640 unit ACRES
12,160 NON UNIT ACRES (EXPIRED) 2YD 5/4/10

STATE LEASE MF104871

CONTROL	BASEFILE	COUNTY	
07-103877	138597 -	REEVES	/195
07-103886	138598 -	REEVES	/195
07-103902	138599 -	REEVES	/195
07-103911	138600 -	REEVES	/195
...			

TERMINATION
DATE 03/31/2013
LEASING
MAPS
GIS MC

Rentals:

Lease Admin:

Mineral Maps:

SURVEY	:	PUBLIC SCHOOL LAND
BLOCK	:	56,57
TOWNSHIP	:	00
SECTION/TRACT	:	9,10,14,15,22,23,24,25,26, etc.
PART	:	SEE LEASE
ACRES	:	~~12800.00~~ 640.00
DEPTH LIMITS	:	NO
LESSEE	:	WOODS LAND MANAGEMENT INC.
LEASE DATE	:	Apr 27 2005
PRIMARY TERM	:	3 yrs
BONUS ($)	:	960000.00
RENTAL ($)	:	1.00
ROYALTY	:	0.11000000
VAR ROYALTY	:	

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CONTENTS OF FILE NO ~~MF~~ 104871

1. Email 4/19/05	ASSIGNMENT FILED IN MF 104793 #8 + #9. duplicate M Carroll 10/31/08
2. Letter faxed 4/26/05	21. (5) Assignments 2/3/09
3. RRC Review 5/26/05	22. (2) Assignments 2/9/09
4. W-10 letter 6/26/05	ASSIGNMENT FILED IN MF 104871 #35, 3/11/09
5. Letter + bonus 5/9/05	23. Production status of 2 wells 3/15/10
6. Letter 5/9/05	24. Termination Ltr Pendo at subdi units 3/15/10
7. Lease 5/9/05	
8. W-10 letter 6/9/05	25. Term on RRC field rules 5/18/10
9. Assignment 9/14/05	ASSIGNMENT FILED IN MF 104793 #28. 5/5/10
10. Email, Surface damage pmt., + Survey reports. 12/12/05	26. P-15 Well Info for 42-389-32425 3/3/11
	27. P-15 Well Info for Api 42-389-32460 3/3/11
See MF 104328 #8 for Merger + name change. 6/5/06	29. Lease Plat of 2 producing wells 02/11/2014
	30. Well info: Harrison State 56-37 #1 42-389-32460 02/11/2014
11. Well Reports 9/1/06	31. Well Info: Harrison State 56-38 #3ST 42-389-32425 02/11/2014
12. Letter 6/14/06	32. Termination letter 02/19/2014
13. Letter + Surface Damage payment 4/20/07	33. SWEPI's Option Election 03/21/2014
	34. Copy of New Lease, Copy of bonus, filing fees 06/19/2014
See MF 104328 #10 for Assignment - 6-20-07	35. Memo To File 06/30/2014
14. Well Reports 4/24/07	36. Release 04/22/15
15. Well Reports 9/17/07	37. Ltr & fees - release 04/22/15
16. Well Reports 9/19/07	scanned sm 7/20/15
17. DIVISION ORDER 2/1/08	38. Assignment # 67446 09/06/16
18. Well Reports 3/31/08	scanned pf 9-20-16
19. Division Order 10/3/08	39. Release 11/08/16
20. ASSIGNMENT FILED IN MF- 10/10/08	40. Ltr from Atlantic 11/08/16

GLO-S-08-(1-82)

(over)

CONTENTS OF FILE NO. eMF104871

scanned PJ 11-30-16	

GLO-S-08-(1-82)

Drew Reid - Mineral Classified Lands-Harrison

From: Bert Dorr <bert_dorr@yahoo.com>
To: Drew Reid <drew.reid@glo.state.tx.us>
Date: 4/19/2005 4:36 PM
Subject: Mineral Classified Lands-Harrison

Mr. Reid,

Attached is the lease form Mr. Harrison is going to sign on Thursday along with the addendum. Please let me know what I need to do after he signs it and we write him a check.

Thanks,
Bert Dorr
432-413-5743

Bert Dorr

Bert_Dorr@yahoo.com

Roddy 432-445-5484 - wk
915-828-3202 - home

File No. MF104871

Email

Date Filed: 9/19/05

Jerry E. Patterson, Commissioner

By

HARRISON TRUST
P.O. Box 1908
Pecos, Texas 79772-1908
(432) 445-5484

April 26, 2005

Mr. Drew Reid
Energy Resources/Mineral Classified Lands
Texas General Land Office

FAX NUMBER: 512-475-1543

The foregoing itemized schedule regarding surface damages shall be adjusted each calendar year during the terms of this lease according to the increase or decrease of the consumer cost of inflation or the consumer price index whichever is greater for that calendar year.

2.

File No. MF10487

Letter — faxed

Date Filed: 4/26/05

Jerry E. Patterson, Commissioner

By

Reeves County –

Sec. 23,	Blk 56	07-103939	640 Ac.
Sec 24,	Blk 56	07-103948	640 Ac.
Sec 25	"	07-103957	640 Ac.
Sec 26	"	07-103966	640 Ac.
Sec 31	"	07-104028	320 Ac.
Sec 35	"	07-104064	320 Ac.
Sec 36	"	07-104073	640 Ac.
Sec 37	"	07-104082	640 Ac.
Sec 38	"	07-104091	640.
Sec 42	"	07-104135	640 Ac
Sec 19,	Blk 57 ALL	07-104439	640. Ac
Sec 21	" "	07-104448	640. Ac
Sec 22	" "	07-104457	640. Ac
Sec 28	"	07-104493	640. Ac
Sec 29	"	07-104509	640 Ac
Sec 31	"	07-104518	640 Ac.

RAL REVIEW SHEET

Transaction # 4631 **Geologist:** R. Widmayer

Lessor: Harrison Trust, Roddy Harrison, Trustee **Lease Date:** 4/22/2005 **Ut** ☐

Lessee: Woods Petroleum Land Management **Acres:** 12800

LEASE DESCRIPTION

County		Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	07-103877	138597	640	9	56	00	PUBLIC SCHOOL LAND	4448
REEVES	07-103886	138598	640	10	56	00	PUBLIC SCHOOL LAND	4449
REEVES	07-103902	138599	640	14	56	00	PUBLIC SCHOOL LAND	4450
REEVES	07-103911	138600	640	15	56	00	PUBLIC SCHOOL LAND	4451
REEVES	07-103920	137359	640	22	56	00	PUBLIC SCHOOL LAND	4435

TERMS OFFERED		TERMS RECOMMENDED	
Primary Term:	3 years	Primary Term	3 years
Bonus/Acre:	$150.00	Bonus/Acre	$150.00
Rental/Acre:	$1.00	Rental/Acre	$1.00
Royalty:	22.0%	Royalty	22.0%

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance Last Lease
MF100199	Clay Johnson	10/7/1998	5 years	$50.00	$3.00	3/16	
Pending	Shaw interests	10/6/04	5Y-S	$150.00	$1.00	1/5	1 Mile South

Comments: Drilling Commitment.

Approved: PAB 4-26-05

Tuesday, April 26, 2005

RELINQUISHMENT ACT LEASE APPLICATION

Texas General Land Office — Jerry Patterson, Commissioner

TO: Jerry Patterson, Commissioner
Larry Laine, Chief Clerk
Bill Warnick, General Counsel
Louis Renaud, Deputy Commissioner

DATE: 26-Apr-05

FROM: Robert Hatter, Director of Mineral Leasing
Peter Boone, Chief Geologist

Applicant:	Woods Petroleum Land Management			County:	REEVES
Prim. Term:	3 years		Bonus/Acre		$150.00
Royalty:	22.0%		Rental/Acre		$1.00

Consideration

Recommended: PAB Date: 4.26.05

Not Recommended: _____

Comments: Drilling Commitment.

✓Lease Form with changes

Recommended: RDH Date: 5/10/05

Not Recommended: _____

Comments:

Louis Renaud, Deputy Commissioner Date: 5/11/05

Recommended: LLR

Not Recommended: _____

Bill Warnick, General Counsel Date: 5/11/05

Recommended: WTW

Not Recommended: _____

Larry Laine, Chief Clerk Date: 5/12/05

Approved: [signature]

Not Approved: _____

Jerry Patterson, Commissioner Date: 12 MAY 05

Approved: [signature]

Not Approved: _____

3.

File No. MF 04871

BAL Review

Date Filed: 4/26/05

Jerry E. Patterson, Commissioner

By

TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

April 26, 2005

Bert Dorr
Woods Petroleum Land Management
P.O. Box 51194
Midland, Texas 79710

RE: Relinquishment Act Lease / being the
Harrison Trust, Roddy Harrison Trustee Lease
in Reeves Co., Texas (12,800.0 acres)

Dear Mr. Dorr:

We hereby acknowledge receipt of your proposed Relinquishment Act Lease covering the referenced tracts. The Commissioner of the General Land Office has approved this lease as to form and consideration. The terms recommended for approval of this lease are a $150.00 per ac. bonus, 22% royalty and a three year primary term, with a drilling commitment.

If the above recommended terms meet with your approval please furnish this office with a certified copy of the lease for filing. A check for the State's cash bonus ($960,000.00), the required processing fee of $100.00 and the required filing fee of ($25.00) per lease.

If, prior to submittal of the requested material, this office receives evidence that the above terms constitute less than market value, then this approval may be withdrawn. Otherwise, this approval shall remain valid for sixty (60) days from the date hereof. Please call if you should have any questions.

Sincerely,

Drew Reid

Drew Reid, Landman
Minerals Leasing
Energy Resources
(512) 475-1534

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

4.

File No. MF 704871
SIO letter
Date Filed: 4/26/05
Jerry E. Patterson, Commissioner
By

Hallwood Petroleum, LLC 4095

TX GLO/STATE OF TEXAS	VENDOR TXGLO	CHECK DATE 05/03/05

INVOICE NUMBER	INVOICE DATE		DISCOUNT TAKEN	AMOUNT PAID
50305	05/03/05	24885 HEII AREA	$0.00	$960,125.00
		Total:	$0.00	$960,125.00

attn: Drew, Rud

121

05038318

RECEIVED
05 MAY -9 PM 4:13
TEXAS RAILROAD COMMISSION

HALLWOOD PETROLEUM, LLC

421 Marti Dr.
Cleburne, Texas 76033
Telephone: (817) 645-6006
Fax: (817) 645-6177

May 5, 2005

Texas General Land Office
Stephen F. Austin Building
1700 Congress Avenue
Austin, Texas 78701-1495

ATTN: Mr. Drew Reid

RE: Harrison Trust/GLO Oil and Gas Lease
12,800 acres, more or less
Reeves County, Texas

Dear Drew:

Enclosed please find Hallwood Petroleum, LLC check No. 4095 in the amount of $960,125.00 which represents one-half of the bonus consideration for the referenced oil and gas lease, plus $100.00 processing fee and $25.00 filing fee.

I appreciate all of your help in negotiating the terms of this lease and dealing with Mr. Harrison. Again, I ask that you keep Hallwood's name confidential regarding this transaction.

Please feel free to call me if you have any comments or questions.

Sincerely,

Jaymie Munchinski

Jaymie Munchinski
Hallwood Petroleum, LLC
District Land Manager

enclosure

RECEIVED
05 MAY -9 PM 1:17

5-6-5

5.

File No. MF 70487 1
Letter + bonus
Date Filed: 5/9/05
Jerry E. Patterson, Commissioner
By

HALLWOOD PETROLEUM, LLC

421 Marti Dr.
Cleburne, Texas 76033
Telephone: (817) 645-6006
Fax: (817) 645-6177

May 5, 2005

Texas General Land Office
Stephen F. Austin Building
1700 Congress Avenue
Austin, Texas 78701-1495

ATTN: Mr. Drew Reid

RE: Harrison Trust/GLO Oil and Gas Lease
Damage payment arrangement
12,800 acres, more or less
Reeves County, Texas

Dear Drew:

Please be advised that this letter acknowledges Hallwood's understanding of the damage payment structure, which was not clearly defined in the subject oil and gas lease between Mr. Harrison and the State of Texas. Hallwood and its successors and assigns agree that all payments made for damages of any kind shall be paid one-half to the Harrison Trust and one-half to the State of Texas.

Please feel free to call me if you have any comments or questions.

Sincerely,

Jaymie Munchinski

Jaymie Munchinski
Hallwood Petroleum, LLC
District Land Manager

enclosure

05 5

6.

File No. MF704871

Letter

Date Filed: 5/9/05

Jerry E. Patterson, Commissioner

By BL

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

The State of Texas

MF104871

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 27 day of April, 2005, between the State of Texas, acting by and through its agent, Harrison Trust, Roddy L. Harrison, Trustee of P.O. Box 1908 Pecos, TX 79772 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and Woods Petroleum Land Management, Inc. of P.O. Box 51194 Midland, TX 79710 (Give Permanent Address) hereinafter called Lessee.

1. GRANTING CLAUSE. For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

Sections 9,10,14,15,22,23,24,25,26, W2 of 31, W2 of 35,36,37,38,& 42 Block 56 PSL; Sections 19,21,22,28,29, & 31 Block 57 PSL

containing 12,800 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas:
Dollars ($960,000)

To the owner of the soil: Harrison Trust, Roddy L Harrison, Trustee
Dollars ($960,000)

Total bonus consideration:
Dollars ($1,920,000)

The total bonus consideration paid represents a bonus of 1,920,000 Dollars ($150.00) per acre, on 12800 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of 3 years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land. As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the _____ _____ Bank, at _____, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: _____

Dollars ($_____)

To the State of Texas: _____

Dollars ($_____)

Total Delay Rental: _____

Dollars ($_____)

In a like manner and upon like payments or tenders annually, the commencement of a well may be further deferred for successive periods of one (1) year each during the primary term. All payments or tenders of rental to the owner of the soil may be made by check or sight draft of Lessee, or any assignee of this lease, and may be delivered on or before the rental paying date. If the bank designated in this paragraph (or its successor bank) should cease to exist, suspend business, liquidate, fail or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payments or tenders of rental until thirty (30) days after the owner of the soil shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders.

4. PRODUCTION ROYALTIES. Upon production of oil and/or gas, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 22% 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 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 leased premises is sold, used or processed in a plant, it will be run free of cost to the royalty owners through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived, in writing, by the royalty owners upon such terms and conditions as they prescribe.

(B) 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 22% 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 the greater; provided that the maximum pressure base in measuring the gas under this lease 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 tests 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. Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 22% 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 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 arm's 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. 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 shall be 22% part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for 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.

5. 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 under this lease in no event shall be less than an amount equal to the total annual delay rental herein provided; 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 the total annual rental less the amount of royalties paid during the preceding year. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

STATE OF TEXAS REEVES COUNTY

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

6. ROYALTY IN KIND. Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind. The owner of the soil's or the Commissioner of the General Land Office's right to take its royalty in kind shall not diminish or negate the owner of the soil's or the Commissioner of the General Land Office's rights or Lessee's obligations, whether express or implied, under this lease.

7. NO DEDUCTIONS. Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. 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 any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entities the royalty owners to a royalty under this lease.

9. 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 to accrue 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.

10. (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) PERMITS, 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. All applications, permits, reports or other filings that reference this lease or any specific well on the leased premises and that are submitted to the Texas Railroad Commission or any other governmental agency shall include the word "State" in the title. Additionally, in accordance with Railroad Commission rules, any signage on the leased premises for the purpose of identifying wells, tank batteries or other associated improvements to the land must also include the word "State." 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.

11. 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

STATE OF TEXAS REEVES COUNTY
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operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. 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.

12. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional wells are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

13. 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.

14. 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 double the annual rental provided in the lease, but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. 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. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. 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.

15. 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, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, 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 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. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 9 of this lease. None of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in Texas Natural Resources Code 52.173; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties can satisfy the obligation to drill offset wells.

16. 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 14 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 Texas Natural Resources Code 52.151-52.154, 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. 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. Notwithstanding the termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress to and egress from the lands still subject to this lease for all purposes described in Paragraph 1 hereof, together with easements and rights-of-way for existing roads, existing pipelines and other existing facilities on, over and across all the lands described in Paragraph 1 hereof ("the retained lands"), for access to and from the retained lands and for the gathering or transportation of oil, gas and other minerals produced from the retained lands.

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(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 16 (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 Commissioner of the General Land Office. 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.

17. OFFSET WELLS. Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. Lessee, sublessee, receiver or other agent in control of the leased premises shall drill as many wells as the facts may justify and shall use appropriate means and drill to a depth necessary to prevent undue drainage of oil and gas from the leased premises. In addition, if oil and/or gas should be produced in commercial quantities within 1,000 feet of the leased premises, or in any case where the leased premises is being drained by production of oil or gas, the Lessee, sublessee, receiver or other agent in control of the leased premises shall in good faith begin the drilling of a well or wells upon the leased premises within 100 days after the draining well or wells or the well or wells completed within 1,000 feet of the leased premises start producing in commercial quantities and shall prosecute such drilling with diligence. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty under applicable statutory parameters satisfy the obligation to drill an offset well or wells required under this paragraph.

18. FORCE MAJEURE. If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

19. WARRANTY CLAUSE. The owner of the soil warrants and agrees to defend title to the leased premises. If the owner of the soil defaults in payments owed on the leased premises, then Lessee may redeem the rights of the owner of the soil in the leased premises by paying any mortgage, taxes or other liens on the leased premises. If Lessee makes payments on behalf of the owner of the soil under this paragraph, Lessee may recover the cost of these payments from the rental and royalties due the owner of the soil.

20. (A) PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties and rental herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties and rental herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

(B) 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 and the owner of the soil in accordance with Natural Resources Code Sections 52.151-52.154, 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.

21. USE OF WATER. Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

22. AUTHORIZED DAMAGES. Lessee shall pay the owner of the soil for damages caused by its operations to all personal property, improvements, livestock and crops on said land.

23. PIPELINE DEPTH. When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

24. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

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25. 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. 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. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

26. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

27. (A) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee 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 assignee of the lease, including any liabilities to the State for unpaid royalties.

(B) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 27(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

(1) a nominee of the owner of the soil;
(2) a corporation or subsidiary in which the owner of the soil is a principal stockholder or is an employee of such a corporation or subsidiary;
(3) a partnership in which the owner of the soil is a partner or is an employee of such a partnership;
(4) a principal stockholder or employee of the corporation which is the owner of the soil;
(5) a partner or employee in a partnership which is the owner of the soil;
(6) a fiduciary for the owner of the soil; including but not limited to a guardian, trustee, executor, administrator, receiver, or conservator for the owner of the soil; or
(7) a family member of the owner of the soil or related to the owner of the soil by marriage, blood, or adoption.

28. RELEASES. Under the conditions contained in this paragraph and Paragraph 29, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

29. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

31. FIDUCIARY DUTY. The owner of the soil owes the State a fiduciary duty and must fully disclose any facts affecting the State's interest in the leased premises. When the interests of the owner of the soil conflict with those of the State, the owner of the soil is obligated to put the State's interests before his personal interests.

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty 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 if Lessee should 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

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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 under the terms of the Relinquishment Act. 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.

33. LIEN. In accordance with Texas Natural Resources Code 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 Texas Natural Resources Code 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, Chap. 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.

34. POOLING. Lessee is hereby granted the right to pool or unitize the royalty interest of the owner of the soil under this lease with any other leasehold or mineral interest for the exploration, development and production of oil or gas or either of them upon the same terms as shall be approved by the School Land Board and the Commissioner of the General Land Office for the pooling or unitizing of the interest of the State under this lease pursuant to Texas Natural Resources Code 52.151-52.154. The owner of the soil agrees that the inclusion of this provision in this lease satisfies the execution requirements stated in Texas Natural Resources Code 52.152.

35. INDEMNITY. Lessee hereby releases and discharges the State of Texas and the owner of the soil, their officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns, of and from all and any actions and causes of action of every nature, or other harm, including environmental harm, for which recovery of damages is sought, including, but not limited to, all losses and expenses which are caused by the activities of Lessee, its officers, employees, and agents arising out of, incidental to, or resulting from, the operations of or for Lessee on the leased premises hereunder, or that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement, or by any other negligent or strictly liable act or omission of Lessee. Further, Lessee hereby agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees and agents, their successors or assigns, against any and all claims, liabilities, losses, damages, actions, personal injury (including death), costs and expenses, or other harm for which recovery of damages is sought, under any theory including tort, contract, or strict liability, including attorneys' fees and other legal expenses, including those related to environmental hazards, on the leased premises or in any way related to Lessee's failure to comply with any and all environmental laws; those arising from or in any way related to Lessee's operations or any other of Lessee's activities on the leased premises; those arising from Lessee's use of the surface of the leased premises; and those that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement or any other act or omission of Lessee, its directors, officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns. Each assignee of this Agreement, or an interest therein, agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees, and agents in the same manner provided above in connection with the activities of Lessee, its officers, employees, and agents as described above. **EXCEPT AS OTHERWISE EXPRESSLY LIMITED HEREIN, ALL OF THE INDEMNITY OBLIGATIONS AND\OR LIABILITIES ASSUMED UNDER THE TERMS OF THIS AGREEMENT SHALL BE WITHOUT LIMITS AND WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF (EXCLUDING PRE-EXISTING CONDITIONS), STRICT LIABILITY, OR THE NEGLIGENCE OF ANY PARTY OR PARTIES (INCLUDING THE NEGLIGENCE OF THE INDEMNIFIED PARTY), WHETHER SUCH NEGLIGENCE BE SOLE, JOINT, CONCURRENT, ACTIVE, OR PASSIVE.**

36. ENVIRONMENTAL HAZARDS. Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, the leased premises, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the leased premises any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. Sections 9601, et seq.), or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. **LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND THE STATE OF TEXAS AND THE OWNER OF THE SOIL FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.**

37. APPLICABLE LAW. This lease is issued under the provisions of Texas Natural Resources Code 52.171 through 52.190, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

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38. 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. Once the filing requirements found in Paragraph 39 of this lease have been satisfied, the effective date of this lease shall be the date found on Page 1.

39. LEASE FILING. Pursuant to Chapter 9 of the Texas Business and Commerce 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. This lease is not effective until a certified copy of this lease (which is made and certified by the County Clerk from his records) is filed in the General Land Office in accordance with Texas Natural Resources Code 52.183. Additionally, this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.

LESSEE

BY: _____

Title: President

Date: 4-27-05

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: 4-27-05

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

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STATE OF Texas

COUNTY OF Ward

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared John Robert Dorr, Jr. known to me to be the person whose name is subscribed to the foregoing instruments as President of Woods Petroleum, 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 27th day of April, 2005.

Christi L. McCoy

Notary Public in and for Texas

CHRISTI L McCOY
MY COMMISSION EXPIRES
September 27, 2006

STATE OF _____

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instruments 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 Texas

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Ward

BEFORE ME, the undersigned authority, on this day personally appeared Roddy Harrison

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 27th day of April, 2005.

Christi L McCoy

Notary Public in and for Texas

CHRISTI L McCOY
MY COMMISSION EXPIRES
September 27, 2006

STATE OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

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 _____

STATE OF TEXAS
REEVES COUNTY

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

Attached to and made part of that certain Oil, Gas and Mineral Lease, dated April 27, 2005 from Harrison Trust, Roddy Harrison Trustee, as Lessor, to Woods Petroleum Land Management, Inc. as Lessee.

Exhibit "A"

1. Anything in this lease to the contrary notwithstanding, this lease shall cover only oil, liquid hydrocarbons, gas and their respective constituent products, whether in liquid or gaseous form, as well as carbon dioxide.

2. Lessee shall not have the right to take or use fresh water from Lessor's wells, tanks or ponds on the leased premises without Lessor's prior written consent.

3. Notwithstanding any other provision of this lease to the contrary, Lessee shall not have the right to pool the leased premises with other lands without Lessor's prior written consent, which consent shall not be unreasonably withheld.

4. It is hereby understood and agreed that saltwater produced from any well drilled under this lease shall not be disposed of on the leased premises without Lessor's prior written consent.

5. Within ten (10) days after Lessee's receipt of written request by Lessor, Lessee shall, during normal office hours, make available to Lessor for audit and inspection, the books, accounts and all other records pertaining to the production, transportation, sale and marketing of any product sold under this lease. Lessor's right to audit and inspect, as provided above, shall be conducted within the twenty-four (24) month period following the end of the calendar year in which such production was sold.

6. Upon prior written notice to Lessee, Lessor shall have the right and option (but not the obligation) at his sole cost, risk, expense and liability to take in kind at the wellhead and separately market all of Lessor's royalty oil or gas, unless within sixty (60) days after receipt by Lessee of such written notice from Lessor of the proposed sale of such royalty oil or gas to a bona fide third party purchaser (including the price and all other terms of such proposed sale), Lessee or his nominee shall elect to purchase such royalty oil or gas for the same price and other terms as offered by such third party purchaser. If Lessee or his nominee does not elect to meet such third party offer to purchase Lessor's royalty oil or gas within said sixty (60) day period, then Lessor shall be free to contract such oil or gas to such third party purchaser upon the same terms specified in said written notice. Lessor shall reimburse Lessee for all costs for metering and handling Lessor's royalty oil or gas so separated and marketed or taken in kind. In the event Lessor elects to sell its royalty gas to such third party purchaser, Lessor and Lessee shall enter into a mutually acceptable gas balancing agreement prior to sale.

7. Lessee agrees to maintain all drill sites or other portions of the leased premises used or occupied by Lessee free and clear of weeds, noxious vegetation and trash, and to maintain the same as would a reasonably prudent operator so as to prevent additional damage to such lands.

8. Lessee agrees to grade and gravel not more than one (1) road to each location on the leased premises and, where directed by the Lessor, to make one (1) continuous road connecting the various locations, and to confine all travel incident to the drilling and production of such well to the single graded road. Lessee agrees to use existing gates and roadways to enter and leave the premises, where available, and if more than one existing gate and/or roadway is available, then

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Lessee agrees to consult with the Lessor regarding which gate and/or roadway will be used by Lessee. Furthermore, with regards to existing roads to be used by Lessee, Lessee agrees to improve, upgrade and maintain such roads as "all weather caliche roads". Lessee will maintain approaches, gates, cattle guards and ranch roadways designated and used in connection with its operations in a good state of repair and will promptly cause to be repaired and restored any damage thereto occasioned by or resulting from Lessee's operations. In regard to maintenance of roads used by Lessee or its employees, contractors and invitees, Lessee shall repair damaged or deteriorating portions of roads within a reasonable time not to exceed fifteen (15) days after written notice by the Lessor of need for such repair. Materials used to repair road damage shall be either caliche, gravel, or other materials except dirt fill. Lessee agrees to work with the Lessor to keep the roads used by Lessee in continuous state of good repair. In connection with any roads built by Lessee, Lessee agrees to build and construct all roads as "all weather caliche roads" and further agrees to consult with the Lessor as to the location of such roads and will construct division terraces as may be reasonably necessary to reduce soil erosion . Lessee shall be required to install cattle guards or, at surface owner's option, pipe gates to the side of such cattle guard at each fence crossing.

9. When requested by the Lessor, Lessee agrees to promptly fence all pits and installations to prevent entry into such pits and installations by livestock. Lessee agrees, within a reasonable time after the completion of drilling or reworking operations, but in any event, within one hundred twenty (120) days thereafter, to remove all driller's mud and chemicals, to level all dumps and mounds, fill all holes, pits, ditches and excavations, and at affected owner's election remove or burn all brush and debris, and remove all concrete blocks or other objects placed upon said land, or upon the terminated portion of such lease, as the case may be, and return the surface of the land to substantially the same condition as it was before the commencement of such operations, including seeding the area with the type of grass to be designated by Lessor. For surface restoration purposes, completion of drilling or reworking operations shall be the day Lessee releases the drilling rig or workover rig in question or the date such rig is moved off the location, whichever date first occurs.

10. Lessee agrees that Lessee will not cut or go over any fence or fences of Lessor at any time or in connection with any operations on the leases premises, without first obtaining the express consent thereto in writing from the Lessor. If such consent to the cutting of a fence is obtained, the cuts must be made at the place designated by the Lessor; and Lessee agrees, prior to cutting any fence, to brace the existing fence adequately on both sides of the proposed cut so that when the fence is cut there will be no slacking of the wires. If the fence cut is an outside fence, Lessee agrees, if requested by the Lessor, to install and maintain a substantial iron cattle guard capable of turning cattle, promptly after making such cut. A welded pipe gate shall be installed across said cattle guard, and when not in actual use the gate shall be kept locked. If such surface owner does not request a cattle guard, then Lessee shall install a substantial metal gate, which shall be kept locked when not in actual use. The Lessor may install its own locks in addition to Lessee's lock on said gate. If the cut in such fence is an inside fence, Lessee agrees to install a substantial metal gate or cattle guard, whichever shall be designated by the Lessor, in such opening. Upon termination of this lease, or the portion thereof on which any cattle guard and gate or located, such cattle guard and gate shall, at the option of the Lessor, become its property. So long as the lease shall remain in force, such gates and cattle guards shall not be removed but shall be

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

maintained in good condition and repair, capable of turning cattle. Lessee agrees to promptly close all gates and lock all outside gates which Lessee and Lessee's agents, servants, employees, guests, invitees or independent contractors may use in Lessee's operations on the leases premises, to prevent the escape of cattle or stock through any open gate.

11. Lessee shall at all times use the highest degree of care in all of its operations on the leased premises to prevent injury or damage to the grass, crops, cattle livestock, buildings or other property situated thereon, or to water wells or tanks located thereon. Lessee agrees not to allow any waste oil or salt water to flow over the surface of the leases premises, not to allow same to drain down any draws, drains, creeks or ravines, nor allow same to contaminate any tanks, ground water or underground water thereon; but Lessee shall dispose of such salt water and waste oil in accordance with the Rules and Regulations of the Railroad Commission of Texas. Lessee shall pay the Lessor for any damages resulting from any contaminations of the premises by salt water or waste oil resulting from Lessee's operations.

Lessee agrees to pay the Lessor reasonable compensation for all use of or damage to the surface estate (or any incident of the surface estate) owned by the Lessor, which use is made or which damages are incurred in the exercise of the rights granted to Lessee by this lease. Lessee's obligation to compensate the Lessor for such use or damage shall exist whether such use or damage is caused by Lessee, or its agents, employees, invitees or independent contractors. The compensation Lessee shall pay to the Lessor, for the respective types of operations, shall be the prevailing rate but not less than the following:

1. Each drillsite location or re-entry $5,000
2. Each tank battery location $5,000
3. Tank battery location on drillsite .....$250 per acre
4. Roads .....$1.50 per linear foot
5. Flow lines .....$1.00 per linear foot
6. Injection Pipelines .....$1.00 per linear foot
7. Utility Lines .....$1.00 per linear foot

The foregoing itemized schedule regarding surface damages shall be adjusted each calendar year during the term of this lease according to the increase or decrease of the consumer cost of inflation or the consumer price index, whichever is greater for that calendar year.

Any other operation shall be compensated at an agreed sum between Lessee and the Lessor. Payment of such compensation shall not relieve Lessee of its obligation to restore the surface estate as nearly as possible to its original condition.

The foregoing schedule of compensation shall include all damage caused by the initial locations of wells and tank batteries, and the initial construction of roads and pipelines, and for the routine operation of wells and tank batteries and the routine use of the roads and pipelines. Such damages do not include any damage which results from negligence of Lessee or any party conducting operations for Lessee in connection with the exploration, development and production of the leased premises, it being intended that the damages specified herein are agreed upon compensation for the damages which will necessarily occur by reasonable and non-

STATE OF TEXAS REEVES COUNTY
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negligent use of the leases premises and are not intended to cover any damages which may result from unreasonable, excessive or negligent operations.

The compensation for drillsites, re-entry sites, tank battery locations, roads, flow lines, pipelines and utility lines as set forth above shall be payable by Lessee prior to the time Lessee commences drilling, clearing, trenching or other operations for the installation of said facilities. Payment of all amounts required to be paid prior to the commencement of operations shall be a condition precedent to the right of Lessee to conduct or prosecute such operations under this lease. Any other operations which are not specifically covered by the agreed compensation schedule shall be paid within thirty (30) days of completion of the applicable project. All amounts not paid in a timely manner shall bear interest from the date when same are payable until paid at the rate of prime plus two (2) percent.

Lessee will use its best efforts to prevent fires on said lands and will use its best efforts to prevent papers, boxes, sacks and containers and waste materials of any kind from coming on said lands and littering the premises.

Lessee agrees to observe and obey all posted speed limits on the premises.

Lessee is prohibited from constructing and oil or gas refinery or a plant for cleaning up gas and removing H2S on the leases premises without first obtaining a separate written lease agreement with the Lessor. The location of separators, dehydrators and compressors shall not be considered as plants.

If Lessee conducts seismic operations across the leases premises, then Lessee shall be required to compensate the Lessor for damages based on the prevailing rate being paid in the area at the time for such damages but not less than $11.00 per acre. The Lessor shall be paid in advance of any seismic operations. Seismic permit agreements must be prepared and presented to such Lessor with the estimated compensation prior to the commencement of such operations. Further, Lessee shall be obligated to pay the Lessor for each surface site, such as drillsites, separator, dehydrator and compressor sites based on the schedule set forth herein or the usual going rate being paid for such surface sites and usage in the area at the time, whichever is higher. Nothing herein shall restrict Lessee's right to conduct seismic operations on leased premises.

Provided however, Lessee shall not enter into any third party sponsored 3-D or other similar seismic geophysical shoots without Lessor's prior written consent.

12. In the event any well drilled on the leased premises is abandoned as a dry hole or shall cease to produce in paying quantities, Lessee agrees, before plugging such well, to tender such well to the Lessor; and if such surface owner shall elect to accept same for completion as a water well, Lessee agrees to install a cement plug in the bottom of such well, at such depth as such surface owner shall designate, and a removable swage at the top, and shall turn over such well to such surface owner for completion as a water well; but such surface owner shall first execute the necessary forms and applications to the Railroad Commission of Texas or other regulatory agencies relieving Lessee of any further liabilities. If such surface owner shall not accept such

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

well, Lessee shall plug and abandon such well in accordance with the Rules and Regulations of the Railroad Commission of Texas.

13. This agreement does not cover nor include any right or privilege of hunting with firearms or with dogs or otherwise on the leased premises, nor of fishing on the leases premises, all such hunting and fishing rights being expressly reserved to each surface owner; and Lessee agrees that none of Lessee's officers, agents, servants, employees, representatives or contractors will bring any dog or firearm or fishing tackle upon the leases premises and will not fire any weapon or firearm thereon; and that if any such person shall bring any dog or firearm or fishing tackle upon the leased premises or fire any weapon or firearm thereon, such person shall no longer have any right to go on, or to be on, the leased premises, and that if such person shall go on or be on the leased premises, he shall be a trespasser and subject to prosecution under the trespass laws of the State of Texas. Lessor and such surface owner's duly authorized representatives shall have the right at all reasonable times and at their own expense to inspect vehicles entering upon the leases premises, for the purpose of ascertaining that no such article are being brought on to the leases premises.

DRILLING COMMITMENT

The following table illustrates the number of wells to be drilled by the end of each year of the lease. A well drilled shall be defined as any well that has been physically drilled, or any well currently being drilled with a rig capable of reaching the permitted depth on the 364th day of the anniversary date of the lease.

END OF YEAR	CUMULATIVE WELLS
1	1
2	2
3	3
4	9
5	15
6	21
7	27
8	31
9	35
10	39
11	40

Lessee agrees to commence drilling operations on an initial well located on the leased premises (the "Initial Well") on or before one year from the date of this lease and to thereafter prosecute the drilling of said well diligently without unreasonable delay. Lessee shall file of record a Designation of Proration Unit in the appropriate county and state thereof, said unit to include 320 acres, more or less. If Lessee fails to commence the drilling of the Initial Well within one year of the date of this lease, this lease will automatically terminate as to all lands not included in the 320 acre proration unit.

STATE OF TEXAS REEVES COUNTY
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Proration Unit shall mean 320 designated acres, or larger if required by the Railroad Commission of Texas or any other governmental agency having jurisdiction.

In the event that Lessee fails to comply with such drilling schedule as shown in the above schedule, then this lease will terminate except as to the acreage included within a Designation of Proration Unit which is then producing in paying quantities; producing, but not in paying quantities, but for which Lessee is making reasonable efforts to cause the well to produce in paying quantities; or deemed to be producing in paying quantities by virtue of paying of shut-in royalties, the Lease shall then terminate as to all depths below 100 feet below the stratigraphic equivalent of the base of the deepest producing formation.

One year after the final Designation of Proration Unit has been filed of record, each 320 acre proration unit shall be and constitute a separate lease and must be maintained independently as provided in this lease.

Signed:

Roddy L. Harrison, Trustee of the Harrison Trust

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

File No. MF104871

Date Filed: 4/29/05

Jerry E. Patterson, Commissioner

By _____

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Oil and Gas Lease dated April 27, 2005, filed for record in my office this 27th day of April, 2005 at 11:24 A M, under Clerk's File No. 1555 to be recorded in the Official Public Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 27th day of April, 2005.

Dianne O. Florez
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

By Estella Carrasco, Deputy.

2-3-06

TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

June 9, 2005

Attn: Bert Dorr
Woods Petroleum Land Management
P.O. Box 51194
Midland, Texas 79710

Re: RELINQUISHMENT ACT LEASE No. M-104871
12,800.00 acres out of Sec. 9,10,14,15,22,23,24,25, etc.
Blk. 56 & 57, Reeves County, Texas

Dear Mr. Dorr:

The certified copy of the Relinquishment Act lease covering the above referenced tracts has been approved and filed in our records under mineral file number M-104871. Please refer to this number in all future correspondence concerning the lease.

Your remittance of $960,125.00, has been applied as the state's portion of the cash bonus $960,000.00, along with a processing and filing fee in the amount of $125.00. Please let me know if you should have any questions.

Sincerely,

Drew Reid by MS-

Drew Reid
Minerals Leasing
Energy Resources
(512) 475-1534

MS/DR

8.

File No. MF104871

SLO Letter

Date Filed: 6/9/05

Jerry E. Patterson, Commissioner

By

TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

September 14, 2005

Bert Dorr
Woods Petroleum Land Management, Inc.
PO Box 51194
Midland, TX 79710-1194

RE: Assignment filing; GLO ID 5152

Dear Mr. Dorr,

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 Lease, executed April 27, 2005 from Woods Petroleum Land Management, as Assignor, to Hallwood Energy II, LP, as Assignee. MF104871.

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

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Exhibit "A"

GLO ID	*County*	*Lease*
5152	*Reeves*	MF104871

Woods Petroleum
Land Management, Inc.

P.O. Box 51194
Midland, TX 79710-1194

RECEIVED
05 SEP -9 AM 8:26

September 7, 2005

State of Texas General Land Office
Attention: Beverly Boyd
1700 North Congress Avenue
Austin, Texas 78701

Re: Oil & Gas Lease Assignment

Dear Madam:

Enclosed is a certified copy of an assignment for a mineral classified lease Reeves County to Hallwood Energy II L.P. Enclosed is a check for $25. Please let me know if there is anything else I need to submit. I can be reached at the above address or 432-413-5743.

Sincerely,

Bert Dorr
Woods Petroleum

* check is in the other letter I sent by mistake w/o the Assignment.

Woods Petroleum
Land Management, Inc.

P.O. Box 51194
Midland, TX 79710-1194

September 7, 2005

State of Texas General Land Office
Attention: Beverly Boyd
1700 North Congress Avenue
Austin, Texas 78701

Re: Oil & Gas Lease Assignment

Dear Madam:

Enclosed is a certified copy of an assignment for a mineral classified lease Reeves County to Hallwood Energy II L.P. Enclosed is a check for $25. Please let me know if there is anything else I need to submit. I can be reached at the above address or 432-413-5743.

Sincerely,

Bert Dorr
Woods Petroleum

30-6 -6

RECEIVED
05 SEP -9 PM 3:07

06001755

129

WOODS PETROLEUM LAND MANAGEMENT
P O BOX 51194
MIDLAND, TX 79710

1023

[redacted]

DATE 9-7-05

PAY TO THE ORDER OF State of Texas

$ 25 00

twenty five and 00/100 DOLLARS

WELLS FARGO
Wells Fargo Bank, N.A.
Texas
wellsfargo.com

FOR Assignments

"000000 1023" [redacted]

40.6 .6

Attn: Beverly Boyd

FILE# 3210

MF10 4871

ASSIGNMENT OF OIL AND GAS LEASE

5152

State: Texas
County: Reeves
Assignor: Woods Petroleum Land Management
Assignee: Hallwood Energy II, L.P.
Effective Date: 4-27-05

On April 27, 2005, Harrison Trust, Roddy L. Harrison, Trustee, as Lessor, executed and delivered to Assignor, named above, as Lessee, an Oil and Gas Lease (the "Lease") recorded in Volume 699, page 29, of the Official Public Records of the county and state named above. The Lease is on the following lands in that county:

Sections 9,10,14,15,22,23,24,25,26, W2 of 31, W2 of 35,36,37,38,& 42 Block 56 PSL; Sections 19,21,22,28,29, & 31 Block 57 PSL

For adequate consideration, Assignor sells, conveys, and assigns to Assignee, named above, all of Assignor's rights, title and interests in the Lease, without warranty of title, express or implied.

This Assignment is made and accepted without warranty of title, express or implied. It is executed by Assignor as of the date of acknowledgment of Assignor's signature below, but is effective for all purposes as of the Effective Date stated above.

Assignor

This Affidavit has been executed on July 28, 2005.

Printed name: John Robert Doar Jr.

STATE OF TEXAS §

COUNTY OF Midland §

This instrument was acknowledged before me on this 28th day of July, 2005 by John Robert Doar, Jr.

Notary Public

My commission expires:

EDWARD C. WALLACE
Notary Public, State of Texas
My Commission Expires
March 16, 2006

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 NO. 3210

FILED FOR RECORD ON THE 29TH DAY OF JULY A.D. 2005 3:10 P M.

DULY RECORDED ON THE 2ND DAY OF AUGUST A.D. 2005 9:00 A M.

BY: _____, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

STATE OF TEXAS REEVES COUNTY

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

9.

File No. MF 104871

Assignment

Date Filed: 9/14/05

Jerry E. Patterson, Commissioner

By _____

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. 707 PAGE 231 THRU ——— OFFICIAL PUBLIC RECORD.

I hereby certified on 30TH AUGUST 2005

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY Estella Carrasco DEPUTY

From: "Jaymie Munchinski" <JMunchinski@HallwoodEnergy.com>
To: <drew.reid@glo.state.tx.us>
Date: 12/7/2005 2:27:31 PM
Subject: FW: Harrison 56-38 2 Plat

MF104871

Drew,

Attached is a plat for the first Roddy Harrison well in Reeves County. I will be forwarding to you a check in the amount of $2,500, which represents one-half of the surface location damages as specified in the lease. Please let me know if you have any questions.

Thanks,

Jaymie Munchinski

Land Manager

Hallwood Petroleum, LLC

214-393-0221

From: Deanna Rogers
Sent: Monday, December 05, 2005 11:10 AM
To: Jaymie Munchinski
Subject: Harrison 56-38 2 Plat

Jaymie,

Plat attached!

~Deanna

Deanna M. Rogers

Production Engineer

Hallwood Petroleum, LLC.

3710 Rawlins St., #1500

Dallas, TX 75219

Office: (214) 393-0234

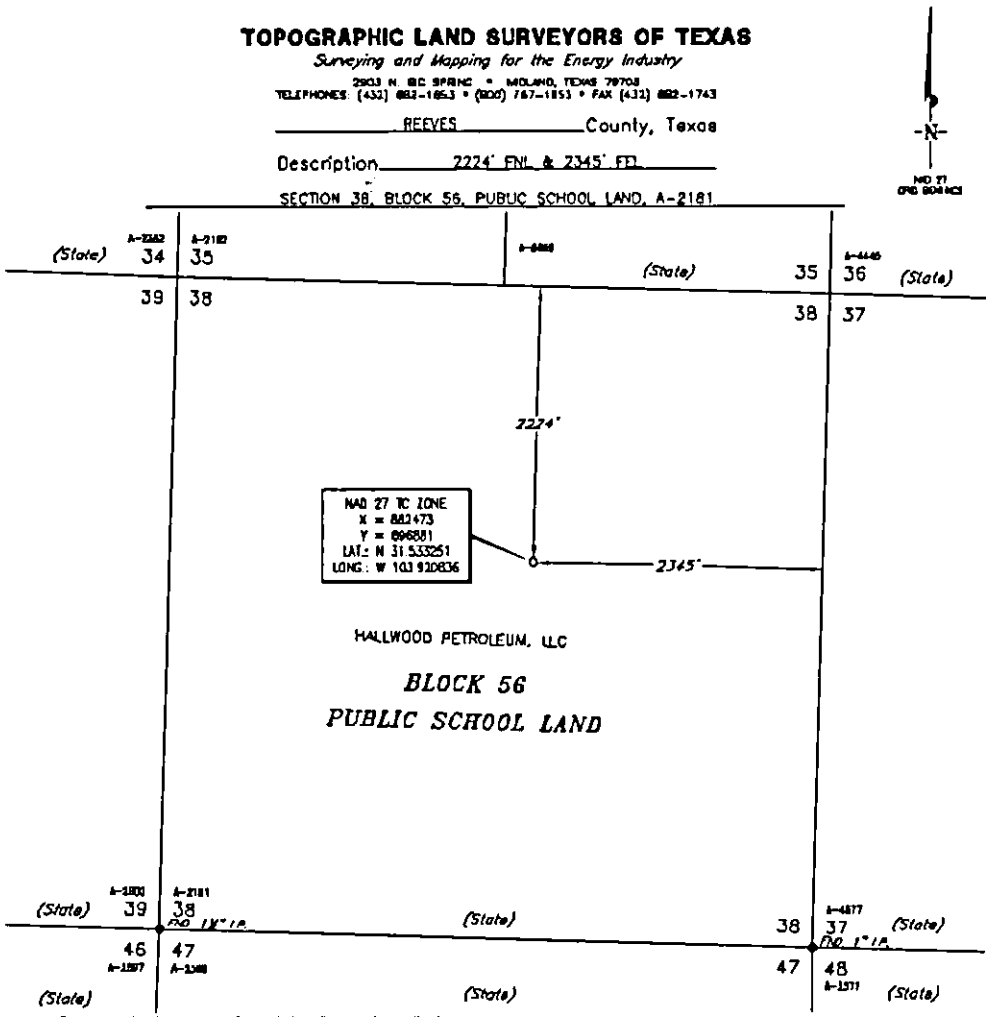
Fax: (214) 393-0229

TOPOGRAPHIC LAND SURVEYORS OF TEXAS
Surveying and Mapping for the Energy Industry
2903 N. BIG SPRING • MIDLAND, TEXAS 79705
TELEPHONES: (432) 682-1653 • (800) 767-1653 • FAX (432) 682-1743

REEVES County, Texas

Description 2224' FNL & 2345' FEL

SECTION 38, BLOCK 56, PUBLIC SCHOOL LAND, A-2181



This location has been very carefully staked on the ground according to the best official survey records, maps, and other data available to us. This plat does not in any way represent a "Boundary Survey", and does not comply with current T.A.P.L.S. Minimum Standards of Procedure for Boundary Surveys.

Date Staked NOVEMBER 2, 2005

SCALE 1" = 1000'
0' 500' 1000'

Operator HALLWOOD PETROLEUM, LLC

Lease Name & Well No. HARRISON 56-38 #2

Ground Elev. 3191' Reference Stakes or Alternate Location NONE

Good Drill Site? YES Stakes Set ±15.8 MILES NORTHWEST OF TOYAH, TEXAS

Topography & Vegetation FLAT PASTURE WITH SCATTERED MESQUITE & GREASEWOOD

Best Accessibility to Location FROM RANCH TRAIL ±75' SOUTH OF THE LOCATION

Distance & Direction from Hwy Jct. or Town FROM JCT. OF NORTH SERVICE ROAD I-20 & F.M. 2119 @ PECOS, CO. NORTHWEST ±26.0 MILES ON F.M. 2119, THENCE SOUTHEAST 1.5 MILES ON RANCH ROAD, THENCE SOUTH 1.1 MILE ON RANCH ROAD, THENCE SOUTHWEST & WEST 1.5 MILE ON RANCH ROAD TO A POINT ±75' SOUTH OF THE LOCATION.

STATE OF TEXAS REGISTERED WILLIAM J. KEATING 5041 PROFESSIONAL LAND SURVEYOR

Invoice # 107849/629SW
J.C.P.

CERTIFICATION:

I, William J. Keating, a Registered Professional Land Surveyor, and an authorized agent of Topographic Land Surveyors, do hereby certify that the above described well location was surveyed and staked on the ground as shown herein.

William J. Keating

Texas Reg. No. 5041

12-12-05

RECEIVED
05 DEC 12 PM 5:34
ENERGY RESOURCES
06016096

Attn: Drew Reid

X 2,500.00

161

Hallwood Petroleum, LLC ✓ 6230

LEASE NUMBER	LEASE DATED	COUNTY/PARISH	STATE	RECORDED		FOR PERIOD	
				BOOK	PAGE	MOS.	BEGINNING
R111-1	04/27/05	REEVES	Texas				12/05/
0.0001 GROSS ACRES		ORIGINAL LESSOR: Harrison Trust					

Prospect:

Lease State ID :
Payor State ID :
Recorded...
Book:
Page:
File: 06016096

Harrison 56-38 #2
Surface Damages

.Texas General Land Office
.1700 N. Congress Ave, Ste 600
.
.Austin TX 78701
ID#:

TOPOGRAPHIC LAND SURVEYORS OF TEXAS

Surveying and Mapping for the Energy Industry

2903 N. BIG SPRING * MIDLAND, TEXAS 79705
TELEPHONES: (432) 682-1653 * (800) 767-1653 * FAX (432) 682-1743

M-104871

REEVES County, Texas

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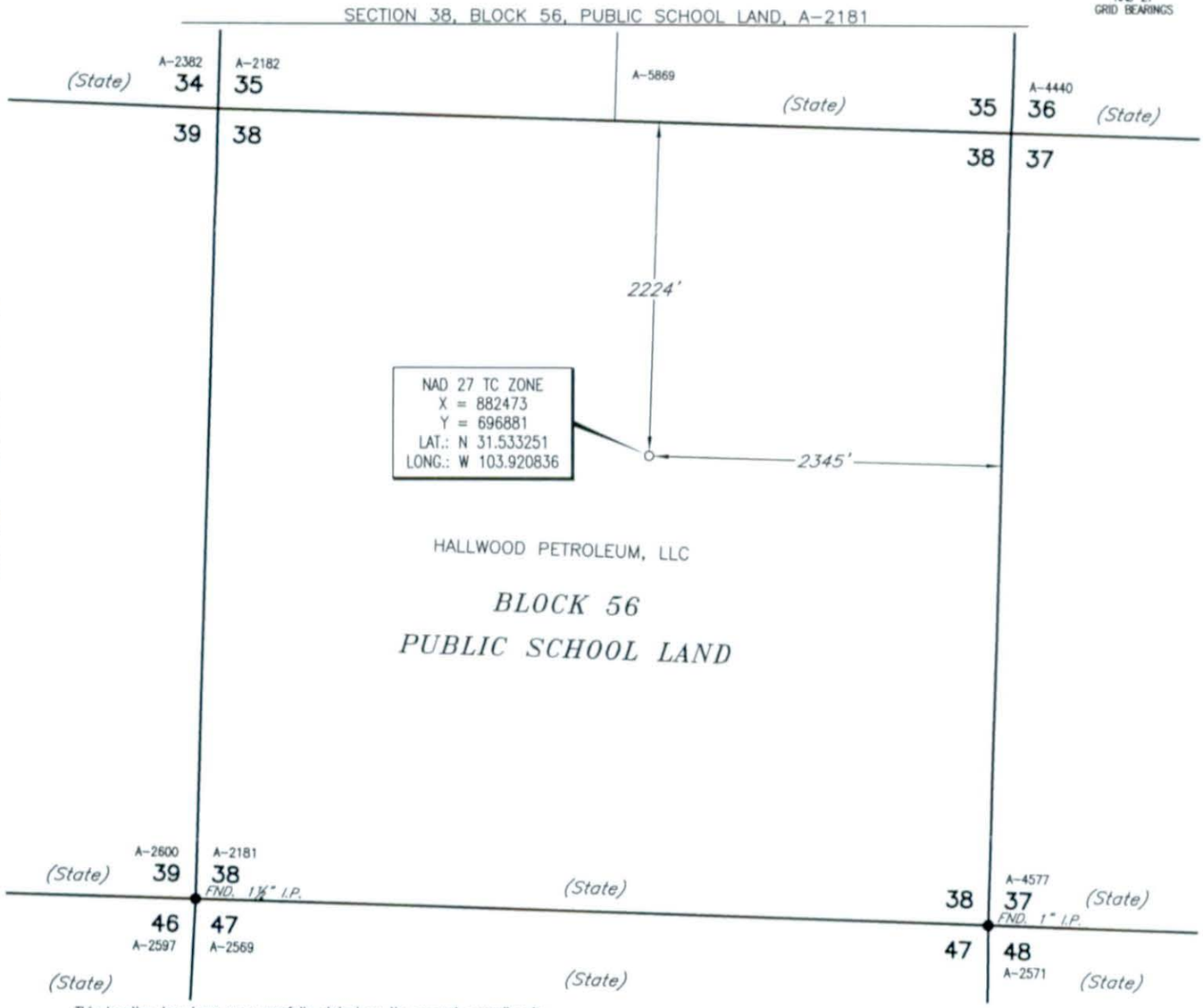
SECTION 38, BLOCK 56, PUBLIC SCHOOL LAND, A-2181



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Topography & Vegetation FLAT PASTURE WITH SCATTERED MESQUITE & GREASEWOOD

Best Accessibility to Location FROM RANCH TRAIL ±75' SOUTH OF THE LOCATION

Distance & Direction from Hwy Jct. or Town FROM JCT. OF NORTH SERVICE ROAD I-20 & F.M. 2119 @ PECOS, GO NORTHWEST ±26.0 MILES ON F.M. 2119, THENCE SOUTHEAST 1.5 MILES ON RANCH ROAD, THENCE SOUTH 1.1 MILE ON RANCH ROAD, THENCE SOUTHWEST & WEST 1.5 MILE ON RANCH ROAD TO A POINT ±75' SOUTH OF THE LOCATION.

STATE OF TEXAS
REGISTERED
WILLIAM J. KEATING
5041
PROFESSIONAL
LAND SURVEYOR

CERTIFICATION:

I, William J. Keating, a Registered Professional Land Surveyor, and an authorized agent of Topographic Land Surveyors, do hereby certify that the above described well location was surveyed and staked on the ground as shown herein.

William J. Keating

Texas Reg. No. 5041

Invoice # 107849/629SW
J.C.P.

10.

File No. MF 104821

Easement, surface damage
Subsequent to easement for pipeline rights

Date Filed: 12/12/1950

Jerry E. Patterson, Commissioner

By _____

1080

1080

1080

MF
104871

Chesapeake
Natural Gas.
Natural Advantages.

Chris K. McClaine
Associate Landman

August 29, 2006

VIA CERTIFIED MAIL (7004 2510 0000 3933 5570)
AND VIA FACSIMILE (512) 475-1543

Mr. Robert Hatter
Texas General Land Office
1700 N. Congress Ave.
Suite 935
Austin, Texas 78701-1495

Re: Notification of Operations
Harrison State 56-38 #3
Section 38, Block 56, PSL Survey, Reeves County

Dear Mr. Hatter:

Chesapeake Operating Inc. recently took over operations of the above referenced well from Hallwood Petroleum, LLC. This letter is to notify you of said change in operator. Enclosed you will find shall find a copy of the permit plat, application for permit, and the approved permit to drill, all filed with the Texas Railroad Commission ("RRC"). The well name as given on these documents is currently being changed at the RRC to reflect the State's ownership in the leased lands. Additional information on the well will be provided as it becomes available.

Should you have any questions, please do not hesitate to call me at (405) 767-4808.

Sincerely,

Chesapeake Operating Inc.

Chris McClaine

Chris McClaine

Enclosures

RECEIVED
06 AUG 31 PM 2:52

06 SEP -1 PM 2:52

W:\Permian_South\McClaine\GLO\Harrison State 56-38 3 GLO Notification.doc

Chesapeake Energy Corporation
6100 N. Western Ave. • Oklahoma City, OK 73118 • P.O. Box 18496 • Oklahoma City, OK 73154-0496
405.767.4808 • fax 405.767.4251 • cmcclaine@chkenergy.com

TOPOGRAPHIC LAND SURVEYORS OF TEXAS

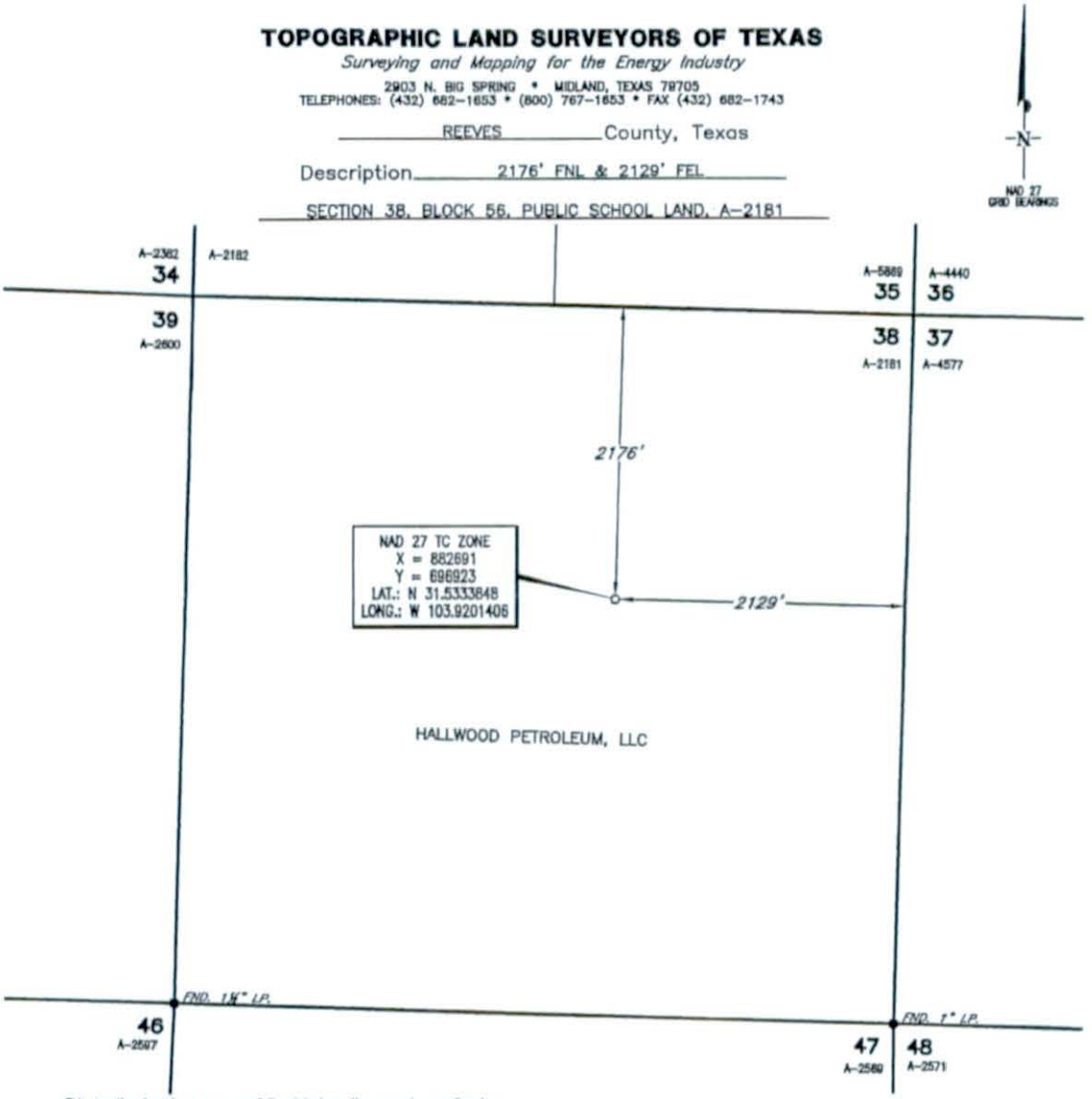
Surveying and Mapping for the Energy Industry

2903 N. BIG SPRING * MIDLAND, TEXAS 79705
TELEPHONES: (432) 682-1653 * (800) 767-1653 * FAX (432) 682-1743

REEVES County, Texas

Description 2176' FNL & 2129' FEL

SECTION 38, BLOCK 56, PUBLIC SCHOOL LAND, A-2181



This location has been very carefully staked on the ground according to the best official survey records, maps, and other data available to us. This plat does not in any way represents a "Boundary Survey", and does not comply with correct T.B.P.L.S. Minimum Standards of Procedures for Boundary Surveys.

SCALE: 1" = 1000'
0' 500' 1000'

Date Staked JUNE 16, 2006

Operator **HALLWOOD PETROLEUM, LLC**

Lease Name & Well No. HARRISON 56-38 #3

Ground Elev. 3192' Reference Stakes or NONE

Alternate Location

Good Drill Site? YES Stakes Set **±15.8 MILES NORTHWEST OF TOYAH, TEXAS**

Topography & Vegetation EXISTING WELL PAD

Best Accessibility to Location FROM EXISTING PAD FOR WELL 56-38 #2

Distance & Direction
from Hwy Jct. or Town FROM JCT. OF NORTH SERVICE ROAD I-20 & F.M. 2119 @ PECOS, GO NORTHWEST 21.3 MILES ON F.M. 2119, THENCE SOUTH 1.0 MILE ON PAVED COUNTY ROAD, THENCE WEST 3.3 MILE ON LEASE ROAD TO EXISTING WELL PAD FOR WELL 56-38 #2.

STATE OF TEXAS
REGISTERED
WILLIAM J. KEATING
5041
PROFESSIONAL
LAND SURVEYOR

Invoice # 114264/629SW
J.W.W.

CERTIFICATION:

I, William J. Keating, a Registered Professional Land Surveyor, and an authorized agent of Topographic Land Surveyors, do hereby certify that the above described well location was surveyed and staked on the ground as shown herein.

William J. Keating

Texas Reg. No. 5041

M-104871

API No. 42-389-32425
Drilling Permit # 621458
SWR Exception Case/Docket No.

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

This facsimile W-1 was generated electronically from data submitted to the RRC. A certification of the automated data is available in the RRC's Austin office.

FORM W-1 07/2004

Permit Status: Approved

1. RRC Operator No.: 347219
2. Operator's Name (as shown on form P-5, Organization Report): HALLWOOD PETROLEUM, LLC.
3. Operator Address (include street, city, state, zip):
4. Lease Name: HARRISON 56-38
5. Well No.: 3

GENERAL INFORMATION

6. Purpose of filing (mark ALL appropriate boxes): [X] New Drill [ ] Recompletion [ ] Reclass [ ] Field Transfer [ ] Re-Enter [ ] Amended [ ] Amended as Drilled (BHL) (Also File Form W-1D)

7. Wellbore Profile (mark ALL appropriate boxes): [X] Vertical [ ] Horizontal (Also File Form W-1H) [ ] Directional (Also File Form W-1D) [ ] Sidetrack

8. Total Depth: 18500

9. Do you have the right to develop the minerals under any right-of-way ? [X] Yes [ ] No

10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)? [ ] Yes [X] No

SURFACE LOCATION AND ACREAGE INFORMATION

11. RRC District No.: 08
12. County: REEVES
13. Surface Location [X] Land [ ] Bay/Estuary [ ] Inland Waterway [ ] Offshore

14. This well is to be located 15.8 miles in a NW direction from Toyah which is the nearest town in the county of the well site.

15. Section: 38
16. Block: 56
17. Survey: PSL/GREENING, R W
18. Abstract No.: A-2181
19. Distance to nearest lease line: 2129 ft.
20. Number of contiguous acres in lease, pooled unit, or unitized tract: 640

21. Lease Perpendiculars: 2129 ft from the E line and 2176 ft from the N line.
22. Survey Perpendiculars: 2129 ft from the E line and 2176 ft from the N line.

23. Is this a pooled unit? [ ] Yes [X] No
24. Unitization Docket No.:
25. Are you applying for Substandard Acreage Field? [ ] Yes (attach Form W-1A) [X] No

FIELD INFORMATION List all fields of anticipated completion including Wildcat. List one zone per line.

26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)	29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Reservoir	32. Number of Wells on this lease in this Reservoir
08	00018001	WILDCAT	Oil or Gas Well	15800	0.00	1

BOTTOMHOLE LOCATION INFORMATION is required for DIRECTIONAL, HORIZONTAL, AND AMENDED AS DRILLED PERMIT APPLICATIONS

Remarks

Certificate:

I certify that information stated in this application is true and complete, to the best of my knowledge.

Kari Nazworth — Name of filer
Jun 22, 2006 — Date submitted

(817)3578067 — Phone
knazworth@hallwoodenergy.com — E-mail Address (OPTIONAL)

RRC Use Only Data Validation Time Stamp: Jun 27, 2006 5:56 PM('As Approved' Version)

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER ON A REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

PERMIT NUMBER	DATE PERMIT ISSUED OR AMENDED	DISTRICT
621458	Jun 27, 2006	* 08
API NUMBER	FORM W-1 RECEIVED	COUNTY
42-389-32425	Jun 22, 2006	REEVES
TYPE OF OPERATION	WELLBORE PROFILE(S)	ACRES
NEW DRILL	Vertical	640

OPERATOR 347219
HALLWOOD PETROLEUM, LLC.

NOTICE
This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored.
District Office Telephone No:
(432) 684-5581

LEASE NAME	WELL NUMBER
HARRISON 56-38	3
LOCATION	TOTAL DEPTH
15.8 miles NW direction from TOYAH	18500

Section, Block and/or Survey
SECTION 38 BLOCK 56 ABSTRACT 2181
SURVEY PSL/GREENING, R W

DISTANCE TO SURVEY LINES	DISTANCE TO NEAREST LEASE LINE
2129 ft. E 2176 ft. N	2129 ft.
DISTANCE TO LEASE LINES	DISTANCE TO NEAREST WELL ON LEASE
2129 ft. E 2176 ft. N	See FIELD(s) Below

FIELD(s) and LIMITATIONS:

* SEE FIELD DISTRICT FOR REPORTING PURPOSES *

FIELD NAME / LEASE NAME	ACRES / NEAREST LEASE	DEPTH	WELL # / NEAREST WELL	DIST
WILDCAT	640.00	15,800	3	08
HARRISON 56-38	2129		0	

RESTRICTIONS: This well cannot be produced concurrently from the same reservoir as: #2.
This is a hydrogen sulfide field. This well shall be drilled in accordance with SWR 36.

THE FOLLOWING RESTRICTIONS APPLY TO ALL FIELDS

This well shall be completed and produced in compliance with applicable special field or statewide spacing and density rules. If this well is to be used for brine mining, underground storage of liquid hydrocarbons in salt formations, or underground storage of gas in salt formations, a permit for that specific purpose must be obtained from Environmental Services prior to construction, including drilling, of the well in accordance with Statewide Rules 81, 95, and 97.

11.

File No. MF 104871

Well Reports

Date Filed: 9/1/06

Jerry E. Patterson, Commissioner

By _____

3-1-08

MF 104871

HALLWOOD ENERGY, L.P.

3710 Rawlins Street, Suite 1500
Dallas, TX 75219
Telephone: (214) 528-5588
Fax: (214) 393-0229

June 14, 2006

Mr. Roddy L. Harrison, Trustee
Harrison Trust
P. O. Box 1908
Pecos, TX 79772

RE: Harrison #56-38 #2 Well
Reeves County, Texas

Block 56 PSL
Section 38
2224' FNL, 2345' FEL

Dear Mr. Harrison:

Please be advised that Hallwood Petroleum, LLC ("Hallwood"), the operator of the referenced well, has determined this well is a dry hole and therefore plan to plug and abandon the well.

Paragraph 12 of the Exhibit "A" of the oil and gas lease requires Hallwood "to tender such well to the Lessor; and if such surface owner shall elect to accept same for completion as a water well, Lessee agrees to install a cement plug in the bottom of such well, at such depth as such surface owner shall designate...". Please respond at your earliest possible convenience your intentions regarding this well, and whether or not you plan to file the necessary forms and applications with the Railroad Commission of Texas and assume liability for this well, or if Hallwood should commence to plug and abandon the well in accordance with the rules and regulations of the Railroad Commission of Texas.

Also, Hallwood plans to move the rig approximately 300 feet on the existing surface location and begin drilling the Harrison #56-38 #3 well immediately.

Please let me know if you have any questions or comments regarding this matter.

Sincerely,

Jaymie Munchinski
Land Manager

cc: Drew Reid
State of Texas, General Land Office

12.

File No. MA 104871

Letter

Date Filed: 6/14/06

Jerry E. Patterson, Commissioner

By BR

Chesapeake ENERGY

Gregg A. Coker
Field Representative

April 17, 2007

Texas General Land Office
Stephen F Austin Building
1700 N Congress Ave., Suite 840
Austin, Texas 78701

Re: Section 37, Block 56
PSL Svy., A-4577
Reeves County, Texas

M-104871

Gentlemen,

Please find the enclosed check # 784885 in the amount of **FIVE THOUSAND AND 00/100 DOLLARS ($5,000.00)** for surface damages on referenced well per Oil & Gas lease requirement.

Should you have any questions regarding this matter, I can be reached at (432) 687-2992 ext. 6051 or (432) 557-3356.

Best Regards,

Chesapeake Operating, Inc.

Gregg A. Coker
Field Representative

Chesapeake Energy Corporation
2010 Rankin Hwy • Midland, Texas 79701
432.687.2992 ext. 6051 • fax 432.687.3675 • gcoker@chkenergy.com

CHESAPEAKE OPERATING, INC

No. 784885

008019 TX GENERAL LAND OFFICE

VOUCHER NUMBER	INVOICE DATE	INVOICE NUMBER	DESCRIPTION OR GROSS AMOUNT DISCOUNT	NET AMOUNT
754309	04/11/07	041107	HARRISON ST 56 SURF DAMAGES	5,000.00
			** TOTAL FOR CHECK	5,000.00

07037828

attn George Martin

161

13.

File No. MT7049711
Letter + Surface
Damage payment
Date Filed: 4/30/07
Jerry E. Patterson, Commissioner
By

P-30-05

MF
104871

Chesapeake
Natural Gas.
Natural Advantages.

Chris K. McClaine
Associate Landman

April 13, 2007

VIA OVERNIGHT MAIL
AND FACSIMILE (512) 475-1543

Mr. Robert Hatter
Texas General Land Office
1700 N. Congress Ave.
Suite 935
Austin, Texas 78701-1495

Re: Notification of Spud
Harrison State 56-37 #1
Section 37, Block 56, PSL Survey
Reeves County, Texas

Dear Mr. Hatter:

This letter shall serve as Chesapeake Operating, Inc.'s ("Chesapeake") notice of operations prior to spud date as required in Paragraph 10 (B) of the Relinquishment Act Lease Form.

It is anticipated that the above referenced well should spud sometime in the near future. Enclosed you shall find a copy of the plat, the Application for Permit to Drill, and the Substandard Acreage Certification form, all filed with the Texas Railroad Commission by Chesapeake. Additional information will be provided later as it becomes available.

Should you have any questions, please do not hesitate to call me at (405) 767-4808.

Sincerely,

Chesapeake Operating, Inc.

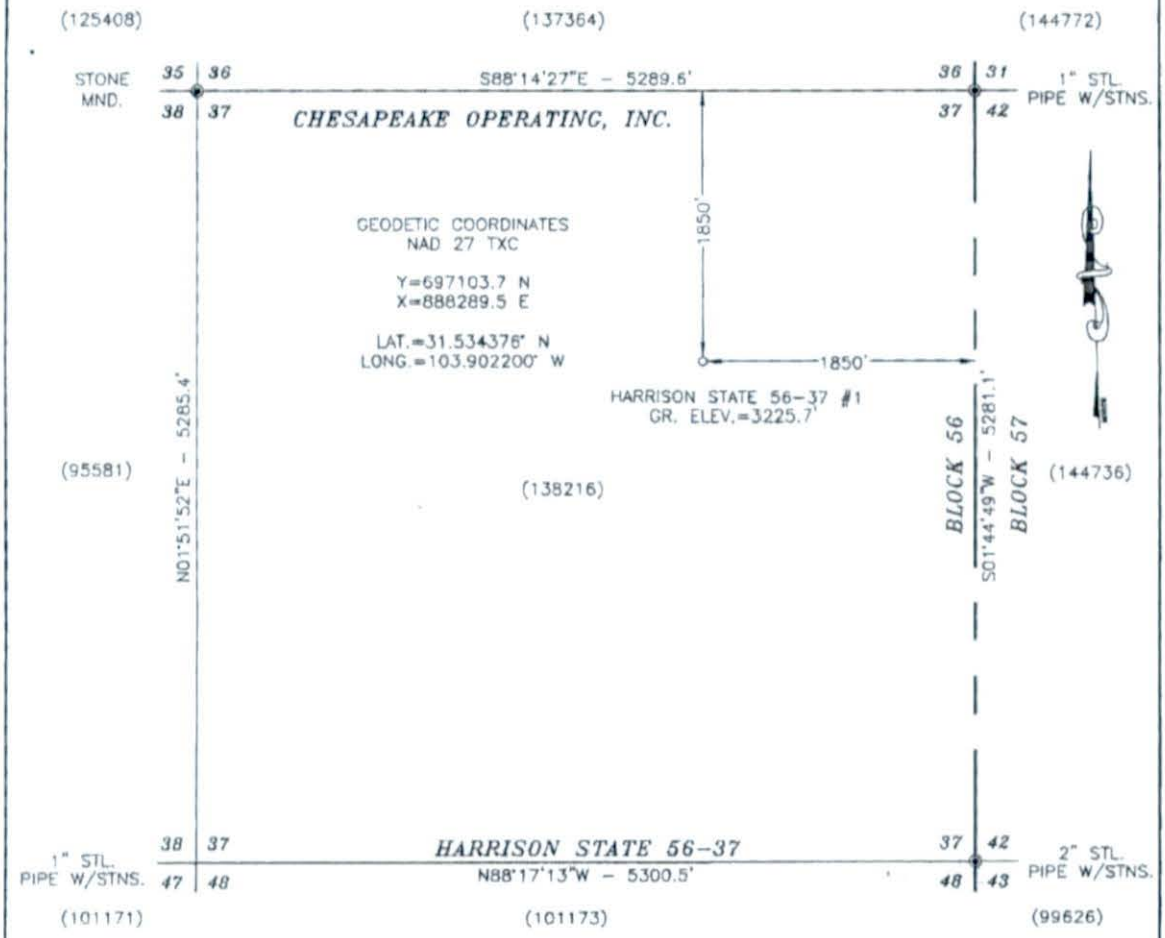
Chris McClaine

Enclosures

W:\Permian_South\McClaine\Wells\Harrison State 56-37 #1\GLO Notification.doc

Chesapeake Energy Corporation
6100 N. Western Ave. • Oklahoma City, OK 73118 • P.O. Box 18496 • Oklahoma City, OK 73154-0496
405.767.4808 • fax 405.767.4251 • cmcclaine@chkenergy.com

SECTION 37, BLOCK 56, P.S.L. SURVEY,
REEVES COUNTY TEXAS



LEGEND

- ○ DENOTES PROPOSED WELL LOCATION
- ● DENOTES FOUND MONUMENT AS NOTED
- (138216) DENOTES GENERAL LAND OFFICE FILE NUMBER

NOTES:

1. THIS LOCATION IS APPROXIMATELY 24.8 MILES NORTHWEST OF PECOS, TEXAS.
2. SEE DOCUMENTS FILED FOR RECORD IN THIS OFFICE, WHICH DESCRIBES THE RECONSTRUCTION OF THIS SECTION.
3. BEARINGS SHOWN HEREON ARE LAMBERT GRID AND CONFORM TO THE "TEXAS COORDINATE SYSTEM" TEXAS CENTRAL ZONE, NORTH AMERICAN DATUM 1983. DISTANCES ARE SURFACE VALUES.

1000 0 1000 2000 FEET
Scale: 1" = 1000'

Gary G Eidson 3/14/07

GARY G. EIDSON TX R.P.L.S. No. 4735
RONALD J. EIDSON TX R.P.L.S. No. 3883

PROVIDING SURVEYING SERVICES SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

CHESAPEAKE OPERATING, INC.

HARRISON STATE 56-37 #1
LOCATED 1850 FEET FROM THE NORTH LINE AND 1850 FEET FROM EAST LINE OF SECTION 37, BLOCK 56, P.S.L. SURVEY, REEVES COUNTY, TEXAS

Survey Date: 3/07/07		Sheet 1 of 1 Sheets	
W.O. Number: 07.11.0287		Drawn By: AR	
Date: 3/09/07	DISK:	07110287	Scale: 1" = 1000'

API No.

Application Status # 636643

SWR Exception Case/Docket No.

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

This facsimile W-1 was generated electronically from data submitted to the RRC. A certification of the automated data is available in the RRC's Austin office.

FORM W-1 07/2004

Permit Status: Pending Approval

The RRC has not approved this application. Duplication or distribution of information is at the user's own risk.

1. RRC Operator No.	2. Operator's Name (as shown on form P-5, Organization Report)	3. Operator Address (include street, city, state, zip)
147715	CHESAPEAKE OPERATING, INC.	P O BOX 18496 OKLAHOMA CITY, OK 73154

4. Lease Name	5. Well No.
HARRISON STATE 56-37	1

GENERAL INFORMATION

6. Purpose of filing (mark ALL appropriate boxes): [X] New Drill [ ] Recompletion [ ] Reclass [ ] Field Transfer [ ] Re-Enter [ ] Amended [ ] Amended as Drilled (BHL) (Also File Form W-1D)

7. Wellbore Profile (mark ALL appropriate boxes): [X] Vertical [ ] Horizontal (Also File Form W-1H) [ ] Directional (Also File Form W-1D) [ ] Sidetrack

8. Total Depth	9. Do you have the right to develop the minerals under any right-of-way ?	10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)?
19500	[X] Yes [ ] No	[ ] Yes [X] No

SURFACE LOCATION AND ACREAGE INFORMATION

11. RRC District No.	12. County	13. Surface Location
08	REEVES	[X] Land [ ] Bay/Estuary [ ] Inland Waterway [ ] Offshore

14. This well is to be located 24.8 miles in a NW direction from Pecos which is the nearest town in the county of the well site.

15. Section	16. Block	17. Survey	18. Abstract No.	19. Distance to nearest lease line	20. Number of contiguous acres in lease, pooled unit, or unitized tract:
37	56	PSL	A-	1850 ft.	640

21. Lease Perpendiculars: 1850 ft from the N line and 1850 ft from the E line.

22. Survey Perpendiculars: 1850 ft from the N line and 1850 ft from the E line.

23. Is this a pooled unit?	24. Unitization Docket No.	25. Are you applying for Substandard Acreage Field?
[ ] Yes [X] No		[X] Yes (attach Form W-1A) [ ] No

FIELD INFORMATION List all fields of anticipated completion including Wildcat. List one zone per line.

26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)	29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Reservoir	32. Number of Wells on this lease in this Reservoir
08	90890700	TOYAH, NW (SHALE)	Gas Well	11978	0.00	1

BOTTOMHOLE LOCATION INFORMATION is required for DIRECTIONAL, HORIZONTAL, AND AMENDED AS DRILLED PERMIT APPLICATIONS

Remarks

Certificate:

I certify that information stated in this application is true and complete, to the best of my knowledge.

Bill Spencer — Name of filer

Apr 05, 2007 — Date submitted

(512)9181062 — Phone

bgsaustin@sbcglobal.net — E-mail Address (OPTIONAL)

RRC Use Only Data Validation Time Stamp: Apr 5, 2007 8:57 PM(Current Version)

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division
PO Box 12967
Austin, Texas 78711-2967

www.rrc.state.tx.us

SUBSTANDARD ACREAGE CERTIFICATION

This facsimile W-1A was originally filed electronically. A certification of the automated data is available in the RRC's Austin office.

W-1A

Rev. 05/2001

1. Operator Name	2. Operator P-5 Number	3. RRC District Number
CHESAPEAKE OPERATING, INC.	147715	08
4. Lease, Pooled Unit or Unitized Tract Name	5. Lease/ ID Number *(if assigned)*	6. Purpose of Filing
HARRISON STATE 56-37	N/A	☐ Only Well
7. Total Acres in Lease, Pooled Unit or Unitized Tract	8. Well Number	☐ Surplus Acreage
640	1	☐ Other
9. County	10. API Number	Docket #_____
REEVES		

11. Field Name	Field Number	Dist.	RRC use only: Disc Date	Rules Eff. Date	Rules Amd. Date
Field 1 TOYAH, NW (SHALE)	90890700	08	04/29/2006 (G)	10/10/2006 (G)	
Field 2			Disc Date	Rules Eff. Date	Rules Amd. Date
Field 3			Disc Date	Rules Eff. Date	Rules Amd. Date

CERTIFICATION FOR AN OPERATOR SEEKING A PERMIT ON A LEASE, POOLED UNIT OR UNITIZED TRACT WHICH CONTAINS SUBSTANDARD ACREAGE AS DEFINED BY EITHER STATEWIDE RULE 38 OR BY SPECIAL FIELD RULES.

A. This lease, pooled unit or unitized tract was established as a separate tract in its present size and shape on (Field 1) 04/02/2005 and has remained as such since that date.

B. The ownership in this lease, unitized tract or the drill site tract of a pooled unit has not:

I) been the same as or common to the ownership of any adjoining tract at any time after the date set forth in paragraph A.; and,

II) been unitized or pooled with any adjoining tract and accepted as a single tract for any Commission approved development or allowable purpose.

