Lease	1/2008 through 3/2013
29	Toyah State Leases	Reeves	MF108406	Surface Sold - All Minerals Reserved	1/2008 through 3/2013
30	Toyah State Leases	Reeves	MF105229	Relinquishment Act Lease	1/2008 through 3/2013
31	Toyah State Leases	Reeves	MF105245	Relinquishment Act Lease	1/2008 through 3/2013
32	Toyah State Leases	Reeves	MF105320	Upland Fee	1/2008 through 3/2013
33	Toyah State Leases	Reeves	MF106675	Relinquishment Act Lease	1/2008 through 3/2013
34	Toyah State Leases	Reeves	MF107499	Relinquishment Act Lease	1/2008 through 3/2013
35	Toyah State Leases	Reeves	MF109204	Highway-Right-of-Way	1/2008 through 3/2013
36	Toyah State Leases	Reeves	MF109205	Relinquishment Act Lease	1/2008 through 3/2013

37	Toyah State Leases	Reeves	MF109189	Relinquishment Act Lease	1/2008 through 3/2013
38	Toyah State Leases	Reeves	MF104778	Relinquishment Act Lease	1/2008 through 3/2013
39	Toyah State Leases	Reeves	MF104548	Relinquishment Act Lease	1/2008 through 3/2013
40	Toyah State Leases	Reeves	MF105287	Relinquishment Act Lease	1/2008 through 3/2013
41	Toyah State Leases	Reeves	MF107619	Relinquishment Act Lease	1/2008 through 3/2013
42	Toyah State Leases	Reeves	MF107733	Relinquishment Act Lease	1/2008 through 3/2013
43	Toyah State Leases	Reeves	MF107769	Relinquishment Act Lease	1/2008 through 3/2013
44	Toyah State Leases	Reeves	MF104580	Upland Fee	1/2008 through 3/2013
45	Toyah State Leases	Reeves	MF105289	Relinquishment Act Lease	1/2008 through 3/2013
46	Toyah State Leases	Reeves	MF107612	Relinquishment Act Lease	1/2008 through 3/2013
47	Toyah State Leases	Reeves	MF108664	Relinquishment Act Lease	1/2008 through 3/2013
48	Toyah State Leases	Reeves	MF105534	Relinquishment Act Lease	1/2008 through 3/2013
49	Toyah State Leases	Reeves	MF104526	Relinquishment Act Lease	1/2008 through 3/2013
50	Toyah State Leases	Reeves	MF105485	Relinquishment Act Lease	1/2008 through 3/2013
51	Toyah State Leases	Reeves	MF107610	Relinquishment Act Lease	1/2008 through 3/2013
52	Toyah State Leases	Reeves	MF108598	Free Royalty Lease	1/2008 through 3/2013
53	Toyah State Leases	Reeves	MF108599	Free Royalty Lease	1/2008 through 3/2013
54	Toyah State Leases	Reeves	MF105230	Relinquishment Act Lease	1/2008 through 3/2013
55	Toyah State Leases	Reeves	MF105236	Relinquishment Act Lease	1/2008 through 3/2013
56	Toyah State Leases	Reeves	MF105494	Relinquishment Act Lease	1/2008 through 3/2013
57	Toyah State Leases	Reeves	MF104981	Relinquishment Act Lease	1/2008 through 3/2013
58	Toyah State Leases	Reeves	MF105532	Relinquishment Act Lease	1/2008 through 3/2013
59	Toyah State Leases	Reeves	MF105433	Relinquishment Act Lease	1/2008 through 3/2013
60	Toyah State Leases	Reeves	MF105499	Relinquishment Act Lease	1/2008 through 3/2013
61	Toyah State Leases	Reeves	MF104780	Relinquishment Act Lease	1/2008 through 3/2013
62	Toyah State Leases	Reeves	MF104781	Relinquishment Act Lease	1/2008 through 3/2013
63	Toyah State Leases	Reeves	MF104782	Relinquishment Act Lease	1/2008 through 3/2013
64	Toyah State Leases	Reeves	MF105291	Relinquishment Act Lease	1/2008 through 3/2013
65	Toyah State Leases	Reeves	MF105490	Relinquishment Act Lease	1/2008 through 3/2013
66	Toyah State Leases	Reeves	MF106627	Relinquishment Act Lease	1/2008 through 3/2013
67	Toyah State Leases	Reeves	MF106641	Relinquishment Act Lease	1/2008 through 3/2013
68	Toyah State Leases	Reeves	MF108251	Free Royalty Lease	1/2008 through 3/2013
69	Toyah State Leases	Reeves	MF104982	Relinquishment Act Lease	1/2008 through 3/2013
70	Toyah State Leases	Reeves	MF105825	Relinquishment Act Lease	1/2008 through 3/2013
71	Toyah State Leases	Reeves	MF106243	Relinquishment Act Lease	1/2008 through 3/2013
72	Toyah State Leases	Reeves	MF107483	Relinquishment Act Lease	1/2008 through 3/2013
73	Toyah State Leases	Reeves	MF106676	Relinquishment Act Lease	1/2008 through 3/2013
74	Non-Toyah State Leases	Webb	MF084110	Relinquishment Act Lease	1/2008 through 12/2010
75	Non-Toyah State Leases	Tarrant	MF106201	Mental Health & Retardation	1/2008 through 12/2012

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File No. 104580
Reeves County
Letter to Cherokee 5-24-2020
Date Filed: 5-24-2021
George P. Bush, Commissioner
By: Sedberry

76	Non-Toyah State Leases	Tarrant	MF109267	Mental Health & Retardation	1/2008 through 12/2012
77	Non-Toyah State Leases	Tarrant	MF106600	County Roads	1/2008 through 12/2012