STATE LEASE MF105235

#	LeaseDate	Acres	Status	CONTROL	BASEFILE	COUNTY
A	Apr 25 2005	0.00	ACTIVE	07-106071	128050 -	REEVES /195
B	Apr 25 2005	0.00	ACTIVE	07-106080	131189 -	REEVES /195
C	Apr 25 2005	0.00	ACTIVE	07-106099	128051 -	REEVES /195
D	Apr 25 2005	0.00	ACTIVE	07-106106	128052 -	REEVES /195
E	Apr 25 2005	0.00	ACTIVE			
F	Apr 25 2005	0.00	ACTIVE			
G	Apr 25 2005	0.00	ACTIVE			

etal

TERMINATED 4-25-09

Rentals: MB

Lease Admin: DB

Mineral Maps: JA LP

Accounting CJB

GIS-AS

SURVEY : PUBLIC SCHOOL LAND
BLOCK : 59
TOWNSHIP : 00
SECTION/TRACT: 44,43,45
PART :
ACRES : 1920.00
DEPTH LIMITS : NO

LESSEE : DWIGHT SNELL & ASSOCIATES
LEASE DATE : Apr 25 2005
PRIMARY TERM : 5 yrs
BONUS ($) : 0.00
RENTAL ($) : 0.00
ROYALTY : 0.10000000
VAR ROYALTY :

RELEASE FILED MB

F1025084

CONTENTS OF FILE NO. MF 105335

1. BPA Review	12/12/04	18. Release	1-28-10
2. Letter	6/2/05	19. GLO Release Letter	1-28-10
3. Bonuses + fees	6/2/05	20. Release	10-22-10
4. "Exhibit "A"	6/2/05	scanned sm 7/27/15	
5. (11) Leases	6/2/05		
6. BIO letter	2/7/06		
7. Assignment	6-12-07		
8. Assignment Cross-Reference	6-12-07		
9. Assignment	6-13-07		
10. Assignment	6-13-07		
11 Assignment	6-13-07		
~~12.~~ See MF105229 #5 for Assignment	6-13-07		
See MF104184 #17 Letter from Chesapeake	6-14-07		
See MF104184 #18 Letter to Chesapeake	6-14-07		
See MF104184 #19 Assignment	6-14-07		
See MF105229 #6 for Assignment	6-14-07		
12. Bonus + Filing Fees	11/6/07		
ASSIGNMENT FILED IN MF-105229 #7	1/29/08		
11. Partial Payments	2/26/08		
12. Assignment	7/9/08		
13. Assignment	7/9/08		
14. Assignment	7/9/08		
15. Terms for Rental Pmt Ltr	10-20-09		
16. Terms on Rental Ltr.	10-20-09		
17. Letter w/Release	1-28-10		

RAL REVIEW SHEET

Transaction # 4451 **Geologist:** R. Widmayer

Lessor: Hill Investments, Ltd. **Lease Date:** 4/25/2005 **Ut** ☐

Lessee: Dwight Snell & Associates **Acres:** 1920

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	[redacted]	128050	ALL	43	59	00	PUBLIC SCHOOL LAND	4005
REEVES	[redacted]	128051	ALL	44	59	00	PUBLIC SCHOOL LAND	4006
REEVES	[redacted]	128052	ALL	45	59	00	PUBLIC SCHOOL LAND	4007

TERMS OFFERED

Primary Term:	5 years
Bonus/Acre:	$100.00
Rental/Acre:	$1.00
Royalty:	1/5

TERMS RECOMMENDED

Primary Term	5 years
Bonus/Acre	$150.00
Rental/Acre	$1.00
Royalty	1/5

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance Last Lease
Pending	Barge Production	10/5/04	3yrs	150.00	1.00	1/5	0.25 Miles Nort

Comments: Rental will be $75.00 for the 4th year. 8 LEASES.

Approved: _____

Tuesday, February 07, 2006

12/7/04

[redacted]EINQUISHMENT ACT LEASE APPLICATION

Texas General Land Office — Jerry Patterson, Commissioner

TO: Jerry Patterson, Commissioner
Larry Laine, Chief Clerk
Bill Warnick, General Counsel
Matt Edling, Deputy Commissioner

DATE: 17-Dec-04

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

Applicant:	Petro-Hunt L.L.C.			County:	REEVES
Prim. Term:	5 years		Bonus/Acre		$150.00
Royalty:	1/5		Rental/Acre		$1.00

Consideration
Recommended: RAB Date: 12.17.04
Not Recommended: _____
Comments: Rental will be $75.00 for the 4th year.

✓ Lease Form
Recommended: RJH Date: 1/13/05
Not Recommended: _____
Comments:

Matt Edling, Deputy Commissioner Date: 1/21/05
Recommended: me
Not Recommended: _____

Bill Warnick, General Counsel Date: _____
Recommended: WFW
Not Recommended: _____

Larry Laine, Chief Clerk Date: 2/3/05
Approved: JH
Not Approved: _____

Jerry Patterson, Commissioner Date: 7 FEB 05
Approved: JP
Not Approved: _____

RAL REVIEW SHEET

Transaction # 4451

Lessor: Brown, Geneva

Lessee: Petro-Hunt L.L.C.

Geologist: R. Widmayer

Lease Date: 10/27/2004 **Ut** ☐

Acres: 20

LEASE DESCRIPTION

County	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	147817	N/2SE/4NE/4	14	59	00	PUBLIC SCHOOL LAND	5296

TERMS OFFERED		TERMS RECOMMENDED	
Primary Term:	5 years	Primary Term	5 years
Bonus/Acre:	$100.00	Bonus/Acre	$150.00
Rental/Acre:	$1.00	Rental/Acre	$1.00
Royalty:	1/5	Royalty	1/5

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance Last Lease
Pending	Petro-Hunt LLC	10/5/04	3 Yrs	$150.00	$1.00	1/5	0.25 Miles North

Comments: Rental will be $75.00 for the 4th year.

Approved: PAB 12.17.04

File No. MF 105235

BMA Review

Date Filed: 12/17/04

Jerry E. Patterson, Commissioner

By _____

DWIGHT SNELL & ASSOCIATES

P.O. Box 407 Simonton, Texas 77476
(281) 346-1932 *fax* – (281) 346-1972
e-mail – dwight@yourlandman.com

Sent Via FedEx Airbill # 8513-0394-7600

June 1, 2005

Mr. Drew Reid 512.475.1534; *.1543–fax*
Texas General Land Office
1700 N. Congress Avenue, Suite 600
Austin, Texas 78701-1495

Re: **Ten (10) GLO Relinquishment Act Oil and Gas Leases – *Reeves County, TX***
1,920.00 Gross / 1,080.00 Net Acres – Hill Investments, Ltd. et al [9/16 und. interest in (5) OGL's]
(3) TRACTS: *All Sections 43, 44 and 45, Block 59, PSL, Reeves County, TX*
399.33 Gross / 399.33 Net Acres – Hill Investments, Ltd. et al [1/1 interest in (5) OGL's]
(2) TRACTS: *N. 219.33 ac. Sec. 2, Blk. 71 & 180.00 ac. being S/2 Sec. 4, Blk. 71, PSL*

Dear Mr. Reid:

Please find enclosed herewith certified copies of the ten (10) captioned leases, together with checks representing the State's share of the bonus consideration for each lease. Also enclosed, please find ***one*** check **[#2574]** in the amount of $1,250.00 – representing the GLO service fee for each of the ten (10) leases. The checks represent bonus consideration to the State based on terms approved in the amount of $202.00/acre for all ten of the leases.

Owner of the Soil	Gross Acres	Net Acres	Bonus Amount to State	Check No.
Hill Investments, Ltd.	1,920.00 ac	22.50 ac	**$ 2,272.50**	**17613**
H-S Minerals & Realty, Ltd.	1,920.00 ac	22.50 ac	**$ 2,272.50**	**17614**
Dorothy Hill et al	1,920.00 ac	247.50 ac	**$ 24,997.50**	**17611**
Emma Hill Trust Estate et al	1,920.00 ac	540.00 ac	**$ 54,540.00**	**17610**
Waltrip Marital Trust et al	1,920.00 ac	247.50 ac	**$ 24,997.50**	**17612**
		1,080.00 acres*[see note]		
Hill Investments, Ltd.	399.33 ac	8.33 ac	**$ 841.33**	**17606**
H-S Minerals & Realty, Ltd.	399.33 ac	8.33 ac	**$ 841.33**	**17605**
Dorothy Hill et al	399.33 ac	91.50 ac	**$ 9,241.50**	**17607**
Emma Hill Trust Estate et al	399.33 ac	199.67 ac	**$ 20,166.67**	**17608**
Waltrip Marital Trust et al	399.33 ac	91.50 ac	**$ 9,241.50**	**17609**
		399.33 acres		

The balance **[7/16 interest – Meeker et al]** of the 1,920 acre tract is currently being leased. Upon receipt and recording of these leases, we will forward them to you to "complete" the acreage in those (3) tracts.

If I may answer any questions regarding this matter, you may reach me in Pecos, Texas at (956)792-4617 during the week, or you may reach Dwight at the number listed above.

Thank you,

Bradley H. Holley

2.

File No. MF 105235

Letter

Date Filed: 6/27/05

Jerry E. Patterson, Commissioner

By

FORM # LU100

ALPINE, INC.-JIB EDMOND, OK 73013

05041671

017614

COMM05: COMMISSIONER OF THE GENERAL LAND

ACCOUNT NUMBER:

CHECK NUMBER: 017614

CHECK DATE: 05/25/05

INVOICE/REFERENCE	TYPE	DATE	COMMENT	GROSS AMOUNT	DISCOUNT	AMOUNT
RB4305 HS MIN	INV	04/25/05	RB4305 HS MINERALS	2,272.50	.00	2,272.50

121

CHECK TOTALS:	017614	2,272.50	.00	2,272.50

FORM # LU100

ALPINE, INC.-JIB EDMOND, OK 73013

05041670

017613

COMM05: COMMISSIONER OF THE GENERAL LAND

ACCOUNT NUMBER:

CHECK NUMBER: 017613

CHECK DATE: 05/25/05

INVOICE/REFERENCE	TYPE	DATE	COMMENT	GROSS AMOUNT	DISCOUNT	AMOUNT
RB4304 HILL INV	INV	04/25/05	RB4304 HILL INVESTM	2,272.50	.00	2,272.50

121

CHECK TOTALS:	017613	2,272.50	.00	2,272.50

FORM # LU100

ALPINE, INC.-NB EDMOND, OK 73013

017803

COMM05: COMMISSIONER OF THE GENERAL LAND

ACCOUNT NUMBER:

CHECK NUMBER: 017803

CHECK DATE: 06/28/05

INVOICE/REFERENCE	TYPE	DATE	COMMENT	GROSS AMOUNT	DISCOUNT	AMOUNT
RB4308	INV	04/25/05	LEASE BONUS	14,140.00	.00	14,140.00

AWP

05046156

121

CHECK TOTALS:	017803	14,140.00	.00	14,140.00

FORM # LU100

ALPINE, INC. - HB EDMOND, OK 73013

05041672

017611

COMM05: COMMISSIONER OF THE GENERAL LAND

ACCOUNT NUMBER:

CHECK NUMBER: 017611

CHECK DATE: 05/25/05

INVOICE/REFERENCE	TYPE	DATE	COMMENT	GROSS AMOUNT	DISCOUNT	AMOUNT
RB4302 HILL	INV	04/25/05	RB4302 - HILL ET AL	24,997.50	.00	24,997.50

121

CHECK TOTALS: 017611 24,997.50 .00 24,997.50

FORM # LU100

ALPINE, INC.-JIB EDMOND, OK 73013

05041674

017612

COMM05: COMMISSIONER OF THE GENERAL LAND

ACCOUNT NUMBER:

CHECK NUMBER: 017612

CHECK DATE: 05/25/05

INVOICE/REFERENCE	TYPE	DATE	COMMENT	GROSS AMOUNT	DISCOUNT	AMOUNT
RB4303 WALTRIP T	INV	04/25/05	RB4303 WALTRIP TRST	24,997.50	.00	24,997.50

121

CHECK TOTALS:	017612	24,997.50	.00	24,997.50

FORM # LU100

ALPINE, INC.-JIB EDMOND, OK 73013

017802

COMM05: COMMISSIONER OF THE GENERAL LAND
ACCOUNT NUMBER:

CHECK NUMBER: 017802
CHECK DATE: 06/28/05

INVOICE/REFERENCE	TYPE	DATE	COMMENT	GROSS AMOUNT	DISCOUNT	AMOUNT
RB4307 MEEKER	INV	04/25/05	LEASE BONUS	28,280.00	.00	28,280.00

Meeka Investments

05046158

121

CHECK TOTALS:	017802	28,280.00	.00	28,280.00

FORM # LU100

ALPINE, INC.-JIB EDMOND, OK 73013

017801

COMM05: COMMISSIONER OF THE GENERAL LAND

ACCOUNT NUMBER:

CHECK NUMBER: 017801

CHECK DATE: 06/28/05

INVOICE/REFERENCE	TYPE	DATE	COMMENT	GROSS AMOUNT	DISCOUNT	AMOUNT
RB4306	INV	04/25/05	LEASE BONUS	28,280.00	.00	28,280.00

Lawrence Meeker

05046157

121

CHECK TOTALS:	017801	28,280.00	.00	28,280.00

FORM # LU100

ALPINE, INC.-JIB EDMOND, OK 73013

05041673

017610

COMM05: COMMISSIONER OF THE GENERAL LAND

ACCOUNT NUMBER:

CHECK NUMBER: 017610

CHECK DATE: 05/25/05

INVOICE/REFERENCE	TYPE	DATE	COMMENT	GROSS AMOUNT	DISCOUNT	AMOUNT
RB4301 H&E HILL	INV	04/25/05	RB4301 H&E HILL TRST	54,540.00	.00	54,540.00

121

CHECK TOTALS:	017610	54,540.00	.00	54,540.00

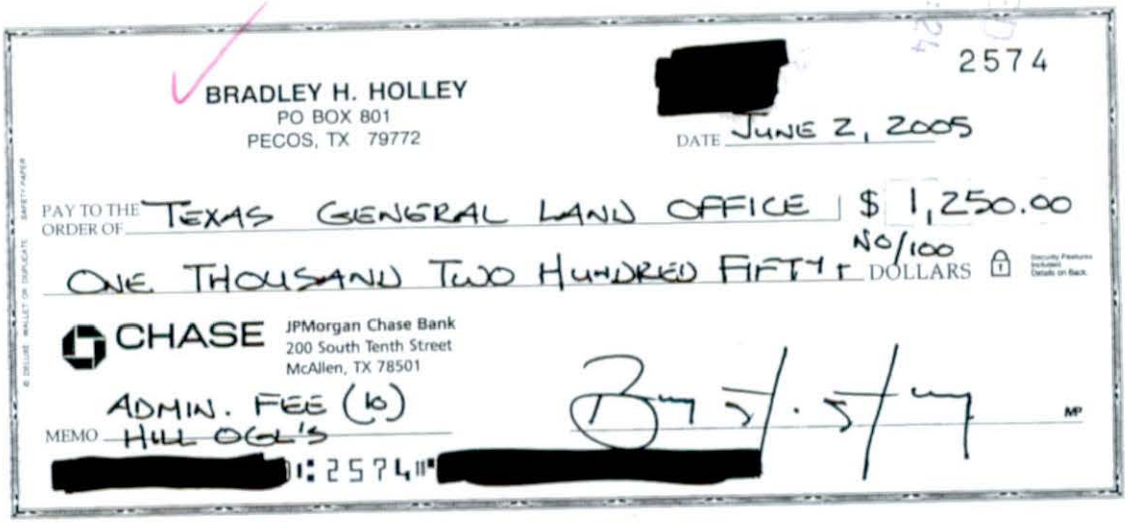
05041669

X 1,250.00

9th: Drew Reid

121

RECEIVED
05 JUN -2 PM 2:24



2574

BRADLEY H. HOLLEY
PO BOX 801
PECOS, TX 79772

[redacted]

DATE JUNE 2, 2005

PAY TO THE ORDER OF TEXAS GENERAL LAND OFFICE $ 1,250.00

ONE THOUSAND TWO HUNDRED FIFTY & NO/100 DOLLARS

CHASE JPMorgan Chase Bank
200 South Tenth Street
McAllen, TX 78501

MEMO ADMIN. FEE (10) HILL OGL'S

[redacted] 1: 2574 [redacted]

File No. MF 05835

Courses & Fees

Date Filed: 6/7/05

Jerry E. Patterson, Commissioner

By

EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated April 25, 2005 from the **State of Texas, by and through its Agent, Hill Investments, Ltd., by and through Alan M. Hill, President of Casody Enterprises, L.L.C., General Partner of Hill Investments, Ltd.** in favor of **Dwight Snell & Associates,** covering lands in Reeves County, Texas.

1920.00 acres of land, more or less, being described in the following three (3) tracts or parcels of land, all being located in Reeves County, Texas:

07-106071 480.0

07-106080 160.0

Tract 1: **640.00 acres of land,** more or less, being *all* of Section 43, Block 59, Public School Land Survey, A-4005 & A-4204, being the same land described in that certain Quit Claim Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

07-106099 640 AC

Tract 2: **640.00 acres of land,** more or less, being *all* of Section 44, Block 59, Public School Land Survey, A-4006, being the same land described in that certain Quit Claim Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

07-106106

Tract 3: **640.00 acres of land,** more or less, being *all* of Section 45, Block 59, Public School Land Survey, A-4007, being the same land described in that certain Quit Claim Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

AA

4.

File No. MP105235

Exhibit 4A"

Date Filed: 6/2/05

Jerry E. Patterson, Commissioner

By

BOOK 701 PAGE 128

FILE# 1963

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 25th day of April, 2005, between the State of Texas, acting by and through its agent, Hill Investments, Ltd., on behalf of the State of Texas in the capacities reflected in the signatory and acknowledgment portions of this lease

of P.O. Box 1568, Cedar Park, Texas 78613
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and DWIGHT SNELL & ASSOCIATES

of P. O. Box 407 Simonton, Texas 77476 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:

as described in Exhibit "A",attached hereto

containing 1920.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Two thousand two hundred seventy two and 50/100
Dollars ($2272.50)

To the owner of the soil: Two thousand two hundred seventy two and 50/100
Dollars ($2,272.50)

Total bonus consideration: Four thousand five hundred fourty five and 00/100
Dollars ($4545.00)

The total bonus consideration paid represents a bonus of Two hundred and two (202)
Dollars ($202.00) per acre, on 22.50 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of five (5) 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.

#10477

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 PAID-UP PER PARAGRAPH 42 _____ 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: N/A

Dollars ($N/A)

To the State of Texas: N/A

Dollars ($N/A)

Total Delay Rental: N/A

Dollars ($N/A)

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 one-fifth (1/5) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be 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 one-fifth(1/5) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is 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 one-fifth (1/5) 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 one-fifth (1/5) 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 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.

(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

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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.

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

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.

ADDENDUM PROVISIONS – ¶ #40 thru ¶ #42

40. **SURFACE USE AGREEMENT.** See attached three (3) page Addendum identified as EXHIBIT "B" containing **¶#1 thru ¶#14**.

41. **CONTINUOUS DEVELOPMENT.** After the expiration of the primary term, and notwithstanding paragraphs 16 (A) and 16 (B) above and any other provision in this lease to the contrary, no portion of this lease will terminate if Lessee continues to drill a well (or wells) anywhere on the leased premises with no more than 180 days between the release of the drilling rig on one well and the commencement of actual drilling operations on a subsequent well (hereinafter referred to as "continuous drilling"). Upon the cessation of continuous drilling this lease shall terminate in accordance with the other relevant provisions herein. If, however, Lessee has filed with the Texas Railroad Commission, no later than 60 days prior to the expiration of the said 180-day period, all requisite applications to drill the next well in the continuous drilling program, and Lessee is unable to proceed with drilling pending authorization by the Texas Railroad Commission, then Lessee shall be allowed such additional time as may be reasonably necessary to obtain the authorization and thereafter spud the subsequent well.

42. **DELAY RENTALS.** As stipulated in Paragraph #3 of this lease, the rentals for this lease have been PAID-UP for the second (2nd) and third (3rd) years of the primary term hereof. Lessee or its assigns shall have the right to keep this lease in force and effect for the **fourth (4th) year of the primary term provided for herein** by tendering a payment of one hundred dollars ($100.00) per net acre prior to April 25, 2008, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time. Lessee or its assigns shall have the right to keep this lease in force and effect for the **fifth (5th) year of the primary term provided for herein** by tendering a payment of one dollar ($1.00) per net acre prior to April 25, 2009, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

LESSOR

STATE OF TEXAS

By: _____

Hill Investments, Ltd., by and through Alan M. Hill, President of Casody Enterprises, L.L.C., General Partner of Hill Investments, Ltd., represented herein Individually and as Agent for the State of Texas

LESSEE

DWIGHT SNELL & ASSOCIATES

By: _____

Dwight Snell, Owner

STATE OF TEXAS REEVES COUNTY

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

STATE OF TEXAS
COUNTY OF Williamson

This instrument was acknowledged before me on this the 28th day of April, 2005, by **Alan M. Hill**, President of Casody Enterprises, L.L.C., General Partner of Hill Investments, Ltd.

TAMMIE MONROE
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 9-18-2005

Tammie Monroe
Notary Public in and for the State of Texas

STATE OF TEXAS
COUNTY OF FORT BEND

This instrument was acknowledged before me on this the 8TH day of ~~April~~ May, 2005, by **Dwight Snell**, as Owner of Dwight Snell & Associates.

BRADLEY H. HOLLEY
MY COMMISSION EXPIRES
May 28, 2007

Notary Public in and for the State of Texas

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

EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated April 25, 2005 from the **State of Texas, by and through its Agent, Hill Investments, Ltd., by and through Alan M. Hill, President of Casody Enterprises, L.L.C., General Partner of Hill Investments, Ltd.** in favor of **Dwight Snell & Associates**, covering lands in Reeves County, Texas.

1920.00 acres of land, more or less, being described in the following three (3) tracts or parcels of land, all being located in Reeves County, Texas:

Tract 1: **640.00 acres of land**, more or less, being *all* of Section 43, Block 59, Public School Land Survey, A-4005 & A-4204, being the same land described in that certain Quit Claim Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

Tract 2: **640.00 acres of land**, more or less, being *all* of Section 44, Block 59, Public School Land Survey, A-4006, being the same land described in that certain Quit Claim Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

Tract 3: **640.00 acres of land**, more or less, being *all* of Section 45, Block 59, Public School Land Survey, A-4007, being the same land described in that certain Quit Claim Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

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

EXHIBIT "B"

SURFACE USE AGREEMENT

Attached to and made a part of that certain Oil and Gas Lease dated April 25, 2005 from the **State of Texas, by and through its Agent, Hill Investments, Ltd., by and through Alan M. Hill, President of Casody Enterprises, L.L.C., General Partner of Hill Investments, Ltd.** in favor of **Dwight Snell & Associates**, covering lands in Reeves County, Texas.

It is agreed and understood that any payments of monies made pursuant to the provisions and/or terms of this lease including but not limited to payments designated to be paid to "Lessor" shall be paid in equal proportions with 50% of any such payments payable to the State of Texas and the remaining 50% of such payments payable to the owner(s) of the soil in proportion to the undivided interest of any such owner(s) of the soil at the time such payments are to be made.

"Lessee," as used herein shall include Lessee's agents and representatives, and "Lessor," as used herein, shall include Lessor's agents and representatives.

In the furtherance of the purposes and objectives set forth in this lease, Lessor and Lessee further agree that their respective rights, obligations and entitlements regarding the use of the surface of said land (as defined in the lease) are as follows:

1. **ROADS**. Lessee shall have the right to build, in segments, roads to access and service any and all wells, gas pipelines, gas gathering and gas processing plants, and all other facilities, stations, systems and equipment located on said land, provided they are in the furtherance of the objectives of this lease. Lessee will pay Lessor a one time payment of **One Dollar per linear foot** for the road easement/right-of-way and as damages for each segment of road so built. The number of linear feet on a particular road shall be determined by measuring the actual distance with a rolling measurement tool designed for such a purpose. Such payment shall be made prior to the commencement of each segment of road. Lessee agrees to grade and gravel all roads, as necessary, and if directed by Lessor, to make one continuous road connecting the various locations, confine all travel incident to the drilling and production of such well to the single graded road. Lessee shall have the right to use existing roads and gates without payment of additional consideration, but Lessee will consult with Lessor regarding its use of existing roads and gates to be certain that Lessee's use does not unreasonably interfere with Lessor's use thereof. Lessee will maintain all roads and gates used in connection with its operations in a state of good condition and repair. Lessee shall have the right to place its own lock on any gate which it must pass through to conduct its operations, and Lessor shall be entitled to a key or combination to all of Lessee's locks. In regards to maintenance of roads and gates used by Lessee, Lessee shall repair the damaged portions within a reasonable time after written notice by Lessor of need for such repair, and Lessee agrees to work with Lessor to keep them in a continuous state of good condition and repair. In connection with any roads built by Lessee, Lessee agrees to consult with Lessor as to the location of such roads and will construct division terraces as may be reasonably necessary to reduce soil erosion. If Lessor requests, Lessee will install cattle guards or, at Lessor's option, pipe gates to the side of such cattle guard at each fence crossing. If Lessee decides to abandon a road, or a portion of a road, built under the terms of this lease, Lessee will notify Lessor in writing of its abandonment, after which time Lessee will no longer be entitled to use the abandoned portion. Once Lessee abandons a road, or a portion thereof, Lessee shall no longer be responsible for maintaining it. If requested by Lessee and upon payment by Lessee to Lessor of said amount, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

2. **DRILLING LOCATIONS.** Lessor grants to Lessee the right to build drilling locations on said land. Lessee will pay Lessor the **total sum of $1,000 for each such location**. Payment will be made to Lessor prior to Lessee's commencement of dirt work on each location; however, Lessee will have the right to survey and stake wells prior to making such payment. No additional consideration shall be due Lessor for a substitute or replacement well that is located within 150 feet (plus a tolerance of 10%, plus a reasonable distance if the terrain or improvements thereon so necessitate) of the original borehole. After the drilling and completion of a producing well, Lessee will reduce the size of the location to the smallest reasonable area, as determined solely by Lessee, necessary to operate the well and to perform any workover operations. Pits will be filled and drilling locations will be restored as nearly as practicable to their original condition and contour within 180 days of completion (whether as a dry hole or a producer) of each well, weather permitting. If requested by Lessee and upon payment by Lessee to Lessor of said amount, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

STATE OF TEXAS REEVES COUNTY

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3. PIPELINES, SEPARATORS, DEHYDRATORS, COMPRESSORS, GAS GATHERING AND PROCESSING FACILITIES. Lessee shall have the right to lay water pipelines, oil pipelines and gas pipelines, and to build separators, dehydrators, compressors, gas gathering and processing facilities and systems, and to lay or build any other pipelines, equipment or facilities on said land that are in the furtherance of the purposes and objectives of this lease. The consideration and damages to which Lessor will be entitled for any of these lines, systems and facilities will be negotiated when it is determined where they are to be located and how much land is needed. Lessor and Lessee agree that the consideration to which Lessor will be entitled shall be the **fair market value** of similar lands in the area of the land so used. If requested by Lessee and upon payment by Lessee to Lessor of the agreed upon consideration and damages, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

4. WATER FOR DRILLING AND COMPLETION. Lessee will not have the right to use water from Lessor's ponds, lakes, tanks, streams or water wells without the written consent of Lessor. Lessee will, however, have the right to drill water wells, without additional compensation to Lessor, on said land for use in the drilling and completion of oil or gas wells. Lessee agrees, after cessation of its use of any water well drilled by Lessee on said land and prior to plugging or removing the casing therefrom, to tender such water well or wells to Lessor. If Lessor elects to accept such water well(s), it (they) shall become the property of Lessor without payment of any additional consideration to Lessee; provided, however, that Lessee shall have the right to use such well(s) at any time during the continuance of this lease in connection with any of Lessee's operations on said land, and provided that Lessor shall assume the plugging liability for such well(s).