CERTIFICATION:

I declare under penalties prescribed pursuant to the Sec. 91.143, Texas Natural Resources Code, that I am authorized to make the foregoing statements and that the information provided by me or under my direction on this Substandard Acreage Certification is true, correct, and complete to the best of my knowledge.

Bill Spencer	Apr 05, 2007	(512)9181062
Filer Name and Title	Date of Certification	Business Phone

INSTRUCTIONS -- Reference: Statewide Rules 37(g) and 38(g)

1. File this form as an attachment to the Form W-1 when the subject acreage is substandard for a permit to drill, deepen, plugback, or reenter in any or all applied for fields if the property took its present size and shape prior to the attachment of applicable Commission density regulations. If the described property took its present size and shape subsequent to the adoption of those regulations, a SWR 38 exception may be required.
2. Provide the date the lease or unitized tract was formed in paragraph A above.

File No. MT104871

Well Reports

Date Filed: 4/16/07

Jerry E. Patterson, Commissioner

By

MF 104871

Chesapeake
Natural Gas.
Natural Advantages.

Chris K. McClaine
Associate Landman

April 23, 2007

VIA OVERNIGHT MAIL
AND FACSIMILE (512) 475-1543

Mr. Robert Hatter
Texas General Land Office
1700 N. Congress Ave.
Suite 935
Austin, Texas 78701-1495

Re: Well Information, Permit to Drill
Harrison State 56-37 #1
Section 37, Block 56, PSL Survey
Reeves County, Texas

Dear Mr. Hatter:

Chesapeake Operating, Inc. ("Chesapeake") has obtained the Permit to Drill from the Texas Railroad Commission. A copy of this Permit to Drill is enclosed pursuant to Paragraph 10 (B) of the Relinquishment Act Lease Form.

This letter follows Chesapeake's Notification of Spud letter dated April 13, 2007 which was sent to you by facsimile and overnight mail on that date. Included with that letter was a copy of the plat, the Application for Permit to Drill, and the Substandard Acreage Certification form, all filed with the Texas Railroad Commission by Chesapeake for the above referenced well. Additional information will be provided later as it becomes available.

Should you have any questions, please do not hesitate to call me at (405) 767-4808.

Sincerely,

Chesapeake Operating, Inc.

Chris McClaine

Enclosure

W:\Permian_South\McClaine\Wells\Harrison State 56-37 #1\GLO Notification W Permit.doc

Chesapeake Energy Corporation
6100 N. Western Ave. • Oklahoma City, OK 73118 • P.O. Box 18496 • Oklahoma City, OK 73154-0496
405.767.4808 • fax 405.767.4251 • cmcclaine@chkenergy.com

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER ON A REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

PERMIT NUMBER	DATE PERMIT ISSUED OR AMENDED	DISTRICT
636643	Apr 13, 2007	* 08
API NUMBER	FORM W-1 RECEIVED	COUNTY
42-389-32460	Apr 05, 2007	REEVES
TYPE OF OPERATION	WELLBORE PROFILE(S)	ACRES
NEW DRILL	Vertical	640

OPERATOR 147715

CHESAPEAKE OPERATING, INC.

P O BOX 18496
OKLAHOMA CITY, OK 73154

NOTICE
This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored.
District Office Telephone No:
(432) 684-5581

LEASE NAME	WELL NUMBER
HARRISON STATE 56-37	1
LOCATION	TOTAL DEPTH
24.8 miles NW direction from PECOS	19500

Section, Block and/or Survey

SECTION 37 BLOCK 56 ABSTRACT 4577

SURVEY PSL / GREEN, V L

DISTANCE TO SURVEY LINES	DISTANCE TO NEAREST LEASE LINE
1850 ft. N 1850 ft. E	1850 ft.
DISTANCE TO LEASE LINES	DISTANCE TO NEAREST WELL ON LEASE
1850 ft. N 1850 ft. E	See FIELD(s) Below

FIELD(s) and LIMITATIONS:

* SEE FIELD DISTRICT FOR REPORTING PURPOSES *

** THIS PERMIT IS GRANTED PURSUANT TO STATEWIDE RULE **

CASE NO. <n/a>

FIELD NAME / LEASE NAME	ACRES / NEAREST LEASE	DEPTH	WELL # / NEAREST WELL	DIST
** TOYAH, NW (SHALE)	640.00	11,978	1	08
HARRISON STATE 56-37	1850		0	

'**' PRECEDING FIELD NAME INDICATES RULE (R)

THE FOLLOWING RESTRICTIONS APPLY TO ALL FIELDS

This well shall be completed and produced in compliance with applicable special field or statewide spacing and density rules. If this well is to be used for brine mining, underground storage of liquid hydrocarbons in salt formations, or underground storage of gas in salt formations, a permit for that specific purpose must be obtained from Environmental Services prior to construction, including drilling, of the well in accordance with Statewide Rules 81, 95, and 97.

14.

File No. MF104871

Date Filed: 4/24/07

Jerry E. Patterson, Commissioner

By

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 6/22/2006 9:12:32 AM
Subject: HPL Harrison 56-38 3 Morning Report 06.22.06

Hallwood Petroleum, LLC

mF 104871

Morning Report

Block 56
Section 38

Well Name: Harrison 56-38 3
AFE No:

County: Reeves State: Texas
AFE DHC: $

Operator: Hallwood Petroleum, LLC
AFE CWC: $

Objective: Drill and complete a Barnett Shale Well to a TD of 18,500'.

06.22.06

(Rigging Down) Prepare for Trucks. Rig Idle. Reserve 90% complete. Crew will install liner, Morning of 6-23-06

Daily Well Cost: $22,000 Cum Well Cost: $44,000

06.21.06

(Rigging Down), Cleared Drill Floor. Rig Idle. Cellar, Mouse hole, Rat hole and 30" Conductor 100% complete. Reserve 70% Complete.

Daily Well Cost: $22,000 Cum Well Cost: $22,000

06.20.06

(Rigging Down) Moved Camp (Crew quarters, and Co. Trailer to South West End of location), Slip Drilling Line on Drum. Rigging Down) Rigging down Electric, and Hydraulic lines.

Daily Well Cost: $22,000 Cum Well Cost: $22,000

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 6/26/2006 8:48:45 AM
Subject: HPL Harrison 56-38 3 Morning Report 06.26.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 3
AFE No:

County: Reeves State: Texas
AFE DHC: $

Operator: Hallwood Petroleum, LLC
AFE CWC: $

Objective: Drill and complete a Barnett Shale Well to a TD of 18,500'.

06.26.06

(MIRU) Connect Electric Lines, Dress Board, Raise Derrick, and Draw works. Rig Idle

Daily Well Cost: $22,750 Cum Well Cost: $132,750

06.25.06

(MIRU) Set Sub on Harrison 56-38 #3, Shoot Grade set Draw works, and Derrick, String up Blocks. Rig Idle.

Daily Well Cost: $22,500 Cum Well Cost: $110,500

06.24.06

(RDMO) Rig down Derrick, Lower Draw works, String down Blocks, Rig down Sub, Cat-3 Inspection on Derrick, and Sub. Rig Idle.

Daily Well Cost: $22,500 Cum Well Cost: $88,250

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 6/27/2006 7:17:40 AM
Subject: HPL Harrison 56-38 3 Morning Report 06.27.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 3
AFE No:

County: Reeves State: Texas
AFE DHC: $

Operator: Hallwood Petroleum, LLC AFE CWC: $

Objective: Drill and complete a Barnett Shale Well to a TD of 18,500'.

06.27.06

(MIRU) Set Floor Plates, Dog House, Water Tanks, Accumulator, Continued to Plumb in, and run Electric lines, Rigging up Drill Floor. Rig Idle.
Axis, will send Crew to Rig up Top Drive Wednesday Morn. Contact name Kevin at 713-823-3384.

Daily Well Cost: $22,500 Cum Well Cost: $155,000

Thank you,

Kari Nazworth

Regulatory Production Analyst

Hallwood Petroleum, LLC

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Phone: (214)523-1269

Fax: (214)393-0226

E-Mail: KNazworth@hallwoodenergy.com

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 6/28/2006 7:57:04 AM
Subject: HPL Harrison 56-38 3 Moring Report 06.28.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 3
AFE No:

County: Reeves State: Texas
AFE DHC: $

Operator: Hallwood Petroleum, LLC
AFE CWC: $

Objective: Drill and complete a Barnett Shale Well to a TD of 18,500'.

06.28.06

Finish rig up on rig floor. Set house for top drive, Clean out sea can. Rig up top drive torque track, Inspect connections on top drive & swivel connections, inspect drill collars.

Daily Well Cost: $22,500 Cum Well Cost: $177,250

Thank you,

Kari Nazworth

Regulatory Production Analyst

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E-Mail: KNazworth@hallwoodenergy.com

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 6/29/2006 7:03:47 AM
Subject: HPL HARRISON 56-38 3 Morning Report 06.29.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 3
AFE No:

County: Reeves State: Texas
AFE DHC: $

Operator: Hallwood Petroleum, LLC
AFE CWC: $

Objective: Drill and complete a Barnett Shale Well to a TD of 18,500'.

06.29.06

Pick up Top drive, Run electric lines for top drive. Set & Weld 30" conductor pipe. Wait on top drive electrician, Fill mud tanks with water, strap & caliper BHA.

Daily Well Cost: $41,745 Cum Well Cost: $218,995

Thank you,

Kari Nazworth

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E-Mail: KNazworth@hallwoodenergy.com

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 6/30/2006 8:15:24 AM
Subject: HPL Harrison 56-38 3 Morning Report 06.30.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 3
AFE No:

County: Reeves State: Texas
AFE DHC: $

Operator: Hallwood Petroleum, LLC
AFE CWC: $

Objective: Drill and complete a Barnett Shale Well to a TD of 18,500'.

06.30.06

Wait on Tesco topdrive Electrician, Finish welding on conductor & flowline, do rig inspection. Finish rig up on top drive, having to hard wire some of the electrical connect due to getting damaged on rig move.

Daily Well Cost: $40,446 Cum Well Cost: $259,442

Thank you,

Kari Nazworth

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07.02.06

Work on top drive, Trouble shooting both 37 pin wires bad. Remove both 37 pin robotics cables wait on new cables.

Daily Well Cost: $22,250 Cum Well Cost: $306,132

07.01.06

Finish Hard wiring electrical lines to topdrive, Run electrical lines to SCR House. Hook up Driller's panel, Trouble shoot on topdrive.

Daily Well Cost: $24,440 Cum Well Cost: $283,882

Thank you,

Kari Nazworth

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Fax: (214)393-0226

E-Mail: KNazworth@hallwoodenergy.com

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 7/5/2006 8:51:22 AM
Subject: HPL Harrison 56-38 3 Morning Report 07.05.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 3
AFE No:

County: Reeves State: Texas
AFE DHC: $

Operator: Hallwood Petroleum, LLC
AFE CWC: $

Objective: Drill and complete a Barnett Shale Well to a TD of 18,500'.

07.05.06

Replace resolver, ccb on b-motor, trouble shooting, b-motor bad remove & wait on new motor. Wait on b-motor coming from Tesco in Houston.

Daily Well Cost: $22,250 Cum Well Cost: $372,882

07.04.06

Hook up resolver on b-motor, Trouble shoot top drive found out that ccb is bad. Wait on top drive parts, New ccb & resolver for b-motor.

Daily Well Cost: $22,250 Cum Well Cost: $350,632

07.03.06

Run & Hard wired robotics cable & senor t cables trouble shoot top drive. Waiting on top drive parts. Waiting on resolver to operate b-motor. Note: (Topdrive is working but only on one motor can not get all the torque out of top drive).

Daily Well Cost: $22,250 Cum Well Cost: $328,382

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 7/6/2006 7:18:49 AM
Subject: HPL Harrison 56-38 3 Morning Report 07.06.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 3
AFE No:

County: Reeves State: Texas
AFE DHC: $

Operator: Hallwood Petroleum, LLC
AFE CWC: $

Objective: Drill and complete a Barnett Shale Well to a TD of 18,500'.

07.06.06

Wait on motor for top drive. Install new motor on top drive, hook up electrical lines to motor & run out top drive. Torque connection on top drive, Install hose tarp, hook up Kelley hose, install bells & elevators. Finish getting floor ready to spud, C/O tongs to fit 9" drill collars.

Daily Well Cost: $26,028 cum Well Cost: $398,910

Thank you,

Kari Nazworth

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E-Mail: KNazworth@hallwoodenergy.com

From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 7/7/2006 7:33:33 AM
Subject: HPL Harrison 56-38 3 Morning Report 7.07.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 3
AFE No:113103

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC AFE
CWC: $3,291,000

Objective: Drill and complete a Barnett Shale Well to a TD of 18,500'.

07.07.06 SPUD

Well Work: Day 1 TD= 408'

Start picking up BHA. (Work on Big set of tongs to loosen them up due to lack of use). Repair hydraulic leak on top drive. Repair mud pumps, trash under valves, Cap gaskets leaking. (Both mud pumps). Rig service. Drilling from 45' to 325'. Wire line survey @ 293'. 1 deg. Drilling from 325' to 408'. (TD surface hole for 20" csg). Note: Spud well at 3:30 PM. July 6, 2006.

Melissa Clark

Regulatory Production Analyst

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plate, Weld rings on 20" conductor, Weld to flange on hydril, Hook up hydraulic lines on hydril. Note: (Cement between 30" conductor & 20" casing had to split 30" conductor & chip cement).

Daily Costs - $39,468 Cumulative Costs - $587,336

07.08.06

Well Work: Day 2 TD= 408'

Pump high vis. Sweep and circulate out. POH. Lay down reamer, Shock sub, and bit. Change out bells. Rig up lay down machine, Rig up electric stabbing board, Finish rig up on casing crew. Run 20" csg. BT&C, K-55, 94 PPF. Rig down casing crew, Lay down machine, Rig up BJ services. Circulate and condition mud. Test lines to 2,000 psi. Pump 30 bbls water spacer, Mixed and pumped 228 bbls 13.7 ppg cement, dropped plug and displaced with 130 bbls fresh water, Circulated 42 bbls cement to reserve pit, bumped plug @ 18:15 with 587 psi, Floats did not hold. Closed casing head valve with 175 psi. Rig down BJ services. Rig down flowline, Turn buckles, Get 30" conductor ready to cut off. Make cut on 30" casing & rough cut on 20" casing. Had to split 30" casing due to having cement between conductor & 20" casing. Welder ran out of oxygen. Change out bells, lower choke manifold and install choke line (Wait on welder). Note: (Welder broke down on way back from getting oxygen waiting on another welder).

Daily Costs - $121,580 Cumulative Costs - $547,867

Melissa Clark

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From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 7/10/2006 7:34:33 AM
Subject: HPL Harrison 56-38 3 Morning Report 7.10.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 3
AFE No: 113103

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC AFE
CWC: $3,291,000

Objective: Drill and complete a Barnett Shale Well to a TD of 18,500'.

07.10.06

Well Work: Day 4 TD= 408'

Reinforce base plate on 20" conductor. Rig service. Pull flow line off & beat, Chip cement out. Pull out all flow line valves & chip cement out of flowline mud cross & install valves, Flowline & weld on 6" on flowline, Hook up dresser sleeve. Trouble shoot top drive, Hydraulics would not work. TIH with 9" Drill Collars. Change out Tongs. Make up bit #2, Pick up new BHA & TIH. Pick up Kelley joint & 1-8" drill collar & tagged @ 358'. Fill pipe & circulate. Attempt to close Hydril. Hydril will not close, Trouble shoot accumulator. Lay down Kelley joint & POH. Nipple Down Hydrill BOP.

Daily Costs - $39,370 Cumulative Costs - $626,706

07.09.06

Well Work: Day 3 TD= 408'

Rig service & repaired hydraulic leak on top drive. Changed out hydraulic cylinder on extend. Waiting on welder. Welder went to get more oxygen and his truck broke down. Finish cutting off 30" conductor, Chip cement off 20" casing make final cut on casing, weld on head. Nipple up 20" hydril on well head. Fab new 20" conductor, Fab 24" rings wait on

From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 7/11/2006 7:22:55 AM
Subject: HPL Harrison 56-38 3 Morning Report 7.11.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 3
AFE No: 113103

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC AFE
CWC: $3,291,000

Objective: Drill and complete a Barnett Shale Well to a TD of 18,500'.

07.11.06

Well Work: Day 5 TD= 408'

Finish nipple down on conductor, Flowline & fill up line. Rig Service. Cut off 18" of 20" conductor and grind smooth. Nipple up 20" conductor, Flowline & fill up line. TIH tagged up @ 358'. Fill pipe & circulate & condition. Attempt to test casing, Bleed hydraulic lines, Turn up Hydril pressure on accumulator to 1,250 psi. (Test good to 300psi). Drlg cement & float equipment. Fix broken bolts on top drive due to vibration. Drlg F/408' to 495'. Take Teledrift survey @ 495' 2 deg. (Take survey 2 times). Drlg F/495' to 937'.

Daily Costs - $28,331 Cumulative Costs - $655,037

Melissa Clark

Regulatory Production Analyst

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From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 7/12/2006 7:45:52 AM
Subject: HPL Harrison 56-38 3 Morning Report 7.12.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 3
AFE No: 113103

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC AFE
CWC: $3,291,000

Objective: Drill and complete a Barnett Shale Well to a TD of 18,500'.

07.12.06

Well Work: Day 6 TD= 1,695'

Drlg F/937' to 1,015'. Tele drift survey @ 1,000' 1 deg. (Had to take survey 2 times). Rig service. Drlg F/1,015' to1,494'. Repair Leak on Kelly Hose. Drlg F/1,494' to 1,695'.

Daily Costs - $27,815 Cumulative Costs - $682,852

Melissa Clark

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Phone: (214)393.0236

Fax: (214)393.0229

From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 7/13/2006 7:49:20 AM
Subject: HPL Harrison 56-38 3 Morning Report 7.13.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 3
AFE No: 113103

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC AFE
CWC: $3,291,000

Objective: Drill and complete a Barnett Shale Well to a TD of 18,500'.

07.13.06

Well Work: Day 7 TD= 2,265'

Drlg F/1,695' to 1,786'. Change out grabber dies. Drlg F/1,786' to 1,880'. Rig service, Service top drive, & Teledrift survey @ 1,865' .5 deg. Drlg F/1,880' to 2,265'.

Daily Costs - $29,151 Cumulative Costs - $712,003

Melissa Clark

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From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 7/17/2006 8:43:15 AM
Subject: HPL Harrison 56-38 3 Morning Report 07.17.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 3
AFE No: 113103

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC
AFE CWC: $3,291,000

Objective: Drill and complete a Barnett Shale Well to a TD of 18,500'.

07.17.06

Well Work: Day 11 TD= 3,500'

Tighten up torque tube bolts. Rig service. Drilling F/3,285' to 3,500'.

Daily Costs - $47,322 Cumulative Costs - $876,200

07.16.06

Well Work: Day 10 TD= 3,285'

Finish TIH. Tagged up @ 2,696'. Wash & Ream F/2,696' to 2,954'. Drlg F/2,954' to 2,979'. Circulate & weld nipple in flowline to hook up jet line. Drlg F/2,979' to 3,017'. Rig service. Drlg F/3,017' to 3,285'.

Daily Costs - $31,399 Cumulative Costs - $828,878

07.15.06

Well Work: Day 9 TD= 2,954'

Drlg F/2,705' to 2,726'. Tele drift survey @ 2,708' 1.5 deg. Had to take

survey 2 times. Drlg F/2,726' to 2,891'. Rig service. Drlg F/2,891' to 2,954'. Build & pump sweep. POOH. C/O break out line on tongs. POOH. Back ream F/2,570' to 2,025'. Finish POOH. C/O bit & TIH.

Daily Costs - $39,389 Cumulative Costs - $797,478

Thank you,

Kari Nazworth

Regulatory Production Analyst

Hallwood Petroleum, LLC

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Phone: (214)523-1269

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E-Mail: KNazworth@hallwoodenergy.com

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 7/18/2006 8:05:41 AM
Subject: HPL Harrison 56-38 3 Morning Report 07.18.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 3
AFE No: 113103

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC
AFE CWC: $3,291,000

WI: 100%

Objective: Drill and complete a Barnett Shale Well to a TD of 18,500'.

07.18.06

Well Work: Day 12 TD= 3,525'

Drlg F/3,500' to 3,525'. Pump high vis. Sweep to run 13-3/8" casing. POOH. (Tight @ 2,149'). Screw into pipe with top drive wash & ream till it was free. Finish POOH, Lay down reamers, teledrift, shock sub, & bit, Clean off rig floor with all 17-1/2" tools. Change out bails on top drive. Rig up casers, & lay down machine. Held safety meeting, Made up float shoe , Shoe joint, Float collar & circulated, Run 13-3/8" HCK 68PPF, BT&C casing.

Note :(Hit bridge @ 1,460'. Make up circulating swedge, & hook up iron to circulate).

Daily Costs - $71,956 Cumulative Costs - $948,157

Thank you,

Kari Nazworth

Regulatory Production Analyst

From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 7/19/2006 12:08:19 PM
Subject: HPL Harrison 56-38 3 Morning Report 7.19.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 3
AFE No: 113103

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC AFE
CWC: $3,291,000

WI: 100%

Objective: Drill and complete a Barnett Shale Well to a TD of 18,500'.

07.19.06 SC Cement

Well Work: Day 13 TD= 3,525'

Install circulating swedge, wash down casing F/1,460 to 1,546. Run 13-3/8" csg. Hit bridge @ 1,958'. Install circulating swedge, wash down casing F/1,958' to 1,998'. Run 13-3/8" csg. Hit bridge @ 1,958'. Work on casing tongs. Run 13-3/8" csg. Hit bridge @ 3,447'. Install circulating swedge wash down casing F/3,447' to 3,474'. (could not wash casing below 3,474'). Circulate & condition. Rig down casing crew & L/D machine, Rig up BJ Services. Test lines to 4,000 psi. Cement first stage. Pumped 30 bbl fresh water spacer. Mixed & pumped 750 Sacks 299bbls 12 PPG Lead cement, Mixed & Pumped 685 Sacks 203 bbls 13.7 PPG Tail, Dropped plug displaced with 515 BBLS mud, bumped plug 2,023 psi, Floats held, Dropped Bomb to open DV-Tool with 775 psi. Circulate with rig pump. Swap lines back to BJ services Pumped 20 bbl fresh water spacer, Mixed & pumped 535 Sacks 220 BBLS lead cement, Mixed & pumped 415 Sacks 124 BBLS tail cement, Dropped plug displaced with 290 BBLs fresh water, Bumped plug W/ 1,963 Psi. Float held. Did not circulate cement. Bumped plug @ 05:50.

Note: (wait 8 hrs. to run temperature log).

Daily Costs - $249,620 Cumulative Costs - $1,197,777

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 7/20/2006 8:05:10 AM
Subject: HPL Harrison 56-38 3 Morning Report 07.20.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 3
AFE No: 113103

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC
AFE CWC: $3,291,000

WI: 100%

Objective: Drill and complete a Barnett Shale Well to a TD of 18,500'.

07.20.06

Well Work: Day 14 TD= 3,525'

Wait on cement & wire line truck to run temperature log. Rig up Weatherford wireline truck & run temperature log. Top of cement @ 650'. RD wireline truck. Nipple down 20" Hydril, conductor pipe and flowline. Rough cut 13-3/8" casing, Make final cut. Center casing. Rig up BJ Services. Make up and TIH with 120' of 1" pipe. Mixed & Pumped 254 Sacks class C +2% CACL2. Circulated 8 BBLS to reserve pit. Weld on 13-3/8" 3K head. Let cool & test casing head to 800 psi. (Tested ok) Nipple up 13-5/8" 10,000# BOP'S. Note:(Top of casing head 36" below ground level).

Daily Costs - $141,459 Cumulative Costs - $1,339,236

Thank you,

Kari Nazworth

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 7/21/2006 7:37:29 AM
Subject: HPL Harrison 56-38 3 Morning Report 07.21.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 3
AFE No: 113103

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC
AFE CWC: $3,291,000

WI: 100%

Objective: Drill and complete a Barnett Shale Well to a TD of 18,500'.

07.21.06

Well Work: Day 15 TD= 3,525'

Rig service. Nipple up BOPE. Change out spool between rotating head & hydrill, Hook up hydraulic lines on BOPE. Make up test plug on joint of drill pipe, test plug would not go through new spool. Nipple down spacer spool, test surface equipment 250 psi low & 3,000 psi high. Make up test plug on joint of drill pipe, tight going through BOPE tore o-rings; pull out change o-rings. Test blinds rams, choke manifold, inside & outside kill line valves, Hcr valves 250 psi low & 3,000 psi high. Test pipe rams & Hydrill 250 psi low & 3,000 psi high. Rig down testers. Nipple up spacer spool between Hydrill and rotating head, install flowline valve. Had welder add onto flowline to install flange for flowline valve, Change out bells install elevators, change out saver sub on top drive, strap & caliper shock sub, teledrift.

Daily Costs - $42,134 Cumulative Costs - $1,381,370

Thank you,

Kari Nazworth

7.24.06

Well Work: Day 18 TD= 3,525'

No Operation detail for this report.

Daily Well Cost: $24,565 Cum Well Cost: $1,455,065

7.23.06

Well Work: Day 17 TD= 3,525'

No Operation detail for this report.

Daily Well Cost: $24,565 70,101 Cum Well Cost: $1,430,500

7.22.06

Well Work: Day 16 TD= 3,525'

No Operation detail for this report.

Daily Well Cost: $24,565 Cum Well Cost: $1,405,935

Thank you,

Kari Nazworth

Regulatory Production Analyst

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E-Mail: KNazworth@hallwoodenergy.com

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 7/27/2006 10:00:12 AM
Subject: Harrison 56-38 3 Morning Report 07.22.06-07.26.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 3
AFE No: 630983

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Chesapeake Operating, Inc
AFE CWC: $3,291,000

Objective: Drill and complete a Barnett Shale Well to a TD of 18,500'.

7.26.06

Well Work: Day 20 TD= 5,277'

Drill from 5,071' to 5,115' 44'@ 7.3 FPH 100% RT.(6 hours Elapsed), Jet sand trap pit (0.5 hours Elapsed), Rig Service (0.5 hours Elapsed), Drill from 5,115' to 5,277' 162' @ 10.8 FPH 100% RT (15 hours Elapsed), Lost pump press, P/up & lost 67K String Wt. Tagged fish, attempt to screw in failed, Pipe going beside (2 hours Elapsed).

Daily Well Cost: $31,037 Cum Well Cost: $1,510,667

7.25.06

Well Work: Day 19 TD= 5,071'

No Operation detail for this report.

Daily Well Cost: $24,565 Cum Well Cost: $1,479,630

Drill f/ 5,374' to 5,417' 43' @ 10.7 FPH 100% RT, Rig Service, Drill f/ 5,417' to 5,574' 157' @ 8.1 FPH 100% RT

Daily Well Cost: $36,632 Cum Well Cost: $1,628,839

7.28.06

Well Work: Day 22 TD= 5,374'

TIH w/ Bit #5, Rig Service, TIH w/ Bit #5, Break Circ, L/down one jt with stuck Drill Pipe Screen, TIH w/ Bit #5, Work Thur Tight Spot @ 3570', Wash 58' to Btm, Drill f/ 5,277' to 5,319' 42' @ 7 FPH 100% RT No Gain, No Flare on Btms Up on Trip, Tighten Clamp on Top Drive, Drill f/ 5,319' to 5,374' 55' @ 8.4 FPH 100% RT

Daily Well Cost: $38,133 Cum Well Cost: $1,592,477

7.27.06

Well Work: Day 21 TD= 5,277'

TOOH w/ DP Pipe parted @ 4,570', Rig Service, wait on fishing tools, P/up overshot, bumper sub, 3-6 ½ DC. Jars, TIH w/ overshot, Wash over fish, gained 70K string wt. fish not stuck, Circ 30min. TOOH w/fish, breakout fish f/overshot, L/out fishing tools, work on top drive w/ Tesco Electrician, TOOH w/ BHA layout shock sub & bit, pickup bit #5 & Motor, new BHA.

Daily Well Cost: $43,677 Cum Well Cost: $1,554,344

Sherry Davis

Receptionist

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Attempt to Catch Fish, Unsuccessful TOF @ 5,674', TOOH w/ 11 ¾" Overshoot w/ 7 7/8" Basket Grapple

Daily Well Cost: $51,583 Cum Well Cost: $1,858,007

8.02.06

Well Work: Day 27 TD= 6,165'

DRLG F/ 5,995' - TO 6,054' 59' @ 9.8 FPH 100% RT, Rig Service & Survey @ 6,013 .5 Degree, Drill f/ 6,054' to 6,165' 111' @ 9.25' FPH 100% RT Pipe Twisted Off, TOOH f/ Fishing Tools (Top of Fish @ 5,674') Top 8" DC Box twist off

Daily Well Cost: $36,158 Cum Well Cost: $1,806,424

8.01.06

Well Work: Day 26 TD= 5,995'

TOOH w/ Bit #5, L/down TLDR, Motor, Bit, Function Test BOP, P/up Bit #6 & .16 Motor, Shock Sub TIH w/ Bit #6, change out Grabber Dies, TIH w/ Bit #6, Fill every 30 Stds, Ream 100' to Bottom, Hole under Gage, Drill f/ 5,914' to 5,995' 81' @ 9.5 FPH 100% RT

Daily Well Cost: $53,479 Cum Well Cost: $1,770,266

7.31.06

Well Work: Day 25 TD= 5,914'

Drill f/ 5,750 to 5,790 40' @ 8.0 FPH 100% RT, W.L.S. 5,739' No Picture, Drill f/ 5,790' to 5,821' 31' @ 8.8 FPH 100% RT, W.L.S. @ 5,756' .75 Degree, Drill f/ 5,821' to 5,914' 94' @ 6.7 FPH 100% RT

Daily Well Cost: $36,586 Cum Well Cost: $1,700,300

7.30.06

Well Work: Day 24 TD= 5,750'

Drill f/ 5,574' to 5,601' 27' @ 5.4 FPH 100% RT, Rig Service, Drill f/ 5,601' to 5,750 149' @ 8.1 FPH 100% RT

Daily Well Cost: $34,875 Cum Well Cost: $1,663,714

7.29.06

Well Work: Day 23 TD= 5,574'

From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 8/4/2006 1:46:39 PM
Subject: Harrison 56-38 3 Morning Report

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 3 AFE No: 630983

County: Reeves State: Texas AFE DHC: $3,704,000

Operator: Chesapeake Operating, Inc AFE CWC: $3,291,000

HPL WI: 40%

Objective: Drill and complete a Barnett Shale Well to a TD of 18,500'.

8.04.06

Well Work: Day 29 TD= 6,165'

Finish TOOH / and L/D fishing tools, change out grapples to 7 ¾", TIH w/ overshot w/ 7 ¾" basket grapple, work overshot over fish and catch same, TOOH w/ fish slowly, break overshot & L/out DC, L/down fishing tools, stand back 8" BHA in derrick, motor & bit good, TIH w/ bit #6 (inspecting BHA) changed out 1-8" DC & 1- 6 ½" DC, 2-XO, TIH w/ bit #6 (fill @ BHA)

Daily Well Cost: $46,735 Cum Well Cost: $1,904,742

8.03.06

Well Work: Day 28 TD= 6,165'

TOOH f/ Fishing Tools, P/up Fishing Assy. (Overshoot, Bumper Sub, Tools), TIH w/ Fishing Assy. Slow, Tag fish, workover fish unable to catch fish, l/d 3 jts 5; DP, TOOH to change out fishing tools f/ 9 5/8" to 11 ¼" Overshoots, Make up new fishing tools and TIH slow w/ 11 ¾" Overshoot w/ 7 7/8" Basket Grapple,

15.

File No. MF 04871

Well Reports

Date Filed: 9/17/07

Jerry E. Patterson, Commissioner

By

From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 2/16/2006 10:05:09 AM
Subject: HPL Harrison 56-38 2 Morning Report 2.16.06

Hallwood Petroleum, LLC

Morning Report

MF
104871

Well Name: Harrison 56-38 2H
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

2.16.06 SPUD

Well Work: Day 1 TD= 60'

Continue RU GreyWolf Rig 80. Lay out and strap BHA. PU and MU BHA. Spud at 5:30 AM. Drilling with Surveys. Drilling from 40' to 60'.

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From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 2/17/2006 9:28:22 AM
Subject: HPL Harrison 56-38 2 Morning Report 2.17.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2H
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

2.17.06

Well Work: Day 2 TD= 583'

Drilling from 60' to 202'. Rig Service. Drilling from 202' to 384'.
Wireline Survey at 340'. Drilling from 384' to 421'. Rig Repairs.
Replace Swivel Packing. Drilling from 421' to 583'.

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2.21.06

Well Work: Day 6 TD= 1350'

Drilling from 1,130' to 1,142' (Drill with 350 GPM and 10K WOB/replacing pop-off valves on both pumps). Wireline Survey at 1,095' - 3.0 degrees. Drilling from 1,142' to 1,234'. Wireline Survey at 1,190' - 2.75 degrees. Drilling from 1,234' to 1,350'.

2.20.06

Well Work: Day 5 TD= 1130'

POH from 1,020'. Break and LD 5 Joints DP and Shock Sub. PU and MU 8" Motor. Rig Repairs. Make Repairs to Meter in SCR Room. TIH to 870'. Wash and Ream in Hole from 870' to 1,020'. Drilling from 1,020' to 1,070'. Wireline Survey at 1,032'. Drilling from 1,070' to 1,130'.

2.19.06

Well Work: Day 4 TD= 1020'

Drilling from 915' to 920'. Jet Pits. Rig Repairs. (Oiler Pump Chain). Drilling from 920' to 946'. Rig Repairs. Replace Oiler Pump. Drilling from 946' to 977'. Wireline Survey at 926' - 3.75 degrees. Drilling from 977' to 1,020'.Note: Drilling with reduced WOB (15-20K) to control deviation.

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From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 2/24/2006 8:32:03 AM
Subject: HPL Harrison 56-38 2 Morning Report 2.24.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2H
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

2.24.06

Well Work: Day 9 TD= 1,475'

Continue NU BOPE and Flowline. Test Pipe Rams, Blind Rams and Annular to 300/2500 PSI. Test Choke Manifold to 300/2,500 PSI. PU and MU Bit, Shock Sub and Motor.

2.23.06

Well Work: Day 8 TD= 1,475'

Continue Cementing 13-3/8" Casing. Plug down at 7:00 am. Circulated 207 sacks cement to the pit. RD BJ Services. WOC. Cut off 20" Conductor and 13-3/8" Casing. Weld on 13-5/8" x 3K Well Head and Base Plate. NU BOPE.

2.22.06 SC Cement

Well Work: Day 7 TD= 1,475'

Drilling from 1,350' to 1,385'. Service Rig. Drilling from 1,385' to 1,475'. Pump Sweep. Circulate bottoms up. POH from 1,475'. Break and LD IBS, Motor and Bit. RU LD Machine and Casing Crew. RIH with 13-3/8" Casing. Total Casing. 1,480.1. Float Collar at 1,435'. Circulate with Rig Pump. RD Casing Crew and LD Machine. RU BJ Services. Cement 13-3/8" Casing.

From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 2/27/2006 8:32:01 AM
Subject: HPL Harrison 56-38 2 Morning Report 2.27.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

2.27.06

Well Work: Day 11 TD= 2,900'

Rig Service. Drilling from 230' to 2,360'. Replace Swab in Pump #1. Drilling from 2,360' to 2,900'.

2.26.06

Well Work: Day 10 TD= 2,330'

Drilling from 1,665' to 1,892'. Rig Service. Drilling from 1,892' to 2,023'. Teledrift survey at 2,023'. 3.0 degrees. (Ran WLS with Totco/ 3.0 degrees. Drilling from 2,023' to 2,143'. Reduce WOB to 25K and increased surface RPM to 60. WLS and Teledrift at 2,143'. 1.5 degrees. Drilling from 2,143' to 2,330'.

2.25.06

Well Work: Day 10 TD= 1,475'

PU and MU 12-1/4" BHA. TIH tag cement at 1,420'. Rig Repairs. Clean Cement out of Flowline. Drilling cement and float equipment from 140' to 1,475'. Drilling from 1,475' to 1,641'. Connection at 1,641'. Survey with Teledrift and WL. 1,641' - 1 degree. Drilling from 1,641' to

From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 2/28/2006 7:39:30 AM
Subject: HPL Harrison 56-38 2 Morning Report 2.28.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

2.28.06

Well Work: Day 12 TD= 3,525'

Service Rig. Drilling from 2,900' to 3,525'.

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From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 3/1/2006 8:13:13 AM
Subject: HPL Harrison 56-38 2 Morning Report 3.01.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

3.01.06

Well Work: Day 13 TD= 4,090'

Rig Service. Drilling from 3,525' to 3,590'. Rig Repairs. Change Swab and Liner on Pump #1. (Pump sweep/Circulate with pump #2). Drilling from 3,590' to 3,780'. Rig Repairs. Change out charge pump and valves on pump #1. Drilling from 3,780' to 4,090'.

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From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 3/2/2006 7:55:17 AM
Subject: HPL Harrison 56-38 2 Morning Report 3.02.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

3.02.06

Well Work: Day 14 TD= 4,543'

Teledrift Survey at 4,039'. Drilling from 4,090' to 4,185'. Rig Repairs. Change Valve Spring on Pump #2. Drilling from 4,185' to 4,246'. Rig Service. Drilling from 4,246' to 4,496'. Rig Repairs. Change Valves on Pump #1. Drilling from 4,498' to 4,543'.

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From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 3/3/2006 8:13:40 AM
Subject: HPL Harrison 56-38 2 Morning Report 3.03.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

3.03.06

Well Work: Day 15 TD= 4,655'

Drill from 4543' to 4590'. Flow increased while drilling at 4,561'. Flowing a 4" to 6" Stream of Sulphur Water. MW increased to 8.7 PPG. Drill from 4,590' to 4,604'. Lost Total Returns at 4,604'. Mix and Pump LCM and Gel Pills with no success. Mix and Pump Poly Seal and LCM Pills. Slight gain in pump pressure, no returns. Dry Drill from 4,604' to 4,655'. No returns. 850 PSI on Standpipe with 500 GPM. POH from 4,655' to change BHA.

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From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 3/9/2006 8:58:41 AM
Subject: HPL Harrison 56-38 2 Morning Report 3.09.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

3.09.06

Well Work: Day 21 TD= 4,775'

Wash and Ream from 4,505' to 4,655'. Intermittent returns while washing and reaming. Drilling from 4,655' to 4,775'. 900 SCFM, 176 GPM. 235 PSI on Pump. Partial to full returns while drilling. If air is decreased to 750 SCFM circulation is lost.

3.08.06

Well Work: Day 20 TD= 4,655'

Finish RU H2S Safety Equipment and PPE. POH from 2,715'. Break and LD Bit and Shock Sub. Bit and Shock Sub were packed off with Delaware Sand/Silt. (Maximum H2S while POH - 127 PPM). MU Bit and Shock Sub. TIH to 1,490'. Wash and Ream from 1,490' to 2,454'. Full returns while reaming with 300 GPM and no Air. TIH from 2,454' to 4,466'. Wash and Ream in hole from 4,466' to 4,505'. Full returns while reaming with 300 GPM and no Air.

Melissa Clark

Administrative Assistant - Operations Department

From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 3/10/2006 8:14:52 AM
Subject: HPL Harrison 56-38 2 Morning Report 3.10.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

3.10.06

Well Work: Day 22 TD= 5,045'

Drilling from 4,775' to 4,825'. 150 GPM.1200 SCFM Air. Full Returns. Rig Service. Drilling from 4,825' to 4,982'. 300 GPM. 900 SCFM Air. No Returns. Replace Gasket on Flowline. Drilling from 4,982' to 5,045'. 150 GPM. 900 SCFM.

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From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 3/13/2006 8:12:20 AM
Subject: HPL Harrison 56-38 2 Morning Report 3.13.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

3.13.06

Well Work: Day 25 TD= 5,490'

Drlg F/ 5,295' to 5,355' 200gpm 1,100cfm no returns. Rig service & work on Kelly spinners. Drlg F/5,355' to 5,466 200gpm 650cfm w/full returns. Drlg F/5,466' to 5,490 175gpm 1,300cfm no returns.

3.12.06

Well Work: Day 24 TD= 5,295'

Circ & wait on swivel. Rig Service. Wash 15jts out of hole & stand 3stds in derrick. C/O Swivel & reinstall Kelly spinners. Wash & Ream F/4,560' to 5,264'. Drlg F/5,264' to 5,295' 175 gpm 1,100 cfm no returns.

3.11.06

Well Work: Day 23 TD= 5,264'

Drlg F/ 5,045' to 5,076'. 175 gpm 900 cfm. Started full returns @ 5,060' at 07:00. Evacuate rig floor due to H2S of 50ppm circ w/full returns no air. Drlg F/5,076' to. Drlg F/5,175' to 5,254'. 175 gpm 550 cfm w/ full returns. Drlg F/5,254' to 5,264'. 175 gpm 1,400 cfm no returns. Swivel locked up (circ till one leaves the yard work pipe).

From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 3/14/2006 10:07:21 AM
Subject: HPL Harrison 56-38 2 Morning Report 3.14.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

3.14.06

Well Work: Day 26 TD= 5,662'

Service Rig. Drilling from 5,490' to 5,662'. 175 - 250 GPM. 1,300 - 1,400 SCFM Air. (No Returns)

Jennifer Pace

Administrative Assistant-Operations Department

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Well Work: Day 30 TD= 6,151'

Rig Service. Drilling from/5,940' to 6,185' 175 - 235gpm 950 - 1,100cfm (full returns) pinch flowline valve shut. Lost returns for 2.5 hrs from 6,123 to 6,151'.

3.17.06

Well Work: Day 29 TD= 5,940'

Wash & Ream F/5,673' to 5,693'. Drilling from/5,693' to 5,724' 175gpm 1,300 to 1,400cfm (no returns). Pick up savor sub couldn't get bushing into rotary lay back down savor sub. Drilling from/5,724' to 5,755' 225gpm 1,100cfm (full returns). Drilling from/5,755' to 5,793' 175gpm 1,350cfm (no returns). Rig Service. Drilling from/5,793' to 5,940' 225gpm 1,100cfm (full returns).

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From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 3/20/2006 9:32:27 AM
Subject: HPL Harrison 56-38 2 Morning Report 3.20.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

3.20.06

Well Work: Day 32 TD= 6,524'

Drilling from 6,360' to 6,446'. 175 - 225 gpm. 1,100-1,500cfm. (no returns). Rig Service. Drilling from 6,446' to 6,524'. 175 - 250gpm. 1,100 - 1,500cfm. (full returns) pinch back on flowline valve. Cut back to 950cfm & went up to 250gpm. (35 to 40% flow).

3.19.06

Well Work: Day 31 TD= 6,360'

Drilling from 6,185' to 6,225'. 225 - 235gpm 950 - 1,100cfm (full returns).

Wireline Survey @ 6,120' 1/4 degree. Rig Service. Circulate and work pipe. Mix Premium Seal LCM Pill. Pump 1/2 pit every 1,900 strokes. LCM Mixed and Pumped. 18SKS Premium Seal Fine. 18SKS Premium Seal Medium. 9SKS Turbo-Phalt. No Returns. Drilling from 6,225' to 6,331'. 200 - 225gpm 950 - 1,100cfm (no return). Drilling from 6,331' to 6,360'. 225 - 235gpm. 950cfm (full returns) pinch back flowline valve.

3.18.06

From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 3/21/2006 7:43:12 AM
Subject: HPL Harrison 56-38 2 Morning Report 3.21.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

3.21.06

Well Work: Day 33 TD= 6,603'

Rig Service. Drilling From 6,524' to 6,603'. 250gpm. 1,000cfm (full returns). Regulate Flow on flowline valve 35 - 40%. Pump Viscous Sweep. SLMOH. No Correction. Tight at 2,250' to 1,945'. 60k overpull. RU and Inspect/Trip Drill Collars. PU and MU Bit sub and Bit #6. TIH with 8" drill collars, XO and 61/4" Drill Collars.

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From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 3/22/2006 7:14:15 AM
Subject: HPL Harrison 56-38 2 Morning Report 3.22.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

3.22.06

Well Work: Day 34 TD= 6,603'

Finish TIH with 8" DC's and 6 1/4" Drill Collars. PU and MU. 18-6 1/4" Drill Collars. TIH with 7 stands DP. Tag up at 1,506'. Wash and Ream tight Hole from 1,506' - 1,997'. 1,885' to 1,969' taking 20-25 K WOB to ream.

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From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 3/23/2006 9:53:16 AM
Subject: HPL Harrison 56-38 2 Moning Report 3.23.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

3.23.06

Well Work: Day 35 TD= 6,647'

Wash and Ream/RIH From 1,969' to 6,603', (15 to 20k on bit while reaming). Rig Service. Drilling from 6,603' to 6,647' (175 - 250gpm. 1100-1500cfm) full returns pinch back on flowline valve. Bearings locked up on Rotating Head. POH with one stand DP. Change out bearing assembly. Wash and Ream from 6,540' to 6,647'.

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From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 3/24/2006 7:42:56 AM
Subject: HPL Harrison 56-38 2 Morning Report 3.24.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

3.24.06

Well Work: Day 36 TD= 6,769'

Work pipe due to high torque after changing out rotating head bearing assembly, (pump high vis. Sweep). Rig Service. Drilling From 6,647' to 6,769' (275 - 350 gpm. 950 - 1,250cfm.). Wireline survey @ 6,693' 1deg. Drilling From 6,647' to 6,769' (275 - 350 gpm. 950 - 1,250cfm.) No Returns.

Melissa Clark

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From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 3/27/2006 9:13:47 AM
Subject: HPL Harrison 56-38 2 MR 03.27.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

3.26.06

Well Work: Day 39 TD= 7,332'

Drilling from 7,210' to 7,240' (325gpm 1,100cfm). Full returns pinch flowline back.

Wireline survey at 7,164' 1/2 deg. Drilling from 7,240' to 7,302' (325gpm 1,100cfm). Full returns. Pinch flowline back. Rig Service. Drilling from 7,302' to 7,332'. (325 - 350gpm 1,100 - 1,300cfm). Full returns pinch flowline back. Pump & circ High vis sweep. POH for bit #6. Drag 50 to 75K from 2250' to1485'.

3.25.06

Well Work: Day 38 TD= 7,210'

Rig Service, drilling from 6,907' to 7,102'. (275 - 325gpm 950 - 1100cfm) full returns. Pinch flowline back. Drilling from 7,102' to 7,162' (175 - 275gpm 1,100 - 1,500cfm) no returns. Drilling from 7,162' to 7,210' (275 -300gpm 1,000 - 1,100cfm) full returns. Pinch flowline back.

Thank you,

From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 3/28/2006 7:40:20 AM
Subject: HPL Harrison 56-38 2 Morning Report 3.28.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

3.28.06

Well Work: Day 41 TD= 7,346'

Laid down 3 Joints, and attempted to continue in hole, Held up at 2,020'. Washed and Reamed f/2,020' - 2,115'. Set Back Kelly, and Continued in hole to 2,445', (Held up). Washed and Reamed f/2,445' - 2,690'. Set back Kelly, RIH to 6,950', (Laid down 16 joints to use for reaming). Washed and Reamed 6,950' - 7,334', (Problems keeping hole at 7,055'). Drilling F/7,334' to 7,346 (155gpm 1500cfm). No returns.

Melissa Clark

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Hallwood Petroleum, LLC.

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Phone: (214)393.0236

Fax: (214)393.0229

From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 3/29/2006 7:27:56 AM
Subject: HPL Harrison 56-38 2 Morning Report 3.29.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

3.29.06

Well Work: Day 42 TD= 7,665'

Drilling F/7,346' to 7,379' (170gpm - 1,500cfm) Flow line open. No returns. Drilling F/7,379' to 7,459' (275gpm - 1,000cfm) Flow line open with returns. Service and Lubricate Rig. Drilling F/7,459' to 7,570' (250gpm - 1,000cfm) Flow line open with returns. Drilling F/7,570' to 7,576' (200gpm - 1,500cfm) Flow line open. No returns. Drilling F/7,576' to 7,665' (250gpm - 1,000cfm) Flow line open with returns.

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Fax: (214)393.0229

From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 3/30/2006 7:26:28 AM
Subject: HPL Harrison 56-38 2 Morning Report 3.30.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

3.30.06

Well Work: Day 43 TD= 7,855'

Drilling F/7,665' to 7,710 (200gpm 1,480cfm). Flow line open with returns. Ream twice due to drag. Continued to pump sweep out of hole, (survey results @ 7,634' = 2 degree). Drilling F/7,710' to 7,742 (200gpm 1,500cfm). Flow line pinched to control fluid levels.

Service and lubricate Rig. Drilling F/7,742' to 7,748 (250gpm 1,100cfm) Flow line pinched to control fluid levels. Drilling F/7,748' to 7,768 (200gpm 1,500cfm). Flow line open, No returns. Drilling F/7,768' to 7,773 (250gpm 1,100cfm) Flow line pinched to control fluid levels. Continued to pump sweep out of hole, (survey results @ 7,697' = 2 degree). Drilling F/7,773' to 7,804 (250gpm-1,100cfm). Flow line open, No returns. Drilling F/7,804' to 7,855 (250gpm 1,100cfm) Flow line pinched to control fluid levels.

Melissa Clark

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From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 3/31/2006 7:42:13 AM
Subject: HPL Harrison 56-38 2 Morning Report 03.31.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

3.31.06

Well Work: Day 44 TD= 8,030'

Drilling F/7,855' to 7,867' (240gpm 1,100cfm). Wireline Survey @ 7,791' 2 deg. Drilling F/7,867' to 7,930' (240gpm 1,100cfm). Rig Service. Drilling F/7,930' to 7,948' (250gpm 1,100cfm). Drilling F/7,948' to 7,961' (200gpm 1,500cfm) No returns. Drilling F/7,961' to 7,993' (300gpm 1,100cfm). Wireline Survey @ 7,917' 2 deg. Drilling F/7,993' to 7,999' (300gpm 1,100cfm). Drilling F/7,999' to 8,010' (225gpm 1,500cfm) No returns. Drilling F/8,010' to 8,030' (300gpm 1,100cfm).

Thank you,

Kari Nazworth

Hallwood Petroleum, LLC

Regulatory Production Analyst

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Phone: (214)528-5588 Ext 151

Fax: (214)393-0226

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 4/3/2006 8:45:50 AM
Subject: HPL Harrison 56-38 2 Morning Report 04.03.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

4.03.06

Well Work: Day 47 TD= 8,205'

L/D 2 jts. P/U Kelley. Wash & Ream F/7,679' to 8,133'. Drilling F/8,133' to 8,144' (200gpm 1500cfm) Flowline opened without returns. Drilling F/8,144' to 8,159' (300gpm 1100cfm) Flowline opened with returns. Engines Died (Circulate 200gpm W/1 engine) could not get #1 or #2 engine started. Drilling F/8,159' to 8,173' (300gpm 1100cfm) Flowline opened with returns. Engines Died (Circulate 200gpm W/1 engine) could not get #1 or #2 engine started. Drilling F/8,173' to 8,195' (225gpm 1100cfm) Flowline opened with returns. Drilling F/8,195' to 8,205' (200gpm 1500cfm) Flowline opened without returns.

4.02.06

Well Work: Day 46 TD= 8,133'

Finish P.O.H. Break bit Inspect crown, Put guard back on high drum clutch. M/U bit #8 and T.I.H. w/ BHA. Rig Service T.I.H. Tag bridge @1,555' Wash & Ream F/1,555' to 2,150' T.I.H. Tag bridge @ 2,500' Wash & Ream F/2,500' to 2,575' Finish T.I.H.

4.01.06

Well Work: Day 45 TD= 8,133'

Drilling F/8,030' to 8,038' (300gpm 1,100cfm) Flowline opened with returns. Drilling F/8,038' to 8,089' (225gpm 1,500cfm) Flowline opened without returns. Drilling F/8,089' to 8,118' (300gpm 1,100cfm) Flowline opened with returns. Rig Service Drilling F/8,118' to 8,133' (325gpm 1,100cfm) Flowline opened with returns Circulate, Prepare for Bit trip. P.O.H. to 5,783' P/U Kelley & wash 4jts. Out of hole.(80 to 100k over).

Finish P.O.H.

Thank you,

Kari Nazworth

Hallwood Petroleum, LLC

Regulatory Production Analyst

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Phone: (214)528-5588 Ext 151

Fax: (214)393-0226

E-Mail: KNazworth@hallwoodenergy.com

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 4/4/2006 8:13:26 AM
Subject: HPL Harrison 56-38 2 Morning Report 04.04.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

4.04.06

Well Work: Day 48 TD= 8,438'

Drilling F/8,205' to 8,213' (200gpm 1,200cfm) Flowline opened without returns.

Rig Service Drilling F/8,213' to 8,224' (250gpm 1,200cfm) Flowline opened with returns. Drilling F/8,224' to 8,230' (200gpm 1,200cfm) Flowline opened without returns.

Drilling F/8,230' to 8,244' (250gpm 1,200cfm) Flowline opened with returns. Wireline Survey @ 8,200' 2degs. Drilling F/8,244' to 8,252' (250gpm 1,200cfm) Flowline opened with returns. Drilling F/8,252' to 8,270' (200gpm 1,200cfm) Flowline opened without returns. Repair & Regulate S.C.R. Drilling F/8,270' to 8,370' (300gpm 1,200cfm) Flowline opened with returns. Drilling F/8,370' to 8,438' (200gpm 1,200-1,500cfm) Flowline opened without returns.

Thank you,

Kari Nazworth

Hallwood Petroleum, LLC

Regulatory Production Analyst

3710 Rawlins Street

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 4/5/2006 7:51:14 AM
Subject: HPL HARRISON 56-38 2 MORNING REPORT 04.05.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

4.05.06

Well Work: Day 49 TD= 8,716'

Drilling F/8,438' to 8,450' (300gpm 1,200cfm) Flowline opened with returns. Drilling break @8,450' to 8,455'. Drilling F/8,450' to 8,528' (200gpm 1,500cfm) Flowline opened without returns. Rig Service Drilling F/8,528' to 8,551' (200gpm 1,500cfm) Flowline opened without returns. Drilling F/8,551' to 8,576' (300gpm 1200cfm) Flowline opened with returns. Drilling F/8,576' to 8,606' (200gpm 1,500cfm) Flowline opened without returns. Drilling F/8,606' to 8,716' (275gpm 1,200cfm) Flowline opened with returns.

Thank you,

Kari Nazworth

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From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 4/6/2006 7:24:50 AM
Subject: HPL Harrison 56-38 2 Morning Report 04.06.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

4.06.06

Well Work: Day 50 TD= 8,980'

Drilling F/8,716' to 8,746' (300gpm 1,200cfm) Flowline opened with returns.

Wireline Survey @ 8,698' 1 1/2 deg. Drilling F/8,746' to 8,778' (300gpm 1,200cfm) Flowline opened with returns. Drilling F/8,778' to 8,905' (175gpm 1,500cfm) Flowline opened without returns. Drilling F/8,905' to 8,966' (300gpm 1,200cfm) Flowline opened with returns. Drilling F/8,966' to 8,980' (175gpm 1,500cfm) Flowline opened without returns.

Thank you,

Kari Nazworth

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From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 4/7/2006 7:42:47 AM
Subject: HPL Harrison 56-38 2 Morning Report 4.07.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

4.07.06

Well Work: Day 51 TD= 9,010'

Drilling F/8,980' to 9,010' (175gpm - 1,500cfm). Flowline opened without returns. POH (Tight pulling 75-100k over). First 12 stds. LD 30 jts. drill pipe. Finish POH. Well Started flowing. P/U & install rotating head, circulate & condition (spot high vis sweep w/paper). Finish POH, break bit. MU bit, RIH 5-8" drill collars, MU RT tool, 5-8" drill collars, 6-6 1/2" drill collars, jars & RIH.

Melissa Clark

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Pick up kelly, & break circulation.

4.08.06

Well Work: Day 52 TD= 9,010'

TIH to 1,532'Wash & Ream F/1,532' to 2,040' 5 to 10k on bit.(torque @ 1,532' to 1,630' 200 amps).

Thank you,

Kari Nazworth

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Regulatory Production Analyst

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E-Mail: KNazworth@hallwoodenergy.com

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 4/10/2006 8:22:07 AM
Subject: HPL Harrison 56-38 2 Morning Report 04.10.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

4.10.06

Well Work: Day 54 TD= 9,010'

Wash & Ream F/1,638' to 1,683' (5 to 10k on bit 175amps). Set kelley back & TIH to 2,045' L/D 9 jts. TIH 3 stds. Wash & Ream F/2,045' to 2,285' (5 to 10k on bit 175 to 200amps). Set kelley back & TIH to 2,600' L/D 9 jts. TIH 3 stds. Wash & Ream F/ 2,600' to 2,758' (5 to 10k on bit 175amps). Lost 60k string weight (TOH 19 stds 1 single & 7-6 1/2 drill collars). Wait on Fishing Tools. Strap & caliper fishing tools. M/U XO, Bumper sub, & 10 5/8 Over shot & TIH.(Tag up @ 1,700'). Work stuck pipe.(P/U kelley & try to wash down). Circulate hole. POH.(wait on smaller over shot 8 5/8).

Note: Wash out on 6" Drill Collar #8. TIH with a 10-5/8" OD Over Shot, could not RIH past 1700' with Over Shot. POH and Wait on 8-5/8" OD Overshot. TOP OF FISH at 2350'.

4.09.06

Well Work: Day 53 TD= 9,010'

Wash & Ream F/2,040' to 2,602' 5 to 10k on bit (Torque @ 2,045' to 2,105' 200amps).

Build & Pump high vis sweep. Set kelly back, pull rotating head, POH. L/D Jars, RT tool, Break bit. M/U bit #9 TIH to Shoe 1,475. Cut drill line Finish TIH. (Tag up @ 1,638').

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 4/11/2006 7:41:55 AM
Subject: HPL Harrison 56-38 2 Morning Report 04.11.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

4.11.06

Well Work: Day 55 TD= 9,010'

Finish POH. Wait on fishing tools. Strap & Caliper overshot. M/U overshot & TIH to 1,875' hit bridge. Circulate & condition mud, Go to steel pits, Raise vis F/28 to 55.

POH C/O fishing tools. Break down fishing tools. Strap & Caliper overshot mill, lubricated bumper sub.

Note: Removed big rock from grapple had to knock it out.

Thank you,

Kari Nazworth

Hallwood Petroleum, LLC

Regulatory Production Analyst

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Fax: (214)393-0226

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 4/12/2006 8:16:56 AM
Subject: HPL Harrison 56-38 2 Morning Report 04.12.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

4.12.06

Well Work: Day 56 TD= 9,010'

Finish M/U fishing tools, P/U 3-6 1/2" dc's & drilling jars, TIH hit bridge @ 1,550'. P/U kelley wash F/1,550' to 1,582' POH W/Fishing tools. Wait on washpipe & globe basket shoe. Strap & Calipher wash over pipe & subs. M/U wash pipe, shoe, & top sub, TIH.

Wash & Ream F/1,563' to1,569'.

Thank you,

Kari Nazworth

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Regulatory Production Analyst

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Fax: (214)393-0226

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 4/13/2006 7:13:39 AM
Subject: HPL Harrison 56-38 2 Morning Report 04.13.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

4.13.06

Well Work: Day 57 TD= 9,010'

Wash & Ream W/wash pipe F/1,569' to 1,580' (wash & ream 3 times l/d single twice).

Pump High vis sweep 80 to 100 vis.Wash & Ream W/wash pipe F/1,580' to 1,710'.

Pump High vis sweep 80 to 100 vis.(tried to make connection). Could not make connection at 1,710'. Set back kelley & POH. Break off mill and LD Wash Pipe. (Retrieved 2 rocks). M/U 12-1/4"Bit. TIH tagged up @ 1,555'. Pick up Kelley & break circulation at 1,555'.

Thank you,

Kari Nazworth

Hallwood Petroleum, LLC

Regulatory Production Analyst

3710 Rawlins Street

Dallas, Texas 75219

Phone: (214)523-1269

Wash & Ream F/1,839' to 1,876' (Attempt to make connection 8 times).

Pump high vis. Sweep/ Rig Service Wash & Ream F/1,876' to 2,430'

Note:(Attempted to make connection @ 2,056' 22 times had to lay pipe back down could not get bushing back in rotary). Wash & Ream F/17:00 to 01:30 made connection.

4.14.06

Well Work: Day 58 TD= 9,010'

Wash & Ream F/1,555' to 1,584'. Rotary chain Broke repair chain. Wash & Ream F/1,584' to 1,777'. Set Kelley back L/D 6 jnts. & RIH 2 stds. Wash & Ream F/1,777' to 1,839'

Thank you,

Kari Nazworth

Hallwood Petroleum, LLC

Regulatory Production Analyst

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E-Mail: KNazworth@hallwoodenergy.com

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 4/17/2006 8:29:15 AM
Subject: HPL Harrison 56-38 2 Morning Report 04.17.08

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

4.17.06

Well Work: Day 61 TD= 9,010'

TIH tagged up @ 1,555' L/D 6jts. RIH 2 stds. Wash & Ream F/1,555 to 1,935' (Attempt to make connection @ 1,876' - 3 times). Attempt to TIH tagged up @ 2,029' L/D 6jts. RIH W/1std. Wash & Ream F/2,029' to 2,160' (Attempt to make connection @ 2,056' - 6 times).

4.16.06

Well Work: Day 60 TD= 9,010'

Wash & Ream F/2,430' to 2,465'. (Lost complete returns). Mud Tanks out of mud. (Could not get reserve pit pump primed). Repair #2 mud pump. (#1 mud pump out of gear oil).

Wash & Ream F/2,465' to 2,510'. (Ream without returns). 125gpm TIH to from 2,510' to 8,207'. Install Rotating head assembly. Wash & Ream F/8,207' to 8,284' Tag top of fish at 8,284'. Pump High Vis. Sweep. POH. (Strap out). TIH to Shoe. Replace rotary chain. (Break Circ to regain returns).

4.15.06

Well Work: Day 59 TD= 9,010'

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 4/18/2006 9:30:10 AM
Subject: HPL Harrison 56-38 2 Morning Report 04.18.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

4.18.06

Well Work: Day 62 TD= 9,010'

Set kelley back & TIH to 2,610' P/U kelley & pimp high vis sweep. POH to p/u fishing tools. Break bit, bit sub, & clean off rig floor. Rig Service. Latch on to std of wash pipe & l/d. TIH W/ overshot to 2,708' hit tight spot. Kelley up & work stuck pipe, jarring out, 100k over pull. (195k on weight indicator). POH & L/D 2 Bent Joints of drill pipe. TIH W/ overshot .

Thank you,

Kari Nazworth

Hallwood Petroleum, LLC

Regulatory Production Analyst

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E-Mail: KNazworth@hallwoodenergy.com

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 4/19/2006 7:46:32 AM
Subject: HPL Harrison 56-38 2 Morning Report 04.19.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

4.19.06

Well Work: Day 63 TD= 9,010'

Finish TIH W/overshot tagged up @ 1,902'. Attempt to wash overshot through tight spot @ 1,902'. POH W/overshot. TIH W/ New BHA & Bit to 1,555'. Wash & Ream F/ 1,512' to 1,810'. NOTE: (Attempted to make connection @ 1,585' 8-times.)

Thank you,

Kari Nazworth

Hallwood Petroleum, LLC

Regulatory Production Analyst

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E-Mail: KNazworth@hallwoodenergy.com

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 4/20/2006 7:37:14 AM
Subject: HPL Harrison 56-38 2 Morning Report 04.20.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

4.20.06

Well Work: Day 64 TD= 9,010'

Wash & Ream F/1,810' to 1,958'. Wash & Ream F/1,958' to 2,012'

Thank you,

Kari Nazworth

Regulatory Production Analyst

Hallwood Petroleum, LLC

3710 Rawlins Street

Dallas, Texas 75219

Phone: (214)523-1269

Fax: (214)393-0226

E-Mail: KNazworth@hallwoodenergy.com

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 4/21/2006 7:21:37 AM
Subject: HPL Harrison 56-38 2 Morning Report 04.21.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

4.21.06

Well Work: Day 65 TD= 9,010'

Wash & Ream F/2,012' to 2,020'. Pump out 3 jts. POH. Rig Service. TIH tag up @ 1,558'

Wash & Ream F/1,558' to 2,030'.

Thank you,

Kari Nazworth

Regulatory Production Analyst

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3710 Rawlins Street

Dallas, Texas 75219

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E-Mail: KNazworth@hallwoodenergy.com

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 4/24/2006 8:17:03 AM
Subject: HPL Harrison 56-38 2 Morning Report 04.24.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas

Operator: Hallwood Petroleum, LLC

Objective: Drill and complete a Barnett Shale Well.

4.24.06

Well Work: Day 68 TD= 9,010'

Wash & Ream F/2,389' to 2,397'. Rig Service. Wireline Survey @ 2,351' 4 deg. Plugged bit POH W/2 stds. Surge pipe unplugged bit. Wash & Ream F/2,208 to 2,425'.

4.23.06

Well Work: Day 67 TD= 9,010'

Wash & Ream F/2,208' to 2,331'. Wash & Ream F/2,331' to 2,389'.

4.22.06

Well Work: Day 66 TD= 9,010'

Wash & Ream F/2,030' to 2,128'. POH to p/u more drill collars. Rig Service. TIH l/d 15jts. Drill pipe to ream with. Wash & Ream F/1,768 to 2,208'.

Thank you,

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 4/25/2006 7:32:34 AM
Subject: HPL Harrison 56-38 2 Morning Report 04.25.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
DCC: 31,435.66

Operator: Hallwood Petroleum, LLC
CWC: 3,226,128.57

Objective: Drill and complete a Barnett Shale Well.

4.25.06

Well Work: Day 69 TD= 9,010'

Wash & Ream F/2,425 to 2,441'. Pump 10 jts. Out of hole. Take off kelley spinner's, Break kelley. Clear out v-door, R/U Lay down machine. L/D drill pipe & BHA.

Thank you,

Kari Nazworth

Regulatory Production Analyst

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E-Mail: KNazworth@hallwoodenergy.com

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 4/26/2006 7:26:27 AM
Subject: HPL Harrison 56-38 2 Morning Report 04.26.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
DCC: 50,956.56

Operator: Hallwood Petroleum, LLC
CWC: 3,227,085.13

Objective: Drill and complete a Barnett Shale Well.

4.26.06

Well Work: Day 70 TD= 9,010'

Break bit & L/D drill collars. Rig down L/D machine. L/D Kelley, subs, & clean off rig floor. Wait on Top drive. Off load Top Drive Unit, Set Control House, Hydraulic Unit and Storage Unit. Clean out Storage Unit. Inventory Missing Parts. Wait on Crane. RU Crane. Remove Hook from Blocks. PU Swivel. Hanging Torque Tube.

Thank you,

Kari Nazworth

Regulatory Production Analyst

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Fax: (214)393-0226

E-Mail: KNazworth@hallwoodenergy.com

From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 4/27/2006 7:54:14 AM
Subject: HPL Harrison 56-38 2 Morning Report 4.27.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
DCC: 44,794.00

Operator: Hallwood Petroleum, LLC CWC:
3,321,879.13

Objective: Drill and complete a Barnett Shale Well.

4.27.06

Well Work: Day 71 TD= 9,010'

Wait on track bolts. Put track together & hang from derrick, bolt to T-bar, install beam clamps & turnbuckles. R/U saddle, C/O union on Kelley hose. Wait on electrician to make power cables for Top Drive.

Melissa Clark

Regulatory Production Analyst

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MClark@Hallwoodenergy.com

Phone: (214)393.0236

Fax: (214)393.0229

From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 4/28/2006 9:18:55 AM
Subject: HPL Harrison 56-38 2

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC AFE
CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

4.28.06

Well Work: Day 72 TD= 9,010'

Rig up saddle in Derrick. Run electric lines & hyd. Lines. Run cables from control house to SCR house. M/U swivel to Topdrive. Hook Topdrive to torque bushings, wait on correct plugs to hook up to SCR house. Wait on Topdrive tech to rewire driller's panel & bells for Topdrive.

Daily Cost: $32,890 Cumulative Cost: $3,354,769

Melissa Clark

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Rig service. Wait on electrician to put cam lock connections on control wires. Wait on Top drive tech. (strap & caliper new drill collars). Hook up power lines to Top drive. (Start chiller & lines. Leaking; didn't have connections to fix it). Top drive hand went to Aquila Rig # 8 to try & find some parts.

Daily Cost: $27,890 Cumulative Cost: $3,382,659

Melissa Clark

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From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 5/1/2006 6:44:06 AM
Subject: HPL Harrison 56-38 2 Morning Report 5.01.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC
AFE CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

5.01.06

Well Work: Day 75 TD= 9,010'

Trouble shooting ESD. (Breaker will not set). Trying to get robotics to work on Top drive. (Neg. wait on parts). Wait on parts to repair Top drive.

Daily Cost: $27,890 Cumulative Cost: $3,438,439

4.30.06

Well Work: Day 74 TD= 9,010'

Do complete Rig service. (Inspect Chains). C/O connections on chiller unit on Top drive control unit. Wait on control wire from driller's panel to control house & pig tail to driller's panel. Rewire the driller's panel. Trouble shooting ESD. (Breakers will not set).

Daily Cost: $27,890 Cumulative Cost: $3,410,549

4.29.06

Well Work: Day 73 TD= 9,010'

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 5/2/2006 7:49:45 AM
Subject: HPL Harrison 56-38 2 Morning Report 05.02.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $29,236

Operator: Hallwood Petroleum, LLC
AFE CWC: $3,467,675

Objective: Drill and complete a Barnett Shale Well.

5.02.06

Well Work: Day 76 TD= 9,010'

Work on robotics on top drive, add hydraulic fluid to top drive, recharge & patch line on chiller A/C tech. Wait on parts to repair top drive.

Thank you,

Kari Nazworth

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E-Mail: KNazworth@hallwoodenergy.com

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 5/3/2006 7:33:11 AM
Subject: HPL Harrison 56-38 2 Morning Report 05.03.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $45,057

Operator: Hallwood Petroleum, LLC
AFE CWC: $3,512,733

Objective: Drill and complete a Barnett Shale Well.

5.03.06

Well Work: Day 77 TD= 9,010'

Trouble shoot Hydraulics on top drive, C/O Auxiliary pump & return filters, Work on chiller on top drive control unit. (One of the compressors on the chiller unit bad). Wait on parts to repair top drive.

Thank you,

Kari Nazworth

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E-Mail: KNazworth@hallwoodenergy.com

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 5/4/2006 7:46:15 AM
Subject: HPL Harrison 56-38 2 Morning Report 05.04.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $27,890

Operator: Hallwood Petroleum, LLC
AFE CWC: $3,540,623

Objective: Drill and complete a Barnett Shale Well.

5.04.06

Well Work: Day 78 TD= 9,010'

C/O skid relief valves, change all relief valves on top drive, C/O flow meters on Hyd. Unit, Change oil in gear box on top drive, Welder made clamp to secure service loop lines in derrick. Wait on compressor to repair chiller in control unit.

Note: Attempted to run TDU with one AC/Chiller Functioning. AC would not handle the load. AC Repairman will be back on location this morning to change Compressor and Switches.

Thank you,

Kari Nazworth

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Hallwood Petroleum, LLC

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Phone: (214)523-1269

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 5/5/2006 7:32:32 AM
Subject: HPL Harrison 56-38 2 Morning Report 05.05.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $27,890

Operator: Hallwood Petroleum, LLC AFE CWC: $3,568,513

Objective: Drill and complete a Barnett Shale Well.

5.05.06

Well Work: Day 79 TD= 9,010'

Wait on Trane Air Conditioner Tech. to c/o compressor on top drive control unit. Turned on unit and blew by-pass switch on compressor, found short repaired transformer on A/C unit, charged only one compressor, due to a blown by-pass switch. Run A/C unit to make sure to unit is going to cycle & stay on without shutting down. Get readings on Thermostat every hour.

Note: (Tesco electrician suggested that we let unit run for at least 6-8 hours to make sure it was going to cycle so that we do not blow up a driver price on driver $80,121.17 plus trucking). P/U drill pipe stand back in derrick).

Thank you,

Kari Nazworth

Regulatory Production Analyst

Hallwood Petroleum, LLC

3710 Rawlins Street

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5.06.06

Well Work: Day 80 TD= 9,010'

Torque connections on top drive install savor sub & clamp, Hook up Kelley hose, Put on hose tarp, Install bells & bell clamps, Put on elevators, C/O skid relief valve grabber did not want to hold. P/U BHA, Surface test MWD, Finish P/U BHA. (Make & break drill collars 2 times). C/O Saver Sub due to being cross threaded. TIH to 13-3/8" Casing Shoe at 1,475'. Displace Hole with Viscous Mud. Continue TIH to 1,545'.

(Note: BHA weight with blocks 80K weight without blocks 55K).

Daily Well Cost: $66,344 Cum Well Cost: $3,634,857

Thank you,

Kari Nazworth

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E-Mail: KNazworth@hallwoodenergy.com

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 5/8/2006 8:30:55 AM
Subject: HPL Harrison 56-38 2 Morning Report 05.08.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC
AFE CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

5.08.06

Well Work: Day 82 TD= 9,010'

Circulate & Condition mud. POH to P/U mud motor. Break bit & bit sub. Remove MWD. P/U mud motor, Shock sub, install MWD & surface test. (OK) TIH to 1,546' Tagged up. Wait on Air Conditioner repair man to repair chiller on top drive Wash & Ream F/1,546' to 1,762'

Daily Well Cost: $49,009 Cum Well Cost: $3,744,214

5.07.06

Well Work: Day 81 TD= 9,010'

Wash & Ream F/1,450' to 1,765' (Taking survey's every 30'). Work on top drive track turnbuckles came lose. Wash & Ream F/1,765' to 2,005' (Taking survey's every 30'). Tighten up Kelley hose. Wash & Ream F/2,005' to 2,324' (Taking survey's every 30'). Circulate & Condition mud brings vis. up.

Daily Well Cost: $60,350 Cum Well Cost: $3,695,207

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 5/9/2006 8:45:30 AM
Subject: HPL Harrison 56-38 2 Morning Report 05.09.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC
AFE CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

5.09.06

Well Work: Day 83 TD= 9,010'

Wash & Ream F/1,762' to 2,325' Slide & Drill F/2,325' to 2,355' C/O swab on #1 mud pump both pumps down 4" valve wash out between pumps. Slide & Drill F/2,355' to 2,418' Replace grabber dies on top drive & adjust Crown-O-Matic. Slide F/2,418' to 2,425'.

Daily Well Cost: $42,945 Cum Well Cost: $3,787,162

Thank you,

Kari Nazworth

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Phone: (214)523-1269

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 5/10/2006 8:14:01 AM
Subject: HPL Harrison 56-38 2 Morning Report 05.10.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC
AFE CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

5.10.06

Well Work: Day 84 TD= 2,613'

Drlg F/2,425' to 2,442' Replace seat & paddle in 4" valve on #1 mud pump. Drlg F/2,442' to 2,530' C/O liner & swab on #2 mud pump, Wash plate washed out on #1 mud pump. Drlg F/2,530' to 2,608' Slide Drlg F/2,608' to 2,613'

Daily Well Cost: $39,664 Cum Well Cost: $3,826,826

Thank you,

Kari Nazworth

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E-Mail: KNazworth@hallwoodenergy.com

From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 5/11/2006 7:14:22 AM
Subject: HPL Harrison 56-38 2 Morning Report 5.11.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC AFE CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

5.11.06

Well Work: Day 85 TD= 2,620'

Slide Drilling F/2,613' to 2,620'. Back ream to shoe & Finish POH. L/D Directional tools & load out tools. Work on Driller's panel hook up grabber over ride, & C/O compressor on chiller. M/U bit & test mud motor, C/O Grabber dies. TIH tagged up @ 1,639'. Wash & ream F/1,639' to 1,730'. Adjust T-bar and install 2 more clamps on T-bar. Wash & ream F/1,730 ' to 2,203'. Note: (Reamed 4 times F/1,639' to 1,730').

Daily Well Cost: $37,765 Cum Well Cost: $3,864,592

Melissa Clark

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5.13.06

Well Work: Day 87 TD= 3,175'

Drlg F/2,905' to 2,954'. Rig Service. Drlg F/2,954' to 3,065'. Replace Low Ambient Switch on TDU Chiller. Drlg F/3,065' to 3,144'. Wire line survey @ 3,082'. (wire broke had to pull with cathead no survey). Drlg F/3,144' to 3,168'. Wire line survey @ 3,108' Drlg F/3,168' to 3,175'.

Daily Well Cost: $51,385 Cum Well Cost: $3,981,448

5.12.06

Well Work: Day 86 TD= 2,905'

Wash & Ream F/2,203' to 2,620' (21' of fill). Drlg F/2,620' to 2,674' Rig Service Drlg F/2,674' to 2,905'.

Daily Well Cost: $65,471 Cum Well Cost: $3,930,063

Thank you,

Kari Nazworth

Regulatory Production Analyst

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E-Mail: KNazworth@hallwoodenergy.com

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 5/15/2006 7:55:54 AM
Subject: HPL Harrison 56-38 2 Morning Report 05.15.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC
AFE CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

5.15.06

Well Work: Day 89 TD= 8,129'

Work Pipe. Pumping 150 GPM with no returns. Clean off rig floor unload v-door, load casing back on pipe racks. POH to 1,795'. Tight hole at 1795', Pulling 80K over weight. Back Ream from 1,820' to 1,795' 4 times. Back Ream from 1,555' to 1,585' 7 times no drag. Finish POH. L/D Mud Motor, Shock Sub, & Bit. Rig up Tesco Casing Running Tool. Rig Up Lay down Machine. PU and MU 9-5/8" Down Jet Float Shoe, 2-Joints HCK-55 Casing and 9-5/8" Float Collar.

Daily Well Cost: $30,602 Cum Well Cost: $4,043,715

5.14.06

Well Work: Day 88 TD= 8,129'

Drlg F/3,175' to 3,238'. C/O Bails on top drive, Change tong dies in grabber. Drlg F/3,238' to 3,243' lost complete returns @ 3,243'. Makeup stands with top drive RIH. Tagged up @ 8,105'. Wash & Ream F/8,105' to 8,129'.

Daily Well Cost: $31,664 Cum Well Cost: $4,013,113

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 5/16/2006 9:48:35 AM
Subject: HPL Harrison 56-38 2 Morning Report 05.16.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC
AFE CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

5.16.06

Well Work: Day 90 TD= 8,129'

Run 9-5/8" csg. Tagged up @ 1,589'. Work on topdrive csg running tool tighten up bolts on extend brackets & bolts on cage. Wash 9-5/8" csg. F/1,589' to 1,827'. Run 9-5/8" csg to 3,046'. Wash 9-5/8" csg. F/3,046' to 3,076. Change dies on casing running tool due to hanging up on outside of csg. Wash 9-5/8" csg. F/3,076' to 3,078'.

Daily Well Cost: $29,390 Cum Well Cost: $4,073,105

Thank you,

Kari Nazworth

Regulatory Production Analyst

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Dallas, Texas 75219

Phone: (214)523-1269

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From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 5/17/2006 8:25:32 AM
Subject: HPL Harrison 56-38 2 Morning Report 5.17.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC
AFE CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

5.17.06 Long String Cement

Well Work: Day 91 TD= 8,071'

Wash & ream 9-5/8" csg. F/3,078' to 3,094'. Run 9-5/8" csg. To 7,956'. (Keeping back side full). Wash & ream 9-5/8" csg. F/7,956' to 8,071'. Rig down lay down machine. Rig up BJ to pump cement. 1st stage pumped 255 sks. Lead 50/50 Poz H cement, 11.9# (50:50:10)+ 4/10% R-3 (101 bbls). 335 sks. Tail 50/50 Poz H cement, 14.2# (50:50:2) +3/10% CD-32 + Circ W/ rig pump. 2nd stage pumped 225 sks Lead 50/50 Poz H cement, 11.9# (50:50:10) + 4/10% R-3 (90 bbls). 255 sks. Tail 50/50 Poz H cement, 15.6# (4/10% R-3+5/10% CD-32). Bumped plug to close DV-tool w/2,500 psi. Plug not holding shut in well hold for 2 hours. Nipple down 13-5/8" BOP'S. Rig up BOP stack lifts. P/U stack. Note:(4" valve on standpipe leaking, 4" on #2 mud pump leaking, & 2" on standpipe leaking).

Daily Well Cost: $125,667 Cum Well Cost: $4,198,773

Melissa Clark

Regulatory Production Analyst

Hallwood Petroleum, LLC.

3710 Rawlins St. Suite 1500

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 5/18/2006 7:56:24 AM
Subject: HPL Harrison 56-38 2 Morning Report 05.18.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC
AFE CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

5.18.06

Well Work: Day 92 TD= 8,071'

Finish nipple down & set casing slips with 280k. Cut off casing, make final cut & nipple up B-section & test to 2,000 psi. Nipple up 13-5/8" 10,000 psi. BOP'S, Mud-cross, & flowline. Rig down Tesco casing running tool. Load out equipment. Rig up Monahan's BOP testers & test 13-5/8" BOP'S Test Blinds Rams, Pipe Rams, All Choke valves, Inside & outside kill line valves, Inside & outside Choke line valves, 250 psi. low, & 3,500 psi. High. Test Hydrill to 250 psi. low & 3,000 high. C/O inside manual HCR valve 4-1/16" 10,000 psi. Note:(Pusher had to go to Greywolf Rig #92 to P/U new valve, C/O all seats & gates in 4" valves in standpipe).