5. DUTY TO FENCE AND RESTORE SURFACE. When requested by 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, to remove all driller's mud and chemicals, to level all dumps and mounds, fill all holes, pits, ditches and excavations, and at Lessor'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 substantially to the same condition as it was before the commencement of such operations, subject only to reasonable wear and tear.

6. FENCES AND GATES. 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 said land, without first obtaining written consent from Lessor. If such consent to the cutting of a fence is obtained, the cuts must be made at the place designated by 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 no slacking of the wires. If Lessor so requests, Lessee will install and maintain a substantial metal cattle guard capable of turning cattle, promptly after making such cut. Lessee will install a substantial metal gate, which shall be kept locked when not in actual use. Lessor may install its own locks in addition to Lessee's lock on said gate, and if so, Lessor will provide Lessee with keys (or combination) to the lock. Upon termination of this lease, or the portion thereof on which a cattle guard or gate is located, such cattle guard and gate shall, at the option of Lessor, become Lessor's property. So long as this lease shall remain in force, gates and cattle guards used by Lessee shall be maintained by Lessee in good condition and repair, capable of turning cattle. Lessee agrees to promptly close all gates and lock all outside gates which Lessee may use in Lessee's operations on said land.

7. SURFACE DAMAGES. In further accordance with Provision #22 – AUTHORIZED DAMAGES – herein, Lessee shall at all times use a reasonable degree of care in all of its operations on said land 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 said land, nor 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. Lessee shall dispose of such salt water and waste oil in accordance with the Rules and Regulations of the Railroad Commission of Texas.

Unless otherwise specifically addressed above, Lessee shall pay Lessor for any damages to Lessor's surface that are the direct result of Lessee's actions in the furtherance of the purposes and objectives of this lease, and the damages to which Lessor shall be entitled will be negotiated within a reasonable period of time after the occurrence. If Lessor and Lessee are unable to agree upon the damages or consideration to be paid to Lessor, Lessee's rights hereunder shall not be postponed or delayed pending any determination of the amount of such damages or compensation. Under no circumstances shall such damages exceed the fair market value of the damaged or contaminated land, unless such damages are the result of Lessee's gross negligence or willful misconduct.

8. FIRE PREVENTION AND CLEAN UP. Lessee will use its best efforts to prevent fires on said land and will use its best efforts to prevent papers, boxes, sacks and containers and waste materials of any kind from coming on said land and littering the premises.

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

10. SEISMIC. Lessee shall have the non-exclusive right to conduct seismic operations across said land. If Lessee conducts such operations, Lessee shall be required to compensate Lessor for damages at the rate of **$ 2.00 per surface acre** covered by the shoot. Lessor shall be paid in advance of any seismic operations.

STATE OF TEXAS REEVES COUNTY
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11. USE OF ABANDONED WELLS AS WATER WELLS. In the event any oil or gas well drilled on said land is abandoned as a dry hole or is no longer capable of production, Lessee agrees, before plugging such well, to tender such well to Lessor, and if Lessor elects to accept same for completion as a water well, Lessee agrees to install a cement plug in the bottom of such well, or at such depth as Lessor designates, and a removable swage at the top, and Lessee will turn over such well to Lessor for completion as a water well; provided, however, Lessor shall first execute the necessary forms and applications to the Railroad Commission of Texas or other regulatory agencies relieving Lessee of any further liability. If Lessor does not accept such well, Lessee shall plug and abandon it in accordance with the rules and regulations of the Texas Railroad Commission.

12. NO HUNTING OR FISHING. Lessee is not allowed to engage in hunting or fishing on said land without the written consent of Lessor; neither is Lessee allowed to bring any dog, firearm, or fishing tackle upon said land, without the written consent of Lessor. Lessor shall have the right, at all reasonable times and at its own expense, to inspect vehicles entering upon said land, for the purpose of verifying that no such articles are being brought on to said land.

13. ENUMERATED RIGHTS. Lessee's rights, as enumerated above, are in addition to any and all other rights that an oil and gas Lessee would have under the laws of the State of Texas.

14. SUCCESSORS AND ASSIGNS. The terms in this lease and this surface use agreement shall be binding upon Lessor and Lessee, and their successors and assigns.

SIGNED FOR IDENTIFICATION:

LESSOR:

STATE OF TEXAS

By: _____

Hill Investments, Ltd., by and through Alan M. Hill, President of Casody Enterprises, L.L.C., General Partner of Hill Investments, Ltd., represented herein Individually and as Agent for the State of 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. 1963

FILED FOR RECORD ON THE 26TH DAY OF MAY A.D. 2005 11:41 A M.

DULY RECORDED ON THE 31ST DAY OF MAY A.D. 2005 8:00 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

File No. MF-105235

Lease A

Date Filed: 6/2/05

Jerry E. Patterson, Commissioner

By _____

5.

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. 701, PAGE 128, THRU 140.

I hereby certified on MAY 31, 2005

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY _____ DEPUTY

FILE# 1964

#1047

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 25th day of April, 2005, between the State of Texas, acting by and through its agent, H-S Minerals & Realty, Ltd., on behalf of the State of Texas in the capacities reflected in the signatory and acknowledgment portions of this lease

of P.O. Box 27284, Austin, Texas 78755-2284
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and DWIGHT SNELL & ASSOCIATES

of P. O. Box 407 Simonton, Texas 77476 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:

as described in Exhibit "A" attached hereto

containing 1920.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Two thousand two hundred seventy two and 50/100
Dollars ($2272.50)

To the owner of the soil: Two thousand two hundred seventy two and 50/100
Dollars ($2,272.50)

Total bonus consideration: Four thousand five hundred fourty five and 00/100
Dollars ($4545.00)

The total bonus consideration paid represents a bonus of Two hundred and two (202)
Dollars ($202.00) per acre, on 22.50 net acres.

2. **TERM.** Subject to the other provisions in this lease, this lease shall be for a term of five (5) 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

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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 PAID-UP PER PARAGRAPH 42 _____ 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: N/A _____

Dollars ($N/A _____)

To the State of Texas: N/A _____

Dollars ($N/A _____)

Total Delay Rental: N/A _____

Dollars ($N/A _____)

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 one-fifth (1/5) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be 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 one-fifth(1/5) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is 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 one-fifth (1/5) 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 one-fifth (1/5) 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.

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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.

(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

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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.

ADDENDUM PROVISIONS – ¶ #40 thru ¶ #42

40. **SURFACE USE AGREEMENT.** See attached three (3) page Addendum identified as EXHIBIT "B" containing **¶#1 thru ¶#14**.

41. **CONTINUOUS DEVELOPMENT.** After the expiration of the primary term, and notwithstanding paragraphs 16 (A) and 16 (B) above and any other provision in this lease to the contrary, no portion of this lease will terminate if Lessee continues to drill a well (or wells) anywhere on the leased premises with no more than 180 days between the release of the drilling rig on one well and the commencement of actual drilling operations on a subsequent well (hereinafter referred to as "continuous drilling"). Upon the cessation of continuous drilling this lease shall terminate in accordance with the other relevant provisions herein. If, however, Lessee has filed with the Texas Railroad Commission, no later than 60 days prior to the expiration of the said 180-day period, all requisite applications to drill the next well in the continuous drilling program, and Lessee is unable to proceed with drilling pending authorization by the Texas Railroad Commission, then Lessee shall be allowed such additional time as may be reasonably necessary to obtain the authorization and thereafter spud the subsequent well.

42. **DELAY RENTALS.** As stipulated in Paragraph #3 of this lease, the rentals for this lease have been PAID-UP for the second (2nd) and third (3rd) years of the primary term hereof. **Lessee** or its assigns shall have the right to keep this lease in force and effect for the **fourth (4th) year of the primary term provided for herein** by tendering a payment of one hundred dollars ($100.00) per net acre prior to April 25, 2008, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time. Lessee or its assigns shall have the right to keep this lease in force and effect for the **fifth (5th) year of the primary term provided for herein** by tendering a payment of one dollar ($1.00) per net acre prior to April 25, 2009, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

LESSOR

STATE OF TEXAS

By: Cydney H. Shepard

H-S Minerals & Realty, Ltd. by and through
Cydney H. Shepard, President of R.C. Star, L.L.C.,
General Partner of H-S Minerals & Realty, Ltd.,
represented herein Individually and as
Agent for the State of Texas
Fed. Tax ID# [redacted]

LESSEE

DWIGHT SNELL & ASSOCIATES

By: _____
Dwight Snell, Owner

STATE OF TEXAS REEVES COUNTY

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STATE OF TEXAS
COUNTY OF Travis

This instrument was acknowledged before me on this the 2nd day of ~~April~~ May, 2005, by **Cydney H. Shepard**, President of R.C. Star, L.L.C., General Partner of H-S Minerals & Realty, Ltd.

Melissa Miller Gerdes
Notary Public, State of Texas
My Commission Expires
MAY 9, 2005

Melissa Miller
Notary Public in and for the State of Texas

STATE OF TEXAS
COUNTY OF FORT BEND

This instrument was acknowledged before me on this the 8TH day of ~~April~~ May, 2005, by **Dwight Snell**, as Owner of Dwight Snell & Associates.

BRADLEY H. HOLLEY
MY COMMISSION EXPIRES
May 28, 2007

Notary Public in and for the State of Texas

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Original filed in
Reeves County
Clerks Office

EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated April 25, 2005 from the **State of Texas, by and through its Agent, H-S Minerals & Realty, Ltd., by and through Cydney H. Shepard, President of R.C. Star, L.L.C., General Partner of H-S Minerals & Realty, Ltd.** in favor of **Dwight Snell & Associates**, covering lands in Reeves County, Texas.

1920.00 acres of land, more or less, being described in the following three (3) tracts or parcels of land, all being located in Reeves County, Texas:

Tract 1: **640.00 acres of land**, more or less, being *all* of Section 43, Block 59, Public School Land Survey, A-4005 & A-4204, being the same land described in that certain Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

Tract 2: **640.00 acres of land**, more or less, being *all* of Section 44, Block 59, Public School Land Survey, A-4006, being the same land described in that certain Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

Tract 3: **640.00 acres of land**, more or less, being *all* of Section 45, Block 59, Public School Land Survey, A-4007, being the same land described in that certain Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

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EXHIBIT "B"

SURFACE USE AGREEMENT

Attached to and made a part of that certain Oil and Gas Lease dated April 25, 2005 from the **State of Texas, by and through its Agent, H-S Minerals & Realty, Ltd., by and through Cydney H. Shepard, President of R.C. Star, L.L.C., General Partner of H-S Minerals & Realty, Ltd.** in favor of **Dwight Snell & Associates**, covering lands in Reeves County, Texas.

It is agreed and understood that any payments of monies made pursuant to the provisions and/or terms of this lease including but not limited to payments designated to be paid to "Lessor" shall be paid in equal proportions with 50% of any such payments payable to the State of Texas and the remaining 50% of such payments payable to the owner(s) of the soil in proportion to the undivided interest of any such owner(s) of the soil at the time such payments are to be made.

"Lessee," as used herein shall include Lessee's agents and representatives, and "Lessor," as used herein, shall include Lessor's agents and representatives.

In the furtherance of the purposes and objectives set forth in this lease, Lessor and Lessee further agree that their respective rights, obligations and entitlements regarding the use of the surface of said land (as defined in the lease) are as follows:

1. **ROADS.** Lessee shall have the right to build, in segments, roads to access and service any and all wells, gas pipelines, gas gathering and gas processing plants, and all other facilities, stations, systems and equipment located on said land, provided they are in the furtherance of the objectives of this lease. Lessee will pay Lessor a one time payment of **One Dollar per linear foot** for the road easement/right-of-way and as damages for each segment of road so built. The number of linear feet on a particular road shall be determined by measuring the actual distance with a rolling measurement tool designed for such a purpose. Such payment shall be made prior to the commencement of each segment of road. Lessee agrees to grade and gravel all roads, as necessary, and if directed by Lessor, to make one continuous road connecting the various locations, confine all travel incident to the drilling and production of such well to the single graded road. Lessee shall have the right to use existing roads and gates without payment of additional consideration, but Lessee will consult with Lessor regarding its use of existing roads and gates to be certain that Lessee's use does not unreasonably interfere with Lessor's use thereof. Lessee will maintain all roads and gates used in connection with its operations in a state of good condition and repair. Lessee shall have the right to place its own lock on any gate which it must pass through to conduct its operations, and Lessor shall be entitled to a key or combination to all of Lessee's locks. In regards to maintenance of roads and gates used by Lessee, Lessee shall repair the damaged portions within a reasonable time after written notice by Lessor of need for such repair, and Lessee agrees to work with Lessor to keep them in a continuous state of good condition and repair. In connection with any roads built by Lessee, Lessee agrees to consult with Lessor as to the location of such roads and will construct division terraces as may be reasonably necessary to reduce soil erosion. If Lessor requests, Lessee will install cattle guards or, at Lessor's option, pipe gates to the side of such cattle guard at each fence crossing. If Lessee decides to abandon a road, or a portion of a road, built under the terms of this lease, Lessee will notify Lessor in writing of its abandonment, after which time Lessee will no longer be entitled to use the abandoned portion. Once Lessee abandons a road, or a portion thereof, Lessee shall no longer be responsible for maintaining it. If requested by Lessee and upon payment by Lessee to Lessor of said amount, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

2. **DRILLING LOCATIONS.** Lessor grants to Lessee the right to build drilling locations on said land. Lessee will pay Lessor the **total sum of $1,000 for each such location**. Payment will be made to Lessor prior to Lessee's commencement of dirt work on each location; however, Lessee will have the right to survey and stake wells prior to making such payment. No additional consideration shall be due Lessor for a substitute or replacement well that is located within 150 feet (plus a tolerance of 10%, plus a reasonable distance if the terrain or improvements thereon so necessitate) of the original borehole. After the drilling and completion of a producing well, Lessee will reduce the size of the location to the smallest reasonable area, as determined solely by Lessee, necessary to operate the well and to perform any workover operations. Pits will be filled and drilling locations will be restored as nearly as practicable to their original condition and contour within 180 days of completion (whether as a dry hole or a producer) of each well, weather permitting. If requested by Lessee and upon payment by Lessee to Lessor of said amount, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

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3. PIPELINES, SEPARATORS, DEHYDRATORS, COMPRESSORS, GAS GATHERING AND PROCESSING FACILITIES. Lessee shall have the right to lay water pipelines, oil pipelines and gas pipelines, and to build separators, dehydrators, compressors, gas gathering and processing facilities and systems, and to lay or build any other pipelines, equipment or facilities on said land that are in the furtherance of the purposes and objectives of this lease. The consideration and damages to which Lessor will be entitled for any of these lines, systems and facilities will be negotiated when it is determined where they are to be located and how much land is needed. Lessor and Lessee agree that the consideration to which Lessor will be entitled shall be the **fair market value** of similar lands in the area of the land so used. If requested by Lessee and upon payment by Lessee to Lessor of the agreed upon consideration and damages, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

4. WATER FOR DRILLING AND COMPLETION. Lessee will not have the right to use water from Lessor's ponds, lakes, tanks, streams or water wells without the written consent of Lessor. Lessee will, however, have the right to drill water wells, without additional compensation to Lessor, on said land for use in the drilling and completion of oil or gas wells. Lessee agrees, after cessation of its use of any water well drilled by Lessee on said land and prior to plugging or removing the casing therefrom, to tender such water well or wells to Lessor. If Lessor elects to accept such water well(s), it (they) shall become the property of Lessor without payment of any additional consideration to Lessee; provided, however, that Lessee shall have the right to use such well(s) at any time during the continuance of this lease in connection with any of Lessee's operations on said land, and provided that Lessor shall assume the plugging liability for such well(s).

5. DUTY TO FENCE AND RESTORE SURFACE. When requested by 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, to remove all driller's mud and chemicals, to level all dumps and mounds, fill all holes, pits, ditches and excavations, and at Lessor'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 substantially to the same condition as it was before the commencement of such operations, subject only to reasonable wear and tear.

6. FENCES AND GATES. 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 said land, without first obtaining written consent from Lessor. If such consent to the cutting of a fence is obtained, the cuts must be made at the place designated by 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 no slacking of the wires. If Lessor so requests, Lessee will install and maintain a substantial metal cattle guard capable of turning cattle, promptly after making such cut. Lessee will install a substantial metal gate, which shall be kept locked when not in actual use. Lessor may install its own locks in addition to Lessee's lock on said gate, and if so, Lessor will provide Lessee with keys (or combination) to the lock. Upon termination of this lease, or the portion thereof on which a cattle guard or gate is located, such cattle guard and gate shall, at the option of Lessor, become Lessor's property. So long as this lease shall remain in force, gates and cattle guards used by Lessee shall be maintained by Lessee in good condition and repair, capable of turning cattle. Lessee agrees to promptly close all gates and lock all outside gates which Lessee may use in Lessee's operations on said land.

7. SURFACE DAMAGES. In further accordance with Provision #22 – AUTHORIZED DAMAGES – herein, Lessee shall at all times use a reasonable degree of care in all of its operations on said land 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 said land, nor 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. Lessee shall dispose of such salt water and waste oil in accordance with the Rules and Regulations of the Railroad Commission of Texas.

Unless otherwise specifically addressed above, Lessee shall pay Lessor for any damages to Lessor's surface that are the direct result of Lessee's actions in the furtherance of the purposes and objectives of this lease, and the damages to which Lessor shall be entitled will be negotiated within a reasonable period of time after the occurrence. If Lessor and Lessee are unable to agree upon the damages or consideration to be paid to Lessor, Lessee's rights hereunder shall not be postponed or delayed pending any determination of the amount of such damages or compensation. Under no circumstances shall such damages exceed the fair market value of the damaged or contaminated land, unless such damages are the result of Lessee's gross negligence or willful misconduct.

8. FIRE PREVENTION AND CLEAN UP. Lessee will use its best efforts to prevent fires on said land and will use its best efforts to prevent papers, boxes, sacks and containers and waste materials of any kind from coming on said land and littering the premises.

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

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10. SEISMIC. Lessee shall have the non-exclusive right to conduct seismic operations across said land. If Lessee conducts such operations, Lessee shall be required to compensate Lessor for damages at the rate of **$ 2.00 per surface acre** covered by the shoot. Lessor shall be paid in advance of any seismic operations.

11. USE OF ABANDONED WELLS AS WATER WELLS. In the event any oil or gas well drilled on said land is abandoned as a dry hole or is no longer capable of production, Lessee agrees, before plugging such well, to tender such well to Lessor, and if Lessor elects to accept same for completion as a water well, Lessee agrees to install a cement plug in the bottom of such well, or at such depth as Lessor designates, and a removable swage at the top, and Lessee will turn over such well to Lessor for completion as a water well; provided, however, Lessor shall first execute the necessary forms and applications to the Railroad Commission of Texas or other regulatory agencies relieving Lessee of any further liability. If Lessor does not accept such well, Lessee shall plug and abandon it in accordance with the rules and regulations of the Texas Railroad Commission.

12. NO HUNTING OR FISHING. Lessee is not allowed to engage in hunting or fishing on said land without the written consent of Lessor; neither is Lessee allowed to bring any dog, firearm, or fishing tackle upon said land, without the written consent of Lessor. Lessor shall have the right, at all reasonable times and at its own expense, to inspect vehicles entering upon said land, for the purpose of verifying that no such articles are being brought on to said land.

13. ENUMERATED RIGHTS. Lessee's rights, as enumerated above, are in addition to any and all other rights that an oil and gas Lessee would have under the laws of the State of Texas.

14. SUCCESSORS AND ASSIGNS. The terms in this lease and this surface use agreement shall be binding upon Lessor and Lessee, and their successors and assigns.

SIGNED FOR IDENTIFICATION:

LESSOR:

STATE OF TEXAS

By: Cydney H. Shepard

H-S Minerals & Realty, Ltd. by and through
Cydney H. Shepard, President of R.C. Star, L.L.C.,
General Partner of H-S Minerals & Realty, Ltd.,
represented herein Individually and as
Agent for the State of 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. 1964

FILED FOR RECORD ON THE 26TH DAY OF MAY A.D. 2005 11:41 A M.

DULY RECORDED ON THE 31ST DAY OF MAY A.D. 2005 8:00 A M.

BY: Gene Flores, 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

File No. MF-105235

Lease B

Date Filed: 6/2/05

Jerry E. Patterson, Commissioner

By _____

5.

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. 701, PAGE 141 THRU 153.

I hereby certified on MAY 31, 2005

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY _____ DEPUTY

E-3-08

FILE# 1966

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 25th day of April, 2005, between the State of Texas, acting by and through its agent, Dorothy Hill, f/k/a Dorothy Jean Keenom, individually and as Trustee of the Thomas Hill Puff Trust and as Trustee of the Nancy Puff Jones Trust on behalf of the State of Texas,

of 1320 Lake Street, Fort Worth, Texas 76102-4508
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and DWIGHT SNELL & ASSOCIATES

of P. O. Box 407 Simonton, Texas 77476 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:

as described in Exhibit "A" attached hereto.

containing 1920.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Twenty four thousand nine hundred ninety seven and 50/100
Dollars ($24,997.50)

To the owner of the soil: Twenty four thousand nine hundred ninety seven and 50/100
Dollars ($24,997.50)

Total bonus consideration: Fourty nine thousand nine hundred ninety five and 00/100
Dollars ($49,995.00)

The total bonus consideration paid represents a bonus of Two hundred and two (202)
Dollars ($202.00) per acre, on 247.50 net acres.

2. **TERM.** Subject to the other provisions in this lease, this lease shall be for a term of five (5) 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.

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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 PAID-UP PER PARAGRAPH 42 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: N/A

Dollars ($N/A)

To the State of Texas: N/A

Dollars ($N/A)

Total Delay Rental: N/A

Dollars ($N/A)

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 one-fifth (1/5) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be 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 one-fifth(1/5) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is 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 one-fifth (1/5) 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 one-fifth (1/5) 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.

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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.

(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

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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.

ADDENDUM PROVISIONS – ¶ #40 thru ¶ #42

40. **SURFACE USE AGREEMENT**. See attached three (3) page Addendum identified as EXHIBIT "B" containing **¶#1 thru ¶#14**.

41. **CONTINUOUS DEVELOPMENT**. After the expiration of the primary term, and notwithstanding paragraphs 16 (A) and 16 (B) above and any other provision in this lease to the contrary, no portion of this lease will terminate if Lessee continues to drill a well (or wells) anywhere on the leased premises with no more than 180 days between the release of the drilling rig on one well and the commencement of actual drilling operations on a subsequent well (hereinafter referred to as "continuous drilling"). Upon the cessation of continuous drilling this lease shall terminate in accordance with the other relevant provisions herein. If, however, Lessee has filed with the Texas Railroad Commission, no later than 60 days prior to the expiration of the said 180-day period, all requisite applications to drill the next well in the continuous drilling program, and Lessee is unable to proceed with drilling pending authorization by the Texas Railroad Commission, then Lessee shall be allowed such additional time as may be reasonably necessary to obtain the authorization and thereafter spud the subsequent well.

42. **DELAY RENTALS.** As stipulated in Paragraph #3 of this lease, the rentals for this lease have been PAID-UP for the second (2nd) and third (3rd) years of the primary term hereof. Lessee or its assigns shall have the right to keep this lease in force and effect for the **fourth (4th) year of the primary term provided for herein** by tendering a payment of one hundred dollars ($100.00) per net acre prior to April 25, 2008, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time. Lessee or its assigns shall have the right to keep this lease in force and effect for the **fifth (5th) year of the primary term provided for herein** by tendering a payment of one dollar ($1.00) per net acre prior to April 25, 2009, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

LESSOR

STATE OF TEXAS

By: Dorothy Hill

Dorothy Hill f/k/a Dorothy Jean Keenom, Individually and as Trustee of the Thomas Hill Puff Trust and as Trustee of the Nancy Puff Jones Trust, represented herein Individually and as Agent for the State of Texas

LESSEE

DWIGHT SNELL & ASSOCIATES

By: _____

Dwight Snell, Owner

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STATE OF TEXAS
COUNTY OF TARRANT

This instrument was acknowledged before me on this the 28th day of April, 2005, by **Dorothy Hill f/k/a Dorothy Jean Keenom**, individually and as Trustee of the Thomas Hill Puff Trust and as Trustee of the Nancy Puff Jones Trust.

JIMMIE L. HOOKS
MY COMMISSION EXPIRES
March 07, 2006

Notary Public in and for the State of Texas

STATE OF TEXAS
COUNTY OF FORT BEND

This instrument was acknowledged before me on this the 8TH day of ~~April~~ May, 2005, by **Dwight Snell**, as Owner of Dwight Snell & Associates.

BRADLEY H. HOLLEY
MY COMMISSION EXPIRES
May 28, 2007

Notary Public in and for the State of Texas

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EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated April 25, 2005 from the **State of Texas, by and through its Agent, Dorothy Hill, f/k/a Dorothy Jean Keenom, individually and as Trustee of the Thomas Hill Puff Trust and as Trustee of the Nancy Puff Jones Trust** in favor of **Dwight Snell & Associates**, covering lands in Reeves County, Texas.

1920.00 acres of land, more or less, being described in the following three (3) tracts or parcels of land, all being located in Reeves County, Texas:

Tract 1: **640.00 acres of land**, more or less, being *all* of Section 43, Block 59, Public School Land Survey, A-4005 & A-4204, being the same land described in that certain Quit Claim Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

Tract 2: **640.00 acres of land**, more or less, being *all* of Section 44, Block 59, Public School Land Survey, A-4006, being the same land described in that certain Quit Claim Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

Tract 3: **640.00 acres of land**, more or less, being *all* of Section 45, Block 59, Public School Land Survey, A-4007, being the same land described in that certain Quit Claim Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

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EXHIBIT "B"

SURFACE USE AGREEMENT

Attached to and made a part of that certain Oil and Gas Lease dated April 25, 2005 from the **State of Texas, by and through its Agent, Dorothy Hill, f/k/a Dorothy Jean Keenom, individually and as Trustee of the Thomas Hill Puff Trust and as Trustee of the Nancy Puff Jones Trust** in favor of **Dwight Snell & Associates**, covering lands in Reeves County, Texas.

It is agreed and understood that any payments of monies made pursuant to the provisions and/or terms of this lease including but not limited to payments designated to be paid to "Lessor" shall be paid in equal proportions with 50% of any such payments payable to the State of Texas and the remaining 50% of such payments payable to the owner(s) of the soil in proportion to the undivided interest of any such owner(s) of the soil at the time such payments are to be made.

"Lessee," as used herein shall include Lessee's agents and representatives, and "Lessor," as used herein, shall include Lessor's agents and representatives.

In the furtherance of the purposes and objectives set forth in this lease, Lessor and Lessee further agree that their respective rights, obligations and entitlements regarding the use of the surface of said land (as defined in the lease) are as follows:

1. **ROADS**. Lessee shall have the right to build, in segments, roads to access and service any and all wells, gas pipelines, gas gathering and gas processing plants, and all other facilities, stations, systems and equipment located on said land, provided they are in the furtherance of the objectives of this lease. Lessee will pay Lessor a one time payment of **One Dollar per linear foot** for the road easement/right-of-way and as damages for each segment of road so built. The number of linear feet on a particular road shall be determined by measuring the actual distance with a rolling measurement tool designed for such a purpose. Such payment shall be made prior to the commencement of each segment of road. Lessee agrees to grade and gravel all roads, as necessary, and if directed by Lessor, to make one continuous road connecting the various locations, confine all travel incident to the drilling and production of such well to the single graded road. Lessee shall have the right to use existing roads and gates without payment of additional consideration, but Lessee will consult with Lessor regarding its use of existing roads and gates to be certain that Lessee's use does not unreasonably interfere with Lessor's use thereof. Lessee will maintain all roads and gates used in connection with its operations in a state of good condition and repair. Lessee shall have the right to place its own lock on any gate which it must pass through to conduct its operations, and Lessor shall be entitled to a key or combination to all of Lessee's locks. In regards to maintenance of roads and gates used by Lessee, Lessee shall repair the damaged portions within a reasonable time after written notice by Lessor of need for such repair, and Lessee agrees to work with Lessor to keep them in a continuous state of good condition and repair. In connection with any roads built by Lessee, Lessee agrees to consult with Lessor as to the location of such roads and will construct division terraces as may be reasonably necessary to reduce soil erosion. If Lessor requests, Lessee will install cattle guards or, at Lessor's option, pipe gates to the side of such cattle guard at each fence crossing. If Lessee decides to abandon a road, or a portion of a road, built under the terms of this lease, Lessee will notify Lessor in writing of its abandonment, after which time Lessee will no longer be entitled to use the abandoned portion. Once Lessee abandons a road, or a portion thereof, Lessee shall no longer be responsible for maintaining it. If requested by Lessee and upon payment by Lessee to Lessor of said amount, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

2. **DRILLING LOCATIONS.** Lessor grants to Lessee the right to build drilling locations on said land. Lessee will pay Lessor the **total sum of $1,000 for each such location**. Payment will be made to Lessor prior to Lessee's commencement of dirt work on each location; however, Lessee will have the right to survey and stake wells prior to making such payment. No additional consideration shall be due Lessor for a substitute or replacement well that is located within 150 feet (plus a tolerance of 10%, plus a reasonable distance if the terrain or improvements thereon so necessitate) of the original borehole. After the drilling and completion of a producing well, Lessee will reduce the size of the location to the smallest reasonable area, as determined solely by Lessee, necessary to operate the well and to perform any workover operations. Pits will be filled and drilling locations will be restored as nearly as practicable to their original condition and contour within 180 days of completion (whether as a dry hole or a producer) of each well, weather permitting. If requested by Lessee and upon payment by Lessee to Lessor of said amount, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

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3. PIPELINES, SEPARATORS, DEHYDRATORS, COMPRESSORS, GAS GATHERING AND PROCESSING FACILITIES. Lessee shall have the right to lay water pipelines, oil pipelines and gas pipelines, and to build separators, dehydrators, compressors, gas gathering and processing facilities and systems, and to lay or build any other pipelines, equipment or facilities on said land that are in the furtherance of the purposes and objectives of this lease. The consideration and damages to which Lessor will be entitled for any of these lines, systems and facilities will be negotiated when it is determined where they are to be located and how much land is needed. Lessor and Lessee agree that the consideration to which Lessor will be entitled shall be the **fair market value** of similar lands in the area of the land so used. If requested by Lessee and upon payment by Lessee to Lessor of the agreed upon consideration and damages, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

4. WATER FOR DRILLING AND COMPLETION. Lessee will not have the right to use water from Lessor's ponds, lakes, tanks, streams or water wells without the written consent of Lessor. Lessee will, however, have the right to drill water wells, without additional compensation to Lessor, on said land for use in the drilling and completion of oil or gas wells. Lessee agrees, after cessation of its use of any water well drilled by Lessee on said land and prior to plugging or removing the casing therefrom, to tender such water well or wells to Lessor. If Lessor elects to accept such water well(s), it (they) shall become the property of Lessor without payment of any additional consideration to Lessee; provided, however, that Lessee shall have the right to use such well(s) at any time during the continuance of this lease in connection with any of Lessee's operations on said land, and provided that Lessor shall assume the plugging liability for such well(s).

5. DUTY TO FENCE AND RESTORE SURFACE. When requested by 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, to remove all driller's mud and chemicals, to level all dumps and mounds, fill all holes, pits, ditches and excavations, and at Lessor'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 substantially to the same condition as it was before the commencement of such operations, subject only to reasonable wear and tear.

6. FENCES AND GATES. 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 said land, without first obtaining written consent from Lessor. If such consent to the cutting of a fence is obtained, the cuts must be made at the place designated by 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 no slacking of the wires. If Lessor so requests, Lessee will install and maintain a substantial metal cattle guard capable of turning cattle, promptly after making such cut. Lessee will install a substantial metal gate, which shall be kept locked when not in actual use. Lessor may install its own locks in addition to Lessee's lock on said gate, and if so, Lessor will provide Lessee with keys (or combination) to the lock. Upon termination of this lease, or the portion thereof on which a cattle guard or gate is located, such cattle guard and gate shall, at the option of Lessor, become Lessor's property. So long as this lease shall remain in force, gates and cattle guards used by Lessee shall be maintained by Lessee in good condition and repair, capable of turning cattle. Lessee agrees to promptly close all gates and lock all outside gates which Lessee may use in Lessee's operations on said land.

7. SURFACE DAMAGES. In further accordance with Provision #22 – AUTHORIZED DAMAGES – herein, Lessee shall at all times use a reasonable degree of care in all of its operations on said land 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 said land, nor 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. Lessee shall dispose of such salt water and waste oil in accordance with the Rules and Regulations of the Railroad Commission of Texas.

Unless otherwise specifically addressed above, Lessee shall pay Lessor for any damages to Lessor's surface that are the direct result of Lessee's actions in the furtherance of the purposes and objectives of this lease, and the damages to which Lessor shall be entitled will be negotiated within a reasonable period of time after the occurrence. If Lessor and Lessee are unable to agree upon the damages or consideration to be paid to Lessor, Lessee's rights hereunder shall not be postponed or delayed pending any determination of the amount of such damages or compensation. Under no circumstances shall such damages exceed the fair market value of the damaged or contaminated land, unless such damages are the result of Lessee's gross negligence or willful misconduct.

8. FIRE PREVENTION AND CLEAN UP. Lessee will use its best efforts to prevent fires on said land and will use its best efforts to prevent papers, boxes, sacks and containers and waste materials of any kind from coming on said land and littering the premises.

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

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10. SEISMIC. Lessee shall have the non-exclusive right to conduct seismic operations across said land. If Lessee conducts such operations, Lessee shall be required to compensate Lessor for damages at the rate of **$ 2.00 per surface acre** covered by the shoot. Lessor shall be paid in advance of any seismic operations.

11. USE OF ABANDONED WELLS AS WATER WELLS. In the event any oil or gas well drilled on said land is abandoned as a dry hole or is no longer capable of production, Lessee agrees, before plugging such well, to tender such well to Lessor, and if Lessor elects to accept same for completion as a water well, Lessee agrees to install a cement plug in the bottom of such well, or at such depth as Lessor designates, and a removable swage at the top, and Lessee will turn over such well to Lessor for completion as a water well; provided, however, Lessor shall first execute the necessary forms and applications to the Railroad Commission of Texas or other regulatory agencies relieving Lessee of any further liability. If Lessor does not accept such well, Lessee shall plug and abandon it in accordance with the rules and regulations of the Texas Railroad Commission.

12. NO HUNTING OR FISHING. Lessee is not allowed to engage in hunting or fishing on said land without the written consent of Lessor; neither is Lessee allowed to bring any dog, firearm, or fishing tackle upon said land, without the written consent of Lessor. Lessor shall have the right, at all reasonable times and at its own expense, to inspect vehicles entering upon said land, for the purpose of verifying that no such articles are being brought on to said land.

13. ENUMERATED RIGHTS. Lessee's rights, as enumerated above, are in addition to any and all other rights that an oil and gas Lessee would have under the laws of the State of Texas.

14. SUCCESSORS AND ASSIGNS. The terms in this lease and this surface use agreement shall be binding upon Lessor and Lessee, and their successors and assigns.

SIGNED FOR IDENTIFICATION:

LESSOR

STATE OF TEXAS

By: Dorothy Hill

Dorothy Hill f/k/a Dorothy Jean Keenom, Individually and as Trustee of the Thomas Hill Puff Trust and as Trustee of the Nancy Puff Jones Trust, represented herein Individually and as Agent for the State of 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. 1966

FILED FOR RECORD ON THE 26TH DAY OF MAY A.D. 2005 11:41 A M.

DULY RECORDED ON THE 31ST DAY OF MAY A.D. 2005 8:00 A M.

BY: Anne Flores, 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

File No. ML-105235

Lease C

Date Filed: 6/2/05

Jerry E. Patterson, Commissioner

By _____

5.

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. 701, PAGE 167, THRU 179.

I hereby certified on MAY 31, 2005

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY _____ DEPUTY

FILE# 1968

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 25th day of April, 2005, between the State of Texas, acting by and through its agent, James Robert Hill, Virginia Glenn Hill Lattimore and John A. Styrsky, as Co-Trustees of the Houston and Emma Hill Trust Estate and James Robert Hill and Virginia Glenn Hill Lattimore, individually on behalf of the State of Texas,

of 500 West Seventh Street, Suite 1802, Fort Worth, Texas 76102-4772
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and DWIGHT SNELL & ASSOCIATES

of P. O. Box 407 Simonton, Texas 77476 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:

as described in Exhibit "A" attached hereto.

containing 1920.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Fifty four thousand five hundred fourty and 00/100
Dollars ($54,540.00)

To the owner of the soil: Fifty four thousand five hundred fourty and 00/100
Dollars ($54,540.00)

Total bonus consideration: One hundred nine thousand eighty and 00/100
Dollars ($109,080.00)

The total bonus consideration paid represents a bonus of Two hundred and two
Dollars ($202) per acre, on 540.00 net acres.

2. **TERM.** Subject to the other provisions in this lease, this lease shall be for a term of five (5) 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.

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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 PAID-UP PER PARAGRAPH 42 _____ 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: N/A

Dollars ($N/A)

To the State of Texas: N/A

Dollars ($N/A)

Total Delay Rental: N/A

Dollars ($N/A)

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 one-fifth (1/5) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be 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 one-fifth(1/5) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is 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 one-fifth (1/5) 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 one-fifth (1/5) 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.

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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.

(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

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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.

ADDENDUM PROVISIONS – ¶ #40 thru ¶ #42

40. **SURFACE USE AGREEMENT.** See attached three (3) page Addendum identified as EXHIBIT "B" containing **¶#1 thru ¶#14**.

41. **CONTINUOUS DEVELOPMENT.** After the expiration of the primary term, and notwithstanding paragraphs 16 (A) and 16 (B) above and any other provision in this lease to the contrary, no portion of this lease will terminate if Lessee continues to drill a well (or wells) anywhere on the leased premises with no more than 180 days between the release of the drilling rig on one well and the commencement of actual drilling operations on a subsequent well (hereinafter referred to as "continuous drilling"). Upon the cessation of continuous drilling this lease shall terminate in accordance with the other relevant provisions herein. If, however, Lessee has filed with the Texas Railroad Commission, no later than 60 days prior to the expiration of the said 180-day period, all requisite applications to drill the next well in the continuous drilling program, and Lessee is unable to proceed with drilling pending authorization by the Texas Railroad Commission, then Lessee shall be allowed such additional time as may be reasonably necessary to obtain the authorization and thereafter spud the subsequent well.

42. **DELAY RENTALS.** As stipulated in Paragraph #3 of this lease, the rentals for this lease have been PAID-UP for the second (2nd) and third (3rd) years of the primary term hereof. **Lessee** or its assigns shall have the right to keep this lease in force and effect for the **fourth (4th) year of the primary term provided for herein** by tendering a payment of one hundred dollars ($100.00) per net acre prior to April 25, 2008, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time. Lessee or its assigns shall have the right to keep this lease in force and effect for the **fifth (5th) year of the primary term provided for herein** by tendering a payment of one dollar ($1.00) per net acre prior to April 25, 2009, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

LESSOR:

STATE OF TEXAS

By: _____
James Robert Hill, Individually and as Co-Trustee of the Houston and Emma Hill Trust Estate, represented herein as Agent for the State of Texas

By: _____
John A. Styrsky, as Co-Trustee of the Houston and Emma Hill Trust Estate, represented herein as Agent for the State of Texas

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By: Virginia Glenn Hill Lattimore

Virginia Glenn Hill Lattimore, Individually and as Co-Trustee of the Houston and Emma Hill Trust Estate, represented herein as Agent for the State of Texas

LESSEE

DWIGHT SNELL & ASSOCIATES

By: _____

Dwight Snell, Owner

STATE OF TEXAS
COUNTY OF Tarrant

This instrument was acknowledged before me on this the 28th day of April, 2005, by **James Robert Hill**, individually and as Co-Trustee of the Houston and Emma Hill Trust Estate.

SHEILA D. RICHARDS
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 06-27-2005

Sheila D. Richards
Notary Public in and for the State of Texas

STATE OF TEXAS
COUNTY OF Tarrant

This instrument was acknowledged before me on this the 28th day of April, 2005, by **Virginia Glenn Hill Lattimore**, individually and as Co-Trustee of the Houston and Emma Hill Trust Estate.

SHEILA D. RICHARDS
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 06-27-2005

Sheila D. Richards
Notary Public in and for the State of Texas

STATE OF TEXAS
REEVES COUNTY

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STATE OF TEXAS
COUNTY OF Tarrant

This instrument was acknowledged before me on this the 28th day of April, 2005, by **John A. Styrsky**, as Co-Trustee of the Houston and Emma Hill Trust Estate.

SHEILA D. RICHARDS
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 06-27-2005

Sheila D. Richards
Notary Public in and for the State of Texas

STATE OF TEXAS
COUNTY OF FORT BEND

This instrument was acknowledged before me on this the 8th day of ~~April~~ May, 2005, by **Dwight Snell**, as Owner of Dwight Snell & Associates.

BRADLEY H. HOLLEY
MY COMMISSION EXPIRES
May 28, 2007

Notary Public in and for the State of Texas

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EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated April 25, 2005 from the **State of Texas, by and through its Agents, James Robert Hill, Virginia Glenn Hill Lattimore and John A. Styrsky, as Co-Trustees of the Houston and Emma Hill Trust Estate and James Robert Hill and Virginia Glenn Hill Lattimore, individually** in favor of **Dwight Snell & Associates**, covering lands in Reeves County, Texas.

1920.00 acres of land, more or less, being described in the following three (3) tracts or parcels of land, all being located in Reeves County, Texas:

Tract 1: **640.00 acres of land**, more or less, being *all* of Section 43, Block 59, Public School Land Survey, A-4005 & A-4204, being the same land described in that certain Quit Claim Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

Tract 2: **640.00 acres of land**, more or less, being *all* of Section 44, Block 59, Public School Land Survey, A-4006, being the same land described in that certain Quit Claim Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

Tract 3: **640.00 acres of land**, more or less, being *all* of Section 45, Block 59, Public School Land Survey, A-4007, being the same land described in that certain Quit Claim Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

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EXHIBIT "B"

SURFACE USE AGREEMENT

Attached to and made a part of that certain Oil and Gas Lease dated April 25, 2005 from the **State of Texas, by and through its Agents, James Robert Hill, Virginia Glenn Hill Lattimore and John A. Styrsky, as Co-Trustees of the Houston and Emma Hill Trust Estate and James Robert Hill and Virginia Glenn Hill Lattimore, individually** in favor of **Dwight Snell & Associates**, covering lands in Reeves County, Texas.

It is agreed and understood that any payments of monies made pursuant to the provisions and/or terms of this lease including but not limited to payments designated to be paid to "Lessor" shall be paid in equal proportions with 50% of any such payments payable to the State of Texas and the remaining 50% of such payments payable to the owner(s) of the soil in proportion to the undivided interest of any such owner(s) of the soil at the time such payments are to be made.

"Lessee," as used herein shall include Lessee's agents and representatives, and "Lessor," as used herein, shall include Lessor's agents and representatives.

In the furtherance of the purposes and objectives set forth in this lease, Lessor and Lessee further agree that their respective rights, obligations and entitlements regarding the use of the surface of said land (as defined in the lease) are as follows:

1. **ROADS**. Lessee shall have the right to build, in segments, roads to access and service any and all wells, gas pipelines, gas gathering and gas processing plants, and all other facilities, stations, systems and equipment located on said land, provided they are in the furtherance of the objectives of this lease. Lessee will pay Lessor a one time payment of **One Dollar per linear foot** for the road easement/right-of-way and as damages for each segment of road so built. The number of linear feet on a particular road shall be determined by measuring the actual distance with a rolling measurement tool designed for such a purpose. Such payment shall be made prior to the commencement of each segment of road. Lessee agrees to grade and gravel all roads, as necessary, and if directed by Lessor, to make one continuous road connecting the various locations, confine all travel incident to the drilling and production of such well to the single graded road. Lessee shall have the right to use existing roads and gates without payment of additional consideration, but Lessee will consult with Lessor regarding its use of existing roads and gates to be certain that Lessee's use does not unreasonably interfere with Lessor's use thereof. Lessee will maintain all roads and gates used in connection with its operations in a state of good condition and repair. Lessee shall have the right to place its own lock on any gate which it must pass through to conduct its operations, and Lessor shall be entitled to a key or combination to all of Lessee's locks. In regards to maintenance of roads and gates used by Lessee, Lessee shall repair the damaged portions within a reasonable time after written notice by Lessor of need for such repair, and Lessee agrees to work with Lessor to keep them in a continuous state of good condition and repair. In connection with any roads built by Lessee, Lessee agrees to consult with Lessor as to the location of such roads and will construct division terraces as may be reasonably necessary to reduce soil erosion. If Lessor requests, Lessee will install cattle guards or, at Lessor's option, pipe gates to the side of such cattle guard at each fence crossing. If Lessee decides to abandon a road, or a portion of a road, built under the terms of this lease, Lessee will notify Lessor in writing of its abandonment, after which time Lessee will no longer be entitled to use the abandoned portion. Once Lessee abandons a road, or a portion thereof, Lessee shall no longer be responsible for maintaining it. If requested by Lessee and upon payment by Lessee to Lessor of said amount, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

2. **DRILLING LOCATIONS.** Lessor grants to Lessee the right to build drilling locations on said land. Lessee will pay Lessor the **total sum of $1,000 for each such location**. Payment will be made to Lessor prior to Lessee's commencement of dirt work on each location; however, Lessee will have the right to survey and stake wells prior to making such payment. No additional consideration shall be due Lessor for a substitute or replacement well that is located within 150 feet (plus a tolerance of 10%, plus a reasonable distance if the terrain or improvements thereon so necessitate) of the original borehole. After the drilling and completion of a producing well, Lessee will reduce the size of the location to the smallest reasonable area, as determined solely by Lessee, necessary to operate the well and to perform any workover operations. Pits will be filled and drilling locations will be restored as nearly as practicable to their original condition and contour within 180 days of completion (whether as a dry hole or a producer) of

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each well, weather permitting. If requested by Lessee and upon payment by Lessee to Lessor of said amount, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

3. PIPELINES, SEPARATORS, DEHYDRATORS, COMPRESSORS, GAS GATHERING AND PROCESSING FACILITIES. Lessee shall have the right to lay water pipelines, oil pipelines and gas pipelines, and to build separators, dehydrators, compressors, gas gathering and processing facilities and systems, and to lay or build any other pipelines, equipment or facilities on said land that are in the furtherance of the purposes and objectives of this lease. The consideration and damages to which Lessor will be entitled for any of these lines, systems and facilities will be negotiated when it is determined where they are to be located and how much land is needed. Lessor and Lessee agree that the consideration to which Lessor will be entitled shall be the **fair market value** of similar lands in the area of the land so used. If requested by Lessee and upon payment by Lessee to Lessor of the agreed upon consideration and damages, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

4. WATER FOR DRILLING AND COMPLETION. Lessee will not have the right to use water from Lessor's ponds, lakes, tanks, streams or water wells without the written consent of Lessor. Lessee will, however, have the right to drill water wells, without additional compensation to Lessor, on said land for use in the drilling and completion of oil or gas wells. Lessee agrees, after cessation of its use of any water well drilled by Lessee on said land and prior to plugging or removing the casing therefrom, to tender such water well or wells to Lessor. If Lessor elects to accept such water well(s), it (they) shall become the property of Lessor without payment of any additional consideration to Lessee; provided, however, that Lessee shall have the right to use such well(s) at any time during the continuance of this lease in connection with any of Lessee's operations on said land, and provided that Lessor shall assume the plugging liability for such well(s).

5. DUTY TO FENCE AND RESTORE SURFACE. When requested by 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, to remove all driller's mud and chemicals, to level all dumps and mounds, fill all holes, pits, ditches and excavations, and at Lessor'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 substantially to the same condition as it was before the commencement of such operations, subject only to reasonable wear and tear.

6. FENCES AND GATES. 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 said land, without first obtaining written consent from Lessor. If such consent to the cutting of a fence is obtained, the cuts must be made at the place designated by 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 no slacking of the wires. If Lessor so requests, Lessee will install and maintain a substantial metal cattle guard capable of turning cattle, promptly after making such cut. Lessee will install a substantial metal gate, which shall be kept locked when not in actual use. Lessor may install its own locks in addition to Lessee's lock on said gate, and if so, Lessor will provide Lessee with keys (or combination) to the lock. Upon termination of this lease, or the portion thereof on which a cattle guard or gate is located, such cattle guard and gate shall, at the option of Lessor, become Lessor's property. So long as this lease shall remain in force, gates and cattle guards used by Lessee shall be maintained by Lessee in good condition and repair, capable of turning cattle. Lessee agrees to promptly close all gates and lock all outside gates which Lessee may use in Lessee's operations on said land.

7. SURFACE DAMAGES. In further accordance with Provision #22 – AUTHORIZED DAMAGES – herein, Lessee shall at all times use a reasonable degree of care in all of its operations on said land 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 said land, nor 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. Lessee shall dispose of such salt water and waste oil in accordance with the Rules and Regulations of the Railroad Commission of Texas.

Unless otherwise specifically addressed above, Lessee shall pay Lessor for any damages to Lessor's surface that are the direct result of Lessee's actions in the furtherance of the purposes and objectives of this lease, and the damages to which Lessor shall be entitled will be negotiated within a reasonable period of time after the occurrence. If Lessor and Lessee are unable to agree upon the damages or consideration to be paid to Lessor, Lessee's rights hereunder shall not be postponed or delayed pending any determination of the amount of such damages or compensation. Under no circumstances shall such damages exceed the fair market value of the damaged or contaminated land, unless such damages are the result of Lessee's gross negligence or willful misconduct.

8. FIRE PREVENTION AND CLEAN UP. Lessee will use its best efforts to prevent fires on said land and will use its best efforts to prevent papers, boxes, sacks and containers and waste materials of any kind from coming on said land and littering the premises.

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

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10. **SEISMIC.** Lessee shall have the non-exclusive right to conduct seismic operations across said land. If Lessee conducts such operations, Lessee shall be required to compensate Lessor for damages at the rate of **$ 2.00 per surface acre** covered by the shoot. Lessor shall be paid in advance of any seismic operations.

11. **USE OF ABANDONED WELLS AS WATER WELLS.** In the event any oil or gas well drilled on said land is abandoned as a dry hole or is no longer capable of production, Lessee agrees, before plugging such well, to tender such well to Lessor, and if Lessor elects to accept same for completion as a water well, Lessee agrees to install a cement plug in the bottom of such well, or at such depth as Lessor designates, and a removable swage at the top, and Lessee will turn over such well to Lessor for completion as a water well; provided, however, Lessor shall first execute the necessary forms and applications to the Railroad Commission of Texas or other regulatory agencies relieving Lessee of any further liability. If Lessor does not accept such well, Lessee shall plug and abandon it in accordance with the rules and regulations of the Texas Railroad Commission.

12. **NO HUNTING OR FISHING.** Lessee is not allowed to engage in hunting or fishing on said land without the written consent of Lessor; neither is Lessee allowed to bring any dog, firearm, or fishing tackle upon said land, without the written consent of Lessor. Lessor shall have the right, at all reasonable times and at its own expense, to inspect vehicles entering upon said land, for the purpose of verifying that no such articles are being brought on to said land.

13. **ENUMERATED RIGHTS.** Lessee's rights, as enumerated above, are in addition to any and all other rights that an oil and gas Lessee would have under the laws of the State of Texas.

14. **SUCCESSORS AND ASSIGNS.** The terms in this lease and this surface use agreement shall be binding upon Lessor and Lessee, and their successors and assigns.

SIGNED FOR IDENTIFICATION:

LESSOR:

STATE OF TEXAS

By: _____
James Robert Hill, Individually and as Co-Trustee of the Houston and Emma Hill Trust Estate, represented herein as Agent for the State of Texas

By: _____
John A. Styrsky, as Co-Trustee of the Houston and Emma Hill Trust Estate, represented herein as Agent for the State of Texas

By: _____
Virginia Glenn Hill Lattimore, Individually and as Co-Trustee of the Houston and Emma Hill Trust Estate, represented herein as Agent for the State of 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. 1968

FILED FOR RECORD ON THE 26TH DAY OF MAY A.D. 2005 11:41 A M.

DULY RECORDED ON THE 31ST DAY OF MAY A.D. 2005 8:00 A M.

BY: _____, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

STATE OF TEXAS * REEVES COUNTY *

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File No. MF-105235

Lease D

Date Filed: 6/2/05

Jerry E. Patterson, Commissioner

By _____

5.

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. 701, PAGE 193, THRU 206.

I hereby certified on MAY 31, 2005

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

E-502

FILE# 1970

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 25th day of April, 2005, between the State of Texas, acting by and through its agent, Waltrip Marital Trust, Kenneth M. Waltrip, Trustee; MSW Revocable Trust, Michael S. Waltrip, Trustee; MLH Revocable Trust, Margery L. Hanna, Trustee; dba Hill Trusts under certain Agency Agreement dated June 8, 1996, on behalf of the State of Texas.

of 550 Bailey Ave. Suite 302, Fort Worth, Texas 76107-2100
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and DWIGHT SNELL & ASSOCIATES

of P. O. Box 407 Simonton, Texas 77476 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:

as described in Exhibit "A" attached hereto.

containing 1920.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Twenty four thousand nine hundred ninety seven and 50/100
Dollars ($24,997.50)

To the owner of the soil: Twenty four thousand nine hundred ninety seven and 50/100
Dollars ($24,997.50)

Total bonus consideration: Fourty nine thousand nine hundred ninety five and 00/100
Dollars ($49,995.00)

The total bonus consideration paid represents a bonus of Two hundred and two (202)
Dollars ($202.00) per acre, on 247.50 net acres.

2. **TERM.** Subject to the other provisions in this lease, this lease shall be for a term of five (5) 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.

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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 PAID-UP PER PARAGRAPH 42 _____ 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: N/A

Dollars ($N/A)

To the State of Texas: N/A

Dollars ($N/A)

Total Delay Rental: N/A

Dollars ($N/A)

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 one-fifth (1/5) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be 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 one-fifth(1/5) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is 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 one-fifth (1/5) 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 one-fifth (1/5) 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.

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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.

(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

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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.

ADDENDUM PROVISIONS – ¶ #40 thru ¶ #42

40. **SURFACE USE AGREEMENT**. See attached three (3) page Addendum identified as EXHIBIT "B" containing ¶#1 thru ¶#14.