Daily Well Cost: $81,455 Cum Well Cost: $4,280,228

Thank you,

Kari Nazworth

Regulatory Production Analyst

Hallwood Petroleum, LLC

3710 Rawlins Street

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 5/19/2006 7:40:52 AM
Subject: HPL Harrison 56-38 2 Morning Report 05.19.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC
AFE CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

5.19.06

Well Work: Day 93 TD= 8,071'

Finish installing 4-1/16", 10,000 psi. HCR valve. Test 4" HCR valve against pipe rams to 250 psi low and 3,500 psi high , test top drive valve to 250 psi low and 3,000 psi high, test 4" standpipe valve to 250 psi low (NEG). No Test. L/D 8" DC'S. Rig service. M/U bit #11 & TIH with BHA, 4 stands of drill pipe. (While waiting on parts to rebuild 4" standpipe valve). Rebuild 4" stand pipe valve, #2 mud pump valve again, (Test ok on all valves). Finish TIH to 5,925' Drill cement F/5,925' to 6,088' Test Casing to 2000 psi. Drill DV-Tool @ 6,088' to 6,091'. Ream through DV-Tool 5 to 6 times. Test DV Tool to 2000 PSI. Finish TIH to 7,910'. (Put pipe on rack & strap).

Daily Well Cost: $326,262 Cum Well Cost: $4,606,491

Thank you,

Kari Nazworth

Regulatory Production Analyst

Hallwood Petroleum, LLC

3710 Rawlins Street

through tight spot @ 1,637'. TIH.

Daily Well Cost: $29,390 Cum Well Cost: $4,681,825

5.20.06

Well Work: Day 94 TD= 7,980'

TIH tagged up @ 7,941'. Drill cement & Float Equipment to 7980'. Test Casing to 1150 Psi. Pressure Fell to 550 PSI in 30 Minutes. R/U Gyro data. Pull Gyro from 7963' to Surface. RD Same. POH to 7060'. Slip and Cut 150' Drill Line. Calibrate Totco. POH. Break and LD Bit. Rig up EM HOBBS wireline & run cased hole logs & cement bond logs.(compensated neutron). WLTD 7,988'.

Daily Well Cost: $45,944 Cum Well Cost: $4,652,435

Thank you,

Kari Nazworth

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E-Mail: KNazworth@hallwoodenergy.com

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 5/22/2006 7:50:44 AM
Subject: HPL Harrison 56-38 2 Morning Report 05.22.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC
AFE CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

5.22.06

Well Work: Day 96 TD= 7,980'

Finish TIH tagged @ 5,955', 6,132', 7,629', 7,774', 7,840', 7,904' Reamed through all tight spots 2 times. Build & Pump high vis sweep. Rig service. POH, L/D mills. P/U whipstock & TIH 2-3 minutes a stand. Repair Hydraulic leak on top drive. TIH to 7,968' 2-3 minutes a stand.. Rig up Gyro data to orientate whipstock. RIH W/Gyro. Orientate Whipstock with Gyro. Tool face of 49.68 degrees. Pull gyro up 300' & shear off whipstock W/59k.

Daily Well Cost: $40,220 Cum Well Cost: $4,722,046

5.21.06

Well Work: Day 95 TD= 7,980'

Rig service. RIH with 9-5/8" CIBP. Seta at 7,980'. . POH and Rig Down EM HOBBS. Test Csg. To 2,000 psi. OK. Wait on Weatherford Service Hand. Strap and caliper whipstock, mills, xo's, & UBHO sub. P/U whipstock, lead mill, flex mill, Heavy weight drill pipe, X-O, UBHO sub, orientate whipstock, TIH tagged @ 556'. Tried to work through tight spot, turn whipstock 1/4 turn. POH to L/D whipstock. Strap & calipher mills, to make wiper run. P/U mills & TIH tagged up @ 556' reamed through collar. 2-3 minutes stand. C/O savor sub on top drive. Finish TIH tagged up @ 644'. Ream through tight spot @ 644'. TIH tagged up @ 1,637'. Ream

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 5/23/2006 7:03:49 AM
Subject: HPL Harrison 56-38 2 Morning Report 05.23.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC
AFE CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

5.23.06

Well Work: Day 97 TD= 7,966'

POH and RD Gyro. Top of whipstock 7,953'. Rig service. Milling window F/7,953' to 7,966'. Work stuck pipe at 7,966' with no returns. Work stuck pipe with full returns. Work pipe up to 7,955'. Work on top drive. Main breakers in control house tripped. Continue working stuck pipe at 7,955' with no progress. Well is flowing 250 to 400 GPM Sulfur Water with 100 PPM H2S

Daily Well Cost: $29,390 Cum Well Cost: $4,751,436

Thank you,

Kari Nazworth

Regulatory Production Analyst

Hallwood Petroleum, LLC

3710 Rawlins Street

Dallas, Texas 75219

Phone: (214)523-1269

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 5/24/2006 7:24:22 AM
Subject: HPL Harrison 56-38 2 Morning Report 05.24.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC
AFE CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

5.24.06

Well Work: Day 98 TD= 7,966'

Pump Slug. Install TIW Valve on DP. Wait on Wireline Truck. Rig up Apollo Wireline. RIH and Back off Drill Collars at 7,621'. POH. RD Apollo. Rig Service. POH. To pick up fishing tools. Well trying to swab in. PU and MU Screw in Sub, Bumper Sub and Jars. TIH. Replace grabber leg hose on top drive. Finish TIH to 7,621'. Tag Fish at 7,621'. Break Circulation. Screw into Fish. Work Stuck Pipe at 7,955'. Jarred Loose. Well is Flowing Sulfur Water. Pump Heavy Slug.

Daily Well Cost: $43,652 Cum Well Cost: $4,795,088

Thank you,

Kari Nazworth

Regulatory Production Analyst

Hallwood Petroleum, LLC

3710 Rawlins Street

Dallas, Texas 75219

Phone: (214)523-1269

From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 5/25/2006 7:27:11 AM
Subject: HPL Harrison 56-38 2 Morning Report 5.25.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC
AFE CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

5.25.06

Well Work: Day 99 TD= 7,968'

Build & pump slug, L/D 1 joint drill pipe. POH W/Fish. (Left 4.22' of fish in hole broke off @ top of flex mill). L/D fishing tools & shot drill collar, Clean out v-door & hook up kill line. M/U 9-5/8" cement retainer & TIH With drill pipe only, (Strap & load v-door p/u 13jts drill pipe). Pumped drill pipe capacity. Set cement retainer @ 7,937'. Attempt to test csg with rig pump & with BJ. (No test.) Stung into retainer to attempt to test csg. (No test). Unsting out of packer opened 2" valve well flowed @ 25% returns. Build & pump slug & POH.

Daily Well Cost: $33,163 Cum Well Cost: $4,828,252

Melissa Clark

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MClark@Hallwoodenergy.com

From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 5/26/2006 7:40:26 AM
Subject: HPL Harrison 56-38 2 Morning Report 5.26.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC AFE
CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

5.26.06

Well Work: Day 100 TD= 7,968'

Finish POH w/cement retainer stinger. Rig service. PU and MU 9-5/8" Packer. TIH to 6,250'. Repair low drum clutch. Set packer. Test Annulus. 3 BPM/DV Tool Leaking. Test Cement Retainer/1.2 BPM at 535 PSI. POH w/packer. L/D packer & clean off rig floor. Make up cement retainer spear & TIH to 7,936'. Fill pipe & circulate. Sting into cement retainer. Cement retainer 8' further down. R/G up BJ Services. Note: (Test on casing retainer 17 spm pressure up 575 psi fell off to 535 psi. Test on DV-Tool 1 bpm 0 psi, 2 bpm 0 psi, 3 bpm 0 psi).

Daily Well Cost: $29,290 Cum Well Cost: $4,857,642

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Well Work: Day 103 TD= 7,968'

Bullhead reserve water down annulus. Rig service. POH to P/U tapered mill & watermelon mill. M/U single collar, bit sub & watermelon mill. Wait on double pin sub 4" fh X 4-1/2" reg. Pipe rams closed monitoring well for flow. TIH W/BHA & 36 stands of drill pipe & 1 single tagged up 3,525'. 1' above top of fish. Mill and clean up top of 9-5/8" Casing from 3,525' to 3,535'. Continue to Pump Sulphur Water down hole. Wait on Casing Alignment Tool. Note:(H2S at 52 ppm while milling casing. Shut well in & bullhead water into annulus).

Daily Well Cost: $49,692 Cum Well Cost: $5,280,777

5.28.06

Well Work: Day 102 TD= 7,968'

Circ & cond mud. TIH opened ended to 4,516'. POH to 3,449'. Make up TIW valve in string screw into pipe w/top drive close annular & bullhead fluid into annulus. Rig service. Pump weighted sweep down annulus 10.2ppg. To kill well & chase w/ 185 bbls fresh water. Change out bells on top drive, Rig up wireline truck to run wellbore camera. RIH w/wellbore camera. Rig up 4" hoses straight from water tank to suction on mud pump, circ to clean hoses out. RIH w/wellbore camera pumping 2bpm of fresh water displacing fluid with fresh water, wireline depth of collar on parted casing to 3,508' collar looking down, & 3,526' pin looking up. R/D wireline machine. Bullhead reserve pit fluid down annulus.

Daily Well Cost: $339,663 Cum Well Cost: $5,231,085

5.27.06

Well Work: Day 101 TD= 7,968'

Finish R/U on BJ services Attempt to pump through cement retainer. Cement Stinger Plugged. Wait on well to Quit flowing. POH w/cement retainer stinger. Well started flowing on stand #51 @ 4,801'. Shut well in 30 ppm H2s. Build weighted pill bullhead down backside. Finish POH w/cement retainer stinger. Break down retainer stinger, subs & unplug drill pipe. M/U bit, bit sub, & TIH tagged up @ 3,517' Rack back stand of pipe. C/O hydraulic cylinder on top drive due to tag up. M/U stand of drill pipe & attempt to RIH tagged back up @ 3,517' set up to 50K down. POH w/bit. Rig service. R/U Precision Wire Line. RIH with Collar Locator RIH open ended w/ drill pipe only to 3,481' Replace Hydraulic Lines on TDU.

Daily Well Cost: $33,780 Cum Well Cost: $4,891,422

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 5/30/2006 9:55:50 AM
Subject: HPL Harrison 56-38 2 Morning Report 05.30.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC AFE CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

5.30.06

Well Work: Day 104 TD= 7,968'

Continue to pump sulphur water down hole. Rig service. Pump weighted pill & POH to P/U casing alignment tool. Wait on casing alignment tool. Make up casing alignment tool & TIH Filling pipe every 10 stands to 3,532'. Pump drill pipe capacity @ 2 bpm. Set Retainer. Top of Retainer at 3,498'. Bottom of Tool at 3,532'. Held safety mtg. W/BJ services & test lines to 3,000 psi. Sting out of Retainer and test casing to 1,000 psi.(OK). Sting into Retainer with 25K down. Attempt to squeeze interval from 3,508' to 3,526' with 850 sacks "H" with 1.2% FL-62 + 1/10% ASA-301. Stage cement in hole at 3.5 BPM to 1.0 BPM. Initial pressure at 3.5 BPM - 249 PSI. Final PSI at 1 BPM - 73 PSI.

Surface pressure falls to 0 when pumps are shut down. Displace cement with 64 bbls fresh water. SI and Wait on Cement. Attempt to squeeze interval from 3,508' to 3,526' with 250 sacks "H" with 1.2% FL-62 + 1/10% ASA-301. Stage cement in Hole at 2.3 BPM to 1.2 BPM. Initial pressure at 2.3 BPM - 152 PSI. Final PSI at 1.2 BPM - 25 PSI.

Displace Cement with 64 bbls fresh water. Remain stung into cement retainer. Observe surface PSI. Wait on additional cement.

Daily Well Cost: $30,339 Cum Well Cost: $5,311,117

5.29.06

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 5/31/2006 8:10:25 AM
Subject: HPL Harrison 56-38 2 Morning Report 05.31.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC
AFE CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

5.31.06

Well Work: Day 105 TD= 7,968'

Continued to wait on cement. BJ Pumped and Attempt to squeeze interval from 3,508' to 3,526' with 563 sacks "H" with 1.2% FL-62 + 1/10% ASA-301. Stage cement in hole at 2.5 BPM to 1.0 BPM. Initial pressure at 2.5 BPM - 257 PSI. Final PSI at 1 BPM - 25 PSI. Surface pressure falls to 0 when pumps are shut down. Displace cement with 64 bbls fresh water. Waited on Cement. BJ Pumped 10 bbls fresh water spacer, 250 sxs (65 bbls) C+10%A-10+2% Cacl2, at 2 bpm with 290 psi, 85 sxs (20 bbls) C neat with 3% CACL2 at 2 bpm with 97 psi (flash set pressure increased to 750 psi. Dropped Cement, pulled string clear of retainer, and attempts to reverse out failed at 1,500 psi, Attempts to pump down string, failed at 2,500psi. Broke chicksan loose, observed cement set up. POOH looking for wet cement. Laid down Setting Tool. RIH with 36 Stands Drill Pipe. POOH laying down Drill Pipe.

Daily Well Cost: $132,812 Cum Well Cost: $5,443,929

Thank you,

Kari Nazworth

Regulatory Production Analyst

Hallwood Petroleum, LLC

From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 6/2/2006 8:34:15 AM
Subject: HPL Harrison 56-38 2 Morning Report 6.02.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC AFE
CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

6.02.06

Well Work: Day 107 TD= 7,968'

POOH and Stand in Derrick (25 stands Drill Pipe). RIH Picking up 72 joints Drill Pipe to 2,800'. Repair Top Drive (Switch for Link Tilt) Contact Tesco about Cooling Problem. Continued to RIH, picking up DP to 3,200'. POOH and Stand in Derrick (25 stands Drill Pipe). Load Pipe Rack, and Strap. RIH Picking up Drill Pipe to 3,300'. Rigged Down Lay down Machine. Repair Top Drive Sox around Wiring. Install Rotating Head Rubber, and Established Circulation. Tagged Cement Retainer at 3,498', Top Drive System Overheating. Shut Well in and Circulate through Choke 150 ppm H2s at Flowline. Well Open, Circulating, (Waiting on Step Down Transformer for Top Drive Chiller, (Air Conditioning).

Daily Well Cost: $42,936 Cum Well Cost: $5,517,7668

Melissa Clark

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in hole to 7,919' (Tagged up). Drilled Cement 7,919' - 7,941'.

Daily Well Cost: $27,890 Cum Well Cost: $5,573,447

6.03.06

Well Work: Day 108 TD= 7,968'

Circulate well, Wait on Step Down Transformer for Top Drive Chiller (Air Conditioner), Service Rig, Crown, Blocks, and general. Rig Maintenance. Installed Transformer, and Auxiliary Pump Switch in Panel. System checked out. Drilled Retainer 3,498' -3,513'.

Drilled Alignment tool 3,513' - 3,514', Torque Normal, Bit weight 20k, Rotary 70 (No Progress). POOH to check Bit.

Daily Well Cost: $27,890 Cum Well Cost: $5,545,557

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From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 6/5/2006 8:37:50 AM
Subject: HPL Harrison 56-38 2 Morning Report 6.05.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC AFE
CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

6.05.06

Well Work: Day 110 TD= 7,968'

Drilled Cement 7,941' - 7,948'. Circulated Bottoms up. POOH (Confirm Depth 3,362' for obstruction). Picked up Watermelon Mill. RIH with Mill to 3,362', Mill several times through 3,362'. Continued in with mill to 3,540' with some resistance. POOH to surface.

Rigged up Weatherford Wireline, and RIH with Cement Retainer on to 3,362', (Could not work pass). RIH with Collar Locator, (Indication of parted pipe from 3,340' - 3,355'. Rigged down Wireline, Made up Watermelon Mill and RIH to 3,362'. Break Circulation, Tagged 3,360'. (Test Casing to 700 PSI. Fell to 350 PSI in 3 Minutes).Worked Mill from 3,360' - 3,542'.

Daily Well Cost: $48,006 Cum Well Cost: $5,621,453

6.04.06

Well Work: Day 109 TD= 7,968'

Continued to POOH to Surface, (Check Bit). Lubricate and Service Rig. RIH with RR Bit to 3,362' (Tagged Up), Worked section 3,358' - 3,362'. Continued in hole to 3,514'. (Top Alignment Tool). Drilled Alignment tool, and (Hard Cement) to 3,645'. Circulate bottoms up. Close Preventer, and Pressure test to 700 psi. Open Preventer, and Continued

From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 6/6/2006 7:24:51 AM
Subject: HPL Harrison 56-38 2 Morning Report 6.06.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC AFE
CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

6.06.06

Well Work: Day 111 TD= 7,968'

Continued to Work Mill to 3,600'. Circulate and Work String each 1 hour, (waiting on Alignment Tool) General Rig Maintenance.

Daily Well Cost: $27,890 Cum Well Cost: $5,649,343

Melissa Clark

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From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 6/7/2006 9:55:57 AM
Subject: HPL Harrison 56-38 2 Morning Report 6.07.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2 AFE No: 113101

County: Reeves State: Texas AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC AFE CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

6.07.06

Well Work: Day 112 TD= 7,968'

POOH with mill to surface, (Alignment tool at 11:30 hrs). Made check Trip to 3,362' (Observed bit pulled to have excessive damage). Tagged up at 3,362', (Unable to work pass). POOH to surface with Bit. Made up 4" x 8½" Taper Mill and 8 3/4" Watermelon Mill, and RIH to 3,362'. Worked Mill from 3,362' - 3,370'. Continued in hole to 3,600', (tagged up). Worked mill from 3,600' - 3,606'. POOH, (Unable to make forward progress with mills).

Daily Well Cost: $27,890 Cum Well Cost: $5,677,233

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From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 6/8/2006 7:42:58 AM
Subject: HPL Harrison 56-38 2 Morning Report 6.07.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC AFE
CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

6.08.06

Well Work: Day 113 TD= 7,968'

Lubricate and Service Rig. Continued to POOH to surface, and Laid out Mills. Picked up Casing Setting Tool, Casing Alignment Tool. RIH with Casing Alignment Tool, on Drill Pipe, and put on Depth at 3,337', (Did not Tag going into Parted Casing on Bottom)

Circulate 2 Drill Pipe Volumes. Made several attempts, unable to set Retainer at 3,347', (Possible Split in Casing). Pulled up hole to 3,314', (observed 20k overpull), Slacked down 3,380' set down 10K, (Observed alignment tool, and Retainer left in hole). Made up Mill Tooth bit and RIH to 3,334' (Tagged up Retainer). Established Returns, Drill on Retainer from 3,334' - 3,346', (no forward progress). POOH to Surface. Casing Parted 3,340' - 3,355', (15').

Daily Well Cost: $81,767 Cum Well Cost: $5,759,001

Melissa Clark

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From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 6/9/2006 7:35:01 AM
Subject: HPL Harrison 56-38 2 Morning Report 6.09.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC AFE
CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

6.09.06

Well Work: Day 114 TD= 7,968'

Lubricate and Service Rig. Waited on BJ Cement Trucks. RIH Open Ended to 3,346'. Hang Blocks, Slipped and Cut 100' Drill Line. Rigged up BJ Services, (Held Safety Meeting with Crew). BJ Services Pressure Tested Lines to 2500 psi, Pumped 20 bbls fresh water spacer, 100 sxs C neat cement (24 bbls) 14.8 ppg slurry, 1.32 yield, Displaced to balance Plug back to 3,041' with 52 bbls fresh water. Pulled back to 2,947'. Circulated 2 pipe contents. POOH to surface. Make up 8 3/4" Mill Tooth Bit, and RIH to 2,500'. Waited on Cement (General Rig Maintenance). Continued in hole to 3,190' (Tagged up Firm Cement). Drilled Cement and Alignment tool 3,190' - 3,355'.

Daily Well Cost: $28,474 Cum Well Cost: $5,787,475

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and Push Tool down hole 3,885' - 4, 052' (Rotating with 5-15k on Bit).

Daily Well Cost: $29,390 Cum Well Cost: $5,844,755

6.10.06

Well Work: Day 115 TD= 7,968'

Drilling on Alignment tool 3,355' - 3,381', (Toll Moved Down Hole). Continued in Hole and Tagged up Tool at 3,561'. Continued to Drill and Push Tool down hole 3,561' - 3,810' (Rotating with 5-15k on Bit).

Daily Well Cost: $27,890 Cum Well Cost: $5,815,365

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From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 6/12/2006 7:51:08 AM
Subject: HPL Harrison 56-38 2 Morning Report 6.12.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC AFE
CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

6.12.06

Well Work: Day 117 TD= 7,968'

Continued to Drill and Push Tool down hole 4, 052' - 4,077' (Rotating with 5-15k on Bit). POOH to Surface. Lubricate, and Service Rig. Made up RR Bit, and RIH to 3,340', (Tagged up). Could not work Bit in hole pass 3,340'. POOH to Surface, Laid down Bit. Made up Tapered Mill, and Watermelon Mill, and RIH to 3,340' (Tagged up). Could not work Mills pass 3,340'. POOH to surface, laid down Mills. Rigged up Dia-Log Wireline Truck, and RIH with CCL, (Tagged up at 3,340', managed to work tool pass, and continued in hole to 3,500', (CCL showed casing parted at 3,322' - 3,338'). Rigged down Wireline. RIH with open ended Drill Pipe to 3,340'. Work Pipe pass 3,340'. Continued in Hole open ended to 4,077'. Circulate at 4,077'.

Daily Well Cost: $33,305 Cum Well Cost: $5,878,060

6.11.06

Well Work: Day 116 TD= 7,968'

Continued to Drill and Push Tool down hole 3,810' - 3,857' (Rotating with 5-15k on Bit). Lubricate and Service Rig. Readjust Kelly Hose, Tighten Leaking Thread half on Hammer Union. Continued to Drill and Push Tool down hole 3,857' - 3,885' (Rotating with 5-15k on Bit). Replace Step Down 600 Volt Transformer in Tesco Chiller Unit. Continued to Drill

From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 6/13/2006 8:03:48 AM
Subject: HPL Harrison 56-38 2 Morning Report 6.13.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC AFE
CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

6.13.06

Well Work: Day 118 TD= 7,968'

Continued to Circulate at 4,077'. POOH to surface. Made up Tapered Mill and RIH to 3,342' (Tagged up). Made several attempts to enter Parted Casing at 3,342'. POOH to surface. Lubricate and Service Rig. Made up Tapered Mill on Drill Pipe, and RIH to 3,342' (Tagged up). Worked Mill in attempt to pass, (Milled 3,342' - 3,344'). POOH to surface. Made up 8 3/4" Bit #14, and RIH to 3,342' (Tagged up). Worked pass 3,342' and Continued in to 3,378', (Held up). Working and Rotating Bit at 3,378'.

Daily Well Cost: $29,390 Cum Well Cost: $5,907,450

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Phone: (214)393.0236

From: "Melissa Clark" <MelissaClark@HallwoodEnergy.com>
Date: 6/14/2006 8:23:00 AM
Subject: HPL Harrison 56-38 2 Morning Report 6.14.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC AFE
CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

6.14.06

Well Work: Day 119 TD= 7,968'

Continued Working and Rotating Bit at 3,378 - 3,396'. Without resistance, continued in hole to 4,077', (Tagged up). Drilled on Alignment tool, and cement 4,077' - 4,145'.

Daily Well Cost: $29,390 Cum Well Cost: $5,936,840

Melissa Clark

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1,350', and Rigged down. RIH with Stinger to 1,350'. Pressure test lines to 2,000 psi (OK), with Sting into Retainer, Established Injection Rate of 88 psi with 2 bbls/min, Pumped 5 bbls water spacer-90 sxs (21.2 bbls) 14.8 ppg "C" Neat-1.32 yield, Displaced with 23.8 bbls water, squeezed away 21 bbls Cement with 612 psi at 2 bbls/min. Sting out. Circulate and Rig up Lay down equipment, (Held safety meeting) POOH Laying Down Drill Pipe, in 13 stand Increments from Derrick. Rigging Down, Jetting Pits, and Nipple down.

Daily Well Cost: $74,393 Cum Well Cost: $6,067,164

6.16.06

Well Work: Day 121 TD= 7,968'

Continued to Circulate (Waiting on cement trucks) Rigged up BJ , and Held Safety Meeting with Crew. BJ Pressure tested lines to 2,500 psi (OK) Pumped 10 bbl water spacer-60 sxs (14.3 bbls) 14.8 ppg "C" Neat 1.35 yield 6.32 water-displaced to balance plug with 69 bbls water. Plug back to 4,060'. Pulled back to 3,550'. Circulated bottoms up, (Observed a trace of cement in returns) Rigged up BJ Lines, and Test to 2,500 psi (OK) Pumped 6.5 bbls water spacer-50 sxs (11.7 bbls) 14.8 ppg "C" Neat-1.32 yield 6.32 water-displaced to balance plug with 69 bbls water. Plug back to 3,450'. Pulled back to 3,250'. Circulated Bottoms up. POOH to pick up Cement Retainer.

Daily Well Cost: $26,990 Cum Well Cost: $5,992,770

6.15.06

Well Work: Day 120 TD= 7,968'

Drilled on Alignment tool, and cement 4,145' - 4,157'. Lubricate and Service Rig. Pulled Back to 3,500', (Leaving 44 stands in Derrick) Continued to POOH laying Down Drill pipe. Rigged up Lay down machine, (Held Safety Meeting with Crew) Continued to POOH laying down Drill pipe and Drill Collars. Rig down Lay down Machine. RIH with open ended Drill pipe to 4,152' (Had to work string into pipe at 3,342') Circulate (Waiting on cement trucks)

Daily Well Cost: $28,940 Cum Well Cost: $5,965,780

Thank you,

Kari Nazworth

Regulatory Production Analyst

Hallwood Petroleum, LLC

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 6/19/2006 8:30:18 AM
Subject: HPL Harrison 56-38 2 Morning Report 06.18.06

Hallwood Petroleum, LLC

Morning Report

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC
AFE CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

6.18.06

Well Work: Day 123 TD= 7,968'

(Rigging Down) Rig down Hydraulic Lines. (Rigging Down) Jetting Pits, Nipple Down with Monahan's. (Rigging Down) Finish jetting Pits, and Moving Mud Sacks. (Rigging Down) Rigging Down Mud Pumps, and Mud Pits.

Daily Well Cost: $28,232 Cum Well Cost: $6,095,396

6.17.06

Well Work: Day 122 TD= 7,968'

Continued to POOH to Surface. Made up 9,58" 40# casing Cement Retainer and RIH on Drill Pipe to 3,300'. Circulate I pipe content @ 2 bbls/min. Set Cement retainer at 3,300' and Shear off, Rigged up BJ Services, and Held Safety Meeting) Pressure test lines to 2,000 psi (OK), with Stinger in Retainer, Established Injection Rate of 300 psi with 2 bbls/min, Pumped 6.5 bbls water spacer-75 sxs (18 bbls) 14.8 ppg "C" Neat-1.32 yield, Displaced with 58.3 bbls water, squeezed away 18 bbls Cement with 200 psi at 2 bbls/min. Sting out. Circulate at 100 spm, Observed no Cement at Shaker. POOH to surface. Rig up Dialog Wireline, and RIH with Perf Gun to 1,520', and Perforate 1,520' - 1,519' with 4 shots per ft. RIH with Dia-Log on Wireline with Cement Retainer, Set at

From: "Kari Nazworth" <KNazworth@HallwoodEnergy.com>
Date: 6/20/2006 1:13:56 PM
Subject: HPL Harrison 56-38 2 Morning Report 06.20.06

MF
104871

Hallwood Petroleum, LLC

Morning Report

Blk 56 PSL
Section 38

Well Name: Harrison 56-38 2
AFE No: 113101

County: Reeves State: Texas
AFE DHC: $3,704,000

Operator: Hallwood Petroleum, LLC
AFE CWC: $5,561,500

Objective: Drill and complete a Barnett Shale Well.

6.20.06

Well Work: Day 125 TD= 7,968'

(Rigging Down) Rig down Top Drive Power Cables, and Track. (Release Grey Wolf 80 from Harrison 56-38 #2 at 12:00 hrs 6/19/2006.

Daily Well Cost: $31,256 Cum Well Cost: $6,157,908

6.19.06

Well Work: Day 124 TD= 7,968'

(Rigging Down) Continued to rig down Mud Pits, and Back Yard. (Rigging Down) Rig Down Top Drive. (Rigging Down) Lay Down Top Drive, Rig Down Service Loop, and Power Cables.

Daily Well Cost: $31,256 Cum Well Cost: $6,126,652

Thank you,

Kari Nazworth

Regulatory Production Analyst

16.

File No. MF104871

Title Records

Date Filed: 9/19/07

Jerry E. Patterson, Commissioner

By

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

February 1, 2008

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

Re: State Lease MF104871 - **Please refer to this lease number with all correspondence**
Harrison State 56-37-1
614892

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

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

MF104871

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

PROPERTY NO: 614892
EFFECTIVE: FIRST PRODUCTION
PREPARED BY: LINDSEY SMITH/ANITA ROBINSON
DATE PREPARED: 1/28/2008
PRODUCT/ZONE: OIL & GAS

This agreement is made and entered into on January 28, 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: HARRISON STATE 56-37 1 OWNER: **STATE OF TEXAS**

LEGAL DESCRIPTION: SEC 37, BLK 56, PSLS, A-4577 UNIT ACRES: 640.000000

REEVES, TEXAS 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	320.000000	0.22000000	0.11000000	N/A	N/A	N/A	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

17.

File No. MF104871

DIVISION ORDER

Date Filed: 2/1/08

Jerry E. Patterson, Commissioner

By

MF 104871

Matt Thompson
Associate Landman - Permian South

January 21, 2008

VIA OVERNIGHT MAIL
AND FACSIMILE (512) 475-1543

Mr. Robert Hatter
Texas General Land Office
1700 N. Congress Ave.
Suite 935
Austin, Texas 78701-1495

Re: Notification of Operations
Harrison State 56-38 #3ST
Section 38, Block 56, PSL Survey
Reeves County, Texas

Dear Mr. Hatter:

This letter shall serve as Chesapeake Operating, Inc.'s ("Chesapeake") notice prior to operations on the referenced well as required in Paragraph 10 (B) of the Relinquishment Act Lease Form.

It is anticipated that the above referenced well should commence sidetracking operations sometime in the near future. Enclosed you shall find a copy of the survey plat, the Application for Permit to Drill, and the Substandard Acreage Certification all filed with the Texas Railroad Commission by Chesapeake. Additional information will be provided later as it becomes available.

Should you have any questions, please do not hesitate to call me at (405) 879-3141.

Sincerely,

Chesapeake Operating, Inc.

Matt Thompson

Matt Thompson

Enclosures

W:\Permian_South\Thompson\Wells\Harrison State 56-38 #3ST\GLO Notification Harrison State 56-38 #3ST.doc

Chesapeake Energy Corporation
P.O. Box 18496 • Oklahoma City, OK 73154-0496 • 6100 N. Western Avenue • Oklahoma City, OK 73118
405.879.3141 • fax 405.767.4251 • mthompson@chkenergy.com

TOPOGRAPHIC LAND SURVEYORS OF TEXAS

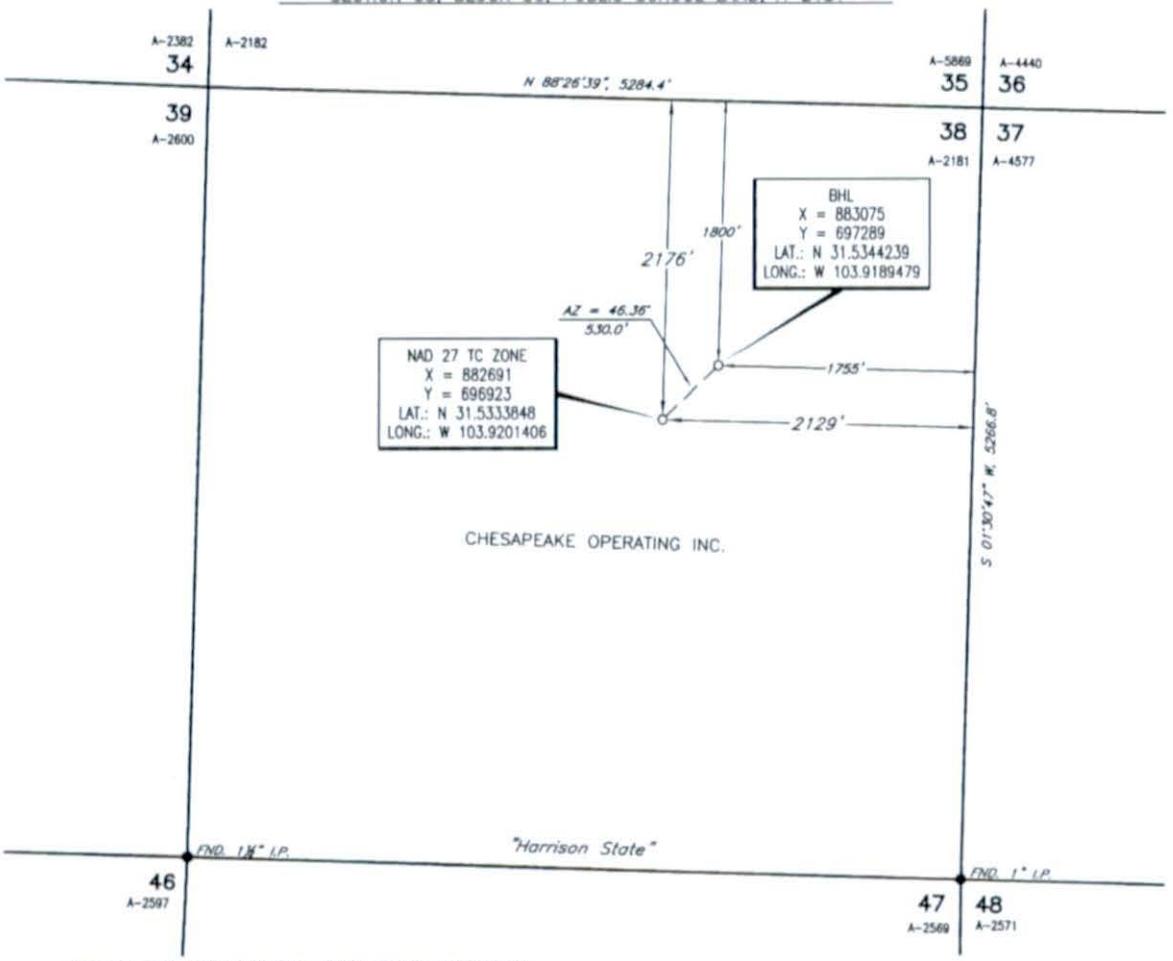
Surveying and Mapping for the Energy Industry

2903 N. BIG SPRING * MIDLAND, TEXAS 79705
TELEPHONES: (432) 682-1653 * (800) 767-1653 * FAX (432) 682-1743

REEVES County, Texas
Description SHL: 2176' FNL & 2129' FEL
BHL: 1800' FNL & 1755' FEL

SECTION 38, BLOCK 56, PUBLIC SCHOOL LAND, A-2181

-N-
NAD 27
GRID BEARINGS



This location has been very carefully staked on the ground according to the best official survey records, maps, and other data available to us. This plat does not in any way represents a "Boundary Survey", and does not comply with correct T.B.P.L.S. Minimum Standards of Procedures for Boundary Surveys.

SCALE: 1" = 1000'
0' 500' 1000'

Date Staked JUNE 16, 2006

Operator CHESAPEAKE OPERATING INC.

Lease Name & Well No. HARRISON STATE 56-38 #3 SDTK

Ground Elev. 3192' Reference Stakes or NONE

Alternate Location

Good Drill Site? YES Stakes Set ±15.8 MILES NORTHWEST OF TOYAH, TEXAS

Topography & Vegetation EXISTING WELL PAD

Best Accessibility to Location FROM EXISTING PAD FOR WELL 56-38 #2

Distance & Direction
from Hwy Jct. or Town FROM JCT. OF NORTH SERVICE ROAD I-20 & F.M. 2119 @ PECOS, GO NORTHWEST 21.3 MILES ON F.M. 2119, THENCE SOUTH 1.0 MILE ON PAVED COUNTY ROAD, THENCE WEST 3.3 MILE ON LEASE ROAD TO EXISTING WELL PAD FOR WELL 56-38 #2.

STATE OF TEXAS
REGISTERED
WILLIAM J. KEATING
5041
PROFESSIONAL
LAND SURVEYOR

Invoice # 130851/629SW
J.W.W.
REVISED: 1/4/08; EUO

CERTIFICATION:

I, William J. Keating, a Registered Professional Land Surveyor, and an authorized agent of Topographic Land Surveyors, do hereby certify that the above described well location was surveyed and staked on the ground as shown herein.

William J. Keating

Texas Reg. No. 5041

API No. 42-389-32425

Application Status # 653553

SWR Exception Case/Docket No.

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

This facsimile W-1 was generated electronically from data submitted to the RRC. A certification of the automated data is available in the RRC's Austin office.

FORM W-1 07/2004

Permit Status: Pending Approval

The RRC has not approved this application. Duplication or distribution of information is at the user's own risk.

1. RRC Operator No.	2. Operator's Name (as shown on form P-5, Organization Report)	3. Operator Address (include street, city, state, zip)
147715	CHESAPEAKE OPERATING, INC.	ATTN CHRISTIAN COMBS PO BOX 18496 OKLAHOMA CITY, OK 73154

4. Lease Name	5. Well No.
HARRISON STATE 56-38	3ST

GENERAL INFORMATION

6. Purpose of filing (mark ALL appropriate boxes): ☐ New Drill ☒ Recompletion ☐ Reclass ☐ Field Transfer ☐ Re-Enter ☐ Amended ☐ Amended as Drilled (BHL) (Also File Form W-1D)

7. Wellbore Profile (mark ALL appropriate boxes): ☐ Vertical ☐ Horizontal (Also File Form W-1H) ☒ Directional (Also File Form W-1D) ☐ Sidetrack

8. Total Depth	9. Do you have the right to develop the minerals under any right-of-way?	10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)?
14000	☒ Yes ☐ No	☐ Yes ☒ No

SURFACE LOCATION AND ACREAGE INFORMATION

11. RRC District No.	12. County	13. Surface Location
08	REEVES	☒ Land ☐ Bay/Estuary ☐ Inland Waterway ☐ Offshore

14. This well is to be located 15.8 miles in a NW direction from toyah which is the nearest town in the county of the well site.

15. Section	16. Block	17. Survey	18. Abstract No.	19. Distance to nearest lease line	20. Number of contiguous acres in lease, pooled unit, or unitized tract
38	56	PSL	A-	1755 ft.	640

21. Lease Perpendiculars: 2129 ft from the E line and 2176 ft from the N line

22. Survey Perpendiculars: 2129 ft from the E line and 2176 ft from the N line

23. Is this a pooled unit?	24. Unitization Docket No.	25. Are you applying for Substandard Acreage Field?
☐ Yes ☒ No		☒ Yes (attach Form W-1A) ☐ No

FIELD INFORMATION List all fields of anticipated completion including Wildcat. List one zone per line.

26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)	29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Reservoir	32. Number of Wells on this lease in this Reservoir
08	90890700	TOYAH, NW (SHALE)	Gas Well	11978	0.00	1

BOTTOMHOLE LOCATION INFORMATION is required for DIRECTIONAL, HORIZONTAL, AND AMENDED AS DRILLED PERMIT APPLICATIONS (see W-1D attachment)

Remarks

[FILER Jan 19, 2008 9:14 AM]: Sidetrack

Certificate:

I certify that information stated in this application is true and complete, to the best of my knowledge.

Bill Spencer — Name of filer

Jan 19, 2008 — Date submitted

(512)9181062 — Phone

bgsaustin@sbcglobal.net — E-mail Address (OPTIONAL)

RRC Use Only Data Validation Time Stamp: Jan 19, 2008 9:15 AM(Current Version)

10-22-1

Permit Status: Pending Approval

The RRC has not approved this application. Duplication or distribution of information is at the user's own risk.

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

This facsimile W-1 was generated electronically from data submitted to the RRC. A certification of the automated data is available in the RRC's Austin office.

Form W-1D 07/2004

Supplemental Directional Well Information

Status # 653553

Approved Date:

1. RRC Operator No.	2. Operator's Name (exactly as shown on form P-5, Organization Report)	3. Lease Name	4. Well No.
147715	CHESAPEAKE OPERATING, INC.	HARRISON STATE 56-38	3ST

Lateral Drainhole Location Information

5. Field as shown on Form W-1: TOYAH, NW (SHALE) (Field # 90890700, RRC District 08)

6. Section	7. Block	8. Survey	9. Abstract	10. County of BHL
38	56	PSL		REEVES

11. Botton hole Lease Line Perpendiculars

1755 ft. from the E line, and 1800 ft. from the N line

12. Bottom hole Survey Line Perpendiculars #

1755 ft. from the E line, and 1800 ft. from the N line

30-22-1

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division
PO Box 12967
Austin, Texas 78711-2967

www.rrc.state.tx.us

SUBSTANDARD ACREAGE CERTIFICATION

This facsimile W-1A was originally filed electronically. A certification of the automated data is available in the RRC's Austin office.

W-1A

Rev. 05/2001

1. Operator Name	2. Operator P-5 Number	3. RRC District Number
CHESAPEAKE OPERATING, INC.	147715	08
4. Lease, Pooled Unit or Unitized Tract Name	**5. Lease/ ID Number *(if assigned)***	**6. Purpose of Filing**
HARRISON STATE 56-38	N/A	☐ Only Well
7. Total Acres in Lease, Pooled Unit or Unitized Tract	**8. Well Number**	☐ Surplus Acreage
640	3ST	☐ Other
9. County	**10. API Number**	Docket #_____
REEVES	42-389-32425	

11. Field Name	Field Number	Dist.	RRC use only: Disc Date	Rules Eff. Date	Rules Amd. Date
Field 1: TOYAH, NW (SHALE)	90890700	08	04/29/2006 (G)	10/10/2006 (G)	
Field 2					
Field 3					

CERTIFICATION FOR AN OPERATOR SEEKING A PERMIT ON A LEASE, POOLED UNIT OR UNITIZED TRACT WHICH CONTAINS SUBSTANDARD ACREAGE AS DEFINED BY EITHER STATEWIDE RULE 38 OR BY SPECIAL FIELD RULES.

A. This lease, pooled unit or unitized tract was established as a separate tract in its present size and shape on (Field 1) 04/27/2005 and has remained as such since that date.

B. The ownership in this lease, unitized tract or the drill site tract of a pooled unit has not:

I) been the same as or common to the ownership of any adjoining tract at any time after the date set forth in paragraph A.; and,

II) been unitized or pooled with any adjoining tract and accepted as a single tract for any Commission approved development or allowable purpose.

CERTIFICATION:

I declare under penalties prescribed pursuant to the Sec. 91.143, Texas Natural Resources Code, that I am authorized to make the foregoing statements and that the information provided by me or under my direction on this Substandard Acreage Certification is true, correct, and complete to the best of my knowledge.

Bill Spencer	Jan 19, 2008	(512)9181062
Filer Name and Title	Date of Certification	Business Phone

INSTRUCTIONS -- Reference: Statewide Rules 37(g) and 38(g)

1. File this form as an attachment to the Form W-1 when the subject acreage is substandard for a permit to drill, deepen, plugback, or reenter in any or all applied for fields if the property took its present size and shape prior to the attachment of applicable Commission density regulations. If the described property took its present size and shape subsequent to the adoption of those regulations, a SWR 38 exception may be required.
2. Provide the date the lease or unitized tract was formed in paragraph A above.

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER ON A REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

PERMIT NUMBER	DATE PERMIT ISSUED OR AMENDED	DISTRICT
653553	Jan 31, 2008	* 08
API NUMBER	**FORM W-1 RECEIVED**	**COUNTY**
42-389-32425	Jan 19, 2008	REEVES
TYPE OF OPERATION	**WELLBORE PROFILE(S)**	**ACRES**
RECOMPLETION	Directional	640

OPERATOR 147715

CHESAPEAKE OPERATING, INC.

ATTN CHRISTIAN COMBS
PO BOX 18496
OKLAHOMA CITY, OK 73154

NOTICE
This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored.
District Office Telephone No:
(432) 684-5581

LEASE NAME	WELL NUMBER
HARRISON STATE 56-38	3ST
LOCATION	**TOTAL DEPTH**
15.8 miles NW direction from TOYAH	14000

Section, Block and/or Survey

SECTION 38 BLOCK 56 ABSTRACT 2181

SURVEY PSL/GREENING, R W

DISTANCE TO SURVEY LINES	DISTANCE TO NEAREST LEASE LINE
2129 ft. E 2176 ft. N	1755 ft.
DISTANCE TO LEASE LINES	**DISTANCE TO NEAREST WELL ON LEASE**
2129 ft. E 2176 ft. N	See FIELD(s) Below

FIELD(s) and LIMITATIONS:

* SEE FIELD DISTRICT FOR REPORTING PURPOSES *
** THIS PERMIT IS GRANTED PURSUANT TO STATEWIDE RULE **
CASE NO. <n/a>

FIELD NAME / LEASE NAME	ACRES / NEAREST LEASE	DEPTH	WELL # / NEAREST WE	DIST
** TOYAH, NW (SHALE)	640.00	11,978	3ST	08
HARRISON STATE 56-38	1755		0	

WELLBORE PROFILE(s) FOR FIELD: Directional

RESTRICTIONS: Bottom Hole: BH1
Lease Lines: 1755.0 F E L
1800.0 F N L
Survey Lines: 1755.0 F E L
1800.0 F N L

'**' PRECEDING FIELD NAME INDICATES RULE (R)

THE FOLLOWING RESTRICTIONS APPLY TO ALL FIELDS

This well shall be completed and produced in compliance with applicable special field or statewide spacing and density rules. If this well is to be used for brine mining, underground storage of liquid hydrocarbons in salt formations, or underground storage of gas in salt formations, a permit for that specific purpose must be obtained from Environmental Services prior to construction, including drilling, of the well in accordance with Statewide Rules 81, 95, and 97.

Data Validation Time Stamp: Jan 31, 2008 8:01 AM(Current Version)

18.

File No. MF104871

Well Reports

Date Filed: 3/31/08

Jerry E. Patterson, Commissioner

By

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

October 3, 2008

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

Re: State Lease MF104871 - **Please refer to this lease number with all correspondence**
Harrison State 56-38 3 ST
730983

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

Beverly Boyd, Lease Analyst
Mineral Leasing Division

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:	730983
EFFECTIVE:	6/29/2008
PREPARED BY:	LINDSEY SMITH/ANITA ROBINSON
DATE PREPARED:	9/30/2008
PRODUCT/ZONE:	OIL & GAS

This agreement is made and entered into on September 30, 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:	HARRISON STATE 56-38 3 ST	OWNER:	STATE OF TEXAS		
LEGAL DESCRIPTION:	HEC SEC 38, BLK 56, PSL, A-2181	UNIT ACRES:	640.000000		
	REEVES, TEXAS	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	0.11000000	0.11000000	N/A	N/A	N/A	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

19.

File No. MF 104871

DIVISION ORDER

Date Filed: 10/3/08

Jerry E. Patterson, Commissioner

By

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

October 10, 2008

Rebecca Young
Chesapeake Energy Corp
PO Box 18496.
Oklahoma City, OK 73154

RE: GLO Assignment ID # 6584

Dear Ms. Young,

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

> Partial Assignment of Oil and Gas Leases Without Warranty, executed November 9th, 2007, from Chesapeake Exploration LP, as Assignor, to Chesapeake Investments, as Assignee. Reeves Co. Vol. 779, P. 769.

Filing fees of $2,400.00 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

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Exhibit "A"

GLO ID	*County*	*Lease*
6584	*Reeves*	MF104871

FILE #4961

104871

PARTIAL ASSIGNMENT OF OIL AND GAS LEASE
WITHOUT WARRANTY

STATE OF TEXAS)
) §
COUNTY OF REEVES)

KNOW ALL MEN BY THESE PRESENTS: L0153719

For and in consideration of Ten Dollars and no/100 ($10.00) and Other Valuable Consideration, the receipt and sufficiency of which are hereby acknowledged, **Chesapeake Exploration, L.L.C.,** an Oklahoma limited liability company, whose mailing address is P.O. Box 18496, Oklahoma City, Oklahoma 73154-0496, hereinafter referred to as "Assignor", does hereby grant, bargain, sell, convey, assign and deliver unto the following party, hereinafter referred to as "Assignee", an undivided portion of Assignor's interest in and to the oil and gas lease insofar, and only insofar as it is described in Exhibit "A" attached hereto ("the Lease"), in an amount sufficient to vest Assignee with the working interest set forth below in the **Harrison State 56-37 1** ("the Well") and the lands comprising All of Section 37, Block 56, PSL Survey, Reeves County, Texas containing 640.00 unit acres ("the Unit"), including all oil and gas produced therefrom and all downhole and surface equipment associated therewith:

Assignees	**Working Interest**
Chesapeake Investments, an Oklahoma limited partnership P. O. Box 18496 Oklahoma City, OK 73154-0496	2.5000%

PROVIDED HOWEVER, if Assignor's ownership in the Lease is not uniform as to all depths, zones or formations ***and*** the foregoing partial assignment would cause Assignor's remaining working interest in any depths, zones or formations covered by the Lease (determined after consideration of any carried or reversionary interest) to be less than twelve and one half percent (12.5%) on an eight-eighths basis, then the interest assigned hereunder to Assignee as to such depths, zones or formations shall not be the full two and one half percent (2.5%) working interest in the Well and Unit as stated above, but instead shall be limited to two and one half percent (2.5%) ***of Assignor's working interest*** as of the date of spud of the Well with respect to such depths, zones or formations.

The interests assigned hereunder shall derive proportionately from all working interest owned or claimed by Assignor in the Lease, or any other source of ownership in the Unit, contractual or otherwise, as of the effective date of this assignment, including any interests acquired via farmout, non-consent elections, force poolings, etc. To the extent any portion of Assignor's title or ownership interest is reduced after payout or after the assessment of non-consent penalties, or is limited to the wellbore of the Well, Assignee's title or ownership conveyed hereunder shall be proportionately reduced thereby in the same manner as Assignor's title.

Assignor delivers to Assignee the above-described interest at the same net revenue interest owned by Assignor, proportionately reduced to the interest assigned. The interest assigned shall bear a proportionate share of all delay rentals, royalties and other obligations burdening the Lease and shall bear a proportionate share of all costs associated with the drilling, completing, operating and/or plugging and abandonment of any well hereafter drilled on the Lease or lands pooled or unitized therewith.

This assignment is made subject to all the terms and the express and implied covenants and conditions of the Lease and any intervening assignments and agreements affecting same, which terms, covenants and conditions the Assignees hereby assume and agree to perform with respect to the interest assigned. The terms, covenants and

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

conditions of said lease, assignments and agreements shall be binding upon Assignee, not only in favor of the lessor(s) and any prior assignors and their respective successors and assigns, but also in favor of the Assignor herein and its successors and assigns.

This assignment is made and accepted without any representation or warranty of title of any kind, either express or implied. In the event that title to all or any portion of the interest assigned should fail, then and in such event, the percentages of the interest assigned herein shall be reduced in the proportion to which the failed portion of the interest bears to the entire interest.

In witness whereof, this instrument is dated the 7th day of November, 2007, but effective as of the date of spud, April 20, 2007, of the Harrison State 56-37 1 Well.

CHESAPEAKE EXPLORATION, L.L.C.
an Oklahoma limited liability company

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

STATE OF OKLAHOMA)
) §
COUNTY OF OKLAHOMA)

This instrument was acknowledged before me on this 9th day of November, 2007, by Henry J. Hood, as Senior Vice President - Land and Legal & General Counsel of Chesapeake Exploration, L.L.C., on behalf of said liability company.

Anne Rawlins
Notary Public

My Commission Expires:
09/28/2011

ANNE RAWLINS NOTARY # 07009181 EXP. 09/28/11 PUBLIC STATE OF OKLAHOMA

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

EXHIBIT "A"

Attached to and made a part of that certain Partial Assignment of Oil and Gas Lease dated November 7, 2007, effective April 20, 2007, by and between **Chesapeake Exploration, L.L.C.**, as Assignor, to **Chesapeake Investments**, as Assignee, covering lands located in Reeves County, Texas.

TX3230224-000

Lessor: State of Texas – Harrison Trust, Roddy L. Harrison, Trustee
Lessee: Woods Petroleum Land Management, Inc.
Lease Date: 04/27/2005
Recorded: Book 699, Page 29
Legal Desc.: Insofar and only insofar as it covers the following:
Block 56, PSL Survey, Reeves County, Texas
Section 37: All

Agreements Affecting the Leases:

1. That certain Purchase and Sale Agreement dated June 2, 2006 by and between Chesapeake Exploration Limited Partnership, Hallwood Energy, L.P., and Hallwood Petroleum, L.L.C.

2. That certain Joint Operating Agreement dated April 1, 2006 by and between Chesapeake Exploration Limited Partnership and Hallwood Energy, L.P.

Record & Return to:
Chesapeake Operating, Inc.
P.O. Box 18496
Oklahoma City, OK 73154

END OF EXHIBIT "A"

W:\Permian_South\Operated Wells\Harrison State 56-37 1 (614892)\CI ASSIGNMENT 20071107.doc

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# 4961

FILED FOR RECORD ON THE 5TH DAY OF DECEMBER A.D. 2007 4:47 P. M.

DULY RECORDED ON THE 6TH DAY OF DECEMBER A.D. 2007 8:30 A. M.

BY: Jorie Stone DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

File No. MF104871

20.

Assignment

Date Filed: 10/10/08

Jerry E. Patterson, Commissioner

By

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. 779 PAGE 769 THRU 771 OFFICIAL RECORDS PUBLIC

I hereby certified on 08/20/2008

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY DEPUTY

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

February 3, 2009

Cindy Mercer
Pinnacle Land Services, Inc.
PO Box 991.
Pleasanton, TX 78064

RE: GLO Assignment ID # 6711

Dear Ms. Mercer,

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

> Correction of Oil & Gas Lease Assignment, executed December 5th, 2005, from Woods Petroleum Land Management, Inc., as Assignor, to Hallwood Energy II, LP, as Assignee. Reeves Co. Vol. 719, P. 155. MF104871.

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

Exhibit "A"

GLO ID	*County*	*Lease*
6710	*Reeves*	MF105495

104871

FILE #5657

CORRECTION OF OIL AND GAS LEASE ASSIGNMENT

THE STATE OF TEXAS §
§
COUNTY OF REEVES §

ASSIGNOR: WOODS PETROLEUM LAND MANAGEMENT, INC.

ASSIGNEE: HALLWOOD ENERGY II, L.P.

EFFECTIVE DATE: APRIL 27, 2005

Assignor, named above, executed and delivered an Assignment of a Leasehold Interest (the "Assignment") to Assignee, named above, dated July 29,2005, recorded in Volume 707, page 231 of the Official Public Records of the county and state named above. In that Assignment Assignee was assigned all the interest in the following leases and lands located in the state and county named above (the "Leases and Lands"):

> Sections 9, 10, 14, 15, 22, 23, 24, 25 and 26, W2 of Section 31, W2 of Sections 35, 36, 37, 38, and 42, Block 56, PSL; Sections 19, 21, 22, 28, 29, and 31, Block 57, PSL

Since the date of the Assignment, it has been discovered that the Assignor's name and acknowledgement were improper in the Assignment. It is the purpose of this instrument and the intention of Assignor and Assignee to correct the discrepancies of the Oil and Gas Leases in the Assignment.

For adequate consideration, Assignor and Assignee correct the description of the Assignor and their acknowledgement set out in the Assignment by replacing the incorrect description with the correct ones.

For the same consideration, Assignor ratifies and confirms the Assignment as to all of its provisions as corrected by this instrument.

This Correction Assignment is executed by Assignor as of the date of the acknowledgment of the signature below, but is effective as of the Effective Date stated above.

WOODS PETROLEUM LAND MANAGEMENT, INC.

By: _____
John R. Dorr Jr., President

THE STATE OF TEXAS §
§
COUNTY OF MIDLAND §

This instrument was acknowledged before me on this 14 day of December, 2005 by **JOHN R. DORR JR., PRESIDENT OF WOODS PETROLEUM LAND MANAGEMENT, INC.,** a Texas corporation, on behalf of said corporation

MASHALA K. CROSS
Notary Public, State of Texas
My Commission Expires
7-16-2008

Mashala K. Cross
Notary Public in and for Texas

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 NO. 5657
FILED FOR RECORD ON THE 15TH DAY OF DECEMBER A.D. 2005 2:27 P. M.
DULY RECORDED ON THE 19TH DAY OF DECEMBER A.D. 2005 4:00 P. M.
BY: Estella Carrasco, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

50.00

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 719, PAGE 155 THRU XXXX OFFICIAL PUBLIC RECORDS

I hereby certified on 01/13/2009

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY: Dalia Galindo DEPUTY
DALIA GALINDO

MF 104871

ASSIGNMENT OF OIL AND GAS LEASE

State: Texas
County: Reeves
Assignor: Woods Petroleum Land Management
Assignee: Hallwood Energy II, L.P.
Effective Date: 4-27-05

On April 27, 2005, Harrison Trust, Roddy L. Harrison, Trustee, as Lessor, executed and delivered to Assignor, named above, as Lessee, an Oil and Gas Lease (the "Lease") recorded in Volume 699, page 29, of the Official Public Records of the county and state named above. The Lease is on the following lands in that county:

Sections 9,10,14,15,22,23,24,25,26, W2 of 31, W2 of 35,36,37,38,& 42 Block 56 PSL; Sections 19,21,22,28,29, & 31 Block 57 PSL

For adequate consideration, Assignor sells, conveys, and assigns to Assignee, named above, all of Assignor's rights, title and interests in the Lease, without warranty of title, express or implied.

This Assignment is made and accepted without warranty of title, express or implied. It is executed by Assignor as of the date of acknowledgment of Assignor's signature below, but is effective for all purposes as of the Effective Date stated above.

Assignor

This Affidavit has been executed on July 28, 2005.

Printed name: John Robert Doar Jr

STATE OF TEXAS §

COUNTY OF Midland §

This instrument was acknowledged before me on this 28th day of July, 2005 by John Robert Doar, JR.

Notary Public

My commission expires:

EDWARD C. WALLACE
Notary Public, State of Texas
My Commission Expires
March 16, 2006

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 NO. 3210

FILED FOR RECORD ON THE 29TH DAY OF JULY A.D. 2005 3:10 P M.

DULY RECORDED ON THE 2ND DAY OF AUGUST A.D. 2005 9:00 A M.

BY: _____, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

60-22-1

MF104871

assignment

Jerry E. Patterson, Commissioner

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. 707, PAGE 231, THRU XXXXX OFFICIAL PUBLIC RECORDS

I hereby certified on 01/13/2009

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Dalia Galindo DEPUTY

DALIA GALINDO

TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

February 3, 2009

Cindy Mercer
Pinnacle Land Services, Inc.
PO Box 991.
Pleasanton, TX 78064

RE: GLO Assignment ID # 6712

Dear Ms. Mercer,

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, Bill of Sale and Conveyance, executed July 21st, 2006, from Hallwood Energy, LP, as Assignor, to Chesapeake Exploration, LP, as Assignee. Reeves Co. Vol. 739, P. 756, MF104871.

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

Exhibit "A"

GLO ID	*County*	*Lease*
6712	*Reeves*	MF104871

MF104871

FILE # 3992

ASSIGNMENT, BILL OF SALE AND CONVEYANCE

L0093528

THIS ASSIGNMENT, BILL OF SALE AND CONVEYANCE (the "Assignment") dated July 19, 2006 and effective as of the Applicable Effective Date (as hereinafter defined), is from HALLWOOD ENERGY, LP, a Delaware limited partnership ("Assignor"), with offices at 3710 Rawlins, Suite 1500, Dallas, Texas 75219, to CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP, an Oklahoma limited partnership, with offices at 6100 North Western Avenue, Oklahoma City, OK 73118 ("Assignee"), upon and subject to the following conditions:

WITNESSETH:

1. Certain Definitions. For purposes of this Assignment, except as otherwise expressly provided or unless the context otherwise requires, the terms defined in this Paragraph 1 have the meanings herein assigned to them and the capitalized terms defined in the opening paragraph of this Assignment and subsequent paragraphs by inclusion in quotation marks and parentheses have the meanings so ascribed to them. Capitalized terms used herein that are not defined shall have the meanings given to them in the Purchase Agreement.

"100% Interest Properties" means an undivided one hundred percent (100%) interest in and to the Fort Worth Basin Properties.

"60% Interest Properties" means an undivided sixty percent (60%) interest in and to the Delaware Basin Properties.

"Additional Interests" means an undivided ten percent (10%) interest in and to (a) the Buckley Leases (as hereinafter defined) and (b) the Mattie Wells (as hereinafter defined), together with a corresponding interest in and to all properties, rights and interests incident to the Buckley Leases and the Mattie Wells. As used herein, the **"Buckley Leases"** collectively means (i) that certain Oil and Gas Lease dated April 29, 2006 between Frank Norman Buckley and Nina Lynn Buckley, as lessor, and Legend Operating Company, LLC, as lessee, a memorandum of which was recorded in Book 2358, Page 1065 of the Official Public Records of Parker County, Texas, covering 178.609 acres, more or less, out of the J. M. Richards Survey, A-2419 and the M. Hunter Survey, A-1759, Parker County, Texas; and (ii) that certain Oil and Gas Lease dated April 26, 2006 between Frank Norman Buckley and Nina Lynn Buckley, as lessor, and Legend Operating Company, LLC, as lessee, a memorandum of which was recorded in Book 2358, Page 1057 of the Official Public Records of Parker County, Texas, covering 151.94 acres, more or less, out of the J. M. Richards Survey, A-2419, the M. C. Hedrick Survey, A-2677, and the M. C. Hedrick Survey, A-2823, Parker County, Texas; and the **"Mattie Wells"** collectively means the Mattie #1H well and the Mattie #2H well, both of which are more particularly described in Exhibit B hereto.

"Applicable Effective Date" means (i) with respect to the Assets, April 1, 2006 (the "Assets Effective Date"); and (ii) with respect to the Additional Interests, May __, 2006.

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STATE OF TEXAS * REEVES COUNTY *

60.22.1

"Appurtenant Rights," with respect to the Properties, means a corresponding interest in and to all properties, rights and interests incident to the Properties, including without limitation the following properties, rights and interests: (i) all presently existing and valid unitization and pooling declarations and/or communitization, agreements, and/or orders and the properties covered in the units created thereby (including all units formed under orders, regulations, rules or other official acts of any Governmental Entity having jurisdiction) that relate to or affect the Properties; (ii) all Oil and Gas Contracts and Sales Agreements; (iii) all of the real, personal and mixed property located or held for use on the Properties, including without limitation all oil and gas wells, injection wells, disposal wells, well equipment, casing, tanks, crude oil, condensate or products in storage or in pipelines, boilers, separators, buildings, tubing, pumps, motors, fixtures, machinery and other equipment, pipe, pipelines, gathering systems, power lines, telephone and telegraph lines, roads, all processing, refining and treatment plants and facilities, compression equipment, plants and all other improvements movable or immovable, used or obtained in their operations; (iv) all Hydrocarbons in, on, under or produced from the Properties from and after the Assets Effective Date; (v) all easements, permits, licenses, servitudes, rights of way and all other rights and appurtenances situated on or used in connection with the Properties or any interests pooled or unitized therewith; (vi) all rights and benefits arising from or in connection with any gas production, pipeline, storage, processing or other imbalance attributable to Hydrocarbons produced from the Properties as of the Assets Effective Date; (vii) all claims, rights and causes of action including, without limitation, causes of action for breach of warranty, against third Persons, asserted and unasserted, known and unknown, but only to the extent such claims, rights and causes of action affect the value of the Properties after the Assets Effective Date, and where necessary to give effect to the assignment of such rights, claims and causes of action, Assignor grants to Assignee the right to be subrogated to such rights, claims and causes of action; and (viii) all geographical and geophysical maps, records, land records, division orders, production files and any other records or files that relate to the Properties, as applicable, but specifically excluding therefrom all seismic data licensed to Assignor and Assignor's financial and accounting records that do not directly and solely relate to the Properties.

"Assets" means (a) the 100% Interest Properties; (b) the 60% Interest Properties; and (c) the Appurtenant Rights with respect to the 100% Interest Properties and the 60% Interest Properties, but specifically excluding from the term "Assets" the Additional Interests.

"**Delaware Basin Area**" means Culberson and Reeves Counties, Texas.

"Delaware Basin Properties" means all of the Leases, Existing Wells, and oil, gas and other mineral properties, rights, titles, interests and estates owned or claimed by Assignor in the Delaware Basin Area on and as of July 19, 2006, including, but not limited to, those leasehold, fee, mineral, royalty and overriding royalty interests, payments out of production and other rights, including contractual rights to production, and contractual rights providing for the acquisition or earning of any such interests, that are more particularly described in Exhibit A-1 hereto.

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

60.22.1

"Existing Wells" means the wells listed in Exhibit B hereto.

"**Fort Worth Basin Area**" means Hood, Parker and Tarrant Counties, Texas.

"Fort Worth Basin Properties" means all of the Leases, Existing Wells, and oil, gas and other mineral properties, rights, titles, interests and estates owned or claimed by Assignor in the Fort Worth Basin Area on and as of July 19, 2006, including, but not limited to, those leasehold, fee, mineral, royalty and overriding royalty interests, payments out of production and other rights, including contractual rights to production, and contractual rights providing for the acquisition or earning of any such interests, that are more particularly described in Exhibit A-2 hereto, but specifically excluding from the term "Fort Worth Basin Properties" the Additional Interests.

"Leases" means those oil, gas and mineral leases, oil and gas leases, oil leases, gas leases, other mineral leases, subleases, assignments of operating rights and similar agreements that are more particularly described in Exhibit A-1 (with respect to the Delaware Basin Area) and Exhibit A-2 (with respect to the Fort Worth Basin Area).

"Properties," collectively means (a) the 100% Interest Properties; and (b) the 60% Interest Properties.

"**Purchase Agreement**" means that certain Purchase and Sale Agreement dated as of June 2, 2006 among Assignor, Assignee and Hallwood Petroleum, LLC, as the same may be extended, amended or otherwise modified from time to time.

2. Assignment. For Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, effective as of the Applicable Effective Date, Assignor hereby transfers, grants, conveys, and assigns all of Assignor's right, title, and interest in and to the Assets and the Additional Interests to Assignee.

3. Substitution and Subrogation. This Assignment is made with full substitution and subrogation of Assignee, its successors and assigns in and to all covenants and warranties heretofore given or made in respect of any of the Assets, and Assignor hereby assigns and conveys to Assignee all such covenants and warranties and all of Assignor's rights thereunder that correspond to the Assets.

4. No Warranties. Subject to Paragraph 7 below, this Assignment is made without covenant or warranty or recourse of any kind whatsoever, whether express or implied. To the extent that this Assignment constitutes an assignment of personal property or fixtures, Assignor expressly disclaims and negates (a) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY; (b) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE; and (c) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS.

5. Further Assurances. Assignor agrees to execute such further assurances as may be necessary or requisite for the full and complete enjoyment of all interests herein conveyed.

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

STATE OF TEXAS • A.J.M.C. • REEVES CO.

60.22.1

6. Successors and Assigns. This Assignment shall bind and inure to the benefit of Assignor and Assignees and their respective successors and assigns.

7. Purchase Agreement. Representations, warranties, covenants, conditions and other terms of the Purchase Agreement apply equally to this Assignment.

8. Oil and Gas Contract Matters.

(a) Assignee hereby assumes any and all costs, expenses, liabilities, claims, obligations and duties of Assignor arising out of, in connection with, or resulting directly or indirectly under the Leases and the other contracts and agreements being assigned pursuant to this Assignment (the "Oil and Gas Contracts"), including but not limited to those Oil and Gas Contracts more particularly described in Exhibits A-1, A-2 and A-3 hereto, that correspond to the interests being conveyed pursuant to this Assignment and are attributable to the period from and after the Applicable Effective Date.

(b) This Assignment is expressly made subject to and specifically incorporates all provisions of the Oil and Gas Contracts, including any provision that requires the consent of a lessor under a Lease in order for any assignment of such Lease to be made.

TO HAVE AND TO HOLD the Assets unto Assignee, its successors and assigns forever.

IN WITNESS WHEREOF, this Assignment is executed as of the date first written above.

ASSIGNOR:

HALLWOOD ENERGY, L.P.

By: Hallwood Energy Management, LLC,
its general partner

By: Jaymie R. Munchinski
Jaymie R. Munchinski
Authorized Signatory

STATE OF TEXAS §
§
COUNTY OF DALLAS §

This instrument was acknowledged before me on this 21st day of July, 2006, by Jaymie R. Munchinski, Authorized Signatory of Hallwood Energy Management, LLC, the general partner of Hallwood Energy, L.P., a Delaware limited partnership, on behalf of said limited partnership.

KATRISSA L. CHAPPELL
Notary Public, State of Texas
My Commission Expires
January 13, 2010

Katrina L. Chappell
Notary Public

DALLAS1 1097010v5 68486-00002

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

6.2.1

EXHIBIT A-1
(DELAWARE BASIN AREA LEASES)

LEASE #	LESSOR	COUNTY	LEASE DATE	RECORDING BK/PG
R100-1	Donita Griffin Hunter	REEVES	10/15/2004	687/464
R100-2	Ronald G. Griffin	REEVES	10/15/2004	687/460
R100-3	Rex C. Griffin, Jr.	REEVES	10/15/2004	687/468
R100-4	James O. Griffin, Jr.	REEVES	10/15/2004	687/456
R101-1	Carol Hall Majzlin	REEVES	10/25/2004	694/791
R101-2	Jocelyn McAlpine Greeman	REEVES	10/25/2004	699/340
R101-3	Clifford Robertson, III	REEVES	10/25/2004	694/587
R102-1	Joseph S. Billeiter	REEVES	12/10/2004	696/537
R102-2	Dorothy Jean Hill	REEVES	12/10/2004	696/561
R102-3	Betty B. Armstrong	REEVES	12/10/2004	696/557
R102-4	David H. Mitchell, Jr.	REEVES	12/10/2004	696/553
R102-5	Bessie V. Hays	REEVES	12/10/2004	696/549
R102-6	Lisa Ann Hughes	REEVES	12/10/2004	696/545
R102-7	Peter Craig Billeiter	REEVES	12/10/2004	696/569
R102-8	David J. Billeiter	REEVES	12/10/2004	696/541
R102-9	Diana J. McCabe	REEVES	12/10/2004	696/565
R103-1	Walter Greeman, etux	REEVES	6/9/2005	703/570
R103-2	The Salvation Army	REEVES	3/18/2005	702/272
R104-1	Clifford P. Robertson	REEVES	10/25/2004	696/212
R104-2	State of Texas	REEVES	10/25/2004	696/212
R105-1	Jocelyn McAlpine Greeman, et al	REEVES	10/25/2004	694/556
R105-2	State of Texas	REEVES	10/25/2004	694/556
R106-1	Jocelyn McAlpine Greeman, et al	REEVES	10/25/2004	694/570
R106-2	State of Texas	REEVES	10/25/2004	694/570
R107	Clifford Robertson, III	REEVES	11/1/2004	694/591
R108-1	Charles W. Benson	REEVES	1/5/2005	697/38
R108-2	David Shelton	REEVES	1/5/2005	697/48
R108-3	State of Texas	REEVES	1/5/2005	697/38&48
R109-1	Eugenia Benson	REEVES	1/5/2005	697/58
R109-2	Mary Ann Shelton	REEVES	1/5/2005	697/68
R109-3	State of Texas	REEVES	1/5/2005	697/58&68
R110	A R Eppenauer Trusts 1& 2 and Rachel Eppenauer Trusts A & B	REEVES	3/10/2005	696/534
R112-1	A. R. Eppenauer, III	REEVES	3/28/2005	699/58
R112-2	Edwin H. Eppenauer	REEVES	3/28/2005	699/58
R111-1	Harrison Trust	REEVES	4/27/2005	699/29
R111-2	State of Texas	REEVES	4/27/2005	699/29
R113	George Brackenridge Foundation	REEVES	11/7/2005	717/130
R113-1	State of Texas	REEVES	11/7/2005	717/130
R114	Michael D. Leonard Trustee	REEVES	9/30/2005	718/498
R114-1	Carolyn Crockett Bell	REEVES	9/30/2005	718/508
R114-2	State of Texas	REEVES		718/498&508
C113-1	Harrison Trust	CULBERSON	7/25/2005	89/832
C113-2	Mary Jane Barron	CULBERSON	5/3/2005	88/22

104871

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STATE OF TEXAS • REEVES COUNTY

60.23.1

LEASE #	LESSOR	COUNTY	LEASE DATE	RECORDING BK/PG
C114-1	Harrison Trust	CULBERSON	7/25/2005	89/622
C114-2	Mary Jane Barron	CULBERSON	3/1/2003	57703
C114-3	State of Texas	CULBERSON	7/25/2005	89/622
	State of Texas	CULBERSON	3/1/2003	57703
C115-1	Harrison Trust	CULBERSON	7/25/2005	89/722
C115-3	State of Texas	CULBERSON	7/25/2005	89/722
C116-1	Harrison Trust	CULBERSON	7/25/2005	89/732
C116-3	State of Texas	CULBERSON	7/25/2005	89/732
C117-1	Harrison Trust	CULBERSON	7/25/2005	89/742
C117-3	State of Texas	CULBERSON	7/25/2005	89/742
C118-1	Harrison Trust	CULBERSON	7/25/2005	89/752
C118-3	State of Texas	CULBERSON	7/25/2005	89/752
C119-1	Harrison Trust	CULBERSON	7/25/2005	89/762
C119-3	State of Texas	CULBERSON	7/25/2005	89/762
C120-1	Harrison Trust	CULBERSON	7/25/2005	89/772
C120-3	State of Texas	CULBERSON	7/25/2005	89/772
C121-1	Harrison Trust	CULBERSON	7/25/2005	89/782
C121-3	State of Texas	CULBERSON	7/25/2005	89/782
C122-1	Harrison Trust	CULBERSON	7/25/2005	89/792
C122-2	Mary Jane Barron	CULBERSON	3/1/2003	57703
C122-3	State of Texas	CULBERSON	7/25/2005	89/792
	State of Texas	CULBERSON	3/1/2003	57703
C123-1	Harrison Trust	CULBERSON	7/25/2005	89/802
C123-2	Mary Jane Barron	CULBERSON	3/1/2003	57704
C123-4	State of Texas	CULBERSON	7/25/2005	89/802
	State of Texas	CULBERSON	3/1/2003	57704
C124-1	Harrison Trust	CULBERSON	7/25/2005	89/812
C124-3	State of Texas	CULBERSON	7/25/2005	89/812
C125-1	Harrison Trust	CULBERSON	7/25/2005	89/822
C125-2	Mary Jane Barron	CULBERSON	3/1/2003	57704
C125-3	State of Texas	CULBERSON	7/25/2005	89/822
	State of Texas	CULBERSON	3/1/2003	57704
C126-1	Harrison Trust	CULBERSON	7/25/2005	89/632
C126-3	State of Texas	CULBERSON	7/25/2005	89/632
C127-1	Harrison Trust	CULBERSON	7/25/2005	89/642
C127-2	Mary Jane Barron	CULBERSON	3/1/2003	57704
C127-3	State of Texas	CULBERSON	7/25/2005	89/642
	State of Texas	CULBERSON	3/1/2003	57704
C128-1	Harrison Trust	CULBERSON	7/25/2005	89/652
C128-2	Mary Jane Barron	CULBERSON	3/1/2003	57703
C128-3	State of Texas	CULBERSON	7/25/2005	89/652
	State of Texas	CULBERSON	3/1/2003	57703
C129-1	Harrison Trust	CULBERSON	7/25/2005	89/662
C129-3	State of Texas	CULBERSON	7/25/2005	89/662
C130-1	Harrison Trust	CULBERSON	7/25/2005	89/672
C130-2	State of Texas	CULBERSON	7/25/2005	89/672
C131-1	Harrison Trust	CULBERSON	7/25/2005	89/682
C131-3	State of Texas	CULBERSON	7/25/2005	89/682

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60-23-1

LEASE #	LESSOR	COUNTY	LEASE DATE	RECORDING BK/PG
C132-1	Harrison Trust	CULBERSON	7/25/2005	89/692
C132-3	State of Texas	CULBERSON	7/25/2005	89/682
C133-1	Harrison Trust	CULBERSON	7/25/2005	89/702
C133-3	State of Texas	CULBERSON	7/25/2005	89/702
C134-1	Harrison Trust	CULBERSON	7/25/2005	89/712
C134-3	State of Texas	CULBERSON	7/25/2005	89/712
	Mary Jane Barron	CULBERSON	5/31/2006	61237
	State of Texas	CULBERSON	5/31/2006	61237
	Mary Jane Barron	CULBERSON	5/31/2006	61157
	State of Texas	CULBERSON	5/31/2006	61157
	Mary Jane Barron	CULBERSON	5/31/2006	61158
	State of Texas	CULBERSON	5/31/2006	61158
	Mary Jane Barron	CULBERSON	5/31/2006	61159
	State of Texas	CULBERSON	5/31/2006	61159

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EXHIBIT A-2

LEASE #	LESSOR	COUNTY	RECORDING BK/PG	LEASE DATE
	Buckley, Frank Norman and Nina Lynn	PARKER	2358/1057	4/26/2005
	Buckley, Frank Norman and Nina Lynn	PARKER	2358/1065	4/29/2005
	Charles Ray Heathington and Mark Sledge	HOOD	2145/914	10/21/2005
	820 Management Trust	TARRANT	D206030633	12/6/2005
	Waste Management of Texas, Inc.	TARRANT	D205232918	7/18/2005
	Larry White, Jr.	TARRANT	D205343227	10/5/2005
	J. C. Pace, Ltd.	TARRANT	D205297992	9/20/2005

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60-22-1

EXHIBIT A-3

1. Surface Use Agreement dated April 26, 2005, among Frank Norman Buckley and Nina Lynn Buckley, as Surface Owners, and Legend Operating LLC, as Working Interest Owner, covering 151.914 acres in Parker County, Texas, a memorandum of which was recorded in Volume 2358, Page 1061, Parker County, Texas

2. Surface Use Agreement dated April 29, 2005, between Frank Norman Buckley and Nina Lynn Buckley, as Surface Owners, and Legend Operating LLC, as Working Interest Owner, covering 178.609 acres in Parker County, Texas, a memorandum of which was recorded in Volume 2358, Page 1069, Parker County, Texas

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60.22.1

EXHIBIT B

Existing Wells

WELL NAME:	Mattie #1H
LEASE DESCRIPTION:	178.609 acres, more or less, in the Martha Hunter Survey, A-1759, Parker County, Texas
APPLICABLE LEASE:	Frank Norman Buckley and Nina Lynn Buckley, Lessor, and Legend Operating Company, LLC, Lessee, dated 04/29/05, Memorandum recorded at Book 2358, Page 1065.

WELL NAME:	Mattie #2H
LEASE DESCRIPTION:	178.609 acres, more or less, in the Martha Hunter Survey, A-1759, Parker County, Texas
APPLICABLE LEASE:	Frank Norman Buckley and Nina Lynn Buckley, Lessor, and Legend Operating Company, LLC, Lessee, dated 04/29/05, Memorandum recorded at Book 2358, Page 1065.

WELL NAME:	Mary's Creek #1H*
LEASE DESCRIPTION:	491.152 acres, more or less, described in six (6) tracts: Tract 1: 304.45 acres, more or less, in the B. F. Richardson Survey, A-1374, and the C. K. Gleason Survey, A-559, Tarrant County, TX, deed reference 6318/780; Tract 2: 9.567 acres, more or less, in the B. F. Richardson Svy. A-1374, Tarrant County, TX, deed reference 13824/338; Tract 3: 15.99 acres, more or less, in the W. H. Garrett Survey, A-1951, Tarrant County, TX, deed reference 12208/2281; Tract 4: 9.821 acres, more or less, in the W. H. Garrett Survey, A-1951, Tarrant County, TX deed reference 13824/341; Tract 5: 149.726 acres, more or less, in the J. Johnson Survey, A-871 and the J. Burleson Survey, A-78, Tarrant County, TX, deed reference

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	4264/403; and Tract 6: 88.383 acres of land, more or less, in the J. Johnson Survey, A-871, Tarrant County, TX deed reference 13824/336.
APPLICABLE LEASE:	820 Management Trust, Lessor, and Hallwood Energy II, L.P., Lessee, dated 12/06/05, Memorandum recorded as Instrument # D206030633.

WELL NAME:	Mary's Creek #2H*
LEASE DESCRIPTION:	491.152 acres, more or less, described in six (6) tracts: Tract 1: 304.45 acres, more or less, in the B. F. Richardson Survey, A-1374, and the C. K. Gleason Survey, A-559, Tarrant County, TX, deed reference 6318/780; Tract 2: 9.567 acres, more or less, in the B. F. Richardson Svy. A-1374, Tarrant County, TX, deed reference 13824/338; Tract 3: 15.99 acres, more or less, in the W. H. Garrett Survey, A-1951, Tarrant County, TX, deed reference 12208/2281; Tract 4: 9.821 acres, more or less, in the W. H. Garrett Survey, A-1951, Tarrant County, TX deed reference 13824/341; Tract 5: 149.726 acres, more or less, in the J. Johnson Survey, A-871 and the J. Burleson Survey, A-78, Tarrant County, TX, deed reference 4264/403; and Tract 6: 88.383 acres of land, more or less, in the J. Johnson Survey, A-871, Tarrant County, TX deed reference 13824/336.
APPLICABLE LEASE:	820 Management Trust, Lessor, and Hallwood Energy II, L.P., Lessee, dated 12/06/05, Memorandum recorded as Instrument # D206030633.