41. **CONTINUOUS DEVELOPMENT**. After the expiration of the primary term, and notwithstanding paragraphs 16 (A) and 16 (B) above and any other provision in this lease to the contrary, no portion of this lease will terminate if Lessee continues to drill a well (or wells) anywhere on the leased premises with no more than 180 days between the release of the drilling rig on one well and the commencement of actual drilling operations on a subsequent well (hereinafter referred to as "continuous drilling"). Upon the cessation of continuous drilling this lease shall terminate in accordance with the other relevant provisions herein. If, however, Lessee has filed with the Texas Railroad Commission, no later than 60 days prior to the expiration of the said 180-day period, all requisite applications to drill the next well in the continuous drilling program, and Lessee is unable to proceed with drilling pending authorization by the Texas Railroad Commission, then Lessee shall be allowed such additional time as may be reasonably necessary to obtain the authorization and thereafter spud the subsequent well.

42. **DELAY RENTALS**. As stipulated in Paragraph #3 of this lease, the rentals for this lease have been PAID-UP for the second (2nd) and third (3rd) years of the primary term hereof. Lessee or its assigns shall have the right to keep this lease in force and effect for the **fourth (4th) year of the primary term provided for herein** by tendering a payment of one hundred dollars ($100.00) per net acre prior to April 25, 2008, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time. Lessee or its assigns shall have the right to keep this lease in force and effect for the **fifth (5th) year of the primary term provided for herein** by tendering a payment of one dollar ($1.00) per net acre prior to April 25, 2009, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

LESSOR

STATE OF TEXAS

Waltrip Marital Trust

By: _____

Kenneth M. Waltrip, Trustee, represented herein
Individually and as Agent for the State of Texas

MSW Revocable Trust

By: _____

Michael S. Waltrip, Trustee, represented herein
Individually and as Agent for the State of Texas

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MLH Revocable Trust

By: Margery L. Hanna
Margery L. Hanna, Trustee, represented herein Individually and as Agent for the State of Texas

LESSEE

DWIGHT SNELL & ASSOCIATES

By: _____
Dwight Snell, Owner

STATE OF TEXAS
COUNTY OF TARRANT

This instrument was acknowledged before me on this the 28th day of April, 2005, by **Kenneth M. Waltrip**, as Trustee of the Waltrip Marital Trust.

KIMBERLY K. SMITH
MY COMMISSION EXPIRES
May 01, 2006

Kimberly K. Smith
Notary Public in and for the State of Texas

STATE OF TEXAS
COUNTY OF TARRANT

This instrument was acknowledged before me on this the 28th day of April, 2005, by **Michael S. Waltrip**, as Trustee of the MSW Revocable Trust.

KIMBERLY K. SMITH
MY COMMISSION EXPIRES
May 01, 2006

Kimberly K. Smith
Notary Public in and for the State of Texas

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

STATE OF TEXAS
COUNTY OF TARRANT

This instrument was acknowledged before me on this the 28TH day of April, 2005, by **Margery L. Hanna**, as Trustee of the MLH Revocable Trust.

KIMBERLY K. SMITH
MY COMMISSION EXPIRES
May 01, 2006

Kimberly K. Smith
Notary Public in and for the State of Texas

STATE OF TEXAS
COUNTY OF FORT BEND

This instrument was acknowledged before me on this the 8TH day of ~~April,~~ May 2005, by **Dwight Snell**, as Owner of Dwight Snell & Associates.

BRADLEY H. HOLLEY
MY COMMISSION EXPIRES
May 28, 2007

Notary Public in and for the State of Texas

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

EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated April 25, 2005 from the **State of Texas, by and through its Agents, Waltrip Marital Trust, Kenneth M. Waltrip, Trustee; MSW Revocable Trust, Michael S. Waltrip, Trustee; MLH Revocable Trust, Margery L. Hanna, Trustee; dba Hill Trusts under certain Agency Agreement dated June 8, 1996** in favor of **Dwight Snell & Associates**, covering lands in Reeves County, Texas.

1920.00 acres of land, more or less, being described in the following three (3) tracts or parcels of land, all being located in Reeves County, Texas:

Tract 1: **640.00 acres of land**, more or less, being *all* of Section 43, Block 59, Public School Lands Survey, A-4005 & A-4204, being the same land described in that certain Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

Tract 2: **640.00 acres of land**, more or less, being *all* of Section 44, Block 59, Public School Lands Survey, A-4006, being the same land described in that certain Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

Tract 3: **640.00 acres of land**, more or less, being *all* of Section 45, Block 59, Public School Lands Survey, A-4007, being the same land described in that certain Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

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EXHIBIT "B"

SURFACE USE AGREEMENT

Attached to and made a part of that certain Oil and Gas Lease dated April 25, 2005 from the **State of Texas, by and through its Agents, Waltrip Marital Trust, Kenneth M. Waltrip, Trustee; MSW Revocable Trust, Michael S. Waltrip, Trustee; MLH Revocable Trust, Margery L. Hanna, Trustee; dba Hill Trusts under certain Agency Agreement dated June 8, 1996** in favor of **Dwight Snell & Associates**, covering lands in Reeves County, Texas.

It is agreed and understood that any payments of monies made pursuant to the provisions and/or terms of this lease including but not limited to payments designated to be paid to "Lessor" shall be paid in equal proportions with 50% of any such payments payable to the State of Texas and the remaining 50% of such payments payable to the owner(s) of the soil in proportion to the undivided interest of any such owner(s) of the soil at the time such payments are to be made.

"Lessee," as used herein shall include Lessee's agents and representatives, and "Lessor," as used herein, shall include Lessor's agents and representatives.

In the furtherance of the purposes and objectives set forth in this lease, Lessor and Lessee further agree that their respective rights, obligations and entitlements regarding the use of the surface of said land (as defined in the lease) are as follows:

1. **ROADS**. Lessee shall have the right to build, in segments, roads to access and service any and all wells, gas pipelines, gas gathering and gas processing plants, and all other facilities, stations, systems and equipment located on said land, provided they are in the furtherance of the objectives of this lease. Lessee will pay Lessor a one time payment of **One Dollar per linear foot** for the road easement/right-of-way and as damages for each segment of road so built. The number of linear feet on a particular road shall be determined by measuring the actual distance with a rolling measurement tool designed for such a purpose. Such payment shall be made prior to the commencement of each segment of road. Lessee agrees to grade and gravel all roads, as necessary, and if directed by Lessor, to make one continuous road connecting the various locations, confine all travel incident to the drilling and production of such well to the single graded road. Lessee shall have the right to use existing roads and gates without payment of additional consideration, but Lessee will consult with Lessor regarding its use of existing roads and gates to be certain that Lessee's use does not unreasonably interfere with Lessor's use thereof. Lessee will maintain all roads and gates used in connection with its operations in a state of good condition and repair. Lessee shall have the right to place its own lock on any gate which it must pass through to conduct its operations, and Lessor shall be entitled to a key or combination to all of Lessee's locks. In regards to maintenance of roads and gates used by Lessee, Lessee shall repair the damaged portions within a reasonable time after written notice by Lessor of need for such repair, and Lessee agrees to work with Lessor to keep them in a continuous state of good condition and repair. In connection with any roads built by Lessee, Lessee agrees to consult with Lessor as to the location of such roads and will construct division terraces as may be reasonably necessary to reduce soil erosion. If Lessor requests, Lessee will install cattle guards or, at Lessor's option, pipe gates to the side of such cattle guard at each fence crossing. If Lessee decides to abandon a road, or a portion of a road, built under the terms of this lease, Lessee will notify Lessor in writing of its abandonment, after which time Lessee will no longer be entitled to use the abandoned portion. Once Lessee abandons a road, or a portion thereof, Lessee shall no longer be responsible for maintaining it. If requested by Lessee and upon payment by Lessee to Lessor of said amount, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

2. **DRILLING LOCATIONS.** Lessor grants to Lessee the right to build drilling locations on said land. Lessee will pay Lessor the **total sum of $1,000 for each such location**. Payment will be made to Lessor prior to Lessee's commencement of dirt work on each location; however, Lessee will have the right to survey and stake wells prior to making such payment. No additional consideration shall be due Lessor for a substitute or replacement well that is located within 150 feet (plus a tolerance of 10%, plus a reasonable distance if the terrain or improvements thereon so necessitate) of the original borehole. After the drilling and completion of a producing well, Lessee will reduce the size of the location to the smallest reasonable area, as determined solely by Lessee, necessary to operate the well and to perform any workover operations. Pits will be filled and drilling locations will be restored as

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nearly as practicable to their original condition and contour within 180 days of completion (whether as a dry hole or a producer) of each well, weather permitting. If requested by Lessee and upon payment by Lessee to Lessor of said amount, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

3. PIPELINES, SEPARATORS, DEHYDRATORS, COMPRESSORS, GAS GATHERING AND PROCESSING FACILITIES. Lessee shall have the right to lay water pipelines, oil pipelines and gas pipelines, and to build separators, dehydrators, compressors, gas gathering and processing facilities and systems, and to lay or build any other pipelines, equipment or facilities on said land that are in the furtherance of the purposes and objectives of this lease. The consideration and damages to which Lessor will be entitled for any of these lines, systems and facilities will be negotiated when it is determined where they are to be located and how much land is needed. Lessor and Lessee agree that the consideration to which Lessor will be entitled shall be the **fair market value** of similar lands in the area of the land so used. If requested by Lessee and upon payment by Lessee to Lessor of the agreed upon consideration and damages, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

4. WATER FOR DRILLING AND COMPLETION. Lessee will not have the right to use water from Lessor's ponds, lakes, tanks, streams or water wells without the written consent of Lessor. Lessee will, however, have the right to drill water wells, without additional compensation to Lessor, on said land for use in the drilling and completion of oil or gas wells. Lessee agrees, after cessation of its use of any water well drilled by Lessee on said land and prior to plugging or removing the casing therefrom, to tender such water well or wells to Lessor. If Lessor elects to accept such water well(s), it (they) shall become the property of Lessor without payment of any additional consideration to Lessee; provided, however, that Lessee shall have the right to use such well(s) at any time during the continuance of this lease in connection with any of Lessee's operations on said land, and provided that Lessor shall assume the plugging liability for such well(s).

5. DUTY TO FENCE AND RESTORE SURFACE. When requested by 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, to remove all driller's mud and chemicals, to level all dumps and mounds, fill all holes, pits, ditches and excavations, and at Lessor'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 substantially to the same condition as it was before the commencement of such operations, subject only to reasonable wear and tear.

6. FENCES AND GATES. 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 said land, without first obtaining written consent from Lessor. If such consent to the cutting of a fence is obtained, the cuts must be made at the place designated by 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 no slacking of the wires. If Lessor so requests, Lessee will install and maintain a substantial metal cattle guard capable of turning cattle, promptly after making such cut. Lessee will install a substantial metal gate, which shall be kept locked when not in actual use. Lessor may install its own locks in addition to Lessee's lock on said gate, and if so, Lessor will provide Lessee with keys (or combination) to the lock. Upon termination of this lease, or the portion thereof on which a cattle guard or gate is located, such cattle guard and gate shall, at the option of Lessor, become Lessor's property. So long as this lease shall remain in force, gates and cattle guards used by Lessee shall be maintained by Lessee in good condition and repair, capable of turning cattle. Lessee agrees to promptly close all gates and lock all outside gates which Lessee may use in Lessee's operations on said land.

7. SURFACE DAMAGES. In further accordance with Provision #22 – AUTHORIZED DAMAGES – herein, Lessee shall at all times use a reasonable degree of care in all of its operations on said land 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 said land, nor 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. Lessee shall dispose of such salt water and waste oil in accordance with the Rules and Regulations of the Railroad Commission of Texas.

Unless otherwise specifically addressed above, Lessee shall pay Lessor for any damages to Lessor's surface that are the direct result of Lessee's actions in the furtherance of the purposes and objectives of this lease, and the damages to which Lessor shall be entitled will be negotiated within a reasonable period of time after the occurrence. If Lessor and Lessee are unable to agree upon the damages or consideration to be paid to Lessor, Lessee's rights hereunder shall not be postponed or delayed pending any determination of the amount of such damages or compensation. Under no circumstances shall such damages exceed the fair market value of the damaged or contaminated land, unless such damages are the result of Lessee's gross negligence or willful misconduct.

8. FIRE PREVENTION AND CLEAN UP. Lessee will use its best efforts to prevent fires on said land and will use its best efforts to prevent papers, boxes, sacks and containers and waste materials of any kind from coming on said land and littering the premises.

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

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10. **SEISMIC**. Lessee shall have the non-exclusive right to conduct seismic operations across said land. If Lessee conducts such operations, Lessee shall be required to compensate Lessor for damages at the rate of **$ 2.00 per surface acre** covered by the shoot. Lessor shall be paid in advance of any seismic operations.

11. **USE OF ABANDONED WELLS AS WATER WELLS.** In the event any oil or gas well drilled on said land is abandoned as a dry hole or is no longer capable of production, Lessee agrees, before plugging such well, to tender such well to Lessor, and if Lessor elects to accept same for completion as a water well, Lessee agrees to install a cement plug in the bottom of such well, or at such depth as Lessor designates, and a removable swage at the top, and Lessee will turn over such well to Lessor for completion as a water well; provided, however, Lessor shall first execute the necessary forms and applications to the Railroad Commission of Texas or other regulatory agencies relieving Lessee of any further liability. If Lessor does not accept such well, Lessee shall plug and abandon it in accordance with the rules and regulations of the Texas Railroad Commission.

12. **NO HUNTING OR FISHING.** Lessee is not allowed to engage in hunting or fishing on said land without the written consent of Lessor; neither is Lessee allowed to bring any dog, firearm, or fishing tackle upon said land, without the written consent of Lessor. Lessor shall have the right, at all reasonable times and at its own expense, to inspect vehicles entering upon said land, for the purpose of verifying that no such articles are being brought on to said land.

13. **ENUMERATED RIGHTS.** Lessee's rights, as enumerated above, are in addition to any and all other rights that an oil and gas Lessee would have under the laws of the State of Texas.

14. **SUCCESSORS AND ASSIGNS**. The terms in this lease and this surface use agreement shall be binding upon Lessor and Lessee, and their successors and assigns.

SIGNED FOR IDENTIFICATION:

LESSOR

STATE OF TEXAS

Waltrip Marital Trust

By: _____
Kenneth M. Waltrip, Trustee, represented herein Individually and as Agent for the State of Texas

MSW Revocable Trust

By: _____
Michael S. Waltrip, Trustee, represented herein Individually and as Agent for the State of Texas

MLH Revocable Trust

By: Margery L. Hanna
Margery L. Hanna, Trustee, represented herein Individually and as Agent for the State of 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. 1970

FILED FOR RECORD ON THE 26TH DAY OF MAY A.D. 2005 11:41 A M.

DULY RECORDED ON THE 31ST DAY OF MAY A.D. 2005 8:00 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.

5. File No. MF-105735

Lease E

Date Filed: 6/2/05

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. 701, PAGE 221, THRU 234.

I hereby certified on MAY 31, 2005

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

FILE# 2486

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 25th day of April, 2005, between the State of Texas, acting by and through its agent, Meeker Investments, Inc., by and through James J. Meeker, President of 1014 Broadway, Suite A, El Cajon, California 92021 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and DWIGHT SNELL & ASSOCIATES of P. O. Box 407 Simonton, Texas 77476 (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:

1,920.00 acres of land, more or less, being more fully described in Exhibit "A" attached hereto and made a part hereof

containing 1,920.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Twenty eight thousand two hundred eighty and No/100 Dollars ($28,280.00)

To the owner of the soil: Twenty eight thousand two hundred eighty and No/100 Dollars ($28,280.00)

Total bonus consideration: Fifty six thousand five hundred sixty and No/100 Dollars ($56,560.00)

The total bonus consideration paid represents a bonus of Two hundred and two (202) Dollars ($202.00) per acre, on 280.00 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of five (5) 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.

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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 PAID-UP PER PARAGRAPH 42 _____ 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: N/A _____

Dollars ($N/A _____)

To the State of Texas: N/A _____

Dollars ($N/A _____)

Total Delay Rental: N/A _____

Dollars ($N/A _____)

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 one-fifth (1/5) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be 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 one-fifth(1/5) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is 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 one-fifth (1/5) 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 one-fifth (1/5) 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.

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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.

(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

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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.

STATE OF TEXAS REEVES COUNTY

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

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.

ADDENDUM PROVISIONS – ¶ #40 thru ¶ #42

40. **SURFACE USE AGREEMENT.** See attached three (3) page Addendum identified as EXHIBIT "B" containing **¶#1 thru ¶#14**.

41. **CONTINUOUS DEVELOPMENT.** After the expiration of the primary term, and notwithstanding paragraphs 16 (A) and 16 (B) above and any other provision in this lease to the contrary, no portion of this lease will terminate if Lessee continues to drill a well (or wells) anywhere on the leased premises with no more than 180 days between the release of the drilling rig on one well and the commencement of actual drilling operations on a subsequent well (hereinafter referred to as "continuous drilling"). Upon the cessation of continuous drilling this lease shall terminate in accordance with the other relevant provisions herein. If, however, Lessee has filed with the Texas Railroad Commission, no later than 60 days prior to the expiration of the said 180-day period, all requisite applications to drill the next well in the continuous drilling program, and Lessee is unable to proceed with drilling pending authorization by the Texas Railroad Commission, then Lessee shall be allowed such additional time as may be reasonably necessary to obtain the authorization and thereafter spud the subsequent well.

42. **DELAY RENTALS.** As stipulated in Paragraph #3 of this lease, the rentals for this lease have been PAID-UP for the second (2nd) and third (3rd) years of the primary term hereof. Lessee or its assigns shall have the right to keep this lease in force and effect for the **fourth (4th) year of the primary term provided for herein** by tendering a payment of one hundred dollars ($100.00) per net acre prior to April 25, 2008, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time. Lessee or its assigns shall have the right to keep this lease in force and effect for the **fifth (5th) year of the primary term provided for herein** by tendering a payment of one dollar ($1.00) per net acre prior to April 25, 2009, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

LESSOR

STATE OF TEXAS

Meeker Investments, Inc.

By: _____
James J. Meeker, President
Individually and as Agent for the State of Texas

LESSEE

DWIGHT SNELL & ASSOCIATES

By: _____
Dwight Snell, Owner

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

STATE OF CALIFORNIA *
*
COUNTY OF San Diego *

THIS INSTRUMENT was acknowledged before me on the 14 day of June, 2005, by **James J. Meeker, President of Meeker Investments, Inc., on behalf of said Corporation.**

GINI ARAIZA
Commission # 1549993
Notary Public - California
San Diego County
My Comm. Expires Feb 4, 2009

Gini Araiza
Notary Public in and for the State of California

STATE OF TEXAS *
*
COUNTY OF FORT BEND *

THIS INSTRUMENT was acknowledged before me on this the 26TH day of JUNE, 2005, by **Dwight Snell**, as Owner of Dwight Snell & Associates.

BRADLEY H. HOLLEY
MY COMMISSION EXPIRES
May 28, 2007

Notary Public in and for the State of Texas

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

EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated April 25, 2005 from the **State of Texas, by and through its Agent, Meeker Investments, Inc.** in favor of **Dwight Snell & Associates**, covering lands in Reeves County, Texas.

1920.00 acres of land, more or less, being described in the following three (3) tracts or parcels of land, all being located in Reeves County, Texas:

Tract 1: **640.00 acres of land**, more or less, being *all* of Section 43, Block 59, Public School Lands Survey, A-4005 & A-4204, being the same land described in that certain Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

Tract 2: **640.00 acres of land**, more or less, being *all* of Section 44, Block 59, Public School Lands Survey, A-4006, being the same land described in that certain Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

Tract 3: **640.00 acres of land**, more or less, being *all* of Section 45, Block 59, Public School Lands Survey, A-4007, being the same land described in that certain Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

STATE OF TEXAS REEVES COUNTY

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EXHIBIT "B"

SURFACE USE AGREEMENT

Attached to and made a part of that certain Oil and Gas Lease dated April 25, 2005 from the **State of Texas, by and through its Agent, Meeker Investments, Inc.** in favor of **Dwight Snell & Associates**, covering lands in Reeves County, Texas.

It is agreed and understood that any payments of monies made pursuant to the provisions and/or terms of this lease including but not limited to payments designated to be paid to "Lessor" shall be paid in equal proportions with 50% of any such payments payable to the State of Texas and the remaining 50% of such payments payable to the owner(s) of the soil in proportion to the undivided interest of any such owner(s) of the soil at the time such payments are to be made.

"Lessee," as used herein shall include Lessee's agents and representatives, and "Lessor," as used herein, shall include Lessor's agents and representatives.

In the furtherance of the purposes and objectives set forth in this lease, Lessor and Lessee further agree that their respective rights, obligations and entitlements regarding the use of the surface of said land (as defined in the lease) are as follows:

1. **ROADS.** Lessee shall have the right to build, in segments, roads to access and service any and all wells, gas pipelines, gas gathering and gas processing plants, and all other facilities, stations, systems and equipment located on said land, provided they are in the furtherance of the objectives of this lease. Lessee will pay Lessor a one time payment of **One Dollar per linear foot** for the road easement/right-of-way and as damages for each segment of road so built. The number of linear feet on a particular road shall be determined by measuring the actual distance with a rolling measurement tool designed for such a purpose. Such payment shall be made prior to the commencement of each segment of road. Lessee agrees to grade and gravel all roads, as necessary, and if directed by Lessor, to make one continuous road connecting the various locations, confine all travel incident to the drilling and production of such well to the single graded road. Lessee shall have the right to use existing roads and gates without payment of additional consideration, but Lessee will consult with Lessor regarding its use of existing roads and gates to be certain that Lessee's use does not unreasonably interfere with Lessor's use thereof. Lessee will maintain all roads and gates used in connection with its operations in a state of good condition and repair. Lessee shall have the right to place its own lock on any gate which it must pass through to conduct its operations, and Lessor shall be entitled to a key or combination to all of Lessee's locks. In regards to maintenance of roads and gates used by Lessee, Lessee shall repair the damaged portions within a reasonable time after written notice by Lessor of need for such repair, and Lessee agrees to work with Lessor to keep them in a continuous state of good condition and repair. In connection with any roads built by Lessee, Lessee agrees to consult with Lessor as to the location of such roads and will construct division terraces as may be reasonably necessary to reduce soil erosion. If Lessor requests, Lessee will install cattle guards or, at Lessor's option, pipe gates to the side of such cattle guard at each fence crossing. If Lessee decides to abandon a road, or a portion of a road, built under the terms of this lease, Lessee will notify Lessor in writing of its abandonment, after which time Lessee will no longer be entitled to use the abandoned portion. Once Lessee abandons a road, or a portion thereof, Lessee shall no longer be responsible for maintaining it. If requested by Lessee and upon payment by Lessee to Lessor of said amount, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

2. **DRILLING LOCATIONS.** Lessor grants to Lessee the right to build drilling locations on said land. Lessee will pay Lessor the **total sum of $1,000 for each such location**. Payment will be made to Lessor prior to Lessee's commencement of dirt work on each location; however, Lessee will have the right to survey and stake wells prior to making such payment. No additional consideration shall be due Lessor for a substitute or replacement well that is located within 150 feet (plus a tolerance of 10%, plus a reasonable distance if the terrain or improvements thereon so necessitate) of the original borehole. After the drilling and completion of a producing well, Lessee will reduce the size of the location to the smallest reasonable area, as determined solely by Lessee, necessary to operate the well and to perform any workover operations. Pits will be filled and drilling locations will be restored as nearly as practicable to their original condition and contour within 180 days of completion (whether as a dry hole or a producer) of each well, weather permitting. If requested by Lessee and upon payment by Lessee to Lessor of said amount, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

STATE OF TEXAS * REEVES COUNTY *
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3. **PIPELINES, SEPARATORS, DEHYDRATORS, COMPRESSORS, GAS GATHERING AND PROCESSING FACILITIES.** Lessee shall have the right to lay water pipelines, oil pipelines and gas pipelines, and to build separators, dehydrators, compressors, gas gathering and processing facilities and systems, and to lay or build any other pipelines, equipment or facilities on said land that are in the furtherance of the purposes and objectives of this lease. The consideration and damages to which Lessor will be entitled for any of these lines, systems and facilities will be negotiated when it is determined where they are to be located and how much land is needed. Lessor and Lessee agree that the consideration to which Lessor will be entitled shall be the **fair market value** of similar lands in the area of the land so used. If requested by Lessee and upon payment by Lessee to Lessor of the agreed upon consideration and damages, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

4. **WATER FOR DRILLING AND COMPLETION.** Lessee will not have the right to use water from Lessor's ponds, lakes, tanks, streams or water wells without the written consent of Lessor. Lessee will, however, have the right to drill water wells, without additional compensation to Lessor, on said land for use in the drilling and completion of oil or gas wells. Lessee agrees, after cessation of its use of any water well drilled by Lessee on said land and prior to plugging or removing the casing therefrom, to tender such water well or wells to Lessor. If Lessor elects to accept such water well(s), it (they) shall become the property of Lessor without payment of any additional consideration to Lessee; provided, however, that Lessee shall have the right to use such well(s) at any time during the continuance of this lease in connection with any of Lessee's operations on said land, and provided that Lessor shall assume the plugging liability for such well(s).

5. **DUTY TO FENCE AND RESTORE SURFACE.** When requested by 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, to remove all driller's mud and chemicals, to level all dumps and mounds, fill all holes, pits, ditches and excavations, and at Lessor'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 substantially to the same condition as it was before the commencement of such operations, subject only to reasonable wear and tear.

6. **FENCES AND GATES.** 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 said land, without first obtaining written consent from Lessor. If such consent to the cutting of a fence is obtained, the cuts must be made at the place designated by 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 no slacking of the wires. If Lessor so requests, Lessee will install and maintain a substantial metal cattle guard capable of turning cattle, promptly after making such cut. Lessee will install a substantial metal gate, which shall be kept locked when not in actual use. Lessor may install its own locks in addition to Lessee's lock on said gate, and if so, Lessor will provide Lessee with keys (or combination) to the lock. Upon termination of this lease, or the portion thereof on which a cattle guard or gate is located, such cattle guard and gate shall, at the option of Lessor, become Lessor's property. So long as this lease shall remain in force, gates and cattle guards used by Lessee shall be maintained by Lessee in good condition and repair, capable of turning cattle. Lessee agrees to promptly close all gates and lock all outside gates which Lessee may use in Lessee's operations on said land.

7. **SURFACE DAMAGES.** In further accordance with Provision #22 – AUTHORIZED DAMAGES – herein, Lessee shall at all times use a reasonable degree of care in all of its operations on said land 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 said land, nor 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. Lessee shall dispose of such salt water and waste oil in accordance with the Rules and Regulations of the Railroad Commission of Texas.

Unless otherwise specifically addressed above, Lessee shall pay Lessor for any damages to Lessor's surface that are the direct result of Lessee's actions in the furtherance of the purposes and objectives of this lease, and the damages to which Lessor shall be entitled will be negotiated within a reasonable period of time after the occurrence. If Lessor and Lessee are unable to agree upon the damages or consideration to be paid to Lessor, Lessee's rights hereunder shall not be postponed or delayed pending any determination of the amount of such damages or compensation. Under no circumstances shall such damages exceed the fair market value of the damaged or contaminated land, unless such damages are the result of Lessee's gross negligence or willful misconduct.

8. **FIRE PREVENTION AND CLEAN UP**. Lessee will use its best efforts to prevent fires on said land and will use its best efforts to prevent papers, boxes, sacks and containers and waste materials of any kind from coming on said land and littering the premises.

9. **SPEED LIMITS**. Lessee agrees to observe and obey all posted speed limits on the premises.

10. **SEISMIC**. Lessee shall have the non-exclusive right to conduct seismic operations across said land. If Lessee conducts such operations, Lessee shall be required to compensate Lessor for damages at the rate of **$ 2.00 per surface acre** covered by the shoot. Lessor shall be paid in advance of any seismic operations.