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WELL NAME:	Mary's Creek #3H
LEASE DESCRIPTION:	491.152 acres, more or less, described in six (6) tracts: Tract 1: 304.45 acres, more or less in the B. F. Richardson Survey, A-1374, and the C. K. Gleason Survey, A-559, Tarrant County, TX, deed reference 6318/780; Tract 2: 9.567 acres, more or less, in the B. F. Richardson Svy. A-1374, Tarrant County, TX, deed reference 13824/338; Tract 3: 15.99 acres, more or less, in the W. H. Garrett Survey, A-1951, Tarrant County, TX, deed reference 12208/2281; Tract 4: 9.821 acres, more or less, in the W. H. Garrett Survey, A-1951, Tarrant County, TX deed reference 13824/341; Tract 5: 149.726 acres, more or less, in the J. Johnson Survey, A-871 and the J. Burleson Survey, A-78, Tarrant County, TX, deed reference 4264/403; and Tract 6: 88.383 acres of land, more or less, in the J. Johnson Survey, A-871, Tarrant County, TX deed reference 13824/336.
APPLICABLE LEASE:	820 Management Trust, Lessor, and Hallwood Energy II, L.P., Lessee, dated 12/06/05, Memorandum recorded as Instrument # D206030633.

WELL NAME:	Pelican Ranch #2H*
LEASE DESCRIPTION:	2,854.46 acres, more or less, in Section Nos. 14, 15 and 46, Block No. 71, Public School Land, and Section Nos. 60 and 61, Manuel Torez Survey, Reeves County, TX.
APPLICABLE LEASE:	The State of Texas, acting by and through its agent, Carol Hall Majzlin, Jocelyn M. Greeman, Clifford P. Robertson, III, each dealing with their separate property, Lessor, and Perry & Perry, Inc., Lessee, dated 11/25/04, recorded in Book 694, Page 570.

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WELL NAME:	Harrison 56-38 #2*
LEASE DESCRIPTION:	12,800 acres, more or less, located in the PSL Survey; Sections 9, 10, 14, 15, 22, 23, 24, 25, 26, W/2 of 31, W/2 of 35, 36, 37, 38 & 42 of Block 56; Sections 19, 21, 22, 28, 29 & 31 of Block 57, Reeves County, TX.
APPLICABLE LEASE:	The State of Texas, acting by and through its agent Harrison Trust, Roddy L. Harrison, Trustee, Lessor, and Woods Petroleum Land Management, Inc., Lessee, dated 04/27/05, recorded in Book 699, Page 29.

WELL NAME:	Harrison 56-38 #3*
LEASE DESCRIPTION:	12,800 acres, more or less, located in the PSL Survey; Sections 9, 10, 14, 15, 22, 23, 24, 25, 26, W/2 of 31, W/2 of 35, 36, 37, 38 & 42 of Block 56; Sections 19, 21, 22, 28, 29 & 31 of Block 57, Reeves County, TX.
APPLICABLE LEASE:	The State of Texas, acting by and through its agent Harrison Trust, Roddy L. Harrison, Trustee, Lessor, and Woods Petroleum Land Management, Inc., Lessee, dated 04/27/05, recorded in Book 699, Page 29.

Record & Return To:
Chesapeake Operating, Inc.
P.O. Box 18496
Oklahoma City, OK 73154
Attn: Land Administration

*Note: Drilling, completion and/or other operations for this well have not been completed as of the date of this Assignment.

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 NO. 3992

FILED FOR RECORD ON THE 1ST DAY OF AUGUST A.D. 2006 9:52 A. M.

DULY RECORDED ON THE 7TH DAY OF AUGUST A.D. 2006 9:00 A. M.

BY: Donell Florez, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

60-22-1

File No. MF 104871

Assignment

Date Filed:

Jerry E. Patterson, Commissioner

By

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. 739, PAGE 756 THRU 768 OFFICIAL PUBLIC RECORDS

I hereby certified on 01/13/2009

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY: DALIA GALLEGOS DEPUTY

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

February 3, 2009

Cindy Mercer
Pinnacle Land Services, Inc.
PO Box 991.
Pleasanton, TX 78064

RE: GLO Assignment ID # 6713

Dear Ms. Mercer,

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

> Memorandum of Acquisition and Farmout Agreement, executed June 9th, 2008, from FEI Shale, as Farmee, to Hallwood Energy LP, Hallwood Gathering, LP, Hallwood Petroleum, LLC and Hallwood SWD, LLC, as Farmor. MF104871, Reeves Co. Vol. 794, P. 599.

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

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Exhibit "A"

GLO ID	*County*	*Lease*
6713	*Reeves*	MF104871

104871

FILE# 2486

EXECUTION VERSION

MEMORANDUM OF ACQUISITION AND FARMOUT AGREEMENT

Culberson County, Texas
Reeves County, Texas

WHEREAS, FEI Shale L.P., a Delaware limited partnership ("***Farmee***"); Hallwood Energy, L.P., a Delaware limited partnership ("***Hallwood Energy***"); Hallwood Gathering, L.P., a Delaware limited partnership ("***Hallwood Gathering***"); Hallwood Petroleum, LLC, a Delaware limited liability company ("***Hallwood Petroleum***"); and Hallwood SWD, LLC, a Delaware limited liability company ("***Hallwood SWD***"; and, collectively with Hallwood Energy, Hallwood Gathering and Hallwood Petroleum, "***Farmor***") entered into that certain Acquisition and Farmout Agreement (the "***Acquisition and Farmout Agreement***") dated as of June 9, 2008;

WHEREAS, all capitalized terms used herein and not otherwise defined shall have the meaning given to such terms in the Acquisition and Farmout Agreement;

WHEREAS, pursuant to the terms of the Acquisition and Farmout Agreement, Farmee is acquiring or has acquired from Farmor, among other things, the following interests (the ***"Interests"***):

(a) Upon making of the Initial Payment, but subject to certain provisions of the Acquisition and Farmout Agreement, Farmee earns an interest in the (i) Oil and Gas Properties described in Exhibit A and in all Related Properties associated therewith and (ii) the Other Assets owned by Farmor as of the Initial Invoicing and Payment Date, in each case equal to an undivided 10% of Farmor's interest therein;

(b) Upon the payment by Farmee of a cumulative amount under the Acquisition and Farmout Agreement equal to the Initial Milestone, Farmee immediately earns an additional undivided 10% of Farmor's interest in the Other Assets;

(c) Upon the payment by Farmee of a cumulative amount under the Acquisition and Farmout Agreement equal to the Final Milestone, Farmee immediately earns an additional undivided 13.33% of Farmor's interest in the Other Assets;

(d) With respect to each Well on the Oil and Gas Properties described in Exhibit A for which any AFE costs for certain operations are paid by Farmee pursuant to an Investment Invoice (a "***Funded Well***"), immediately upon payment of the invoice, Farmee earns an interest in such Oil and Gas Properties on which the Funded Well is located (limited to the Earning Unit attributable to the Funded Well) and in all Related Properties associated therewith equal to an additional undivided 23.33% (if payment occurs prior to achievement of the Initial Milestone) or 13.33% (if payment occurs thereafter) in each case of Farmor's interest therein as it existed immediately prior to the Initial Invoicing and Payment Date;

(e) With respect to Oil and Gas Properties not described in Exhibit A for which purchase costs are paid by Farmee pursuant to an Investment Invoice, immediately upon

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60.22.1

payment of the invoice, Farmee earns an interest in those Oil and Gas Properties and in all Related Properties associated therewith equal to an undivided 33.33% of Farmor's interest therein;

(f) Except where Farmee is the Electing Party and Farmor is the Non-Electing Party, the interest that Farmee may earn under the Acquisition and Farmout Agreement in Farmor's interest in any Asset (as it existed at the Initial Invoicing and Payment Date, or upon the acquisition thereof, as applicable) is limited to an undivided 33.33%, and Farmee can earn no additional interest in any Joint Conveyance Property; and

WHEREAS, Farmor and Farmee desire to put all parties on notice of Farmee's rights in and to the above listed properties and assets under the Acquisition and Farmout Agreement.

NOW THEREFORE, for and in consideration of the sum of One Hundred Dollars ($100.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Farmor and Farmee have entered into this Memorandum of Acquisition and Farmout Agreement.

In the Acquisition and Farmout Agreement, Farmor agrees, subject to the terms and provisions of the Acquisition and Farmout Agreement, to grant unto Farmee, its successors and assigns, the Interests.

It is intended by Farmor and Farmee that the assignments and conveyances contemplated by the Acquisition and Farmout Agreement constitute present, absolute and indefeasible conveyances of either a personal property interest or a real property interest (fee simple determinable or otherwise, as applicable) in and to the property referenced in (a), (b), (c), (d) and (e) above.

A copy of the Acquisition and Farmout Agreement is available for inspection in the offices of Farmee during normal business hours.

This Memorandum of Acquisition and Farmout Agreement is executed in one or more original counterparts, each of which shall be considered an original, but all of which together shall be considered one instrument.

[Signature Pages Follow]

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

IN WITNESS WHEREOF, Farmor and Farmee have executed this Memorandum of Acquisition and Farmout Agreement in multiple originals on this 9th day of June 2008.

FEI SHALE L.P.

By its general partner,

FEI Shale GP Inc.

By: _____

Name: Roni Haugen

Title: Senior Legal Counsel

By: _____

Name: Bindu Wyma

Title: Senior Evaluations Engineer

HALLWOOD ENERGY, L.P.

By its general partner,

Hallwood Energy Management, LLC

By: _____

Name: William H. Marble

Title: Vice President

[Signature Page to Memorandum of Acquisition]

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HALLWOOD GATHERING, L.P.

By its general partner,

HG II Management, LLC

By: _____

Name: William H. Marble

Title: Vice President

HALLWOOD PETROLEUM, LLC

By: _____

Name: William H. Marble

Title: Vice President

HALLWOOD SWD, LLC

By: _____

Name: William H. Marble

Title: Vice President

[Signature Page to Memorandum of Acquisition]

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

STATE OF TEXAS §
§
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared Roni Haugen, known to me to be the person whose name is subscribed to the foregoing instrument, as Senior Legal Counsel of FEI Shale GP Inc., a Delaware corporation, General Partner of FEI Shale L.P., a Delaware limited partnership, 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 on behalf of said partnership.

Given under my hand and seal of office this 9th day of June, 2008.

JESUS A. TORRES
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 04-17-2012

Notary Public in and for the
State of Texas

[seal]

STATE OF TEXAS §
§
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared Bindu Wyma, known to me to be the person whose name is subscribed to the foregoing instrument, as Senior Evaluations Engineer of FEI Shale GP Inc., a Delaware corporation, General Partner of FEI Shale L.P., a Delaware limited partnership, 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 on behalf of said partnership.

Given under my hand and seal of office this 9th day of June, 2008.

JESUS A. TORRES
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 04-17-2012

Notary Public in and for the
State of Texas

[seal]

[Notarization Page to Memorandum of Acquisition]

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Original filed in
Reeves County
Clerks Office

STATE OF TEXAS §
§
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared William H. Marble, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President of Hallwood Energy Management, LLC, a Delaware limited liability company, General Partner of Hallwood Energy, L.P., a Delaware limited partnership, 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 on behalf of said partnership.

Given under my hand and seal of office this 9th day of June, 2008.

JESUS A. TORRES
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 04-17-2012

[seal]

Notary Public in and for the
State of Texas

STATE OF TEXAS §
§
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared William H. Marble, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President of HG II Management, LLC, a Delaware limited liability company, General Partner of Hallwood Gathering, L.P., a Delaware limited partnership, 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 on behalf of said partnership.

Given under my hand and seal of office this 9th day of June, 2008.

JESUS A. TORRES
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 04-17-2012

[seal]

Notary Public in and for the
State of Texas

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copy of
Original filed in
Reeves County
Clerks Office

60.221

STATE OF TEXAS §
§
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared William H. Marble, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President of Hallwood Petroleum, LLC, a Delaware limited liability company, 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 on behalf of said company.

Given under my hand and seal of office this 9th day of June, 2008.

JESUS A. TORRES
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 04-17-2012

Notary Public in and for the
State of Texas

[seal]

STATE OF TEXAS §
§
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared William H. Marble, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President of Hallwood SWD, LLC, a Delaware limited liability company, 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 on behalf of said company.

Given under my hand and seal of office this 9th day of June, 2008.

JESUS A. TORRES
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 04-17-2012

Notary Public in and for the
State of Texas

[seal]

[Notarization Page to Memorandum of Acquisition]

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

EXHIBIT A

See Attached.

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

EXHIBIT 'A'
to Memorandum of Acquisition and Farmout Agreement

LEASE #	LESSOR	COUNTY	GROSS ACRES	***NET ACRES	LEASE DATE	LEASE EXPIRATION	ROYALTY	ORRI	NRI	RECORDING BK/PG	Legal Description
61237	Mary Jane Barron	CULBERSON	1660.000000	80.000000	5/31/2006	5/31/2011	0.200000	0.04000	0.3000	61237	Secs. 13,23, E/2 14 Block 113 PSL
61237	State of Texas	CULBERSON	1660.000000	80.000000	5/31/2006	5/31/2011	0.200000	0.04000	0.3000	61237	Secs. 13,23, E/2 14 Block 113 PSL
C113-1	Harrison Trust	CULBERSON	160.000000	48.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/832	Secs. 8 and 9 Block 113 PSL
C113-2	Mary Jane Barron	CULBERSON	160.000000	16.000000	5/3/2005	5/3/2010	0.200000	0.04000	0.3040	88/22	Secs. 8 and 9 Block 113 PSL
C114-1	Harrison Trust	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/622	Sec. 21 Block 113 PSL
C114-3	State of Texas	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/622	Sec. 21 Block 113 PSL
C115-1	Harrison Trust	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/722	Sec. 24 Block 113 PSL
C115-3	State of Texas	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/722	Sec. 24 Block 113 PSL
C116-1	Harrison Trust	CULBERSON	392.000000	58.800000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/732	Sec. 4 Block 111 PSL
C116-2	Mary Jane Barron	CULBERSON	1175.900000	58.795000	5/31/2006	5/31/2011	0.200000	0.04000	0.3000	61157	Secs. 1, 4, 5 Block 111 PSL
C116-3	State of Texas	CULBERSON	392.000000	58.800000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/732	Sec. 4 Block 111 PSL
C116-3	State of Texas	CULBERSON	1175.900000	58.795000	5/31/2006	5/31/2011	0.200000	0.04000	0.3000	61157	Secs. 1, 4, 5 Block 111 PSL
C117-1	Harrison Trust	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/742	Sec. 13 Block 114 PSL
C117-3	State of Texas	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/742	Sec. 13 Block 114 PSL
C118-1	Harrison Trust	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/752	Sec. 24 Block 114 PSL
C118-3	State of Texas	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/752	Sec. 24 Block 114 PSL
C119-1	Harrison Trust	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/762	Sec. 23 Block 114 PSL
C119-2	Mary Jane Barron	CULBERSON	3200.000000	160.000000	5/31/2006	5/31/2011	0.200000	0.04000	0.3000	61159	Secs. 12, 13, 22, 23, 24 Block 114 PSL
C119-3	State of Texas	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/762	Sec. 23 Block 114 PSL
C119-4	State of Texas	CULBERSON	3200.000000	160.000000	5/31/2006	5/31/2011	0.200000	0.04000	0.3000	61159	Secs. 12, 13, 22, 23, 24 Block 114 PSL
C120-1	Harrison Trust	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/772	Sec. 22 Block 114 PSL
C120-3	State of Texas	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/772	Sec. 22 Block 114 PSL
C121-1	Harrison Trust	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/782	Sec. 20 Block 113 PSL
C121-3	State of Texas	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/782	Sec. 20 Block 113 PSL
C122-1	Harrison Trust	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/792	Sec. 16 Block 113 PSL
C122-3	State of Texas	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/792	Sec. 16 Block 113 PSL
C123-1	Harrison Trust	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/802	Sec. 15 Block 113 PSL
C123-4	State of Texas	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/802	Sec. 15 Block 113 PSL
C124-1	Harrison Trust	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/812	Sec. 19 Block 113 PSL
C124-3	State of Texas	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/812	Sec. 19 Block 113 PSL
C125-1	Harrison Trust	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/822	Sec. 14 Block 113 PSL
C125-3	State of Texas	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/822	Sec. 14 Block 113 PSL
C126-1	Harrison Trust	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/632	Sec. 13 Block 113 PSL
C126-3	State of Texas	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/632	Sec. 13 Block 113 PSL
C127-1	Harrison Trust	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/642	Sec. 10 Block 113 PSL
C127-3	State of Texas	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/642	Sec. 10 Block 113 PSL
C128-1	Harrison Trust	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/652	Sec. 22 Block 113 PSL
C128-3	State of Texas	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/652	Sec. 22 Block 113 PSL
C129-1	Harrison Trust	CULBERSON	143.700000	21.555000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/662	Sec. 5 Block 111 PSL
C129-3	State of Texas	CULBERSON	143.700000	21.555000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/662	Sec. 5 Block 111 PSL
C130-1	Harrison Trust	CULBERSON	560.000000	84.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/672	Sec. 9 Block 113 PSL
C130-2	State of Texas	CULBERSON	560.000000	84.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/672	Sec. 9 Block 113 PSL
C130-2	Mary Jane Barron	CULBERSON	3040.000000	152.000000	5/31/2006	5/31/2011	0.200000	0.04000	0.3000	61158	Secs. 8,9,19,20,24 Block 113 PSL
C130-3	State of Texas	CULBERSON	3040.000000	152.000000	5/31/2006	5/31/2011	0.200000	0.04000	0.3000	61158	Secs. 8,9,19,20,24 Block 113 PSL
C131-1	Harrison Trust	CULBERSON	560.000000	84.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/682	Sec. 8 Block 113 PSL
C131-3	State of Texas	CULBERSON	560.000000	84.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/682	Sec. 8 Block 113 PSL
C132-1	Harrison Trust	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/692	Sec. 23 Block 113 PSL
C132-3	State of Texas	CULBERSON	560.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/682	Sec. 23 Block 113 PSL
C133-1	Harrison Trust	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/702	Sec. 12 Block 113 PSL
C133-3	State of Texas	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/702	Sec. 12 Block 113 PSL
C134-1	Harrison Trust	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/712	Sec. 1 Block 113 PSL

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

BOOK 794 PAGE 607

EXHIBIT 'A'
to Memorandum of Acquisition and Farmout Agreement

LEASE #	LESSOR	COUNTY	GROSS ACRES	***NET ACRES	LEASE DATE	LEASE EXPIRATION	ROYALTY	ORRI	NRI	RECORDING BK/PG	Legal Description
C134-1	State of Texas	CULBERSON	640.000000	96.000000	7/25/2005	7/25/2008	0.230000	0.00000	0.3080	89/712	Sec. 11 Block 113 PSL
R100-1	Donita Griffin Hunter	REEVES	960.000000	96.000000	10/15/2004	10/15/2009	0.187500	0.00000	0.3250	687/464	Sec. 31, W/2 32, Block 71 PSL
R100-2	Ronald G. Griffin	REEVES	960.000000	48.000000	10/15/2004	10/15/2009	0.187500	0.00000	0.3250	687/460	Sec. 31, W/2 32, Block 71 PSL
R100-3	Rex C. Griffin, Jr.	REEVES	960.000000	192.000000	10/15/2004	10/15/2009	0.187500	0.00000	0.3250	687/468	Sec. 31, W/2 32, Block 71 PSL
R100-4	James O. Griffin, Jr.	REEVES	960.000000	48.000000	10/15/2004	10/15/2009	0.187500	0.00000	0.3250	687/456	Sec. 31, W/2 32, Block 71 PSL
R101-1	Carol Hall Majzlin	REEVES	2724.400000	351.901664	10/25/2004	10/25/2009	0.200000	0.00000	0.3200	694/791	DW Washburn Survey No. 1, AH Tandy
R101-2	Jocelyn McAlpine Greeman	REEVES	2725.000000	351.901664	10/25/2004	10/25/2009	0.200000	0.00000	0.3200	699/340	DW Washburn Survey No. 1, AH Tandy
R101-3	Clifford Robertson, III	REEVES	2725.000000	351.901664	10/25/2004	10/25/2009	0.200000	0.00000	0.3200	694/587	DW Washburn Survey No. 1, AH Tandy
R102-1	Joseph S. Billeiter	REEVES	640.000000	12.800000	12/10/2004	12/10/2009	0.187500	0.00000	0.3200	696/537	Sec. 30 Block 71 PSL
R102-1	Dorothy Jean Hill	REEVES	640.000000	12.800000	12/10/2004	12/10/2009	0.187500	0.00000	0.3200	696/561	Sec. 30 Block 71 PSL
R102-3	Betty B. Armstrong	REEVES	640.000000	12.800000	12/10/2004	12/10/2009	0.187500	0.00000	0.3200	696/557	Sec. 30 Block 71 PSL
R102-4	David H. Mitchell, Jr.	REEVES	640.000000	64.000000	12/10/2004	12/10/2009	0.187500	0.00000	0.3200	696/553	Sec. 30 Block 71 PSL
R102-5	Bessie V. Hays	REEVES	640.000000	64.000000	12/10/2004	12/10/2009	0.187500	0.00000	0.3200	696/549	Sec. 30 Block 71 PSL
R102-6	Lisa Ann Hughes	REEVES	640.000000	4.266668	12/10/2004	12/10/2009	0.187500	0.00000	0.3200	696/545	Sec. 30 Block 71 PSL
R102-7	Peter Craig Billeiter	REEVES	640.000000	4.266668	12/10/2004	12/10/2009	0.187500	0.00000	0.3200	696/569	Sec. 30 Block 71 PSL
R102-8	David J. Billeiter	REEVES	640.000000	12.800000	12/10/2004	12/10/2009	0.187500	0.00000	0.3200	696/541	Sec. 30 Block 71 PSL
R102-9	Diana J. McCabe	REEVES	640.000000	4.266668	12/10/2004	12/10/2009	0.187500	0.00000	0.3200	696/565	Sec. 30 Block 71 PSL
R104-1	Clifford P. Robertson	REEVES	352.000000	70.400000	10/25/2004	10/25/2009	0.200000	0.00000	0.3200	696/212	N/2 Sec. 8 Block 55 T-7 T&P RR
R104-2	State of Texas	REEVES	352.000000	70.400000	10/25/2004	10/25/2009	0.200000	0.00000	0.3200	696/212	N/2 Sec. 8 Block 55 T-7 T&P RR
R105-1	Jocelyn McAlpine Greeman, et al	REEVES	710.600000	142.120000	10/25/2004	10/25/2009	0.200000	0.01000	0.3160	694/556	Sec. 14 Block 57 T-7 T&P RR
R105-2	State of Texas	REEVES	710.600000	142.120000	10/25/2004	10/25/2009	0.200000	0.01000	0.3160	694/556	Sec. 14 Block 57 T-7 T&P RR
R106-1	Jocelyn McAlpine Greeman, et al	REEVES	2854.700000	570.939960	10/25/2004	10/25/2009	0.200000	0.00000	0.3200	694/570	Sec. 14, 15, E/2 46 Block 71 PSL;
R106-2	State of Texas	REEVES	2854.700000	570.939960	10/25/2004	10/25/2009	0.200000	0.00000	0.3200	694/570	Sec. 14, 15, E/2 46 Block 71 PSL;
R107	Clifford Robertson, III	REEVES	599.000000	239.600000	11/1/2004	11/1/2009	0.200000	0.00000	0.3200	694/591	Sec. 7 Block C-8 PSL
R108-1	Charles W. Benson	REEVES	161.780000	16.176000	1/5/2005	1/5/2010	0.200000	0.00000	0.3200	697/38	E. 161.78 Acres of W. 314.03 Acres of Sec. 34 Block 70 PSL
R108-2	David Shelton	REEVES	161.780000	16.176000	1/5/2005	1/5/2010	0.200000	0.00000	0.3200	697/48	E. 161.78 Acres of W. 314.03 Acres of Sec.
R108-3	State of Texas	REEVES	161.780000	32.352000	1/5/2005	1/5/2010	0.200000	0.00000	0.3200	697/38&48	E. 161.78 Acres of W. 314.03 Acres of Sec.
R109-1	Eugenia Benson	REEVES	152.250000	15.224000	1/5/2005	1/5/2010	0.200000	0.00000	0.3200	697/58	W. 152.25 acres of W. 314.03 Acres of
R109-2	Mary Ann Shelton	REEVES	152.250000	15.224000	1/5/2005	1/5/2010	0.200000	0.00000	0.3200	697/68	W. 152.25 acres of W. 314.03 Acres of
R109-3	State of Texas	REEVES	152.250000	30.448000	1/5/2005	1/5/2010	0.200000	0.00000	0.3200	697/58&68	W. 152.25 acres of W. 314.03 Acres of
R110	A.R.Eppenauer Trusts 1& 2 and Rachel	REEVES	5930.350000	2111.578332	3/10/2005	3/10/2010	0.225000	0.00000	0.3100	696/534	W. 152.25 acres of W. 314.03 Acres of
R111-1	Harrison Trust	REEVES	12800.000000	2560.000000	4/27/2005	4/27/2008	0.220000	0.01000	0.3040	699/29	Secs. 9,10,14,15,22,23,24,25,26,W/2 31,
R111-2	State of Texas	REEVES	12800.000000	2560.000000	4/27/2005	4/27/2008	0.220000	0.01000	0.3040	699/29	Secs. 9,10,14,15,22,23,24,25,26,W/2 31,
R112-1	A. R. Eppenauer, III	REEVES	5930.350000	95.980834	3/28/2005	3/28/2010	0.225000	0.01000	0.3060	699/58	W. 152.25 acres of W. 314.03 Acres of
R112-2	Edwin H. Eppenauer	REEVES	5930.350000	95.980834	3/28/2005	3/28/2010	0.225000	0.01000	0.3060	699/58	
R113	George Brackenridge Foundation	REEVES	2560.000000	512.000000	11/7/2005	11/7/2010	0.200000	0.00000	0.3200	717/130	Secs. 39, 43, 44, and 45 Block 57 PSL
R113-1	State of Texas	REEVES	2560.000000	512.000000	11/7/2005	11/7/2010	0.200000	0.00000	0.3200	717/130	Secs. 39, 43, 44, and 45 Block 57 PSL
R114	Michael D. Leonard Trustee	REEVES	320.000000	32.000000	9/30/2005	9/30/2010	0.200000	0.00000	0.3200	718/498	S/2 Sec. 23 Block C-17 PSL
R114-1	Carolyn Crockett Bell	REEVES	320.000000	32.000000	9/30/2005	9/30/2010	0.200000	0.00000	0.3200	718/508	S/2 Sec. 23 Block C-17 PSL
R114-2	State of Texas	REEVES	320.000000	64.000000	5/3/2005	5/3/2010	0.200000	0.00000	0.3200	718/498&508	Secs. 8 and 9 Block 113 PSL

[redacted]

FILE# 2486

FILED FOR RECORD ON THE 20TH DAY OF JUNE A.D. 2008 9:47 A. M.

DULY RECORDED ON THE 23RD DAY OF JUNE A.D. 2008 2:00 P. M.

BY: Dianne O. Flores DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

File No. ME 104871

Assignment

Date Filed:

Jerry E. Patterson, Commissioner

By:

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. 194, PAGE 599 THRU 608 OFFICIAL PUBLIC RECORDS

I hereby certified on 01/13/2009

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Dalia Galindo DEPUTY
DALIA GALINDO

1.13.09

TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

February 3, 2009

Cindy Mercer
Pinnacle Land Services, Inc.
PO Box 991.
Pleasanton, TX 78064

RE: GLO Assignment ID # 6715

Dear Ms. Mercer,

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, Conveyance and Bill of Sale (Section 3.3 Intial Payment), executed June 9th, 2008, from Hallwood Energy, LP as Assignor, to FEI Shale, LP, as Assignee. Reeves Co. Vol. 806, P. 442. MF104871.

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

Exhibit "A"

GLO ID	*County*	*Lease*
6715	*Reeves*	MF104871

104871

CLERKS MEMO: AS PER CUSTOMER REQUEST, THESE INSTRUMENT ARE BEING RE-RECORDED IN THIS SPECIFIC ORDER. REF TO FILE#2602 VOLUME 795 PAGE 329

FILE# 4611

ASSIGNMENT, CONVEYANCE AND BILL OF SALE (SECTION 3.3 INITIAL PAYMENT)

STATE OF TEXAS §

COUNTY OF REEVES §

This ASSIGNMENT, CONVEYANCE AND BILL OF SALE (this "Assignment") dated June 9, 2008, is from HALLWOOD ENERGY, L.P., a Delaware limited partnership ("Assignor"), with offices at 3710 Rawlins, Suite 1500, Dallas, Texas 75219, to FEI SHALE L.P., a Delaware limited partnership ("Assignee"), with offices at c/o 2000 888 3rd St. S.W., Calgary, Alberta, Canada T2P 5C5, upon and subject to the following terms and conditions:

1. Certain Definitions. For purposes of this Assignment, the following capitalized terms shall have the meanings herein ascribed to them below:

"Acquisition Agreement" means that certain Acquisition and Farmout Agreement dated as of June 9, 2008, by and among Assignee, Assignor, Hallwood Gathering, L.P., Hallwood Petroleum, LLC, and Hallwood SWD, LLC, as heretofore amended, supplemented, restated or otherwise modified from time to time.

"Applicable Percentage" means that percentage of the Assets which, when combined with the interests in the Assets previously assigned to Assignee pursuant to the Acquisition Agreement, will result in the ownership of the Assets to be held in the following proportions: 90% by Assignor, and 10% by Assignee.

"Assets" means (i) the Subject Properties and (ii) the Related Properties, but specifically excluded from the term "Assets" and the transactions contemplated by this Assignment are the Excluded Interests and Assignor's (x) real property assets located in the State of Nevada and (y) corporate offices located in Dallas, Texas and production offices located in Searcy, Arkansas and Lafayette, Louisiana, including associated leasehold interests, real property and furniture, fixtures and equipment.

"Disposition" means the sale, exchange, conveyance, assignment, transfer, farm-out or other disposition of a property.

"Effective Date" means 7:00 a.m., Dallas, Texas time, on June 9, 2008, at the location of the Assigned Interests.

"Encumbrance" means any option, pledge, mortgage, deed of trust, security interests, lien, charge, encumbrance or restriction (whether on voting, sale, transfer, disposition or otherwise), whether imposed by agreement, understanding, law or otherwise, except those arising under applicable federal or state securities laws.

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

60.22.1

"Equipment" means all equipment, fixtures, physical facilities or interests therein (including but not limited to gathering lines, pipelines, and gas plants but excluding the Hallwood Gathering System) of every type and description.

"Excluded Interests" means (i) the Hallwood Gathering System and (ii) that portion of the Assets with respect to which Assignor conveyed an undivided 33.33% of Assignor's interest to Assignee pursuant to Section 3.2 of the Acquisition Agreement on or before the date of this Assignment, which Assets are more particularly described in Exhibit B attached hereto and incorporated herein by reference.

"Governmental Entity" means any federal, state, municipal, domestic or foreign court, tribunal, administrative agency, department, commission, board, bureau or other governmental authority or instrumentality.

"Hallwood Gathering System" is defined in the Acquisition Agreement.

"Hydrocarbons" means oil, natural gas and/or other liquid and gaseous hydrocarbon substances (including shale gas) or any combination thereof.

"Oil and Gas Contracts" means all area of mutual interest agreements, farmout or farmin agreements, bottom hole or acreage contribution agreements, operating agreements, unit agreements, unit operating agreements, water flood agreements, unitization declarations or orders, joint venture, exploration, participation or acquisition agreements, division orders, Production Sales Agreements, exchange, processing, gathering or transportation agreements, easements and rights-of-way, salt water disposal agreements, surface leases and surface use agreements, water leases and water usage rights and all other contracts and agreements affecting or relating to the ownership or operation of any Oil and Gas Properties or the Disposition of Hydrocarbons produced therefrom.

"Oil and Gas Leases" means oil, gas and mineral leases, oil and gas leases, subleases, assignments of operating rights and similar agreements, and any extensions and renewals thereof.

"Oil and Gas Properties" means (i) Oil and Gas Leases and (ii) all other oil, gas or mineral properties, mineral servitudes and mineral rights of any kind (including, without limitation, mineral fee interests, overriding royalty and royalty interests, net profits interests, oil payment interest, production payment interest and other types of mineral interests).

"Permitted Encumbrances" is defined in the Acquisition Agreement.

"Person" means an individual, partnership, corporation, association, limited liability company, joint stock company, trust, joint venture, unincorporated organization, or Governmental Entity (or any department, agency, or political subdivision thereof).

"Production Sales Agreements" is defined in the Acquisition Agreement.

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"Records" means all geographical and geophysical maps, seismic data and information, records, land records, division orders, production files and all other records and files.

"Related Properties" means, at any date, with respect to the Subject Properties, a corresponding interest in and to all other property (tangible or intangible), rights and interests incident to the ownership and operation thereof, including without limitation, (i) all presently existing and valid unitization and pooling declarations, agreements, and/or orders and the contractual right to the properties covered in the units created thereby (including all units formed under orders, regulations, rules, or other official acts of any Governmental Entity having jurisdiction) insofar as the same relate to or affect the Subject Properties , except to the extent such properties constitute Subject Properties; (ii) all Equipment, goods and other personal property insofar as the same are located on or used or held for use in connection with the Subject Properties; (iii) all Oil and Gas Contracts insofar as the same relate to the Subject Properties; (iv) all permits, franchises and licenses insofar as the same relate to the Subject Properties; (v) all (A) proprietary Seismic Data and (B) to the extent in Assignor's possession and transferable without material restriction on, or payment of a transfer or licensing fee by, the transferee (unless Assignee for its own account agrees to observe any such restriction or pay any such fee if Assignee cannot, through the exercise of reasonable commercial efforts, obtain a waiver thereof if requested to do so by Assignee), all Seismic Data jointly owned by Assignor with, or licensed by Assignor from, other Persons; and (vi) the Records related thereto.

"Seismic Data" means, to the extent covering or affecting the Subject Properties, all seismic, geological and geophysical data, together with Assignor's proprietary interpretations thereof.

"Subject Properties" means all of Assignor's rights, title and interests in and to the Oil and Gas Properties described in Exhibit A attached hereto and incorporated herein by reference for all purposes.

2. Assignment. For Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby transfers, grants, conveys and assigns the Applicable Percentage of the Assets to Assignee, effective as of the Effective Date. The properties, rights and interests being conveyed to Assignee pursuant to this Assignment are sometimes referred to herein as the "Assigned Interests".

3. Further Assurances. Assignor agrees to execute and deliver such other and further instruments and will do such other and further acts as may be necessary or desirable to carry out more effectively the intents and purposes of this Assignment. Furthermore, in the event that, under applicable federal or state statutes or regulations or by virtue of contractual obligations, a separate assignment of any of the Assigned Interests is required to be executed by Assignor on an approved form or on a separately executed instrument, such separate assignment shall be so executed on such approved forms or on such separate assignment in sufficient counterparts to satisfy any such statutory, regulatory or contractual requirements.

4. Substitution and Subrogation. This Assignment is made with full substitution and subrogation of Assignee, its successors and assigns in and to all covenants and warranties

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heretofore given or made in respect of any of the Assigned Interests, and Assignor hereby assigns and conveys to Assignee all such covenants and warranties and all of Assignor's rights thereunder which relate to the Assigned Interests.

5. Warranties. This Assignment is made without covenant or warranty of any kind except that, subject to Permitted Encumbrances, (i) Assignor warrants title to the Assigned Interests, by, through or under Assignor, but not otherwise, and (ii) Assignor warrants that the Assigned Interests are free and clear of all Encumbrances. Additionally, to the extent that this Assignment constitutes an assignment of personal property or fixtures, Assignor expressly disclaims and negates (a) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, (b) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, and (c) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIAL.

6. Acquisition Agreement. This Assignment is expressly made subject to the terms and provisions of the Acquisition Agreement.

7. Successors and Assigns. This Assignment shall bind and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

TO HAVE AND TO HOLD the Assigned Interests unto Assignee, its successors and assigns forever.

[Signature Page Follows]

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EXECUTED as of the date set out above, but effective as of the Effective Date.

ASSIGNOR:

HALLWOOD ENERGY, L.P.
By: Hallwood Energy Management, LLC,
its general partner

By: _____
Name: William H. Marble
Title: Vice President

ASSIGNEE:

FEI SHALE L.P.
By: FEI Shale GP Inc.,
its general partner

By: _____
Name: Shirley Rattray
Title: Team Leader, Contracts and Lease Administration

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

60-22-1

STATE OF TEXAS §
§
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me on June 9, 2008 by William H. Marble, Vice President of Hallwood Energy Management, LLC, a Delaware limited liability company, in its capacity as general partner of Hallwood Energy, LP, a Delaware limited partnership, on behalf of said limited partnership.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 9th day of June, 2008.

CONNIE F. ELFENBEIN
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 05-10-2012

NOTARY PUBLIC, State of Texas

My commission expires:
05-10-2012

STATE OF TEXAS §
§
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me on June 9, 2008 by Shirley Rattray, Team Leader, Contracts and Lease Administration of FEI Shale GP Inc., a Delaware corporation, in its capacity as general partner of FEI SHALE L.P., a Delaware limited partnership, on behalf of said limited partnership.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 9th day of June, 2008.

CONNIE F. ELFENBEIN
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 05-10-2012

NOTARY PUBLIC, State of Texas

My commission expires:
05-10-2012

Notarization Page to Assignment

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

Exhibit "A"

Attached to and made a part of that certain Assignment, Conveyance and Bill of Sale, dated effective April 1, 2008, between Hallwood Energy, L.P. as Assignor, and FEI Shale L.P. as Assignee.

LESSOR	COUNTY	LEASE DATE	RECORDING BK/PD
James O. Griffin, Jr.	REEVES	10/15/2004	687/456
Ronald G. Griffin	REEVES	10/15/2004	687/460
Donita Griffin Hunter	REEVES	10/15/2004	687/464
Rex C. Griffin, Jr.	REEVES	10/15/2004	687/468
Jocelyn McAlpine Greeman, et al	REEVES	10/25/2004	694/556
State of Texas	REEVES	10/25/2004	694/556
Jocelyn McAlpine Greeman, et al	REEVES	10/25/2004	694/570
State of Texas	REEVES	10/25/2004	694/570
Clifford Robertson, III	REEVES	10/25/2004	694/791
Clifford Robertson, III	REEVES	11/1/2004	694/591
Carol Hall Majzlin	REEVES	10/25/2004	694/587
Clifford P. Robertson	REEVES	10/25/2004	696/212
State of Texas	REEVES	10/25/2004	696/212
A R Eppenauer Trusts 1& 2 and Rachel Eppenauer Trusts A & B	REEVES	3/10/2005	696/534
Joseph S. Billeiter	REEVES	12/10/2004	696/537
David J. Billeiter	REEVES	12/10/2004	696/541
Lisa Ann Hughes	REEVES	12/10/2004	696/545
Bessie V. Hays	REEVES	12/10/2004	696/549
David H. Mitchell, Jr.	REEVES	12/10/2004	696/553
Betty B. Armstrong	REEVES	12/10/2004	696/557
Dorothy Jean Hill	REEVES	12/10/2004	696/561
Diana J. McCabe	REEVES	12/10/2004	696/565
Peter Craig Billeiter	REEVES	12/10/2004	696/569
Charles W. Benson	REEVES	1/5/2005	697/38
State of Texas	REEVES	1/5/2005	697/38&48
David Shelton	REEVES	1/5/2005	697/48
Eugenia Benson	REEVES	1/5/2005	697/58
State of Texas	REEVES	1/5/2005	697/58&68
Mary Ann Shelton	REEVES	1/5/2005	697/68
Harrison Trust	REEVES	4/27/2005	699/29
State of Texas	REEVES	4/27/2005	699/29
Jocelyn McAlpine Greeman	REEVES	10/25/2004	699/340
A. R. Eppenauer, III	REEVES	3/28/2005	699/58
Edwin H. Eppenauer	REEVES	3/28/2005	699/58
George Brackenridge Foundation	REEVES	11/7/2005	717/130
State of Texas	REEVES	11/7/2005	717/130
Michael D. Leonard Trustee	REEVES	9/30/2005	718/498
State of Texas	REEVES	5/3/2005	718/498&508
Carolyn Crockett Bell	REEVES	9/30/2005	718/508

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

EXHIBIT B

EXCLUDED INTERESTS

The "Assets", as such term is defined in any document captioned "Assignment, Conveyance and Bill of Sale (Section 3.2)" and executed by Assignor and Assignee on or prior to the date hereof.

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

Certificate of Record

38.00 Recording Fee

2.00 Certified Copy Fee (2)

4.00 Total Paid Fed-Ex Envelope 002603

Return to:

Graves & Co.
1415 Louisiana
Houston, TX 77002

COMPARED

FILED FOR RECORD
2008 JUN 24 PM 4:02
DIANNE O. FLOREZ
COUNTY CLERK, REEVES COUNTY, TX.

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.

THE STATE OF TEXAS, }
COUNTY OF REEVES. }

I, hereby certify that this instrument with its certificates of authenticity was FILED on the date and at the time stamped hereon and was duly RECORDED in the OFFICIAL PUBLIC RECORDS of Real Property of Reeves County, Texas, as indicated.

OPR VOL. 795 PAGE 329 DATE RECORDED 06/30/2008

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
By: Deputy

BEAR GRAPHICS, INC.

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# 4611

FILED FOR RECORD ON THE 20TH DAY OF OCTOBER A.D. 2008 3:19 P. M.

DULY RECORDED ON THE 24TH DAY OF OCTOBER A.D. 2008 4:00 P. M.

BY: DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

60.22.1

File No. MF 10497

Assignment

Date Filed: _____

Jerry E. Patterson, Commissioner

By _____

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. 806, PAGE 442, THRU 450 OFFICIAL PUBLIC RECORDS

I hereby certified on 01/13/2009

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Dalia Galindo DEPUTY

DALIA GALINDO

TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

February 3, 2009

Cindy Mercer
Pinnacle Land Services, Inc.
PO Box 991.
Pleasanton, TX 78064

RE: GLO Assignment ID # 6714

Dear Ms. Mercer,

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, Conveyance and Bill of Sale (Section 3.3 Initial Payment), executed June 9th, 2008, from Hallwood Energy, LP as Assignor, to FEI Shale, LP, as Assignee. Reeves Co. Vol. 795 P. 329. MF104871.

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

Exhibit "A"

GLO ID	*County*	*Lease*
6714	*Reeves*	MF104871

PINNACLE LAND SERVICES, INC.
P.O. Box 991
Pleasanton, Texas 78064

Office (830) 569-5436
Fax (830) 569-5438
Cell (830) 570-2275

January 21, 2009

Ms. Beverly Boyd
General Land Office of Texas
1700 N. Congress Avenue, Suite 620
Austin, Texas 78701

Re: Mineral File No. 104871
Section 9, Block 56, Abstract 4448
Reeves County, Texas

Dear Beverly:

Please find enclosed the following instruments that need to be filed in the above Mineral File:

- Assignment of Oil and Gas Lease, dated April 27, 2005, by Woods Petroleum Land Management to Hallwood Energy II, L.P., recorded in Volume 707, Page 231, of the Official Public Records of Reeves County, Texas. MF 104871
- Correction of Oil and Gas Lease Assignment, dated April 27, 2005 by Woods Petroleum Land Management, Inc. to Hallwood Energy II, L.P., recorded in Volume 719, Page 155, of the Official Public Records of Reeves County, Texas. MF 104871
- Assignment, Bill of Sale and Conveyance, dated July 19, 2006 by Hallwood Energy, L.P. to Chesapeake Exploration Limited Partnership., recorded in Volume 739, Page 756, of the Official Public Records of Reeves County, Texas.
- Memorandum of Acquisition and Farmout Agreement, dated June 9, 2008 by FEI Shale L.P. et al to themselves, recorded in 794, Page 599 of the Official Public Records of Reeves County, Texas.
- Assignment, Conveyance and Bill of Sale (Section 3.3 Initial Payment), dated June 9, 2008 by Hallwood Energy, L.P. to FEI Shale L. P., recorded in Volume 795, Page 329 of the Official Public Records of Reeves County, Texas.
- Assignment, Conveyance and Bill of Sale (Section 3.3 initial Payment), dated June 9, 2008 by Hallwood Energy, L.P. to FEI Shale L.P., recorded in Volume 806, Page 442 of the Official Public Records of Reeves County, Texas.

I have enclosed Pinnacle Land Services, Inc. check no. 12446, in the amount of $25.00 to cover the cost of filing.

80-22-1

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

Sincerely,
PINNACLE LAND SERVICES, INC.
Cindy G. Mercer
Cindy G. Mercer, C.P.L.

/cgm

enclosures – check no. 12446

129

PINNACLE LAND SERVICES, INC.
P. O. BOX 991 PH. 830-569-5436
PLEASANTON, TX 78064

0900836

12446

Date 1-21-08

Pay to the Order of State of Texas $ 25.00 XX

Twenty-five dollars + no/100 Dollars

Security Features Details on Back.

WELLS FARGO
Wells Fargo Bank, N.A.
Texas
wellsfargo.com

FOR Sec. 9, Blk. 56

Melanie Llamas

⑈00000 12446⑈ [redacted]

3301046

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BOOK 795 PAGE 329
CLERKS MEMO: NOT IN CUSTOMER SPECIFIED ORDER
RE-RECORDED IN VOLUME 806 PAGE 442
104871

FILE# 2603

ASSIGNMENT, CONVEYANCE AND BILL OF SALE (SECTION 3.3 INITIAL PAYMENT)

STATE OF TEXAS §

COUNTY OF REEVES §

This ASSIGNMENT, CONVEYANCE AND BILL OF SALE (this "Assignment") dated June 9, 2008, is from HALLWOOD ENERGY, L.P., a Delaware limited partnership ("Assignor"), with offices at 3710 Rawlins, Suite 1500, Dallas, Texas 75219, to FEI SHALE L.P., a Delaware limited partnership ("Assignee"), with offices at c/o 2000 888 3rd St. S.W., Calgary, Alberta, Canada T2P 5C5, upon and subject to the following terms and conditions:

1. Certain Definitions. For purposes of this Assignment, the following capitalized terms shall have the meanings herein ascribed to them below:

"Acquisition Agreement" means that certain Acquisition and Farmout Agreement dated as of June 9, 2008, by and among Assignee, Assignor, Hallwood Gathering, L.P., Hallwood Petroleum, LLC, and Hallwood SWD, LLC, as heretofore amended, supplemented, restated or otherwise modified from time to time.

"Applicable Percentage" means that percentage of the Assets which, when combined with the interests in the Assets previously assigned to Assignee pursuant to the Acquisition Agreement, will result in the ownership of the Assets to be held in the following proportions: 90% by Assignor, and 10% by Assignee.

"Assets" means (i) the Subject Properties and (ii) the Related Properties, but specifically excluded from the term "Assets" and the transactions contemplated by this Assignment are the Excluded Interests and Assignor's (x) real property assets located in the State of Nevada and (y) corporate offices located in Dallas, Texas and production offices located in Searcy, Arkansas and Lafayette, Louisiana, including associated leasehold interests, real property and furniture, fixtures and equipment.

"Disposition" means the sale, exchange, conveyance, assignment, transfer, farm-out or other disposition of a property.

"Effective Date" means 7:00 a.m., Dallas, Texas time, on June 9, 2008, at the location of the Assigned Interests.

"Encumbrance" means any option, pledge, mortgage, deed of trust, security interests, lien, charge, encumbrance or restriction (whether on voting, sale, transfer, disposition or otherwise), whether imposed by agreement, understanding, law or otherwise, except those arising under applicable federal or state securities laws.

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60.22.1

"Equipment" means all equipment, fixtures, physical facilities or interests therein (including but not limited to gathering lines, pipelines, and gas plants but excluding the Hallwood Gathering System) of every type and description.

"Excluded Interests" means (i) the Hallwood Gathering System and (ii) that portion of the Assets with respect to which Assignor conveyed an undivided 33.33% of Assignor's interest to Assignee pursuant to Section 3.2 of the Acquisition Agreement on or before the date of this Assignment, which Assets are more particularly described in Exhibit B attached hereto and incorporated herein by reference.

"Governmental Entity" means any federal, state, municipal, domestic or foreign court, tribunal, administrative agency, department, commission, board, bureau or other governmental authority or instrumentality.

"Hallwood Gathering System" is defined in the Acquisition Agreement.

"Hydrocarbons" means oil, natural gas and/or other liquid and gaseous hydrocarbon substances (including shale gas) or any combination thereof.

"Oil and Gas Contracts" means all area of mutual interest agreements, farmout or farmin agreements, bottom hole or acreage contribution agreements, operating agreements, unit agreements, unit operating agreements, water flood agreements, unitization declarations or orders, joint venture, exploration, participation or acquisition agreements, division orders, Production Sales Agreements, exchange, processing, gathering or transportation agreements, easements and rights-of-way, salt water disposal agreements, surface leases and surface use agreements, water leases and water usage rights and all other contracts and agreements affecting or relating to the ownership or operation of any Oil and Gas Properties or the Disposition of Hydrocarbons produced therefrom.

"Oil and Gas Leases" means oil, gas and mineral leases, oil and gas leases, subleases, assignments of operating rights and similar agreements, and any extensions and renewals thereof.

"Oil and Gas Properties" means (i) Oil and Gas Leases and (ii) all other oil, gas or mineral properties, mineral servitudes and mineral rights of any kind (including, without limitation, mineral fee interests, overriding royalty and royalty interests, net profits interests, oil payment interest, production payment interest and other types of mineral interests).

"Permitted Encumbrances" is defined in the Acquisition Agreement.

"Person" means an individual, partnership, corporation, association, limited liability company, joint stock company, trust, joint venture, unincorporated organization, or Governmental Entity (or any department, agency, or political subdivision thereof).

"Production Sales Agreements" is defined in the Acquisition Agreement.

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

"Records" means all geographical and geophysical maps, seismic data and information, records, land records, division orders, production files and all other records and files.

"Related Properties" means, at any date, with respect to the Subject Properties, a corresponding interest in and to all other property (tangible or intangible), rights and interests incident to the ownership and operation thereof, including without limitation, (i) all presently existing and valid unitization and pooling declarations, agreements, and/or orders and the contractual right to the properties covered in the units created thereby (including all units formed under orders, regulations, rules, or other official acts of any Governmental Entity having jurisdiction) insofar as the same relate to or affect the Subject Properties , except to the extent such properties constitute Subject Properties; (ii) all Equipment, goods and other personal property insofar as the same are located on or used or held for use in connection with the Subject Properties; (iii) all Oil and Gas Contracts insofar as the same relate to the Subject Properties; (iv) all permits, franchises and licenses insofar as the same relate to the Subject Properties; (v) all (A) proprietary Seismic Data and (B) to the extent in Assignor's possession and transferable without material restriction on, or payment of a transfer or licensing fee by, the transferee (unless Assignee for its own account agrees to observe any such restriction or pay any such fee if Assignee cannot, through the exercise of reasonable commercial efforts, obtain a waiver thereof if requested to do so by Assignee), all Seismic Data jointly owned by Assignor with, or licensed by Assignor from, other Persons; and (vi) the Records related thereto.

"Seismic Data" means, to the extent covering or affecting the Subject Properties, all seismic, geological and geophysical data, together with Assignor's proprietary interpretations thereof.

"Subject Properties" means all of Assignor's rights, title and interests in and to the Oil and Gas Properties described in Exhibit A attached hereto and incorporated herein by reference for all purposes.

2. Assignment. For Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby transfers, grants, conveys and assigns the Applicable Percentage of the Assets to Assignee, effective as of the Effective Date. The properties, rights and interests being conveyed to Assignee pursuant to this Assignment are sometimes referred to herein as the "Assigned Interests".

3. Further Assurances. Assignor agrees to execute and deliver such other and further instruments and will do such other and further acts as may be necessary or desirable to carry out more effectively the intents and purposes of this Assignment. Furthermore, in the event that, under applicable federal or state statutes or regulations or by virtue of contractual obligations, a separate assignment of any of the Assigned Interests is required to be executed by Assignor on an approved form or on a separately executed instrument, such separate assignment shall be so executed on such approved forms or on such separate assignment in sufficient counterparts to satisfy any such statutory, regulatory or contractual requirements.

4. Substitution and Subrogation. This Assignment is made with full substitution and subrogation of Assignee, its successors and assigns in and to all covenants and warranties

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60.22.1

heretofore given or made in respect of any of the Assigned Interests, and Assignor hereby assigns and conveys to Assignee all such covenants and warranties and all of Assignor's rights thereunder which relate to the Assigned Interests.

5. Warranties. This Assignment is made without covenant or warranty of any kind except that, subject to Permitted Encumbrances, (i) Assignor warrants title to the Assigned Interests, by, through or under Assignor, but not otherwise, and (ii) Assignor warrants that the Assigned Interests are free and clear of all Encumbrances. Additionally, to the extent that this Assignment constitutes an assignment of personal property or fixtures, Assignor expressly disclaims and negates (a) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, (b) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, and (c) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIAL.

6. Acquisition Agreement. This Assignment is expressly made subject to the terms and provisions of the Acquisition Agreement.

7. Successors and Assigns. This Assignment shall bind and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

TO HAVE AND TO HOLD the Assigned Interests unto Assignee, its successors and assigns forever.

[Signature Page Follows]

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60.22.1

EXECUTED as of the date set out above, but effective as of the Effective Date.

ASSIGNOR:

HALLWOOD ENERGY, L.P.
By: Hallwood Energy Management, LLC,
its general partner

By: _____
Name: William H. Marble
Title: Vice President

ASSIGNEE:

FEI SHALE L.P.
By: FEI Shale GP Inc.,
its general partner

By: _____
Name: Shirley Rattray
Title: Team Leader, Contracts and Lease Administration

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

60.22.1

STATE OF TEXAS §
§
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me on June 9, 2008 by William H. Marble, Vice President of Hallwood Energy Management, LLC, a Delaware limited liability company, in its capacity as general partner of Hallwood Energy, LP, a Delaware limited partnership, on behalf of said limited partnership.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 9th day of June, 2008.

CONNIE F. ELFENBEIN
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 05-10-2012

NOTARY PUBLIC, State of Texas

My commission expires:
05-10-2012

STATE OF TEXAS §
§
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me on June 9, 2008 by Shirley Rattray, Team Leader, Contracts and Lease Administration of FEI Shale GP Inc., a Delaware corporation, in its capacity as general partner of FEI SHALE L.P., a Delaware limited partnership, on behalf of said limited partnership.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 9th day of June, 2008.

CONNIE F. ELFENBEIN
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 05-10-2012

NOTARY PUBLIC, State of Texas

My commission expires:
05-10-2012

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

60.721

Exhibit "A"

Attached to and made a part of that certain Assignment, Conveyance and Bill of Sale, dated effective April 1, 2008, between Hallwood Energy, L.P. as Assignor, and FEI Shale L.P. as Assignee.

LESSOR	COUNTY	LEASE DATE	RECORDING BK/PD
James O. Griffin, Jr.	REEVES	10/15/2004	687/456
Ronald G. Griffin	REEVES	10/15/2004	687/460
Donita Griffin Hunter	REEVES	10/15/2004	687/464
Rex C. Griffin, Jr.	REEVES	10/15/2004	687/468
Jocelyn McAlpine Greeman, et al	REEVES	10/25/2004	694/556
State of Texas	REEVES	10/25/2004	694/556
Jocelyn McAlpine Greeman, et al	REEVES	10/25/2004	694/570
State of Texas	REEVES	10/25/2004	694/570
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A R Eppenauer Trusts 1& 2 and Rachel Eppenauer Trusts A & B	REEVES	3/10/2005	696/534
Joseph S. Billeiter	REEVES	12/10/2004	696/537
David J. Billeiter	REEVES	12/10/2004	696/541
Lisa Ann Hughes	REEVES	12/10/2004	696/545
Bessie V. Hays	REEVES	12/10/2004	696/549
David H. Mitchell, Jr.	REEVES	12/10/2004	696/553
Betty B. Armstrong	REEVES	12/10/2004	696/557
Dorothy Jean Hill	REEVES	12/10/2004	696/561
Diana J. McCabe	REEVES	12/10/2004	696/565
Peter Craig Billeiter	REEVES	12/10/2004	696/569
Charles W. Benson	REEVES	1/5/2005	697/38
State of Texas	REEVES	1/5/2005	697/38&48
David Shelton	REEVES	1/5/2005	697/48
Eugenia Benson	REEVES	1/5/2005	697/58
State of Texas	REEVES	1/5/2005	697/58&68
Mary Ann Shelton	REEVES	1/5/2005	697/68
Harrison Trust	REEVES	4/27/2005	699/29
State of Texas	REEVES	4/27/2005	699/29
Jocelyn McAlpine Greeman	REEVES	10/25/2004	699/340
A. R. Eppenauer, III	REEVES	3/28/2005	699/58
Edwin H. Eppenauer	REEVES	3/28/2005	699/58
George Brackenridge Foundation	REEVES	11/7/2005	717/130
State of Texas	REEVES	11/7/2005	717/130
Michael D. Leonard Trustee	REEVES	9/30/2005	718/498
State of Texas	REEVES	5/3/2005	718/498&508
Carolyn Crockett Bell	REEVES	9/30/2005	718/508

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

EXHIBIT B

EXCLUDED INTERESTS

The "Assets", as such term is defined in any document captioned "Assignment, Conveyance and Bill of Sale (Section 3.2)" and executed by Assignor and Assignee on or prior to the date hereof.

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# 2603

FILED FOR RECORD ON THE 24TH DAY OF JUNE A.D. 2008 4:02 P. M.

DULY RECORDED ON THE 30TH DAY OF JUNE A.D. 2008 2:00 P. M.

BY: Denise D. Cortez, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

7/.

File No. MF104871

Assignments

Date Filed: 2/3/09

Jerry E. Patterson, Commissioner

By

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. 795 PAGE 329 THRU 336 OFFICIAL PUBLIC RECORDS

I hereby certified on 01/13/2009

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Dalia Galindo DEPUTY
DALIA GALINDO

TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

February 9, 2009

Cindy Mercer
Pinnacle Land Services, Inc.
PO Box 991.
Pleasanton, TX 78064

RE: GLO Assignment ID # 6735

Dear Ms. Mercer,

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 Overriding Royalty Interests, executed January 1st, 2006, from Hallwood Energy, LP, as Assignor, to David Prose as Assignee. MF104871, Reeves Co. Vol. 734, P. 678.

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

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

3 assignments
2 are dups
put in 104871

Exhibit "A"

GLO ID	*County*	*Lease*
6735	*Reeves*	MF104871

FILE # 3055

ASSIGNMENT OF OVERRIDING ROYALTY INTERESTS

THIS ASSIGNMENT OF OVERRIDING ROYALTY INTERESTS (this "Assignment"), dated and effective as of January 1, 2006 (the "Effective Date"), is from HALLWOOD ENERGY, L.P., formerly known as HALLWOOD ENERGY II, L.P., a Delaware limited partnership ("Assignor"), with offices at 3710 Rawlins, Suite 1500, Dallas, Texas 75219, to DAVID PROSE ("Assignee"), with offices at 309 W. 7th Street, Suite 700, Fort Worth, TX 76102, upon and subject to the following terms and conditions:

1. Certain Definitions. For purposes of this Assignment, the following capitalized terms shall have the meanings herein ascribed to them and the capitalized terms defined in the opening paragraphs and subsequent paragraphs by inclusion in quotation marks and parentheses shall have the meanings so ascribed to them:

"Leases" means those oil, gas and mineral leases that are more particularly described in Exhibit A attached hereto and incorporated herein by reference for all purposes.

"Subject Overrides" means a one percent (1%) overriding royalty interest in the production from each of the Leases.

2. Assignment. For Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, effective as of the Effective Date, Assignor hereby transfers, grants, conveys and assigns to Assignee the Subject Overrides.

The conveyance of the Subject Overrides made herein is subject to the following terms and conditions:

(a) The Subject Overrides shall be free and clear of all drilling, development, producing and operating costs and expenses, except that Assignees shall bear and pay the following (to the extent in each case applicable, allocable or attributable to the Subject Overrides): (1) all compression and other fees charged by gathering pipelines and systems owned and operated by parties that do not own an interest in the Leases, (2) all costs and expenses charged by owners and operators of gas transportation pipelines and systems, (3) all taxes that may now or hereafter be applicable to or in any manner connected with or a lien upon such Subject Overrides or the production attributable thereto, including, without limitation, all production, severance, gathering, transportation, excise or other taxes attributable to or levied upon such Subject Overrides or the production attributable thereto, and (4) all other costs and charges to the same extent as those costs and charges are borne by or charged to the lessors' royalty interest under the terms of the Leases. It is expressly provided that no overriding royalty hereunder shall be paid or shall accrue upon any oil, gas, distillate, condensate, casinghead gas or other liquid or vaporous hydrocarbons used for operating, development or production purposes upon the land covered by the Leases (the "Lands") or upon that portion of production which is unavoidably lost. Except as otherwise provided herein, the Subject Overrides shall be paid or delivered to Assignee in the same manner as that provided in the Leases for the payment of royalty to the lessors therein.

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

STATE OF TEXAS * REEVES COUNTY *

90.21.1 60.22.1

(b) The Subject Overrides may be pooled and unitized in the same manner and under the identical terms, conditions and provisions as the lessors' royalty may be pooled and unitized under the terms of the Leases.

(c) The conveyance of the Subject Overrides is based upon the assumption that the Leases cover and affect the entire fee simple estate and the entirety of the Lands described and covered by the Leases. If a Lease covers less than the entire fee simple estate described therein, if Assignor's interest in such Lease is less than all of the interest purported to be covered by such Lease, or if there is a loss or failure of title so that such Lease does not cover a particular tract or parcel described therein, or if such Lease does not cover the entire mineral interest in the entirety of the Lands described in and covered by such Lease, then the Subject Overrides shall be proportionately reduced as to each such partial interest or as to each of such lands as to which title shall have failed or is less than the entire mineral interest.

(d) The Subject Overrides shall be applicable to any renewal, extension, or new lease taken or acquired by Assignor, or its successors or assigns, within six (6) months after the date of termination of the Leases covering the same property.

(e) Assignor shall have no obligation, either express or implied, to keep or maintain any of the Leases in force and effect, whether through the payment of rentals, royalties or other payments or through the drilling of wells or the conduct of other operations with respect to the Leases or the Lands.

3. Further Assurances. Assignor and Assignees agree to execute and deliver such other and further instruments and will do such other and further acts as may be necessary or desirable to carry out more effectively the intents and purposes of this Assignment.

4. No Warranties. This Assignment is made without warranty of any kind or nature whatsoever.

5. Successors and Assigns. Subject to the terms and conditions hereof, this Assignment shall bind and inure to the benefit of Assignor and Assignees and their respective heirs, representatives, successors and assigns.

6. Applicable Law. The assignments and conveyances made herein and the rights and obligations of the parties hereunder shall be governed by and interpreted, construed and enforced in accordance with the laws of the State of Texas, excluding its conflict of laws principles.

7. Captions. Titles or captions in this Assignment have been inserted only for convenience and for reference, and in no way define, limit, extend or describe the scope of this Assignment or the intent of any provision herein.

IN WITNESS WHEREOF, Assignor has caused this Assignment to be duly executed on and as of the Effective Date.

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copy of
Original filed in
Reeves County
Clerks Office

HALLWOOD ENERGY, L.P.
By: Hallwood Energy Management, LLC
its general partner

By: Jaymie R. Munchinski
Jaymie R. Munchinski
Land Manager

STATE OF TEXAS §
§
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me on January 1, 2006 by Jaymie R. Munchinski, Land Manager of Hallwood Energy Management, LLC, a Delaware limited liability company, in its capacity as general partner of Hallwood Energy, L.P., a Delaware limited partnership, on behalf of said partnership.

Sandra Gehrke
Notary Public in and for
the State of Texas
Sandra Gehrke
Printed Name of Notary

My Commission Expires:
3-29-2007

SANDRA GEHRKE
Notary Public
State of Texas
Comm. Expires 03-29-2007

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

STATE OF TEXAS * REEVES COUNTY *

EXHIBIT A

LESSOR	LESSEE	COUNTY	LEASE DATE	RECORDING BK/PG
Jocelyn McAlpine Greeman, et al	Perry & Perry, Inc.	REEVES	10/25/2004	694/556
A. R. Eppenauer, III, et al	Perry & Perry, Inc.	REEVES	3/28/2005	699/58
Harrison Trust	Woods Petroleum Land Management, Inc.	REEVES	4/27/2005	699/29

INSOFAR AS THE LEASES COVER AND INCLUDE LANDS IN PSL BLOCK 53, 56 AND 57

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 NO. 3055

FILED FOR RECORD ON THE 6TH DAY OF JUNE A.D. 2006 1:34 P. M.

DULY RECORDED ON THE 7TH DAY OF JUNE A.D. 2006 10:00 A. M.

BY: _____, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

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. 734, PAGE 678, THRU 681. OFFICIAL PUBLIC RECORDS

I hereby certified on 12/30/2008

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY
MICHELLE CARRASCO

CLERKS MEMO: NOT IN CUSTOMER SPECIFIED ORDER
RE-RECORDED IN VOLUME 806 PAGE 442

FILE# 2603

Dec 21, 08
10

ASSIGNMENT, CONVEYANCE AND BILL OF SALE (SECTION 3.3 INITIAL PAYMENT)

STATE OF TEXAS §

COUNTY OF REEVES §

This ASSIGNMENT, CONVEYANCE AND BILL OF SALE (this "Assignment") dated June 9, 2008, is from HALLWOOD ENERGY, L.P., a Delaware limited partnership ("Assignor"), with offices at 3710 Rawlins, Suite 1500, Dallas, Texas 75219, to FEI SHALE L.P., a Delaware limited partnership ("Assignee"), with offices at c/o 2000 888 3rd St. S.W., Calgary, Alberta, Canada T2P 5C5, upon and subject to the following terms and conditions:

1. Certain Definitions. For purposes of this Assignment, the following capitalized terms shall have the meanings herein ascribed to them below:

"Acquisition Agreement" means that certain Acquisition and Farmout Agreement dated as of June 9, 2008, by and among Assignee, Assignor, Hallwood Gathering, L.P., Hallwood Petroleum, LLC, and Hallwood SWD, LLC, as heretofore amended, supplemented, restated or otherwise modified from time to time.

"Applicable Percentage" means that percentage of the Assets which, when combined with the interests in the Assets previously assigned to Assignee pursuant to the Acquisition Agreement, will result in the ownership of the Assets to be held in the following proportions: 90% by Assignor, and 10% by Assignee.

"Assets" means (i) the Subject Properties and (ii) the Related Properties, but specifically excluded from the term "Assets" and the transactions contemplated by this Assignment are the Excluded Interests and Assignor's (x) real property assets located in the State of Nevada and (y) corporate offices located in Dallas, Texas and production offices located in Searcy, Arkansas and Lafayette, Louisiana, including associated leasehold interests, real property and furniture, fixtures and equipment.

"Disposition" means the sale, exchange, conveyance, assignment, transfer, farm-out or other disposition of a property.

"Effective Date" means 7:00 a.m., Dallas, Texas time, on June 9, 2008, at the location of the Assigned Interests.

"Encumbrance" means any option, pledge, mortgage, deed of trust, security interests, lien, charge, encumbrance or restriction (whether on voting, sale, transfer, disposition or otherwise), whether imposed by agreement, understanding, law or otherwise, except those arising under applicable federal or state securities laws.

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Original filed in
Reeves County
Clerks Office

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"Equipment" means all equipment, fixtures, physical facilities or interests therein (including but not limited to gathering lines, pipelines, and gas plants but excluding the Hallwood Gathering System) of every type and description.

"Excluded Interests" means (i) the Hallwood Gathering System and (ii) that portion of the Assets with respect to which Assignor conveyed an undivided 33.33% of Assignor's interest to Assignee pursuant to Section 3.2 of the Acquisition Agreement on or before the date of this Assignment, which Assets are more particularly described in Exhibit B attached hereto and incorporated herein by reference.

"Governmental Entity" means any federal, state, municipal, domestic or foreign court, tribunal, administrative agency, department, commission, board, bureau or other governmental authority or instrumentality.

"Hallwood Gathering System" is defined in the Acquisition Agreement.

"Hydrocarbons" means oil, natural gas and/or other liquid and gaseous hydrocarbon substances (including shale gas) or any combination thereof.

"Oil and Gas Contracts" means all area of mutual interest agreements, farmout or farmin agreements, bottom hole or acreage contribution agreements, operating agreements, unit agreements, unit operating agreements, water flood agreements, unitization declarations or orders, joint venture, exploration, participation or acquisition agreements, division orders, Production Sales Agreements, exchange, processing, gathering or transportation agreements, easements and rights-of-way, salt water disposal agreements, surface leases and surface use agreements, water leases and water usage rights and all other contracts and agreements affecting or relating to the ownership or operation of any Oil and Gas Properties or the Disposition of Hydrocarbons produced therefrom.

"Oil and Gas Leases" means oil, gas and mineral leases, oil and gas leases, subleases, assignments of operating rights and similar agreements, and any extensions and renewals thereof.

"Oil and Gas Properties" means (i) Oil and Gas Leases and (ii) all other oil, gas or mineral properties, mineral servitudes and mineral rights of any kind (including, without limitation, mineral fee interests, overriding royalty and royalty interests, net profits interests, oil payment interest, production payment interest and other types of mineral interests).

"Permitted Encumbrances" is defined in the Acquisition Agreement.

"Person" means an individual, partnership, corporation, association, limited liability company, joint stock company, trust, joint venture, unincorporated organization, or Governmental Entity (or any department, agency, or political subdivision thereof).

"Production Sales Agreements" is defined in the Acquisition Agreement.

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"Records" means all geographical and geophysical maps, seismic data and information, records, land records, division orders, production files and all other records and files.

"Related Properties" means, at any date, with respect to the Subject Properties, a corresponding interest in and to all other property (tangible or intangible), rights and interests incident to the ownership and operation thereof, including without limitation, (i) all presently existing and valid unitization and pooling declarations, agreements, and/or orders and the contractual right to the properties covered in the units created thereby (including all units formed under orders, regulations, rules, or other official acts of any Governmental Entity having jurisdiction) insofar as the same relate to or affect the Subject Properties , except to the extent such properties constitute Subject Properties; (ii) all Equipment, goods and other personal property insofar as the same are located on or used or held for use in connection with the Subject Properties; (iii) all Oil and Gas Contracts insofar as the same relate to the Subject Properties; (iv) all permits, franchises and licenses insofar as the same relate to the Subject Properties; (v) all (A) proprietary Seismic Data and (B) to the extent in Assignor's possession and transferable without material restriction on, or payment of a transfer or licensing fee by, the transferee (unless Assignee for its own account agrees to observe any such restriction or pay any such fee if Assignee cannot, through the exercise of reasonable commercial efforts, obtain a waiver thereof if requested to do so by Assignee), all Seismic Data jointly owned by Assignor with, or licensed by Assignor from, other Persons; and (vi) the Records related thereto.

"Seismic Data" means, to the extent covering or affecting the Subject Properties, all seismic, geological and geophysical data, together with Assignor's proprietary interpretations thereof.

"Subject Properties" means all of Assignor's rights, title and interests in and to the Oil and Gas Properties described in Exhibit A attached hereto and incorporated herein by reference for all purposes.

2. Assignment. For Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby transfers, grants, conveys and assigns the Applicable Percentage of the Assets to Assignee, effective as of the Effective Date. The properties, rights and interests being conveyed to Assignee pursuant to this Assignment are sometimes referred to herein as the "Assigned Interests".

3. Further Assurances. Assignor agrees to execute and deliver such other and further instruments and will do such other and further acts as may be necessary or desirable to carry out more effectively the intents and purposes of this Assignment. Furthermore, in the event that, under applicable federal or state statutes or regulations or by virtue of contractual obligations, a separate assignment of any of the Assigned Interests is required to be executed by Assignor on an approved form or on a separately executed instrument, such separate assignment shall be so executed on such approved forms or on such separate assignment in sufficient counterparts to satisfy any such statutory, regulatory or contractual requirements.

4. Substitution and Subrogation. This Assignment is made with full substitution and subrogation of Assignee, its successors and assigns in and to all covenants and warranties

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80.21.1 80.22.1

heretofore given or made in respect of any of the Assigned Interests, and Assignor hereby assigns and conveys to Assignee all such covenants and warranties and all of Assignor's rights thereunder which relate to the Assigned Interests.

5. Warranties. This Assignment is made without covenant or warranty of any kind except that, subject to Permitted Encumbrances, (i) Assignor warrants title to the Assigned Interests, by, through or under Assignor, but not otherwise, and (ii) Assignor warrants that the Assigned Interests are free and clear of all Encumbrances. Additionally, to the extent that this Assignment constitutes an assignment of personal property or fixtures, Assignor expressly disclaims and negates (a) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, (b) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, and (c) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIAL.

6. Acquisition Agreement. This Assignment is expressly made subject to the terms and provisions of the Acquisition Agreement.

7. Successors and Assigns. This Assignment shall bind and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

TO HAVE AND TO HOLD the Assigned Interests unto Assignee, its successors and assigns forever.

[Signature Page Follows]

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EXECUTED as of the date set out above, but effective as of the Effective Date.

ASSIGNOR:

HALLWOOD ENERGY, L.P.
By: Hallwood Energy Management, LLC,
its general partner

By: _____
Name: William H. Marble
Title: Vice President

ASSIGNEE:

FEI SHALE L.P.
By: FEI Shale GP Inc.,
its general partner

By: _____
Name: Shirley Rattray
Title: Team Leader, Contracts and Lease Administration

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

80.2t 60.2t

STATE OF TEXAS §
§
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me on June 9, 2008 by William H. Marble, Vice President of Hallwood Energy Management, LLC, a Delaware limited liability company, in its capacity as general partner of Hallwood Energy, LP, a Delaware limited partnership, on behalf of said limited partnership.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 9th day of June, 2008.

CONNIE F. ELFENBEIN
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 05-10-2012

NOTARY PUBLIC, State of Texas

My commission expires:
05-10-2012

STATE OF TEXAS §
§
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me on June 9, 2008 by Shirley Rattray, Team Leader, Contracts and Lease Administration of FEI Shale GP Inc., a Delaware corporation, in its capacity as general partner of FEI SHALE L.P., a Delaware limited partnership, on behalf of said limited partnership.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 9th day of June, 2008.

CONNIE F. ELFENBEIN
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 05-10-2012

NOTARY PUBLIC, State of Texas

My commission expires:
05-10-2012

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

80.21.1 60.23.1

Exhibit "A"

Attached to and made a part of that certain Assignment, Conveyance and Bill of Sale, dated effective April 1, 2008, between Hallwood Energy, L.P. as Assignor, and FEI Shale L.P. as Assignee.

LESSOR	COUNTY	LEASE DATE	RECORDING BK/PD
James O. Griffin, Jr.	REEVES	10/15/2004	687/456
Ronald G. Griffin	REEVES	10/15/2004	687/460
Donita Griffin Hunter	REEVES	10/15/2004	687/464
Rex C. Griffin, Jr.	REEVES	10/15/2004	687/468
Jocelyn McAlpine Greeman, et al	REEVES	10/25/2004	694/556
State of Texas	REEVES	10/25/2004	694/556
Jocelyn McAlpine Greeman, et al	REEVES	10/25/2004	694/570
State of Texas	REEVES	10/25/2004	694/570
Clifford Robertson, III	REEVES	10/25/2004	694/791
Clifford Robertson, III	REEVES	11/1/2004	694/591
Carol Hall Majzlin	REEVES	10/25/2004	694/587
Clifford P. Robertson	REEVES	10/25/2004	696/212
State of Texas	REEVES	10/25/2004	696/212
A R Eppenauer Trusts 1& 2 and Rachel Eppenauer Trusts A & B	REEVES	3/10/2005	696/534
Joseph S. Billeiter	REEVES	12/10/2004	696/537
David J. Billeiter	REEVES	12/10/2004	696/541
Lisa Ann Hughes	REEVES	12/10/2004	696/545
Bessie V. Hays	REEVES	12/10/2004	696/549
David H. Mitchell, Jr.	REEVES	12/10/2004	696/553
Betty B. Armstrong	REEVES	12/10/2004	696/557
Dorothy Jean Hill	REEVES	12/10/2004	696/561
Diana J. McCabe	REEVES	12/10/2004	696/565
Peter Craig Billeiter	REEVES	12/10/2004	696/569
Charles W. Benson	REEVES	1/5/2005	697/38
State of Texas	REEVES	1/5/2005	697/38&48
David Shelton	REEVES	1/5/2005	697/48
Eugenia Benson	REEVES	1/5/2005	697/58
State of Texas	REEVES	1/5/2005	697/58&68
Mary Ann Shelton	REEVES	1/5/2005	697/68
Harrison Trust	REEVES	4/27/2005	699/29
State of Texas	REEVES	4/27/2005	699/29
Jocelyn McAlpine Greeman	REEVES	10/25/2004	699/340
A. R. Eppenauer, III	REEVES	3/28/2005	699/58
Edwin H. Eppenauer	REEVES	3/28/2005	699/58
George Brackenridge Foundation	REEVES	11/7/2005	717/130
State of Texas	REEVES	11/7/2005	717/130
Michael D. Leonard Trustee	REEVES	9/30/2005	718/498
State of Texas	REEVES	5/3/2005	718/498&508
Carolyn Crockett Bell	REEVES	9/30/2005	718/508

104811

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

80.21.1 60.23.1

EXHIBIT B

EXCLUDED INTERESTS

The "Assets", as such term is defined in any document captioned "Assignment, Conveyance and Bill of Sale (Section 3.2)" and executed by Assignor and Assignee on or prior to the date hereof.

[redacted]

FILE# 2603

FILED FOR RECORD ON THE 24TH DAY OF JUNE A.D. 2008 4:02 P. M.

DULY RECORDED ON THE 30TH DAY OF JUNE A.D. 2008 2:00 P. M.

BY: Denise A. Estrada, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

80.21.1 60.22.1

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 795, PAGE 329 THRU 336 OFFICIAL PUBLIC RECORDS

I hereby certified on 12/30/2008

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY
MICHELLE CARRASCO

1:15:09

CLERKS MEMO: AS PER CUSTOMER REQUEST, THESE INSTRUMENT ARE BEING RE-RECORDED IN THIS SPECIFIC ORDER. REF TO FILE#2602 VOLUME 795 PAGE 329

FILE# 4611

ASSIGNMENT, CONVEYANCE AND BILL OF SALE (SECTION 3.3 INITIAL PAYMENT)

fee 1-27-08

STATE OF TEXAS §

COUNTY OF REEVES §

This ASSIGNMENT, CONVEYANCE AND BILL OF SALE (this "Assignment") dated June 9, 2008, is from HALLWOOD ENERGY, L.P., a Delaware limited partnership ("Assignor"), with offices at 3710 Rawlins, Suite 1500, Dallas, Texas 75219, to FEI SHALE L.P., a Delaware limited partnership ("Assignee"), with offices at c/o 2000 888 3rd St. S.W., Calgary, Alberta, Canada T2P 5C5, upon and subject to the following terms and conditions:

1. Certain Definitions. For purposes of this Assignment, the following capitalized terms shall have the meanings herein ascribed to them below:

"Acquisition Agreement" means that certain Acquisition and Farmout Agreement dated as of June 9, 2008, by and among Assignee, Assignor, Hallwood Gathering, L.P., Hallwood Petroleum, LLC, and Hallwood SWD, LLC, as heretofore amended, supplemented, restated or otherwise modified from time to time.

"Applicable Percentage" means that percentage of the Assets which, when combined with the interests in the Assets previously assigned to Assignee pursuant to the Acquisition Agreement, will result in the ownership of the Assets to be held in the following proportions: 90% by Assignor, and 10% by Assignee.

"Assets" means (i) the Subject Properties and (ii) the Related Properties, but specifically excluded from the term "Assets" and the transactions contemplated by this Assignment are the Excluded Interests and Assignor's (x) real property assets located in the State of Nevada and (y) corporate offices located in Dallas, Texas and production offices located in Searcy, Arkansas and Lafayette, Louisiana, including associated leasehold interests, real property and furniture, fixtures and equipment.

"Disposition" means the sale, exchange, conveyance, assignment, transfer, farm-out or other disposition of a property.

"Effective Date" means 7:00 a.m., Dallas, Texas time, on June 9, 2008, at the location of the Assigned Interests.

"Encumbrance" means any option, pledge, mortgage, deed of trust, security interests, lien, charge, encumbrance or restriction (whether on voting, sale, transfer, disposition or otherwise), whether imposed by agreement, understanding, law or otherwise, except those arising under applicable federal or state securities laws.

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"Equipment" means all equipment, fixtures, physical facilities or interests therein (including but not limited to gathering lines, pipelines, and gas plants but excluding the Hallwood Gathering System) of every type and description.

"Excluded Interests" means (i) the Hallwood Gathering System and (ii) that portion of the Assets with respect to which Assignor conveyed an undivided 33.33% of Assignor's interest to Assignee pursuant to Section 3.2 of the Acquisition Agreement on or before the date of this Assignment, which Assets are more particularly described in Exhibit B attached hereto and incorporated herein by reference.

"Governmental Entity" means any federal, state, municipal, domestic or foreign court, tribunal, administrative agency, department, commission, board, bureau or other governmental authority or instrumentality.

"Hallwood Gathering System" is defined in the Acquisition Agreement.

"Hydrocarbons" means oil, natural gas and/or other liquid and gaseous hydrocarbon substances (including shale gas) or any combination thereof.

"Oil and Gas Contracts" means all area of mutual interest agreements, farmout or farmin agreements, bottom hole or acreage contribution agreements, operating agreements, unit agreements, unit operating agreements, water flood agreements, unitization declarations or orders, joint venture, exploration, participation or acquisition agreements, division orders, Production Sales Agreements, exchange, processing, gathering or transportation agreements, easements and rights-of-way, salt water disposal agreements, surface leases and surface use agreements, water leases and water usage rights and all other contracts and agreements affecting or relating to the ownership or operation of any Oil and Gas Properties or the Disposition of Hydrocarbons produced therefrom.

"Oil and Gas Leases" means oil, gas and mineral leases, oil and gas leases, subleases, assignments of operating rights and similar agreements, and any extensions and renewals thereof.

"Oil and Gas Properties" means (i) Oil and Gas Leases and (ii) all other oil, gas or mineral properties, mineral servitudes and mineral rights of any kind (including, without limitation, mineral fee interests, overriding royalty and royalty interests, net profits interests, oil payment interest, production payment interest and other types of mineral interests).

"Permitted Encumbrances" is defined in the Acquisition Agreement.

"Person" means an individual, partnership, corporation, association, limited liability company, joint stock company, trust, joint venture, unincorporated organization, or Governmental Entity (or any department, agency, or political subdivision thereof).

"Production Sales Agreements" is defined in the Acquisition Agreement.

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"Records" means all geographical and geophysical maps, seismic data and information, records, land records, division orders, production files and all other records and files.

"Related Properties" means, at any date, with respect to the Subject Properties, a corresponding interest in and to all other property (tangible or intangible), rights and interests incident to the ownership and operation thereof, including without limitation, (i) all presently existing and valid unitization and pooling declarations, agreements, and/or orders and the contractual right to the properties covered in the units created thereby (including all units formed under orders, regulations, rules, or other official acts of any Governmental Entity having jurisdiction) insofar as the same relate to or affect the Subject Properties , except to the extent such properties constitute Subject Properties; (ii) all Equipment, goods and other personal property insofar as the same are located on or used or held for use in connection with the Subject Properties; (iii) all Oil and Gas Contracts insofar as the same relate to the Subject Properties; (iv) all permits, franchises and licenses insofar as the same relate to the Subject Properties; (v) all (A) proprietary Seismic Data and (B) to the extent in Assignor's possession and transferable without material restriction on, or payment of a transfer or licensing fee by, the transferee (unless Assignee for its own account agrees to observe any such restriction or pay any such fee if Assignee cannot, through the exercise of reasonable commercial efforts, obtain a waiver thereof if requested to do so by Assignee), all Seismic Data jointly owned by Assignor with, or licensed by Assignor from, other Persons; and (vi) the Records related thereto.

"Seismic Data" means, to the extent covering or affecting the Subject Properties, all seismic, geological and geophysical data, together with Assignor's proprietary interpretations thereof.

"Subject Properties" means all of Assignor's rights, title and interests in and to the Oil and Gas Properties described in Exhibit A attached hereto and incorporated herein by reference for all purposes.

2. Assignment. For Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby transfers, grants, conveys and assigns the Applicable Percentage of the Assets to Assignee, effective as of the Effective Date. The properties, rights and interests being conveyed to Assignee pursuant to this Assignment are sometimes referred to herein as the "Assigned Interests".

3. Further Assurances. Assignor agrees to execute and deliver such other and further instruments and will do such other and further acts as may be necessary or desirable to carry out more effectively the intents and purposes of this Assignment. Furthermore, in the event that, under applicable federal or state statutes or regulations or by virtue of contractual obligations, a separate assignment of any of the Assigned Interests is required to be executed by Assignor on an approved form or on a separately executed instrument, such separate assignment shall be so executed on such approved forms or on such separate assignment in sufficient counterparts to satisfy any such statutory, regulatory or contractual requirements.

4. Substitution and Subrogation. This Assignment is made with full substitution and subrogation of Assignee, its successors and assigns in and to all covenants and warranties

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heretofore given or made in respect of any of the Assigned Interests, and Assignor hereby assigns and conveys to Assignee all such covenants and warranties and all of Assignor's rights thereunder which relate to the Assigned Interests.

5. Warranties. This Assignment is made without covenant or warranty of any kind except that, subject to Permitted Encumbrances, (i) Assignor warrants title to the Assigned Interests, by, through or under Assignor, but not otherwise, and (ii) Assignor warrants that the Assigned Interests are free and clear of all Encumbrances. Additionally, to the extent that this Assignment constitutes an assignment of personal property or fixtures, Assignor expressly disclaims and negates (a) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, (b) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, and (c) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIAL.

6. Acquisition Agreement. This Assignment is expressly made subject to the terms and provisions of the Acquisition Agreement.

7. Successors and Assigns. This Assignment shall bind and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

TO HAVE AND TO HOLD the Assigned Interests unto Assignee, its successors and assigns forever.

[Signature Page Follows]

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EXECUTED as of the date set out above, but effective as of the Effective Date.

ASSIGNOR:

HALLWOOD ENERGY, L.P.
By: Hallwood Energy Management, LLC,
its general partner

By: _____
Name: William H. Marble
Title: Vice President

ASSIGNEE:

FEI SHALE L.P.
By: FEI Shale GP Inc.,
its general partner

By: _____
Name: Shirley Rattray
Title: Team Leader, Contracts and Lease Administration

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Clerks Office

04-27-1 60-22-1

STATE OF TEXAS §
§
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me on June 9, 2008 by William H. Marble, Vice President of Hallwood Energy Management, LLC, a Delaware limited liability company, in its capacity as general partner of Hallwood Energy, LP, a Delaware limited partnership, on behalf of said limited partnership.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 9th day of June, 2008.

CONNIE F. ELFENBEIN
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 05-10-2012

NOTARY PUBLIC, State of Texas

My commission expires:
05-10-2012

STATE OF TEXAS §
§
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me on June 9, 2008 by Shirley Rattray, Team Leader, Contracts and Lease Administration of FEI Shale GP Inc., a Delaware corporation, in its capacity as general partner of FEI SHALE L.P., a Delaware limited partnership, on behalf of said limited partnership.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 9th day of June, 2008.

CONNIE F. ELFENBEIN
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 05-10-2012

NOTARY PUBLIC, State of Texas

My commission expires:
05-10-2012

Notarization Page to Assignment

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Reeves County
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Exhibit "A"

Attached to and made a part of that certain Assignment, Conveyance and Bill of Sale, dated effective April 1, 2008, between Hallwood Energy, L.P. as Assignor, and FEI Shale L.P. as Assignee.

LESSOR	COUNTY	LEASE DATE	RECORDING BK/PD
James O. Griffin, Jr.	REEVES	10/15/2004	687/456
Ronald G. Griffin	REEVES	10/15/2004	687/460
Donita Griffin Hunter	REEVES	10/15/2004	687/464
Rex C. Griffin, Jr.	REEVES	10/15/2004	687/468
Jocelyn McAlpine Greeman, et al	REEVES	10/25/2004	694/556
State of Texas	REEVES	10/25/2004	694/556
Jocelyn McAlpine Greeman, et al	REEVES	10/25/2004	694/570
State of Texas	REEVES	10/25/2004	694/570
Clifford Robertson, III	REEVES	10/25/2004	694/791
Clifford Robertson, III	REEVES	11/1/2004	694/591
Carol Hall Majzlin	REEVES	10/25/2004	694/587
Clifford P. Robertson	REEVES	10/25/2004	696/212
State of Texas	REEVES	10/25/2004	696/212
A R Eppenauer Trusts 1& 2 and Rachel Eppenauer Trusts A & B	REEVES	3/10/2005	696/534
Joseph S. Billeiter	REEVES	12/10/2004	696/537
David J. Billeiter	REEVES	12/10/2004	696/541
Lisa Ann Hughes	REEVES	12/10/2004	696/545
Bessie V. Hays	REEVES	12/10/2004	696/549
David H. Mitchell, Jr.	REEVES	12/10/2004	696/553
Betty B. Armstrong	REEVES	12/10/2004	696/557
Dorothy Jean Hill	REEVES	12/10/2004	696/561
Diana J. McCabe	REEVES	12/10/2004	696/565
Peter Craig Billeiter	REEVES	12/10/2004	696/569
Charles W. Benson	REEVES	1/5/2005	697/38
State of Texas	REEVES	1/5/2005	697/38&48
David Shelton	REEVES	1/5/2005	697/48
Eugenia Benson	REEVES	1/5/2005	697/58
State of Texas	REEVES	1/5/2005	697/58&68
Mary Ann Shelton	REEVES	1/5/2005	697/68
Harrison Trust	REEVES	4/27/2005	699/29
State of Texas	REEVES	4/27/2005	699/29
Jocelyn McAlpine Greeman	REEVES	10/25/2004	699/340
A. R. Eppenauer, III	REEVES	3/28/2005	699/58
Edwin H. Eppenauer	REEVES	3/28/2005	699/58
George Brackenridge Foundation	REEVES	11/7/2005	717/130
State of Texas	REEVES	11/7/2005	717/130
Michael D. Leonard Trustee	REEVES	9/30/2005	718/498
State of Texas	REEVES	5/3/2005	718/498&508
Carolyn Crockett Bell	REEVES	9/30/2005	718/508

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EXHIBIT B

EXCLUDED INTERESTS

The "Assets", as such term is defined in any document captioned "Assignment, Conveyance and Bill of Sale (Section 3.2)" and executed by Assignor and Assignee on or prior to the date hereof.

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Certificate of Record

38.00 Recording Fee

26.00 Certified Copy Fee (2)

64.00 Total Paid Gen-Ex Envelope 002603

FILED FOR RECORD
2008 JUN 24 PM 4:02
DIANNE O. FLOREZ
COUNTY CLERK, REEVES COUNTY, TX.

Return to:
Graves & Co.
1415 Louisiana
Houston, TX 77002

COMPARED

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.

THE STATE OF TEXAS, }
COUNTY OF REEVES. }

I, hereby certify that this instrument with its certificates of authenticity was FILED on the date and at the time stamped hereon and was duly RECORDED in the OFFICIAL PUBLIC RECORDS of Real Property of Reeves County, Texas, as indicated.

OPR VOL. 795 PAGE 329 DATE RECORDED 06/30/2008

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
By: Denise R. Valdez Deputy

BEAR GRAPHICS, INC.

FILE# 4611

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

FILED FOR RECORD ON THE 20TH DAY OF OCTOBER A.D. 2008 3:19 P.M.

DULY RECORDED ON THE 24TH DAY OF OCTOBER A.D. 2008 4:00 P. M.

BY: Denise R. Valdez, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

80.21 80.23

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. 806, PAGE 442, THRU 450 OFFICIAL PUBLIC RECORDS

I hereby certified on 12/30/2008

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY: MICHELLE CARRASCO, DEPUTY

1.15.09 1.15.09

BOOK 739 PAGE 756

FILE # 3992

Rec from Chesapeake 9-12-06

MF 104871

ASSIGNMENT, BILL OF SALE AND CONVEYANCE

L0093528

THIS ASSIGNMENT, BILL OF SALE AND CONVEYANCE (the "Assignment") dated July 19, 2006 and effective as of the Applicable Effective Date (as hereinafter defined), is from HALLWOOD ENERGY, LP, a Delaware limited partnership ("Assignor"), with offices at 3710 Rawlins, Suite 1500, Dallas, Texas 75219, to CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP, an Oklahoma limited partnership, with offices at 6100 North Western Avenue, Oklahoma City, OK 73118 ("Assignee"), upon and subject to the following conditions:

WITNESSETH:

1. Certain Definitions. For purposes of this Assignment, except as otherwise expressly provided or unless the context otherwise requires, the terms defined in this Paragraph 1 have the meanings herein assigned to them and the capitalized terms defined in the opening paragraph of this Assignment and subsequent paragraphs by inclusion in quotation marks and parentheses have the meanings so ascribed to them. Capitalized terms used herein that are not defined shall have the meanings given to them in the Purchase Agreement.

"100% Interest Properties" means an undivided one hundred percent (100%) interest in and to the Fort Worth Basin Properties.

"60% Interest Properties" means an undivided sixty percent (60%) interest in and to the Delaware Basin Properties.

"Additional Interests" means an undivided ten percent (10%) interest in and to (a) the Buckley Leases (as hereinafter defined) and (b) the Mattie Wells (as hereinafter defined), together with a corresponding interest in and to all properties, rights and interests incident to the Buckley Leases and the Mattie Wells. As used herein, the **"Buckley Leases"** collectively means (i) that certain Oil and Gas Lease dated April 29, 2006 between Frank Norman Buckley and Nina Lynn Buckley, as lessor, and Legend Operating Company, LLC, as lessee, a memorandum of which was recorded in Book 2358, Page 1065 of the Official Public Records of Parker County, Texas, covering 178.609 acres, more or less, out of the J. M. Richards Survey, A-2419 and the M. Hunter Survey, A-1759, Parker County, Texas; and (ii) that certain Oil and Gas Lease dated April 26, 2006 between Frank Norman Buckley and Nina Lynn Buckley, as lessor, and Legend Operating Company, LLC, as lessee, a memorandum of which was recorded in Book 2358, Page 1057 of the Official Public Records of Parker County, Texas, covering 151.94 acres, more or less, out of the J. M. Richards Survey, A-2419, the M. C. Hedrick Survey, A-2677, and the M. C. Hedrick Survey, A-2823, Parker County, Texas; and the **"Mattie Wells"** collectively means the Mattie #1H well and the Mattie #2H well, both of which are more particularly described in Exhibit B hereto.

"Applicable Effective Date" means (i) with respect to the Assets, April 1, 2006 (the "Assets Effective Date"); and (ii) with respect to the Additional Interests, May __, 2006.

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"Appurtenant Rights," with respect to the Properties, means a corresponding interest in and to all properties, rights and interests incident to the Properties, including without limitation the following properties, rights and interests: (i) all presently existing and valid unitization and pooling declarations and/or communitization, agreements, and/or orders and the properties covered in the units created thereby (including all units formed under orders, regulations, rules or other official acts of any Governmental Entity having jurisdiction) that relate to or affect the Properties; (ii) all Oil and Gas Contracts and Sales Agreements; (iii) all of the real, personal and mixed property located or held for use on the Properties, including without limitation all oil and gas wells, injection wells, disposal wells, well equipment, casing, tanks, crude oil, condensate or products in storage or in pipelines, boilers, separators, buildings, tubing, pumps, motors, fixtures, machinery and other equipment, pipe, pipelines, gathering systems, power lines, telephone and telegraph lines, roads, all processing, refining and treatment plants and facilities, compression equipment, plants and all other improvements movable or immovable, used or obtained in their operations; (iv) all Hydrocarbons in, on, under or produced from the Properties from and after the Assets Effective Date; (v) all easements, permits, licenses, servitudes, rights of way and all other rights and appurtenances situated on or used in connection with the Properties or any interests pooled or unitized therewith; (vi) all rights and benefits arising from or in connection with any gas production, pipeline, storage, processing or other imbalance attributable to Hydrocarbons produced from the Properties as of the Assets Effective Date; (vii) all claims, rights and causes of action including, without limitation, causes of action for breach of warranty, against third Persons, asserted and unasserted, known and unknown, but only to the extent such claims, rights and causes of action affect the value of the Properties after the Assets Effective Date, and where necessary to give effect to the assignment of such rights, claims and causes of action, Assignor grants to Assignee the right to be subrogated to such rights, claims and causes of action; and (viii) all geographical and geophysical maps, records, land records, division orders, production files and any other records or files that relate to the Properties, as applicable, but specifically excluding therefrom all seismic data licensed to Assignor and Assignor's financial and accounting records that do not directly and solely relate to the Properties.

"Assets" means (a) the 100% Interest Properties; (b) the 60% Interest Properties; and (c) the Appurtenant Rights with respect to the 100% Interest Properties and the 60% Interest Properties, but specifically excluding from the term "Assets" the Additional Interests.

"**Delaware Basin Area**" means Culberson and Reeves Counties, Texas.

"Delaware Basin Properties" means all of the Leases, Existing Wells, and oil, gas and other mineral properties, rights, titles, interests and estates owned or claimed by Assignor in the Delaware Basin Area on and as of July 19, 2006, including, but not limited to, those leasehold, fee, mineral, royalty and overriding royalty interests, payments out of production and other rights, including contractual rights to production, and contractual rights providing for the acquisition or earning of any such interests, that are more particularly described in Exhibit A-1 hereto.

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"Existing Wells" means the wells listed in Exhibit B hereto.

"**Fort Worth Basin Area**" means Hood, Parker and Tarrant Counties, Texas.

"Fort Worth Basin Properties" means all of the Leases, Existing Wells, and oil, gas and other mineral properties, rights, titles, interests and estates owned or claimed by Assignor in the Fort Worth Basin Area on and as of July 19, 2006, including, but not limited to, those leasehold, fee, mineral, royalty and overriding royalty interests, payments out of production and other rights, including contractual rights to production, and contractual rights providing for the acquisition or earning of any such interests, that are more particularly described in Exhibit A-2 hereto, but specifically excluding from the term "Fort Worth Basin Properties" the Additional Interests.

"Leases" means those oil, gas and mineral leases, oil and gas leases, oil leases, gas leases, other mineral leases, subleases, assignments of operating rights and similar agreements that are more particularly described in Exhibit A-1 (with respect to the Delaware Basin Area) and Exhibit A-2 (with respect to the Fort Worth Basin Area).

"Properties," collectively means (a) the 100% Interest Properties; and (b) the 60% Interest Properties.

"**Purchase Agreement**" means that certain Purchase and Sale Agreement dated as of June 2, 2006 among Assignor, Assignee and Hallwood Petroleum, LLC, as the same may be extended, amended or otherwise modified from time to time.

2. Assignment. For Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, effective as of the Applicable Effective Date, Assignor hereby transfers, grants, conveys, and assigns all of Assignor's right, title, and interest in and to the Assets and the Additional Interests to Assignee.

3. Substitution and Subrogation. This Assignment is made with full substitution and subrogation of Assignee, its successors and assigns in and to all covenants and warranties heretofore given or made in respect of any of the Assets, and Assignor hereby assigns and conveys to Assignee all such covenants and warranties and all of Assignor's rights thereunder that correspond to the Assets.

4. No Warranties. Subject to Paragraph 7 below, this Assignment is made without covenant or warranty or recourse of any kind whatsoever, whether express or implied. To the extent that this Assignment constitutes an assignment of personal property or fixtures, Assignor expressly disclaims and negates (a) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY; (b) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE; and (c) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS.

5. Further Assurances. Assignor agrees to execute such further assurances as may be necessary or requisite for the full and complete enjoyment of all interests herein conveyed.

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6. Successors and Assigns. This Assignment shall bind and inure to the benefit of Assignor and Assignees and their respective successors and assigns.

7. Purchase Agreement. Representations, warranties, covenants, conditions and other terms of the Purchase Agreement apply equally to this Assignment.

8. Oil and Gas Contract Matters.

(a) Assignee hereby assumes any and all costs, expenses, liabilities, claims, obligations and duties of Assignor arising out of, in connection with, or resulting directly or indirectly under the Leases and the other contracts and agreements being assigned pursuant to this Assignment (the "Oil and Gas Contracts"), including but not limited to those Oil and Gas Contracts more particularly described in Exhibits A-1, A-2 and A-3 hereto, that correspond to the interests being conveyed pursuant to this Assignment and are attributable to the period from and after the Applicable Effective Date.

(b) This Assignment is expressly made subject to and specifically incorporates all provisions of the Oil and Gas Contracts, including any provision that requires the consent of a lessor under a Lease in order for any assignment of such Lease to be made.

TO HAVE AND TO HOLD the Assets unto Assignee, its successors and assigns forever.

IN WITNESS WHEREOF, this Assignment is executed as of the date first written above.

ASSIGNOR:

HALLWOOD ENERGY, L.P.

By: Hallwood Energy Management, LLC,
its general partner

By: Jaymie R. Munchinski
Jaymie R. Munchinski
Authorized Signatory

STATE OF TEXAS §
§
COUNTY OF DALLAS §

This instrument was acknowledged before me on this 21st day of July, 2006, by Jaymie R. Munchinski, Authorized Signatory of Hallwood Energy Management, LLC, the general partner of Hallwood Energy, L.P., a Delaware limited partnership, on behalf of said limited partnership.

KATRISSA L. CHAPPELL
Notary Public, State of Texas
My Commission Expires
January 13, 2010

Katrina L. Chappell
Notary Public

DALLAS1 1097010v5 68486-00002

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EXHIBIT A-1
(DELAWARE BASIN AREA LEASES)

LEASE #	LESSOR	COUNTY	LEASE DATE	RECORDING BK/PG
R100-1	Donita Griffin Hunter	REEVES	10/15/2004	687/464
R100-2	Ronald G. Griffin	REEVES	10/15/2004	687/460
R100-3	Rex C. Griffin, Jr.	REEVES	10/15/2004	687/468
R100-4	James O. Griffin, Jr.	REEVES	10/15/2004	687/456
R101-1	Carol Hall Majzlin	REEVES	10/25/2004	694/791
R101-2	Jocelyn McAlpine Greeman	REEVES	10/25/2004	699/340
R101-3	Clifford Robertson, III	REEVES	10/25/2004	694/587
R102-1	Joseph S. Billeiter	REEVES	12/10/2004	696/537
R102-2	Dorothy Jean Hill	REEVES	12/10/2004	696/561
R102-3	Betty B. Armstrong	REEVES	12/10/2004	696/557
R102-4	David H. Mitchell, Jr.	REEVES	12/10/2004	696/553
R102-5	Bessie V. Hays	REEVES	12/10/2004	696/549
R102-6	Lisa Ann Hughes	REEVES	12/10/2004	696/545
R102-7	Peter Craig Billeiter	REEVES	12/10/2004	696/569
R102-8	David J. Billeiter	REEVES	12/10/2004	696/541
R102-9	Diana J. McCabe	REEVES	12/10/2004	696/565
R103-1	Walter Greeman, etux	REEVES	6/9/2005	703/570
R103-2	The Salvation Army	REEVES	3/18/2005	702/272
R104-1	Clifford P. Robertson	REEVES	10/25/2004	696/212
R104-2	State of Texas	REEVES	10/25/2004	696/212
R105-1	Jocelyn McAlpine Greeman, et al	REEVES	10/25/2004	694/556
R105-2	State of Texas	REEVES	10/25/2004	694/556
R106-1	Jocelyn McAlpine Greeman, et al	REEVES	10/25/2004	694/570
R106-2	State of Texas	REEVES	10/25/2004	694/570
R107	Clifford Robertson, III	REEVES	11/1/2004	694/591
R108-1	Charles W. Benson	REEVES	1/5/2005	697/38
R108-2	David Shelton	REEVES	1/5/2005	697/48
R108-3	State of Texas	REEVES	1/5/2005	697/38&48
R109-1	Eugenia Benson	REEVES	1/5/2005	697/58
R109-2	Mary Ann Shelton	REEVES	1/5/2005	697/68
R109-3	State of Texas	REEVES	1/5/2005	697/58&68
R110	A R Eppenauer Trusts 1& 2 and Rachel Eppenauer Trusts A & B	REEVES	3/10/2005	696/534
R112-1	A. R. Eppenauer, III	REEVES	3/28/2005	699/58
R112-2	Edwin H. Eppenauer	REEVES	3/28/2005	699/58
R111-1	Harrison Trust	REEVES	4/27/2005	699/29
R111-2	State of Texas	REEVES	4/27/2005	699/29
R113	George Brackenridge Foundation	REEVES	11/7/2005	717/130
R113-1	State of Texas	REEVES	11/7/2005	717/130
R114	Michael D. Leonard Trustee	REEVES	9/30/2005	718/498
R114-1	Carolyn Crockett Bell	REEVES	9/30/2005	718/508
R114-2	State of Texas	REEVES		718/498&508
C113-1	Harrison Trust	CULBERSON	7/25/2005	89/832
C113-2	Mary Jane Barron	CULBERSON	5/3/2005	88/22

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STATE OF TEXAS • REEVES COUNTY •

LEASE #	LESSOR	COUNTY	LEASE DATE	RECORDING BK/PG
C114-1	Harrison Trust	CULBERSON	7/25/2005	89/622
C114-2	Mary Jane Barron	CULBERSON	3/1/2003	57703
C114-3	State of Texas	CULBERSON	7/25/2005	89/622
	State of Texas	CULBERSON	3/1/2003	57703
C115-1	Harrison Trust	CULBERSON	7/25/2005	89/722
C115-3	State of Texas	CULBERSON	7/25/2005	89/722
C116-1	Harrison Trust	CULBERSON	7/25/2005	89/732
C116-3	State of Texas	CULBERSON	7/25/2005	89/732
C117-1	Harrison Trust	CULBERSON	7/25/2005	89/742
C117-3	State of Texas	CULBERSON	7/25/2005	89/742
C118-1	Harrison Trust	CULBERSON	7/25/2005	89/752
C118-3	State of Texas	CULBERSON	7/25/2005	89/752
C119-1	Harrison Trust	CULBERSON	7/25/2005	89/762
C119-3	State of Texas	CULBERSON	7/25/2005	89/762
C120-1	Harrison Trust	CULBERSON	7/25/2005	89/772
C120-3	State of Texas	CULBERSON	7/25/2005	89/772
C121-1	Harrison Trust	CULBERSON	7/25/2005	89/782
C121-3	State of Texas	CULBERSON	7/25/2005	89/782
C122-1	Harrison Trust	CULBERSON	7/25/2005	89/792
C122-2	Mary Jane Barron	CULBERSON	3/1/2003	57703
C122-3	State of Texas	CULBERSON	7/25/2005	89/792
	State of Texas	CULBERSON	3/1/2003	57703
C123-1	Harrison Trust	CULBERSON	7/25/2005	89/802
C123-2	Mary Jane Barron	CULBERSON	3/1/2003	57704
C123-4	State of Texas	CULBERSON	7/25/2005	89/802
	State of Texas	CULBERSON	3/1/2003	57704
C124-1	Harrison Trust	CULBERSON	7/25/2005	89/812
C124-3	State of Texas	CULBERSON	7/25/2005	89/812
C125-1	Harrison Trust	CULBERSON	7/25/2005	89/822
C125-2	Mary Jane Barron	CULBERSON	3/1/2003	57704
C125-3	State of Texas	CULBERSON	7/25/2005	89/822
	State of Texas	CULBERSON	3/1/2003	57704
C126-1	Harrison Trust	CULBERSON	7/25/2005	89/632
C126-3	State of Texas	CULBERSON	7/25/2005	89/632
C127-1	Harrison Trust	CULBERSON	7/25/2005	89/642
C127-2	Mary Jane Barron	CULBERSON	3/1/2003	57704
C127-3	State of Texas	CULBERSON	7/25/2005	89/642
	State of Texas	CULBERSON	3/1/2003	57704
C128-1	Harrison Trust	CULBERSON	7/25/2005	89/652
C128-2	Mary Jane Barron	CULBERSON	3/1/2003	57703
C128-3	State of Texas	CULBERSON	7/25/2005	89/652
	State of Texas	CULBERSON	3/1/2003	57703
C129-1	Harrison Trust	CULBERSON	7/25/2005	89/662
C129-3	State of Texas	CULBERSON	7/25/2005	89/662
C130-1	Harrison Trust	CULBERSON	7/25/2005	89/672
C130-2	State of Texas	CULBERSON	7/25/2005	89/672
C131-1	Harrison Trust	CULBERSON	7/25/2005	89/682
C131-3	State of Texas	CULBERSON	7/25/2005	89/682

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LEASE #	LESSOR	COUNTY	LEASE DATE	RECORDING BK/PG
C132-1	Harrison Trust	CULBERSON	7/25/2005	89/692
C132-3	State of Texas	CULBERSON	7/25/2005	89/682
C133-1	Harrison Trust	CULBERSON	7/25/2005	89/702
C133-3	State of Texas	CULBERSON	7/25/2005	89/702
C134-1	Harrison Trust	CULBERSON	7/25/2005	89/712
C134-3	State of Texas	CULBERSON	7/25/2005	89/712
	Mary Jane Barron	CULBERSON	5/31/2006	61237
	State of Texas	CULBERSON	5/31/2006	61237
	Mary Jane Barron	CULBERSON	5/31/2006	61157
	State of Texas	CULBERSON	5/31/2006	61157
	Mary Jane Barron	CULBERSON	5/31/2006	61158
	State of Texas	CULBERSON	5/31/2006	61158
	Mary Jane Barron	CULBERSON	5/31/2006	61159
	State of Texas	CULBERSON	5/31/2006	61159

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EXHIBIT A-2

LEASE #	LESSOR	COUNTY	RECORDING BK/PG	LEASE DATE
	Buckley, Frank Norman and Nina Lynn	PARKER	2358/1057	4/26/2005
	Buckley, Frank Norman and Nina Lynn	PARKER	2358/1065	4/29/2005
	Charles Ray Heathington and Mark Sledge	HOOD	2145/914	10/21/2005
	820 Management Trust	TARRANT	D206030633	12/6/2005
	Waste Management of Texas, Inc.	TARRANT	D205232918	7/18/2005
	Larry White, Jr.	TARRANT	D205343227	10/5/2005
	J. C. Pace, Ltd.	TARRANT	D205297992	9/20/2005

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EXHIBIT A-3

1. Surface Use Agreement dated April 26, 2005, among Frank Norman Buckley and Nina Lynn Buckley, as Surface Owners, and Legend Operating LLC, as Working Interest Owner, covering 151.914 acres in Parker County, Texas, a memorandum of which was recorded in Volume 2358, Page 1061, Parker County, Texas

2. Surface Use Agreement dated April 29, 2005, between Frank Norman Buckley and Nina Lynn Buckley, as Surface Owners, and Legend Operating LLC, as Working Interest Owner, covering 178.609 acres in Parker County, Texas, a memorandum of which was recorded in Volume 2358, Page 1069, Parker County, Texas

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STATE OF TEXAS • REEVES COUNTY •

00.21.1 00.22.1

EXHIBIT B

Existing Wells

WELL NAME:	Mattie #1H
LEASE DESCRIPTION:	178.609 acres, more or less, in the Martha Hunter Survey, A-1759, Parker County, Texas
APPLICABLE LEASE:	Frank Norman Buckley and Nina Lynn Buckley, Lessor, and Legend Operating Company, LLC, Lessee, dated 04/29/05, Memorandum recorded at Book 2358, Page 1065.

WELL NAME:	Mattie #2H
LEASE DESCRIPTION:	178.609 acres, more or less, in the Martha Hunter Survey, A-1759, Parker County, Texas
APPLICABLE LEASE:	Frank Norman Buckley and Nina Lynn Buckley, Lessor, and Legend Operating Company, LLC, Lessee, dated 04/29/05, Memorandum recorded at Book 2358, Page 1065.

WELL NAME:	Mary's Creek #1H*
LEASE DESCRIPTION:	491.152 acres, more or less, described in six (6) tracts: Tract 1: 304.45 acres, more or less, in the B. F. Richardson Survey, A-1374, and the C. K. Gleason Survey, A-559, Tarrant County, TX, deed reference 6318/780; Tract 2: 9.567 acres, more or less, in the B. F. Richardson Svy. A-1374, Tarrant County, TX, deed reference 13824/338; Tract 3: 15.99 acres, more or less, in the W. H. Garrett Survey, A-1951, Tarrant County, TX, deed reference 12208/2281; Tract 4: 9.821 acres, more or less, in the W. H. Garrett Survey, A-1951, Tarrant County, TX deed reference 13824/341; Tract 5: 149.726 acres, more or less, in the J. Johnson Survey, A-871 and the J. Burleson Survey, A-78, Tarrant County, TX, deed reference

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80.22.1 80.22.1

	4264/403; and Tract 6: 88.383 acres of land, more or less, in the J. Johnson Survey, A-871, Tarrant County, TX deed reference 13824/336.
APPLICABLE LEASE:	820 Management Trust, Lessor, and Hallwood Energy II, L.P., Lessee, dated 12/06/05, Memorandum recorded as Instrument # D206030633.

WELL NAME:	Mary's Creek #2H*
LEASE DESCRIPTION:	491.152 acres, more or less, described in six (6) tracts: Tract 1: 304.45 acres, more or less, in the B. F. Richardson Survey, A-1374, and the C. K. Gleason Survey, A-559, Tarrant County, TX, deed reference 6318/780; Tract 2: 9.567 acres, more or less, in the B. F. Richardson Svy. A-1374, Tarrant County, TX, deed reference 13824/338; Tract 3: 15.99 acres, more or less, in the W. H. Garrett Survey, A-1951, Tarrant County, TX, deed reference 12208/2281; Tract 4: 9.821 acres, more or less, in the W. H. Garrett Survey, A-1951, Tarrant County, TX deed reference 13824/341; Tract 5: 149.726 acres, more or less, in the J. Johnson Survey, A-871 and the J. Burleson Survey, A-78, Tarrant County, TX, deed reference 4264/403; and Tract 6: 88.383 acres of land, more or less, in the J. Johnson Survey, A-871, Tarrant County, TX deed reference 13824/336.
APPLICABLE LEASE:	820 Management Trust, Lessor, and Hallwood Energy II, L.P., Lessee, dated 12/06/05, Memorandum recorded as Instrument # D206030633.

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

80.21.1 80.22.1

WELL NAME:	Mary's Creek #3H
LEASE DESCRIPTION:	491.152 acres, more or less, described in six (6) tracts: Tract 1: 304.45 acres, more or less in the B. F. Richardson Survey, A-1374, and the C. K. Gleason Survey, A-559, Tarrant County, TX, deed reference 6318/780; Tract 2: 9.567 acres, more or less, in the B. F. Richardson Svy. A-1374, Tarrant County, TX, deed reference 13824/338; Tract 3: 15.99 acres, more or less, in the W. H. Garrett Survey, A-1951, Tarrant County, TX, deed reference 12208/2281; Tract 4: 9.821 acres, more or less, in the W. H. Garrett Survey, A-1951, Tarrant County, TX deed reference 13824/341; Tract 5: 149.726 acres, more or less, in the J. Johnson Survey, A-871 and the J. Burleson Survey, A-78, Tarrant County, TX, deed reference 4264/403; and Tract 6: 88.383 acres of land, more or less, in the J. Johnson Survey, A-871, Tarrant County, TX deed reference 13824/336.
APPLICABLE LEASE:	820 Management Trust, Lessor, and Hallwood Energy II, L.P., Lessee, dated 12/06/05, Memorandum recorded as Instrument # D206030633.

WELL NAME:	Pelican Ranch #2H* 104792
LEASE DESCRIPTION:	2,854.46 acres, more or less, in Section Nos. 14, 15 and 46, Block No. 71, Public School Land, and Section Nos. 60 and 61, Manuel Torez Survey, Reeves County, TX.
APPLICABLE LEASE:	The State of Texas, acting by and through its agent, Carol Hall Majzlin, Jocelyn M. Greeman, Clifford P. Robertson, III, each dealing with their separate property, Lessor, and Perry & Perry, Inc., Lessee, dated 11/25/04, recorded in Book 694, Page 570.

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WELL NAME:	Harrison 56-38 #2* 104871
LEASE DESCRIPTION:	12,800 acres, more or less, located in the PSL Survey; Sections 9, 10, 14, 15, 22, 23, 24, 25, 26, W/2 of 31, W/2 of 35, 36, 37, 38 & 42 of Block 56; Sections 19, 21, 22, 28, 29 & 31 of Block 57, Reeves County, TX.
APPLICABLE LEASE:	The State of Texas, acting by and through its agent Harrison Trust, Roddy L. Harrison, Trustee, Lessor, and Woods Petroleum Land Management, Inc., Lessee, dated 04/27/05, recorded in Book 699, Page 29. ✓

WELL NAME:	Harrison 56-38 #3* 104871
LEASE DESCRIPTION:	12,800 acres, more or less, located in the PSL Survey; Sections 9, 10, 14, 15, 22, 23, 24, 25, 26, W/2 of 31, W/2 of 35, 36, 37, 38 & 42 of Block 56; Sections 19, 21, 22, 28, 29 & 31 of Block 57, Reeves County, TX.
APPLICABLE LEASE:	The State of Texas, acting by and through its agent Harrison Trust, Roddy L. Harrison, Trustee, Lessor, and Woods Petroleum Land Management, Inc., Lessee, dated 04/27/05, recorded in Book 699, Page 29. ✓

Record & Return To:
Chesapeake Operating, Inc.
P.O. Box 18496
Oklahoma City, OK 73154
Attn: Land Administration

*Note: Drilling, completion and/or other operations for this well have not been completed as of the date of this Assignment.

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 NO. 3992

FILED FOR RECORD ON THE 1ST DAY OF AUGUST A.D. 2006 9:52 A. M.

DULY RECORDED ON THE 7TH DAY OF AUGUST A.D. 2006 9:00 A. M.

BY: Jane Flores, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

00.21.1 60.XC.1

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. 739, PAGE 756, THRU 768 OFFICIAL PUBLIC RECORDS

I hereby certified on 12/30/2008

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY: _____ DEPUTY
MICHELLE CARRASCO

PINNACLE LAND SERVICES, INC.
P.O. Box 991
Pleasanton, Texas 78064

Office (830) 569-5436
Fax (830) 569-5438
Cell (830) 570-2275

January 9, 2009

Ms. Beverly Boyd
General Land Office of Texas
1700 N. Congress Avenue, Suite 620
Austin, Texas 78701

Re: Mineral File No. 104871
Section 10, Block 56, Abstract 4449
Reeves County, Texas

Dear Beverly:

Please find enclosed the following instruments that need to be filed in the above Mineral File:

- Assignment of Overriding Royalty Interest, dated January 1, 2006 by Hallwood Energy, L.P., formerly known as Hallwood Energy II, L.P., to David Prose, recorded in Volume 734, Page 678, of the Official Public Records of Reeves County, Texas.
- Assignment, Conveyance and Bill of Sale, dated June 9, 2008 by Hallwood Engergy, L.P., to FEI Shale L.P., recorded in Volume 795, Page 329, of the Official Public Records of Reeves County, Texas. Rec 10-27-08
- Assignment, Bill of Sale and Conveyance, dated July 19, 2006 by Hallwood Energy, L.P., to Chesapeake Exploration Limited Partnership, recorded in Volume 739, Page 756, of the Official Public Records of Reeves County, Texas. Rec 9-12-06
- Assignment, Conveyance and Bill of Sale (Section 3.3 Initial Payment), dated June 9, 2008 by Hallwood Energy, L.P. to FEI Shale L.P., recorded in 806, Page 442, of the Official Public Records of Reeves County, Texas. Rec 10-27-08

I have enclosed Pinnacle Land Services, Inc. check no. 12386, in the amount of $25.00 to cover the cost of filing.

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

Sincerely,
PINNACLE LAND SERVICES, INC.
Cindy G. Mercer
Cindy G. Mercer, C.P.L.

/cgm

enclosures – check no. 12386

09007816

attn: Beverly Boyd

$25.00

129

330040

PINNACLE LAND SERVICES, INC.
P. O. BOX 991 PH. 830-569-5436
PLEASANTON, TX 78064

12386
[redacted]

Date 1-8-09

Pay to the Order of State of Texas $25^{00}/_{xx}

Twenty-five dollars + no/100 Dollars

Security Features Details on Back

WELLS FARGO
Wells Fargo Bank, N.A.
Texas
wellsfargo.com

FOR Filing Fees Melanie Llamas

⑈000012386⑈ [redacted]

80-21.1 60-21.1

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

February 9, 2009

Cindy Mercer
Pinnacle Land Services, Inc.
PO Box 991.
Pleasanton, TX 78064

RE: GLO Assignment ID # 6726

Dear Ms. Mercer,

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, Conveyance and Bill of Sale, executed June 9th, 2008, from Hallwood Energy, LP, as Assignor, to FEI Shale, LP as Assignee. MF104871, Reeves Co. Vol. 806, P. 451.
+ Vol. 795 P. 321

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

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Exhibit "A"

GLO ID	*County*	*Lease*
6726	*Reeves*	MF104871

BOOK 806 PAGE 451

CLERKS MEMO: AS PER CUSTOMER REQUEST, THESE INSTRUMENT ARE BEI
FILE# 4612 RE-RECORDED IN THIS SPECIFIC ORDER. REF TO FILE# 2603 VOLUME 7
PAGE 321

Execution Version

ASSIGNMENT, CONVEYANCE AND BILL OF SALE (SECTION 3.2)

Reeves County, Texas

This ASSIGNMENT, CONVEYANCE AND BILL OF SALE (this "Assignment") dated June 9, 2008, is from HALLWOOD ENERGY, L.P., a Delaware limited partnership ("Assignor"), with offices at 3710 Rawlins, Suite 1500, Dallas, Texas 75219, to FEI SHALE L.P., a Delaware limited partnership ("Assignee"), with offices at c/o 2000 888 3rd St. S.W., Calgary, Alberta, Canada T2P 5C5, upon and subject to the following terms and conditions:

1. Certain Definitions. For purposes of this Assignment, the following capitalized terms shall have the meanings herein ascribed to them below:

"Acquisition Agreement" means that certain Acquisition and Farmout Agreement dated as of June 9, 2008, by and among Assignee, Assignor, Hallwood Gathering, L.P., Hallwood Petroleum, LLC, and Hallwood SWD, LLC, as heretofore amended, supplemented, restated or otherwise modified from time to time.

"Applicable Percentage" means that percentage of the Subject Properties which, when combined with the interests in the Subject Properties previously assigned to Assignee pursuant to the Acquisition Agreement, will result in the ownership of the Subject Properties to be held in the following proportions: 66.67% by Assignor, and 33.33% by Assignee.

"Assets" means (i) the Subject Properties and (ii) the Related Properties.

"Disposition" means the sale, exchange, conveyance, assignment, transfer, farm-out or other disposition of a property.

"Effective Date" means 7:00 a.m., Dallas, Texas time, on June 9, 2008, at the location of the Assigned Interests.

"Encumbrance" means any option, pledge, mortgage, deed of trust, security interests, lien, charge, encumbrance or restriction (whether on voting, sale, transfer, disposition or otherwise), whether imposed by agreement, understanding, law or otherwise, except those arising under applicable federal or state securities laws.

"Equipment" means all equipment, fixtures, physical facilities or interests therein (including but not limited to gathering lines, pipelines, and gas plants but excluding the Hallwood Gathering System) of every type and description.

"Governmental Entity" means any federal, state, municipal, domestic or foreign court, tribunal, administrative agency, department, commission, board, bureau or other governmental authority or instrumentality.

"Hallwood Gathering System" is defined in the Acquisition Agreement.

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"Hydrocarbons" means oil, natural gas and/or other liquid and gaseous hydrocarbon substances (including shale gas) or any combination thereof.

"Oil and Gas Contracts" means all area of mutual interest agreements, farmout or farmin agreements, bottom hole or acreage contribution agreements, operating agreements, unit agreements, unit operating agreements, water flood agreements, unitization declarations or orders, joint venture, exploration, participation or acquisition agreements, division orders, Production Sales Agreements, exchange, processing, gathering or transportation agreements, easements and rights-of-way, salt water disposal agreements, surface leases and surface use agreements, water leases and water usage rights and all other contracts and agreements affecting or relating to the ownership or operation of any Oil and Gas Properties or the Disposition of Hydrocarbons produced therefrom.

"Oil and Gas Leases" means oil, gas and mineral leases, oil and gas leases, subleases, assignments of operating rights and similar agreements, and any extensions and renewals thereof.

"Oil and Gas Properties" means (i) Oil and Gas Leases and (ii) all other oil, gas or mineral properties, mineral servitudes and mineral rights of any kind (including, without limitation, mineral fee interests, overriding royalty and royalty interests, net profits interests, oil payment interest, production payment interest and other types of mineral interests).

"Permitted Encumbrances" is defined in the Acquisition Agreement.

"Person" means an individual, partnership, corporation, association, limited liability company, joint stock company, trust, joint venture, unincorporated organization, or Governmental Entity (or any department, agency, or political subdivision thereof).

"Proration Unit" is defined in the Acquisition Agreement.

"Production Sales Agreements" is defined in the Acquisition Agreement.

"Records" means all geographical and geophysical maps, seismic data and information, records, land records, division orders, production files and all other records and files.

"Related Properties" means, at any date, with respect to the Subject Properties, a corresponding interest in and to all other property (tangible or intangible), rights and interests incident to the ownership and operation thereof, including without limitation, (i) all presently existing and valid unitization and pooling declarations, agreements, and/or orders and the contractual right to the properties covered in the units created thereby (including all units formed under orders, regulations, rules, or other official acts of any Governmental Entity having jurisdiction) insofar as the same relate to or affect the Subject Properties, except to the extent such properties constitute Subject Properties; (ii) all Equipment, goods and other personal property insofar as the same are located on or used or held for use in connection with the Subject Properties; (iii) all Oil and Gas Contracts insofar as the same relate to the Subject Properties; (iv) all permits, franchises and licenses insofar as the same relate to the Subject Properties; (v) all (A) proprietary Seismic Data and (B) to the extent in Assignor's possession and transferable without

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material restriction on, or payment of a transfer or licensing fee by, the transferee (unless Assignee for its own account agrees to observe any such restriction or pay any such fee if Assignee cannot, through the exercise of reasonable commercial efforts, obtain a waiver thereof if requested to do so by Assignee), all Seismic Data jointly owned by Assignor with, or licensed by Assignor from, other Persons; and (vi) the Records related thereto.

"Seismic Data" means, to the extent covering or affecting the Subject Properties, all seismic, geological and geophysical data, together with Assignor's proprietary interpretations thereof.

"Subject Properties" means all of Assignor's rights, title and interests in and to the Wells, and the Oil and Gas Properties described in Exhibit A attached hereto and incorporated herein by reference for all purposes, to the extent and only to the extent that such Oil and Gas Properties cover the Proration Units established for the Wells.

"Wells" means the wells described in Exhibit A attached hereto and incorporated herein by reference for all purposes.

2. Assignment. For Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby transfers, grants, conveys and assigns the Applicable Percentage of the Assets to Assignee, effective as of the Effective Date. The properties, rights and interests being conveyed to Assignee pursuant to this Assignment are sometimes referred to herein as the "Assigned Interests".

3. Further Assurances. Assignor agrees to execute and deliver such other and further instruments and will do such other and further acts as may be necessary or desirable to carry out more effectively the intents and purposes of this Assignment. Furthermore, in the event that, under applicable federal or state statutes or regulations or by virtue of contractual obligations, a separate assignment of any of the Assigned Interests is required to be executed by Assignor on an approved form or on a separately executed instrument, such separate assignment shall be so executed on such approved forms or on such separate assignment in sufficient counterparts to satisfy any such statutory, regulatory or contractual requirements.

4. Substitution and Subrogation. This Assignment is made with full substitution and subrogation of Assignee, its successors and assigns in and to all covenants and warranties heretofore given or made in respect of any of the Assigned Interests, and Assignor hereby assigns and conveys to Assignee all such covenants and warranties and all of Assignor's rights thereunder which relate to the Assigned Interests.

5. Warranties. This Assignment is made without covenant or warranty of any kind except that, subject to Permitted Encumbrances, (i) Assignor warrants title to the Assigned Interests, by, through or under Assignor, but not otherwise, and (ii) Assignor warrants that the Assigned Interests are free and clear of all Encumbrances. Additionally, to the extent that this Assignment constitutes an assignment of personal property or fixtures, Assignor expressly disclaims and negates (a) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, (b) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR

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A PARTICULAR PURPOSE, and (c) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIAL.

Acquisition Agreement. This Assignment is expressly made subject to the terms and provisions of the Acquisition Agreement.

Successors and Assigns. This Assignment shall bind and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

TO HAVE AND TO HOLD the Assigned Interests unto Assignee, its successors and assigns forever.

[Signature Page Follows]

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EXECUTED as of the date set out above, but effective as of the Effective Date.

ASSIGNOR:

HALLWOOD ENERGY, L.P.
By: Hallwood Energy Management, LLC,
its general partner

By: _____
Name: William H. Marble
Title: Vice President

ASSIGNEE:

FEI SHALE L.P.
By: FEI Shale GP Inc.,
its general partner

By: _____
Name: Shirley Rattray
Title: Team Leader, Contracts & Lease Administration

[*Signature Page to Assignment*]

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Original filed in
Reeves County
Clerks Office

STATE OF TEXAS §
§
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me on June 9, 2008 by William H. Marble, Vice President of Hallwood Energy Management, LLC, a Delaware limited liability company, in its capacity as general partner of Hallwood Energy, LP, a Delaware limited partnership, on behalf of said limited partnership.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 9th day of June, 2008.

CONNIE F. ELFENBEIN
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 05-10-2012

NOTARY PUBLIC, State of Texas

My commission expires:

STATE OF TEXAS §
§
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me on June 9, 2008 by Shirley Rattray, Team Leader, Contracts & Lease Administration of FEI Shale GP Inc., a Delaware corporation, in its capacity as general partner of FEI SHALE L.P., a Delaware limited partnership, on behalf of said limited partnership.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 9th day of June, 2008.

LORI MEAD
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 11-17-2011

NOTARY PUBLIC, State of Texas

My commission expires:
11-17-11

[*Notarization Page to Assignment*]

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EXHIBIT A

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Clerks Office

WELL/LEASE ASSIGNMENT

Harrison 56-38-#3 Re-entry/re-drill **Limited to Section 38, Block 56, T&P RR Co. Survey**	R111-1	Harrison Trust	4/27/2005	REEVES	699/29
	R111-2	State of Texas	4/27/2005	REEVES	699/29
Brackenridge State 57-44 #1 **Section 44 Block 57 PSL Survey**	R113-1	George Brackenridge Foundation	11/7/2005	REEVES	717130
	R113-1	State of Texas	11/7/2005	REEVES	717/130
Robertson 71 **Section 15 Block 71 PSL Survey**	R106-1	Jocelyn McAlpine Greeman, et al	10/25/2004	REEVES	694/570
	R106-2	State of Texas	10/25/2004	REEVES	694/570

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Certificate of Record

38.00 Recording Fee

26.00 Certified Copy Fee (8)

64.00 Total Paid Sent in envelope

002602

FILED FOR RECORD

2008 JUN 24 PM 4:02

DIANNE O. FLOREZ
COUNTY CLERK, REEVES COUNTY, TX.

Return to:

Graves & Co.
2100 Wedge International Tower
1415 Louisana
Houston, TX 77002

COMPARED

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.

THE STATE OF TEXAS, }
COUNTY OF REEVES. }

I, hereby certify that this instrument with its certificates of authenticity was FILED on the date and at the time stamped hereon and was duly RECORDED in the OFFICIAL PUBLIC RECORDS of Real Property of Reeves County, Texas, as indicated.

OPR VOL. 795 PAGE 321 DATE RECORDED 06/30/2008

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
By: Deputy

BEAR GRAPHICS, INC.

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# 4612

FILED FOR RECORD ON THE 20TH DAY OF OCTOBER A.D. 2008 3:19 P.M.

DULY RECORDED ON THE 24TH DAY OF OCTOBER A.D. 2008 4:00 P.M.

BY: , DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

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. 806, PAGE 451, THRU 459. OFFICIAL PUBLIC RECORDS

I hereby certified on 02/03/2009

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY: Dalia Galindo DEPUTY
DALIA GALINDO

CLERKS MEMO: NOT IN CUSTOMER SPECIFIED ORDER
RE-RECORDED IN VOLUME 806 PAGE 451

FILE# 2602

Execution Version

ASSIGNMENT, CONVEYANCE AND BILL OF SALE (SECTION 3.2)

Reeves County, Texas

This ASSIGNMENT, CONVEYANCE AND BILL OF SALE (this "Assignment") dated June 9, 2008, is from HALLWOOD ENERGY, L.P., a Delaware limited partnership ("Assignor"), with offices at 3710 Rawlins, Suite 1500, Dallas, Texas 75219, to FEI SHALE L.P., a Delaware limited partnership ("Assignee"), with offices at c/o 2000 888 3rd St. S.W., Calgary, Alberta, Canada T2P 5C5, upon and subject to the following terms and conditions:

1. Certain Definitions. For purposes of this Assignment, the following capitalized terms shall have the meanings herein ascribed to them below:

"Acquisition Agreement" means that certain Acquisition and Farmout Agreement dated as of June 9, 2008, by and among Assignee, Assignor, Hallwood Gathering, L.P., Hallwood Petroleum, LLC, and Hallwood SWD, LLC, as heretofore amended, supplemented, restated or otherwise modified from time to time.

"Applicable Percentage" means that percentage of the Subject Properties which, when combined with the interests in the Subject Properties previously assigned to Assignee pursuant to the Acquisition Agreement, will result in the ownership of the Subject Properties to be held in the following proportions: 66.67% by Assignor, and 33.33% by Assignee.

"Assets" means (i) the Subject Properties and (ii) the Related Properties.

"Disposition" means the sale, exchange, conveyance, assignment, transfer, farm-out or other disposition of a property.

"Effective Date" means 7:00 a.m., Dallas, Texas time, on June 9, 2008, at the location of the Assigned Interests.

"Encumbrance" means any option, pledge, mortgage, deed of trust, security interests, lien, charge, encumbrance or restriction (whether on voting, sale, transfer, disposition or otherwise), whether imposed by agreement, understanding, law or otherwise, except those arising under applicable federal or state securities laws.

"Equipment" means all equipment, fixtures, physical facilities or interests therein (including but not limited to gathering lines, pipelines, and gas plants but excluding the Hallwood Gathering System) of every type and description.

"Governmental Entity" means any federal, state, municipal, domestic or foreign court, tribunal, administrative agency, department, commission, board, bureau or other governmental authority or instrumentality.

"Hallwood Gathering System" is defined in the Acquisition Agreement.

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"Hydrocarbons" means oil, natural gas and/or other liquid and gaseous hydrocarbon substances (including shale gas) or any combination thereof.

"Oil and Gas Contracts" means all area of mutual interest agreements, farmout or farmin agreements, bottom hole or acreage contribution agreements, operating agreements, unit agreements, unit operating agreements, water flood agreements, unitization declarations or orders, joint venture, exploration, participation or acquisition agreements, division orders, Production Sales Agreements, exchange, processing, gathering or transportation agreements, easements and rights-of-way, salt water disposal agreements, surface leases and surface use agreements, water leases and water usage rights and all other contracts and agreements affecting or relating to the ownership or operation of any Oil and Gas Properties or the Disposition of Hydrocarbons produced therefrom.

"Oil and Gas Leases" means oil, gas and mineral leases, oil and gas leases, subleases, assignments of operating rights and similar agreements, and any extensions and renewals thereof.

"Oil and Gas Properties" means (i) Oil and Gas Leases and (ii) all other oil, gas or mineral properties, mineral servitudes and mineral rights of any kind (including, without limitation, mineral fee interests, overriding royalty and royalty interests, net profits interests, oil payment interest, production payment interest and other types of mineral interests).

"Permitted Encumbrances" is defined in the Acquisition Agreement.

"Person" means an individual, partnership, corporation, association, limited liability company, joint stock company, trust, joint venture, unincorporated organization, or Governmental Entity (or any department, agency, or political subdivision thereof).

"Proration Unit" is defined in the Acquisition Agreement.

"Production Sales Agreements" is defined in the Acquisition Agreement.

"Records" means all geographical and geophysical maps, seismic data and information, records, land records, division orders, production files and all other records and files.

"Related Properties" means, at any date, with respect to the Subject Properties, a corresponding interest in and to all other property (tangible or intangible), rights and interests incident to the ownership and operation thereof, including without limitation, (i) all presently existing and valid unitization and pooling declarations, agreements, and/or orders and the contractual right to the properties covered in the units created thereby (including all units formed under orders, regulations, rules, or other official acts of any Governmental Entity having jurisdiction) insofar as the same relate to or affect the Subject Properties, except to the extent such properties constitute Subject Properties; (ii) all Equipment, goods and other personal property insofar as the same are located on or used or held for use in connection with the Subject Properties; (iii) all Oil and Gas Contracts insofar as the same relate to the Subject Properties; (iv) all permits, franchises and licenses insofar as the same relate to the Subject Properties; (v) all (A) proprietary Seismic Data and (B) to the extent in Assignor's possession and transferable without

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material restriction on, or payment of a transfer or licensing fee by, the transferee (unless Assignee for its own account agrees to observe any such restriction or pay any such fee if Assignee cannot, through the exercise of reasonable commercial efforts, obtain a waiver thereof if requested to do so by Assignee), all Seismic Data jointly owned by Assignor with, or licensed by Assignor from, other Persons; and (vi) the Records related thereto.

"Seismic Data" means, to the extent covering or affecting the Subject Properties, all seismic, geological and geophysical data, together with Assignor's proprietary interpretations thereof.

"Subject Properties" means all of Assignor's rights, title and interests in and to the Wells, and the Oil and Gas Properties described in Exhibit A attached hereto and incorporated herein by reference for all purposes, to the extent and only to the extent that such Oil and Gas Properties cover the Proration Units established for the Wells.

"Wells" means the wells described in Exhibit A attached hereto and incorporated herein by reference for all purposes.

2. Assignment. For Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby transfers, grants, conveys and assigns the Applicable Percentage of the Assets to Assignee, effective as of the Effective Date. The properties, rights and interests being conveyed to Assignee pursuant to this Assignment are sometimes referred to herein as the "Assigned Interests".

3. Further Assurances. Assignor agrees to execute and deliver such other and further instruments and will do such other and further acts as may be necessary or desirable to carry out more effectively the intents and purposes of this Assignment. Furthermore, in the event that, under applicable federal or state statutes or regulations or by virtue of contractual obligations, a separate assignment of any of the Assigned Interests is required to be executed by Assignor on an approved form or on a separately executed instrument, such separate assignment shall be so executed on such approved forms or on such separate assignment in sufficient counterparts to satisfy any such statutory, regulatory or contractual requirements.

4. Substitution and Subrogation. This Assignment is made with full substitution and subrogation of Assignee, its successors and assigns in and to all covenants and warranties heretofore given or made in respect of any of the Assigned Interests, and Assignor hereby assigns and conveys to Assignee all such covenants and warranties and all of Assignor's rights thereunder which relate to the Assigned Interests.

5. Warranties. This Assignment is made without covenant or warranty of any kind except that, subject to Permitted Encumbrances, (i) Assignor warrants title to the Assigned Interests, by, through or under Assignor, but not otherwise, and (ii) Assignor warrants that the Assigned Interests are free and clear of all Encumbrances. Additionally, to the extent that this Assignment constitutes an assignment of personal property or fixtures, Assignor expressly disclaims and negates (a) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, (b) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR

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Reeves County
Clerk's Office

A PARTICULAR PURPOSE, and (c) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIAL.

Acquisition Agreement. This Assignment is expressly made subject to the terms and provisions of the Acquisition Agreement.

Successors and Assigns. This Assignment shall bind and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

TO HAVE AND TO HOLD the Assigned Interests unto Assignee, its successors and assigns forever.

[Signature Page Follows]

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

EXECUTED as of the date set out above, but effective as of the Effective Date.

ASSIGNOR:

HALLWOOD ENERGY, L.P.
By: Hallwood Energy Management, LLC,
its general partner

By: _____
Name: William H. Marble
Title: Vice President

ASSIGNEE:

FEI SHALE L.P.
By: FEI Shale GP Inc.,
its general partner

By: _____
Name: Shirley Rattray
Title: Team Leader, Contracts & Lease Administration

[*Signature Page to Assignment*]

True and Correct
copy of
Orig[illegible]ed in
Rec[illegible]nty
C[illegible]ce

STATE OF TEXAS §
§
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me on June 9, 2008 by William H. Marble, Vice President of Hallwood Energy Management, LLC, a Delaware limited liability company, in its capacity as general partner of Hallwood Energy, LP, a Delaware limited partnership, on behalf of said limited partnership.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 9th day of June, 2008.

CONNIE F. ELFENBEIN
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 05-10-2012

NOTARY PUBLIC, State of Texas

My commission expires:

STATE OF TEXAS §
§
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me on June 9, 2008 by Shirley Rattray, Team Leader, Contracts & Lease Administration of FEI Shale GP Inc., a Delaware corporation, in its capacity as general partner of FEI SHALE L.P., a Delaware limited partnership, on behalf of said limited partnership.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 9th day of June, 2008.

LORI MEAD
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 11-17-2011

NOTARY PUBLIC, State of Texas

My commission expires:
11-17-11

[*Notarization Page to Assignment*]

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Clerks Office

EXHIBIT A

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Original filed in
Reeves County
Clerk's Office

BOOK 795 PAGE 328

WELL/LEASE ASSIGNMENT

WELL NAME	AR LEASE #	Lessor	Lease Date	COUNTY	RECORD BK/PG
Harrison 56-38-#3 Re-entry/re-drill **Limited to Section 38, Block 56, T&P RR Co. Survey**	R111-1	Harrison Trust	4/27/2005	REEVES	699/29
	R111-2	State of Texas	4/27/2005	REEVES	699/29
Brackenridge State 57-44 #1 **Section 44 Block 57 PSL Survey**	R113-1	George Brackenridge Foundation	11/7/2005	REEVES	717130
	R113-1	State of Texas	11/7/2005	REEVES	717/130
Robertson 71 **Section 15 Block 71 PSL Survey**	R106-1	Jocelyn McAlpine Greeman, et al	10/25/2004	REEVES	694/570
	R106-2	State of Texas	10/25/2004	REEVES	694/570

686356.0001 WEST 6250688 v1

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# 2602

FILED FOR RECORD ON THE 24TH DAY OF JUNE A.D. 2008 4:02 P. M.

DULY RECORDED ON THE 30TH DAY OF JUNE A.D. 2008 2:00 P. M.

BY: _____ DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

This and Correct
Copy of
Filed in
County
Clerks Office

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. 795, PAGE 321, THRU 328. OFFICIAL PUBLIC RECORDS

I hereby certified on 02/03/2009

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Dalia Galindo DEPUTY

DALIA GALINDO

PINNACLE LAND SERVICES, INC.
P.O. Box 991
Pleasanton, Texas 78064

Office (830) 569-5436
Fax (830) 569-5438
Cell (830) 570-2275

February 5, 2009

Ms. Beverly Boyd
General Land Office of Texas
1700 N. Congress Avenue, Suite 620
Austin, Texas 78701

Re: Mineral File No. 104871
Section 38 Block 56, A-2181
Mineral File No. 105848
Section 44 Block 57, A-5053
Mineral File No. 104792
Section 15 Block 71, A-4647
Reeves County, Texas

Dear Beverly:

Please find enclosed the following instruments that need to filed in the above Mineral File:

- Assignment, Conveyance and Bill of Sale (Section 3.2), dated June 9, 2008, from Hallwood Energy, LP to FEI Shale, LP, recorded in Volume 795, Page 321, of the Official Public Records of Reeves County, Texas.

- Assignment, Conveyance and Bill of Sale (Section 3.2), dated June 9, 2008, from Hallwood Energy, LP to FEI Shale, LP, recorded in Volume 806, Page 451, of the Official Public Records of Reeves County, Texas.

I have enclosed Pinnacle Land Services, Inc. check no. 12513, in the amount of $75.00 to cover the cost of filing.

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

Sincerely,
PINNACLE LAND SERVICES, INC.

Cindy G. Mercer

Cindy G. Mercer, C.P.L.

/cgm

enclosures – check no. 12513

09009283

Attn: Beverly Boyd

3301046 129

PINNACLE LAND SERVICES, INC.
P. O. BOX 991 PH. 830-569-5436
PLEASANTON, TX 78064

12513
[redacted]

Date 02-05-2009

Pay to the Order of State of Texas $ 75.00

Seventy five & NO/100 Dollars

Security Features Details on Back

WELLS FARGO Wells Fargo Bank, N.A.
Texas
wellsfargo.com

FOR MF-10487-MF-105848, MF-104792

Cindy G. Mercer MP

⑈00000125 13⑈ [redacted]

22,

File No. 08704871

~~ASSIGNMENT, FILED IN MF~~

Date Filed: 2/9/08

Jerry E. Patterson, Commissioner

By

14:47:59 Fri Mar 12, 2010

** CURRENT GAS FIELD RULES INQUIRY **

FIELD NUMBER	FIELD NAME	DISTRICT
90890 700	TOYAH, NW (SHALE)	08

DOCKET NUMBER ===> 08-0258358
PRORATION DATE ==> 06/01/2009
EFFECTIVE DATE ====> 06/30/2009
SUSPENSION DATE ===> 07/15/2009

SPACING TO LEASE > 467
ACRES PER UNIT ==> 320 . 00
CASING BASIS ====>
CASING REMARKS ==>
SPACING TO WELL ===> 1200
TOLERANCE ACRES ===> 32 . 00
CASING DEPTH ======> 0

TYPE DIAGONAL =====> CORNER TO CORNER
DIAGONAL REMARKS ==>
ALLOWABLE TRANSFER >
DIAGONAL (FEET) ===> 6500
INJECTION CREDIT ==> NO

FIELD REMARKS ===> AMENDED DENSITY,RULE TEMPORARY,SUBJECT TO REVIEW IN 24 MOS.

ALLOCATION FORMULA> 75% ACRES
25% DELIVERABILITY

PF1=MENU PF2=REMARKS PF3=FLD INQ PF7=SCHEDULE

PF5=PRIOR HISTORY

14:43:57 Fri Mar 12, 2010

DISTRICT > 08 GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700
OPERATOR > CHESAPEAKE OPERATING, INC. # 147715
LEASE > HARRISON STATE 56-37 # 248871 WELL # 1

MM/YYYY	ALLOW	GAS PROD	GAS LIFT	* DISPOSITIONS * AMT	CODE	AMT	CODE	CUMU STAT	G/C RATIO (MCF/BBL)
02/2009	28896 X	5619	0	463	1	5156	#	0	405
03/2009	31992 X	4957	0	391	1	4566	2	0	
04/2009	30960 X	5413	0	488	1	4925	2	0	
05/2009	31992 X	8062	0	704	1	7358	2	0	
06/2009	30960 X	2263	0	181	1	2082	2	0	
07/2009	31992 X	6820	0	519	1	6301	2	0	
08/2009	0 W	7805	0	665	1	7140	2	7805	
09/2009	0 W	6294	0	545	1	5749	2	14099	
10/2009	0 W	5947	0	558	1	5389	2	20046	
11/2009	25382 X	5336	0	521	1	4815	2	0	
12/2009	7812 X	5192	0	521	1	4671	2	0	
01/2010	7812 X	5041	0	5041	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 **

14:52:56 Fri Mar 12, 2010

DISTRICT > 08 GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700
OPERATOR > CHESAPEAKE OPERATING, INC. # 147715
LEASE > HARRISON STATE 56-38 # 226710 WELL # 3ST

MM/YYYY	ALLOW	GAS PROD	GAS LIFT	* DISPOSITIONS * AMT	CODE	AMT	CODE	CUMU STAT	G/C RATIO (MCF/BBL)
02/2009	32480 X	10094	0	833	1	9261	2		0
03/2009	35960 X	18507	0	1461	1	17046	2		0
04/2009	28950 X	17669	0	1592	1	16077	2		0
05/2009	23870 X	18113	0	1580	1	16533	2		0
06/2009	19470 X	14648	0	1172	1	13476	2		0
07/2009	18507 X	16426	0	1249	1	15177	2		0
08/2009	0 W	16231	0	1384	1	14847	2	16231	
09/2009	0 W	14497	0	1255	1	13242	2	30728	
10/2009	0 W	14958	0	1403	1	13555	2	45686	
11/2009	59494 X	13808	0	1349	1	12459	2		0
12/2009	16430 X	13166	0	1322	1	11844	2		0
01/2010	16244 X	12790	0	12790	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 **

Well Inventory Detail

90890 700

RRC Well Number:	1	RRC Field Name:	TOYAH NORTHWEST
RRC Number:	248871	Pool Name:	SHALE
RRC District:	08	Formation:	DEVONIAN
RRC Lease Type:	WELL	Primary Product Code:	G
API Number:	4238932460	Well Type:	A

Last Month Oil Production:	Last 12 Months Oil Production:
0	11
Last Month Gas Production:	Last 12 Months Gas Production:
6294	84076
Last Month Water Production:	Last 12 Months Water Production:
146	1956

Current Well Status:	A	First Production Date:	10/01/2007
Well Completion Date:	12/09/2007	Last Production Date:	09/30/2009

Total Measured Depth:	18700	Top Depth:	17747
Wellbore Direction:	V	Base Depth:	18368

Surface Latitude:	31.5343800000	Surface Longitude:	-103.9022000000

GLO Lease Number:	MF104871	GLO Unit Number:	

RRC Lease Name:	HARRISON STATE 56-37
RRC Operator:	CHESAPEAKE OPERATING INCORPORATED
Oil Purchaser/Transporter:	
Gas Purchaser/Transporter:	CHESAPEAKE ENERGY MARKETING

Last IHSE Update:	12/24/2009	County:	REEVES

Well Inventory Detail

RRC Well Number:	3ST	RRC Field Name:	TOYAH NORTHWEST
RRC Number:	226710	Pool Name:	SHALE
RRC District:	08	Formation:	DEVONIAN
RRC Lease Type:	WELL	Primary Product Code:	G
API Number:	4238932425	Well Type:	A

Last Month Oil Production:

0

Last 12 Months Oil Production:

0

Last Month Gas Production:

14497

Last 12 Months Gas Production:

237149

Last Month Water Production:

284

Last 12 Months Water Production:

3912

Current Well Status:	A	First Production Date:	06/01/2008
Well Completion Date:	03/23/2007	Last Production Date:	09/30/2009
Total Measured Depth:	18364	Top Depth:	17580
Wellbore Direction:	V	Base Depth:	18150
Surface Latitude:	31.5333800000	Surface Longitude:	-103.9201400000
GLO Lease Number:	MF104871	GLO Unit Number:	

RRC Lease Name: HARRISON STATE 56-38

RRC Operator: CHESAPEAKE OPERATING INCORPORATED

Oil Purchaser/Transporter:

Gas Purchaser/Transporter: CHESAPEAKE ENERGY MARKETING

Last IHSE Update:	12/24/2009	County:	REEVES

File No. MF 104871
Production status of 2 wells
Date Filed: 3/15/10
Jerry E. Patterson, Commissioner
By

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

Certified Mail #70070710000053801922 (Chesapeake)
#70070710000053801939 (Hallwood)
#70070710000053801946 (FEI Shale)

March 15, 2010

Chesapeake Energy Corporation
PO Box 18496
Oklahoma City, OK 73154-0496
Attention: Land Department

Hallwood Energy LP
3710 Rawlins Suite 1500
Dallas TX 75219
Attention: Land Department

FEI Shale LP
c/o Talisman Energy Inc.
2000 888 3rd St SW
Calgary, Alberta, Canada T2P 5C5
Attention: Land Department

RE: MF 104871 Blk 56, Sec 9,10,14,15,22,23,24,25,26, W/2 31, W/2 35, 36,37,38, & 42; Blk 57, Sec. 19,21,22,28,29 & 31, Public School Lands, Reeves Co TX
Lands outside of 320 acres for Harrison State 56-37 Well #1 & 320 acres for Harrison State 56-38 Well # 3ST

Ladies and Gentlemen:

Our records indicate that two 320 acre tracts of lands referenced above are being held by the two wells referenced above, both of which wells appear to be currently producing. This lease #MF 104871 contains a Drilling Commitment. At the end of year four, which was April 27, 2009, nine cumulative wells were to be drilled, which appears not to be the case. This lease, insofar as it covers lands outside said two 320 acre units, is now expired.

According to our files, you and/or some of your subsidiary companies are the working interest owners under this lease. Pursuant to the Texas Administrative Code, we request that you file with this office a recorded original or certified copy of Release of this State Oil and Gas Lease which has been executed by the appropriate companies, releasing any acreage lying outside of the producing units, along with a processing fee of $25.00 per document to be sent to the attention of Beverly Boyd. This release shall contain a satisfactory legal description of the acreage not retained by the units, including a release of all depths below 100 feet below the stratigraphic equivalent of the base of the deepest producing formation.

You have 30 days from receipt of this letter in which to present evidence and convince the General Land Office that a termination in the lands outside the units has not occurred. If such evidence has not been presented at the expiration of the 30-day period, the mineral file, insofar as the lands outside the units, shall be endorsed "terminated."

Any well on the lands outside of the referenced unit should be plugged and abandoned in accordance with Railroad Commission Rules and Regulations. The General Land Office will actively oppose any action to avoid or postpone compliance with these requirements.

If you have any questions regarding this assessment, you may contact me at the phone number below.

Yours truly,

Harriet Dunne

Harriet Dunne, CPL
Mineral Leasing, Energy Resources
512-475-1579
512-475-1543 (fax)

UNITED STATES POSTAL SERVICE

Track & Confirm

FEI Shale letter

Search Results

Label/Receipt Number: **7007 0710 0000 5380 1946**

There is no record of this item.

Why Are You Receiving This Message?

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2. The number was entered incorrectly. Be sure to enter all of the letters and numbers as they appear on your mailing label or receipt.

Track & Confirm

Enter Label/Receipt Number.

Go >

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well, Lessee shall plug and abandon such well in accordance with the Rules and Regulations of the Railroad Commission of Texas.

13. This agreement does not cover nor include any right or privilege of hunting with firearms or with dogs or otherwise on the leased premises, nor of fishing on the leases premises, all such hunting and fishing rights being expressly reserved to each surface owner; and Lessee agrees that none of Lessee's officers, agents, servants, employees, representatives or contractors will bring any dog or firearm or fishing tackle upon the leases premises and will not fire any weapon or firearm thereon; and that if any such person shall bring any dog or firearm or fishing tackle upon the leased premises or fire any weapon or firearm thereon, such person shall no longer have any right to go on, or to be on, the leased premises, and that if such person shall go on or be on the leased premises, he shall be a trespasser and subject to prosecution under the trespass laws of the State of Texas. Lessor and such surface owner's duly authorized representatives shall have the right at all reasonable times and at their own expense to inspect vehicles entering upon the leases premises, for the purpose of ascertaining that no such article are being brought on to the leases premises.

DRILLING COMMITMENT

The following table illustrates the number of wells to be drilled by the end of each year of the lease. A well drilled shall be defined as any well that has been physically drilled, or any well currently being drilled with a rig capable of reaching the permitted depth on the 364th day of the anniversary date of the lease.

END OF YEAR	CUMULATIVE WELLS
1	1
2	2
3	3
4	9
5	15
6	21
7	27
8	31
9	35
10	39
11	40

Lessee agrees to commence drilling operations on an initial well located on the leased premises (the "Initial Well") on or before one year from the date of this lease and to thereafter prosecute the drilling of said well diligently without unreasonable delay. Lessee shall file of record a Designation of Proration Unit in the appropriate county and state thereof, said unit to include 320 acres, more or less. If Lessee fails to commence the drilling of the Initial Well within one year of the date of this lease, this lease will automatically terminate as to all lands not included in the 320 acre proration unit.

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

UNITED STATES POSTAL SERVICE

First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

• Sender: Please print your name, address, and ZIP+4 in this box •

03111
MF 104871
Harriet Dunne
Texas General Land Office
PO Box 12873
Austin TX 78711-2873

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MAR 22 2010
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SENDER: *COMPLETE THIS SECTION*

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Land Department
Hallwood Energy LP
3710 Rawlins Suite 1500
Dallas TX 75219

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☑ Agent
☐ Addressee

B. Received by (*Printed Name*) Andrea Rivera

C. Date of Delivery 3-17-10

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

MAR 19 2010 USPS 75219

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? *(Extra Fee)* ☐ Yes

2. Article Number
(Transfer from service label) 7007 0710 0000 5380 1939

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

7007 0710 0000 5380 1939

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OFFICIAL USE

Postage	$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	$

Postmark Here

Sent To
Hallmood

Street, Apt. No.; or PO Box No.

City, State, ZIP+4

PS Form 3800, August 2006 **See Reverse for Instructions**

Certified Mail Provides:

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- Certified Mail may ONLY be combined with First-Class Mail® or Priority Mail®.
- Certified Mail is *not* available for any class of international mail.
- NO INSURANCE COVERAGE IS PROVIDED with Certified Mail. For valuables, please consider Insured or Registered Mail.
- For an additional fee, a *Return Receipt* may be requested to provide proof of delivery. To obtain Return Receipt service, please complete and attach a Return Receipt (PS Form 3811) to the article and add applicable postage to cover the fee. Endorse mailpiece "Return Receipt Requested". To receive a fee waiver for a duplicate return receipt, a USPS® postmark on your Certified Mail receipt is required.
- For an additional fee, delivery may be restricted to the addressee or addressee's authorized agent. Advise the clerk or mark the mailpiece with the endorsement *"Restricted Delivery"*.
- If a postmark on the Certified Mail receipt is desired, please present the article at the post office for postmarking. If a postmark on the Certified Mail receipt is not needed, detach and affix label with postage and mail.

IMPORTANT: Save this receipt and present it when making an inquiry.

PS Form 3800, August 2006 *(Reverse)* PSN 7530-02-000-9047

UNITED STATES POSTAL SERVICE

First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

• Sender: Please print your name, address, and ZIP +4 in this box •

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MAR 19 2013
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03111
MF 10487
Harriet Dunne
Texas General Land Office
PO Box 12873
Austin TX 78711-2873

SENDER: *COMPLETE THIS SECTION*

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- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Land Department
Chesapeake Energy Corporation
PO Box 18496
Oklahoma City, OK 73154-0496

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent
☐ Addressee

B. Received by *(Printed Name)*

C. Date of Delivery

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

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? *(Extra Fee)* ☐ Yes

2. Article Number
(Transfer from service label) 7007 0710 0000 5380 1922

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

7007 0710 0000 5380 1922

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Postage	$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	$

Postmark Here

Sent To
Chesapeake Energy

Street, Apt. No.; or PO Box No.

City, State, ZIP+4

PS Form 3800, August 2006 — See Reverse for Instructions

Certified Mail Provides:

- A mailing receipt
- A unique identifier for your mailpiece
- A record of delivery kept by the Postal Service for two years

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IMPORTANT: Save this receipt and present it when making an inquiry.

PS Form 3800, August 2006 *(Reverse)* PSN 7530-02-000-9047

7007 0710 0000 5380 1946

U.S. Postal Service™
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OFFICIAL USE

Postage	$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	$

Postmark Here

Sent To
FEI Shell

Street, Apt. No.; or PO Box No.

City, State, ZIP+4

PS Form 3800, August 2006 **See Reverse for Instructions**

Certified Mail Provides:

- A mailing receipt
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- For an additional fee, a *Return Receipt* may be requested to provide proof of delivery. To obtain Return Receipt service, please complete and attach a Return Receipt (PS Form 3811) to the article and add applicable postage to cover the fee. Endorse mailpiece "Return Receipt Requested". To receive a fee waiver for a duplicate return receipt, a USPS® postmark on your Certified Mail receipt is required.
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IMPORTANT: Save this receipt and present it when making an inquiry.

PS Form 3800, August 2006 *(Reverse)* PSN 7530-02-000-9047

Proration Unit shall mean 320 designated acres, or larger if required by the Railroad Commission of Texas or any other governmental agency having jurisdiction.

In the event that Lessee fails to comply with such drilling schedule as shown in the above schedule, then this lease will terminate except as to the acreage included within a Designation of Proration Unit which is then producing in paying quantities; producing, but not in paying quantities, but for which Lessee is making reasonable efforts to cause the well to produce in paying quantities; or deemed to be producing in paying quantities by virtue of paying of shut-in royalties, the Lease shall then terminate as to all depths below 100 feet below the stratigraphic equivalent of the base of the deepest producing formation.

One year after the final Designation of Proration Unit has been filed of record, each 320 acre proration unit shall be and constitute a separate lease and must be maintained independently as provided in this lease.

Signed:

Roddy L. Harrison, Trustee of the Harrison Trust

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

File No. MF-104871
Termination ltr on
lands outside 2 units
Date Filed: 3/15/10
Jerry E. Patterson, Commissioner
By

09:18:30 Wed May 05, 2010

MF 104871

** CURRENT GAS FIELD RULES INQUIRY **

FIELD NUMBER	FIELD NAME	DISTRICT
90890 700	TOYAH, NW (SHALE)	08

DOCKET NUMBER ===> 08-0258358
PRORATION DATE ==> 06/01/2009
EFFECTIVE DATE ====> 06/30/2009
SUSPENSION DATE ===> 07/15/2009

SPACING TO LEASE > 467
ACRES PER UNIT ==> 320 . 00
CASING BASIS ====>
CASING REMARKS ==>
SPACING TO WELL ===> 1200
TOLERANCE ACRES ===> 32 . 00
CASING DEPTH ======> 0

TYPE DIAGONAL =====> CORNER TO CORNER
DIAGONAL REMARKS ==>
ALLOWABLE TRANSFER >
DIAGONAL (FEET) ===> 6500
INJECTION CREDIT ==> NO

FIELD REMARKS ===> AMENDED DENSITY,RULE TEMPORARY,SUBJECT TO REVIEW IN 24 MOS.

6-30-11

ALLOCATION FORMULA> 75% ACRES
25% DELIVERABILITY

PF1=MENU PF2=REMARKS PF3=FLD INQ PF7=SCHEDULE

PF5=PRIOR HISTORY

#25

File No. MF 104871
RRC Field Rules
Terry
Date Filed: 5/10/10
Jerry E. Patterson, Commissioner
By AD

MF-104871

389-32425

A.