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11. USE OF ABANDONED WELLS AS WATER WELLS. In the event any oil or gas well drilled on said land is abandoned as a dry hole or is no longer capable of production, Lessee agrees, before plugging such well, to tender such well to Lessor, and if Lessor elects to accept same for completion as a water well, Lessee agrees to install a cement plug in the bottom of such well, or at such depth as Lessor designates, and a removable swage at the top, and Lessee will turn over such well to Lessor for completion as a water well; provided, however, Lessor shall first execute the necessary forms and applications to the Railroad Commission of Texas or other regulatory agencies relieving Lessee of any further liability. If Lessor does not accept such well, Lessee shall plug and abandon it in accordance with the rules and regulations of the Texas Railroad Commission.

12. NO HUNTING OR FISHING. Lessee is not allowed to engage in hunting or fishing on said land without the written consent of Lessor; neither is Lessee allowed to bring any dog, firearm, or fishing tackle upon said land, without the written consent of Lessor. Lessor shall have the right, at all reasonable times and at its own expense, to inspect vehicles entering upon said land, for the purpose of verifying that no such articles are being brought on to said land.

13. ENUMERATED RIGHTS. Lessee's rights, as enumerated above, are in addition to any and all other rights that an oil and gas Lessee would have under the laws of the State of Texas.

14. SUCCESSORS AND ASSIGNS. The terms in this lease and this surface use agreement shall be binding upon Lessor and Lessee, and their successors and assigns.

SIGNED FOR IDENTIFICATION:

LESSOR

STATE OF TEXAS

Meeker Investments, Inc.

By: _____
James J. Meeker, President
Individually and as Agent for the State of 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. 2486

FILED FOR RECORD ON THE 27TH DAY OF JUNE A.D. 2005 9:56 A. M.

DULY RECORDED ON THE 28TH DAY OF JUNE 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

File No. Mt-105235

Cecise F

Date Filed: 6/2/05

Jerry E. Patterson, Commissioner

By _____

5.

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 704 PAGE 39 THRU 51

I hereby certified on JUNE 29, 2005

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

By _____ Deputy

JOSIE FLORES

BOOK 704 PAGE 59

FILE# 2487

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 25th day of April, 2005, between the State of Texas, acting by and through its agent, Lawrence Hill Meeker, Daniel Hill Meeker and Julian Wade Meeker, as Co-Trustees under the Will of J. R. Meeker, deceased, for the lifetime benefit of L. H. Meeker

of 108 West 8th Street, Suite 410, Fort Worth, Texas 76102
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and DWIGHT SNELL & ASSOCIATES

of P. O. Box 407 Simonton, Texas 77476 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:

1,920.00 acres of land, more or less, being more fully described in Exhibit "A" attached hereto and made a part hereof

containing 1,920.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Twenty eight thousand two hundred eighty and No/100
Dollars ($28,280.00)

To the owner of the soil: Twenty eight thousand two hundred eighty and No/100
Dollars ($28,280.00)

Total bonus consideration: Fifty six thousand five hundred sixty and No/100
Dollars ($56,560.00)

The total bonus consideration paid represents a bonus of Two hundred and two (202)
Dollars ($202.00) per acre, on 280.00 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of five (5) 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.

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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 PAID-UP PER PARAGRAPH 42 _____ 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: N/A

Dollars ($N/A)

To the State of Texas: N/A

Dollars ($N/A)

Total Delay Rental: N/A

Dollars ($N/A)

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 one-fifth (1/5) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be 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 one-fifth(1/5) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is 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 one-fifth (1/5) 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 one-fifth (1/5) 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.

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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.

(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

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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

STATE OF TEXAS REEVES COUNTY
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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.

STATE OF TEXAS
REEVES COUNTY

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Original filed in
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Clerks Office

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.

ADDENDUM PROVISIONS – ¶ #40 thru ¶ #42

40. **SURFACE USE AGREEMENT**. See attached three (3) page Addendum identified as EXHIBIT "B" containing **¶#1 thru ¶#14**.

41. **CONTINUOUS DEVELOPMENT**. After the expiration of the primary term, and notwithstanding paragraphs 16 (A) and 16 (B) above and any other provision in this lease to the contrary, no portion of this lease will terminate if Lessee continues to drill a well (or wells) anywhere on the leased premises with no more than 180 days between the release of the drilling rig on one well and the commencement of actual drilling operations on a subsequent well (hereinafter referred to as "continuous drilling"). Upon the cessation of continuous drilling this lease shall terminate in accordance with the other relevant provisions herein. If, however, Lessee has filed with the Texas Railroad Commission, no later than 60 days prior to the expiration of the said 180-day period, all requisite applications to drill the next well in the continuous drilling program, and Lessee is unable to proceed with drilling pending authorization by the Texas Railroad Commission, then Lessee shall be allowed such additional time as may be reasonably necessary to obtain the authorization and thereafter spud the subsequent well.

42. **DELAY RENTALS**. As stipulated in Paragraph #3 of this lease, the rentals for this lease have been PAID-UP for the second (2nd) and third (3rd) years of the primary term hereof. Lessee or its assigns shall have the right to keep this lease in force and effect for the **fourth (4th) year of the primary term provided for herein** by tendering a payment of one hundred dollars ($100.00) per net acre prior to April 25, 2008, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time. Lessee or its assigns shall have the right to keep this lease in force and effect for the **fifth (5th) year of the primary term provided for herein** by tendering a payment of one dollar ($1.00) per net acre prior to April 25, 2009, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

LESSOR

STATE OF TEXAS

Lawrence Hill Meeker,
Co-Trustee under the Will of J. R. Meeker,
deceased, for the lifetime benefit of L. H. Meeker
Individually and as Agent for the State of Texas

Daniel Hill Meeker,
Co-Trustee under the Will of J. R. Meeker,
deceased, for the lifetime benefit of L. H. Meeker
Individually and as Agent for the State of Texas

Julian Wade Meeker,
Co-Trustee under the Will of J. R. Meeker,
deceased, for the lifetime benefit of L. H. Meeker
Individually and as Agent for the State of Texas

STATE OF TEXAS REEVES COUNTY
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LESSEE

DWIGHT SNELL & ASSOCIATES

By: _____
Dwight Snell, Owner

STATE OF TEXAS *
*
COUNTY OF TARRANT *

THIS INSTRUMENT was acknowledged before me on the 25th day of May, 2005, by **Lawrence Hill Meeker, Co-Trustee under the Will of J. R. Meeker, deceased, for the lifetime benefit of L. H. Meeker.**

NATASHA J. WESSON NOTARY PUBLIC STATE OF TEXAS EXPIRES 11-08-2006

_____
Notary Public in and for the State of Texas

STATE OF TEXAS *
*
COUNTY OF TARRANT *

THIS INSTRUMENT was acknowledged before me on the 25th day of May, 2005, by **Daniel Hill Meeker, Co-Trustee under the Will of J. R. Meeker, deceased, for the lifetime benefit of L. H. Meeker.**

NATASHA J. WESSON NOTARY PUBLIC STATE OF TEXAS EXPIRES 11-08-2006

_____
Notary Public in and for the State of Texas

STATE OF TEXAS REEVES COUNTY
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STATE OF TEXAS *
*
COUNTY OF WILLIAMSON *

THIS INSTRUMENT was acknowledged before me on the 27 day of May, 2005, by **Julian Wade Meeker, Co-Trustee under the Will of J. R. Meeker, deceased, for the lifetime benefit of L. H. Meeker.**

Notary Public in and for the State of Texas

STATE OF TEXAS *
*
COUNTY OF FORT BEND *

THIS INSTRUMENT was acknowledged before me on this the 26TH day of JUNE, 2005, by **Dwight Snell**, as Owner of Dwight Snell & Associates.

BRADLEY H. HOLLEY
MY COMMISSION EXPIRES
May 28, 2007

Notary Public in and for the State of Texas

STATE OF TEXAS
REEVES COUNTY
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EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated April 25, 2005 from the **State of Texas, by and through its Agents, Lawrence Hill Meeker, Daniel Hill Meeker and Julian Wade Meeker, as Co-Trustees under the Will of J. R. Meeker, deceased, for the lifetime benefit of L. H. Meeker** in favor of **Dwight Snell & Associates**, covering lands in Reeves County, Texas.

1920.00 acres of land, more or less, being described in the following three (3) tracts or parcels of land, all being located in Reeves County, Texas:

Tract 1: **640.00 acres of land**, more or less, being *all* of Section 43, Block 59, Public School Lands Survey, A-4005 & A-4204, being the same land described in that certain Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

Tract 2: **640.00 acres of land**, more or less, being *all* of Section 44, Block 59, Public School Lands Survey, A-4006, being the same land described in that certain Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

Tract 3: **640.00 acres of land**, more or less, being *all* of Section 45, Block 59, Public School Lands Survey, A-4007, being the same land described in that certain Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

STATE OF TEXAS REEVES COUNTY

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EXHIBIT "B"

SURFACE USE AGREEMENT

Attached to and made a part of that certain Oil and Gas Lease dated April 25, 2005 from the **State of Texas, by and through its Agents, Lawrence Hill Meeker, Daniel Hill Meeker and Julian Wade Meeker, as Co-Trustees under the Will of J. R. Meeker, deceased, for the lifetime benefit of L. H. Meeker** in favor of **Dwight Snell & Associates**, covering lands in Reeves County, Texas.

It is agreed and understood that any payments of monies made pursuant to the provisions and/or terms of this lease including but not limited to payments designated to be paid to "Lessor" shall be paid in equal proportions with 50% of any such payments payable to the State of Texas and the remaining 50% of such payments payable to the owner(s) of the soil in proportion to the undivided interest of any such owner(s) of the soil at the time such payments are to be made.

"Lessee," as used herein shall include Lessee's agents and representatives, and "Lessor," as used herein, shall include Lessor's agents and representatives.

In the furtherance of the purposes and objectives set forth in this lease, Lessor and Lessee further agree that their respective rights, obligations and entitlements regarding the use of the surface of said land (as defined in the lease) are as follows:

1. **ROADS**. Lessee shall have the right to build, in segments, roads to access and service any and all wells, gas pipelines, gas gathering and gas processing plants, and all other facilities, stations, systems and equipment located on said land, provided they are in the furtherance of the objectives of this lease. Lessee will pay Lessor a one time payment of **One Dollar per linear foot** for the road easement/right-of-way and as damages for each segment of road so built. The number of linear feet on a particular road shall be determined by measuring the actual distance with a rolling measurement tool designed for such a purpose. Such payment shall be made prior to the commencement of each segment of road. Lessee agrees to grade and gravel all roads, as necessary, and if directed by Lessor, to make one continuous road connecting the various locations, confine all travel incident to the drilling and production of such well to the single graded road. Lessee shall have the right to use existing roads and gates without payment of additional consideration, but Lessee will consult with Lessor regarding its use of existing roads and gates to be certain that Lessee's use does not unreasonably interfere with Lessor's use thereof. Lessee will maintain all roads and gates used in connection with its operations in a state of good condition and repair. Lessee shall have the right to place its own lock on any gate which it must pass through to conduct its operations, and Lessor shall be entitled to a key or combination to all of Lessee's locks. In regards to maintenance of roads and gates used by Lessee, Lessee shall repair the damaged portions within a reasonable time after written notice by Lessor of need for such repair, and Lessee agrees to work with Lessor to keep them in a continuous state of good condition and repair. In connection with any roads built by Lessee, Lessee agrees to consult with Lessor as to the location of such roads and will construct division terraces as may be reasonably necessary to reduce soil erosion. If Lessor requests, Lessee will install cattle guards or, at Lessor's option, pipe gates to the side of such cattle guard at each fence crossing. If Lessee decides to abandon a road, or a portion of a road, built under the terms of this lease, Lessee will notify Lessor in writing of its abandonment, after which time Lessee will no longer be entitled to use the abandoned portion. Once Lessee abandons a road, or a portion thereof, Lessee shall no longer be responsible for maintaining it. If requested by Lessee and upon payment by Lessee to Lessor of said amount, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

2. **DRILLING LOCATIONS.** Lessor grants to Lessee the right to build drilling locations on said land. Lessee will pay Lessor the **total sum of $1,000 for each such location**. Payment will be made to Lessor prior to Lessee's commencement of dirt work on each location; however, Lessee will have the right to survey and stake wells prior to making such payment. No additional consideration shall be due Lessor for a substitute or replacement well that is located within 150 feet (plus a tolerance of 10%, plus a reasonable distance if the terrain or improvements thereon so necessitate) of the original borehole. After the drilling and completion of a producing well, Lessee will reduce the size of the location to the smallest reasonable area, as determined solely by Lessee, necessary to operate the well and to perform any workover operations. Pits will be filled and drilling locations will be restored as nearly as practicable to their original condition and contour within 180 days of completion (whether as a dry hole or a producer) of each well, weather permitting. If requested by Lessee and upon payment by Lessee to Lessor of said amount, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

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3. PIPELINES, SEPARATORS, DEHYDRATORS, COMPRESSORS, GAS GATHERING AND PROCESSING FACILITIES. Lessee shall have the right to lay water pipelines, oil pipelines and gas pipelines, and to build separators, dehydrators, compressors, gas gathering and processing facilities and systems, and to lay or build any other pipelines, equipment or facilities on said land that are in the furtherance of the purposes and objectives of this lease. The consideration and damages to which Lessor will be entitled for any of these lines, systems and facilities will be negotiated when it is determined where they are to be located and how much land is needed. Lessor and Lessee agree that the consideration to which Lessor will be entitled shall be the **fair market value** of similar lands in the area of the land so used. If requested by Lessee and upon payment by Lessee to Lessor of the agreed upon consideration and damages, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

4. WATER FOR DRILLING AND COMPLETION. Lessee will not have the right to use water from Lessor's ponds, lakes, tanks, streams or water wells without the written consent of Lessor. Lessee will, however, have the right to drill water wells, without additional compensation to Lessor, on said land for use in the drilling and completion of oil or gas wells. Lessee agrees, after cessation of its use of any water well drilled by Lessee on said land and prior to plugging or removing the casing therefrom, to tender such water well or wells to Lessor. If Lessor elects to accept such water well(s), it (they) shall become the property of Lessor without payment of any additional consideration to Lessee; provided, however, that Lessee shall have the right to use such well(s) at any time during the continuance of this lease in connection with any of Lessee's operations on said land, and provided that Lessor shall assume the plugging liability for such well(s).

5. DUTY TO FENCE AND RESTORE SURFACE. When requested by 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, to remove all driller's mud and chemicals, to level all dumps and mounds, fill all holes, pits, ditches and excavations, and at Lessor'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 substantially to the same condition as it was before the commencement of such operations, subject only to reasonable wear and tear.

6. FENCES AND GATES. 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 said land, without first obtaining written consent from Lessor. If such consent to the cutting of a fence is obtained, the cuts must be made at the place designated by 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 no slacking of the wires. If Lessor so requests, Lessee will install and maintain a substantial metal cattle guard capable of turning cattle, promptly after making such cut. Lessee will install a substantial metal gate, which shall be kept locked when not in actual use. Lessor may install its own locks in addition to Lessee's lock on said gate, and if so, Lessor will provide Lessee with keys (or combination) to the lock. Upon termination of this lease, or the portion thereof on which a cattle guard or gate is located, such cattle guard and gate shall, at the option of Lessor, become Lessor's property. So long as this lease shall remain in force, gates and cattle guards used by Lessee shall be maintained by Lessee in good condition and repair, capable of turning cattle. Lessee agrees to promptly close all gates and lock all outside gates which Lessee may use in Lessee's operations on said land.

7. SURFACE DAMAGES. In further accordance with Provision #22 – AUTHORIZED DAMAGES – herein, Lessee shall at all times use a reasonable degree of care in all of its operations on said land 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 said land, nor 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. Lessee shall dispose of such salt water and waste oil in accordance with the Rules and Regulations of the Railroad Commission of Texas.

Unless otherwise specifically addressed above, Lessee shall pay Lessor for any damages to Lessor's surface that are the direct result of Lessee's actions in the furtherance of the purposes and objectives of this lease, and the damages to which Lessor shall be entitled will be negotiated within a reasonable period of time after the occurrence. If Lessor and Lessee are unable to agree upon the damages or consideration to be paid to Lessor, Lessee's rights hereunder shall not be postponed or delayed pending any determination of the amount of such damages or compensation. Under no circumstances shall such damages exceed the fair market value of the damaged or contaminated land, unless such damages are the result of Lessee's gross negligence or willful misconduct.

8. FIRE PREVENTION AND CLEAN UP. Lessee will use its best efforts to prevent fires on said land and will use its best efforts to prevent papers, boxes, sacks and containers and waste materials of any kind from coming on said land and littering the premises.

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

10. SEISMIC. Lessee shall have the non-exclusive right to conduct seismic operations across said land. If Lessee conducts such operations, Lessee shall be required to compensate Lessor for damages at the rate of **$ 2.00 per surface acre** covered by the shoot. Lessor shall be paid in advance of any seismic operations.

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11. USE OF ABANDONED WELLS AS WATER WELLS. In the event any oil or gas well drilled on said land is abandoned as a dry hole or is no longer capable of production, Lessee agrees, before plugging such well, to tender such well to Lessor, and if Lessor elects to accept same for completion as a water well, Lessee agrees to install a cement plug in the bottom of such well, or at such depth as Lessor designates, and a removable swage at the top, and Lessee will turn over such well to Lessor for completion as a water well; provided, however, Lessor shall first execute the necessary forms and applications to the Railroad Commission of Texas or other regulatory agencies relieving Lessee of any further liability. If Lessor does not accept such well, Lessee shall plug and abandon it in accordance with the rules and regulations of the Texas Railroad Commission.

12. NO HUNTING OR FISHING. Lessee is not allowed to engage in hunting or fishing on said land without the written consent of Lessor; neither is Lessee allowed to bring any dog, firearm, or fishing tackle upon said land, without the written consent of Lessor. Lessor shall have the right, at all reasonable times and at its own expense, to inspect vehicles entering upon said land, for the purpose of verifying that no such articles are being brought on to said land.

13. ENUMERATED RIGHTS. Lessee's rights, as enumerated above, are in addition to any and all other rights that an oil and gas Lessee would have under the laws of the State of Texas.

14. SUCCESSORS AND ASSIGNS. The terms in this lease and this surface use agreement shall be binding upon Lessor and Lessee, and their successors and assigns.

SIGNED FOR IDENTIFICATION:

LESSOR

STATE OF TEXAS

Lawrence Hill Meeker,
Co-Trustee under the Will of J. R. Meeker,
deceased, for the lifetime benefit of L. H. Meeker
Individually and as Agent for the State of Texas

Daniel Hill Meeker,
Co-Trustee under the Will of J. R. Meeker,
deceased, for the lifetime benefit of L. H. Meeker
Individually and as Agent for the State of Texas

Julian Wade Meeker,
Co-Trustee under the Will of J. R. Meeker,
deceased, for the lifetime benefit of L. H. Meeker
Individually and as Agent for the State of 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. 2487

FILED FOR RECORD ON THE 27TH DAY OF JUNE A.D. 2005 9:56 A. M.

DULY RECORDED ON THE 28TH DAY OF JUNE 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

File No. MF-105235

Lease 6

Date Filed: 5/24/05

Jerry E. Patterson, Commissioner

By _____

5.

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. 704, PAGE 52, THRU 65.

I hereby certified on JUNE 29, 2005

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

JOSIE FLORES

BOOK 703 PAGE 66

FILE# 2488

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 25th day of April, 2005, between the State of Texas, acting by and through its agent, AWP 1983 Trust, Windi Grimes, Sole Trustee

of 2476 Bolsover Street, PMB 609, Houston, Texas 77005-2517
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and DWIGHT SNELL & ASSOCIATES

of P. O. Box 407 Simonton, Texas 77476 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:

1,920.00 acres of land, more or less, being more fully described in Exhibit "A" attached hereto and made a part hereof

containing 1,920.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Fourteen thousand one hundred forty and No/100
Dollars ($14,140.00)

To the owner of the soil: Fourteen thousand one hundred forty and No/100
Dollars ($14,140.00)

Total bonus consideration: Twenty eight thousand two hundred eighty and No/100
Dollars ($28,280.00)

The total bonus consideration paid represents a bonus of Two hundred and two (202)
Dollars ($202.00) per acre, on 140.00 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of five (5) 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.

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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 PAID-UP PER PARAGRAPH 42 _____ 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: N/A _____

Dollars ($N/A _____)

To the State of Texas: N/A _____

Dollars ($N/A _____)

Total Delay Rental: N/A _____

Dollars ($N/A _____)

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 one-fifth (1/5) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be 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 one-fifth(1/5) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is 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 one-fifth (1/5) 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 one-fifth (1/5) 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.

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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.

(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

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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.

ADDENDUM PROVISIONS – ¶ #40 thru ¶ #42

40. **SURFACE USE AGREEMENT**. See attached three (3) page Addendum identified as EXHIBIT "B" containing **¶#1 thru ¶#14**.

41. **CONTINUOUS DEVELOPMENT**. After the expiration of the primary term, and notwithstanding paragraphs 16 (A) and 16 (B) above and any other provision in this lease to the contrary, no portion of this lease will terminate if Lessee continues to drill a well (or wells) anywhere on the leased premises with no more than 180 days between the release of the drilling rig on one well and the commencement of actual drilling operations on a subsequent well (hereinafter referred to as "continuous drilling"). Upon the cessation of continuous drilling this lease shall terminate in accordance with the other relevant provisions herein. If, however, Lessee has filed with the Texas Railroad Commission, no later than 60 days prior to the expiration of the said 180-day period, all requisite applications to drill the next well in the continuous drilling program, and Lessee is unable to proceed with drilling pending authorization by the Texas Railroad Commission, then Lessee shall be allowed such additional time as may be reasonably necessary to obtain the authorization and thereafter spud the subsequent well.

42. **DELAY RENTALS**. As stipulated in Paragraph #3 of this lease, the rentals for this lease have been PAID-UP for the second (2nd) and third (3rd) years of the primary term hereof. Lessee or its assigns shall have the right to keep this lease in force and effect for the **fourth (4th) year of the primary term provided for herein** by tendering a payment of one hundred dollars ($100.00) per net acre prior to April 25, 2008, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time. Lessee or its assigns shall have the right to keep this lease in force and effect for the **fifth (5th) year of the primary term provided for herein** by tendering a payment of one dollar ($1.00) per net acre prior to April 25, 2009, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

LESSOR

STATE OF TEXAS

AWP 1983 Trust

By: Windi Grimes

Windi Grimes, Sole Trustee
Individually and as Agent for the State of Texas

LESSEE

DWIGHT SNELL & ASSOCIATES

By:

Dwight Snell, Owner

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STATE OF TEXAS *
*
COUNTY OF HARRIS *

THIS INSTRUMENT was acknowledged before me on the 14th day of June, 2005, by **Windi Grimes, Sole Trustee of the AWP 1983 Trust.**

E A HATCHER
Notary Public
State of Texas
My Commission Expires
September 7, 2005

Notary Public in and for the State of Texas

STATE OF TEXAS *
*
COUNTY OF FORT BEND *

THIS INSTRUMENT was acknowledged before me on this the 26TH day of JUNE, 2005, by **Dwight Snell**, as Owner of Dwight Snell & Associates.

BRADLEY H. HOLLEY
MY COMMISSION EXPIRES
May 28, 2007

Notary Public in and for the State of Texas

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EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated April 25, 2005 from the **State of Texas, by AWP 1983 Trust** in favor of **Dwight Snell & Associates**, covering lands in Reeves County, Texas.

1920.00 acres of land, more or less, being described in the following three (3) tracts or parcels of land, all being located in Reeves County, Texas:

Tract 1: **640.00 acres of land**, more or less, being *all* of Section 43, Block 59, Public School Lands Survey, A-4005 & A-4204, being the same land described in that certain Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

Tract 2: **640.00 acres of land**, more or less, being *all* of Section 44, Block 59, Public School Lands Survey, A-4006, being the same land described in that certain Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

Tract 3: **640.00 acres of land**, more or less, being *all* of Section 45, Block 59, Public School Lands Survey, A-4007, being the same land described in that certain Deed dated June 24, 1946 from Dan S. Campbell, et al to George P. Hill, recorded in Volume 110, Page 51 of the Reeves County Deed Records.

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EXHIBIT "B"

SURFACE USE AGREEMENT

Attached to and made a part of that certain Oil and Gas Lease dated April 25, 2005 from the **State of Texas, by AWP 1983 Trust** in favor of **Dwight Snell & Associates**, covering lands in Reeves County, Texas.

It is agreed and understood that any payments of monies made pursuant to the provisions and/or terms of this lease including but not limited to payments designated to be paid to "Lessor" shall be paid in equal proportions with 50% of any such payments payable to the State of Texas and the remaining 50% of such payments payable to the owner(s) of the soil in proportion to the undivided interest of any such owner(s) of the soil at the time such payments are to be made.

"Lessee," as used herein shall include Lessee's agents and representatives, and "Lessor," as used herein, shall include Lessor's agents and representatives.

In the furtherance of the purposes and objectives set forth in this lease, Lessor and Lessee further agree that their respective rights, obligations and entitlements regarding the use of the surface of said land (as defined in the lease) are as follows:

1. **ROADS**. Lessee shall have the right to build, in segments, roads to access and service any and all wells, gas pipelines, gas gathering and gas processing plants, and all other facilities, stations, systems and equipment located on said land, provided they are in the furtherance of the objectives of this lease. Lessee will pay Lessor a one time payment of **One Dollar per linear foot** for the road easement/right-of-way and as damages for each segment of road so built. The number of linear feet on a particular road shall be determined by measuring the actual distance with a rolling measurement tool designed for such a purpose. Such payment shall be made prior to the commencement of each segment of road. Lessee agrees to grade and gravel all roads, as necessary, and if directed by Lessor, to make one continuous road connecting the various locations, confine all travel incident to the drilling and production of such well to the single graded road. Lessee shall have the right to use existing roads and gates without payment of additional consideration, but Lessee will consult with Lessor regarding its use of existing roads and gates to be certain that Lessee's use does not unreasonably interfere with Lessor's use thereof. Lessee will maintain all roads and gates used in connection with its operations in a state of good condition and repair. Lessee shall have the right to place its own lock on any gate which it must pass through to conduct its operations, and Lessor shall be entitled to a key or combination to all of Lessee's locks. In regards to maintenance of roads and gates used by Lessee, Lessee shall repair the damaged portions within a reasonable time after written notice by Lessor of need for such repair, and Lessee agrees to work with Lessor to keep them in a continuous state of good condition and repair. In connection with any roads built by Lessee, Lessee agrees to consult with Lessor as to the location of such roads and will construct division terraces as may be reasonably necessary to reduce soil erosion. If Lessor requests, Lessee will install cattle guards or, at Lessor's option, pipe gates to the side of such cattle guard at each fence crossing. If Lessee decides to abandon a road, or a portion of a road, built under the terms of this lease, Lessee will notify Lessor in writing of its abandonment, after which time Lessee will no longer be entitled to use the abandoned portion. Once Lessee abandons a road, or a portion thereof, Lessee shall no longer be responsible for maintaining it. If requested by Lessee and upon payment by Lessee to Lessor of said amount, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

2. **DRILLING LOCATIONS.** Lessor grants to Lessee the right to build drilling locations on said land. Lessee will pay Lessor the **total sum of $1,000 for each such location**. Payment will be made to Lessor prior to Lessee's commencement of dirt work on each location; however, Lessee will have the right to survey and stake wells prior to making such payment. No additional consideration shall be due Lessor for a substitute or replacement well that is located within 150 feet (plus a tolerance of 10%, plus a reasonable distance if the terrain or improvements thereon so necessitate) of the original borehole. After the drilling and completion of a producing well, Lessee will reduce the size of the location to the smallest reasonable area, as determined solely by Lessee, necessary to operate the well and to perform any workover operations. Pits will be filled and drilling locations will be restored as nearly as practicable to their original condition and contour within 180 days of completion (whether as a dry hole or a producer) of each well, weather permitting. If requested by Lessee and upon payment by Lessee to Lessor of said amount, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

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3. PIPELINES, SEPARATORS, DEHYDRATORS, COMPRESSORS, GAS GATHERING AND PROCESSING FACILITIES. Lessee shall have the right to lay water pipelines, oil pipelines and gas pipelines, and to build separators, dehydrators, compressors, gas gathering and processing facilities and systems, and to lay or build any other pipelines, equipment or facilities on said land that are in the furtherance of the purposes and objectives of this lease. The consideration and damages to which Lessor will be entitled for any of these lines, systems and facilities will be negotiated when it is determined where they are to be located and how much land is needed. Lessor and Lessee agree that the consideration to which Lessor will be entitled shall be the **fair market value** of similar lands in the area of the land so used. If requested by Lessee and upon payment by Lessee to Lessor of the agreed upon consideration and damages, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

4. WATER FOR DRILLING AND COMPLETION. Lessee will not have the right to use water from Lessor's ponds, lakes, tanks, streams or water wells without the written consent of Lessor. Lessee will, however, have the right to drill water wells, without additional compensation to Lessor, on said land for use in the drilling and completion of oil or gas wells. Lessee agrees, after cessation of its use of any water well drilled by Lessee on said land and prior to plugging or removing the casing therefrom, to tender such water well or wells to Lessor. If Lessor elects to accept such water well(s), it (they) shall become the property of Lessor without payment of any additional consideration to Lessee; provided, however, that Lessee shall have the right to use such well(s) at any time during the continuance of this lease in connection with any of Lessee's operations on said land, and provided that Lessor shall assume the plugging liability for such well(s).

5. DUTY TO FENCE AND RESTORE SURFACE. When requested by 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, to remove all driller's mud and chemicals, to level all dumps and mounds, fill all holes, pits, ditches and excavations, and at Lessor'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 substantially to the same condition as it was before the commencement of such operations, subject only to reasonable wear and tear.

6. FENCES AND GATES. 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 said land, without first obtaining written consent from Lessor. If such consent to the cutting of a fence is obtained, the cuts must be made at the place designated by 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 no slacking of the wires. If Lessor so requests, Lessee will install and maintain a substantial metal cattle guard capable of turning cattle, promptly after making such cut. Lessee will install a substantial metal gate, which shall be kept locked when not in actual use. Lessor may install its own locks in addition to Lessee's lock on said gate, and if so, Lessor will provide Lessee with keys (or combination) to the lock. Upon termination of this lease, or the portion thereof on which a cattle guard or gate is located, such cattle guard and gate shall, at the option of Lessor, become Lessor's property. So long as this lease shall remain in force, gates and cattle guards used by Lessee shall be maintained by Lessee in good condition and repair, capable of turning cattle. Lessee agrees to promptly close all gates and lock all outside gates which Lessee may use in Lessee's operations on said land.

7. SURFACE DAMAGES. In further accordance with Provision #22 – AUTHORIZED DAMAGES – herein, Lessee shall at all times use a reasonable degree of care in all of its operations on said land 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 said land, nor 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. Lessee shall dispose of such salt water and waste oil in accordance with the Rules and Regulations of the Railroad Commission of Texas.

Unless otherwise specifically addressed above, Lessee shall pay Lessor for any damages to Lessor's surface that are the direct result of Lessee's actions in the furtherance of the purposes and objectives of this lease, and the damages to which Lessor shall be entitled will be negotiated within a reasonable period of time after the occurrence. If Lessor and Lessee are unable to agree upon the damages or consideration to be paid to Lessor, Lessee's rights hereunder shall not be postponed or delayed pending any determination of the amount of such damages or compensation. Under no circumstances shall such damages exceed the fair market value of the damaged or contaminated land, unless such damages are the result of Lessee's gross negligence or willful misconduct.

8. FIRE PREVENTION AND CLEAN UP. Lessee will use its best efforts to prevent fires on said land and will use its best efforts to prevent papers, boxes, sacks and containers and waste materials of any kind from coming on said land and littering the premises.

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

10. SEISMIC. Lessee shall have the non-exclusive right to conduct seismic operations across said land. If Lessee conducts such operations, Lessee shall be required to compensate Lessor for damages at the rate of **$ 2.00 per surface acre** covered by the shoot. Lessor shall be paid in advance of any seismic operations.

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11. USE OF ABANDONED WELLS AS WATER WELLS. In the event any oil or gas well drilled on said land is abandoned as a dry hole or is no longer capable of production, Lessee agrees, before plugging such well, to tender such well to Lessor, and if Lessor elects to accept same for completion as a water well, Lessee agrees to install a cement plug in the bottom of such well, or at such depth as Lessor designates, and a removable swage at the top, and Lessee will turn over such well to Lessor for completion as a water well; provided, however, Lessor shall first execute the necessary forms and applications to the Railroad Commission of Texas or other regulatory agencies relieving Lessee of any further liability. If Lessor does not accept such well, Lessee shall plug and abandon it in accordance with the rules and regulations of the Texas Railroad Commission.

12. NO HUNTING OR FISHING. Lessee is not allowed to engage in hunting or fishing on said land without the written consent of Lessor; neither is Lessee allowed to bring any dog, firearm, or fishing tackle upon said land, without the written consent of Lessor. Lessor shall have the right, at all reasonable times and at its own expense, to inspect vehicles entering upon said land, for the purpose of verifying that no such articles are being brought on to said land.

13. ENUMERATED RIGHTS. Lessee's rights, as enumerated above, are in addition to any and all other rights that an oil and gas Lessee would have under the laws of the State of Texas.

14. SUCCESSORS AND ASSIGNS. The terms in this lease and this surface use agreement shall be binding upon Lessor and Lessee, and their successors and assigns.

SIGNED FOR IDENTIFICATION:

LESSOR

STATE OF TEXAS

AWP 1983 Trust

By: Windi Grimes

Windi Grimes, Sole Trustee
Individually and as Agent for the State of 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. 2488

FILED FOR RECORD ON THE 27TH DAY OF JUNE A.D. 2005 9:57 A. M.

DULY RECORDED ON THE 28TH DAY OF JUNE A.D. 2005 9:00 A. M.

BY: Dorie Flores, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

STATE OF TEXAS REEVES COUNTY

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Memorandum

File No. MF-105235

Lease H

Date Filed: 6/29/05

Jerry E. Patterson, Commissioner

By _____

5

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. 704 PAGE 66 THRU 78

I hereby certified on JUNE 29, 2005

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY
JOSIE FLORES

FILE# 4849

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 23 day of October, 2007, between the State of Texas, acting by and through its agent CHARLES R. MEEKER TRUST U/A, BANK OF AMERICA N.A., TRUSTEE, of P.O. BOX 2546, FT. WORTH, TEXAS 76113-2546, said agent herein referred to as the owner of the soil (whether one or more), and PINNACLE LAND SERVICES, INC., P. O. BOX 991, PLEASANTON, TEXAS 78064 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:

The North 7/16 of Section 43, Abstract 4005, Block 59, Public School Lands Survey

containing 280.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: NINE THOUSAND THREE HUNDRED THIRTY-THREE DOLLARS AND 34/100
($9,333.34)

To the owners of the soil: NINE THOUSAND THREE HUNDRED THIRTY-THREE DOLLARS AND 33/100
($9,333.33)

Total bonus consideration of EIGHTEEN THOUSAND SIX HUNDRED SIXTY-SIX DOLLARS AND 67/100
($18,666.67)

The total bonus consideration paid represents a bonus of FOUR HUNDRED Dollars ($400.00) per acre, on 46.666667 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of FIVE 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.

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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 PAY DIRECTLY TO THE OWNER OF THE SOIL _____, 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: SEE ADDENDUM #41

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 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.

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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.

(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

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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.

(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

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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

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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 ft 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 property 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.

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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.

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

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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.

ADDENDUM PROVISIONS - #40 thru #52

40. CONTINUOUS DEVELOPMENT. After the expiration of the primary term, and notwithstanding paragraphs 16 (A) and 16 (B) above and any other provision in this lease to the contrary, no portion of this lease will terminate if Lessee continues to drill a well (or wells) anywhere on the leased premises with no more than 180 days between the release of the drilling rig on one well and the commencement of actual drilling operations on a subsequent well (hereinafter referred to as "continuous drilling"). Upon the cessation of continuous drilling this lease shall terminate in accordance with the other relevant provisions herein. If, however, Lessee has filed with the Texas Railroad Commission, no later than 60 days prior to the expiration of the said 180-day period, all requisite applications to drill the next well in the continuous drilling program, and Lessee is unable to proceed with drilling pending authorization by the Texas Railroad Commission, then Lessee shall be allowed such additional time as may be reasonably necessary to obtain the authorization and thereafter spud the subsequent well.

41 DELAY RENTALS. As stipulated in Paragraph #3 of this lease, the rentals for this lease have been PAID-UP for the second (2nd) and third (3rd) years of the primary term hereof. Lessee or its assigns shall have the right to keep this lease in force and effect for the fourth (4th) and fifth (5th) years of the primary term provided for herein by tendering a payment of Two Hundred Dollars ($200.00) per net acre on or before October 23, 2010, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time.

42. Upon the cessation of drilling at each well location, the abandonment of said lease or surrender thereof, Lessee, its successors or assigns, shall then level all drilling pits and other excavations and shall repair all damage done, or cause to be done, to buildings, fences, roads, culverts, turf, water wells and/or other improvements and to restore same to their original condition, as reasonably practical, within 90 days after the cessation of activity. No drilling mud shall be spread on surface lands of Lessor without express written consent of Lessor.

43. Lessee's right to use water from the leased premises shall not include the right to use fresh water from any fresh water sands or strata underlying the leased premises for any secondary recovery operations that may be conducted on the leased premises. Lessee shall have the right to use fresh water from Lessor's existing wells or surface impoundments only with the expressed permission of the Lessor.

44. All operations of Lessee shall be conducted so as to minimize the amount of surface land used or damaged by Lessee and Lessee agrees to construct not more than one road to each location on the leased premises and to confine all travel incidental to the drilling and production of such well to the single road. All roads constructed by Lessee shall be of good quality and suitable for all-weather use. The routes for all roads shall be mutually agreed upon between Lessor and Lessee before the commencement of any road construction. Lessee agrees to maintain all roads used by Lessee on the leased premises in good condition and repair during the period of Lessee's operations on the lease premises. The surface owner shall have the right to use all roads on the leased premises.

45. It is understood and agreed that this lease does not cover or include any right or privilege of hunting with firearms and/or with dogs or otherwise on the leased premises or fishing on the leased premises; all such hunting and fishing rights being expressly reserved, and Lessee agrees that none of the Lessee's officers, agents, employees or representatives will bring any dogs and/or firearms upon the leased premises, and that any one so doing shall be trespassers and subject to prosecution as such.

46. Prior to erecting new storage tanks, pipelines compressor stations or other usual facilities required by Lessee for producing oil and gas and operating this lease, Lessee shall advise Lessor of Lessee's intention. Lessor and Lessee will then mutually select a site or sites for locating such equipment and pipelines taking into consideration the ranching and farming operation of Lessor and Lessee's needs in conducting its operations under the terms of this lease in a reasonable manner.

47. Lessee prior to the construction of any new road or the cutting, altering and removal of any existing fence on the leased premises, or the cutting or removal of any tree, (this excludes mesquite or trees with less than a 6" diameter trunk as measured 3' off the ground) on the leased premises shall notify Lessor of such intention and shall be governed by the Lessor's reasonable wishes. Lessee shall dispose of all brush, trees, trash and debris away from the property. Under no circumstances will trash, garbage or debris be buried or dumped on the property or adjacent lands of Lessor. Brush and trees may be buried or burned on the property only with written permission from owner or his representative.

48. Lessee agrees to protect, defend, indemnify and hold harmless Lessor, the owners of the surface of the Leased Premises, and their respective agents, employees and tenants, from and against all liabilities, losses, expenses, claims, demands, and causes of action of every kind and character, whether for death or personal injury to persons (including agents and employees of Lessee and Lessee's subcontractors) for loss or damage to property, in any way and at any time arising out of, incident to, or in connection with Lessee's operations of this Lease, operations conducted by Lessee on the Leased Premises, or breach of the terms hereof.

49. Each drill site location shall be constructed so as to result in the least interference with surface usage as reasonably practicable under the circumstances. All pits shall be constructed and lined so as not to pollute the adjoining land at the prior written request of Lessor. Lessee shall take all reasonable precautions necessary to prevent land, air and water pollution, including pollution to all underground fresh water zones. Lessee shall collect all trash which accumulates in connection with his operations and remove such trash from the Leased Premises. Lessee shall take all reasonable precautions to prevent blowouts from occurring on the Leased Premises. Lessee shall utilize only such area around each producing well as is reasonably necessary for such purposes, and Lessee shall restore the remainder of such drill site to its original condition as nearly as practical within a reasonable time after the completion of operations on each drill site where no producing well is located, Lessee shall clear the location, remove all equipment placed upon the drill site by the Lessee, clean out and back fill all pits, and return the surface of the drill site to its original condition as nearly as practical. Lessee shall construct and maintain gates at all places where any roads used by Lessee cross through fences on the Leased Premises, and Lessee shall keep such gates locked when not actually passing through such gates. Upon termination of Lessee's operations on the Leased Premises, Lessee shall restore the surface of all lands utilized by Lessee, and not theretofore restored, to their original condition as nearly as practical. Within six (6) months after the termination of this lease, Lessee shall remove any and all property placed by Lessee on the Leased Premises or Lessor shall cause same to be removed at Lessee's expense.

50. Lessee is to comply with all Federal and State regulations.

51. Lessee shall pay market value, on the day of the event, for any and all livestock lost as a direct result of Lessee's operations under this lease.

52. All pipelines are to be buried 36 inches below the ground, which will be from the top of the pipe to the surface of the ground. Only crude oil, natural gas and produced water will be allowed to be transported through any pipelines located on the property.

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IN WITNESS **WHEREOF,** this instrument is executed on the date first above written.

LESSEE

PINNACLE LAND SERVICES, INC.

Cindy G. Mercer

BY: CINDY G. MERCER

Title: PRESIDENT

Date: 11-27-2007

LESSOR

STATE OF TEXAS

CHARLES R. MEEKER TRUST U/A
BANK OF AMERICA N.A., TRUSTEE
BY: H. GREG HOLCOMB
SENIOR VICE-PRESIDENT
Individually and as agent for the State of Texas

Date: OCT 23 2007

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STATE OF TEXAS)

COUNTY OF ATASCOSA)

BEFORE ME, the undersigned authority, on this day personally appeared CINDY G. MERCER, known to me to be the person whose name is subscribed to the foregoing instruments as President of Pinnacle Land Services, Inc. and acknowledged to me that she 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 November, 2007.

Melissa C. Bowen
Notary Public in and for
The State of TEXAS

MELISSA C. BOWEN
MY COMMISSION EXPIRES
December 19, 2007

STATE OF TEXAS)

COUNTY OF DALLAS)

BEFORE ME, the undersigned authority, on this day personally appeared H. Greg Holcomb, known to me to be the person whose name is subscribed to the foregoing instruments as Senior Vice-President of Bank of America, N.A. 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 23 day of OCTOBER, 2007

Sharon L Wilson
Notary Public in and for
The State of TEXAS

SHARON L. WILSON
Notary Public
STATE OF TEXAS
My Comm. Exp. 10-06-10

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# 4849

FILED FOR RECORD ON THE 30TH DAY OF NOVEMBER A.D. 2007 9:27 A. M.

DULY RECORDED ON THE 6TH DAY OF DECEMBER A.D. 2007 8:30 A. M.

BY: Jorie Flores DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

5. File No. MF-105235

Lease I

Date Filed: 6/2/05

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. 779, PAGE 283, THRU 292. OFFICIAL PUBLIC RECORDS

I hereby certified on 12/10/2007

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

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 23 day of October, 2007, between the State of Texas, acting by and through its agent CHARLES R. MEEKER TRUST U/A, BANK OF AMERICA N.A., TRUSTEE, of P.O. BOX 2546, FT. WORTH, TEXAS 76113-2546, said agent herein referred to as the owner of the soil (whether one or more), and PINNACLE LAND SERVICES, INC., P. O. BOX 991, PLEASANTON, TEXAS 78064 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:

The North 7/16 of Section 44, Abstract 4006, Block 59, Public School Lands Survey

containing 280.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: NINE THOUSAND THREE HUNDRED THIRTY-THREE DOLLARS AND 34/100
($9,333.34)

To the owners of the soil: NINE THOUSAND THREE HUNDRED THIRTY-THREE DOLLARS AND 33/100
($9,333.33)

Total bonus consideration of EIGHTEEN THOUSAND SIX HUNDRED SIXTY-SIX DOLLARS AND 67/100
($18,666.67)

The total bonus consideration paid represents a bonus of FOUR HUNDRED Dollars ($400.00) per acre, on 46.666667 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of FIVE 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.

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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 PAY DIRECTLY TO THE OWNER OF THE SOIL _____, 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: SEE ADDENDUM #41 _____

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 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.

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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

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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.

(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

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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

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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 ft 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 property 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.

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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.

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

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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.

ADDENDUM PROVISIONS - #40 thru #52

40. CONTINUOUS DEVELOPMENT. After the expiration of the primary term, and notwithstanding paragraphs 16 (A) and 16 (B) above and any other provision in this lease to the contrary, no portion of this lease will terminate if Lessee continues to drill a well (or wells) anywhere on the leased premises with no more than 180 days between the release of the drilling rig on one well and the commencement of actual drilling operations on a subsequent well (hereinafter referred to as "continuous drilling"). Upon the cessation of continuous drilling this lease shall terminate in accordance with the other relevant provisions herein. If, however, Lessee has filed with the Texas Railroad Commission, no later than 60 days prior to the expiration of the said 180-day period, all requisite applications to drill the next well in the continuous drilling program, and Lessee is unable to proceed with drilling pending authorization by the Texas Railroad Commission, then Lessee shall be allowed such additional time as may be reasonably necessary to obtain the authorization and thereafter spud the subsequent well.

41 DELAY RENTALS. As stipulated in Paragraph #3 of this lease, the rentals for this lease have been PAID-UP for the second (2nd) and third (3rd) years of the primary term hereof. Lessee or its assigns shall have the right to keep this lease in force and effect for the fourth (4th) and fifth (5th) years of the primary term provided for herein by tendering a payment of Two Hundred Dollars ($200.00) per net acre on or before October 23, 2010, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time.

42. Upon the cessation of drilling at each well location, the abandonment of said lease or surrender thereof, Lessee, its successors or assigns, shall then level all drilling pits and other excavations and shall repair all damage done, or cause to be done, to buildings, fences, roads, culverts, turf, water wells and/or other improvements and to restore same to their original condition, as reasonably practical, within 90 days after the cessation of activity. No drilling mud shall be spread on surface lands of Lessor without express written consent of Lessor.

43. Lessee's right to use water from the leased premises shall not include the right to use fresh water from any fresh water sands or strata underlying the leased premises for any secondary recovery operations that may be conducted on the leased premises. Lessee shall have the right to use fresh water from Lessor's existing wells or surface impoundments only with the expressed permission of the Lessor.

44. All operations of Lessee shall be conducted so as to minimize the amount of surface land used or damaged by Lessee and Lessee agrees to construct not more than one road to each location on the leased premises and to confine all travel incidental to the drilling and production of such well to the single road. All roads constructed by Lessee shall be of good quality and suitable for all-weather use. The routes for all roads shall be mutually agreed upon between Lessor and Lessee before the commencement of any road construction. Lessee agrees to maintain all roads used by Lessee on the leased premises in good condition and repair during the period of Lessee's operations on the lease premises. The surface owner shall have the right to use all roads on the leased premises.

45. It is understood and agreed that this lease does not cover or include any right or privilege of hunting with firearms and/or with dogs or otherwise on the leased premises or fishing on the leased premises; all such hunting and fishing rights being expressly reserved, and Lessee agrees that none of the Lessee's officers, agents, employees or representatives will bring any dogs and/or firearms upon the leased premises, and that any one so doing shall be trespassers and subject to prosecution as such.

46. Prior to erecting new storage tanks, pipelines compressor stations or other usual facilities required by Lessee for producing oil and gas and operating this lease, Lessee shall advise Lessor of Lessee's intention. Lessor and Lessee will then mutually select a site or sites for locating such equipment and pipelines taking into consideration the ranching and farming operation of Lessor and Lessee's needs in conducting its operations under the terms of this lease in a reasonable manner.

47. Lessee prior to the construction of any new road or the cutting, altering and removal of any existing fence on the leased premises, or the cutting or removal of any tree, (this excludes mesquite or trees with less than a 6" diameter trunk as measured 3' off the ground) on the leased premises shall notify Lessor of such intention and shall be governed by the Lessor's reasonable wishes. Lessee shall dispose of all brush, trees, trash and debris away from the property. Under no circumstances will trash, garbage or debris be buried or dumped on the property or adjacent lands of Lessor. Brush and trees may be buried or burned on the property only with written permission from owner or his representative.

48. Lessee agrees to protect, defend, indemnify and hold harmless Lessor, the owners of the surface of the Leased Premises, and their respective agents, employees and tenants, from and against all liabilities, losses, expenses, claims, demands, and causes of action of every kind and character, whether for death or personal injury to persons (including agents and employees of Lessee and Lessee's subcontractors) for loss or damage to property, in any way and at any time arising out of, incident to, or in connection with Lessee's operations of this Lease, operations conducted by Lessee on the Leased Premises, or breach of the terms hereof.

49. Each drill site location shall be constructed so as to result in the least interference with surface usage as reasonably practicable under the circumstances. All pits shall be constructed and lined so as not to pollute the adjoining land at the prior written request of Lessor. Lessee shall take all reasonable precautions necessary to prevent land, air and water pollution, including pollution to all underground fresh water zones. Lessee shall collect all trash which accumulates in connection with his operations and remove such trash from the Leased Premises. Lessee shall take all reasonable precautions to prevent blowouts from occurring on the Leased Premises. Lessee shall utilize only such area around each producing well as is reasonably necessary for such purposes, and Lessee shall restore the remainder of such drill site to its original condition as nearly as practical within a reasonable time after the completion of operations on each drill site where no producing well is located, Lessee shall clear the location, remove all equipment placed upon the drill site by the Lessee, clean out and back fill all pits, and return the surface of the drill site to its original condition as nearly as practical. Lessee shall construct and maintain gates at all places where any roads used by Lessee cross through fences on the Leased Premises, and Lessee shall keep such gates locked when not actually passing through such gates. Upon termination of Lessee's operations on the Leased Premises, Lessee shall restore the surface of all lands utilized by Lessee, and not theretofore restored, to their original condition as nearly as practical. Within six (6) months after the termination of this lease, Lessee shall remove any and all property placed by Lessee on the Leased Premises or Lessor shall cause same to be removed at Lessee's expense.

50. Lessee is to comply with all Federal and State regulations.

51. Lessee shall pay market value, on the day of the event, for any and all livestock lost as a direct result of Lessee's operations under this lease.

52. All pipelines are to be buried 36 inches below the ground, which will be from the top of the pipe to the surface of the ground. Only crude oil, natural gas and produced water will be allowed to be transported through any pipelines located on the property.

STATE OF TEXAS REEVES COUNTY

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IN WITNESS **WHEREOF,** this instrument is executed on the date first above written.

LESSEE

PINNACLE LAND SERVICES, INC.

Cindy G. Mercer

BY: CINDY G. MERCER

Title: PRESIDENT

Date: 11-27-2007

LESSOR

STATE OF TEXAS

CHARLES R. MEEKER TRUST U/A
BANK OF AMERICA N.A., TRUSTEE
BY: H. GREG HOLCOMB
SENIOR VICE-PRESIDENT
Individually and as agent for the State of Texas

Date: OCT 23 2007

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

STATE OF TEXAS)

COUNTY OF ATASCOSA)

BEFORE ME, the undersigned authority, on this day personally appeared CINDY G. MERCER, known to me to be the person whose name is subscribed to the foregoing instruments as President of Pinnacle Land Services, Inc. and acknowledged to me that she 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 November, 2007.

Melissa C. Bowen
Notary Public in and for
The State of TEXAS

MELISSA C. BOWEN
MY COMMISSION EXPIRES
December 19, 2007

STATE OF TEXAS)

COUNTY OF DALLAS)

BEFORE ME, the undersigned authority, on this day personally appeared H. Greg Holcomb, known to me to be the person whose name is subscribed to the foregoing instruments as Senior Vice-President of Bank of America, N.A. 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 23 day of OCTOBER, 2007

Sharon L Wilson
Notary Public in and for
The State of TEXAS

SHARON L. WILSON
Notary Public
STATE OF TEXAS
My Comm. Exp. 10-06-10

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# 4848

FILED FOR RECORD ON THE 30TH DAY OF NOVEMBER A.D. 2007 9:27 A. M.

DULY RECORDED ON THE 6TH DAY OF DECEMBER A.D. 2007 8:30 A. M.

BY: Jolie Shaw DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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5.

File No. MF: 105235

Lease 5

Date Filed: 6/24/08

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 273 THRU 282 OFFICIAL PUBLIC RECORDS

I hereby certified on 12/10/2007

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

FILE# 4847

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 23 day of October, 2007, between the State of Texas, acting by and through its agent CHARLES R. MEEKER TRUST U/A, BANK OF AMERICA N.A., TRUSTEE, of P.O. BOX 2546, FT. WORTH, TEXAS 76113-2546, said agent herein referred to as the owner of the soil (whether one or more), and PINNACLE LAND SERVICES, INC., P. O. BOX 991, PLEASANTON, TEXAS 78064 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:

The North 7/16 of Section 45, Abstract 4007, Block 59, Public School Lands Survey

containing 280.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: NINE THOUSAND THREE HUNDRED THIRTY-THREE DOLLARS AND 34/100
($9,333.34)

To the owners of the soil: NINE THOUSAND THREE HUNDRED THIRTY-THREE DOLLARS AND 33/100
($9,333.33)

Total bonus consideration of EIGHTEEN THOUSAND SIX HUNDRED SIXTY-SIX DOLLARS AND 67/100
($18,666.67)

The total bonus consideration paid represents a bonus of FOUR HUNDRED Dollars ($400.00) per acre, on 46.666667 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of FIVE 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.

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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 PAY DIRECTLY TO THE OWNER OF THE SOIL, 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: SEE ADDENDUM #41

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 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.

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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.

(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

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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.

(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

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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

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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 property 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.

STATE OF TEXAS REEVES COUNTY
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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.

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

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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.

ADDENDUM PROVISIONS - #40 thru #52

40. CONTINUOUS DEVELOPMENT. After the expiration of the primary term, and notwithstanding paragraphs 16 (A) and 16 (B) above and any other provision in this lease to the contrary, no portion of this lease will terminate if Lessee continues to drill a well (or wells) anywhere on the leased premises with no more than 180 days between the release of the drilling rig on one well and the commencement of actual drilling operations on a subsequent well (hereinafter referred to as "continuous drilling"). Upon the cessation of continuous drilling this lease shall terminate in accordance with the other relevant provisions herein. If, however, Lessee has filed with the Texas Railroad Commission, no later than 60 days prior to the expiration of the said 180-day period, all requisite applications to drill the next well in the continuous drilling program, and Lessee is unable to proceed with drilling pending authorization by the Texas Railroad Commission, then Lessee shall be allowed such additional time as may be reasonably necessary to obtain the authorization and thereafter spud the subsequent well.

41 DELAY RENTALS. As stipulated in Paragraph #3 of this lease, the rentals for this lease have been PAID-UP for the second (2nd) and third (3rd) years of the primary term hereof. Lessee or its assigns shall have the right to keep this lease in force and effect for the fourth (4th) and fifth (5th) years of the primary term provided for herein by tendering a payment of Two Hundred Dollars ($200.00) per net acre on or before October 23, 2010, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time.