Pdst08
Id#226710

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), HARRISON STATE 56-38 (LEASE), No. 3 (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 _____ 320 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 11/13/2009 Signature Lindsey Melott

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

RECEIVED
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AUSTIN TX

TOPOGRAPHIC

SURVEYING • MAPPING • GIS • GPS

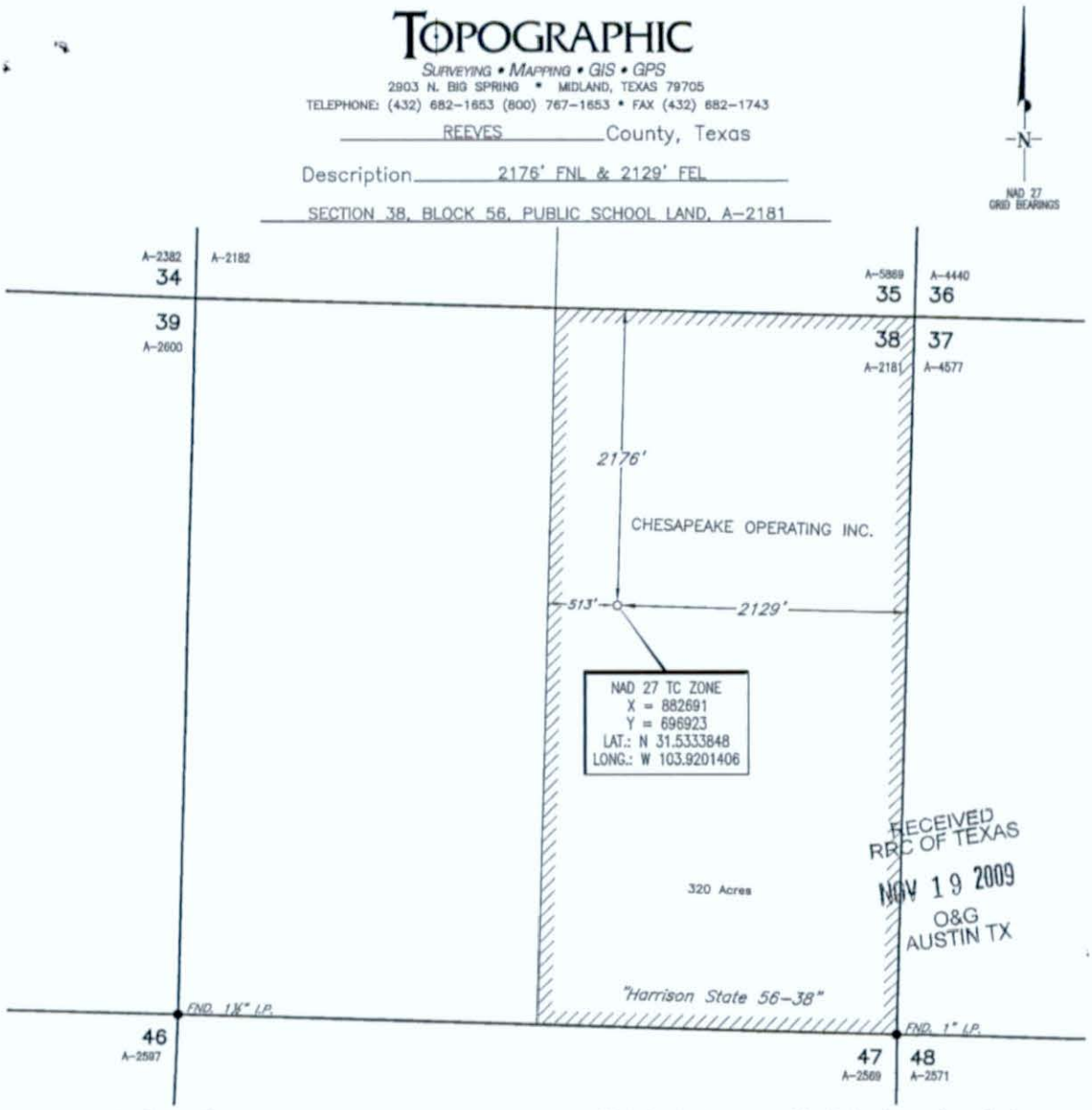
2903 N. BIG SPRING • MIDLAND, TEXAS 79705

TELEPHONE: (432) 682-1653 (800) 767-1653 • FAX (432) 682-1743

REEVES County, Texas

Description 2176' FNL & 2129' FEL

SECTION 38, BLOCK 56, PUBLIC SCHOOL LAND, A-2181



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AUSTIN TX

This location has been very carefully staked on the ground according to the best official survey records, maps, and other data available to us. This plat does not in any way represents a "Boundary Survey", and does not comply with correct T.B.P.L.S. Minimum Standards of Procedures for Boundary Surveys. Lease is shown as the west half of the section and does not agree with the occupied line.

Operator Chesapeake OPERATING, INC.

Date Staked JUNE 16, 2006

Lease Name & Well No. HARRISON STATE 56-38 #3

Ground Elev. 3192' Reference Stakes or NONE

Alternate Location

Good Drill Site? YES Stakes Set ±15.8 MILES NORTHWEST OF TOYAH, TEXAS

Topography & Vegetation EXISTING WELL PAD

Best Accessibility to Location FROM EXISTING PAD FOR WELL 56-38 #2

Distance & Direction
from Hwy Jct. or Town FROM JCT. OF NORTH SERVICE ROAD I-20 & F.M. 2119 @ PECOS, GO NORTHWEST 21.3 MILES ON F.M. 2119, THENCE SOUTH 1.0 MILE ON PAVED COUNTY ROAD, THENCE WEST 3.3 MILE ON LEASE ROAD TO EXISTING WELL PAD FOR WELL 56-38 #2.

STATE OF TEXAS
REGISTERED
ROBERT JAMES OVERTON JR.
5916
PROFESSIONAL
LAND SURVEYOR

Invoice # 114264/629SW
J.W.W.
REVISED: 9/25/09; EVO

CERTIFICATION:

I, Robert J. Overton, Jr., a Registered Professional Land Surveyor, and an authorized agent of Topographic Land Surveyors, do hereby certify that in my professional opinion the above described well location was surveyed and staked on the ground as shown. *This plat is for Texas Railroad Commission permitting only.*

Robert J. Overton Jr.

Texas Reg. No. 5916

Permit Hub Page

A

drillinginfo

Permit Summary

Report a Problem

API Number:	42-389-32425	Lease:	HARRISON STATE 56-38
Operator:	CHESAPEAKE OPERATING, INC.	Well Number:	3ST
Date Issued:	4/17/2009		
Location:	Reeves County, Texas	Total Depth (MD):	19000
Type / Status:	Type: Gas, Status: gas well	Quad Name:	W T Ranch

Relational Data

Permit Detail - The permit as filed.
Well History / One-Page Production Summary - A complete history of this well broken out by lease.
Related Filings - Links to all permits, completions, production for this wellbore.
Stratigraphic Column - Image of the stratigraphic layers near this well.
Play Data - USGS based play information near this well.
Well Logs - Find out what logs are available and order them online.
Well or Field Research - Send a researcher to find more data.
Tag this element - Add your own proprietary data to this DI element with MyInfo.

Local Expert Listings

Looking for an expert in this area? Check out Drillinginfo's new "Local Expert Listings" to find a consultant who does work in this county. Just pick a category below.

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products & features | events & training | company | contact

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Well Permit Details

Buy a faxed copy of the original permit and plat - Find research services

Report a Problem

View permit: PDF Document 1

API #: 42-389-32425
Permit #: 653553
Rule 37 Case:

Purpose for Filing: Directional, Amended Permit, Recomplete,
Received: 04/17/2009
Issued: 04/17/2009

RRC Operator #: 147715
Operator Name: CHESAPEAKE OPERATING, INC.
Operator Address: ATTN CHRISTIAN COMBS
PO BOX 18496
OKLAHOMA CITY, OK 73154-0496

Lease Name: HARRISON STATE 56-38
RRC Lease ID #:
Well #: 3ST
Total Depth: 19000

District #: 8 **County:** Reeves
Section: 38 **Block:** 56 **Survey:** PSL/GREENING, R W **Abstract:** 2181
Located: 15.8 miles in a NW direction from TOYAH.
Contiguous acres in lease: 640.0

Lease/Unit Perpendiculars: 2129.0' E & 2176.0' N
Survey Section Perpendiculars: 2129.0' E & 2176.0' N

Fields

Field Name	Field Number	Permit Type
TOYAH, NW (SHALE)	90890700	(Gas)

Permitted Bottom Hole Locations

Type	County	Abstract	Lease Offsets	Survey Offsets	Latitude	Longitude
Directional	Reeves	A-2181	1755.0' E & 1800.0' N	1755.0' E & 1800.0' N	31.534424	-103.918945

Is this a pooled unit? No
Rule 36 (Hydrogen Sulfide area)? No
Substandard Acreage? Yes
Form h-9 filed? No

Name/Title: BILL SPENCER
Phone Number: 512-918-1062

Remarks: [FILER APR 14,2009 4:10 PM]: Amended TD; [RRC STAFF APR 15,2009 8:38 AM]: There have been problems identified with this permit (see problem letter attachment). Notification sent.; [RRC STAFF APR 15,2009 1:28 PM]: Problems identified with this permit are resolved.; [RRC STAFF APR 17,2009 8:30 AM]: W1A attached. DI USE: 1,3,6

Latitude: 31.533384 **Longitude:** -103.920143

Back

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API No. 42-389-32425
Drilling Permit # 653553
SWR Exception Case/Docket No.

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION
APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

This facsimile W-1 was generated electronically from data submitted to the RRC. A certification of the automated data is available in the RRC's Austin office.

FORM W-1 07/2004

Permit Status: Approved

1. RRC Operator No.	2. Operator's Name (as shown on form P-5, Orgaaization Report)	3. Operator Address (include street, city, state, zip)
147715	CHESAPEAKE OPERATING, INC.	

4. Lease Name	5. Well No.
HARRISON STATE 56-38	3ST

GENERAL INFORMATION

6. Purpose of filing (mark ALL appropriate boxes): ☐ New Drill ☒ Recompletion ☐ Reclass ☐ Field Transfer ☐ Re-Enter ☒ Amended ☐ Amended as Drilled (BHL) (Also File Form W-1D)

7. Wellbore Profile (mark ALL appropriate boxes): ☐ Vertical ☐ Horizontal (Also File Form W-1H) ☒ Directional (Also File Form W-1D) ☐ Sidetrack

8. Total Depth	9. Do you have the right to develop the minerals under any right-of-way ?	10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)?
19000	☒ Yes ☐ No	☐ Yes ☒ No

SURFACE LOCATION AND ACREAGE INFORMATION

11. RRC District No.	12. County	13. Surface Location
08	REEVES	☒ Land ☐ Bay/Estuary ☐ Inland Waterway ☐ Offshore

14. This well is to be located 15.8 miles in a NW direction from toyah which is the nearest town in the county of the well site.

15. Section	16. Block	17. Survey	18. Abstract No.	19. Distance to nearest lease line:	20. Number of contiguous acres in lease, pooled unit, or unitized tract:
38	56	PSL/GREENING, R W	A-2181	1755 ft.	640

21. Lease Perpendiculars: 2129 ft from the E line and 2176 ft from the N line.
22. Survey Perpendiculars: 2129 ft from the E line and 2176 ft from the N line.

23. Is this a pooled unit?	24. Unitization Docket No:	25. Are you applying for Substandard Acreage Field?
☐ Yes ☒ No		☒ Yes (attach Form W-1A) ☐ No

FIELD INFORMATION List all fields of anticipated completion including Wildcat. List one zone per line.

26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)	29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Reservoir	32. Number of Wells on this lease in this Reservoir
08	90890700	TOYAH, NW (SHALE)	Gas Well	19000	0.00	1

BOTTOMHOLE LOCATION INFORMATION is required for DIRECTIONAL, HORIZONTAL, AND AMENDED AS DRILLED PERMIT APPLICATIONS (see W-1D attachment)

Remarks

[FILER Apr 14, 2009 4:10 PM]: Amended TD; [RRC STAFF Apr 15, 2009 8:38 AM]: There have been problems identified with this permit (see problem letter attachment). Notification sent.; [RRC STAFF Apr 15, 2009 1:28 PM]: Problems identified with this permit are resolved.; [RRC STAFF Apr 17, 2009 8:30 AM]: W1A attached.

RRC Use Only Data Validation Time Stamp: Apr 17, 2009 8:30 AM('As Approved' Version)

Certificate:

I certify that information stated in this application is true and complete, to the best of my knowledge.

Bill Spencer — Name of filer
Apr 14, 2009 — Date submitted
(512)9181062 — Phone
bgsaustin@sbcglobal.net — E-mail Address (OPTIONAL)

Permit Status:	Approved
The RRC has not approved this application. Duplication or distribution of information is at the user's own risk.	

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION
APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

This facsimile W-1 was generated electronically from data submitted to the RRC. A certification of the automated data is available in the RRC's Austin office.

Form W-1D 07/2004
Supplemental Directional Well Information

Permit # 653553
Approved Date: Apr 17, 2009

1. RRC Operator No.	2. Operator's Name (exactly as shown on form P-5, Organization Report)	3. Lease Name	4. Well No.
147715	CHESAPEAKE OPERATING, INC.	HARRISON STATE 56-38	3ST

Lateral Drainhole Location Information

5. Field as shown on Form W-1: TOYAH, NW (SHALE) (Field # 90890700, RRC District 08)

6. Section	7. Block	8. Survey	9. Abstract	10. County of BHL
38	56	PSL/GREENING, R W	2181	REEVES

11. Bottom hole Lease Line Perpendiculars
1755 ft. from the E line, and 1800 ft. from the N line

12. Bottom hole Survey Line Perpendiculars #
1755 ft. from the E line, and 1800 ft. from the N line

TOPOGRAPHIC LAND SURVEYORS OF TEXAS

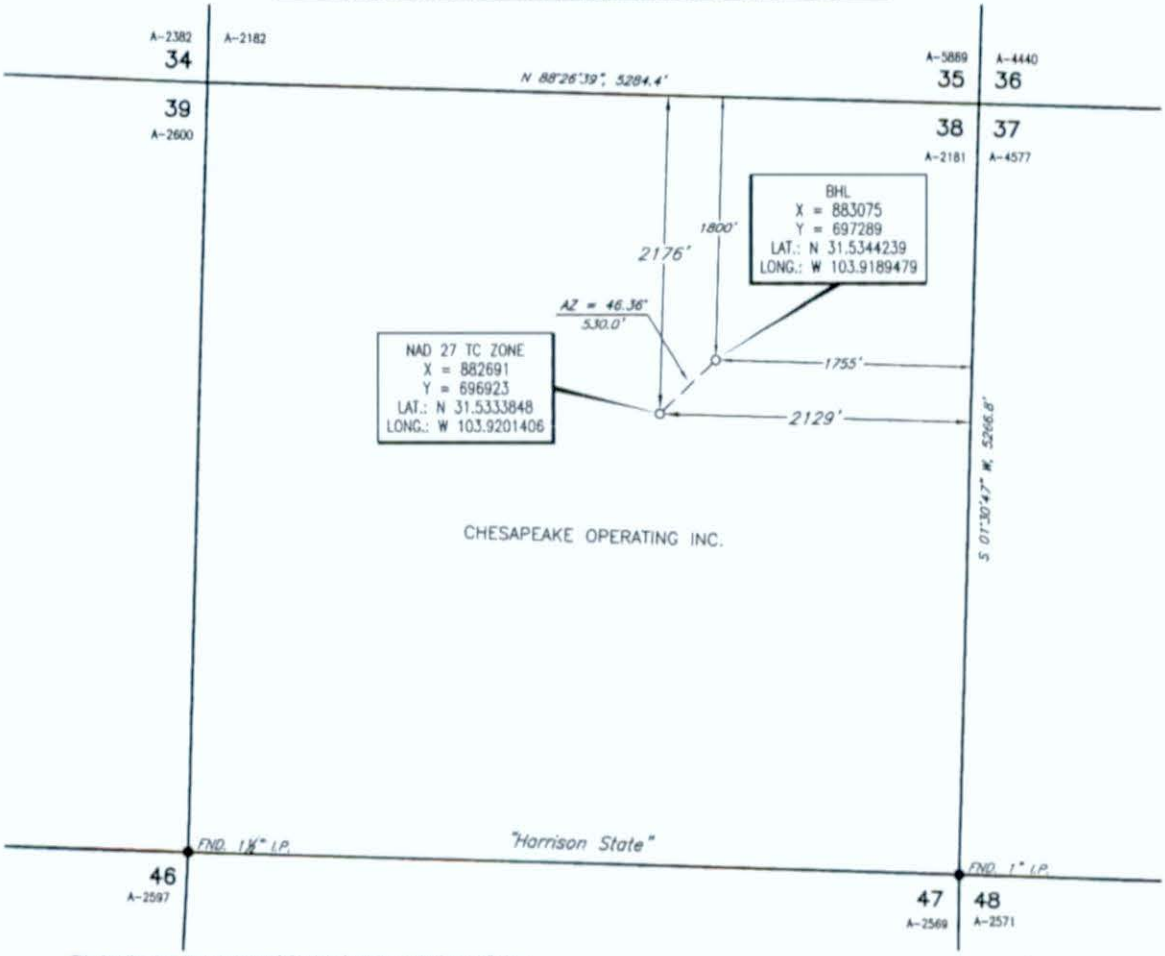
Surveying and Mapping for the Energy Industry

2903 N. BIG SPRING * MIDLAND, TEXAS 79705
TELEPHONES: (432) 682-1653 * (800) 767-1653 * FAX (432) 682-1743

REEVES County, Texas

Description SHL: 2176' FNL & 2129' FEL
BHL: 1800' FNL & 1755' FEL

SECTION 38, BLOCK 56, PUBLIC SCHOOL LAND, A-2181



This location has been very carefully staked on the ground according to the best official survey records, maps, and other data available to us. This plat does not in any way represents a "Boundary Survey", and does not comply with correct T.B.P.L.S. Minimum Standards of Procedures for Boundary Surveys.

Date Staked JUNE 16, 2006

SCALE: 1" = 1000'
0' 500' 1000'

Operator CHESAPEAKE OPERATING INC.

Lease Name & Well No. HARRISON STATE 56-38 #3 SDTK

Ground Elev. 3192' Reference Stakes or Alternate Location NONE

Good Drill Site? YES Stakes Set ±15.8 MILES NORTHWEST OF TOYAH, TEXAS

Topography & Vegetation EXISTING WELL PAD

Best Accessibility to Location FROM EXISTING PAD FOR WELL 56-38 #2

Distance & Direction from Hwy Jct. or Town FROM JCT. OF NORTH SERVICE ROAD I-20 & F.M. 2119 @ PECOS, GO NORTHWEST 21.3 MILES ON F.M. 2119, THENCE SOUTH 1.0 MILE ON PAVED COUNTY ROAD, THENCE WEST 3.3 MILE ON LEASE ROAD TO EXISTING WELL PAD FOR WELL 56-38 #2.

STATE OF TEXAS
REGISTERED
WILLIAM J. KEATING
5041
PROFESSIONAL
LAND SURVEYOR

Invoice # 130851/629SW
J.W.W.
REVISED: 1/4/08; EUO

CERTIFICATION:

I, William J. Keating, a Registered Professional Land Surveyor, and an authorized agent of Topographic Land Surveyors, do hereby certify that the above described well location was surveyed and staked on the ground as shown herein.

William J. Keating

Texas Reg. No. 5041

TOPOGRAPHIC LAND SURVEYORS OF TEXAS

Surveying and Mapping for the Energy Industry

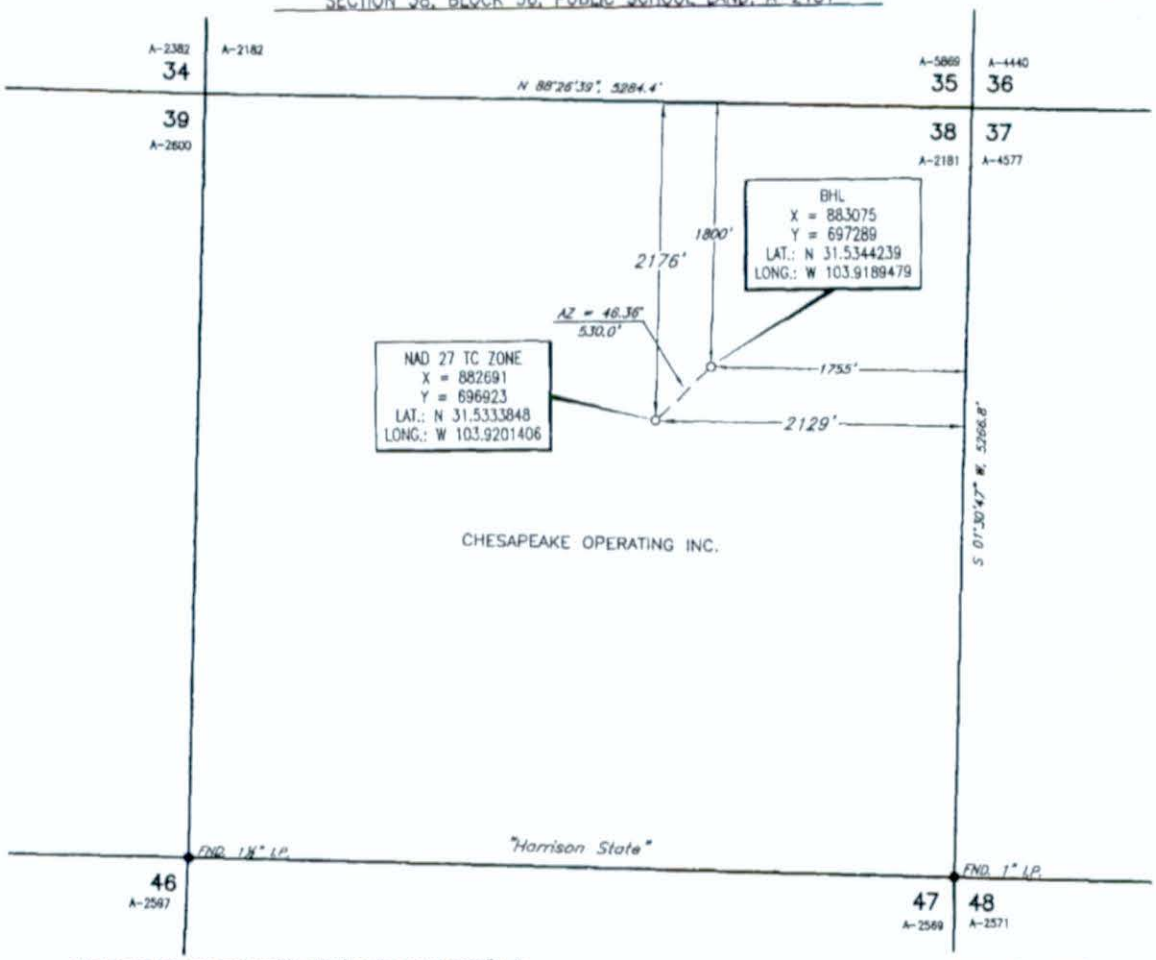
2903 N. BIG SPRING • MIDLAND, TEXAS 79705
TELEPHONES: (432) 682-1653 • (800) 767-1653 • FAX (432) 682-1743

REEVES County, Texas

Description SHL: 2176' FNL & 2129' FEL
BHL: 1800' FNL & 1755' FEL

SECTION 38, BLOCK 56, PUBLIC SCHOOL LAND, A-2181

-N-
NAD 27 GRID BEARINGS



This location has been very carefully staked on the ground according to the best official survey records, maps, and other data available to us. This plat does not in any way represents a "Boundary Survey", and does not comply with current T.B.P.L.S. Minimum Standards of Procedures for Boundary Surveys.

SCALE: 1" = 1000'
0' 500' 1000'

Date Staked JUNE 16, 2006

Operator CHESAPEAKE OPERATING INC.

Lease Name & Well No. HARRISON STATE 56-38 #3ST

Ground Elev. 3192' Reference Stakes or Alternate Location NONE

Good Drill Site? YES Stakes Set ±15.8 MILES NORTHWEST OF TOYAH, TEXAS

Topography & Vegetation EXISTING WELL PAD

Best Accessibility to Location FROM EXISTING PAD FOR WELL 56-38 #2

Distance & Direction from Hwy Jct. or Town FROM JCT. OF NORTH SERVICE ROAD I-20 & F.M. 2119 @ PECOS, GO NORTHWEST 21.3 MILES ON F.M. 2119, THENCE SOUTH 1.0 MILE ON PAVED COUNTY ROAD, THENCE WEST 3.3 MILE ON LEASE ROAD TO EXISTING WELL PAD FOR WELL 56-38 #2.

STATE OF TEXAS
REGISTERED
WILLIAM J. KEATING
5041
PROFESSIONAL
LAND SURVEYOR

Invoice # 130851/629SW
J.W.W.
REVISED: 1/4/08; EJO

CERTIFICATION:

I, William J. Keating, a Registered Professional Land Surveyor, and an authorized agent of Topographic Land Surveyors, do hereby certify that the above described well location was surveyed and staked on the ground as shown herein.

William J. Keating

Texas Reg. No. 5041

Well History

drillinginfo

Tag This Element

API#	42-389-32425
Well#	3ST
Lease	HARRISON STATE 56-38
Field	TOYAH, NW (SHALE)
Lease Operator	CHESAPEAKE OPERATING, INC. Well Op History
County	Reeves
State	Texas
Location	2129.0 E / 2176.0 N, PSL/GREENING, R W A-2181 Block:56 Section:38
Total Depth	18,364
Elevation	3192 GR
Date Spud	-
Date TD	-
Logs Run	

Prod.	First Production	Most Recent Production	Cumulative (MCF & BBL)	Gravity (SG & API)	Gatherer
Oil	6/1/08	12/1/10	0	---	
Gas	6/1/08	12/1/10	604,597	0.00	CHESE

Completion Info

Compl. Date	Operator	Field	Reservoir	Upper Perf	Lower Perf	Test Date	MCF/D	BO/D	BW/D	FTP	Choke	Pump Meth.
2/14/09	CHESAPEAKE OPERATING, INC.	TOYAH, NW (SHALE)	SHALE	17,580.00	18,150.00	-	-	-	-	-	-	-
6/29/08	CHESAPEAKE OPERATING, INC.	TOYAH, NW (SHALE)	SHALE	17,580.00	18,150.00	7/22/08	2923	-	-	900	0.75	-
3/23/07	CHESAPEAKE OPERATING, INC.	TOYAH, NW (SHALE)	SHALE	17,580.00	18,150.00	-	-	-	-	-	-	-

Notes

Casing Info

Size	Depth Set
5.5	18290.0
5.5	18290.0
5	18290.0
5	18290.0
9.625	10200.0
13.375	3474.0

Liner Info

Size	Top	Bottom

Tubing Info

Size	Depth Set
2.375	17389.0

Stimulation / Squeeze Shot Info

Depth Interval	Amount and Kind of Material Used

Formation Info

Formation	Depth
PENN	15989
BARNETT	17509
MISS LM	17944
WOODFORD	18011
DEVONIAN	18239

Back

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DrillingInfo One-Page Production Summary

drillinginfo

Tag This Element

API#	42-389-32425
Well#	3ST
Lease	HARRISON STATE 56-38
Field	TOYAH, NW (SHALE)
Lease Operator	CHESAPEAKE OPERATING, INC. Well Op History
County	Reeves
State	Texas
Location	2129.0 E / 2176.0 N, PSL/GREENING, R W A-2181 Block:56 Section:38
Elevation	3192 GR
Date Spud	--
Date TD	--
Logs Run	

Prod.	First Production	Most Recent Production	Cumulative (MCF & BBL)	Gravity (SG & API)	Gatherer
Oil	6/1/08	12/1/10	0	---	
Gas	6/1/08	12/1/10	604,597	0.00	CHESE

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	Other	Produced	Sold	Other	Closing						
1/2010	12,790	12,790	0	0	0	---	---	0	---	---	---	412.58	0.00	0.00
2/2010	10,488	10,488	0	0	0	---	---	0	---	---	---	374.57	0.00	0.00
3/2010	11,576	11,576	0	0	0	---	---	0	---	---	---	373.42	0.00	0.00
4/2010	11,515	7,069	4,446	0	0	---	---	0	---	---	---	383.83	0.00	0.00
5/2010	10,707	6,156	4,551	0	0	---	---	0	---	---	---	345.39	0.00	0.00
6/2010	11,478	3,783	7,695	0	0	---	---	0	---	---	---	382.60	0.00	0.00
7/2010	11,191	11,191	0	0	0	---	---	0	---	---	---	361.00	0.00	0.00
8/2010	11,390	11,390	0	0	0	---	---	0	---	---	---	367.42	0.00	0.00
9/2010	9,808	9,808	0	0	0	---	---	0	---	---	---	326.93	0.00	0.00
10/2010	10,279	10,279	0	0	0	---	---	0	---	---	---	331.58	0.00	0.00
11/2010	9,518	9,518	0	0	0	---	---	0	---	---	---	317.27	0.00	0.00
12/2010	8,531	8,531	0	0	0	---	---	0	---	---	---	275.19	0.00	0.00
Totals	129,271	112,579	16,692	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	287,081	0	---	---	---	1,349.06	0.00	0.00	---	---
2009	188,245	0	---	---	---	516.02	0.00	0.00	34.4%	---
2010	129,271	0	---	---	---	354.36	0.00	0.00	31.3%	---
Totals	604,597	0	---	---	---	---	---	---	---	---

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(26.)

File No. MF-104871

P-15 Well Information for api 42-389-32425

Date Filed: 3/3/2011

Jerry E. Patterson, Commissioner

By JEP

MF-104871

389-324460

B.

P dkt # 248871 dist 08

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), HARRISON STATE 56-37 (LEASE), No. 11 (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 _____ 320 acres which can reasonably be considered to be productive of hydrocarbons.

- CERTIFICATE -

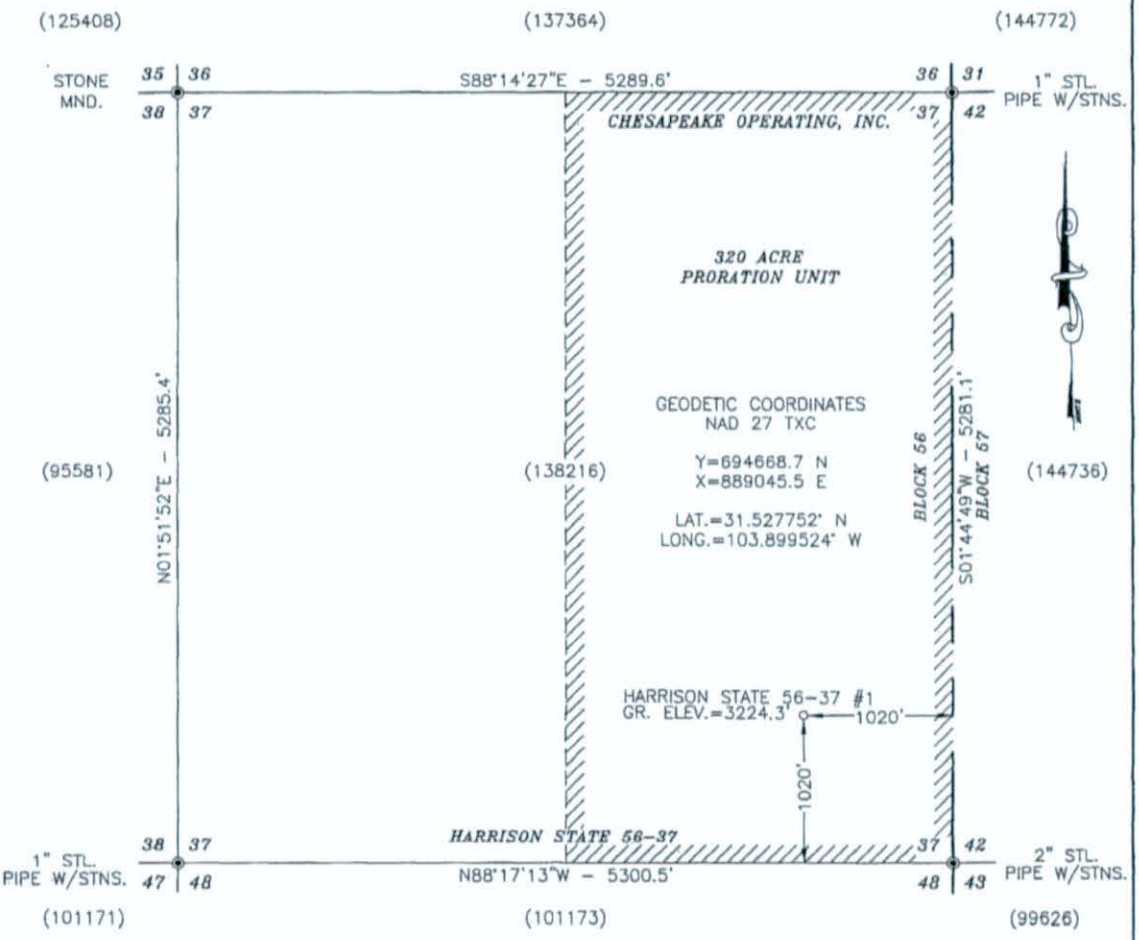
I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that data and facts stated therein are true, correct, and complete, to the best of my knowledge.

Date 11/13/2009 Signature Lindsey Mellott

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

RECEIVED
RRC OF TEXAS
NOV 19 2009
O&G
AUSTIN TX

SECTION 37, BLOCK 56, P.S.L. SURVEY,
REEVES COUNTY TEXAS



RECEIVED
RRC OF TEXAS
NOV 19 2009
O&G
STIN TX

NOTES:

1. THIS LOCATION IS APPROXIMATELY 24.5 MILES NORTHWEST OF PECOS, TEXAS.
2. SEE DOCUMENTS FILED FOR RECORD IN THIS OFFICE, WHICH DESCRIBES THE RECONSTRUCTION OF THIS SECTION.
3. BEARINGS SHOWN HEREON ARE LAMBERT GRID AND CONFORM TO THE "TEXAS COORDINATE SYSTEM" TEXAS CENTRAL ZONE, NORTH AMERICAN DATUM 1983. DISTANCES ARE SURFACE VALUES.

LEGEND

- ○ DENOTES PROPOSED WELL LOCATION
- ◉ DENOTES FOUND MONUMENT AS NOTED
- (F-117440) DENOTES GENERAL LAND OFFICE FILE NUMBER
- ////////// DENOTES PRORATION UNIT

1000 0 1000 2000 FEET
Scale:1"=1000'

STATE OF TEXAS REGISTERED RONALD J. EIDSON 1883 PROFESSIONAL LAND SURVEYOR

Ronald J. Eidson 9-17-09

GARY G. EIDSON TX R.P.L.S. No. 4735
RONALD J. EIDSON TX R.P.L.S. No. 1883

PROVIDING SURVEYING SERVICES SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

CHESAPEAKE OPERATING, INC.

HARRISON STATE 56-37 #1
LOCATED 1020 FEET FROM THE SOUTH LINE
AND 1020 FEET FROM EAST LINE OF
SECTION 37, BLOCK 56,
P.S.L. SURVEY,
REEVES COUNTY, TEXAS

Survey Date: 02/05/07	Sheet 1 of 1 Sheets	
W.O. Number: 09.13.0820	Drawn By: DSR	
Date:09/08/09	RE.W.O.: 07.13.0477	Scale:1"=1000'

B

Permit Hub Page

drillinginfo

Permit Summary

Report a Problem

API Number:	42-389-32460	Lease:	HARRISON STATE 56-37
Operator:	CHESAPEAKE OPERATING, INC.	Well Number:	1
Date Issued:	4/13/2007		
Location:	Reeves County, Texas	Total Depth (MD):	19500
Type / Status:	Type: Gas, Status: gas well	Quad Name:	W T Ranch

Relational Data

Permit Detail - The permit as filed.
Well History / One-Page Production Summary - A complete history of this well broken out by lease.
Related Filings - Links to all permits, completions, production for this wellbore.
Stratigraphic Column - Image of the stratigraphic layers near this well.
Play Data - USGS based play information near this well.
Well Logs - Find out what logs are available and order them online.
Well or Field Research - Send a researcher to find more data.
Tag this element - Add your own proprietary data to this DI element with MyInfo.

Local Expert Listings

Looking for an expert in this area? Check out Drillinginfo's new "Local Expert Listings" to find a consultant who does work in this county. Just pick a category below.

Drilling Engineer | Geologist | Geophysicist | Landman | Reservoir Engineer

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Close

Well Permit Details

Buy a faxed copy of the original permit and plat - Find research services

Report a Problem

View permit: PDF Document 1

API #: 42-389-32460 **Purpose for Filing:** Drill,
Permit #: 636643 **Received:** Unknown
Rule 37 Case: **Issued:** 04/13/2007

RRC Operator #: 147715 **Lease Name:** HARRISON STATE 56-37
Operator Name: CHESAPEAKE OPERATING, INC. **RRC Lease ID #:**
Operator Address: ATTN CHRISTIAN COMBS
PO BOX 18496
OKLAHOMA CITY, OK 73154-0496 **Well #:** 1
Total Depth: 19500

District #: 8 **County:** Reeves
Section: 37 **Block:** 56 **Survey:** PSL / GREEN, V L **Abstract:** 4577
Located: 24.8 miles in a NW direction from PECOS.
Contiguous acres in lease: 640.0

Lease/Unit Perpendiculars: 1850.0' N & 1850.0' E
Survey Section Perpendiculars: 1850.0' N & 1850.0' E

Fields

Field Name	Field Number	Permit Type
TOYAH, NW (SHALE)	90890700	(Gas)

Is this a pooled unit? No **Substandard Acreage?** Yes
Rule 36 (Hydrogen Sulfide area)? No **Form h-9 filed?** No

Name/Title: BILL SPENCER **Remarks:**
Phone Number: 512-918-1062

Latitude: 31.534376 **Longitude:** -103.902199

Back

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API No. 42-389-32460
Drilling Permit # 636643
SWR Exception Case/Docket No.

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION
APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

This facsimile W-1 was generated electronically from data submitted to the RRC. A certification of the automated data is available in the RRC's Austin office.

FORM W-1 07/2004
Permit Status: Approved

1. RRC Operator No.: 147715
2. Operator's Name (as shown on form P-5, Organization Report): CHESAPEAKE OPERATING, INC.
3. Operator Address (include street, city, state, zip): P O BOX 18496 OKLAHOMA CITY, OK 73154
4. Lease Name: HARRISON STATE 56-37
5. Well No.: 1

GENERAL INFORMATION

6. Purpose of filing (mark ALL appropriate boxes): [X] New Drill [ ] Recompletion [ ] Reclass [ ] Field Transfer [ ] Re-Enter [ ] Amended [ ] Amended as Drilled (BHL) (Also File Form W-1D)

7. Wellbore Profile (mark ALL appropriate boxes): [X] Vertical [ ] Horizontal (Also File Form W-1H) [ ] Directional (Also File Form W-1D) [ ] Sidetrack

8. Total Depth: 19500
9. Do you have the right to develop the minerals under any right-of-way ? [X] Yes [ ] No
10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)? [ ] Yes [X] No

SURFACE LOCATION AND ACREAGE INFORMATION

11. RRC District No.: 08
12. County: REEVES
13. Surface Location: [X] Land [ ] Bay/Estuary [ ] Inland Waterway [ ] Offshore
14. This well is to be located 24.8 miles in a NW direction from Pecos which is the nearest town in the county of the well site.
15. Section: 37
16. Block: 56
17. Survey: PSL / GREEN, V L
18. Abstract No.: A-4577
19. Distance to nearest lease line: 1850 ft.
20. Number of contiguous acres in lease, pooled unit, or unitized tract: 640
21. Lease Perpendiculars: 1850 ft from the N line and 1850 ft from the E line.
22. Survey Perpendiculars: 1850 ft from the N line and 1850 ft from the E line.
23. Is this a pooled unit? [ ] Yes [X] No
24. Unitization Docket No.:
25. Are you applying for Substandard Acreage Field? [X] Yes (attach Form W-1A) [ ] No

FIELD INFORMATION List all fields of anticipated completion including Wildcat. List one zone per line.

26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)	29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Reservoir	32. Number of Wells on this lease in this Reservoir
08	90890700	TOYAH, NW (SHALE)	Gas Well	11978	0.00	1

BOTTOMHOLE LOCATION INFORMATION is required for DIRECTIONAL, HORIZONTAL, AND AMENDED AS DRILLED PERMIT APPLICATIONS

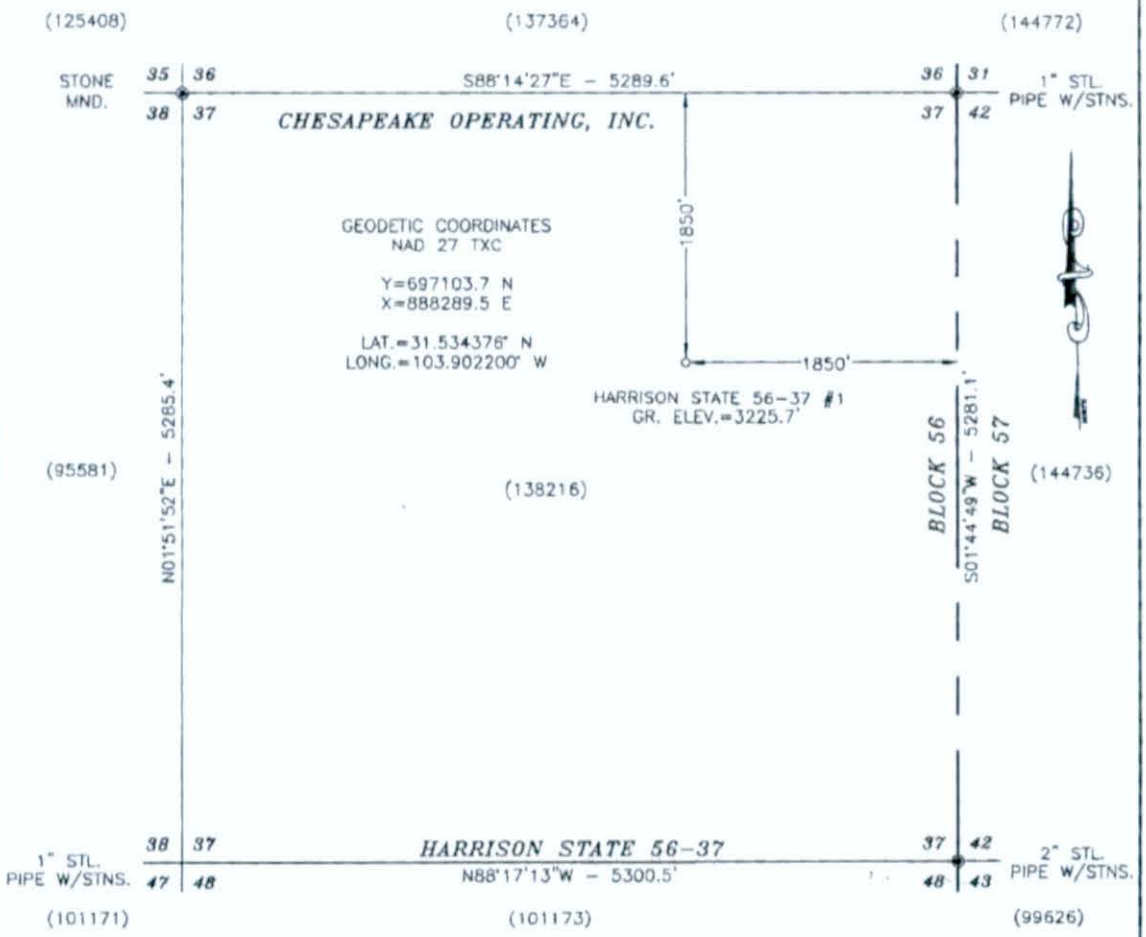
Remarks

Certificate:
I certify that information stated in this application is true and complete, to the best of my knowledge.

Bill Spencer — Name of filer
Apr 05, 2007 — Date submitted
(512)9181062 — Phone
bgsaustin@sbcglobal.net — E-mail Address (OPTIONAL)

RRC Use Only Data Validation Time Stamp: Apr 13, 2007 4:57 PM('As Approved' Version)

SECTION 37, BLOCK 56, P.S.L. SURVEY,
REEVES COUNTY TEXAS



LEGEND

- O DENOTES PROPOSED WELL LOCATION
- ● DENOTES FOUND MONUMENT AS NOTED
- (138216) DENOTES GENERAL LAND OFFICE FILE NUMBER

NOTES:

1. THIS LOCATION IS APPROXIMATELY 24.8 MILES NORTHWEST OF PECOS, TEXAS.
2. SEE DOCUMENTS FILED FOR RECORD IN THIS OFFICE, WHICH DESCRIBES THE RECONSTRUCTION OF THIS SECTION.
3. BEARINGS SHOWN HEREON ARE LAMBERT GRID AND CONFORM TO THE "TEXAS COORDINATE SYSTEM" TEXAS CENTRAL ZONE, NORTH AMERICAN DATUM 1983. DISTANCES ARE SURFACE VALUES.

1000 0 1000 2000 FEET
Scale:1"=1000'

Gary G. Eidson 3/14/07
GARY G. EIDSON TX R.P.L.S. No. 4735
RONALD J. EIDSON TX R.P.L.S. No. 1883

PROVIDING SURVEYING SERVICES SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

CHESAPEAKE OPERATING, INC.

HARRISON STATE 56-37 #1
LOCATED 1850 FEET FROM THE NORTH LINE
AND 1850 FEET FROM EAST LINE OF
SECTION 37, BLOCK 56,
P.S.L. SURVEY,
REEVES COUNTY, TEXAS

Survey Date: 3/07/07		Sheet 1 of 1 Sheets	
W.O. Number: 07.11.0287		Drawn By: AR	
Date:3/09/07	DISK:	07110287	Scale:1"=1000'

Well History

drillinginfo

Tag This Element

API#	42-389-32460
Well#	1
Lease	HARRISON STATE 56-37
Field	TOYAH, NW (SHALE)
Lease Operator	CHESAPEAKE OPERATING, INC. Well Op History
County	Reeves
State	Texas
Location	1850.0 N / 1850.0 E, PSL/GREEN, V L A-4577 Block:56 Section:37
Total Depth	18,701
Elevation	3226 GR
Date Spud	-
Date TD	-
Logs Run	

Prod.	First Production	Most Recent Production	Cumulative (MCF & BBL)	Gravity (SG & API)	Gatherer
Oil	6/1/08	12/1/10	11	---	
Gas	6/1/08	12/1/10	172,112	0.00	CHESE

Completion Info

Compl. Date	Operator	Field	Reservoir	Upper Perf	Lower Perf	Test Date	MCF/D	BO/D	BW/D	FTP	Choke	Pump Meth.
1/19/08	CHESAPEAKE OPERATING, INC.	TOYAH, NW (SHALE)	SHALE	17,747.00	18,368.00	-	-	-	-	-	-	-
10/25/07	CHESAPEAKE OPERATING, INC.	TOYAH, NW (SHALE)	SHALE	17,747.00	18,368.00	12/6/07	1032	-	-	890	0.6875	-

Notes

Casing Info

Size	Depth Set
5.5	18672.0
5.5	18672.0
5	18672.0
5	18672.0
9.625	10410.0
13.375	1650.0

Liner Info

Size	Top	Bottom

Tubing Info

Size	Depth Set
2.375	18254.0

Stimulation / Squeeze Shot Info

Depth Interval	Amount and Kind of Material Used

Formation Info

Formation	Depth
WFMP	10092
PENN	16484
MORROW	17390

Back

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DrillingInfo One-Page Production Summary

drillinginfo

Tag This Element

API#	42-389-32460
Well#	1
Lease	HARRISON STATE 56-37
Field	TOYAH, NW (SHALE)
Lease Operator	CHESAPEAKE OPERATING, INC. Well Op History
County	Reeves
State	Texas
Location	1850.0 N / 1850.0 E, PSL/GREEN, V L A-4577 Block:56 Section:37
Elevation	3226 GR
Date Spud	--
Date TD	--
Logs Run	

Prod.	First Production	Most Recent Production	Cumulative (MCF & BBL)	Gravity (SG & API)	Gatherer
Oil	6/1/08	12/1/10	11	---	
Gas	6/1/08	12/1/10	172,112	0.00	CHESE

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	Other	Produced	Sold	Other	Closing						
1/2010	5,041	5,041	0	0	0	---	---	0	---	---	---	162.61	0.00	0.00
2/2010	4,127	4,127	0	0	0	---	---	0	---	---	---	147.39	0.00	0.00
3/2010	4,673	4,673	0	0	0	---	---	0	---	---	---	150.74	0.00	0.00
4/2010	1,331	1,331	0	0	0	---	---	0	---	---	---	44.37	0.00	0.00
5/2010	340	340	0	0	0	---	---	0	---	---	---	10.97	0.00	0.00
6/2010	11	11	0	0	0	---	---	0	---	---	---	0.37	0.00	0.00
7/2010	651	651	0	0	0	---	---	0	---	---	---	21.00	0.00	0.00
8/2010	956	956	0	0	0	---	---	0	---	---	---	30.84	0.00	0.00
9/2010	6,002	6,002	0	0	0	---	---	0	---	---	---	200.07	0.00	0.00
10/2010	6,256	6,256	0	0	0	---	---	0	---	---	---	201.81	0.00	0.00
11/2010	6,124	6,124	0	0	0	---	---	0	---	---	---	204.13	0.00	0.00
12/2010	5,478	5,478	0	0	0	---	---	0	---	---	---	176.71	0.00	0.00
Totals	40,990	40,990	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
2007	0	0	---	---	---	0.00	0.00	0.00	---	---
2008	59,099	0	---	---	---	176.73	0.00	0.00	---	---
2009	72,023	11	---	---	---	197.43	0.03	0.00	---	---
2010	40,990	0	---	---	---	112.36	0.00	0.00	43.1%	100.0%
Totals	172,112	11	---	---	---	---	---	---	---	---

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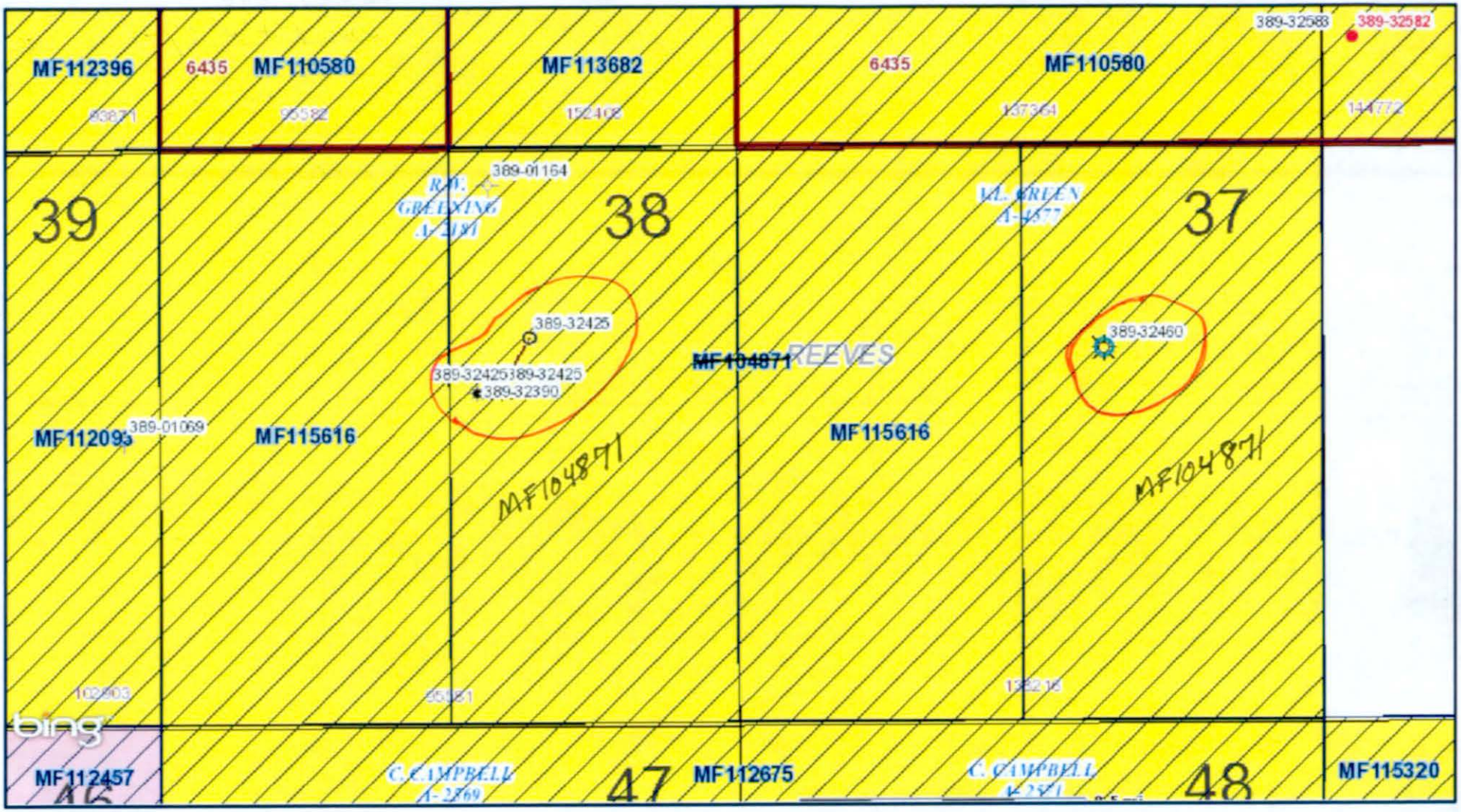
27.

ile No. MF-104871

P-15 Well Information for API 42-389-32460

Date Filed: 3/3/2011

Jerry E. Patterson, Commissioner



389-32460

The Texas General Land Office makes no representations or warranties regarding the accuracy or completeness of the information depicted on this 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.

Printed: Feb 11, 2014

File No. ME104871 (29)
Lease Plat of 2 producing wells

Date Filed: 02/11/2014
Jerry E. Patterson. Commissioner
By

11:42:05 Tue Jun 17, 2014

*** OIL AND GAS W-2/G-1 RECORD *** INQUIRY

API #: 389 32460 SOURCE: RRC
DIST: 08 LSE/ID: 248871 WELL#: 1 TYPE: GAS CNTY: REEVES
FLD: TOYAH, NW (SHALE) LSE: HARRISON STATE 56-37
OPER: SHELL WESTERN E&P

COMPLETION: 01 19 2008 DRILLING PERMIT #: 636643
W2-G1: 01 25 2008 BUILT: 08 10 2009 R-37 EXCEP CASE #:
ATTACHMENTS: ON FILE WATER INJECT PERM #:
KEY 'S' TO VIEW ATTACH: _ SALT WATER DISP #:
DOCKET NUMBER:

DRILL COMPLETED: 01 19 2008 DIST W3 APPR DATE: MM DD YYYY
ELEVATION: 3226 GR
TOTAL DEPTH: 18700 WELLBORE PLUGGED:
PLUGBACK DEPTH: 18554

LOCATION SEC: 37 BLK: 56 ABST: 4577
SUR: PSL / GREEN, V L

SUR/SECT: 001850 FT FROM N AND 001850 FT FROM E
NOTE=> REMARKS ON FILE FOR THIS DATE
* SCREEN OPTIONS: 12=FORM/SQZE 13=REMARKS 14=WATER 19=PERMITS/WELLIDS
* SELECT OPTION: __ (01=WBTM, 00=HELP, 21=DIST PLUG)
PRESS 'ENTER' FOR NEXT SCREEN

RRC ONLINE SYSTEM

Oil & Gas Data Query

Query Menu Help

389-32460

Specific Lease Query Results

Query Path: Search Criteria > District: 08

Date Range: Dec 2012 to Nov 2013 Submit

Relat
O&G Direc
O&G Prora
Offshore (

Production and Total Disposition | Disposition Details | County Production

Search Criteria:

Lease Name: HARRISON STATE 56-37 , Lease No.: 248871 , Well No.: 1
Well Type: Gas
District: 08
Lease Production and Disposition
Date Range: Dec 2012 - Nov 2013

1 - 10 of 12 results [<<First][<Previous] [Next>] [Last>>] | Page: **1** 2 of 2 Page S

Date	GW Gas (MCF)		Condensate (BBL)		Operator Name	Operator No.	Field Na
	Production	Disposition	Production	Disposition			
Dec 2012	0	0	0	0	SHELL WESTERN E&P	774719	TOYAH, NW
Jan 2013	440	440	0	0			
Feb 2013	0	0	0	0			
Mar 2013	0	0	0	0			
Apr 2013	0	0	0	0			
May 2013	0	0	0	0			
Jun 2013	0	0	0	0			
Jul 2013	1,563	1,563	0	0			
Aug 2013	1,271	1,271	0	0			
Sep 2013	153	153	0	0			

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RRC ONLINE SYSTEM

Oil & Gas Data Query

Query Menu Help

Specific Lease Query Results

Query Path: Search Criteria > District: 08

Date Range: Dec 2012 to Nov 2013 Submit

Relat
O&G Direc
O&G Prora
Offshore C

Production and Total Disposition | Disposition Details | County Production

Search Criteria:

Lease Name: HARRISON STATE 56-37 , Lease No.: 248871 , Well No.: 1
Well Type: Gas
District: 08
Lease Production and Disposition
Date Range: Dec 2012 - Nov 2013

11 - 12 of 12 results [<<First] [<Previous] [Next>][Last>>] | Page: 1 **2** of **2** Page S

Date	GW Gas (MCF)		Condensate (BBL)		Operator Name	Operator No.	Field Na
	Production	Disposition	Production	Disposition			
Oct 2013	29	29	0	0	SHELL WESTERN E&P	774719	TOYAH, NW
Nov 2013	32	32	0	0			
Total	3,488	3,488	0	0			

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09:35:51 Wed Feb 12, 2014

DISTRICT > 08 GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700
OPERATOR > SHELL WESTERN E&P # 774719
LEASE > HARRISON STATE 56-37 # 248871 WELL # 1

MM/YYYY	ALLOW	GAS PROD	GAS LIFT	* DISPOSITIONS * AMT	CODE	AMT	CODE	CUMU G/C RATIO STAT (MCF/BBL)
01/2012	1029 X	1029	0	1029	2			0
02/2012	3329 X	3329	0	3329	2			0
03/2012	3100 N	4672	0	4672	2			1572
04/2012	3000 N	5119	0	5119	2			3691
05/2012	5725 X	2034	0	2034	2			0
06/2012	4353 X	4353	0	4353	2			0
07/2012	3636 X	3636	0	3636	2			0
08/2012	2854 X	2854	0	2854	2			0
09/2012	2003 X	2003	0	2003	2			0
10/2012	1860 X	1578	0	1578	2			0
11/2012	1800 X	0	0					0
12/2012	1860 X	0	0					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 **

Railroad Commission Of Texas
Oil And Gas Division

Form W-12

389-32460

6. RRC District: 08

INCLINATION REPORT
(One Copy Must Be Filed With Each Completion Report)

7. RRC Lease Number (Oil Completions Only)

1. FIELD NAME (as per RRC Records or Wildcat): TOYAH, NW (SHALE)

2. LEASE NAME: **Harrison 56-37 #1**

8. Well Number: 1

3. OPERATOR: **Chesapeake Operating Inc.**

9. RRC Identification Number (Gas Completions Only)

4. ADDRESS: **2010 Rankin Hwy, Midland, TX 79701**

RECEIVED
RRC OF TEXAS
DEC 18 2007
O&G
MIDLAND

5. LOCATION (Section, Block, and Survey): SEC. 37, BLK. 56, PSL/GREEN, VL

10. County: **Reeves**

RECORD OF INCLINATION

*11. Measured Depth (feet)	12. Course Length (Hundreds of feet)	13. Angle of Inclination (Degrees)	14. Displacement per 100 feet (Sine of Angle x 100)	15. Course Displacement (Feet)	Accumulative Displacement (Feet)
491	491	0.25	0.44	2.14	2.14
1,321	830	0.50	0.87	7.24	9.39
2,089	768	1.25	2.18	16.75	26.14
3,074	985	2.00	3.49	34.38	60.52
4,068	994	1.00	1.75	17.35	77.86
5,058	990	0.25	0.44	4.32	82.18
6,040	982	1.75	3.05	29.99	112.17
6,549	509	1.75	3.05	15.54	127.72
7,348	799	1.00	1.75	13.94	141.66
8,316	968	2.75	4.80	46.44	188.10
9,314	998	2.00	3.49	34.83	222.93
10,298	984	1.75	3.05	30.05	252.98
11,106	808	1.20	2.09	16.92	269.90
11,927	821	1.30	2.27	18.63	288.53
12,868	941	2.60	4.54	42.69	331.22
13,553	685	1.80	3.14	21.52	352.73

17. Is any information shown on the reverse side of this form? [X] Yes [ ] No

18. Accumulative total dispacement of well bore at total depth of 18620 feet = 602.07 feet

*19. Inclination measurements were made in [ ] Tubing [ ] Casing [ ] Open Hole [X] Drill Pipe

20. Distance from surface location of well to the nearest lease line..... 1850 Feet

21. Minimum distance to lease line as prescribed by field rules..... 467 Feet

22. Was the subject well at any time intentionally deviated from vertical in any matter whatsoever?

(If the answer to the above question is "yes" attach written explanation of the circumstances.)

Inclination Data Certification

I declare under penalties prescribed in Sec. 91.143, Texas National Resource Code, that I am authorized to make this certification, that I have personal knowledge of the inclination data and facts placed on both sides of this form and that such data and facts are true, correct, and complete to the best of my knowledge. This certification covers all data as indicated by asterisks(*) by the item numbers on this form

Mark Cochran 10/29/07

Signature of Authorized Representative — Date

Mark Cochran, CFO

Name of Person and Title

Latshaw Drilling Company, LLC

Name of Company

Telephone: 918-355-4380

Inclination Data Certification

I declare under penalties prescribed in Sec. 91.143, Texas National Resource Code, that I am authorized to make this certification, that I have personal knowledge of the inclination data and facts placed on both sides of this form and that such data and facts are true, correct, and complete to the best of my knowledge. This certification covers all data as indicated by asterisks(*) by the item numbers on this form

Dorothea Logan 11-12-07

Signature of Authorized Representative — Date

DOROTHEA LOGAN, SR. REG. COMPLI. SPECIALIST

Name of Person and Title

CHESAPEAKE OPERATING, INC.

Operator

Telephone: 432-687-2992

Railroad Commission Use Only:

Approved By: [signature] Title: CA Date: 7/6/09

**Designates items certified by the company that conducted the inclination surveys.*

RECORD OF INCLINATION

*11. Measured Depth (feet)	12. Course Length (Hundreds of feet)	13. Angle of Inclination (Degrees)	14. Displacement per 100 feet (Sine of Angle x 100)	15. Course Displacement (Feet)	Accumulative Displacement (Feet)
14,358	805	3.30	5.76	46.34	399.07
14,880	522	3.00	5.23	27.32	426.39
15,838	958	4.80	8.37	80.16	506.55
16,410	572	3.40	5.93	33.92	540.48
17,281	871	2.20	3.84	33.44	573.91
17,830	549	1.50	2.62	14.37	588.29
18,620	790	1.00	1.75	13.79	602.07

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

Form G-1
Rev. 4/1/83 DBC1297

Type or print only

483-047

7-1-09

API No 42- 389-32460

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

7. RRC District No. 08

8. RRC Gas ID No.

1. FIELD NAME (as per RRC Records or Wildcat)
TOYAH, NW (SHALE)

2. LEASE NAME
HARRISON STATE 56-37

9. Well No.
1

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 HWY.
MIDLAND, TX 79701

11. Purpose of filing
Initial Potential ☐
Retest ☐
Reclass ☐
Well record only (Explain in remarks) ☒

5. Location (Section, Block, and Survey)
SEC. 37, BLK. 56, PSL/GREEN, V L

5b. Distance and direction to nearest town in this county.
24.8 MILES NW FROM PECOS

6. If operator has changed within last 60 days, name former operator

12. 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
WEST TEXAS GAS

14. Completion or recompletion date
01/19/2008

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

16. Type of Electric or other Log Run.

Section I — GAS MEASUREMENT DATA

Date of Test

Gas Measurement Method (Check One)
Orifice Meter ☐ Flange Taps Pipe Taps ☐ ☐ Positive Choke ☐ Orifice Vent Meter ☐ Pitot Tube ☐ Critical-flow Prover ☐

Gas produced during test MCF

Run No.	Prover Size	Orif. or Choke Size	24 Hr. Coeff. Orif. or Choke	Static P_m or Choke Press	Diff. h_w	Flow Temp. ^oF	Temp. Factor F_{tf}	Gravity Factor F_g	Compress Factor F_{pv}	Volume MCF/DAY
1										
2										
3										
4										

Section II — FIELD DATA AND PRESSURE CALCULATIONS

Gravity (Dry Gas)	Gravity Liquid Hydrocarbon Deg. API	Gas-Liquid Hydro Ratio CF/Bbl	Gravity of Mixture G_{mix} =	Avg. Shut-in Temp. ^oF	Bottom Hole Temp. ^oF @ (Depth)

$D_{eff}^{8/3}$ = $\sqrt{T_f}$ = $\sqrt{\quad}$ = $\sqrt{G_L}$ = $\sqrt{\quad}$ =

$C = \frac{1116 \times (D_{eff})^{8/3}}{\sqrt{T}}$ = = $\frac{\sqrt{G_L}}{C}$ = = =

Run No.	Time of Run Min.	Choke Size	Wellhead Press. P_w PSIA	Wellhead Flow Temp. ^oF	P_w^2 (Thousands)	R	R^2 (Thousands)	P_t	P_w/P_t
Shut-In									
1									
2									
3									
4									

Run No	P	K	$S = \frac{1}{\tau}$	e^{ks}	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								θ
2								n
3								Absolute Open Flow
4								MCF/DAY

RECEIVED
RRC OF TEXAS
JAN 25 2008
C&G
MIDLAND

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 — 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.

Dorothea Logan — SR. REGULATORY COMPL. SPEC. — 01/25/2008 — Tel: (432)687-2992

Signature: Operator's representative — Title — Date — A/C Number

DrillingInfo Inc-1994-47529-2014/06/17 11:35

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

17. Type of Completion: New Well ☐ Deepening ☐ Plug Back ☐ Other ☒

18. Permit to Drill, Plug Back or Deepen — DATE 04/13/2007 — PERMIT NO. 636643
Rule 37 Exception — CASE NO.
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 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: 640

22. Date Plug Back, Deepening, Work Over or Drilling Operations: Commenced 12/15/2008 — Completed 01/19/2008

23. Distance to nearest well, Same Lease & Reservoir: N/A

24. Location of well, relative to nearest lease boundaries of lease on which this well is located: 1850 Feet From NORTH Line and 1850 Feet from EAST Line of the HARRISON STATE 56-37 Lease

25. Elevation (DF, RKB, RT, GR, ETC.): 3225.7 GR

26. Was directional survey made other than inclination (Form W-12)? ☐ Yes ☐ No

27. Top of Pay: 17,747

28. Total Depth: 18,900

29. P.B. Depth: 18,554

30. Surface Casing Determined by: Field ☐ Rules ☐ Recommendation of T.D.W.R. ☐ Railroad Commission (Special) ☐ Dt. of Letter ___ 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-G	WELL #

33. Intervals Drilled by: Rotary Tools / Cable Tools

34. Name of Drilling Contractor

35. Cementing Affidavit Attached? ☐ Yes ☐ No

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	60	1,650		1740 C	17-1/2	SURF	
9-5/8	47	10,410		832 C	12-1/4	3,600	
5, 5-1/2	23.2, 26	18,672		1385 H	6-1/2	11,890	

37. LINER RECORD

Size	Top	Bottom	Sacks Cement	Screen
				–
				–

38. TUBING RECORD

Size	Depth Set	Packer Set
2-3/8	18,254	--

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

From	18,316	To	18,368
From	18,080	To	18,140
From	17,894	To	17,997
From	17,747	To	17,851

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

Depth Interval	Amount and Kind of Material Used

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

Formations	Depth	Formations	Depth
WFMP	10,092		
PENN	16,484		
MORROW	17,390		

REMARKS: FILED TO SHOW REMOVAL OF CBP, NEW PBTD AND INSTALLATION OF TUBING.

DrillingInfo Inc - 1994-47529-2014/06/17 11:35

Railroad Commission Of Texas
Oil And Gas Division

Form W-12

389-32460

INCLINATION REPORT (One Copy Must Be Filed With Each Completion Report)		6. RRC District 08 / 7. RRC Lease Number (Oil Completions Only)
1. FIELD NAME (as per RRC Records or Wildcat) TOYAH, NW (SHALE)	2. LEASE NAME Harrison 56-37 #1	8. Well Number 1
3. OPERATOR Chesapeake Operating Inc.	RECEIVED RRC OF TEXAS DEC 18 2007 O&G MIDLAND	9. RRC Identification Number (Gas Completions Only)
4. ADDRESS 2010 Rankin Hwy, Midland, TX 79701		
5. LOCATION (Section, Block, and Survey) SEC. 37, BLK. 56, PSL/GREEN, VL		10. County Reeves

RECORD OF INCLINATION

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12,868	941	2.60	4.54	42.69	331.22
13,553	685	1.80	3.14	21.52	352.73

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18. Accumulative total dispacement of well bore at total depth of 18620 feet = 602.07 feet
*19. Inclination measurements were made in [ ] Tubing [ ] Casing [ ] Open Hole [X] Drill Pipe
20. Distance from surface location of well to the nearest lease line..... 1850 Feet
21. Minimum distance to lease line as prescribed by field rules..... 467 Feet
22. Was the subject well at any time intentionally deviated from vertical in any matter whatsoever?

(if the answer to the above question is "yes" attach written explanation of the circumstances.)

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Mark Cochran — 10/29/07
Signature of Authorized Representative — Date

Mark Cochran, CFO
Name of Person and Title

Latshaw Drilling Company, LLC
Name of Company

Telephone: 918-355-4380

Inclination Data Certification

I declare under penalties prescribed in Sec. 91.143, Texas National Resource Code, that I am authorized to make this certification, that I have personal knowledge of the inclination data and facts placed on both sides of this form and that such data and facts are true, correct, and complete to the best of my knowledge. This certification covers all data as indicated by asterisks(*) by the item numbers on this form

Dorothea Logan — 11-12-07
Signature of Authorized Representative — Date

DOROTHEA LOGAN, SR. REG. COMPLI. SPECIALIST
Name of Person and Title

CHESAPEAKE OPERATING, INC.
Operator

Telephone: 432-687-2992

Railroad Commission Use Only:
Approved By: _____ Title: _____ Date: 7/6/09

**Designates items certified by the company that conducted the inclination surveys.*

RECORD OF INCLINATION

11. Measured Depth (feet)	12. Course Length (Hundreds of feet)	13. Angle of Inclination (Degrees)	14. Displacement per 100 feet (Sine of Angle x 100)	15. Course Displacement (Feet)	Accumulative Displacement (Feet)
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16,410	572	3.40	5.93	33.92	540.48
17,281	871	2.20	3.84	33.44	573.91
17,830	549	1.50	2.62	14.37	588.29
18,620	790	1.00	1.75	13.79	602.07

File No. MF104871 (30)
Well Info: 42-389-32460
Harrison State 56-37 #1
Date Filed: 02/11/2014
Jerry E. Patterson, Commissioner
By LOP

11:53:28 Tue Jun 17, 2014

*** OIL AND GAS W-2/G-1 RECORD *** INQUIRY

API #: 389 32425 SOURCE: RRC
DIST: 08 LSE/ID: 226710 WELL#: 3ST TYPE: GAS CNTY: REEVES
FLD: TOYAH, NW (SHALE) LSE: HARRISON STATE 56-38
OPER: SHELL WESTERN E&P

COMPLETION: 02 14 2009 DRILLING PERMIT #: 653553
W2-G1: 04 07 2009 BUILT: 07 16 2009 R-37 EXCEP CASE #:
ATTACHMENTS: ON FILE WATER INJECT PERM #:
KEY 'S' TO VIEW ATTACH: _ SALT WATER DISP #:
DOCKET NUMBER:

DRILL COMPLETED: 02 14 2009 DIST W3 APPR DATE: MM DD YYYY
ELEVATION: 3192 GR
TOTAL DEPTH: 18364 WELLBORE PLUGGED:
PLUGBACK DEPTH:

LOCATION SEC: 38 BLK: 56 ABST: 2181
SUR: PSL/GREENING, R W

SUR/SECT: 002129 FT FROM E AND 002176 FT FROM N
NOTE=> REMARKS ON FILE FOR THIS DATE
* SCREEN OPTIONS: 12=FORM/SQZE 13=REMARKS 14=WATER 19=PERMITS/WELLIDS
* SELECT OPTION: __ (01=WBTM, 00=HELP, 21=DIST PLUG)
PRESS 'ENTER' FOR NEXT SCREEN

RRC ONLINE SYSTEM

389-32425

Oil & Gas Data Query

Query Menu Help

Specific Lease Query Results

Query Path: Search Criteria > District: 08

Date Range: Dec 2012 to Nov 2013 Submit

Relat
O&G Direc
O&G Prora
Offshore (

Production and Total Disposition | Disposition Details | County Production

Search Criteria:

Lease Name: HARRISON STATE 56-38 , Lease No.: 226710 , Well No.: 3ST
Well Type: Gas
District: 08
Lease Production and Disposition
Date Range: Dec 2012 - Nov 2013

1 - 10 of 12 results [<<First][<Previous] [Next>] [Last>>] | Page: **1** 2 of 2 Page S

Date	GW Gas (MCF)		Condensate (BBL)		Operator Name	Operator No.	Field Na
	Production	Disposition	Production	Disposition			
Dec 2012	0	0	0	0	SHELL WESTERN E&P	774719	TOYAH, NW
Jan 2013	0	0	0	0			
Feb 2013	0	0	0	0			
Mar 2013	0	0	0	0			
Apr 2013	0	0	0	0			
May 2013	0	0	0	0			
Jun 2013	12,085	12,085	0	0			
Jul 2013	17,768	17,768	0	0			
Aug 2013	11,334	11,334	0	0			
Sep 2013	8,548	8,548	0	0			

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RRC ONLINE SYSTEM

Oil & Gas Data Query

Query Menu Help

Specific Lease Query Results

Query Path: Search Criteria > District: 08

Date Range: Dec 2012 to Nov 2013 Submit

Relat
O&G Direc
O&G Prora
Offshore C

Production and Total Disposition | Disposition Details | County Production

Search Criteria:

Lease Name: HARRISON STATE 56-38 , Lease No.: 226710 , Well No.: 3ST
Well Type: Gas
District: 08
Lease Production and Disposition
Date Range: Dec 2012 - Nov 2013

11 - 12 of 12 results [<<First] [<Previous] [Next>][Last>>] | Page: 1 **2** of **2** Page S

Date	GW Gas (MCF)		Condensate (BBL)		Operator Name	Operator No.	Field Na
	Production	Disposition	Production	Disposition			
Oct 2013	10,955	10,955	0	0	SHELL WESTERN E&P	774719	TOYAH, NW
Nov 2013	9,285	9,285	0	0			
Total	69,975	69,975	0	0			

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09:37:34 Wed Feb 12, 2014

DISTRICT > 08 GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700
OPERATOR > SHELL WESTERN E&P # 774719
LEASE > HARRISON STATE 56-38 # 226710 WELL # 3ST

MM/YYYY	ALLOW	GAS PROD	GAS LIFT	* DISPOSITIONS * AMT	CODE	AMT	CODE	* CUMU STAT	G/C RATIO (MCF/BBL)
01/2012	744 X	462	0	462	1				0
02/2012	708 X	708	0	708	1				0
03/2012	893 X	893	0	893	1				0
04/2012	746 X	746	0	746	1				0
05/2012	744 X	398	0	398	1				0
06/2012	870 X	609	0	609	1				0
07/2012	899 X	235	0	235	1				0
08/2012	899 X	0	0						0
09/2012	750 X	0	0						0
10/2012	620 X	0	0						0
11/2012	600 X	0	0						0
12/2012	248 X	0	0						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 Inc-1994-47529-2014/06/17 1:27

Type or print only

483-047

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

Form G-1
Rev. 4/1/83

API No. 42-389-32425

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

RECEIVED
RRC OF TEXAS
AUG 8 1 2008
O&G
MIDLAND

1. FIELD NAME (as per RRC Records or Wildcat)	Toyah, NW (Shale)
2. LEASE NAME	Harrison State 56 38
3. OPERATOR'S NAME (Exactly as shown on Form P-5, Organization Report)	Chesapeake Operating, Inc.
RRC Operator No.	147715
4. ADDRESS	2010 Rankin Highway, Midland, Texas 79701
5. Location (Section, Block, and Survey)	SEC. 38, BLK. 56, PSL
5a. Distance and direction to nearest town in this county.	15.8 MILES NW FROM TOYAH
6. If operator has changed within last 60 days, name former operator	
7. RRC District No.	8
8. RRC Gas ID No.	226710
9. Well No.	3ST
10. County of well site	Reeves
11. Purpose of filing	Initial Potential [X]; Retest [ ]; Recleas [ ]; Well record only (Explain in remarks) [ ]
12. If workover or recleas, give former field (with reservoir) & Gas ID or oil lease no.	FIELD & RESERVOIR: ~~TOYAH, NW (SHALE)~~; GAS ID or OIL LEASE #: ~~226710~~; Oil - O Gas - G: G; WELL #: 3
13. Pipe Line Connection	CHESAPEAKE ENERGY MARKETING, INC.
14. Completion or recompletion date	JUNE 29, 2008
15. Any condensate on hand at time of workover or recompletion?	Yes [ ] No [X]
16. Type of Electric or other Log Run	SEE ATTACHED L-1

Section I — GAS MEASUREMENT DATA

Date of Test: 07/22 - 07/25/08

Gas Measurement Method (Check One): Orifice Meter [X]; Flange Tape Pipe Taps [X]; Positive Choke [ ]; Orifice Vent Meter [ ]; Pitot Tube [ ]; Critical-flow Prover [ ]

Gas produced during test: 8769 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_{tf}	Gravity Factor F_g	Compress Factor F_{pv}	Gas Rate MCF / DAY
1	3.068	1.875	24211.62	885	15.94	91	0.9714	0.9950	1.0519	2923
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.
0.6060	—— Deg. API	Dry CF/Bbl	G_{mix} = 0.6060	174 °F	275 °F @ 18229 ft (Depth)

$(D_{eff})^{4/3}$ = 53.446 $\sqrt{T_f}$ = $\sqrt{637}$ = 25.24 $\sqrt{G_L}$ = $\sqrt{10826.190}$ = 104.049

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$C = \frac{1118 \times (D_{eff})^{4/3}}{\sqrt{T}}$ = 1118 x 53.446 / 25.24 = 2367.485 C 104.049 / 2367.485 = 0.0439

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_t	P_w / P_t
Shut-In	24 hrs	SI	4815	74	23184.2	6.0	0.0000	4815	1.0000
1	4320	48/64	900	80	810.0	128.3	16.4659	909	0.9901
2									
3									
4									

Run No.	F	K	$S = \frac{1}{z}$	E^{ks}	P_t and P_s	P_t^2 and P_s^2 (Thousands)	$P_t^2 - P_s^2$ (Thousands)	Angle of Slope
Shut-In	1.0000	0.3267	0.9481	1.3630	6563	43073		θ 45.00°
1	0.9951	0.3235	1.0804	1.4184	1289	1662	41411	n 1.0000
2								Absolute Open Flow 3,040 MCF / DAY
3								
4								

WELL TESTER'S CERTIFICATION: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I conducted or supervised the 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.

Doug McNeely — Signature: Well Tester
Gloria Evatt — 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. REGULATORY COMPLIANCE SPEC. — Title — 08/01/2008 — Date — Tel: 432-687-2992 X6031 — A/C Number

BHL OK DA 4/14/09

DrillingInfo Inc-1994-47529-2014/06/17 11:27

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

17. Type of Completion: New Well [ ] Deepening [ ] Plug Back [ ] Other [X] sidetrack

18. Permit to Drill, Plug Back or Deepen — DATE: 01/31/2008 — PERMIT NO: 653553
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 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: 640

22. Date Plug Back, Deepening, WorkOver or Drilling Operations — Commenced: 02/12/2008 — Completed: 05/18/2008

23. Distance to nearest well, Same Lease & Reservoir: N/A

Job # 08-3792

24. Location of well, relative to nearest lease boundaries of lease on which this well is located: 2129 Feet From NORTH Line of the — and 2176 Feet from EAST Line of the HARRISON STATE 56-38 Lease

25. Elevation (DF, RKB, RT, GR, ETC.): 3192' GL

26. Was directional survey made other than inclination (Form W-12)? [X] Yes [ ] No

27. Top of Pay: 18,300 MD

28. Total Depth: 18,229 TVD / 18,202

29. P.B. Depth

30. Surface Casing Determined by: Field [ ] Rules [ ] 100'-900'-1400' [X] Recommendation of T.D.W.R. [X] Railroad Commission (Special) — sc#2924

Dt. of Letter 06/26/2006
Dt. of Letter 06/30/2006

31. Is well multiple completion? Yes [ ] No [X]

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-G	WELL #

33. Intervals Drilled by — Rotary Tools — Cable Tools

34. Name of Drilling Contractor

35. 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	68	3474	1925	950/1435 C	17-1/2	SURF*	
9-5/8	53.5	10,200	4663	1380C/1450H	12-1/4	3,000 CALC	
5, 5-1/2	23.2, 26	18,290		1560 TXI	8-1/2	14,730 CBL	2784

37. LINER RECORD

Size	Top	Bottom	Sacks Cement	Screen
NONE				-
				-

38. TUBING RECORD

Size	Depth Set	Packer Set
NONE		

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

From	To
17,580	18,150

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

Depth Interval	Amount and Kind of Material Used
18,130 - 18,150	5,000 G. 15% HCL, 458,783 G. SLKWTR. & GEL, 177,000# 100 MESH & 40/80 HYDRO-PROP.
17,901 - 17,908 (SEE ADD'L PERFS BELOW*)	5,000 G. 15% HCL, 243,183 G. LIN. & XL GEL, 280,928# 100 MESH & 40/80 HYDRO-PROP.