42. Upon the cessation of drilling at each well location, the abandonment of said lease or surrender thereof, Lessee, its successors or assigns, shall then level all drilling pits and other excavations and shall repair all damage done, or cause to be done, to buildings, fences, roads, culverts, turf, water wells and/or other improvements and to restore same to their original condition, as reasonably practical, within 90 days after the cessation of activity. No drilling mud shall be spread on surface lands of Lessor without express written consent of Lessor.

43. Lessee's right to use water from the leased premises shall not include the right to use fresh water from any fresh water sands or strata underlying the leased premises for any secondary recovery operations that may be conducted on the leased premises. Lessee shall have the right to use fresh water from Lessor's existing wells or surface impoundments only with the expressed permission of the Lessor.

44. All operations of Lessee shall be conducted so as to minimize the amount of surface land used or damaged by Lessee and Lessee agrees to construct not more than one road to each location on the leased premises and to confine all travel incidental to the drilling and production of such well to the single road. All roads constructed by Lessee shall be of good quality and suitable for all-weather use. The routes for all roads shall be mutually agreed upon between Lessor and Lessee before the commencement of any road construction. Lessee agrees to maintain all roads used by Lessee on the leased premises in good condition and repair during the period of Lessee's operations on the lease premises. The surface owner shall have the right to use all roads on the leased premises.

45. It is understood and agreed that this lease does not cover or include any right or privilege of hunting with firearms and/or with dogs or otherwise on the leased premises or fishing on the leased premises; all such hunting and fishing rights being expressly reserved, and Lessee agrees that none of the Lessee's officers, agents, employees or representatives will bring any dogs and/or firearms upon the leased premises, and that any one so doing shall be trespassers and subject to prosecution as such.

46. Prior to erecting new storage tanks, pipelines compressor stations or other usual facilities required by Lessee for producing oil and gas and operating this lease, Lessee shall advise Lessor of Lessee's intention. Lessor and Lessee will then mutually select a site or sites for locating such equipment and pipelines taking into consideration the ranching and farming operation of Lessor and Lessee's needs in conducting its operations under the terms of this lease in a reasonable manner.

47. Lessee prior to the construction of any new road or the cutting, altering and removal of any existing fence on the leased premises, or the cutting or removal of any tree, (this excludes mesquite or trees with less than a 6" diameter trunk as measured 3' off the ground) on the leased premises shall notify Lessor of such intention and shall be governed by the Lessor's reasonable wishes. Lessee shall dispose of all brush, trees, trash and debris away from the property. Under no circumstances will trash, garbage or debris be buried or dumped on the property or adjacent lands of Lessor. Brush and trees may be buried or burned on the property only with written permission from owner or his representative.

48. Lessee agrees to protect, defend, indemnify and hold harmless Lessor, the owners of the surface of the Leased Premises, and their respective agents, employees and tenants, from and against all liabilities, losses, expenses, claims, demands, and causes of action of every kind and character, whether for death or personal injury to persons (including agents and employees of Lessee and Lessee's subcontractors) for loss or damage to property, in any way and at any time arising out of, incident to, or in connection with Lessee's operations of this Lease, operations conducted by Lessee on the Leased Premises, or breach of the terms hereof.

49. Each drill site location shall be constructed so as to result in the least interference with surface usage as reasonably practicable under the circumstances. All pits shall be constructed and lined so as not to pollute the adjoining land at the prior written request of Lessor. Lessee shall take all reasonable precautions necessary to prevent land, air and water pollution, including pollution to all underground fresh water zones. Lessee shall collect all trash which accumulates in connection with his operations and remove such trash from the Leased Premises. Lessee shall take all reasonable precautions to prevent blowouts from occurring on the Leased Premises. Lessee shall utilize only such area around each producing well as is reasonably necessary for such purposes, and Lessee shall restore the remainder of such drill site to its original condition as nearly as practical within a reasonable time after the completion of operations on each drill site where no producing well is located, Lessee shall clear the location, remove all equipment placed upon the drill site by the Lessee, clean out and back fill all pits, and return the surface of the drill site to its original condition as nearly as practical. Lessee shall construct and maintain gates at all places where any roads used by Lessee cross through fences on the Leased Premises, and Lessee shall keep such gates locked when not actually passing through such gates. Upon termination of Lessee's operations on the Leased Premises, Lessee shall restore the surface of all lands utilized by Lessee, and not theretofore restored, to their original condition as nearly as practical. Within six (6) months after the termination of this lease, Lessee shall remove any and all property placed by Lessee on the Leased Premises or Lessor shall cause same to be removed at Lessee's expense.

50. Lessee is to comply with all Federal and State regulations.

51. Lessee shall pay market value, on the day of the event, for any and all livestock lost as a direct result of Lessee's operations under this lease.

52. All pipelines are to be buried 36 inches below the ground, which will be from the top of the pipe to the surface of the ground. Only crude oil, natural gas and produced water will be allowed to be transported through any pipelines located on the property.

STATE OF TEXAS REEVES COUNTY

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IN WITNESS **WHEREOF**, this instrument is executed on the date first above written.

LESSEE

PINNACLE LAND SERVICES, INC.

Cindy G. Mercer

BY: CINDY G. MERCER

Title: PRESIDENT

Date: 11-27-2007

LESSOR

STATE OF TEXAS

CHARLES R. MEEKER TRUST U/A
BANK OF AMERICA N.A., TRUSTEE
BY: H. GREG HOLCOMB
SENIOR VICE-PRESIDENT
Individually and as agent for the State of Texas

OCT 23 2007

Date: _____

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STATE OF TEXAS)

COUNTY OF ATASCOSA)

BEFORE ME, the undersigned authority, on this day personally appeared CINDY G. MERCER, known to me to be the person whose name is subscribed to the foregoing instruments as President of Pinnacle Land Services, Inc. and acknowledged to me that she 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 November, 2007.

Melissa C. Bowen
Notary Public in and for
The State of TEXAS

MELISSA C. BOWEN
MY COMMISSION EXPIRES
December 19, 2007

STATE OF TEXAS)

COUNTY OF DALLAS)

BEFORE ME, the undersigned authority, on this day personally appeared H. Greg Holcomb, known to me to be the person whose name is subscribed to the foregoing instruments as Senior Vice-President of Bank of America, N.A. 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 23 day of OCTOBER, 2007

Sharon L Wilson
Notary Public in and for
The State of TEXAS

SHARON L. WILSON
Notary Public
STATE OF TEXAS
My Comm. Exp. 10-06-10

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# 4847

FILED FOR RECORD ON THE 30TH DAY OF NOVEMBER A.D. 2007 9:27 A. M.

DULY RECORDED ON THE 6TH DAY OF DECEMBER A.D. 2007 8:30 A. M.

BY: Dianne Florez 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

File No. M-105235
(1D Lewis K

Date Filed: 6/2/05

Jerry E. Patterson, Commissioner

By M. Silva

(5)

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 263 THRU 272 OFFICIAL PUBLIC RECORDS

I hereby certified on 12/10/2007

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Jessie Florez DEPUTY

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

February 7, 2006

Attn: Bradley H. Holley
Dwight Snell & Associates, Inc.
P.O. Box 407
Simonton, Texas 77476

Re: RELINQUISHMENT ACT LEASE No. M-105235
1,920.00 acres out of Sec. 43, 44, 45, Blk. 59, PSL
Reeves County, Texas

Dear Mr. Holley,

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-105235. Please refer to this number in all future correspondence concerning the lease.

Your remittance of $179,905.00, has been applied as the state's portion of the cash bonus $179,780.00, 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

File No. MF 105235 6

~~NLO letter~~

Date Filed: 2/7/06

Jerry E. Patterson, Commissioner

By _____

TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

May 8, 2006

Ms. Debbie Kimbrell
Alpine, Inc.
3409 S. Broadway, Suite 600
Edmond, OK 73013

RE: Assignment filing; GLO ID 5477

Dear Ms. Kimbrell,

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

> Assignment of Oil and Gas Leases, executed August 13th, 2005 from Dwight Snell & Associates, as Assignor, to 777 Energy, LP as Assignee.

Filing fees of $2,050.00 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

#7

Exhibit "A"

GLO ID	*County*	*Lease*
5477	*Reeves*	MF105229
5477	*Reeves*	MF105230
5477	*Reeves*	MF105235
5477	*Reeves*	MF105236
5477	*Reeves*	MF105242
5477	*Reeves*	MF105243
5477	*Reeves*	MF105494
5477	*Reeves*	MF105495
5477	*Reeves*	MF105496
5477	*Reeves*	MF105497
5477	*Reeves*	MF105498

BOOK 708 PAGE 774

FILE# 3505

5477

AFTER RECORDED, RETURN TO:
777 Energy LP
3409 S. Broadway, Suite 600
Edmond, OK 73013

ASSIGNMENT OF OIL AND GAS LEASES

KNOW ALL MEN BY THESE PRESENTS:

THAT the undersigned, **Dwight Snell & Associates**, P. O. Box 407, Simonton, Texas, 77476, hereinafter referred to as "Assignor", for and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby sell, assign, transfer and convey unto **777 ENERGY LP, a Texas limited partnership,** 3409 S. Broadway, Suite 600, Edmond, Oklahoma, 73013, hereinafter referred to as "Assignee", **ALL** of Assignor's right, title and interest in and to the oil and gas leases described on Exhibit "A," attached hereto and made a part hereof, said lands being located in **REEVES COUNTY, TEXAS.**

This assignment is executed without warranty of title, either express or implied. The terms hereof shall extend and be binding upon the parties hereto, their heirs, successors and assigns.

This instrument is executed this 25th day of July, 2005.

DWIGHT SNELL & ASSOCIATES

By: _____
Dwight Snell

STATE OF TEXAS)
) SS
COUNTY OF FORT BEND)

This instrument was acknowledged before me on this 13th day of August, 2005, by Dwight Snell on behalf of Dwight Snell & Associates.

_____
Notary Public

My Commission Expires:
May 28, 2007

BRADLEY H. HOLLEY
MY COMMISSION EXPIRES
May 28, 2007

STATE OF TEXAS REEVES COUNTY

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SUE .TT

EXHIBIT 'A'
Lease Schedule of Assignment
Dated JULY 25, 2005
REEVES County, TEXAS

Date : 04/25/2005
Lease # : RB0201
Lessor : H-S MINERALS & REALTY LTD., AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 154 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS MF105236

Date : 04/25/2005
Lease # : RB0202
Lessor : HILL INVESTMENTS LTD., AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 115 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS MF105236

Date : 04/25/2005
Lease # : RB0203
Lessor : DOROTHY HILL, F/K/A DOROTHY JEAN KEENOM, INDIVIDUALLY AND AS TRUSTEE OF THE THOMAS HILL PUFF TRUST AND AS TRUSTEE OF THE NANCY PUFF JONES TRUST, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 180 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS MF105236

Date : 04/25/2005
Lease # : RB0204
Lessor : JAMES ROBERT HILL, VIRGINIA GLENN HILL LATTIMORE AND JOHN A. STYRSKY, AS CO-TRUSTEES OF THE HOUSTON AND EMMA HILL TRUST ESTATE AND JAMES ROBERT HILL AND VIRGINIA GLENN HILL LATTIMORE, INDIVIUDALLY, AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 207 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS MF105236

Date : 04/25/2005
Lease # : RB0205
Lessor : WALTRIP MARITAL TRUST, KENNETH M. WALTRIP, TRUSTEE; MSW REVOCABLE TRUST, MARGERY L. HANNA, TRUSTEE; D/B/A HILL TRUSTS UNDER CERTAIN AGENCY AGREEMENT DATED JUNE 8, 1996, AS AGENT FOR STATE OF TEXAS MF105236
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 235 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS

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

EXHIBIT 'A'
Lease Schedule of Assignment
Dated JULY 25, 2005
REEVES County, TEXAS

Date : 04/25/2005
Lease # : RB0206
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER, AS AGENT FOR THE STATE OF TEXAS MF105236
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 91 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS S/2 OF SECTION 4, BLOCK 71, PSL, A-6000, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0207
Lessor : MEEKER INVESTMENTS INC., AS AGENT FOR STATE OF TEXAS MF105494
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 79 Instrument:
Description: SEE BELOW
TRACT 1: 170.57 ACRES OF LAND, MORE OR LESS, BEING THE SOUTH 7/16 OF SECTION 2, BLOCK 71, PSL, A- 5996,
TRACT 2: 140.0 ACRES OF LAND, MORE OR LESS, BEING THE EAST 7/16 OF S/2 OF SECTION 4, BLOCK 71, PSL, A-6000, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0208
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE, AS AGENT FOR STATE OF TEXAS MF105494
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 104 Instrument:
Description: SEE BELOW
TRACT 1: 170.57 ACRES OF LAND, MORE OR LESS, BEING THE SOUTH 7/16 OF SECTION 2, BLOCK 71, PSL, A- 5996,
TRACT 2: 140.0 ACRES OF LAND, MORE OR LESS, BEING THE EAST 7/16 OF S/2 OF SECTION 4, BLOCK 71, PSL, A-6000, REEVES COUNTY, TEXAS

Date : 04/18/2005
Lease # : RB0401
Lessor : JOHN WARD WILLIAMS, INDIVIDUALLY AND AS TRUSTEE FOR BOTH THE HERBERT EDWARD WILLIAMS & MAYNETTE MOFFETT WILLIAMS ESTATE TRUSTS, AS AGENT FOR STATE OF TEXAS M-105230 MF 105230
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 700 Page: 333 Instrument:
Description: SEE BELOW
320 ACRES, MORE OR LESS, BEING THE N/2 OF SECTION 4, BLOCK 71, A-2455, PSL, REEVES COUNTY, TEXAS

Date : 04/20/2005
Lease # : RB0501
Lessor : SUSAN J. HALBOWER, REBECCA A. HALBOWER AND KATHRYN H. HALBOWER AND KATHRYN H. JOHNSON AS TRUSTEES OF THE SUSAN J. HALBOWER TRUST, THE REBECCA A. HALBOWER TRUST AND THE KATHRYN H. JOHNSON TRUST, AS AGENT FOR THE STATE OF TEXAS MF105496
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 116 Instrument:
Description: SEE BELOW
640.0 ACRES MORE OR LESS; BEING ALL OF SECTION 5, BLOCK 59, PSL, A-4065; AND 160.0 ACRES MORE OR LESS, BEING THE NORTH 1/4 OF SECTION 8, BLOCK 59, PSL, A-4064; AND 160.0 ACRES MORE OR LESS, BEING THE E/2 W/2 OF SECTION 18, BLOCK 59, PSL, A-4066, REEVES COUNTY, TEXAS

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

EXHIBIT 'A'
Lease Schedule of Assignment
Dated JULY 25, 2005
REEVES County, TEXAS

Date : 04/19/2005
Lease # : RB2201
Lessor : THOMAS E. RODMAN & NANCY RODMAN ANGUISH, EACH DEALING IN THEIR SEPARATE PROPERTY, AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 130 Instrument: 105497
Description: SEE BELOW
480.0 ACRES, MORE OR LESS, BEING THE W/2 AND SE/4 OF SECTION 22, BLOCK 72, PSL, A-3058, REEVES COUNTY, TEXAS

Date : 05/03/2005
Lease # : RB2202
Lessor : STOECKMANN FARMS INC., AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 142 Instrument: 105243
Description: SEE BELOW
160.0 ACRES OF LAND, MORE OR LESS, BEING THE NE/4 OF SECTION 22, BLOCK 72, PSL, A-5990, REEVES COUNTY, TEXAS

Date : 06/01/2005
Lease # : RB2901
Lessor : YEAGER PROPERTIES INC., AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 705 Page: 34 Instrument: MF105495
Description: SEE BELOW
TRACT 1: 630.30 ACRES OF LAND, BEING ALL OF SECTION 29, BLOCK 70, PSL, A-5009
TRACT 2: 540.0 ACRES OF LAND, BEING ALL OF SECTION 30, BLOCK 70, PSL, A-4954
TRACT 3: 396.0 ACRES OF LAND, BEING ALL OF SECTION 102, F. ALLISON SCRAP FILE 8862, A-4956
TRACT 4: 640.0 ACRES OF LAND, BEING ALL OF SECTION 103, F. ALLISON SCRAP FILE 8863, A-4957, REEVES COUNTY, TEXAS

Date : 06/01/2005
Lease # : RB2902
Lessor : WELLS FARGO BANK, N.A., TRUSTEE, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 706 Page: 807 Instrument: MF105495
Description: SEE BELOW
TRACT 1: 630.30 ACRES OF LAND, MORE OR LESS, BEING ALL OF SECTION 29, BLOCK 70, PSL, A-5009
TRACT 2: 540.0 ACRES OF LAND, MORE OR LESS, BEING ALL OF SECTION 30, BLOCK 70, PSL, A-4954
TRACT 3: 396.00 ACRES OF LAND, MORE OR LESS, BEING ALL OF SECTUIB 102, `` ALLISON SCRAP FILE 8862, A-4956
TRACT 4: 640.0 ACRES OF LAND, MORE OR LESS, BEING ALL OF SECTION 103, F ALLISON SCRAP FILE 8863, A-4957, REEVES COUNTY, TEXAS

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

EXHIBIT 'A'
Lease Schedule of Assignment
Dated JULY 25, 2005
REEVES County, TEXAS

MF 105229

Date : 04/28/2005
Lease # : RB3101
Lessor : BANK OF AMERICA, N.A., AGENT FOR METHODIST CHILDREN'S HOME (A NON-PROFIT CORPORATION), AS AGENT FOR STATE OF TEXAS M-105229
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 700 Page: 321 Instrument:
Description: SEE BELOW
TRACT 1: 320 ACRES, MORE OR LESS, BEING THE S/2 OF SECTION 31, BLOCK 72, A-4590, PSL, REEVES COUNTY, TEXAS
TRACT 2: 640 ACRES, MORE OR LESS, BEING ALL OF SECTION 38, BLOCK 72, A-4591, PSL, REEVES COUNTY, TEXAS

MF105242

Date : 03/05/2005
Lease # : RB3601
Lessor : JAMES R. ASHLOCK, DEALING IN HIS SEPARATE PROPERTY, AS AGENT FOR THE STATE OF TEXAS M-105242
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 697 Page: 808 Instrument:
Description: SEE BELOW
160.0 ACRES, MORE OR LESS, BEING THE NORTH 160.0 ACRES OF SECTION 36, BLOCK 58, PSL, A-3532, REEVES COUNTY, TEXAS

MF 105235

Date : 04/25/2005
Lease # : RB4301
Lessor : JAMES ROBERT HILL, VIRGINIA GLENN HILL LATTIMORE AND JOHN A. STYRSKY, AS CO-TRUSTEES OF THE HOUSTON AND EMMA HILL TRUST ESTATE AND JAMES ROBERT HILL AND VIRGINIA GLENN HILL LATTIMORE, INDIVIUDALLY, AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 193 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND A-4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL, A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

105235

Date : 04/25/2005
Lease # : RB4302
Lessor : DOROTHY HILL, F/K/A DOROTHY JEAN KEENOM, INDIVIDUALLY AND AS TRUSTEE OF THE THOMAS HILL PUFF TRUST AND AS TRUSTEE OF THE NANCY PUFF JONES TRUST, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 167 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND 4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL, A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

STATE OF TEXAS REEVES COUNTY

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

EXHIBIT 'A'
Lease Schedule of Assignment
Dated JULY 25, 2005
REEVES County, TEXAS

MF105235

Date : 04/25/2005
Lease # : RB4303
Lessor : WALTRIP MARITAL TRUST, KENNETH M. WALTRIP, TRUSTEE; MSW REVOCABLE TRUST, MARGERY L. HANNA, TRUSTEE; D/B/A HILL TRUSTS UNDER CERTAIN AGENCY AGREEMENT DATED JUNE 8, 1996, AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 221 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND 4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL, A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4304
Lessor : HILL INVESTMENTS LTD, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 128 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, MF105235
A-4005 AND 4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL,
A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, MF105235
BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4305
Lessor : H-S MINERALS & REALTY LTD, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 141 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, MF105235
A-4005 AND 4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL,
A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, MF105235
BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4306
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 52 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, MF105235
A-4005 AND A-4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL MF105235
A-4006; AND
640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, MF105235
A-4007, REEVES COUNTY, TEXAS

STATE OF TEXAS REEVES COUNTY

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

EXHIBIT 'A'
Lease Schedule of Assignment
Dated JULY 25, 2005
REEVES County, TEXAS

Date : 04/25/2005
Lease # : RB4307
Lessor : MEEKER INVESTMENTS, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 39 Instrument: MF105235
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND A-4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL A-4006; AND
640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4308
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 66 Instrument: MF105235
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND A-4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL A-4006; AND
640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007, REEVES COUNTY, TEXAS

Date : 06/13/2005
Lease # : RB4901
Lessor : BANK OF AMERICA, N.A., TRUSTEE OF THE ROBERTA M. REGAN TRUST, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 705 Page: 685 Instrument: MF105498
Description: SEE BELOW
311.70 ACRES, MORE OR LESS, BEING THE W 3/4 OF SECTION 49, BLOCK 71, PSL, A-3026, REEVES COUNTY, 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. 3505
FILED FOR RECORD ON THE 16TH DAY OF AUGUST A.D. 2005 10:54 A. M.
DULY RECORDED ON THE 19TH DAY OF AUGUST A.D. 2005 9:30 A. M.
BY: Dianne Florez, 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

90.00

#7

File No. ME105235

Assignment

Date Filed: 6-12-07

Jerry E. Patterson, Commissioner

By B. Boyd

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 708 PAGE 774 THRU 780 OFFICIAL PUBLIC RECORDS

I hereby certified on AUGUST 22, 2005

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY _____ DEPUTY

11-3-08

MEMORANDUM

Texas General Land Office • Jerry Patterson • Commissioner

DATE: **6/12/07**

TO: Archives

FROM: Beverly Boyd

SUBJECT: Cross-reference Assignment Filings - Reeves County

Assignments from Alpine, 777 Energy and Chesapeake. To assist in locating original lessee, file number and legal description.

Received at the GLO:
11-3-2005
02-22-2006
07-12-2006
10-11-2006

777energyleaselist.xls

ASSIGNMENTS - STATE OF TEXAS LEASES

Assn Number	Assn Type	Assignor	Assignee	Book/Page	State Lease #	Owner of the Soil as Agent for the State of Texas	Description	777 Lease #	Fee Due
		777							
1	WI	777 Energy LP	Barrilla et al	734/203	M-104230	State of Texas	Sec. 44, Blk 13, H&GN RR	77 4402	$ 25.00
1	WI	777 Energy LP	Barrilla et al	734/203	MF106673	Cynthia O'Malley, etal	Sec. 44, Blk 13, H&GN RR	77 4403	$ 25.00
		TOTAL DUE							$ 50.00

Complete listing of known RSL Lease.