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

Formations	Depth	Formations	Depth
PENN	15,989	WOODFORD	18,011
BARNETT	17,509	DEVONIAN	18,239
MISS LM	17,944		

APR 17 2009
VALID PERMIT

REMARKS: CIBP SET @ 15,565 - 15,591' W/20' CMT, CUT & LAY DOWN 5-1/2" PROD. CSG. @ 12,534'. SET HORIZONTAL LATERAL RECOMPLETION W/315 SX H KO BRDG PLUG @ 12,534 - 12,217' & DRLD OUT. XOVER FROM 5-1/2" CSG TO 5" CSG @ 11,852'. *PERFS @ 17,580 - 17,729', TREATED W/5,000 G. 15% HCL, 250,076 G. LIN & XL GEL, 343,448# 100 MESH & 40-80 HYDRO-PROP.

653553

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Directional Survey Report

Chesapeake Operating, Inc.

Well ID: 730983

Well Name: HarrisonState 56-38 3 ST

Well Bore: Sidetrack 1

Plane of Vertical Section: 46.36 degrees

Kick Off Point: 11985 ft

from Well Bore: Original Well Bore

Survey Type	Meas. Depth	Inc.	Azimuth	TVD	Coordinates N-S	Coordinates E-W	Closure	Vertical Section	Dog Leg Severity
** TieIn	11985.0	1.28	285.2	11982.4	S 17.7	W 21.0	133.9	-27.4	0.000
MWD	12134.0	1.10	310.6	12131.4	S 16.3	W 23.7	28.8	-28.4	0.371
MWD	12164.0	1.70	275.8	12161.4	S 16.1	W 24.4	29.2	-28.7	3.381
MWD	12194.0	1.50	312.2	12191.3	S 15.8	W 25.1	29.7	-29.1	3.391
MWD	12227.0	4.10	23.8	12224.3	S 14.4	W 25.0	28.8	-28.0	11.804
MWD	12258.0	5.40	27.6	12255.2	S 12.1	W 23.8	26.7	-25.6	4.312
MWD	12290.0	5.30	25.5	12287.1	S 9.4	W 22.5	24.4	-22.8	0.687
MWD	12321.0	5.20	22.5	12317.9	S 6.8	W 21.4	22.4	-20.2	0.942
MWD	12352.0	5.50	25.3	12348.8	S 4.2	W 20.2	20.6	-17.5	1.283
MWD	12382.0	5.50	26.9	12378.7	S 1.6	W 18.9	19.0	-14.8	0.511
MWD	12415.0	6.20	32.2	12411.5	N 1.3	W 17.2	17.3	-11.6	2.677
MWD	12447.0	6.40	35.3	12443.3	N 4.2	W 15.3	15.9	-8.1	1.233
MWD	12478.0	7.30	40.1	12474.1	N 7.1	W 13.0	14.9	-4.5	3.438
MWD	12509.0	7.50	42.2	12504.8	N 10.2	W 10.4	14.5	-0.5	1.085
MWD	12541.0	7.80	47.1	12536.5	N 13.2	W 7.4	15.1	3.7	2.243
MWD	12572.0	7.80	50.5	12567.2	N 15.9	W 4.2	16.5	7.9	1.488
MWD	12604.0	8.90	49.9	12598.9	N 18.9	W 0.7	18.9	12.6	3.448
MWD	12634.0	9.90	48.0	12628.5	N 22.1	E 3.0	22.3	17.5	3.490
MWD	12698.0	10.50	48.7	12691.5	N 29.7	E 11.5	31.8	28.8	0.957
MWD	12729.0	10.20	48.5	12722.0	N 33.4	E 15.7	36.9	34.4	0.975
MWD	12761.0	10.80	48.7	12753.4	N 37.2	E 20.0	42.3	40.2	1.878
MWD	12792.0	11.50	50.1	12783.9	N 41.1	E 24.6	47.9	46.2	2.421
MWD	12824.0	11.30	50.1	12815.2	N 45.2	E 29.4	53.9	52.5	0.625
MWD	12855.0	12.10	51.0	12845.6	N 49.2	E 34.3	59.9	58.8	2.647
MWD	12888.0	12.70	52.0	12877.8	N 53.6	E 39.8	66.8	65.8	1.931
MWD	12918.0	12.80	51.3	12907.1	N 57.7	E 45.0	73.2	72.4	0.613
MWD	12949.0	12.20	50.5	12937.3	N 61.9	E 50.2	79.7	79.1	2.014
MWD	12980.0	13.20	49.9	12967.6	N 66.3	E 55.5	86.4	85.9	3.254
MWD	13012.0	14.30	48.2	12998.7	N 71.3	E 61.2	94.0	93.5	3.662
MWD	13043.0	14.30	47.3	13028.7	N 76.4	E 66.9	101.6	101.1	0.717

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Directional Survey Report

Chesapeake Operating, Inc.

Well ID: 730983

Well Name: HarrisonState 56-38 3 ST

Well Bore: Sidetrack 1

Plane of Vertical Section: 46.36 degrees

Kick Off Point: 11985 ft

from Well Bore: Original Well Bore

Survey Type	Meas. Depth	Inc.	Azimuth	TVD	Coordinates N-S	Coordinates E-W	Closure	Vertical Section	Dog Leg Severity
MWD	13074.0	13.70	48.9	13058.8	N 81.4	E 72.5	109.0	108.6	2.303
MWD	13106.0	13.40	50 5	13089.9	N 86.3	E 78 2	116.4	116.1	1.500
MWD	13169.0	15.60	55.2	13150.9	N 95.8	E 90.8	131.9	131.8	3.958
MWD	13200.0	15.80	55.7	13180.7	N 100.5	E 97.7	140.2	140.1	0.779
MWD	13263 0	15.20	55.6	13241.4	N 110.0	E 111.6	156.7	156.7	0.953
MWD	13357.0	15.40	53.1	13332.1	N 124.5	E 131.7	181.2	181.2	0.733
MWD	13419.0	14.60	51.0	13392.0	N 134.3	E 144.4	197.2	197.2	1.560
MWD	13514.0	14.40	49.4	13484.0	N 149.5	E 162.7	221 0	220 9	0.471
MWD	13545.0	13.80	46.6	13514.0	N 154.6	E 168.3	228.5	228.5	2.930
MWD	13576 0	12.90	45.7	13544.2	N 159.6	E 173.4	235.7	235.6	2.980
MWD	13608 0	12.20	42.9	13575.4	N 164.5	E 178.3	242.6	242.6	2.898
MWD	13639 0	12.40	41.2	13605.7	N 169.4	E 182.7	249 2	249 2	1.334
MWD	13671.0	13.30	41.0	13636.9	N 174.8	E 187.4	256.3	256.2	2.816
MWD	13702.0	12.70	44.5	13667 1	N 179.9	E 192.1	263 2	263.2	3.192
MWD	13734.0	11 30	43.8	13698.4	N 184.7	E 196.8	269.9	269 9	4.398
MWD	13797.0	12.40	42.7	13760.1	N 194.1	E 205.6	282.8	282.8	1.782
MWD	13828.0	13.60	43.8	13790.3	N 199.2	E 210.4	289.7	289.7	3.952
MWD	13859.0	14.60	43.8	13820.3	N 204.7	E 215.7	297.3	297.3	3.871
MWD	13891.0	15.70	43.3	13851.2	N 210.8	E 221.5	305.7	305.7	2.842
MWD	13922.0	16.40	44.5	13881.0	N 217.0	E 227.4	314.3	314.3	2.499
MWD	13954.0	16.60	41.7	13911.7	N 223.6	E 233.6	323.4	323.4	2.562
MWD	13985.0	16.90	41.0	13941.4	N 230.3	E 239.5	332.3	332.3	1.166
MWD	14079.0	17.10	43.4	14031.3	N 250.6	E 258.0	359.7	359.7	0.776
MWD	14111.0	17.00	43.1	14061.9	N 257.5	E 264.4	369.1	369.0	0.416
MWD	14174.0	15.80	45.2	14122.3	N 270.2	E 276.8	386.8	386.8	2.124
MWD	14205.0	15.40	46.1	14152.1	N 276.1	E 282.7	395.2	395.1	1.508
MWD	14236.0	15.20	45.2	14182.0	N 281.8	E 288.6	403.4	403.3	1.002
MWD	14268.0	15.20	46.8	14212.9	N 287.6	E 294.6	411.7	411.7	1.311
MWD	14299.0	14.90	45.9	14242.9	N 293.2	E 300.5	419.8	419.8	1.227

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Directional Survey Report

Chesapeake Operating, Inc.

Well ID: 720583

Well Name: HarrisonState 56-38 3 ST

Well Bore: Sidetrack 1

Plane of Vertical Section: 46.36 degrees

Kick Off Point: 11985 ft

from Well Bore: Original Well Bore

Survey Type	Meas. Depth	Inc.	Azimuth	TVD	Coordinates N-S	Coordinates E-W	Closure	Vertical Section	Dog Leg Severity
MWD	14331.0	13.70	44.1	14273.9	N 298.8	E 306.0	427.7	427.7	3.999
MWD	14362.0	13.10	42.9	14304.0	N 304.0	E 311.0	434.9	434.8	2.133
MWD	14393.0	12.90	43.6	14334.2	N 309.1	E 315.8	441.8	441.8	0.821
MWD	14457.0	12.80	44.7	14396.6	N 319.3	E 325.7	456.1	456.0	0.413
MWD	14488.0	12.80	44.0	14426.9	N 324.2	E 330.5	462.9	462.9	0.500
MWD	14551.0	11.10	46.1	14488.5	N 333.4	E 339.7	476.0	475.9	2.785
MWD	14582.0	10.80	45.4	14518.9	N 337.5	E 343.9	481.9	481.8	1.059
MWD	14645.0	9.90	45.5	14580.9	N 345.5	E 352.0	493.2	493.1	1.429
MWD	14677.0	9.70	46.8	14612.4	N 349.2	E 355.9	498.6	498.6	0.932
MWD	14740.0	8.20	44.1	14674.7	N 356.1	E 362.9	508.4	508.4	2.472
MWD	14771.0	7.90	45.5	14705.4	N 359.2	E 366.0	512.8	512.7	1.156
MWD	14802.0	7.40	46.3	14736.1	N 362.0	E 368.9	516.9	516.8	1.649
MWD	14834.0	6.60	49.4	14767.9	N 364.7	E 371.8	520.8	520.7	2.764
MWD	14865.0	6.50	47.7	14798.6	N 367.0	E 374.5	524.3	524.3	0.704
MWD	14897.0	5.50	47.0	14830.5	N 369.3	E 376.9	527.7	527.6	3.133
MWD	14928.0	4.50	45.2	14861.4	N 371.1	E 378.9	530.4	530.3	3.265
MWD	14959.0	3.50	40.3	14892.3	N 372.7	E 380.4	532.5	532.5	3.406
MWD	14991.0	2.10	32.5	14924.2	N 374.0	E 381.3	534.1	534.0	4.524
MWD	15022.0	1.10	14.8	14955.2	N 374.7	E 381.7	534.9	534.8	3.561
MWD	15053.0	1.00	15.3	14986.2	N 375.3	E 381.8	535.4	535.3	0.324
MWD	15085.0	0.90	8.3	15018.2	N 375.8	E 381.9	535.8	535.7	0.478
MWD	15116.0	0.50	346.5	15049.2	N 376.2	E 381.9	536.1	536.0	1.528
MWD	15148.0	0.40	337.3	15081.2	N 376.4	E 381.9	536.2	536.1	0.385
MWD	15179.0	0.30	329.8	15112.2	N 376.6	E 381.8	536.2	536.2	0.354
MWD	15210.0	0.30	323.6	15143.2	N 376.7	E 381.7	536.3	536.2	0.105
MWD	15242.0	0.30	309.6	15175.2	N 376.8	E 381.6	536.3	536.2	0.229
MWD	15317.0	0.30	307.0	15250.2	N 377.1	E 381.3	536.2	536.1	0.018
INC-D	15374.0	0.70	307.0	15307.2	N 377.4	E 380.9	536.2	536.1	0.702
INC-D	15566.0	0.08	307.0	15499.2	N 378.2	E 379.8	536.0	535.9	0.323

Directional Survey Report

Chesapeake Operating, Inc.

Well ID: 730983

Well Name: HarrisonState 56-38 3 ST

Well Bore: Sidetrack 1

Plane of Vertical Section: 46.36 degrees

Kick Off Point: 11985 ft from Well Bore: Original Well Bore

Survey Type	Meas. Depth	Inc.	Azimuth	TVD	Coordinates N-S	Coordinates E-W	Closure	Vertical Section	Dog Leg Severity
INC-D	15761.0	1.10	307.0	15694.2	N 379.4	E 378.2	535.7	535.5	0.523
INC-D	15949.0	0.70	307.0	15882.2	N 381.1	E 375.9	535.3	535.0	0.213
INC-D	16406.0	4.00	307.0	16338.7	N 392.4	E 360.9	533.1	532.0	0.722
INC-D	16561.0	3.50	307.0	16493.4	N 398.5	E 352.8	532.2	530.4	0.323
INC-D	16694.0	5.00	307.0	16626.0	N 404.4	E 344.9	531.6	528.7	1.128
INC-D	16788.0	5.10	307.0	16719.7	N 409.4	E 338.3	531.1	527.4	0.106
INC-D	16961.0	3.50	307.0	16892.2	N 417.2	E 328.0	530.7	525.3	0.925
INC-D	17061.0	4.40	307.0	16991.9	N 421.4	E 322.5	530.6	524.2	0.900
INC-D	17253.0	4.80	307.0	17183.3	N 430.6	E 310.2	530.7	521.7	0.208
INC-D	17448.0	3.20	307.0	17377.8	N 438.8	E 299.3	531.2	519.5	0.821
INC-D	17629.0	2.80	307.0	17558.6	N 444.5	E 291.7	531.7	517.9	0.221
INC-D	17719.0	1.30	307.0	17648.5	N 446.5	E 289.2	531.9	517.4	1.667
INC-T	18300.0	2.25	307.0	18229.2	N 457.3	E 274.8	533.5	514.5	0.164

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drillinginfo Gas Completion Details

Report a Problem

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API No. 42 - 389 - 32425

RRC District No. 8

RRC Gas ID No. 226710

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

Field Name (as per RRC Records or Wildcat): TOYAH, NW (SHALE)

Lease Name: HARRISON STATE 56-38

Well No.: 3ST

☐ Field Discovery

Operator's Name (exactly as shown on P-5, Organization Report): CHESAPEAKE OPERATING, INC.

RRC Operator No.: 147715

County of well site: Reeves

Section	Block	Miles	Direction	Town
38	56	15.8	NW	TOYAH

Survey: PSL

Abstract:

Purpose of filing
- ○ Initial Potential
- ○ Retest
- ○ Reclass
- ◉ Well Record Only

Pipe Line Connection: CHESAPEAKE ENERGY MARKETING, INC.

Completion date: 2/14/2009

Type of log run: No log run data available for this completion.

Section I: Gas Measurement Data

Test date: Gas produced:

Run No.	Static Pm or Choke Press	Volume MCF/day
1		
2		
3		
4		

Section II: Field Data and Pressure Calculations

Gravity (Dry Gas): Gravity Liquid Hydrocarbon: Gas-Liquid Hydro ratio: Gravity of Mixture: Bottom Hole Temp: °F @ depth: Bottom Hole Pressure: Absolute Open Flow:

Run No.	Time of Run Min.	Choke Size	Wellhead Press. PSIA
Shut-In			
1			
2			
3			

4

Section III: Data on Well Completion and Log

Type of Completion
( ) New Well ( ) Deepening ( ) Plug Back (•) Other

Drill, Plug Back, or Deepen Permit No.: 633553

Producing wells on this lease in this field: 1

Total number of acres in this lease: 640

Date Plug Back, Deepening, Workover or Drilling Operations: Commenced 2/7/2009 Completed 2/14/2009

Well Location
2129 feet from E line and
2176 feet from N line of the HARRISON STATE 56- lease

Elevation: 3192 GR

Was directional survey made other than inclination (W-12)? ( ) Yes (•) No

	Top of Pay	Total Depth	P.B. Depth
TVD		18229	
Measured		18300	
Not Specified	17580		18202

Is well multiple completion?
( ) Yes (•) No

Name of Drilling Contractor:

Casing Record

Casing Size	WT #/FT.	Depth Set	Hole Size
13 3/8	68	3474	17 1/2
9 5/8	53.5	10200	12 1/4
5	23.2, 26	18290	8 1/2
5 1/2	23.2, 26	18290	8 1/2

Liner Record

No liner data is available for this completion.

Tubing Record

Size	Depth Set	Packer Set
2 3/8	17389	17377

Producing Interval (this completion)

From	To	Formation
17580	18150	

Acid, Shot, Fracture, Cement Squeeze, etc.

☐ Acid ☐ Frac

No acid, shot, or squeeze data is available for this completion.

Formation Record

Formation	Depth
PENN	15989
BARNETT	17509
MISS LM	17944
WOODFORD	18011
DEVONIAN	18239

Remarks:
FILED TO REPORT TUBING & PACKER INSTALL. DI ADVISORY: THE RRC STAMP DATE IS MISSING, THE OPERATOR CERTIFICATION DATE WAS USED. OPERATOR CERTIFICATION DATE IS (04/08/2009)

Back

gyro/data

Gyrodata Incorporated
3811 S. Co. Rd. 1285
Odessa, TX. 79765

432/561-8458
Fax: 432/563-7982

Date: October 28, 2008

RECEIVED
RRC OF TEXAS
NOV 12 2008
O&G
AUSTIN TX

Railroad Commission of Texas
Oil & Gas Division
P.O. Box 12967
Capitol Station
Austin, Texas 78711

Attn: Ms. Pam Johns

RE:
Chesapeake Operating
Harrison State 56-38 Well No. 3ST
RRC Lease/Gas ID No. Not Assigned
Toyah, NW (Shale)
PSL/Greening, RW, Abstract 2181
Reeves County, Texas
API No. 42-389-32425
CERTIFIED MAIL 70072560000336966899

Ms. Johns,

Enclosed, please find the original and one copy of the survey performed on the referenced well by Gyrodata, Inc. (P-5 No. 339713). Other information required by your office is as follows:

Name & Title Of Surveyor	Drainhole Number	Surveyed Depths	Dates Performed	Type of Survey
Steve Winther Surveyor	Original Hole	Surface – 11985'	4/05/2008	Rate Gyroscopic

A certified plat on which the bottom hole location is oriented both to the surface location and to the lease lines (or unit lines in the case of pooling) is attached to the survey report. If any other information is required, please contact the undersigned at the letterhead address and phone number.

Sincerely,

Jena Tumlin
Operations
Enclosure

A Gyrodata Directional Survey

for

CHESAPEAKE OPERATING INC

Lease: Harrison State 56 - 38 Well: No. 3, 5" OD Drillpipe
Location: Aquila # 10, Reeves Co

Job Number: MD0408G_175

Run Date: 05 Apr 2008

Surveyor: Steve Winther; Nick Hurst

Calculation Method: MINIMUM CURVATURE

Survey Latitude: 31.533306 deg. N Longitude: 103.920139 deg. W

Azimuth Correction:
Gyro: 1.85000 deg East to Grid North

Vertical Section Calculated from Well Head Location

Closure Calculated from Well Head Location

Horizontal Coordinates Calculated from Local Horizontal Reference

A Gyrodata Directional Survey

Chesapeake Operating INC
Lease: Harrison State 56 - 38 Well: No. 3, 5" OD Drillpipe
Location: Aquila # 10, Reeves Co
Job Number: MD0408G_175

MEASURED DEPTH feet	INCL deg.	AZIMUTH deg.	VERTICAL SECTION feet	DOGLEG SEVERITY deg./ 100 ft.	VERTICAL DEPTH feet	CLOSURE DIST. feet	CLOSURE AZIMUTH deg.	HORIZONTAL COORDINATES feet	
0.00	0.00	0.00	0.0	0.00	0.00	0.0	0.0	0.00 N	0.00 E
0 - 11985 RATE-GYROSCOPIC SURVEY RUN INSIDE 5" OD DRILLPIPE ALL MEASURED DEPTHS AND COORDINATES REFERENCED TO AQUILA #10 RKB OF 25 FEET.									
100.00	0.37	232.92	-0.2	0.37	100.00	0.3	232.9	0.20 S	0.26W
200.00	0.59	218.42	-0.8	0.25	200.00	1.2	226.5	0.80 S	0.84W
300.00	0.69	216.89	-1.7	0.10	299.99	2.3	222.1	1.68 S	1.52W
400.00	0.84	205.79	-2.8	0.21	399.98	3.6	218.0	2.82 S	2.20W
500.00	0.87	205.21	-4.2	0.04	499.97	5.0	214.3	4.17 S	2.84W
600.00	0.87	206.73	-5.5	0.02	599.96	6.6	212.4	5.54 S	3.51W
700.00	0.60	210.71	-6.7	0.27	699.95	7.8	211.7	6.67 S	4.12W
812.94	0.28	340.71	-6.9	0.72	812.89	8.3	213.1	6.92 S	4.51W
907.11	0.26	335.17	-6.5	0.03	907.06	8.0	215.7	6.51 S	4.68W
1001.28	0.13	3.02	-6.2	0.17	1001.23	7.8	217.5	6.21 S	4.77W
1095.45	0.38	94.21	-6.1	0.43	1095.40	7.6	215.9	6.13 S	4.45W
1189.62	0.39	141.37	-6.4	0.33	1189.56	7.5	211.5	6.40 S	3.93W
1283.79	0.39	141.32	-6.9	0.00	1283.73	7.8	207.1	6.90 S	3.53W
1377.96	0.88	158.70	-7.8	0.55	1377.90	8.4	201.4	7.82 S	3.07W
1472.13	0.94	154.64	-9.2	0.09	1472.05	9.5	195.1	9.19 S	2.48W
1566.30	0.89	151.32	-10.5	0.07	1566.21	10.7	189.7	10.54 S	1.79W
1660.47	0.89	142.17	-11.8	0.15	1660.37	11.8	184.8	11.76 S	0.99W
1754.64	1.00	129.79	-12.9	0.24	1754.53	12.9	179.6	12.86 S	0.08 E
1848.81	1.27	123.74	-14.0	0.32	1848.68	14.1	173.5	13.96 S	1.58 E
1942.98	1.88	126.50	-15.5	0.66	1942.81	15.9	166.6	15.46 S	3.69 E

A Gyrodata Directional Survey

Chesapeake Operating INC
Lease: Harrison State 56 - 38 Well: No. 3, 5" OD Drillpipe
Location: Aquila # 10, Reeves Co
Job Number: MD0408G_175

MEASURED DEPTH feet	INCL deg.	AZIMUTH deg.	VERTICAL SECTION feet	DOGLEG SEVERITY deg./ 100 ft.	VERTICAL DEPTH feet	CLOSURE DIST. feet	CLOSURE AZIMUTH deg.	HORIZONTAL COORDINATES feet	
2037.15	2.32	126.40	-17.5	0.46	2036.92	18.7	159.7	17.51 S	6.47 E
2131.32	2.48	125.84	-19.8	0.17	2131.01	22.1	154.0	19.84 S	9.66 E
2225.49	2.50	127.86	-22.3	0.09	2225.09	25.8	149.9	22.29 S	12.93 E
2319.66	2.27	129.93	-24.8	0.26	2319.18	29.5	147.1	24.75 S	15.98 E
2413.83	1.91	132.15	-27.0	0.40	2413.28	32.8	145.5	27.00 S	18.57 E
2508.00	1.74	140.83	-29.2	0.34	2507.41	35.7	144.7	29.16 S	20.64 E
2602.17	1.77	161.89	-31.6	0.68	2601.53	38.5	145.2	31.65 S	21.99 E
2696.34	1.82	177.55	-34.5	0.52	2695.66	41.2	146.9	34.53 S	22.51 E
2790.51	2.04	192.49	-37.7	0.58	2789.77	43.7	149.5	37.66 S	22.21 E
2884.68	2.37	190.65	-41.2	0.36	2883.87	46.5	152.5	41.21 S	21.49 E
2978.85	2.75	185.13	-45.4	0.48	2977.95	50.0	155.2	45.38 S	20.93 E
3073.02	3.27	184.12	-50.3	0.55	3071.99	54.3	157.8	50.31 S	20.53 E
3167.19	3.39	179.84	-55.8	0.29	3166.00	59.4	160.0	55.78 S	20.35 E
3261.36	3.23	174.93	-61.2	0.34	3260.01	64.6	161.4	61.20 S	20.59 E
3355.53	2.15	174.38	-65.6	1.15	3354.08	68.9	162.3	65.60 S	21.00 E
3449.70	1.60	170.79	-68.7	0.60	3448.20	71.9	162.7	68.66 S	21.38 E
3543.87	1.26	176.61	-71.0	0.39	3542.34	74.2	163.0	70.99 S	21.65 E
3638.04	1.26	175.18	-73.1	0.03	3636.49	76.2	163.4	73.06 S	21.80 E
3732.21	0.82	180.99	-74.8	0.48	3730.64	77.9	163.7	74.77 S	21.87 E
3826.38	0.66	184.14	-76.0	0.18	3824.80	79.1	164.0	75.99 S	21.82 E
3920.55	0.59	179.54	-77.0	0.09	3918.97	80.0	164.2	77.01 S	21.79 E
4014.72	0.25	176.41	-77.7	0.36	4013.13	80.7	164.3	77.71 S	21.81 E
4108.89	0.08	200.22	-78.0	0.20	4107.30	81.0	164.4	77.97 S	21.80 E
4203.06	0.04	273.02	-78.0	0.08	4201.47	81.0	164.4	78.03 S	21.74 E

A Gyrodata Directional Survey

Chesapeake Operating INC
Lease: Harrison State 56 - 38 Well: No. 3, 5" OD Drillpipe
Location: Aquila # 10, Reeves Co
Job Number: MD0408G_175

MEASURED DEPTH feet	INCL deg.	AZIMUTH deg.	VERTICAL SECTION feet	DOGLEG SEVERITY deg./ 100 ft.	VERTICAL DEPTH feet	CLOSURE DIST. feet	CLOSURE AZIMUTH deg.	HORIZONTAL COORDINATES feet	
4297.23	0.07	306.54	-78.0	0.04	4295.64	80.9	164.5	77.99 S	21.66 E
4391.40	0.34	350.46	-77.7	0.31	4389.81	80.6	164.5	77.68 S	21.56 E
4485.57	0.41	352.55	-77.1	0.08	4483.98	80.0	164.4	77.08 S	21.47 E
4579.74	0.47	5.37	-76.4	0.12	4578.15	79.3	164.3	76.36 S	21.47 E
4673.91	0.44	11.42	-75.6	0.06	4672.31	78.6	164.1	75.63 S	21.57 E
4768.08	0.40	11.64	-75.0	0.04	4766.48	78.0	163.8	74.96 S	21.71 E
4862.25	0.43	11.21	-74.3	0.03	4860.65	77.4	163.6	74.29 S	21.85 E
4956.42	0.44	18.39	-73.6	0.06	4954.82	76.8	163.3	73.59 S	22.03 E
5050.59	1.16	31.37	-72.4	0.78	5048.98	75.9	162.6	72.44 S	22.64 E
5144.76	1.22	36.33	-70.8	0.13	5143.13	74.7	161.5	70.81 S	23.73 E
5238.93	1.13	37.66	-69.3	0.10	5237.28	73.6	160.2	69.27 S	24.90 E
5333.10	0.91	41.89	-68.0	0.25	5331.43	72.8	159.1	67.97 S	25.97 E
5427.27	0.96	47.49	-66.9	0.11	5425.59	72.1	158.0	66.88 S	27.05 E
5521.44	0.68	71.84	-66.2	0.47	5519.75	71.9	156.9	66.17 S	28.17 E
5615.61	0.58	90.51	-66.0	0.24	5613.91	72.2	156.2	66.00 S	29.18 E
5709.78	0.48	83.97	-66.0	0.13	5708.08	72.5	155.5	65.96 S	30.05 E
5803.95	0.51	83.22	-65.9	0.03	5802.25	72.7	154.9	65.87 S	30.85 E
5898.12	0.37	62.66	-65.7	0.22	5896.41	72.9	154.4	65.68 S	31.54 E
5992.29	0.18	37.67	-65.4	0.24	5990.58	72.8	154.0	65.42 S	31.90 E
6086.46	0.22	353.48	-65.1	0.16	6084.75	72.6	153.9	65.13 S	31.97 E
6180.63	0.18	358.34	-64.8	0.05	6178.92	72.2	153.8	64.80 S	31.94 E
6274.80	0.13	122.10	-64.7	0.29	6273.09	72.2	153.7	64.71 S	32.03 E
6368.97	0.12	152.61	-64.9	0.07	6367.26	72.4	153.6	64.86 S	32.17 E
6463.14	0.07	192.48	-65.0	0.09	6461.43	72.5	153.6	65.00 S	32.21 E

A Gyrodata Directional Survey

Chesapeake Operating INC
Lease: Harrison State 56 - 38 Well: No. 3, 5" OD Drillpipe
Location: Aquila # 10, Reeves Co
Job Number: MD0408G_175

MEASURED DEPTH feet	INCL deg.	AZIMUTH deg.	VERTICAL SECTION feet	DOGLEG SEVERITY deg./ 100 ft.	VERTICAL DEPTH feet	CLOSURE DIST. feet	AZIMUTH deg.	HORIZONTAL COORDINATES feet	
6557.31	0.10	262.02	-65.1	0.11	6555.60	72.6	153.7	65.07 S	32.11 E
6651.48	0.23	273.94	-65.1	0.14	6649.77	72.4	153.9	65.07 S	31.84 E
6745.65	0.29	266.67	-65.1	0.07	6743.94	72.2	154.2	65.07 S	31.40 E
6839.82	0.36	299.80	-64.9	0.21	6838.11	71.9	154.5	64.93 S	30.91 E
6933.99	0.56	324.77	-64.4	0.29	6932.27	71.2	154.7	64.41 S	30.38 E
7028.16	0.73	334.30	-63.5	0.21	7026.44	70.2	154.8	63.50 S	29.86 E
7122.33	0.92	340.52	-62.3	0.22	7120.60	68.8	154.8	62.25 S	29.35 E
7216.50	0.91	339.65	-60.8	0.02	7214.76	67.3	154.6	60.83 S	28.83 E
7310.67	0.91	336.02	-59.4	0.06	7308.92	65.8	154.6	59.44 S	28.27 E
7404.84	1.07	319.77	-58.1	0.34	7403.07	64.2	154.7	58.09 S	27.40 E
7499.01	1.19	319.35	-56.7	0.13	7497.22	62.4	155.2	56.68 S	26.20 E
7593.18	0.59	15.97	-55.5	1.06	7591.38	61.1	155.1	55.47 S	25.69 E
7687.35	1.26	54.10	-54.4	0.93	7685.54	60.6	153.9	54.39 S	26.67 E
7781.52	1.23	43.09	-53.0	0.26	7779.69	60.1	152.0	53.04 S	28.20 E
7875.69	0.98	28.56	-51.6	0.40	7873.84	59.3	150.4	51.60 S	29.27 E
7969.86	0.78	21.47	-50.3	0.24	7968.00	58.5	149.3	50.30 S	29.89 E
8064.03	0.66	15.25	-49.2	0.15	8062.16	57.7	148.4	49.17 S	30.27 E
8158.20	0.39	30.40	-48.4	0.32	8156.33	57.2	147.7	48.37 S	30.58 E
8252.37	0.34	17.27	-47.8	0.11	8250.50	56.9	147.2	47.82 S	30.82 E
8346.54	0.29	12.82	-47.3	0.06	8344.67	56.6	146.8	47.33 S	30.96 E
8440.71	0.31	355.59	-46.8	0.10	8438.83	56.2	146.5	46.84 S	30.99 E
8534.88	0.24	353.85	-46.4	0.08	8533.00	55.8	146.3	46.38 S	30.95 E
8629.05	0.33	331.09	-46.0	0.15	8627.17	55.3	146.2	45.95 S	30.80 E
8723.22	0.40	323.53	-45.5	0.09	8721.34	54.7	146.2	45.45 S	30.47 E

A Gyrodata Directional Survey

Chesapeake Operating INC
Lease: Harrison State 56 - 38 Well: No. 3, 5" OD Drillpipe
Location: Aquila # 10, Reeves Co
Job Number: MD0408G_175

MEASURED DEPTH feet	INCL deg.	AZIMUTH deg.	VERTICAL SECTION feet	DOGLEG SEVERITY deg./ 100 ft.	VERTICAL DEPTH feet	CLOSURE DIST. feet	CLOSURE AZIMUTH deg.	HORIZONTAL COORDINATES feet	
8817.39	0.35	297.04	-45.0	0.19	8815.51	54.1	146.3	45.05 S	30.02 E
8911.56	0.41	281.13	-44.9	0.13	8909.68	53.7	146.7	44.86 S	29.44 E
9005.73	0.43	278.46	-44.7	0.03	9003.84	53.2	147.3	44.74 S	28.76 E
9099.90	0.45	275.54	-44.6	0.03	9098.01	52.7	147.9	44.65 S	28.04 E
9194.07	0.35	294.88	-44.5	0.18	9192.18	52.3	148.4	44.50 S	27.42 E
9288.24	0.38	298.95	-44.2	0.04	9286.35	51.8	148.7	44.23 S	26.89 E
9382.41	0.43	300.78	-43.9	0.06	9380.51	51.2	149.1	43.90 S	26.31 E
9476.58	0.51	298.56	-43.5	0.08	9474.68	50.5	149.5	43.51 S	25.63 E
9570.75	0.53	304.26	-43.1	0.06	9568.85	49.7	150.0	43.07 S	24.90 E
9664.92	0.45	316.11	-42.5	0.14	9663.01	49.0	150.3	42.55 S	24.29 E
9759.09	0.37	284.76	-42.2	0.25	9757.18	48.4	150.7	42.21 S	23.74 E
9853.26	0.33	314.33	-42.0	0.20	9851.35	48.0	151.0	41.95 S	23.25 E
9947.43	0.29	269.01	-41.8	0.26	9945.52	47.6	151.4	41.76 S	22.81 E
10041.60	0.55	295.44	-41.6	0.33	10039.69	47.1	151.9	41.57 S	22.17 E
10135.77	0.95	280.38	-41.2	0.47	10133.85	46.3	153.0	41.24 S	21.00 E
10229.94	1.27	275.54	-41.0	0.36	10228.00	45.3	154.9	41.00 S	19.19 E
10324.11	1.37	293.43	-40.5	0.45	10322.15	43.9	157.1	40.45 S	17.12 E
10418.28	1.45	310.32	-39.2	0.45	10416.29	42.1	158.8	39.23 S	15.18 E
10512.45	1.73	301.78	-37.7	0.39	10510.42	39.9	160.9	37.71 S	13.06 E
10606.62	1.88	302.96	-36.1	0.16	10604.54	37.6	163.7	36.12 S	10.55 E
10700.79	2.08	309.73	-34.2	0.32	10698.66	35.1	166.9	34.18 S	7.94 E
10794.96	2.21	308.86	-31.9	0.14	10792.76	32.4	170.7	31.95 S	5.21 E
10889.13	2.02	309.41	-29.8	0.21	10886.87	29.9	175.2	29.77 S	2.52 E
10983.30	1.85	294.93	-28.1	0.55	10980.98	28.1	180.3	28.07 S	0.13 W

A Gyrodata Directional Survey

Chesapeake Operating INC
Lease: Harrison State 56 - 38 Well: No. 3, 5" OD Drillpipe
Location: Aquila # 10, Reeves Co
Job Number: MD0408G_175

MEASURED DEPTH feet	INCL deg.	AZIMUTH deg.	VERTICAL SECTION feet	DOGLEG SEVERITY deg./ 100 ft.	VERTICAL DEPTH feet	CLOSURE DIST. feet	CLOSURE AZIMUTH deg.	HORIZONTAL COORDINATES feet	
11077.47	1.73	290.91	-26.9	0.18	11075.11	27.1	186.0	26.93 S	2.84 W
11171.64	1.52	291.79	-26.0	0.22	11169.24	26.5	191.6	25.96 S	5.33 W
11265.81	1.30	289.73	-25.1	0.24	11263.38	26.2	196.6	25.13 S	7.50 W
11359.98	1.37	296.50	-24.3	0.18	11357.53	26.1	201.4	24.27 S	9.51 W
11454.15	1.32	332.67	-22.8	0.89	11451.67	25.3	205.8	22.80 S	11.01 W
11548.32	1.22	274.81	-21.8	1.31	11545.82	25.1	209.9	21.76 S	12.51 W
11642.49	1.32	332.07	-20.7	1.30	11639.97	25.0	214.1	20.71 S	14.02 W
11736.66	1.33	282.03	-19.5	1.19	11734.12	25.0	218.6	19.53 S	15.60 W
11830.83	1.39	290.27	-18.9	0.22	11828.26	25.9	223.2	18.90 S	17.73 W
11925.00	1.28	292.59	-18.1	0.13	11922.41	26.8	227.5	18.11 S	19.77 W
11985.00	1.28	285.17	-17.7	0.28	11982.39	27.5	230.0	17.67 S	21.03 W

Final Station Closure: Distance: 27.47 ft Az: 229.96 deg.

gyro/data

Gyrodata Incorporated
3811 S. Co. Rd. 1285
Odessa, TX. 79765

432/561-8458
Fax: 432/563-7982

State of Texas
County of Travis

I, Jena Tumlin, certify that; I am employed by Gyrodata Inc.; that I am authorized and qualified to review the Rate Gyroscopic Multishot survey from a depth of 0 feet to a depth of 11985 feet conducted on the day(s) of 4/05/08 through 4/05/08; that this survey was conducted at the request of Chesapeake Operating, Inc for the Harrison State 56-38 Well No. 3ST No. 42-389-32425 in Reeves County, Texas; that the data is true, correct, complete, and within the limitations of the tool as set forth by Gyrodata Inc; that I am authorized and qualified to make this report; and that I have reviewed this report and find that it conforms to the principles and procedures as set forth by Gyrodata Inc.

Jena Tumlin
Operations

TOPOGRAPHIC LAND SURVEYORS OF TEXAS

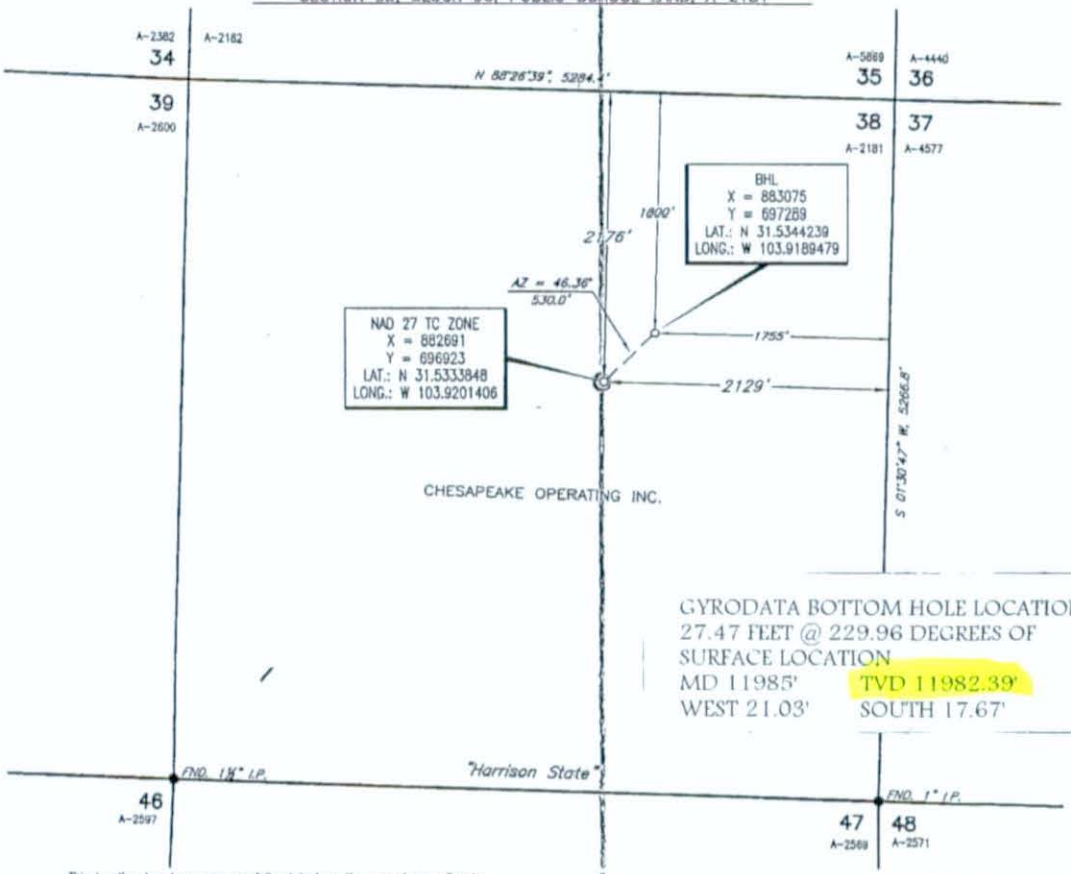
Surveying and Mapping for the Energy Industry

2903 N. BIG SPRING • MIDLAND, TEXAS 79705
TELEPHONES: (432) 682-1653 • (800) 767-1653 • FAX (432) 682-1743

REEVES County, Texas

Description SHL: 2176' FNL & 2129' FEL
BHL: 1800' FNL & 1755' FEL

SECTION 38, BLOCK 56, PUBLIC SCHOOL LAND, A-2181



GYRODATA BOTTOM HOLE LOCATION
27.47 FEET @ 229.96 DEGREES OF
SURFACE LOCATION
MD 11985' TVD 11982.39'
WEST 21.03' SOUTH 17.67'

This location has been very carefully staked on the ground according to the best official survey records, maps, and other data available to us. This plat does not in any way represents a "Boundary Survey", and does not comply with current T.B.P.L.S. Minimum Standards of Procedures for Boundary Surveys.

SCALE: 1" = 1000'
0' 500' 1000'

Date Staked JUNE 16, 2006

Operator CHESAPEAKE OPERATING INC.

Lease Name & Well No. HARRISON STATE 56-38 #3 SDTK

Ground Elev. 3192' Reference Stakes or Alternate Location NONE

Good Drill Site? YES Stakes Set ±15.8 MILES NORTHWEST OF TOYAH, TEXAS

Topography & Vegetation EXISTING WELL PAD

Best Accessibility to Location FROM EXISTING PAD FOR WELL 56-38 #2

Distance & Direction from Hwy Jct. or Town FROM JCT. OF NORTH SERVICE ROAD I-20 & F.M. 2119 @ PECOS, GO NORTHWEST 21.3 MILES ON F.M. 2119, THENCE SOUTH 1.0 MILE ON PAVED COUNTY ROAD, THENCE WEST 3.3 MILE ON LEASE ROAD TO EXISTING WELL PAD FOR WELL 56-38 #2.

STATE OF TEXAS
REGISTERED
WILLIAM J. KEATING
5041
PROFESSIONAL
LAND SURVEYOR

Invoice # 130851/629SW
J.W.W.
REVISED: 1/4/08; EUO

CERTIFICATION:

I, William J. Keating, a Registered Professional Land Surveyor, and an authorized agent of Topographic Land Surveyors, do hereby certify that the above described well location was surveyed and staked on the ground as shown herein.

William J. Keating

Texas Reg. No. 5041

File No. MF104871 (31)

Well Info: 42-389-32425

Harrison State 56-38 #33T

Date Filed: 02/11/2014

Jerry E. Patterson, Commissioner

By LOP

TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

February 19, 2014

Meredith McAllister, CPLTA
Senior Lease Analyst
Shell Exploration & Production Company
200 N. Dairy Ashford
Houston, Texas 77079
(Via email to meredith.macallister@shell.com)

RE: **State Lease MF104871** Harrison Trust, agent for State of Texas, Lessor
Lease Date: April 27, 2005
Primary term: 3 years
12,800 original leased acres (see front page of lease, attached)
640 acres currently retained in 2 proration units
320 acres: Harrison State 56-38 #3ST (API # 42-389-32425), Section 38, Block 56, PSL Survey, A-2181, Reeves County, TX
320 acres: Harrison State 56-37 #1 (API # 42-389-32460)
Section 37, Block 56, PSL Survey, A-4577, Reeves County, TX

Dear Ms. MacAllister:

Our research indicates that there was lapse in production for the Harrison State 56-38 #3ST (API # 42-389-32425) from August 2012 through May 2013.

Our research also indicates that there was lapse in production for the Harrison State 56-37 #1 (API # 42-389-32460) from November to December 2012 and February through June 2013.

Absent evidence that operations were conducted adequate to perpetuate the lease without a cessation of more than sixty (60) cumulative days, the lease is subject to termination effective April 1, 2013 due to cessation of production.

Please be advised that, retroactive to the termination date of April 1, 2013, the GLO owns 100% of the mineral interest in the lease and all revenue generated by the producing wells. The GLO may be willing to negotiate a monthly operating expense fees to be deducted from the production revenue.

However, the GLO would approve one of the two following options:

Option 1
Shell can negotiate with the surface owner, as agent for the State of Texas, a one-year lease backdated to April 1, 2013, with a bonus to be shared equally between the State and the surface owner, of the 320 acre proration unit of the Harrison State 56-38 #3ST (API # 42-389-32425) and the 320 acre proration unit of the Harrison State 56-37 #1 (API # 42-389-32460) .

If Shell elects to exercise Option 1, then, for each well, please provide a Directional Survey which clearly states the deepest depth drilled. Also, submit to me for the GLO's approval, a partial release of all of the original lease tracts outside of Sections 37 and 38, the W/2 of Section 37, the W/2 of Section 38 and all depths deeper than the deepest depth drilled in the E/2 of Section 37 and the E/2 of Section 38, as evidenced by the Directional Surveys. If Shell does not elect to acquire a new lease, please submit to me for the GLO's approval, a full release of all of the original lease tracts. Although requested by the GLO on March 15, 2010, Chesapeake never provided a release of any of the lease tracts.

Please be specific in the description of the land and depths being released, describing the lease tracts by actual number of acres and depths and the section, block, township, survey, abstract, county, state, etc., where located. List the lessor who acted as agent for the state by name, State Lease Number MF104871 and list the recording information of the lease by volume and page and county where recorded.

Upon approval and after the release is executed and recorded, please file with this office a certified, recorded copy of the partial release or full release of the lease, along with a filing fee of $25.00 and send it to my attention at the General Land Office.

Option 2
Shell may negotiate a new, long term lease with the surface owner at the market rate.

Please notify me within 30 days of the date of this letter as to whether or not Shell elects to exercise one of the two GLO-approved options. Shell will contact Drew Reid of this office for approval of any new lease that Shell takes. If I do not receive notification of your election within the 30-day period, the lease will be endorsed "terminated" and our Financial Management division will contact Shell regarding revenues due the State as of April 1, 2013.

Upon notifying me of the election of either option, Shell will have 90 days in which to acquire the new lease and file the new lease, the bonus payment and filing fee with the General Land Office. If the GLO does not receive the new lease, bonus payment and filing fee within the 90-day period, the options offered above are retracted immediately and without further notice.

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: Drew Reid via email to Drew.Reid@glo.texas.gov

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

The State of Texas

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 27 day of April, 2005, between the State of Texas, acting by and through its agent, Harrison Trust, Roddy L. Harrison, Trustee of P.O. Box 1908 Pecos, TX 79772 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and Woods Petroleum Land Management, Inc. of P.O. Box 51194 Midland, TX 79710 (Give Permanent Address) hereinafter called Lessee.

1. GRANTING CLAUSE. For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

Sections 9,10,14,15,22,23,24,25,26, W2 of 31, W2 of 35,36,37,38,& 42 Block 56 PSL; Sections 19,21,22,28,29, & 31 Block 57 PSL

containing 12,800 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas:
Dollars ($960,000)

To the owner of the soil: Harrison Trust, Roddy L Harrison, Trustee
Dollars ($960,000)

Total bonus consideration:
Dollars ($1,920,000)

The total bonus consideration paid represents a bonus of 1,920,000 Dollars ($150.00) per acre, on 12800 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of 3 years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land. As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

Linda Price - MF104871

From: Linda Price
To: Meredith.MacAllister@shell.com
Date: 2/19/2014 8:26 AM
Subject: MF104871
CC: Drew Reid
Attachments: MF104871 Shell 02-19-2014.docx.pdf

Reply Requested: By 3/21/2014

Meredith:

Attached please find the GLO's letter regarding State Lease MF104871. No copy will be mailed unless so requested.

Please be aware that there is a deadline for Shell's response.

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. MF 104871 (32)

Termination Letter

Date Filed: 02/19/2014

Jerry E. Patterson, Commissioner

By LSP

Linda Price - RE: MF104871

From: Linda Price
To: Meredith.MacAllister@shell.com
Date: 3/21/2014 8:13 AM
Subject: RE: MF104871
CC: Drew Reid; Lindsay.Sheffield@shell.com; brian.chaffee@shell.com

Meredith:

By my calculation, 90 days from yesterday, the deadline for Shell's election, is June 18, 2014.

Please review the terms of Option 1, which Shell has chosen, being cognizant that the lease, bonus and filing fee are all required to be filed with the GLO on or before June 18, 2014.

As soon as possible, please provide a Directional Survey, and an "As-Drilled" plat of each proration unit. Also, submit, for our approval, a partial release of all land and all depths included in the lease description and not retained by the proration units.

Do not execute and record the partial release until after our approval of it and until after Shell has submitted the lease, bonus and fee to the GLO and received final approval of the lease.

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> 3/20/2014 3:47 PM >>>

Linda,

Please be advised that Shell has elected to pursue Option 1 as laid out in the letter dated February 19, 2014.

Thanks,

Meredith MacAllister, CPLTA
Senior Lease Analyst
Shell Exploration & Production Company
200 N. Dairy Ashford, Room WCK 4356, Houston, TX 77079

United States of America

Tel: +1 281-544-3566
Email: meredith.macallister@shell.com

From: Linda Price [Linda.Price@GLO.TEXAS.GOV]
Sent: Wednesday, February 19, 2014 8:27 AM
To: MacAllister, Meredith R SEPCO-UAU/L/A
Cc: Drew Reid
Subject: MF104871
Importance: High

Meredith:

Attached please find the GLO's letter regarding State Lease MF104871. No copy will be mailed unless so requested.

Please be aware that there is a deadline for Shell's response.

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. ME104871 (33)

SWEPI's Option Election

Date Filed: 03/21/2014

Jerry E. Patterson, Commissioner

By LP

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

14-05527
FILED FOR RECORD
REEVES COUNTY, TEXAS
Jun 17, 2014 at 02:14:00 PM

The State of Texas

Austin, Texas

06 19 2014

MF 116656

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 1st, day of April, 2013, between the State of Texas, acting by and through its agent, Harrison Trust, herein represented by Roddy L. Harrison, as Trustee of P.O. Box 1908, Pecos, Texas 79772
(Give Permanent Address)
said agent herein referred to as the owner of the soil (whether one or more), and SWEPI LP
of P.O. Box 576, Houston, Texas 77001 hereinafter called Lessee.
(Give Permanent Address)

1. GRANTING CLAUSE. For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

Tract#1: The East Half (E/2) of Section 37, Block 56, PSL Survey, A-4577, insofar as to only cover the depths from the surface down to18,800', being 100' below the total depth drilled in the Harrison State 56-37 #1 (API 42-389-32460) and containing 320 acres, more or less

Tract#2: The East Half (E/2) of Section 38, Block 56, PSL Survey, A-2181, insofar as to only cover the depths from the surface down to 18,464', being 100' below the total depth drilled in the Harrison State 56-38 #3 (API 42-389-32425) and containing 320 acres, more or less

containing 640.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Three Hundred Twenty Thousand Dollars & 00/100
Dollars ($320,000.00)

To the owner of the soil Three Hundred Twenty Thousand Dollars & 00/100
Dollars ($320,000.00)

Total bonus consideration: Six Hundred Forty Thousand Dollars & 00/100
Dollars ($640,000.00)

The total bonus consideration paid represents a bonus of One Thousand Dollars & 00/100
Dollars ($ 1,000.00) per acre, on 640.00 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of One (1) year from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land. As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the PAY DIRECTLY TO THE OWNERS OF THE SOIL Bank, at _____, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: _____
Dollars _____)
To the State of Texas: _____
Dollars _____)
Total Delay Rental: _____
Dollars _____)

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

In a like manner and upon like payments or tenders annually, the commencement of a well may be further deferred for successive periods of one (1) year each during the primary term. All payments or tenders of rental to the owner of the soil may be made by check or sight draft of Lessee, or any assignee of this lease, and may be delivered on or before the rental paying date. If the bank designated in this paragraph (or its successor bank) should cease to exist, suspend business, liquidate, fail or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payments or tenders of rental until thirty (30) days after the owner of the soil shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders.

4. PRODUCTION ROYALTIES. Upon production of oil and/or gas, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty

provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 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 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 leased premises is sold, used or processed in a plant, it will be run free of cost to the royalty owners through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived, in writing, by the royalty owners upon such terms and conditions as they prescribe.

(B) 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 1/4 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 in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is the greater; provided that the maximum pressure base in measuring the gas under this lease 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 tests 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. Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 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 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 arm's 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. 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 shall be 1/4 part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for 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.

5. 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 under this lease in no event shall be less than an amount equal to the total annual delay rental herein provided; 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 the total annual rental less the amount of royalties paid during the preceding year. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

6. ROYALTY IN KIND. Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind. The owner of the soil's or the Commissioner of the General Land Office's right to take its royalty in kind shall not diminish or negate the owner of the soil's or the Commissioner of the General Land Office's rights or Lessee's obligations, whether express or implied, under this lease.

7. NO DEDUCTIONS. Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. 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 any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. 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 to accrue 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.

10. (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.

Copy of Original filed in Reeves County Clerks Office

(B) PERMITS, 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. All applications, permits, reports or other filings that reference this lease or any specific well on the leased premises and that are submitted to the Texas Railroad Commission or any other governmental agency shall include the word "State" in the title. Additionally, in accordance with Railroad Commission rules, any signage on the leased premises for the purpose of identifying wells, tank batteries or other associated improvements to the land must also include the word "State." 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.

11. 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 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. 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.

12. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional wells are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

13. 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 lohg 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.

14. 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 double the annual rental provided in the lease, but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. 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. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. 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.

15. 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, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, 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 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. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 9 of this lease. None of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in Texas Natural Resources Code 52.173; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties can satisfy the obligation to drill offset wells.

16. 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 14 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 Texas Natural Resources Code 52.151-52.154, 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. 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. Notwithstanding the termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress to and egress from the lands still subject to this lease for all purposes described in Paragraph 1 hereof, together with easements and rights-of-way for existing roads, existing pipelines and other existing facilities on, over and across all the lands described in Paragraph 1 hereof ("the retained lands"), for access to and from the retained lands and for the gathering or transportation of oil, gas and other minerals produced from the retained lands.

Reeves County
Clerks Office

(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 16 (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 Commissioner of the General Land Office. 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.

17. OFFSET WELLS. Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. Lessee, sublessee, receiver or other agent in control of the leased premises shall drill as many wells as the facts may justify and shall use appropriate means and drill to a depth necessary to prevent undue drainage of oil and gas from the leased premises. In addition, if oil and/or gas should be produced in commercial quantities within 1,000 feet of the leased premises, or in any case where the leased premises is being drained by production of oil or gas, the Lessee, sublessee, receiver or other agent in control of the leased premises shall in good faith begin the drilling of a well or wells upon the leased premises within 100 days after the draining well or wells or the well or wells completed within 1,000 feet of the leased premises start producing in commercial quantities and shall prosecute such drilling with diligence. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty under applicable statutory parameters satisfy the obligation to drill an offset well or wells required under this paragraph.

18. FORCE MAJEURE. If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

19. WARRANTY CLAUSE. The owner of the soil warrants and agrees to defend title to the leased premises. If the owner of the soil defaults in payments owed on the leased premises, then Lessee may redeem the rights of the owner of the soil in the leased premises by paying any mortgage, taxes or other liens on the leased premises. If Lessee makes payments on behalf of the owner of the soil under this paragraph, Lessee may recover the cost of these payments from the rental and royalties due the owner of the soil.

20. (A) PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties and rental herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties and rental herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

(B) 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 and the owner of the soil in accordance with Natural Resources Code Sections 52.151-52.154, 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.

21. USE OF WATER. Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

22. AUTHORIZED DAMAGES. Lessee shall pay the owner of the soil for damages caused by its operations to all personal property, improvements, livestock and crops on said land.

23. PIPELINE DEPTH. When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

24. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

25. 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. 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. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

26. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

27. (A) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change

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in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee 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 assignee of the lease, including any liabilities to the State for unpaid royalties.

(B) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 27(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

(1) a nominee of the owner of the soil;
(2) a corporation or subsidiary in which the owner of the soil is a principal stockholder or is an employee of such a corporation or subsidiary;
(3) a partnership in which the owner of the soil is a partner or is an employee of such a partnership;
(4) a principal stockholder or employee of the corporation which is the owner of the soil;
(5) a partner or employee in a partnership which is the owner of the soil;
(6) a fiduciary for the owner of the soil; including but not limited to a guardian, trustee, executor, administrator, receiver, or conservator for the owner of the soil; or
(7) a family member of the owner of the soil or related to the owner of the soil by marriage, blood, or adoption.

28. RELEASES. Under the conditions contained in this paragraph and Paragraph 29, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

29. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

31. FIDUCIARY DUTY. The owner of the soil owes the State a fiduciary duty and must fully disclose any facts affecting the State's interest in the leased premises. When the interests of the owner of the soil conflict with those of the State, the owner of the soil is obligated to put the State's interests before his personal interests.

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty 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 if Lessee should 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 under the terms of the Relinquishment Act. 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.

33. LIEN. In accordance with Texas Natural Resources Code 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 Texas Natural Resources Code 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, Chap. 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.

34. POOLING. Lessee is hereby granted the right to pool or unitize the royalty interest of the owner of the soil under this lease with any other leasehold or mineral interest for the exploration, development and production of oil or gas or either of them upon the same terms as shall be approved by the School Land Board and the Commissioner of the General Land Office for the pooling or unitizing of the interest of the State under this lease pursuant to Texas Natural Resources Code 52.151-52.154. The owner of the soil agrees that the inclusion of this provision in this lease satisfies the execution requirements stated in Texas Natural Resources Code 52.152.

35. INDEMNITY. Lessee hereby releases and discharges the State of Texas and the owner of the soil, their officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns, of and from all and any actions and causes of action of every nature, or other harm, including environmental harm, for which recovery of damages is sought, including, but not limited to, all losses and expenses which are caused by the activities of Lessee, its officers, employees, and agents arising out of, incidental to, or resulting from, the operations of or for Lessee on the leased premises hereunder, or that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement, or by any other negligent or strictly liable act or omission of Lessee. Further, Lessee hereby agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees and agents, their successors or assigns, against any and all claims, liabilities, losses, damages, actions, personal injury (including death), costs and expenses, or other harm for which recovery of damages is sought, under any theory including tort, contract, or strict liability, including attorneys' fees and other legal expenses, including those related to environmental hazards, on the leased premises or in any way related to Lessee's failure to comply with any and all environmental laws; those arising from or in any way related to Lessee's operations or any other of Lessee's activities on the leased premises; those arising from Lessee's use of the surface of the leased premises; and those that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement or any other act or omission of Lessee, its directors, officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns. Each assignee of this Agreement, or an interest therein, agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees, and agents in the same manner provided above in connection with the activities of Lessee, its officers, employees, and agents as described above. **EXCEPT AS OTHERWISE EXPRESSLY LIMITED HEREIN, ALL OF THE INDEMNITY OBLIGATIONS AND\OR LIABILITIES ASSUMED UNDER THE TERMS OF THIS AGREEMENT SHALL BE WITHOUT LIMITS AND WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF (EXCLUDING PRE-EXISTING CONDITIONS), STRICT LIABILITY, OR THE NEGLIGENCE OF ANY PARTY OR PARTIES (INCLUDING THE NEGLIGENCE OF THE INDEMNIFIED PARTY), WHETHER SUCH NEGLIGENCE BE SOLE, JOINT, CONCURRENT, ACTIVE, OR PASSIVE.**

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36. ENVIRONMENTAL HAZARDS. Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, the leased premises, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the leased premises any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. Sections 9601, et seq.), or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND THE STATE OF TEXAS AND THE OWNER OF THE SOIL FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.

37. APPLICABLE LAW. This lease is issued under the provisions of Texas Natural Resources Code 52.171 through 52.190, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

38. 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. Once the filing requirements found in Paragraph 39 of this lease have been satisfied, the effective date of this lease shall be the date found on Page 1.

39. LEASE FILING. Pursuant to Chapter 9 of the Texas Business and Commerce 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. This lease is not effective until a certified copy of this lease (which is made and certified by the County Clerk from his records) is filed in the General Land Office in accordance with Texas Natural Resources Code 52.183. Additionally, this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

LESSEE

BY: _____

Title: SWEPI LP

Date: _____

STATE OF TEXAS

BY: _____

BY: Harrison Trust, herein represented by Roddy Harrison, as Trustee and as Agent for the State of Texas.

Date: 6-16-14

I certify this is a true and correct copy of the original filed in Reeves County Clerks Office

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instruments 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 _____, 2014.

_____

Notary Public In and for _____

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instruments 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 _____, 2014.

_____

Notary Public In and for _____

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF REEVES

BEFORE ME, the undersigned authority, on this day personally appeared Roddy Harrison, as Trustee of Harrison Trust, herein represented by 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 16th day of JUNE, 2014.

Jan R. Kett

Notary Public In and for _____

JAN R. KETTER
My Commission Expires
August 02, 2017

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

36. ENVIRONMENTAL HAZARDS. Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, the leased premises, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the leased premises any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. Sections 9601, et seq.), or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. **LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND THE STATE OF TEXAS AND THE OWNER OF THE SOIL FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.**

37. APPLICABLE LAW. This lease is issued under the provisions of Texas Natural Resources Code 52.171 through 52.190, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

38. 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. Once the filing requirements found in Paragraph 39 of this lease have been satisfied, the effective date of this lease shall be the date found on Page 1.

39. LEASE FILING. Pursuant to Chapter 9 of the Texas Business and Commerce 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. This lease is not effective until a certified copy of this lease (which is made and certified by the County Clerk from his records) is filed in the General Land Office in accordance with Texas Natural Resources Code 52.183. Additionally, this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

LESSEE

BY: _____

Title: SWEPI LP by Clifford A. Pulpan, Attorney-in-Fact

Date: June 16, 2014

STATE OF TEXAS

BY: _____

BY: Harrison Trust, herein represented by Roddy Harrison, as Trustee and as Agent for the State of Texas,

Date: _____

I hereby certify that this instrument was filed in Reeves County Clerks Office

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared Clifford A. Pulpan known to me to be the person whose name is subscribed to the foregoing instruments as Attorney-in-Fact of SWEPI LP 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 16th day of June, 2014.

W. C. DICKERSON
Notary Public, State of Texas
My Commission Expires
May 20, 2016

Notary Public in and for Texas

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instruments 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 _____, 2014.

Notary Public in and for _____

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared Roddy Harrison, as Trustee of Harrison Trust, herein represented by 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 _____, 2014.

Notary Public in and for _____

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

40. Notwithstanding anything herein to the contrary in the above Oil and Gas Lease, it is agreed and understood as follows, to-wit:

1. **OIL AND GAS ONLY.** This lease covers only oil, gas and associated hydrocarbons. No fresh or potable water may be taken from Lessor's land without Lessor's prior written consent.

2. **NO PETS, FIREARMS OR RECREATION.** Lessee shall keep its employees from hunting, fishing and carrying firearms on the leased premises at all times. During the recognized deer hunting season, all pumpers shall exit the premises prior to 4:00 o'clock P.M., unless on an emergency basis to prevent harm or damage to any well or during actual drilling operations. Lessee shall use its best effort to ensure that no arrowheads and/or other artifacts are removed from the leased premises.

3. **COPIES OF REPORTS.** Upon written request from Lessor, Lessee agrees to furnish Lessor with copies of any and all reports filed with the Texas Railroad Commission.

4. **METERS.** Lessor shall have the right, but not the obligation, to request, in writing, that Lessee install a meter on any well drilled pursuant to this Lease, provided that such well does not already have an installed meter. If the well does not already have an installed meter and the Lessor makes a request in writing to Lessee to install a meter, Lessee will install a meter, of its choice and at Lessor's sole, cost, and expense. In no event shall Lessor be permitted to challenge Lessee's choice in meter or installation, nor shall Lessor be allowed to install its own meter on any well located drilled or operated by Lessee or on any well in which Lessee has an interest.

5. **AGENT OR EMPLOYEES.** Lessor and/or Lessor's representatives or employees ("Lessor's Personnel") shall, at Lessor's sole cost, risk, and expense, be provided reasonable access to the logging truck and other locations deemed acceptable by Lessee at the site of any well drilled on the leased premises, provided that personnel of Lessee's choice accompanies Lessor or Lessor's Personnel at all times during such site visits. Lessor or Lessor's Personnel shall be restricted from accessing the rig floor, or any other areas of the drill site deemed off-limits by Lessee. Lessor is only entitled to observe Lessee's operations and in no way shall Lessor be permitted to interfere or interact with or interrupt Lessee's operations. Additionally, Lessor or Lessor's Personnel shall provide Lessee at least 48 hours written notice before accessing any such sites. Lessor or Lessor's Personnel shall have all required certifications and trainings completed, at Lessor's cost, before accessing any such sites and shall comply with all rules, regulations, standards, or procedures of Lessee while on any such visit.

6. **INDEMNIFICATION.** Lessor shall indemnify, release, and hold Lessee harmless for any damage, harm, injury, claim, loss, expense (including reasonable attorney's fees) or liability that, regardless of fault, arises from or relates to (1) the installation of meters on wells drilled pursuant to this Lease, where Lessor has requested such an installation or (2) Lessor's access, use, or conduct at any sites Lessee is allowed to access or visit pursuant to this Agreement.

7. **RELEASE.** Within ninety (90) days after this lease terminates for any reason, as to all or any part of the leased premises, Lessee shall execute and place of record in the Office of the Reeves County Clerk a release covering such portion of the leased premises upon which the lease has terminated and shall deliver a copy of such recorded lease to Lessor.. If Lessee has not provided the release, Lessor shall provide written notice to Lessee requesting a release and upon receipt, Lessee shall have thirty (30) days in which to execute a release and place of record as outlined above. If after thirty (30) days after Lessee's receipt of such notice from Lessor, Lessee still has not delivered a release, then Lessor shall be entitled to recover its cost in obtaining same, including reasonable attorney's fees.

8. **PITS AND RESTORATION.** Lessee agrees that at such time as a drilling pad or tank battery site ceases to be used as such, to remove surface caliche placed thereon, to re-seed with native grasses in re-seeding season, and to restore the site to the maximum extent possible to its original condition. Lessee shall remove from the leased premises all drilling mud, and level, re-seed and restore pit sites fully.

9. **TANKS.** All newly constructed tanks will be placed as near as practical to the wellhead and will be constructed of fiberglass or other nonporous material to prevent leakage.

10. **FENCES.** Lessee shall promptly construct and maintain fences around Lessee's tank batteries and pits sufficient to keep cattle and other livestock out of such sites.

11. **CALICHE.** All caliche removed from the location at restoration shall be placed upon existing roadways or in existing caliche pits. No caliche may be removed from the leased premises.

12. **PAINT.** Lessee will paint all of Lessee's equipment with non-toxic paint and will police each well site to remove all trash therefrom caused by Lessee's operations.

WITH LESSOR'S CONSENT

13. **WATER.** Lessee shall have the right to drill water wells on the leased premises , at Lessee's sole cost, to obtain water for its operations conducted under the authority granted in this lease. ~~Lessee shall have the use of the water produced from the water well at no cost until such time~~ as the ~~reasonable~~ and documented expenses of drilling the water well and equipping the same is recouped at an ~~agreed~~ upon rate. Lessee may use the water from the well by paying Lessor a reasonable charge for ~~such water~~. Lessee may not use water from Lessor's existing water well(s) or drill additional water well(s) ~~without~~ the express written consent of Lessor, which consent shall not be unreasonably withheld. ~~Without Lessor's~~ consent, in no event shall any water well be used as the source of water for any injection or ~~secondary~~ recovery operations. Should Lessee drill a water well on the leased premises , then upon cessation of use of same, ~~the owner of the soil shall become the owner of such water well; however, Lessee shall have~~

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

6-16-14

~~the right to remove any pumps and other temporary equipment used in connection with the~~ operation of ~~such~~ well. Lessee will leave the cased water well in such condition that the owner of the soil may reenter ~~said well~~ and replace pumps and equipment without remedial work to the existing well bore. In the event the ~~owner of the~~ soil desires, for any reason, not to own such water well, Lessee shall properly cap (but not plug) ~~such~~ water well in ~~accordance with applicable governmental regulations, at Lessee's sole cost.~~

RCH
6-16-24

14. **ROADS** . Lessee agrees to maintain all roads it uses with at least a two inch (2") caliche base, crowned in the center and a width of at least fourteen feet (14'), except at fence crossings, where the width shall be the width of the gate; Lessee shall install and maintain at each fence crossing used in connection with Lessee's operations a cattle guard of good quality and sufficient to turn cattle, sheep and goats. In no event shall any road now existing or hereafter constructed by Lessee on Lessor's land be used to access any surface acreage not owned by Lessor.

15. **FOREIGN PLANTS PREVENTION**. Lessee agrees, at Lessor's written request, to wash all vehicles and equipment used for drilling, work over or seismic, prior to entry of said premises in such a manner to free all vehicles and equipment from bitterweed, grass, burrs, cockleburs, horehound and other foreign plants.

16. **FOREIGN PLANTS-REMEDIES**. Lessee shall hereafter control the bitterweed, grass burr, cockleburs, horehound and other foreign plants on and within thirty feet (30') of any construction area or roads used by Lessee, so that same in said area shall not be any more prevalent after construction than before construction. The word "foreign "shall mean plants not now growing in the same described area. In the event Lessor shall find any of the above listed plants growing in said area or working area, Lessor shall notify Lessee in writing, and Lessee shall, within two (2) weeks from the receipt of such notice eradicate such plants.

17. **DISPOSAL**. In no event shall any well(s) drilled by Lessee be used for the disposal of salt water and/or other fluids without Lessor's prior written consent.

41. Lessor has advised that certain, specific, individual(s) shall not be allowed access to the lands herein described. To the extent reasonably possible, Lessee hereby agrees to restrict access to the specific individual(s) defined by Lessor. Lessor agrees to deliver by written request notice to Lessee of the specific individual(s) to be denied access.

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

Inst No. 14-05527
DIANNE O. FLOREZ
COUNTY CLERK
2014 Jun 17 at 02:14 PM
REEVES COUNTY, TEXAS
By: VG DEPUTY

DRAFT ONE ACCOUNT
TEXAS GENERAL LAND OFFICE

14713942

Check Number: D7122
Check Date: Jun 16, 2014
Check Amount: $320,000.00

Item to be Paid - Description	Amount Paid
LEASE TAKEN F/B/O SWEPI LP	320,000.00

121

14713942 7122

ACADIAN LAND SERVICES LLC
DRAFT ONE ACCOUNT
101 W. FARREL RD. - BLDG. 1
LAFAYETTE, LA 70508
PH. (337) 237-0069

Home Bank
P.O. Box 81459
Lafayette, LA 70598-1459
[redacted]

EZShield™ Check Fraud Protection for Business

#8114

DATE: Jun 16, 2014
AMOUNT: *********$320,000.00

PAY Three Hundred Twenty Thousand and 00/100 Dollars

TO THE ORDER OF:
TEXAS GENERAL LAND OFFICE
1700 NORTH CONGRESS AVE
ROOM 600
AUSTIN, TX 78701-1495

VOID AFTER 90 DAYS

AUTHORIZED SIGNATURE

Security features. Details on back.

⑈007122⑈ [redacted]⑈

TEXAS GENERAL LAND OFFICE

14713944

Check Number: P31629
Check Date: Jun 16, 2014
Check Amount: $100.00

Item to be Paid - Description	Amount Paid
MISC - CHARGEBACKS	X 100.00

121

ACADIAN LAND SERVICES, L.L.C.
OPERATING ACCOUNT
101 W. FARREL RD, BUILDING 1
LAFAYETTE, LOUISIANA 70508
(337) 237-0069

Home Bank
P.O. Box 81459
Lafayette, LA 70598-1459
[redacted]

14713944 31629

Jun 16, 2014
DATE

**********$100.00
AMOUNT

One Hundred and 00/100 Dollars

PAY TO THE ORDER OF
TEXAS GENERAL LAND OFFICE
1700 NORTH CONGRESS AVE
ROOM 600
AUSTIN, TX 78701-1495

VOID AFTER 90 DAYS

AUTHORIZED SIGNATURE

Security features. Details on back.

⑈031629⑈ [redacted]

TEXAS GENERAL LAND OFFICE 14713943

Check Number: p31628
Check Date: Jun 16, 2014
Check Amount: $25.00

Item to be Paid - Description	Amount Paid
MISC - CHARGEBACKS	25.00

X

121

ACADIAN LAND SERVICES, L.L.C.
OPERATING ACCOUNT
101 W. FARREL RD, BUILDING 1
LAFAYETTE, LOUISIANA 70508
(337) 237-0069

Home HB Bank
P.O. Box 81459
Lafayette, LA 70598-1459
[redacted]

14713943 31628

Jun 16, 2014 DATE

**********$25.00 AMOUNT

Twenty-Five and 00/100 Dollars

PAY TO THE ORDER OF
TEXAS GENERAL LAND OFFICE
1700 NORTH CONGRESS AVE
ROOM 600
AUSTIN, TX 78701-1495

VOID AFTER 90 DAYS

AUTHORIZED SIGNATURE

Security features. Details on back.

⑈031628⑈ [redacted]

ACADIAN LAND SERVICES

June 17, 2014

Mineral Leasing Division
Texas General Land Office
Attn: Drew Reid
1700 North Congress Avenue
Room 600
Austin, Texas 78701-1495

RE: Oil and Gas Lease
Reeves County, Texas
East Half of Sections 37 and 38, Block 56
Harrison Trust-(Back dated Lease)

Dear Mr. Reid,

Enclosed please find a certified copy of the fully executed Oil and Gas Lease on the above described lands along with a check in the amount of $25.00 to cover the filing fee and a check in the amount of $320,000.00 representing the State's share of the bonus. The State's processing fee of $100.00 is also included in this package.

Please do not hesitate to call should you have any questions.

Sincerely,

Zachary C. Hunter

Enclosures

Acadian Land Services, L.L.C.
Lease Acquisitions • Seismic Permits • Abstracting of Title • Mapping
101 W. Farrel Rd.-Bldg. 1 - 70508
Post Office Box 80487 • Lafayette, LA 70598-0487
Phone 337.237.0069 • Fax 337.233.3020
E-mail: contact@acadianland.com

File No. ME104871 (34)

Copy of new lease, bonus, filing fees

Date Filed: 06/19/2014

Jerry E. Patterson, Commissioner

By

MEMO TO FILES MF104871 & MF116656

Date: 06/30/2014

From: Linda Price

RE: Lease Termination & New Lease

During the period from August 2012 through May 2013, there was no production reported for the Harrison State 56-38 #3ST (API# 42-389-32425). Production resumed June 2013 and continued for the duration of the review of the lease.

During the period from November to December 2012 and February through June 2013, there was no production reported for the Harrison State 56-37 #1 (API 42-389-32460). Production resumed July 2013 and continued for the duration of the review of the lease.

The non-production time period coincided with the assignment by Chesapeake to SWEPI of its interest in the lease.

By letter dated February 19, 2014, the GLO notified SWEPI that the lease was terminated effective April 1, 2013 absent evidence that operations adequate to perpetuate the lease were conducted without interruption in excess of sixty (60) cumulative days.

The letter also informed SWEPI that the GLO would approve either Option 1) SWEPI could negotiate with the owner of the soil a one-year lease back-dated to April 1, 2013 for the 640 acres covering the 320-acre proration unit of the Harrison State 56-38 #3ST located in the East-Half of Section 38 and the 320-acre proration unit of the Harrison State 56-37 #1 located in the East-Half of Section 37, with the bonus to be shared equally between the owner of the soil and the State or, Option 2)SWEPI could negotiate a new, long term lease with the surface owner at the market rate. The GLO gave SWEPI 30 days from the receipt of the options offer in which to respond.

By email dated March 20, 2014, SWEPI elected to pursue Option 1.

The GLO later decided that the administration of the new lease would most efficiently be managed by giving it a new lease number instead of adding the new lease to the original lease number file. The old lease, MF104871, was terminated as of March 31, 2013, rather than April 1, 2013, in order for both of the leases not to exist simultaneously.

File No. ME104871 (35)

Memo To File

Date Filed: 06/30/2014

Jerry E. Patterson, Commissioner

By JBP

15-01065
FILED FOR RECORD
REEVES COUNTY, TEXAS
Feb 03, 2015 at 02:41:00 PM

SWEPI Lease No. TX02307-001
State of Texas Lease No. MF104871

RELEASE OF STATE OIL AND GAS LEASE

VOL 1142 PG 0791

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 lessors, their heirs, successors, and assigns, all right, title and interest in and to that certain Oil and Gas Lease, dated April 27, 2005, made between the State of Texas, acting by and through its agent, Harrison Trust, Roddy L. Harrison, Trustee, as Lessors, and Wood Petroleum Land Management, Inc., as Lessee, recorded in Volume 699 at Page 29 as Entry 001555 of the Official Public Records of Real Property of Reeves County, Texas, and described as follows:

Sections 9, 10, 14, 15, 22, 23, 24, 25, 26, W2 of 31, W2 of 35, 36, 37, 38 & 42 Block 56 PSL; Sections 19, 21, 22, 28, 29 & 31 Block 57 PSL

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 April 1, 2013.

SWEPI LP

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

ACKNOWLEDGEMENT

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on this 2nd day of February 2015 by George K. Zimmerman, as Attorney-in-Fact for SWEPI LP, a Delaware limited partnership, on behalf of said limited partnership.

MARGARET BRADFORD MCGEHEE
Notary Public, State of Texas
My Commission Expires
October 03, 2017

Margaret Bradford McGehee
Notary Public, State of Texas

91-22-4

SWEPI Lease No. TX02307-001
State of Texas Lease No. MF104871

RELEASE OF OIL AND GAS LEASE DATED EFFECTIVE APRIL 1, 2013, BY SWEPI LP, AND TITLEHOLDER TEXAS, LLC

TITLEHOLDER TEXAS, LLC

By: SWEPI LP, its Manager

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

VOL 1142 PG 0792

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on the 2nd day of February 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.

Margaret Bradford McGehee
Notary Public, State of Texas

MARGARET BRADFORD MCGEHEE
Notary Public, State of Texas
My Commission Expires
October 03, 2017

Inst No. 15-01065
DIANNE O. FLOREZ
COUNTY CLERK
2015 Feb 03 at 02:41 PM
REEVES COUNTY, TEXAS
By: ER Elizabeth Reyes DEPUTY

51.00

36.

File No. 104871

County

Release

Date Filed: 04/22/15

George P. Bush, Commissioner

By

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

April 21, 2015

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

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

8826

SHELL EXPLORATION & PRODUCTION COMPANY
LAND & CONTRACTS

15710902

[redacted]

DATE April 21, 2015

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

Nine hundred twenty five and no/100----------DOLLARS

citibank
CITIBANK, N.A. BR. #99920
1 PENNS WAY, OPS 2/2ND FLOOR
NEW CASTLE, DE 19720

FOR Filing Fees

Terry Sloyan

MP

⑈00008826⑈ [redacted]

File No. 104871

_____ County

Ltr + fees - release

Date Filed: 04/22/15

George P. Bush, Commissioner

By _____

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

MF 104871

ID 6746 updated Lse #

March 26, 2009

Shirley Ryan-Ameller
Graves & Co.
1415 Louisiana, Suite 2100.
Houston, TX 77002

RE: GLO Assignment ID # 6746

Dear Ms. Ameller,

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, Conveyance and Bill of Sale, executed December 15th, 2008, from Hallwood Energy, LP, as Assignor, to FEI Shale LP, as Assignee. Reeves County Vol. 811, P. 326.

Filing fees of $50.00 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

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

MF ~~105456~~ 104871
105848
109998 - D.R.

Exhibit "A"

GLO ID	*County*	*Lease*	
6746	*Reeves*	~~MF105456~~	104871
6746	*Reeves*	MF105848	
6746	*Reeves - Free Royalty Leases*	MF109998	

Reeves

BOOK 811 PAGE 326

FILE # 5716

MF 109998-FR
105848
104792

ASSIGNMENT, CONVEYANCE AND BILL OF SALE
(SECTION 3.3 INITIAL MILESTONE)

STATE OF TEXAS §

COUNTY OF REEVES §

This ASSIGNMENT, CONVEYANCE AND BILL OF SALE (this "Assignment") dated October 1, 2008, is from HALLWOOD ENERGY, L.P., a Delaware limited partnership ("Assignor"), with offices at 3710 Rawlins, Suite 1500, Dallas, Texas 75219, to FEI SHALE L.P., a Delaware limited partnership ("Assignee"), with offices at c/o 2000 888 3rd St. S.W., Calgary, Alberta, Canada T2P 5C5, upon and subject to the following terms and conditions:

1. Certain Definitions. For purposes of this Assignment, the following capitalized terms shall have the meanings herein ascribed to them below:

"Acquisition Agreement" means that certain Acquisition and Farmout Agreement dated as of June 9, 2008, by and among Assignee, Assignor, Hallwood Gathering, L.P., Hallwood Petroleum, LLC, and Hallwood SWD, LLC, as heretofore amended, supplemented, restated or otherwise modified from time to time.

"Applicable Percentage" means that percentage of the Assets which, when combined with the interests in the Assets previously assigned to Assignee pursuant to the Acquisition Agreement, will result in the ownership of the Assets to be held in the following proportions: 80% by Assignor, and 20% by Assignee.

"Assets" means (i) the Subject Properties and (ii) the Related Properties, but specifically excluded from the term "Assets" and the transactions contemplated by this Assignment are the Excluded Interests and Assignor's (x) real property assets located in the State of Nevada and (y) corporate offices located in Dallas, Texas and production offices located in Searcy, Arkansas and Lafayette, Louisiana, including associated leasehold interests, real property and furniture, fixtures and equipment.

"Disposition" means the sale, exchange, conveyance, assignment, transfer, farm-out or other disposition of a property.

"Effective Date" means 7:00 a.m., Dallas, Texas time, on June 9, 2008, at the location of the Assigned Interests.

"Encumbrance" means any option, pledge, mortgage, deed of trust, security interests, lien, charge, encumbrance or restriction (whether on voting, sale, transfer, disposition or otherwise), whether imposed by agreement, understanding, law or otherwise, except those arising under applicable federal or state securities laws.

STATE OF TEXAS REEVES COUNTY

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60.12.1

"Equipment" means all equipment, fixtures, physical facilities or interests therein (including but not limited to gathering lines, pipelines, and gas plants but excluding the Hallwood Gathering System) of every type and description.

"Excluded Interests" means (i) the Hallwood Gathering System and (ii) that portion of the Assets with respect to which Assignor conveyed an undivided 33.33% of Assignor's interest to Assignee pursuant to Section 3.2 of the Acquisition Agreement on or before the date of this Assignment, which Assets are more particularly described in Exhibit B attached hereto and incorporated herein by reference.

"Governmental Entity" means any federal, state, municipal, domestic or foreign court, tribunal, administrative agency, department, commission, board, bureau or other governmental authority or instrumentality.

"Hallwood Gathering System" is defined in the Acquisition Agreement.

"Hydrocarbons" means oil, natural gas and/or other liquid and gaseous hydrocarbon substances (including shale gas) or any combination thereof.

"Oil and Gas Contracts" means all area of mutual interest agreements, farmout or farmin agreements, bottom hole or acreage contribution agreements, operating agreements, unit agreements, unit operating agreements, water flood agreements, unitization declarations or orders, joint venture, exploration, participation or acquisition agreements, division orders, Production Sales Agreements, exchange, processing, gathering or transportation agreements, easements and rights-of-way, salt water disposal agreements, surface leases and surface use agreements, water leases and water usage rights and all other contracts and agreements affecting or relating to the ownership or operation of any Oil and Gas Properties or the Disposition of Hydrocarbons produced therefrom.

"Oil and Gas Leases" means oil, gas and mineral leases, oil and gas leases, subleases, assignments of operating rights and similar agreements, and any extensions and renewals thereof.

"Oil and Gas Properties" means (i) Oil and Gas Leases and (ii) all other oil, gas or mineral properties, mineral servitudes and mineral rights of any kind (including, without limitation, mineral fee interests, overriding royalty and royalty interests, net profits interests, oil payment interest, production payment interest and other types of mineral interests).

"Permitted Encumbrances" is defined in the Acquisition Agreement.

"Person" means an individual, partnership, corporation, association, limited liability company, joint stock company, trust, joint venture, unincorporated organization, or Governmental Entity (or any department, agency, or political subdivision thereof).

"Production Sales Agreements" is defined in the Acquisition Agreement.

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"Records" means all geographical and geophysical maps, seismic data and information, records, land records, division orders, production files and all other records and files.

"Related Properties" means, at any date, with respect to the Subject Properties, a corresponding interest in and to all other property (tangible or intangible), rights and interests incident to the ownership and operation thereof, including without limitation, (i) all presently existing and valid unitization and pooling declarations, agreements, and/or orders and the contractual right to the properties covered in the units created thereby (including all units formed under orders, regulations, rules, or other official acts of any Governmental Entity having jurisdiction) insofar as the same relate to or affect the Subject Properties , except to the extent such properties constitute Subject Properties; (ii) all Equipment, goods and other personal property insofar as the same are located on or used or held for use in connection with the Subject Properties; (iii) all Oil and Gas Contracts insofar as the same relate to the Subject Properties; (iv) all permits, franchises and licenses insofar as the same relate to the Subject Properties; (v) all (A) proprietary Seismic Data and (B) to the extent in Assignor's possession and transferable without material restriction on, or payment of a transfer or licensing fee by, the transferee (unless Assignee for its own account agrees to observe any such restriction or pay any such fee if Assignee cannot, through the exercise of reasonable commercial efforts, obtain a waiver thereof if requested to do so by Assignee), all Seismic Data jointly owned by Assignor with, or licensed by Assignor from, other Persons; and (vi) the Records related thereto.

"Seismic Data" means, to the extent covering or affecting the Subject Properties, all seismic, geological and geophysical data, together with Assignor's proprietary interpretations thereof.

"Subject Properties" means all of Assignor's rights, title and interests in and to the Oil and Gas Properties described in Exhibit A attached hereto and incorporated herein by reference for all purposes.

2. Assignment. For Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby transfers, grants, conveys and assigns the Applicable Percentage of the Assets to Assignee, effective as of the Effective Date. The properties, rights and interests being conveyed to Assignee pursuant to this Assignment are sometimes referred to herein as the "Assigned Interests".

3. Further Assurances. Assignor agrees to execute and deliver such other and further instruments and will do such other and further acts as may be necessary or desirable to carry out more effectively the intents and purposes of this Assignment. Furthermore, in the event that, under applicable federal or state statutes or regulations or by virtue of contractual obligations, a separate assignment of any of the Assigned Interests is required to be executed by Assignor on an approved form or on a separately executed instrument, such separate assignment shall be so executed on such approved forms or on such separate assignment in sufficient counterparts to satisfy any such statutory, regulatory or contractual requirements.

4. Substitution and Subrogation. This Assignment is made with full substitution and subrogation of Assignee, its successors and assigns in and to all covenants and warranties

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heretofore given or made in respect of any of the Assigned Interests, and Assignor hereby assigns and conveys to Assignee all such covenants and warranties and all of Assignor's rights thereunder which relate to the Assigned Interests.

5. Warranties. This Assignment is made without covenant or warranty of any kind except that, subject to Permitted Encumbrances, (i) Assignor warrants title to the Assigned Interests, by, through or under Assignor, but not otherwise, and (ii) Assignor warrants that the Assigned Interests are free and clear of all Encumbrances. Additionally, to the extent that this Assignment constitutes an assignment of personal property or fixtures, Assignor expressly disclaims and negates (a) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, (b) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, and (c) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIAL.

6. Acquisition Agreement. This Assignment is expressly made subject to the terms and provisions of the Acquisition Agreement.

7. Successors and Assigns. This Assignment shall bind and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

TO HAVE AND TO HOLD the Assigned Interests unto Assignee, its successors and assigns forever.

[Signature Page Follows]

STATE OF TEXAS REEVES COUNTY

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60.12.1

EXECUTED as of the date set out above, but effective as of the Effective Date.

ASSIGNOR:

HALLWOOD ENERGY, L.P.

By: Hallwood Energy Management, LLC,
its general partner

By: _____
Name: Tony Strehlow
Title: CFO/Secretary

ASSIGNEE:

FEI SHALE L.P.

By: FEI Shale GP Inc.,
its general partner

By: _____
Shirley Rattray
Team Leader, Contracts and Lease
Administration

[*Signature Page to Assignment*]

STATE OF TEXAS
REEVES COUNTY

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

60-12-1

STATE OF TEXAS §
§
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me on December 15, 2008 by Tony Strehlow, CFO/Secretary of Hallwood Energy Management, LLC, a Delaware limited liability company, in its capacity as general partner of Hallwood Energy, L.P., a Delaware limited partnership, on behalf of said limited partnership.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 15 day of December 2008.

Katrina L. Chappell
NOTARY PUBLIC, State of Texas
Katrissa L. Chappell

My commission expires:
01/13/2010

PROVINCE OF ALBERTA §
§
COUNTRY OF CANADA §

The foregoing instrument was acknowledged before me on December 16, 2008 by Shirley Rattray, Team Leader, Contracts and Lease Administration of FEI Shale GP Inc., a Delaware corporation, in its capacity as general partner of FEI Shale L.P., a Delaware limited partnership, on behalf of said limited partnership.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 16th day of December 2008.

NOTARY PUBLIC, Province of Alberta
DEAN W. McCLUSKEY
BARRISTER & SOLICITOR

My commission expires:
At the pleasure of Her Majesty Queen Elizabeth II

[*Notarization Page to Assignment*]

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60.12.1

Exhibit A

Attached to and made a part of that certain Assignment, Conveyance and Bill of Sale (Section 3.3 Initial Milestone), dated effective June 9, 2008, between Hallwood Energy, L.P. as Assignor, and FEI Shale L.P. as Assignee.

LESSOR	COUNTY	LEASE DATE	RECORDING BK/PD
James O. Griffin, Jr.	REEVES	10/15/2004	687/456
Ronald G. Griffin	REEVES	10/15/2004	687/460
Donita Griffin Hunter	REEVES	10/15/2004	687/464
Rex C. Griffin, Jr.	REEVES	10/15/2004	687/468
Jocelyn McAlpine Greeman, et al	REEVES	10/25/2004	694/556
State of Texas	REEVES	10/25/2004	694/556
Jocelyn McAlpine Greeman, et al	REEVES	10/25/2004	694/570
State of Texas	REEVES	10/25/2004	694/570
Clifford Robertson, III	REEVES	10/25/2004	694/791
Clifford Robertson, III	REEVES	11/1/2004	694/591
Carol Hall Majzlin	REEVES	10/25/2004	694/587
Clifford P. Robertson	REEVES	10/25/2004	696/212
State of Texas	REEVES	10/25/2004	696/212
Joseph S. Billeiter	REEVES	12/10/2004	696/537
David J. Billeiter	REEVES	12/10/2004	696/541
Lisa Ann Hughes	REEVES	12/10/2004	696/545
Bessie V. Hays	REEVES	12/10/2004	696/549
David H. Mitchell, Jr.	REEVES	12/10/2004	696/553
Betty B. Armstrong	REEVES	12/10/2004	696/557
Dorothy Jean Hill	REEVES	12/10/2004	696/561
Diana J. McCabe	REEVES	12/10/2004	696/565
Peter Craig Billeiter	REEVES	12/10/2004	696/569
Charles W. Benson	REEVES	1/5/2005	697/38
State of Texas	REEVES	1/5/2005	697/38&48
David Shelton	REEVES	1/5/2005	697/48
Eugenia Benson	REEVES	1/5/2005	697/58
State of Texas	REEVES	1/5/2005	697/58&68
Mary Ann Shelton	REEVES	1/5/2005	697/68
Harrison Trust	REEVES	4/27/2005	699/29
State of Texas	REEVES	4/27/2005	699/29
Jocelyn McAlpine Greeman	REEVES	10/25/2004	699/340
A. R. Eppenauer, III	REEVES	3/28/2005	699/58
Edwin H. Eppenauer	REEVES	3/28/2005	699/58
George Brackenridge Foundation	REEVES	11/7/2005	717/130
State of Texas	REEVES	11/7/2005	717/130
Michael D. Leonard Trustee	REEVES	9/30/2005	718/498
State of Texas	REEVES	5/3/2005	718/498&508
Carolyn Crockett Bell	REEVES	9/30/2005	718/508

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

EXHIBIT B

EXCLUDED INTERESTS

The "Assets", as such term is defined in any instrument captioned "Assignment, Conveyance and Bill of Sale (Section 3.2)" and executed by Assignor and Assignee on or prior to the date hereof, specifically including the Oil and Gas Properties described below to the extent covered by the Proration Units established for the following Wells:

WELL NAME	AR LEASE #	Lessor	Lease Date	COUNTY	RECORD BK/PG
Harrison 56-38-#3 Re-entry/re-drill Limited to Section 38, Block 56, T&P RR Co. Survey	R111-1	Harrison Trust	4/27/2005	REEVES	699/29
	R111-2	State of Texas	4/27/2005	REEVES	699/29
Brackenridge State 57-44 #1 Section 44 Block 57 PSL Survey 105848	R113-1	George Brackenridge Foundation	11/7/2005	REEVES	717130
	R113-1	State of Texas	11/7/2005	REEVES	717/130
Robertson 71 Section 15 Block 71 PSL Survey 104792	R106-1	Jocelyn McAlpine Greeman, et al	10/25/2004	REEVES	694/570
	R106-2	State of Texas	10/25/2004	REEVES	694/570
Robertson 265 #1 ST Section 265, L. Cargill Survey	R101-1	Carol Hall Majzlin	10/25/2004	REEVES	694-791
	R101-2	Jocelyn McAlpine Greeman	10/25/2004	REEVES	699/340
	R101-3	Clifford Robertson, III	10/25/2004	REEVES	694/587
Pelican Ranch #2 SWD	R101-1	Carol Hall Majzlin	10/25/2004	REEVES	694/791
	R101-2	Joyce M. Greeman	10/25/2004	REEVES	699/340
	R101-3	Clifford Robertson, III	10/25/2004	REEVES	694/587

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# 5716

FILED FOR RECORD ON THE 23RD DAY OF DECEMBER A.D. 2008 2:29 P M.

DULY RECORDED ON THE 29TH DAY OF DECEMBER A.D. 2008 10:00 A M.

BY: _____, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

60.12.1

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. 811, PAGE 326, THRU 333. OFFICIAL PUBLIC RECORDS

I hereby certified on 12/30/2008

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY
JOSIE FLORES

1.31.09

Graves & Co. ✓

6062

Commissioner of Texas General Land Office

1/16/2009

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
1/16/2009	Bill	fort/11609	50.00	50.00	03008292	50.00
				Check Amount		50.00

129

Bank Of America Filing fees for 2 documents for Fortuna/Hallwood 3301046 50.00

Digitized by Google

GRAVES & CO.
The Energy Transaction Specialists

January 16, 2009

Ms. Beverly Boyd
Texas General Land Office
1700 N. Congress
Austin, TX 78701

Re: HALLWOOD ENERGY, LP

Dear Ms. Boyd:

Please find the following two (2) certified copies of the conveyances between Hallwood Energy, L.P. and FEI Shale L.P. recorded in the Real Property records of Reeves County, Texas for filing in your office:

1. *Assignment, Conveyance and Bill of Sale* (Section 3.2)
   OPR Book 811 — Page 334 thru 341 DATE RECORDED 12/30/2008;

2. *Assignment, Conveyance and Bill of Sale* (Section 3.3 Initial Payment)
   OPR Book 811 Page 326 thru 333 DATE RECORDED 12/30/2008.

Please find the enclosed firm check numbered 6062 in the amount of $50.00 to cover the fee for filing two (2) documents at $25.00 each.

Thank you in advance and please let us know if we should provide anything additionally at this time.

Regards,

Shirley Ryan-Ameller

1415 Louisiana, Suite 2100 • Houston, Texas 77002
Phone: 713/650-0811 • Fax: 713/650-0840 • www.graves-co.com • Email: gravesco1@aol.com

60-12-1

From: "Shirley Ryan" <sryan@graves-co.com>
To: "'Beverly Boyd'" <Beverly.Boyd@GLO.STATE.TX.US>
CC: <gdarnell@graves-co.com>
Date: 2/10/2009 12:44 PM
Subject: RE: Mineral number request please

Thank you Beverly,
The lease that they sent me is attached and a 2005 lease. We found out recently that they re-leased some of the properties and perhaps this was one. Thank you and again I apologize for the errors that have made your work more cumbersome. I will be mailing out the assignment to you.
Regards,
Shirley

-----Original Message-----
From: Beverly Boyd [mailto:Beverly.Boyd@GLO.STATE.TX.US]
Sent: Tuesday, February 10, 2009 12:31 PM
To: sryan@graves-co.com
Subject: Re: Mineral number request please

That lease number is MF 106580, the lease date is 5/3/06 not 5/3/05.

>>> "Shirley Ryan" <sryan@graves-co.com> 2/10/2009 9:17 AM >>>
Good morning Beverly,

Per my phone message of yesterday, I am forwarding to you a request to obtain a mineral lease number for the attached lease so that we may submit a subsequent assignment.

Please let me know if you need anything additionally. Again, thank you for all of your help in figuring out the last assignment. We have found out that many of the leases have not been filed and assignments have not been recorded. We are in the process of taking care of all of that and we will soon be able to request those mineral numbers as well.

Regards,

Shirley

Shirley Ryan-Ameller

GRAVES & CO.
The Energy Transaction Specialists
2100 Wedge International Tower
1415 Louisiana
Houston, Texas 77002
Ofc: 713/650-0811
Fax: 713/650-0840

sryan@graves-co.com

www.graves-co.com

This message 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 message is not the intended recipient, or the employee or agent responsible for delivering the message to the intended recipient, you are hereby notified that any dissemination, distribution, forwarding, or copying of this communication is strictly prohibited. If you have received this communication in error, please notify the sender immediately by email or telephone, and destroy the original message immediately. Thank you.

FACSIMILE

Texas General Land Office • Jerry Patterson • Commissioner

Date: 2/2/09

To: Shirley Ryan-Ameller
Company: Graves
Fax No.: 713-650-0840
Phone No.:
Re: Free Royalty Leases

From: Beverly Boyd
Sender's Fax No.: 512-463-6521
Sender's Phone No.:
Pages: (4)

Notes:

All the tracts list are on Free Royalty Land.
EXCEPT - Tract 11a, 12b.

FREE ROYALTY
FOR GRAVES
+ Co

The information in this facsimile is intended only for the individual or entity named above. If the reader of this message is not the intended recipient, or the employee or agent responsible to deliver it to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you received this communication in error, please notify us immediately by telephone and return the original message to us at the address below via the U.S. Postal Service.

1700 North Congress Ave. • Austin, Texas 78701-1495
P.O. Box 12873 • Austin, Texas 78711-2873
512-463-5001 • 1-800-998-4GLO

R110

DRAFT

PERRY & PERRY, INC.
Oil and Gas Lease Purchase Report
WEST REEVES PROSPECT

LESSOR:	The Frost National Bank, Trustee for the A.R. Eppenauer Trusts 1 and 2; and the Rachel L. Eppenauer Trusts A and B				
ADDRESS:	P. O. Box 1600, San Antonio, Texas 78296-1400				
TELEPHONE:					
DEPOSITORY:					
SSN OR TAX ID#:					
LEASE DATE:	3/10/2005	**EFFECTIVE DATE:**	3/10/2005	**EXPIRATION DATE:**	3/10/2010
PRIMARY TERM:	5 yr	**ROYALTY:**	22.50%	**RENTALS:**	Paid up
LESSEE:	Perry & Perry, Inc.				
CLIENT:	Hallwood Energy				

COUNTY: Reeves **STATE:** Texas

DESCRIPTION:

TR 1: All of Section 18, Block 55, T&P RR Survey, TWP-7 (680 acres) – FR 150619 → No Lease No permits
TR 2: All of Section 14, Block 56, T&P RR Survey, TWP-7 (732.35 acres) – FR 150623 → " "
TR 3: N/2 NW/4 and the E/2 of Section 30, Block 56, T&P RR Survey, TWP-7 (494 acres) – FR 150626 → " "
TR 4: NE/4 Section 22, Block 57, T&P RR Survey, TWP-7, SAVE & EXCEPT 40.00 acres, being the NE/4 NE/4 - (NE/4 s/e 40 ac). (139.5 acres) } FR 150635 → " "
TR 5: All of Section 2, Block 56, T&P RR Survey, TWP-8 (697 acres) – FR 150629 → " "
TR 6: East Three-quarters (E 3/4) of Section 8, Block 56, T&P RR Survey, TWP-8 (547 acres) – FR 150630 → " "
TR 7: The South 519 acres of Section 20 (S/519), Block 56, T&P RR Survey, TWP-8 (519 acres) – FR 150631 → " "
TR 8: The East 527 acres of Section 30, Block 56, T&P RR Survey, TWP-8 (527 acres) – FR 150632 → " "
TR 9: E/4 of Section 5, Block C-11, PSL Surveys (160 acres) — FR 150666 → M-102642 Depl
TR 10: All of Section 7, Block 51, T&P RR Survey, TWP-8, (640 acres) — FR 150618 → No Lease No permits
TR 11a: E/2 of Section 188, Block 13, H&GN RR Co. Survey (320.0 acres) – Private

CK these FR's Pun Rel

TR 11b: S/2 NW/4; N/2 SW/4, less and except that certain 2.5 acres, more or less out of the southwest corner of the S/2 NW/4, and more fully described in that certain Deed recorded in Vol. 43, page 539, Deed Records, and further excepting that certain 3.00 acres of land, more or less and being a part of that certain strip of land, the West line of which bounds the West line of the S/2NW/4 and N/2SW/4 of Section 188 and conveyed for Railroad purposes pursuant to that certain Deed recorded in Vol. 24, page 376, Deed Records, all lands being a part of Section 188, Block 13, H&GN RR Co. Survey (154.5 acres)

TR 12a: S/2 NE/4 of Section 248, Block 13, H&GN RR Co. Survey (80 acres) FR 150611 → " "
TR 12b: S/2 E3/4 of Section 248, Block 13, H&GN RR Co. Survey (240 acres) – Private

25.00 per lease

10
x25

Energy Resources
Texas General Land Office • Jerry Patterson, Commissioner

Free Royalty Leasing

Contact Info

If you have a question that can't be answered by reading through the Natural Resource Code, our staff would be happy to assist you:

Please send all correspondence related to Free Royalty leasing, including certified copies of leases, to:

Texas General Land Office
Attn: Drew Reid
1700 N. Congress Ave., Suite 600
Austin, TX 78701-1495

The primary Free Royalty leasing contacts are:

Drew Reid	512-475-1534
Daryl Morgan	512-305-9106

Free Royalty Leasing | Hard Minerals | HROW Leasing
Oil Field Development | Pooling | RAL Leasing
Sealed Bid Sales | Seismic Permitting

Mineral Leasing | Energy Home | GLO Home

Send comments to Jonathan Painter

2110

ORIGINAL

OIL AND GAS LEASE

MEMO SENT FOR RECORDING

THIS AGREEMENT made this 10th day of March, 2005, by and between **THE FROST NATIONAL BANK, Trustee for the A.R. Eppenauer Trusts 1 and 2 Account No. F0564700; and the Rachel L. Eppenauer Trusts A and B Account No. F0676300,** as Lessor, whose address is P.O. Box 1600, San Antonio, Bexar County, Texas 78296-1400, and **Perry and Perry Inc.,** whose address is **214 W. Texas, Suite 1200, Midland, Texas 79702,** as Lessee,

WITNESSETH:

1. Lessor, in consideration of Ten and No/100 Dollars ($10.00) and other good and valuable consideration in hand paid, the receipt of which is hereby acknowledged, of the royalties herein provided, and of the covenants, agreements and obligations hereinafter contained on the part of Lessee to be kept and/or performed and upon the conditions and with the limitations hereinafter set forth and contained, hereby GRANTS, LEASES and LETS exclusively unto said Lessee for the sole and only purpose of investigating, exploring, prospecting, drilling and operating for, developing and producing oil and gas (oil and gas, for all purposes of this lease, being defined to include oil, gas, casinghead gas and the by-products thereof, and such other hydrocarbon substances and sulphur as are necessarily produced with and incidental to the production of oil and/or gas) laying pipelines, building roads, tanks, and electric lines thereon to produce, save, take care of, treat, store, transport and own said products, all of Lessor's interest in those certain lands situated in Reeves County, Texas, and described as follows ("said lands"), to-wit:

See Attachment for Exhibit A, and made a part hereof;

This lease is expressly made subject to any and all instruments affecting said lands as reflected by the records of Reeves County, Texas, as of the date hereof to which reference is here made.

2. (a) Subject to the other provisions herein contained, this lease shall be for a term of five (5) years from the date hereof (called "primary term") and as long thereafter as oil or gas is produced from said lands, or from lands pooled therewith, in paying quantities or this lease is maintained in force by virtue of some other provision hereof. If prior to discovery and production of oil or gas on said lands, or on lands pooled therewith, Lessee should drill a dry hole or holes thereon, or if after discovery and production of oil or gas the production thereof should cease from any cause, this lease shall not terminate if Lessee commences drilling or reworking operations within one hundred twenty (120) days thereafter or, if it be within the primary term, commences or resumes the payment or tender of rentals as provided for herein or commences drilling or reworking operations on or before the rental paying date next ensuing after the expiration of thirty (30) days from the date of completion of the dry hole or cessation of production. If within thirty (30) days prior to the expiration of the primary term hereof, or at any time or from time to time after the expiration of the primary term hereof, oil or gas is being produced from said lands, or from lands pooled therewith, and all such production ceases and this lease is not otherwise continued in force, this lease shall not terminate if additional drilling or reworking operations are commenced or resumed on said lands, or on lands pooled therewith, within one hundred twenty (120) days after such cessation of production, and this lease shall continue in force so long as any such operations on the same or successive wells are prosecuted in good faith and in a workmanlike manner with no cessation of more than one hundred twenty (120) consecutive days; and, if such operations result in production of oil or gas, then this lease shall, subject to the other provisions hereof, continue in force as long thereafter as oil or gas is produced from said lands, or from lands pooled therewith, in paying quantities. If at the expiration of the primary term of this lease oil or gas is not being produced from said lands, or from lands pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon or Lessee shall have completed a well thereon within one hundred twenty (120) days prior to the end of the primary term then this lease shall remain in force so long as operations on such well or drilling or reworking operations on any additional well are prosecuted in good faith and in a workmanlike manner with no cessation of more than one hundred twenty (120) consecutive days; and, if any such operations result in production of oil or gas, so long thereafter as oil or gas is produced from said lands, or from lands pooled therewith, in paying quantities, subject, however, to the other provisions hereof.

(b) Notwithstanding any of the provisions of Subparagraph (a) above to the contrary, in order to maintain this lease in force and effect after the primary term as to such of said lands not then ascribed to a producing well or shut-in well pursuant to the provisions of Subparagraph (c) below, Lessee shall be required to continuously drill a well or wells on said lands with no cessation of more than one hundred twenty (120) consecutive days between the completion of one well and the commencement of a subsequent all to the end that Lessee maintains a continuous development program on said lands after the end of the primary term. Commencement of the first well in the continuous development program shall be on or before the last to occur of (i) the expiration of the primary term, or (ii) one hundred twenty (120) days after completion of the last well drilled on said lands within the primary term. Upon Lessee's failure to continuously drill wells after the primary term in accordance with the above time schedule, the provisions of Subparagraph (a) above shall control the time for commencement of subsequent drilling and reworking operations on any of said lands on which a producing well or shut-in well may be located and retained by Lessee under the terms of this lease.

GRAVES & CO.

The Energy Transaction Specialists

January 16, 2009

Ms. Beverly Boyd
Texas General Land Office
1700 N. Congress
Austin, TX 78701

Re: HALLWOOD ENERGY, LP

Dear Ms. Boyd:

Please find the following two (2) certified copies of the conveyances between Hallwood Energy, L.P. and FEI Shale L.P. recorded in the Real Property records of Reeves County, Texas for filing in your office:

1. *Assignment, Conveyance and Bill of Sale* (Section 3.2)
   OPR Book 811 Page 334 thru 341 DATE RECORDED 12/30/2008;

2. *Assignment, Conveyance and Bill of Sale* (Section 3.3 Initial Payment)
   OPR Book 811 Page 326 thru 333 DATE RECORDED 12/30/2008.

Please find the enclosed firm check numbered 6062 in the amount of $50.00 to cover the fee for filing two (2) documents at $25.00 each.

Thank you in advance and please let us know if we should provide anything additionally at this time.

Regards,

Shirley Ryan-Ameller

1415 Louisiana, Suite 2100 • Houston, Texas 77002
Phone: 713/650-0811 • Fax: 713/650-0840 • www.graves-co.com • Email: gravesco1@aol.com

80.12.1

Graves & Co.

2100 Wedge International Tower
www.graves-co.com
1415 Louisiana
Houston, Texas 77002
Phone: (713) 650-0811
Fax: (713) 650-0840

FACSIMILE TRANSMITTAL SHEET

TO: BEVERLY BOYD	FROM: SHIRLEY RYAN-AMELLER
COMPANY: GENERAL LAND OFFICE	DATE: 1-29-09
FAX NUMBER: 512.475.1543	TOTAL NO. OF PAGES (INCLUDING COVER): 18
RE: EPPENAUER LEASE	

☐ URGENT ☐ FOR REVIEW ☐ PLEASE COMMENT ☐ PLEASE REPLY ☐ PLEASE RECYCLE

NOTES/COMMENTS:

Hi Beverly,
Please find attached a copy of the letter and lease in question. If possible, please provide a mineral lease number. Please phone with questions. Thank you very much for your attention to this matter.
Regards,
Shirley

THIS MESSAGE 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 MESSAGE IS NOT THE INTENDED RECIPIENT, OR THE EMPLOYEE OR AGENT RESPONSIBLE FOR DELIVERING THE MESSAGE TO THE INTENDED RECIPIENT, YOU ARE HEREBY NOTIFIED THAT ANY DISSEMINATION, DISTRIBUTION, FORWARDING, OR COPYING OF THIS COMMUNICATION IS STRICTLY PROHIBITED. IF YOU HAVE RECEIVED THIS COMMUNICATION IN ERROR, PLEASE NOTIFY THE SENDER IMMEDIATELY BY EMAIL OR TELEPHONE, AND DESTROY THE ORIGINAL MESSAGE IMMEDIATELY. THANK YOU.

■ NEW ☐REVISED ☐ SUPPLEMENT

AFE TITLE:			AFE NUMBER:	REV/SUPP NO.:
Texas Leasehold Purchase			110202	
LEGAL DESCRIPTION:			PROPERTY NUMBER:	
Reeves County, Texas				
FIELD:	COUNTY:	STATE:	WELL NUMBER:	
Barnett Shale/Woodford	Reeves	Texas	111002	
OPERATOR:		AFE CLASSIFICATION:	COMMENCEMENT DATE:	COMPLETION DATE:
Hallwood Energy, L.P.		Undeveloped LHC	6/1/08	12/31/08

DESCRIPTION (including AFE history if revision or supplement):

Acquire proportionate share of renewal lease covering 5280 net acres @$250/acre (40% Hallwood, 60% CHK)

Pay proportionate share of delay rentals

Pay brokerage costs for leasing acreage

PROJECT COST DESCRIPTION	GROSS PROJECT COSTS	PARTICIPANTS	PERCENTAGE	SHARE OF COSTS
Lease bonus, brokerage costs, recording, title work	600,000	Hallwood Energy, L.P. FEI Shale, LP	66.67% 33.33%	$400,020 $199,980
AFE TOTAL	$600,000	AFE TOTALS	100%	$600,000

		PARTICIPANT APPROVAL DATE:
		PARTICIPANT NAME:
MANAGEMENT APPROVAL William H. Marble VP - Engineering & Land	MANAGEMENT APPROVAL Russell P. Meduna VP - Operations	PARTICIPANT ADDRESS:
SIGNATURE DATE	SIGNATURE DATE Russell P. Meduna 06/13/08	PARTICIPANT INTEREST:
MANAGEMENT APPROVAL Tony Strehlow Chief Financial Officer	MANAGEMENT APPROVAL William L. Guzzetti President	APPROVED BY (Authorized Signature):
SIGNATURE DATE 8/14/08	SIGNATURE DATE 6/13/08	ELECTION OF CONTROL/BLOW OUT INSURANCE: N/A ___ Accepts HEC's Insurance Policy ___ Rejects HEC's Insurance Policy (Certificate Attached)

Inv #:	Vendor #:	Vendor Name:	CHK
Inv Dt: 7/21/08	Trans Dt:	Inv. Total:	$528,498.99
Due Dt: 8/14/08		Total Below:	528,498.99

Acct # / Sub Description:	Well # or Name:	AFE Name:	AFE # Deck	Amount
Eppenhauer lease renewal	#111002	Texas leasehold	#110202	528,498.99

Special Instructions: please give the ck back to John

Prepared By/Date: K. Chappell 8/14/08

Approved By/Date: RPM 08/14/08

Entered By/Date:

July 21, 2008

VIA CERTIFIED MAIL (7004 2510 0000 3928 3994)

Mr. John Hott
Hallwood Energy, L.P.
3710 Rawlins Street, Suite 1500
Dallas, TX 75219

Re: Notice of Renewal Lease Acquisition
Offer to Participate
Oil and Gas Lease dated June 17, 2008
The Frost National Bank For The
A.R. Eppenauer Trusts 1 and 2
And The Rachel L. Eppenauer Trusts A and B
Reeves County, Texas

Dear Mr. Hott:

Chesapeake Exploration, L.L.C., ("Chesapeake") has acquired a renewal lease from the Frost National Bank for the A.R. Eppenauer Trusts 1 and 2 and the Rachel L. Eppenauer Trusts A and B covering 5,930.35 gross acres and 5,278.945851 net acres ("Renewal Lease"). The Renewal Lease was acquired at a bonus cost of $1,319,736.46 based on $250.00/net acre ($250.00 x 5,278.945851 net acres = $1,319,736.46) and broker related costs of $1,511.00 for a total acquisition cost of $1,321,247.46. Copies of the Oil and Gas Lease, Lease Purchase Report, Broker Invoice, and evidence of the wire transfer are attached for your records. Please refer to these attachments for further details.

Pursuant to the terms of that certain Operating Agreement dated April 1, 2006 by and between Chesapeake and Hallwood Energy, L.P. ("Hallwood"), this will serve as notice that Chesapeake has secured the Renewal Lease and Chesapeake hereby offers Hallwood the opportunity to elect to participate for its 40.0% working interest share. If Hallwood elects to participate in this acquisition, please indicate such election where provided below and return a copy of this letter to my attention along with Hallwood's payment of $528,498.99 ($1,321,247.46 x 0.40 = $528,498.99) within thirty (30) days from receipt hereof. Failure to elect and pay within said period shall be deemed an election not to acquire an interest in the Renewal Lease.

Chesapeake Energy Corporation
P.O. Box 18496 • Oklahoma City, OK 73154-0496 • 6100 N. Western Avenue • Oklahoma City, OK 73118
405.879.1568 • fax 405.767.4251 • james.wimmler@chk.com

Chesapeake Exploration, L.L.C.

James W. Wimmler

Enclosures

____ Hallwood hereby elects to participate in the acquisition of the Renewal Lease.

____ Hallwood hereby elects **not** to participate in the acquisition of the Renewal Lease.

HALLWOOD ENERGY, L.P.

By: _____

Name: _____

Title: _____

Date: _____

THIS AGREEMENT made this 17th day of June, 2008, by and between THE FROST NATIONAL BANK, Trustee for the A.R. Eppenauer Trusts 1 and 2 Account No. F0564700; and the Rachel L. Eppenauer Trusts A and B Account No. F0676300, as Lessor, whose address is P.O. Box 1600, San Antonio, Bexar County, Texas 78296-1400, and Chesapeake Exploration, LLC whose address is 6100 N. Western Avenue, Oklahoma City, Oklahoma 73118, as Lessee,

WITNESSETH:

1. Lessor, in consideration of Ten and No/100 Dollars ($10.00) and other good and valuable consideration in hand paid, the receipt of which is hereby acknowledged, of the royalties herein provided, and of the covenants, agreements and obligations hereinafter contained on the part of Lessee to be kept and/or performed and upon the conditions and with the limitations hereinafter set forth and contained, hereby GRANTS, LEASES and LETS exclusively unto said Lessee for the sole and only purpose of investigating, exploring, prospecting, drilling and operating for, developing and producing oil and gas (oil and gas, for all purposes of this lease, being defined to include oil, gas, casinghead gas and the by-products thereof, and such other hydrocarbon substances and sulphur as are necessarily produced with and incidental to the production of oil and/or gas) laying pipelines, building roads, tanks, and electric lines thereon to produce, save, take care of, treat, store, transport and own said products, all of Lessor's interest in those certain lands situated in Reeves County, Texas, and described as follows ("said lands"), to-wit:

See Attachment for Exhibit A, and made a part hereof;

This lease is expressly made subject to any and all instruments affecting said lands as reflected by the records of Reeves County, Texas, as of the date hereof to which reference is here made.

2. (a) Subject to the other provisions herein contained, this lease shall be for a term of three (3) years from the date hereof (called "primary term") and as long thereafter as oil or gas is produced from said lands, or from lands pooled therewith, in paying quantities or this lease is maintained in force by virtue of some other provision hereof. If prior to discovery and production of oil or gas on said lands, or on lands pooled therewith, Lessee should drill a dry hole or holes thereon, or if after discovery and production of oil or gas the production thereof should cease from any cause, this lease shall not terminate if Lessee commences drilling or reworking operations within one hundred twenty (120) days thereafter or, if it be within the primary term, commences or resumes the payment or tender of rentals as provided for herein or commences drilling or reworking operations on or before the rental paying date next ensuing after the expiration of thirty (30) days from the date of completion of the dry hole or cessation of production. If within thirty (30) days prior to the expiration of the primary term hereof, or at any time or from time to time after the expiration of the primary term hereof, oil or gas is being produced from said lands, or from lands pooled therewith, and all such production ceases and this lease is not otherwise continued in force, this lease shall not terminate if additional drilling or reworking operations are commenced or resumed on said lands, or on lands pooled therewith, within one hundred twenty (120) days after such cessation of production, and this lease shall continue in force so long as any such operations on the same or successive wells are prosecuted in good faith and in a workmanlike manner with no cessation of more than one hundred twenty (120) consecutive days; and, if such operations result in production of oil or gas, then this lease shall, subject to the other provisions hereof, continue in force as long thereafter as oil or gas is produced from said lands, or from lands pooled therewith, in paying quantities. If at the expiration of the primary term of this lease oil or gas is not being produced from said lands, or from lands pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon or Lessee shall have completed a well thereon within one hundred twenty (120) days prior to the end of the primary term then this lease shall remain in force so long as operations on such well or drilling or reworking operations on any additional well are prosecuted in good faith and in a workmanlike manner with no cessation of more than one hundred twenty (120) consecutive days; and, if any such operations result in production of oil or gas, so long thereafter as oil or gas is produced from said lands, or from lands pooled therewith, in paying quantities, subject, however, to the other provisions hereof.

(b) Notwithstanding any of the provisions of Subparagraph (a) above to the contrary, in order to maintain this lease in force and effect after the primary term as to such of said lands not then ascribed to a producing well or shut-in well pursuant to the provisions of Subparagraph (c) below, Lessee shall be required to continuously drill a well or wells on said lands with no cessation of more than one hundred twenty (120) consecutive days between the completion of one well and the commencement of a subsequent all to the end that Lessee maintains a continuous development program on said lands after the end of the primary term. Commencement of the first well in the continuous development program shall be on or before the last to occur of (i) the expiration of the primary term, or (ii) one hundred twenty (120) days after completion of the last well drilled on said lands within the primary term. Upon Lessee's failure to continuously drill wells after the primary term in accordance with the above time schedule, the provisions of Subparagraph (a) above shall control the time for commencement of subsequent drilling and

all of said lands, SAVE AND EXCEPT from the surface down to 100 feet below the stratigraphic equivalent of the deepest producing perforations in, to and under:

(1) each well situated on said lands producing oil in paying quantities, together with forty (40) contiguous acres of said lands around each such well,

(2) each well situated on said lands producing gas in paying quantities, or capable of producing gas in paying quantities with all shut-in royalties having been paid thereon, together with one hundred sixty (160) acres for wells above the depth of 8,000 feet; and three hundred twenty (320) acres for wells below 8,000 feet,

(3) if the well is classified as a horizontal drainhole well by the Railroad Commission, the Production Unit shall be limited to the following maximum amount of acreage depending on the length of the lateral horizontal drainhole displacement within the productive formation:

Horizontal Drainhole Displacement	Horizontal Oil Well	Horizontal Gas Well
100' – 1,500'	80 acres	160 acres
1,501' – 3,000'	160 acres	320 acres
3,001' – 5,000'	320 acres	640 acres
5,001' and longer	640 acres	640 acres

(4) in the event pooling authority is granted under the provisions of Paragraph 4 hereof, and Lessee exercises such authority, each well producing oil or gas from a pooled unit in paying quantities, or if a gas well, capable of producing gas in paying quantities with all shut-in payments having been paid thereon, together with all of said lands included in such unit pursuant to the provisions of Paragraph 4 of this lease,

the acreage around oil wells and gas wells to be in as near the form of a square or rectangle as is practicable with the well at all points being located at a legal spacing distance within its boundaries or at a location approved by the Railroad Commission of Texas. Notwithstanding the above, in the event governmental authority having jurisdiction should prescribe a density pattern of a greater or lesser number of acres than the number of acres specified above for the drilling or operation of a well at a regular location or for obtaining the maximum allowable production from the category of well herein above specified, then Lessee may, upon written notice to Lessor, retain around each such oil well and each such gas well such number of acres out of the particular tract covered by this lease on which a well is located as is so prescribed by governmental authority but only from the surface down to 100 feet below the stratigraphic equivalent of the deepest producing perforations in the particular well as to which acreage is ascribed for production purposes. Upon termination of this lease except as to each oil well and each gas well and the number of acres hereinabove specified around each such well or included within a unit formed pursuant to the provisions of Paragraph 4 hereof, each separate tract ascribed to an oil well and each separate tract ascribed to a gas well shall be treated as a separate lease tract subject to the provisions of this lease, and the continuation of this lease as to each such separate lease tract shall be determined by the provisions of this lease applied to each such separate lease tract.

(d) It is further agreed and understood that in the event this lease is in force and effect on the date of the expiration of the primary term, then on such date this lease shall no longer remain one lease covering the entirety of all the lands and subsurface rights herein above described, but rather shall be divided on such date into three (3) equal size, separate leases. In no event shall Lessee be obligated to sub-divide a specific survey tract in order to create equality to the three separate leases required herein, but shall be obligated only to divide the acreage in a manner as to create three separate lease blocks in as near equality as is reasonably practical. From and after such date, each such block or area shall be treated as a separate lease that is subject to the provisions hereof; the continuation of this lease as to each such separate block or area shall be determined by the application of the provisions hereof to each particular separate block or area. Within the period of thirty (30) days immediately following the date of the expiration of the primary term, Lessee shall designate and file for record a plat and legal description of the particular acreage included within each separate block or area, furnishing Lessor a copy of such instrument. In the event of Lessee's failure to timely designate and file such instrument, Lessor shall have the right to designate such acreage of record and the decision of Lessor in so doing shall be final and Lessee shall pay Lessor the sum of $1,000.00 for each such designation so filed by Lessor.

(e) Upon the occurrence of any partial termination of this lease under the foregoing provisions, Lessor shall have, and expressly reserves, an easement through the said lands and the depths and

Lessor. The easement reserved herein shall be fully assignable by Lessor to any party, including any oil, gas and mineral Lessee of depths or lands not then subject to this lease and to any party desiring to conduct geophysical operations with respect to depths or lands not then subject to this lease, and in the event Lessor assigns such easement to any third party, Lessee herein shall look only to such third party, and not to Lessor, for any claims, costs, expenses or damages occasioned by such third party's use of the easement herein reserved, specifically including, but not limited to, any claims that such third party's activities interfered with or damaged Lessee's wells, reserves, equipment, operations or other rights hereunder.

(f) In conducting any drilling, testing, producing, or reworking operation authorized herein, Lessee shall not be allowed the use of any existing abandoned wells and well bores located on the acreage covered hereby which were drilled for the purpose of exploring for and producing oil, gas or other minerals and were subsequently abandoned and/or plugged, without express written consent of Lessor. A well shall be deemed to be commenced under the terms of this lease on the date the drill bit enters the earth for the drilling of a validly permitted well. A well shall be deemed to be completed under the provisions of this lease (1) three days after the well reaches total depth in the event no attempt is made to complete the well as a producer of oil and/or gas by the running of production casing (a dry hole) or (2) thirty (30) days after the date production casing is cemented in the well (as reflected by the cementing affidavit required to be filed with the Railroad Commission of Texas) in the event an attempt is made to complete the well as a producer of oil and/or gas.

3. The royalties to be paid by Lessee are:

(a) On all oil and on all liquid hydrocarbons extracted from gas under the provisions of Subparagraph (b) below, Twenty-five percent (25%) of that produced and saved from the said lands, the same to be delivered to Lessor into the storage tanks or into the pipeline to which the wells may be connected, or, at Lessor's option, such oil and liquid hydrocarbons shall be sold with Lessee's oil and liquid hydrocarbons at the same price received by Lessee (but in no event for less than the value thereof), or, at Lessor's option, such products shall be delivered to Lessor at the wells into tanks or other receptacles to be furnished by Lessor. Lessor's options hereunder may be exercised from time to time, and the exercise or failure to exercise an option at any time shall not constitute a waiver of Lessor's right to exercise further options.

(b) On gas produced from said lands, including casinghead gas and residue gas at the tailgate of any plant through which gas produced from said lands may be processed, Twenty-five percent (25%) of the value of the gas at the place of use or sale by Lessee, or at Lessor's option, Twenty-five percent (25%) of the gas, in kind, either at the well or at the outlet side of the separator, hereinafter provided for, or at the tailgate of any plant through which gas is processed. Prior to the use or sale of any gas produced from said lands, Lessee shall run such gas through a field-type separator or other comparable equipment ordinarily used in the industry for the purpose of separating, extracting and saving liquid and liquefiable hydrocarbons recoverable from the gas, and royalties shall be payable on the remaining gas under the provisions of this Subparagraph (b) and royalties on the extracted liquids shall be payable under the provisions of Subparagraph (a) above; provided, however, Lessee shall not be required to run the gas through a field-type separator or comparable equipment if the gas is to be processed in a recycling, absorption, pressuring or other plant belonging wholly or in part to the Lessee or any affiliated or subsidiary company, or if the liquid hydrocarbon content of the gas is so small as to make the installation and operation of field-type separators or comparable equipment unprofitable, or if the pressure of the gas is such that running the gas through separators or comparable equipment would diminish the ability to sell and deliver the separated gas against existing gathering system or pipeline pressures.

(c) On condensate and all other products separated, extracted or manufactured from gas produced from said lands by any extraction, absorption, pressuring or other plant belonging wholly or in part to Lessee or any affiliated or subsidiary company, Twenty-five percent (25%) of the market value of all such condensate and other products so separated, extracted, or manufactured, or, at Lessor's option, Twenty-five percent (25%) of such condensate and other products in kind shall be delivered to Lessor at the plant outlet. In the event of the blending of any part of such condensate or other products with chemical additives for making any product therefrom, the royalty on such products, whether paid in kind or at market value, shall be calculated at the plant outlet on the resulting blended product, less Lessor's proportionate share of the direct cost of such chemical additives and the blending thereof.

(d) On condensate and all other products separated, extracted or manufactured from gas produced from said lands by an extraction, absorption, pressuring or other plant belonging to a third party or parties, Twenty-five percent (25%) of the amount received by Lessee from the sale of condensate and other products separated, extracted or manufactured by said plant and credited to Lessee under the terms of Lessee's contract with such plant.

Lessee shall account to Lessor for Twenty-five percent (25%) of the gross amount received by Lessee from the sale of such sulphur.

(f) While there is a gas well or wells on said lands, or on lands pooled therewith, but gas is not being sold or used, Lessee may pay, as royalty, commencing on or before one ninety (90) days after the date on which each such gas well is shut-in, the sum of Fifty Dollars ($50.00) for each acre of said lands ascribed to such gas well pursuant to the provisions of Paragraph 2(c), and, if such payment is made or tendered, this lease shall continue in force and effect for the full ensuing year after such payment as to all of said lands ascribed to such gas well pursuant to the provisions of said Paragraph 2(c) above and for which such payment is made, and the intermittent production of gas from any such well during such year shall not render necessary any new or additional payments of shut-in gas well royalty with respect to such well, but Lessee shall account to Lessor for the royalty on any such gas actually produced in accordance with the other provisions of this Paragraph 3, and this provision shall be recurring (the time for subsequent annual payments for each shut-in well to run from the date the first payment is made on such well); provided, however, that this provision shall not be effective to continue this lease in force and effect as to any shut-in well for a period of more than two (2) consecutive years after the date the first well is shut-in or for shorter periods of time from time to time which aggregate two (2) years in all, but it is further provided that the two (2) year period shall be extended for such length of time, if any, as may elapse because of Lessor's failure to consent to a gas contract negotiated by Lessee and submitted to Lessor as provided in Paragraph (g) below. Any shut-in gas well royalty payment may be made by the check of Lessee delivered to Lessor in The Frost National Bank, P.O. Box 1600, San Antonio, Texas 78296, ATTN: Trust Minerals. This provision as to the payment of shut-in gas royalty is a condition and not a covenant, and the failure to pay any shut-in gas royalty as herein provided shall effect an automatic termination of this lease as to the lands ascribed to the well as to which the failure to pay is applicable.

(g) In computing royalties to be paid Lessor, the value of any oil or gas, condensate or other products of gas shall never be less than the total proceeds received by Lessee or by any affiliated or subsidiary company by reason of the sale of such oil or gas, condensate or other products and/or the dedication of reserves. The total proceeds received shall include, but not be limited to, the fair value of all consideration received by Lessee or by any affiliated or subsidiary company related to the marketing and/or dedication of oil or gas, condensate, other products or reserves (such as take or pay payments, take or pay settlements and awards, dedication payments, advance payments, contract adjustments, gas exchange consideration, contract buy out/buy down payments and similar consideration). Lessee shall be solely responsible for insuring that all such proceeds are received in accordance with all applicable laws and regulations. Except as specifically provided in Subparagraph (c) above, all royalties payable under Subparagraphs (a), (b), (c), (d) and (e) of this Paragraph 3 shall be without deduction for any costs of marketing, gathering, transporting, separating, processing, dehydrating, compressing or other costs involved in making the oil or gas ready for sale or use. In the event Lessor does not elect to take Lessor's royalty oil or gas in kind, as provided for herein, Lessee shall act in a fiduciary capacity on behalf of Lessor in negotiating and implementing sales arrangements for royalty oil or gas in accordance with the provisions of this lease; provided that no contract negotiated by Lessee for the sale of gas produced from said lands under this lease and extending for a period in excess of one (1) year shall be valid and effective without Lessor's written consent to such contract. Upon Lessor's written consent to a contract covering the sale of gas produced from said lands, it shall be considered, as between Lessor and Lessee, that such contract reflects the value of gas at the place of sale specified in the contract, and Lessor's royalty on gas sold pursuant thereto shall be calculated in accordance with the price or value provided in such contract. It is expressly provided that Lessee shall not have the right to dedicate said lands or gas reserves in and under said lands to the fulfillment of any public service obligation, and any dedication of gas required to fulfill Lessee's obligations under any gas purchase contract shall be specifically limited to only such gas as may be produced through the wellhead of gas wells on said lands during the period that this lease is being maintained in force and effect in accordance with its terms.

(h) Lessee is unconditionally obligated to Lessor to make and shall be liable for the payment of royalties hereunder irrespective of the failure or bankruptcy of any third party crude oil or gas purchaser, and irrespective of the execution by Lessor of a division order or any similar agreement in favor of any such third party purchaser. Accounting and payments to Lessor of royalties from the production of oil and gas from any well shall commence and thereafter be paid in full compliance with the applicable provisions of the Natural Resources Code of Texas, and failure to so comply shall entitle Lessor to the remedies therein provided. In addition, should Lessee at any time fail to make royalty payments to Lessor in compliance with the applicable provisions of the Natural Resources Code of Texas, Lessor may, at Lessor's election, cancel this lease as to such well and said lands ascribed to such well by giving Lessee twenty (20) days advanced written notice of such cancellation. Lessee may avoid such cancellation by paying Lessor all sums (including interest) then owed by Lessee to Lessor prior to the expiration of said twenty (20) day period. Acceptance by Lessor of royalties which are past due shall not act as a waiver or estoppel of Lessor's right to receive or recover any and all interest due thereon under the provisions hereof unless the written acceptance or acknowledgment by Lessor to Lessee expressly so provides. Any tender or payment to Lessor

accepted an offer of settlement or accord and satisfaction unless accompanied by such a Notice of Settlement Offer. Lessee shall pay all costs of litigation, including reasonable attorney's fees, expert witness and consultation fees incurred by Lessor in connection with any lawsuit in which Lessor is successful in recovering any royalties or interest or in terminating this lease due to Lessee's failure to pay royalties within the period set forth herein.

(i) Lessor shall have the right at all reasonable times, personally or by representative, to inspect the books, accounts, contracts, records and raw but not interpreted data of Lessee pertaining to the development, production, saving, transportation, sale and marketing of the oil and gas from said lands.

(j) In the event that the leasehold estate created hereby is jointly owned in common by more than one leasehold estate owner and one or more co-owners desire to separately meter and market their gas from the other co-owners (commonly referred to as split-streaming), then it is agreed that: (1) The value for all gas produced from said lands shall never be less than the highest price received by any of the co-owners of this leasehold estate; (2) the co-owners of said leasehold estate agree that there will be only one gathering system and one metering system on said lands and all split-streaming and separate transporting and metering of gas shall take place off said lands; (3) in the event one or more co-owners of said leasehold estate elect not to sell their share or portion of gas under this lease, and other co-owners do sell gas from said lands, Lessor shall nevertheless be entitled to its 100% royalty share of revenues from the production, distribution and sale of such gas computed on the terms called for in Paragraph 3; and (4) the operator of each well producing under this lease shall be responsible for the payment to Lessor and/or royalty owner of all royalties accruing under this lease.

(k) Lessee shall not reduce any royalty payment due hereunder based on any adjustment relating to royalties paid in a prior period unless and until Lessee provides Lessor a full, complete, and detained statement and explanation of the bases for any such prior period adjustment. No royalty payment due hereunder for any one month of production shall be reduced by more than Thirty percent (30%) based on adjustments relating to royalties paid in prior periods. Provided however, as long as Chesapeake Exploration, L.L.C. remains the operator of this lease, this paragraph shall have no application.

4. (a) Subject to the limitations herein contained in this lease, Lessee, at its option, is hereby given the right and power to pool or combine Lessor's interest in said lands or any portion thereof (and only Lessor's interest in said lands or any portion thereof as Lessor recognizes and acknowledges that Lessor does not have the right, power or authority to permit the interest of any third party in said lands, or any portion thereof, to be pooled or combined) with other land, lease or leases in the immediate vicinity thereof when in Lessee's judgment it is necessary or advisable to do so in order to properly explore, develop and operate said lands so as to promote the conservation of the oil and/or gas in, under and that may be produced from said lands, insofar as pooling for either is provided for herein. Any such pooling may be into a unit or units not exceeding one hundred sixty (160) acres for wells above 8,000 feet and three hundred twenty (320) acres for wells below 8,000 feet as nearly as practicable in the form of a square or a rectangle around each well producing gas in paying quantities, including condensate; and not exceeding 40 acres each for exploration, development and production of oil; provided however, if the well is classified as a horizontal drainhole well by the Railroad Commission, the Production Unit shall be limited to the following maximum amount of acreage depending on the length of the lateral horizontal drainhole displacement with the productive formation:

Horizontal Drainhole Displacement	Horizontal Oil Well	Horizontal Gas Well
100' – 1,500'	80 acres	160 acres
1,501' – 3,000'	160 acres	320 acres
3,001' – 5,000'	320 acres	640 acres
5,001' and longer	640 acres	640 acres

and further providing, that if any governmental authority prescribes a larger unit as a spacing pattern for the orderly development of the field, or shall allocate a producing allowable based in whole or in part on acreage per well, any unit may be formed to embrace acreage up to the content so prescribed and allocated. The effective date and term of each such pooling shall be as set forth by Lessee in an instrument filed for record in the county or counties in which the pooled land is situated, which instrument shall describe the acreage, zones, formations and substances pooled. A copy of the recorded instrument shall be furnished to Lessor within thirty (30) days from its date. Production, drilling or reworking operations anywhere on any such unit shall be treated as production, drilling or reworking operations on land covered by this lease. Unless otherwise stated herein, there shall be allocated to this lease the proportion of the pooled production from any such unit (whether or not from land covered by this lease) that the number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit; royalties shall be paid hereunder only upon that portion of such production so allocated, and as to pooled production from land in such unit such royalties shall be in lieu of any other royalties. Notwithstanding anything to

(b) If this lease now or hereafter covers separate tracts, no pooling, unitization or communitization of mineral or royalty interests as between any such separate tracts is intended or shall be implied or result from the inclusion of such separate tracts within this lease, and the rule of non-apportionment shall be applicable to this lease and to all lands covered by this lease; but Lessee shall nevertheless have the right to pool Lessor's interest in any separate tract or tracts, as provided in Subparagraph 4(a) above, with consequent allocation of production as therein provided. The inclusion of Lessor's interest in any separate tract within this lease shall not constitute an offer on the part of Lessor to any party who may now or hereafter have an ownership interest in the minerals or royalties in any such separate tract to pool, unitize or communitize any such interest with other interests covered by this lease, and with respect to Lessor's interests in said lands, or in any separate tract, and any other party's interest in said lands, or in any separate tract, such interests shall remain separate ownerships with neither party having any rights, interests or ownership whatsoever in the rights, interests or ownership of the other. Any attempt by an owner of any mineral or royalty interest under a separate tract, now or hereafter, to ratify, adopt or confirm this lease, or any provision herein contained, by any means and thereby effect a pooling, unitization or communitization of any separate tract covered by this lease with any other interests shall by such action specifically ratify, adopt and confirm the entire contents of this Subparagraph and such attempt to effect a pooling, unitization or communitization shall be ineffective, null and void for all purposes. As used in this Subparagraph, the words "separate tract" means any tract with mineral or royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the lands covered by this lease.

(c) Notwithstanding anything herein to the contrary, if Lessee completes a well on any of the tracts covered by this lease, then it is herein agreed that there shall be no pooling of that tract unless and until all of said tract shall have been developed to the extent that either all of said tract is included in a pool or unit, or there is not sufficient remaining acreage for an additional well to have allocated to it the full amount of acreage being allocated to an oil or gas well, as the case may be, under the spacing pattern authorized by the Texas Railroad Commission. All of any portion of such remaining tract may then be included in an additional pool or unit formed hereunder. For wells completed off of the lease premises at a legal location, all or any part of said leased premises may be included in said pool or unit.

5. Any payments for royalty as set in Paragraph 3 hereof shall be paid to Lessor or to the credit of Lessor in the Frost National Bank, P.O. Box 1600, San Antonio, Texas, 78296; ATTN: Mineral Asset Management. Lessee may at anytime of times execute and deliver to Lessor or place of record a release or releases covering any portion or portions of said lands and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered, except obligations theretofore accrued.

6. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent lands not owned by Lessor, or on any lands adjacent to any unit formed under the terms of this lease and not owned by Lessor, or on adjacent lands owned by Lessor which are being explored and developed for oil and gas by a third party or by Lessee under a different lease, and within four hundred sixty-seven feet (467') from or draining said lands, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances; provided, however, Lessee shall not be required to offset any such gas well on adjacent lands unless the gas therefrom is being produced; and, provided further, that, in lieu of drilling an offset to any such well, Lessee shall have the option of paying Lessor, as royalty, a sum equal to the royalties which would be payable under this lease on the production from such well had same been drilled and produced under this lease, and, as long as Lessee may elect to pay such royalty in lieu of drilling an offset well, it will be considered that gas is being produced from said lands within the meaning of Paragraph 2 hereof.

7. The rights of either party hereto may be assigned in whole or in part (except that oil rights shall never be severed from gas rights) and the provisions hereof shall extend to their heirs, successors and assigns, but no change or division in the ownership of said lands or royalties or other payments hereunder or the right to receive same, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. It is provided, however, that Lessee may not assign this lease, or any portion thereof, without the prior written consent to such assignment by Lessor, and no attempted assignment by Lessee shall be effective without the written consent of Lessor. Further, it is specifically provided that Lessee shall not have the right to assign to any third party, nor permit any third party, the right to conduct any type of seismograph surveys over or upon said lands without the prior written consent of Lessor. If the ownership of the royalties or other payments hereunder becomes changed into separate divided portions of said lands, Lessee shall not be required to offset wells on such separate tracts or portions or to furnish upon or as to any such tract or portion separate measuring or receiving tanks. Notwithstanding any actual or constructive knowledge of or notice to Lessee thereof, no change or division in ownership or right to receive any payments hereunder shall be binding upon Lessee for any purpose until sixty (60) days after the receipt by Lessee by registered mail at Lessee's place of business, from the party acquiring an interest or right, of the duly

days after Lessor shall have furnished Lessee, as above provided, proof satisfactory to Lessee that an appropriate representative has been appointed by a court of competent jurisdiction or until Lessee is furnished other evidence satisfactory to it of the party entitled to receive such payments. In the event of assignment or sublease hereof, in whole or in part, liability for breach of any obligation expressed or implied hereunder shall rest exclusively upon the owner or sublessee of this lease or a portion thereof who commits such breach. Drilling or production on any portion of said lands shall inure to the benefit of the owners of this lease and of any and all portions thereof.

8. With respect to actual operations conducted by Lessee on said lands, it is agreed by and between Lessor and Lessee as follows:

(a) Prior to the commencement of any operations, Lessee shall give Lessor notice of Lessee's intentions to commence operations on said lands, or lands pooled therewith, the type of operations to be conducted, the approximate date of such commencement and the approximate location of same; such notice to be given within a reasonable time prior to the actual commencement of operations.

(b) Lessor shall have the right, personally or by representative, at Lessor's risk, to have access to the derrick floor together with the right to observe all operations on all wells drilled on said lands, or lands pooled therewith, with the further right to inspect and take samples of all cores and cuttings and witness the taking of all logs and drill stem tests. Lessee agrees to furnish Lessor with copies of all logs and surveys taken promptly after taking same. Lessee agrees to divulge to Lessor true and correct raw and non-interpreted information as requested by Lessor as to each well, the production therefrom and such raw and non-interpreted technical information as Lessee may acquire and which is readily available with respect to the sands and formations encountered in such wells. Lessor shall have the right to be present when wells and/or tanks are gauged and production metered and shall have the right to examine all run tickets and to have full information as to production and runs, and to receive copies of all run tickets upon written request. In addition, Lessee shall furnish Lessor with true copies of all applications and reports made by Lessee to the Railroad Commission of Texas and to any other governmental agency having jurisdiction, such copies to be furnished to Lessor upon written request.

(c) Lessee expressly consents and agrees to indemnify and hold Lessor harmless from any and all claims, damages and causes of action asserted by any person or persons for damages which are a result of Lessee's operations conducted under this lease.

(d) Lessee shall install and maintain all equipment and conduct all operations in an environmentally sound manner, and in accordance with all federal, state and local environmental laws, regulations and ordinances, including those enforced by the Railroad Commission of Texas, the Texas Natural Resource Conservation Commission, the U.S. Environmental Protection Agency and any other governmental authorities ("Environmental Laws"). Lessee shall not use, store, manage or dispose of any hazardous materials (as defined below) on said lands, except to the extent such substances are contemporaneously required for, or produced by, actual oil or gas operations on said lands and any such substances shall be used, stored, managed and disposed of in a safe manner, in compliance with all Environmental Laws. Lessee shall insure that all contractors comply with the terms of this Subparagraph. In the event Lessee is notified of any environmentally harmful or dangerous conditions or alleged violations of Environmental Laws on said lands resulting from, or in connection with, Lessee's operations, Lessee, at its sole expense, shall promptly take, and diligently prosecute to completion, all actions required to investigate, clean-up and correct such dangerous or harmful conditions, and to comply with all Environmental Laws. Lessor shall have no responsibility to inspect or oversee Lessee's operations or to identify or correct any potentially harmful, dangerous or damaging conditions, and Lessor shall have no right to control any details of Lessee's operations, nor to designate or control Lessee's contractors. Neither Lessee nor any contractors shall have any right of contribution or indemnity from Lessor for any matters relating to operations on or off said lands by Lessee or conditions on said lands. Lessee hereby releases Lessor from any claims, costs, expenses and liabilities arising out of or relating to conditions on said lands at the beginning of the lease term and agrees to indemnify and hold Lessor harmless from any and all costs, expenses and liabilities, including without limitation, any civil, criminal or administrative fines or penalties, investigation, remediation and monitoring costs, cost of property damage and personal injury, and attorneys and consultant fees and expenses arising from, relating to or in connection with (i) Lessee's operations hereunder or (ii) a breach of this Lease. Lessee shall immediately advise Lessor in writing of any event which could constitute a breach by Lessee of matters addressed in this Subparagraph. By commencing any such operations, Lessee shall acknowledge its consent to the terms of this Subparagraph. In the event Lessor or any third party alleges damage due to an alleged breach of this provision, Lessee agrees to post a bond payable to Lessor for the amount of the alleged damage, such bond to be maintained at Lessee's expense for the benefit of Lessor's interest until such claim of damage is resolved. The term hazardous materials shall mean any waste, substance or material identified as "hazardous", "hazardous substance", "hazardous material", or "pollutant", or otherwise is regulated by Environmental Laws, including without limitation, salt water, naturally occurring radioactive material

governmental agency having jurisdiction, the time of such delay or interruption shall not be counted against Lessee. All express or implied covenants or conditions of this lease shall be subject to all valid federal and state laws, executive orders, rules, or regulations of any governmental agency, state or federal, having jurisdiction, and this lease shall not be terminated in whole or in part, and Lessee shall not be liable in damages for failure to comply therewith, if compliance is prevented from, by or if such failure is a result of any such law, order, rule or regulation. If from any of the above causes, Lessee is prevented from conducting drilling or reworking operations or producing oil or gas from such lands, the time during which Lessee is so prevented shall not be counted against Lessee, and this lease shall be extended for a period of time equal to that during which Lessee is so prevented from conducting such operations. Lessee shall promptly notify Lessor in writing of any such delaying cause that prevents Lessee from complying with the terms and provisions of this lease and steps taken by Lessee to alleviate the same. It is provided, however, that no such law, order, rule, or regulation shall eliminate the necessity for, nor extend the time within which rentals, royalties and other payments provided for herein are to be paid.

10. This lease is executed without warranty by Lessor either express or implied, and without any recourse against the Lessor in the event of any failure of title, not even for the return of any consideration paid. If Lessor owns an interest in the oil and gas in and under said lands less than the entire fee simple estate therein, then the rentals and royalties herein provided shall be reduced proportionately. Lessor hereby agrees that Lessee, at Lessee's option, may purchase and discharge, in whole or in part, any tax, mortgage or other lien upon said lands and thereupon be subrogated to the rights of the holders thereof and may apply royalties and other payments accruing hereunder toward satisfying same or toward reimbursing Lessee.

11. Should Lessee have title to said lands, or any portion thereof, examined and have a title opinion(s) rendered, Lessee shall furnish to Lessor at the above address, a copy of each such title opinion and any supplements thereto. A copy of each such opinion rendered shall be mailed to Lessor at the above address within thirty (30) days after the date of each opinion. Lessee shall not be liable in any way for the contents of any such opinion rendered and delivered to Lessor.

12. The Frost National Bank is acting herein only in its fiduciary capacity and not in its individual capacity. Lessee represents that he is not an employee, officer, or director of Frost National Bank and he does not represent such persons.

14. Upon expiration of any portion of this lease either by lapse of term, cessation of production or failure to continue development as provided under Paragraph 2 Lessee shall promptly execute, place of record and deliver to Lessor a release of the appropriate acreage. Should Lessee fail to do so, Lessee shall pay a penalty of $100.00 per day to Lessor commencing on the 61st day after Lessor has mailed to Lessee a request for such release. This penalty shall not exceed the total sum of $10,000.

15. Lessor and Lessee have executed a Memorandum of Oil and Gas Lease contemporaneously with the execution of this lease, and Lessor and Lessee agree that such Memorandum of Oil and Gas Lease, which makes reference to this lease, may be recorded in the appropriate records of the County in which said lands are located in lieu of the recording of this lease in its entirety. The recording of said Memorandum of Lease shall be binding upon Lessor and Lessee, and their respective heirs, successors, legal representatives and assigns, the same as if this lease was filed of record in its complete text.

16. Texas law shall govern any actions brought with respect to this lease thereto, and venue for any suit brought hereunder shall be in either Bexar County, Texas or the county in which the leased premises is located, such county to be chosen exclusively by Lessor. The applicable Texas statutes of limitation shall govern the filing of suits brought hereunder, however, all causes of action relating to or arising out of this lease shall be tolled during the existence of this lease.

17. To the extent that Lessors and Lessee have contracted herein for the performance of certain duties upon the Lessee which are implied by law, it is not the intention of Lessors and Lessee to limit or lessen the duties implied by law upon the Lessee, but Lessors and Lessee expressly agree and intend that Lessee's duties under such implied covenants be those contracted herein or those implied by law, whichever is the greater duty upon the Lessee. Lessee agrees to make a good faith effort to give notice to Lessors of the existence of any potential claim or cause of actin against a third party who is, or may be draining, overproducing, unlawfully depleting, or otherwise damaging any reservoir underlying the leased premises, in a timely fashion so that Lessors may assert Lessors' own claim, or cause of action in a court of appropriate jurisdiction, or before a regulatory agency. Lessee must give such notice to Lessors within 120 days of the date that Lessee becomes aware of the existence of such potential claim or cause of action. If such claim or cause of action is asserted and if Lessee recovers damages from such third party, then the Lessors will be entitled to their fractional royalty share of any such recovery.

IN WITNESS WHEREOF, this instrument is executed in duplicate originals on the date first above written.

THE FROST NATIONAL BANK, AS TRUSTEE OF
the A.R. Eppenauer Trusts 1 and 2 Account No. F0564700; and the
Rachel L. Eppenauer Trusts A and B Account No. F0676300

By: Jack Nahoum Jr.
Jack Nahoum Jr., Vice President

"LESSOR"

By: _____
Chesapeake Exploration L.L.C.

"LESSEE"

STATE OF TEXAS §
§
COUNTY OF BEXAR §

BEFORE ME, the undersigned authority, in and for said county, Texas, on this day personally appeared JACK NAHOUM, VICE PRESIDENT, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said FROST NATIONAL BANK, a corporation, and that he executed the same as the act of said corporation for the purposes and consideration therein expressed, and in the capacities therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 17th day of June, 2008.

Notary Public, State of Texas

TERESA D. ZDUNCZYK
Notary Public
STATE OF TEXAS
My Comm. Exp. 02-12-2011

STATE OF TEXAS §
§
COUNTY OF _____ §

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

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this _____ day of _____, 2008.

COUNTY OF REEVES §
§

BE IT REMEMBERED that on this 17th day of June 2008, **THE FROST NATIONAL BANK, Trustee for the A.R. Eppenauer Trusts 1 and 2 Account No. F0564700; and the Rachel L. Eppenauer Trusts A and B Account No. F0676300**, as Lessor, whose address is P.O. Box 1600, San Antonio, Bexar County, Texas 78296-1400, and **Chesapeake Exploration, LLC** whose address is 6100 N. Western Avenue, Oklahoma City, Oklahoma 73118, as Lessee, whereby Lessor granted, leased and let unto Lessee for the sole and only purpose of investigating, exploring, prospecting, drilling and operating for, developing and producing oil and gas, all of Lessor's interest in those certain lands situated in Reeves, County, Texas, described below and made a part hereof for all purposes.

See Exhibit A, Attached hereto and made a part of hereof

The above described oil and gas lease is for a primary term of Three (3) years from its date and contains other terms and provisions which are by reference incorporated herein and made a part hereof in all respects as though the same were fully set forth therein.

Executed copies of said Oil and Gas lease are in the possession of Lessor and Lessee.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

THE FROST NATIONAL BANK, AS TRUSTEE OF
the A.R. Eppenauer Trusts 1 and 2 Account No. F0564700; and the Rachel L. Eppenauer Trusts A and B Account No. F0676300

By: Jack Nahoum Jr.
JACK NAHOUM JR.
VICE PRESIDENT

"LESSOR"

CHESAPEAKE EXPLORATION, L.L.C.
an Oklahoma limited liability company

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

"LESSEE"

STATE OF TEXAS §
§
COUNTY OF BEXAR §

BEFORE ME, the undersigned authority, in and for said county, Texas, on this day personally appeared JACK NAHOUM JR., VICE PRESIDENT, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said **FROST NATIONAL BANK**, a corporation, and that he executed the same as the act of said corporation for the purposes and consideration therein expressed, and in the capacities therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 17th day of June, 2008.

Teresa D. Zdunczyk
Notary Public, State of Texas

TERESA D. ZDUNCZYK
Notary Public
STATE OF TEXAS
My Comm. Exp. 02-12-2011

STATE OF TEXAS §
§
COUNTY OF OKLAHOMA §

BEFORE ME, the undersigned authority, in and for said county, Texas, on this day personally appeared Henry J. Hood, Senior Vice President and Associate General Counsel known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said **CHESAPEAKE EXPLORATION, L.L.C.**, a corporation, and that he executed the same as the act of said corporation for the purposes and consideration therein expressed, and in the capacities therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 25th day of June, 2008.

REBECCA A. YOUNG
NOTARY PUBLIC
04007282
EXP. 8/12/08
IN AND FOR
STATE OF OKLAHOMA
CANADIAN COUNTY

Rebecca A Young
Notary Public, State of Texas

1. All of Section 18, Block 55, T&P RR Survey, TWP-7 (680 acres)

2. All of Section 14, Block 56, T&P RR Survey, TWP-7 (732.35 acres)

3. North One Half of the Northwest One Quarter (N1/2 NW1/4) and the East One Half (E1/2) of Section 30, Block 56, T&P RR Survey, TWP-7 (494 acres)

4. Northeast One Quarter of Section 22, Block 57, T&P RR Survey, TWP-7; SAVE & EXCEPT 40.00 acres of the Northeast One Quarter of the Northeast One Quarter thereof (NE/4 s/e 40 ac). (139.5 acres)

5. All of Section 2, Block 56, T&P RR Survey, TWP-8 (697 acres)

6. East Three-quarters (E 3/4) of Section 8, Block 56, T&P RR Survey, TWP-8 (547 acres)

7. The South 519 acres of Section 20 (S/519), Block 56, T&P RR Survey, TWP-8 (519 acres)

8. The East 527 acres of Section 30, Block 56, T&P RR Survey, TWP-8 (527 acres)

9. East One Quarter (E1/4 of Section 5, Block C-11, PSL Surveys (160 acres)

10. All of Section 7, Block 51, T&P RR Survey, TWP-8, (640 acres)

11. The East One-half (E/2); the South One-half of the Northwest One-Quarter (S/2NW/4); and the North One-half of the Southwest One-Quarter, less and except that certain 2.5 acres, more or less out of the southwest corner of the South One-half of the Northwest One-Quarter, and more fully described in that certain Deed dated May 26, 1918 from H.T. Collier, et al to James Carswell, recorded in Vol. 43, page 539, Deed Records (N/2SW/4 l/e 2.5 acres), and further excepting that certain 3.00 acres of land, more or less and being a part of that certain strip of land, the West line of which bounds the West line of the S/2NW/4 and N/2SW/4 of Section 188 and conveyed for Railroad purposes pursuant to that certain Deed dated December 26, 1908 from H.T. Collier, et al to M.L. Swinehart, recorded in Vol. 24, page 376, Deed Records, all lands being a part of Section 188, Block 13, H&GN RR Co. Survey (474.5 acres)

12. The South One-half of the Northeast One-quarter (S/2NE/4) and the South One-half of the East Three-quarters (S/2E3/4) of Section 248, Block 13, H&GN RR Co. Survey (320 acres)

* All of the above tracts are located in Reeves County, Texas.

File No. MF 105456

ASSIGNMENT FILED IN MF

Date Filed: 3/26/09

Jerry E. Patterson, Commissioner

By

60.

assignment

38.

File No. 104871

County

Assignment #67446

Date Filed: 09/06/16

George P. Bush, Commissioner

By

16-14274
FILED FOR RECORD
REEVES COUNTY, TEXAS
Oct 27, 2016 at 11:12:00 AM

RELEASE OF STATE OIL AND GAS LEASE

MF 104871

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 lessors, their heirs, successors, and assigns, all right, title and interest in and to that certain Oil and Gas Lease, dated April 27, 2005, made between State of Texas, acting by and through its agent, Harrison Trust, Roddy L. Harrison, Trustee as Lessors, and Wood Petroleum Land Management, Inc. as Lessee, recorded in Volume 699 at Page 29 as Entry 001555 of the Official Public Records of Real Property of Reeves County, Texas, and described as follows:

Section 37 and Section 38, Block 56 PSL

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 acknowledgments may be affixed to the body of one original instrument without the necessity of each separate counterpart in its entity.

EXECUTED as of the dates of the certificates of acknowledgement hereto, but effective for all purposes as of April 1, 2013

ENERQUEST OIL AND GAS, LLC

BY: Gregory W. Olson

Gregory W. Olson

President

STATE OF OKLAHOMA §
§ ACKNOWLEDGEMENT
COUNTY OF OKLAHOMA §

Before me, the undersigned, a Notary Public, in and for said County and State, on this 25th day of October, 2016, personally appeared **Gregory W. Olson, President of EnerQuest Oil & Gas, LLC**, personally known to me to be the identical persons who executed the within and foregoing instrument, and acknowledged to me that they executed the same as their free and voluntary act and deed, for the uses and purposes therein set forth.

Given under my hand and seal of office the day and year last above written

Xochitl Rodriguez

NOTARY PUBLIC, STATE OF OKLAHOMA

(Notary Seal)

XOCHITL RODRIGUEZ NOTARY PUBLIC # 10009387 EXP. 11/06/18 STATE OF OKLAHOMA

Print or Type Name: Xochitl Rodriguez

My Commission Expires: 11/18/18

True & Correct Copy of a document on file at Reeves County Texas, Dianne O. Florez, County Clerk
Page 1 of 1

Inst No. 16-14274
DIANNE O. FLOREZ
COUNTY CLERK
2016 Oct 27 at 11:12 AM
REEVES COUNTY, TEXAS
By: RL Rowena Ryles DEPUTY

39.

File No. 104871

County

Release

Date Filed: 11/08/16

George P. Bush, Commissioner

By

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Oil & Gas Miscellaneous dated 4-01-2013, filed for record in my office this 24th day of October, 2016 at 11:16 A.M. under Clerk's File No. 16-148714, to be recorded in the Official Public Records of Reeves County, Texas.

WITNESS MY HAND AND SEAL OF OFFICE this 27th day of October, 2016.

By Dianne Florez, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

ATLANTIC
RESOURCES COMPANY

PO Box 3759
Midland, TX 79702

300 North Marienfeld, Suite 600
Midland, Texas 79701

P 432.683.3272
F 432.683.3244

November 1, 2016

ID _____

MF 105848
MF 106656

VIA CERTIFIED MAIL – 7016-0340-0000-8441-4606
Texas General Land Office
Mineral Leasing Division
Attn: Drew Reid
1700 N. Congress Ave., Room 600
Austin, Texas 78701-1495

RE: Assignments of Oil and Gas Lease –
Enerquest Oil & Gas LLC
E/2 Section 37, Block 56, T-4, T&P RR Co. Survey;
E/2 Section 38, Block 56, T-4, T&P RR. Co. Survey
E/2 Section 44, Block 57, T-4, T&P RR Co. Survey
Reeves County, Texas

Dear Mr. Reid:

Pursuant to the requirements set forth by Status and in the State Surveyed School Land Lease Form (Unknown) please find enclosed a certified copy of that certain:

1). Assignment, Conveyance and Bill of Sale, between Enerquest Oil and Gas, LLC, as Assignor and Atlantic Resources Holding Co., LLC, effective October 1, 2016, recorded as Instrument Number 16-14273 of the Official Public Records of Reeves County, Texas, filed of record on October 27, 2016, covering that certain Oil and Gas Lease dated November 7, 2005, from George W. Brackenridge Foundation, as agent for the State of Texas, as Lessor, to Hallwood Energy II, L.P., as Lessee, recorded in Volume 717, Page 130 of the Official Public Records of Reeves County, Texas and Oil and Gas Lease dated April 1, 2003, from the Roddy L. Harrison, Trustee of the Harrison Trust, as agent for the State of Texas, as Lessor, to SWEPI LP., as Lessee, recorded in Volume 1084, page 531 of the Official Public Records of Reeves County, Texas:

Covering the following described lands and depths;

Tract 1: East Half (E/2) of Section 37, Block 56, PSL Survey, limited to those depths from the surface down to a subsurface depth of 18,800 feet;

East Half (E/2) of Section 38, Block 56, PSL Survey, limited to those depths from the surface down to a subsurface depth of 18,464 feet; and

Tract 2: East Half (E/2) of Section 44, Block 57, PSL Survey, limited to those depths from the surface down to a subsurface depth of 18,554 feet.

xc Deb Cantu w/ Relse 11-14-16

2). Release of State Oil and Gas Lease effective for all purposes as of April 1, 2013 between the State of Texas, acting by and through its agent, Harrison Trust, Roddy L. Harrison, Trustee as Lessor and Wood Petroleum land Management, Inc., as Lessee, recorded in Volume 699, Page 29, as Entry 001555 of the Official Public Records of Real Property of Reeves County, Texas, covering Section 37 and 38, Block 56, PSL Survey, Reeves County, Texas

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Also enclosed is check No. 2072 in amount of $50.00 for filing fee for certified copies. Please let me know if you require further information by contacting me at 432-683-3272 or email at mquintana@arcoperating.com.

Sincerely,

Atlantic Resources Company, LLC

Mary Quintana

Mary Quintana
Sr. Lease/Division Order Analyst

/mq

Enclosure

Atlantic Resources Holding Company, LLC - P.O. Box 3759 - Midland, TX 79702

002072

To: Texas General Land Office
1700 N. Congress Avenue
Austin, TX 78701

Vendor Code	Check Date	Check Amount	Check Number
TEX160	11/01/2016	$50.00	1075-2072

Invoice #	Invoice Amt
10/31/2016-TEX160 Assignment Filing Fees Enerquest Oil & Gas LLC Reeves Co., TX	50.00

129

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40.

File No. 104871

County

Ltr from Atlantic

Date Filed: 11/08/16

George P. Bush, Commissioner

By