ASSIGNMENTS - STATE OF TEXAS LEASES

Assn Number	Assn Type	Assignor	Assignee	Book/Page	State Lease #	Owner of the Soil as Agent for the State of Texas	Description	777 Lease #	Fee Due
		HAYTER/HOWE							
2	ORI	777 Energy LP	Claxton et al	783/164 Pecos	M-104970	Margaret Pogue et al	Sec. 15 & 16, T&P	HA 1501	$ 25.00
2	ORI	777 Energy LP	Claxton et al	783/164 Pecos	M-104971	Margaret Pogue et al	Sec. 25 & 28, Blk 51	HA 2501	$ 25.00
3	ORI	777 Energy LP	Claxton et al	733/818 Reeves	M-104970	Margaret Pogue et al	Sec. 15 & 16, T&P	HA 1501	$ 25.00
3	ORI	777 Energy LP	Claxton et al	733/818 Reeves	M-104188	Carpenter, J. M.,	Sec 2, Blk 56, T&PRR	HW 0201	$ 25.00
3	ORI	777 Energy LP	Claxton et al	733/818 Reeves	M-105245	Grove (W.H.) Trust	Sec 15, Blk C17, PSL	HW 1501	$ 25.00
3	ORI	777 Energy LP	Claxton et al	733/818 Reeves	M-104228	Howe, Jane Addison et al	Sec 24, Blk 72, PSL	HW 2401	$ 25.00
3	ORI	777 Energy LP	Claxton et al	733/818 Reeves	MF107494	Winkler, Paul	Blk 72, PSL, Sec 34	HW 3401	$ 25.00
3	ORI	777 Energy LP	Claxton et al	733/818 Reeves	MF107494	Winkler, Morris	Blk 72, PSL, Sec 34	HW 3402	$ 25.00
3	ORI	777 Energy LP	Claxton et al	733/818 Reeves	MF107491	Seligman, Donald etal	Blk 72, PSL, Sec 34	HW 3403	$ 25.00
4	ORI	777 Energy LP	Claxton et al	783/189 Pecos	M-104970	Margaret Pogue et al	Sec. 15 & 16, T&P	HA 1501	$ 25.00
4	ORI	777 Energy LP	Claxton et al	783/189 Pecos	M-104971	Margaret Pogue et al	Sec. 25 & 28, Blk 51	HA 2501	$ 25.00
5	ORI	777 Energy LP	Claxton et al	734/60 Reeves	M-104970	Margaret Pogue et al	Sec. 15 & 16, T&P	HA 1501	$ 25.00
5	ORI	777 Energy LP	Claxton et al	734/60 Reeves	M-104188	Carpenter, J. M.,	Sec 2, Blk 56, T&PRR	HW 0201	$ 25.00
5	ORI	777 Energy LP	Claxton et al	734/60 Reeves	M-105245	Grove (W.H.) Trust	Sec 15, Blk C17, PSL	HW 1501	$ 25.00
5	ORI	777 Energy LP	Claxton et al	734/60 Reeves	M-104228	Howe, Jane Addison et al	Sec 24, Blk 72, PSL	HW 2401	$ 25.00
5	ORI	777 Energy LP	Claxton et al	734/60 Reeves	MF107494	Winkler, Paul	Blk 72, PSL, Sec 34	HW 3401	$ 25.00
5	ORI	777 Energy LP	Claxton et al	734/60 Reeves	MF107494	Winkler, Morris	Blk 72, PSL, Sec 34	HW 3402	$ 25.00
5	ORI	777 Energy LP	Claxton et al	734/60 Reeves	MF107491	Seligman, Donald etal	Blk 72, PSL, Sec 34	HW 3403	$ 25.00
6	ORI	777 Energy LP	Svoboda et al	783/215 Pecos	M-104970	Margaret Pogue et al	Sec. 15 & 16, T&P	HA 1501	$ 25.00
6	ORI	777 Energy LP	Svoboda et al	783/215 Pecos	M-104971	Margaret Pogue et al	Sec. 25 & 28, Blk 51	HA 2501	$ 25.00
7	ORI	777 Energy LP	Svoboda et al	734/79 Reeves	M-104970	Margaret Pogue et al	Sec. 15 & 16, T&P	HA 1501	$ 25.00
7	ORI	777 Energy LP	Svoboda et al	734/79 Reeves	M-104188	Carpenter, J. M.,	Sec 2, Blk 56, T&PRR	HW 0201	$ 25.00
7	ORI	777 Energy LP	Svoboda et al	734/79 Reeves	M-105245	Grove (W.H.) Trust	Sec 15, Blk C17, PSL	HW 1501	$ 25.00
7	ORI	777 Energy LP	Svoboda et al	734/79 Reeves	M-104228	Howe, Jane Addison et al	Sec 24, Blk 72, PSL	HW 2401	$ 25.00
7	ORI	777 Energy LP	Svoboda et al	734/79 Reeves	MF107494	Winkler, Paul	Blk 72, PSL, Sec 34	HW 3401	$ 25.00
7	ORI	777 Energy LP	Svoboda et al	734/79 Reeves	MF107494	Winkler, Morris	Blk 72, PSL, Sec 34	HW 3402	$ 25.00
7	ORI	777 Energy LP	Svoboda et al	734/79 Reeves	MF107491	Seligman, Donald etal	Blk 72, PSL, Sec 34	HW 3403	$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos 720/113 Reeves	MF105197	McCoy Remme Ranches, Ltd.	Sec. 6, Blk C-16, PSL, Sec 27	HA 0601	$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	720/113 Reeves	MF105226	Ona Graef	Sec. 7 & 16, Blk C-16, PSL	HA 0701	$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos 720/113 Reeves	MF104760	Ona Graef	Sec. 15, 16, 26-Blk 51, T&P	HA 1502	$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos 720/113 Reeves	MF104970	Hayter, Robert	Sec. 15, 16, 26-Blk 51, T&P	HA 1503	$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos 720/113 Reeves	MF104971	Hayter, Robert	Sec. 15, 16, 26-Blk 51, T&P	HA 1504	$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos 720/113 Reeves	MF104894	Kenley, Howard etal	Sec. 24, Blk 51, T&P	HA 2401	$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos 720/113 Reeves	MF106679	Ralph L. Lindsey Trust	Sec. 29, Blk 51, T&P	HA 2901	$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos 720/113 Reeves	MF106677	Edwards, Karen	Sec. 36, Blk 51, T&P	HA 3601	$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos 720/113 Reeves	MF106677	Hayter, Richard	Sec. 36, Blk 51, T&P	HA 3602	$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos 720/113 Reeves	MF106677	Bailey, Margaret	Sec. 36, Blk 51, T&P	HA 3603	$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos 720/113 Reeves	MF106677	Edwards, Robert	Sec. 36, Blk 51, T&P	HA 3604	$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos 720/113 Reeves	MF106677	Edwards, Robert	Sec. 36, Blk 51, T&P	HA 3605	$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos 720/113 Reeves	MF106677	Edwards, Robert	Sec. 36, Blk 51, T&P	HA 3606	$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos 720/113 Reeves	MF106677	Kenley, Howard etal	Sec. 36, Blk 51, T&P	HA 3607	$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos 720/113 Reeves	MF106677	Ralph L. Lindsey Trust	Sec. 36, Blk 51, T&P	HA 3701	$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	720/113 Reeves	MF107499	Rush Blodget	Blk 72, PSL, Sec 21	HW 2105	$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	720/113 Reeves	MF107498	Bennett, Brad & Ernest Armstrong	Blk 72, PSL, Sec 35	HW 3501	$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	720/113 Reeves	MF107483	Bennett, Brad & Ernest Armstrong	Blk 72, PSL, Sec 36	HW 3601	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	M-104188	Carpenter, J. M.,	Sec 2, Blk 56, T&PRR	HW 0201	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF106676	Roberta Regan Trust	Sec. 10, Blk 72, PSL	HW 1001	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF106676	Brennand Energy, Ltd.	Blk 72, PSL, Sec 10	HW 1002	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF106676	Mary Linda McCall	Blk 72, PSL, Sec 10	HW 1003	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF106676	Arlen L. Edgar	Blk 72, PSL, Sec 10	HW 1004	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF106676	Dolores L. McCall	Blk 72, PSL, Sec 10	HW 1005	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF106676	Jack McCall	Blk 72, PSL, Sec 10	HW 1006	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	M-105245	Grove (W.H.) Trust	Sec 15, Blk C17, PSL	HW 1501	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF105320	State of Texas	Sec 21, Blk 72, PSL	HW 2101	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF106675	Lee Trudgeon	Blk 72, PSL, Sec 21	HW 2102	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF106675	Meridith Trudgeon	Blk 72, PSL, Sec 21	HW 2103	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF106675	Allyson Trudgeon	Blk 72, PSL, Sec 21	HW 2104	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF107499	Rush Blodget	Blk 72, PSL, Sec 21	HW 2105	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF107499	Rush Blodget	Blk 72, PSL, Sec 21	HW 2105	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	M-105497	Thomas Rodman et al	Sec 22, Blk 72, PSL	HW 2201	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	M-105243	Stoeckmann Farms, Inc.	Sec. 22, Blk 72, PSL	HW 2202	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	M-104228	Howe, Jane Addison et al	Sec 24, Blk 72, PSL	HW 2401	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	M-105612	State of Texas	Blk 72, PSL, Sec 33	HW 3301	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF107494	Winkler, Paul	Blk 72, PSL, Sec 34	HW 3401	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF107494	Winkler, Morris	Blk 72, PSL, Sec 34	HW 3402	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF105613	Seligman, Donald etal	Blk 72, PSL, Sec 34	HW 3403	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF107498	Bennett, Brad & Ernest Armstrong	Blk 72, PSL, Sec 35	HW 3501	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF107498	Bennett, Brad & Ernest Armstrong	Blk 72, PSL, Sec 35	HW 3501	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF107483	Bennett, Brad & Ernest Armstrong	Blk 72, PSL, Sec 36	HW 3601	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF107483	Bennett, Brad & Ernest Armstrong	Blk 72, PSL, Sec 36	HW 3601	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	M-105613	State of Texas	Blk 72, PSL, Sec 37	HW 3701	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF105197	McCoy Remme Ranches, Ltd.	Sec. 6, Blk C-16, PSL, Sec 27	HA 0601	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF104760	Ona Graef	Sec. 7 & 16, Blk C-16, PSL	HA 0701	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	M-104970	Margaret Pogue et al	Sec. 15 & 16, T&P	HA 1501	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF104760	Ona Graef	Sec. 15, 16, 26-Blk 51, T&P	HA 1502	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF104760	Hayter, Robert	Sec. 15, 16, 26-Blk 51, T&P	HA 1503	$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF104760	Hayter, Robert	Sec. 15, 16, 26-Blk 51, T&P	HA 1504	$ 25.00

777energyleaselist.xls

ASSIGNMENTS - STATE OF TEXAS LEASES

Assn Number	Assn Type	Assignor	Assignee	Book/Page	State Lease #	Owner of the Soil as Agent for the State of Texas	Description	777 Lease #	Fee Due
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF105197	McCoy Remme Ranches, Ltd.	Sec. 6, Blk C-16, PSL, Sec 27	HA 0601	$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	M-104970	Margaret Pogue et al	Sec. 15 & 16, T&P	HA 1501	$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF104760	Ona Graef	Sec. 15, 16, 26-Blk 51, T&P	HA 1502	$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF104971	Hayter, Robert	Sec. 15, 16, 26-Blk 51, T&P	HA 1503	$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF104970	Hayter, Robert	Sec. 15, 16, 26-Blk 51, T&P	HA 1504	$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF104894	Kenley, Howard etal	Sec. 24, Blk 51, T&P	HA 2401	$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	M-104971	Margaret Pogue et al	Sec. 25 & 28, Blk 51	HA 2501	$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF106677	Ralph L. Lindsey Trust	Sec. 29, Blk 51, T&P	HA 2901	$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF106677	Edwards, Karen	Sec. 36, Blk 51, T&P	HA 3601	$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF10667	Hayter, Richard	Sec. 36, Blk 51, T&P	HA 3602	$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF106677	Bailey, Margaret	Sec. 36, Blk 51, T&P	HA 3603	$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF106677	Edwards, Robert	Sec. 36, Blk 51, T&P	HA 3604	$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF106677	Edwards, Robert	Sec. 36, Blk 51, T&P	HA 3605	$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF106677	Edwards, Robert	Sec. 36, Blk 51, T&P	HA 3606	$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF106677	Kenley, Howard etal	Sec. 36, Blk 51, T&P	HA 3607	$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF106677	Ralph L. Lindsey Trust	Sec. 36, Blk 51, T&P	HA 3701	$ 25.00
		TOTAL DUE							$ 2,325.00

ASSIGNMENTS - STATE OF TEXAS LEASES

Assn Number	Assn Type	Assignor	Assignee	Book/Page	State Lease #	Owner of the Soil as Agent for the State of Texas	Description	777 Lease #	Fee Due
		MIRAGE							
11	ORI	777 Energy LP	Claxton etal	783/158	M-105238	Partnership	Sec 1, Blk 183, JW Matthews	MI 0101	$ 25.00
11	ORI	777 Energy LP	Claxton etal	783/158	M-105225	Hayter South Ranch	Sec 1, Blk 11, GH&SA	MI 0103	$ 25.00
11	ORI	777 Energy LP	Claxton etal	783/158	M-105237	Partnership	Sec 2, Blk 183, JC Robinson	MI 0202	$ 25.00
11	ORI	777 Energy LP	Claxton etal	783/158	M-105227	Moore Ranch	Sec 1, Blk 122, GCSF	MI 0203	$ 25.00
11	ORI	777 Energy LP	Claxton etal	783/158	M-105228	Moore Ranch	Sec 10, Blk 122, GCSF	MI 1001	$ 25.00
11	ORI	777 Energy LP	Claxton etal	783/158	M-105239	Partnership	Sec 18, Blk 18, TC RR	MI 1801	$ 25.00
11	ORI	777 Energy LP	Claxton etal	783/158	M-105226	Hayter South Ranch	Sec210, Blk 10, GH&SA	MI 2101	$ 25.00
11	ORI	777 Energy LP	Claxton etal	783/158	M-104969	Robert Earl Edwards	Sec. 43, Blk 51, T&P	MI 4301	$ 25.00
12	ORI	777 Energy LP	Claxton etal	783/169	M-105238	Partnership	Sec 1, Blk 183, JW Matthews	MI 0101	$ 25.00
12	ORI	777 Energy LP	Claxton etal	783/169	M-105225	Hayter South Ranch	Sec 1, Blk 11, GH&SA	MI 0103	$ 25.00
12	ORI	777 Energy LP	Claxton etal	783/169	M-105237	Partnership	Sec 2, Blk 183, JC Robinson	MI 0202	$ 25.00
12	ORI	777 Energy LP	Claxton etal	783/169	M-105227	Moore Ranch	Sec 1, Blk 122, GCSF	MI 0203	$ 25.00
12	ORI	777 Energy LP	Claxton etal	783/169	M-105228	Moore Ranch	Sec 10, Blk 122, GCSF	MI 1001	$ 25.00
12	ORI	777 Energy LP	Claxton etal	783/169	M-105239	Partnership	Sec 18, Blk 18, TC RR	MI 1801	$ 25.00
12	ORI	777 Energy LP	Claxton etal	783/169	M-105226	Hayter South Ranch	Sec210, Blk 10, GH&SA	MI 2101	$ 25.00
12	ORI	777 Energy LP	Claxton etal	783/169	M-104969	Robert Earl Edwards	Sec. 43, Blk 51, T&P	MI 4301	$ 25.00
13	ORI	777 Energy LP	Svoboda etal	783/193	M-105238	Partnership	Sec 1, Blk 183, JW Matthews	MI 0101	$ 25.00
13	ORI	777 Energy LP	Svoboda etal	783/193	M-105225	Hayter South Ranch	Sec 1, Blk 11, GH&SA	MI 0103	$ 25.00
13	ORI	777 Energy LP	Svoboda etal	783/193	M-105237	Partnership	Sec 2, Blk 183, JC Robinson	MI 0202	$ 25.00
13	ORI	777 Energy LP	Svoboda etal	783/193	M-105227	Moore Ranch	Sec 1, Blk 122, GCSF	MI 0203	$ 25.00
13	ORI	777 Energy LP	Svoboda etal	783/193	M-105228	Moore Ranch	Sec 10, Blk 122, GCSF	MI 1001	$ 25.00
13	ORI	777 Energy LP	Svoboda etal	783/193	M-105239	Partnership	Sec 18, Blk 18, TC RR	MI 1801	$ 25.00
13	ORI	777 Energy LP	Svoboda etal	783/193	M-105226	Hayter South Ranch	Sec210, Blk 10, GH&SA	MI 2101	$ 25.00
13	ORI	777 Energy LP	Svoboda etal	783/193	M-104969	Robert Earl Edwards	Sec. 43, Blk 51, T&P	MI 4301	$ 25.00
14	WI	777 Energy LP	Alpine etal	783/221	M-105238	Partnership	Sec 1, Blk 183, JW Matthews	MI 0101	$ 25.00
14	WI	777 Energy LP	Alpine etal	783/221	M-105225	Hayter South Ranch	Sec 1, Blk 11, GH&SA	MI 0103	$ 25.00
14	WI	777 Energy LP	Alpine etal	783/221	M-105237	Partnership	Sec 2, Blk 183, JC Robinson	MI 0202	$ 25.00
14	WI	777 Energy LP	Alpine etal	783/221	M-105227	Moore Ranch	Sec 1, Blk 122, GCSF	MI 0203	$ 25.00
14	WI	777 Energy LP	Alpine etal	783/221	M-105228	Moore Ranch	Sec 10, Blk 122, GCSF	MI 1001	$ 25.00
14	WI	777 Energy LP	Alpine etal	783/221	M-105239	Partnership	Sec 18, Blk 18, TC RR	MI 1801	$ 25.00
14	WI	777 Energy LP	Alpine etal	783/221	M-105226	Hayter South Ranch	Sec210, Blk 10, GH&SA	MI 2101	$ 25.00
14	WI	777 Energy LP	Alpine etal	783/221	M-104969	Robert Earl Edwards	Sec. 43, Blk 51, T&P	MI 4301	$ 25.00
		TOTAL DUE							$ 800.00

ASSIGNMENTS - STATE OF TEXAS LEASES

Assn Number	Assn Type	Assignor PALOMINO	Assignee	Book/Page	State Lease #	Owner of the Soil as Agent for the State of Texas	Description	777 Lease #	Fee Due
15	ORI	777 Energy LP	Claxton etal	734/01	MF106674	McDonald Trust	Survey 3,4,10, Blk C-17, PSL	PA 0403	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	MF106674	Kelly H. Baxter	Blk 70 PSL, Sec 4	PA 0404	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-104186	Jobe, Billie Mac et ux	Sec 5, Blk 70, PSL	PA 0501	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-105433	Hedrick, Joanne Schmidt	Sec 8, Blk 72, PSL	PA 0801	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-105247	Russell Waterhouse, Trustee	Sec 15, Blk C17, PSL	PA 1501	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-105247	Dodds, Johnny I.	Sec 15, Blk C17, PSL	PA 1502	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	MF105247	Loewenstein, William	Sec 15, Blk C17, PSL	PA 1504	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-104185	Jobe, Billie Mac et ux	Sec 18, Blk C17, PSL	PA 1801	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-105240	Ramsland, Jane B. Trustee	Sec 20, Blk 55, T&P	PA 2201	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-104983	Meek, B. F.	Sec 24, Blk 70, PSL	PA 2402	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-104981	Slack, Bertie	Sec 24, Blk 70, PSL	PA 2403	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-104982	Berg, Camille	Sec 24, Blk 70, PSL	PA 2404	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-105528	Hill Haven	Sec 24, Blk 70, PSL	PA 2405	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-104184	Jobe, Billie Mac et ux	Sec 25, Blk 70, PSL	PA 2501	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-104195	Lee, James Clayton	Sec 27, Blk 70, PSL	PA 2701	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-104195	Canon, Zelma L..	Sec 27, Blk 70, PSL	PA 2702	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-104195	Clark, Carol L.	Sec 27, Blk 70, PSL	PA 2702	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-104195	Lee, Cecil James II	Sec 27, Blk 70, PSL	PA 2702	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-105207	Moore Capital, Ltd.	Sec 27, Blk C-17, PSL	PA 2703	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-105207	McGowan, ind	Sec 27, Blk C-17, PSL	PA 2704	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-105246	Strief, Paul A.	Sec. 27 & 31, Blk 72, PSL	PA 2705	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-105246	Strief, Robert E., Gretchen Henry, Rebecca Bain & Patricia Wilshusen	Sec. 27 & 31, Blk 72, PSL	PA 2706	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	MF106554	Bagby, Joseph	Blk 72, Sec 31	PA 3101	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-105523	Mapel Family	Sec 34, Blk 70, PSL	PA 3401	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-104933	Ramsland Family	Sec. 41 Blk 72 (PSL)	PA 4002	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-104933	Ramsland Family	Sec. 41 Blk 72 (PSL)	PA 4002	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-104934	Ramsland Family	Sec. 40 Blk 72 (PSL)	PA 4101	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-104196	Lee, James Clayton	Sec 46, Blk 59, PSL	PA 4601	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-104196	Canon, Zelma L.	Sec 46, Blk 59, PSL	PA 4602	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-104196	Clark, Carol L.	Sec 46, Blk 59, PSL	PA 4602	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-104196	Lee, Cecil James II	Sec 46, Blk 59, PSL	PA 4602	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-105241	Ramsland, Jane B. Trustee	Sec 48, Blk 56, T&P	PA 4803	$ 25.00
15	ORI	777 Energy LP	Claxton etal	734/01	M-104187	Jobe, Billie Mac et ux	Sec 58, SF7901	PA 5801	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	MF106674	McDonald Trust	Survey 3,4,10, Blk C-17, PSL	PA 0403	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	MF106674	Kelly H. Baxter	Blk 70 PSL, Sec 4	PA 0404	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-104186	Jobe, Billie Mac et ux	Sec 5, Blk 70, PSL	PA 0501	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-105433	Hedrick, Joanne Schmidt	Sec 8, Blk 72, PSL	PA 0801	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-105247	Russell Waterhouse, Trustee	Sec 15, Blk C17, PSL	PA 1501	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-105247	Dodds, Johnny I.	Sec 15, Blk C17, PSL	PA 1502	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	MF105247	Loewenstein, William	Sec 15, Blk C17, PSL	PA 1504	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-104185	Jobe, Billie Mac et ux	Sec 18, Blk C17, PSL	PA 1801	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-105240	Ramsland, Jane B. Trustee	Sec 20, Blk 55, T&P	PA 2201	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-104983	Meek, B. F.	Sec 24, Blk 70, PSL	PA 2402	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-104981	Slack, Bertie	Sec 24, Blk 70, PSL	PA 2403	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-104982	Berg, Camille	Sec 24, Blk 70, PSL	PA 2404	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-105528	Hill Haven	Sec 24, Blk 70, PSL	PA 2405	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-104184	Jobe, Billie Mac et ux	Sec 25, Blk 70, PSL	PA 2501	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-104195	Lee, James Clayton	Sec 27, Blk 70, PSL	PA 2701	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-104195	Canon, Zelma L..	Sec 27, Blk 70, PSL	PA 2702	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-104195	Clark, Carol L.	Sec 27, Blk 70, PSL	PA 2702	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-104195	Lee, Cecil James II	Sec 27, Blk 70, PSL	PA 2702	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-105207	Moore Capital, Ltd.	Sec 27, Blk C-17, PSL	PA 2703	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-105207	McGowan, ind	Sec 27, Blk C-17, PSL	PA 2704	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-105246	Strief, Paul A.	Sec. 27 & 31, Blk 72, PSL	PA 2705	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-105246	Strief, Robert E., Gretchen Henry, Rebecca Bain & Patricia Wilshusen	Sec. 27 & 31, Blk 72, PSL	PA 2706	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	MF106554	Bagby, Joseph	Blk 72, Sec 31	PA 3101	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-105523	Mapel Family	Sec 34, Blk 70, PSL	PA 3401	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-104933	Ramsland Family	Sec. 41 Blk 72 (PSL)	PA 4002	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-104933	Ramsland Family	Sec. 41 Blk 72 (PSL)	PA 4002	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-104934	Ramsland Family	Sec. 40 Blk 72 (PSL)	PA 4101	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-104196	Lee, James Clayton	Sec 46, Blk 59, PSL	PA 4601	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-104196	Canon, Zelma L.	Sec 46, Blk 59, PSL	PA 4602	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-104196	Clark, Carol L.	Sec 46, Blk 59, PSL	PA 4602	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-104196	Lee, Cecil James II	Sec 46, Blk 59, PSL	PA 4602	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-105241	Ramsland, Jane B. Trustee	Sec 48, Blk 56, T&P	PA 4803	$ 25.00
16	ORI	777 Energy LP	Claxton etal	734/29	M-104187	Jobe, Billie Mac et ux	Sec 58, SF7901	PA 5801	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	MF106674	McDonald Trust	Survey 3,4,10, Blk C-17, PSL	PA 0403	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	MF106674	Kelly H. Baxter	Blk 70 PSL, Sec 4	PA 0404	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	M-105433	Hedrick, Joanne Schmidt	Sec 8, Blk 72, PSL	PA 0801	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	M-105247	Russell Waterhouse, Trustee	Sec 15, Blk C17, PSL	PA 1501	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	M-105247	Dodds, Johnny I.	Sec 15, Blk C17, PSL	PA 1502	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	MF105247	Loewenstein, William	Sec 15, Blk C17, PSL	PA 1504	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	M-104983	Meek, B. F.	Sec 24, Blk 70, PSL	PA 2402	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	M-104981	Slack, Bertie	Sec 24, Blk 70, PSL	PA 2403	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	M-104982	Berg, Camille	Sec 24, Blk 70, PSL	PA 2404	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	M-105528	Hill Haven	Sec 24, Blk 70, PSL	PA 2405	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	M-104195	Lee, James Clayton	Sec 27, Blk 70, PSL	PA 2701	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	M-104195	Canon, Zelma L..	Sec 27, Blk 70, PSL	PA 2702	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	M-104195	Clark, Carol L.	Sec 27, Blk 70, PSL	PA 2702	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	M-104195	Lee, Cecil James II	Sec 27, Blk 70, PSL	PA 2702	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	M-105207	Moore Capital, Ltd.	Sec 27, Blk C-17, PSL	PA 2703	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	M-105207	McGowan, ind	Sec 27, Blk C-17, PSL	PA 2704	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	M-105246	Strief, Paul A.	Sec. 27 & 31, Blk 72, PSL	PA 2705	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	M-105246	Strief, Robert E., Gretchen Henry, Rebecca Bain & Patricia Wilshusen	Sec. 27 & 31, Blk 72, PSL	PA 2706	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	MF106554	Bagby, Joseph	Blk 72, Sec 31	PA 3101	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	M-105523	Mapel Family	Sec 34, Blk 70, PSL	PA 3401	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	M-104933	Ramsland Family	Sec. 41 Blk 72 (PSL)	PA 4002	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	M-104933	Ramsland Family	Sec. 41 Blk 72 (PSL)	PA 4002	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	M-104934	Ramsland Family	Sec. 40 Blk 72 (PSL)	PA 4101	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	M-104196	Lee, James Clayton	Sec 46, Blk 59, PSL	PA 4601	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	M-104196	Canon, Zelma L.	Sec 46, Blk 59, PSL	PA 4602	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	M-104196	Clark, Carol L.	Sec 46, Blk 59, PSL	PA 4602	$ 25.00
17	ORI	777 Energy LP	Svoboda etal	734/96	M-104196	Lee, Cecil James II	Sec 46, Blk 59, PSL	PA 4602	$ 25.00

ASSIGNMENTS - STATE OF TEXAS LEASES

Assn Number	Assn Type	Assignor	Assignee	Book/Page	State Lease #	Owner of the Soil as Agent for the State of Texas	Description	777 Lease #	Fee Due
18	ORI	777 Energy LP	Svoboda etal	734/539	M-105240	Ramsland, Jane B. Trustee	Sec 20, Blk 55, T&P	PA 2201	$ 25.00
18	ORI	777 Energy LP	Svoboda etal	734/539	M-105241	Ramsland, Jane B. Trustee	Sec 48, Blk 56, T&P	PA 4803	$ 25.00
19	ORI	777 Energy LP	Svoboda etal	735/544	M-104185	Jobe, Billie Mac et ux	Sec 18, Blk C17, PSL	PA 1801	$ 25.00
20	ORI	777 Energy LP	Svoboda etal	735/550	M-104186	Jobe, Billie Mac et ux	Sec 5, Blk 70, PSL	PA 0501	$ 25.00
20	ORI	777 Energy LP	Svoboda etal	735/550	M-104185	Jobe, Billie Mac et ux	Sec 18, Blk C17, PSL	PA 1801	$ 25.00
20	ORI	777 Energy LP	Svoboda etal	735/550	M-104184	Jobe, Billie Mac et ux	Sec 25, Blk 70, PSL	PA 2501	$ 25.00
20	ORI	777 Energy LP	Svoboda etal	735/550	M-104187	Jobe, Billie Mac et ux	Sec 58, SF7901	PA 5801	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	MF106674	McDonald Trust	Survey 3,4,10, Blk C-17, PSL	PA 0403	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	MF106674	Kelly H. Baxter	Blk 70 PSL, Sec 4	PA 0404	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-105433	Hedrick, Joanne Schmidt	Sec 8, Blk 72, PSL	PA 0801	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-105433	W. H. Hammonds	Sec 8, Blk 72, PSL	PA 0802	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-105534	Lowe Royalty	Blk 72, PSL, Sec 08 - 100	PA 0803	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-105533	Jack L. Russell	Blk 72, PSL, Sec 08 - 100	PA 0804	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-105533	Roger Stephenson	Blk 72, PSL, Sec 08 - 100	PA 0805	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-105532	Morris B. Winkler	Blk 72, PSL, Sec 08 - 100	PA 0806	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-105532	Dr. Ralph Cogan	Blk 72, PSL, Sec 08 - 100	PA 0807	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-105532	Jacqueline M. Fabe et al	Blk 72, PSL, Sec 08 - 100	PA 0808	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-105532	Richard B. Hammond et ux	Blk 72, PSL, Sec 08 - 100	PA 0809	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	MF-106674	Kelly H. Baxter	Blk 72, PSL, Sec 08 - 100	PA 0810	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-105532	Henry Luskin 1989 Rev Trust	Blk 72, PSL, Sec 08 - 100	PA 0811	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	MF105532	M. Brad Bennett	Blk 72, PSL, Sec 08 - 100	PA 0812	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-105247	Russell Waterhouse, Trustee	Sec 15, Blk C17, PSL	PA 1501	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-105247	Dodds, Johnny I.	Sec 15, Blk C17, PSL	PA 1502	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	MF105247	Loewenstein, William	Sec 15, Blk C17, PSL	PA 1504	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-105499	Winkler, Morris	Sec 18, Blk C17, PSL	PA 1802	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-105499	Winkler, Paul	Sec 18, Blk C17, PSL	PA 1803	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	MF106243	Elizabeth Maxwell	Blk 72 PSL, Sec 18	PA 1804	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-104983	Meek, B. F.	Sec 24, Blk 70, PSL	PA 2402	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-104981	Slack, Bertie	Sec 24, Blk 70, PSL	PA 2403	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-104982	Berg, Camille	Sec 24, Blk 70, PSL	PA 2404	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-105528	Hill Haven	Sec 24, Blk 70, PSL	PA 2405	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	MF105528	Hodges Oil & Gas	Sec 24, Blk 70, PSL	PA 2406	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-104195	Lee, James Clayton	Sec 27, Blk 70, PSL	PA 2701	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-104195	Canon, Zelma L..	Sec 27, Blk 70, PSL	PA 2702	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-104195	Clark, Carol L.	Sec 27, Blk 70, PSL	PA 2702	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-104195	Lee, Cecil James II	Sec 27, Blk 70, PSL	PA 2702	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-105207	Moore Capital, Ltd.	Sec 27, Blk C-17, PSL	PA 2703	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-105207	McGowan, ind	Sec 27, Blk C-17, PSL	PA 2704	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-105246	Strief, Paul A.	Sec. 27 & 31, Blk 72, PSL	PA 2705	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-105246	Strief, Robert E., Gretchen Henry, Rebecca Bain & Patricia Wilshusen	Sec. 27 & 31, Blk 72, PSL	PA 2706	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-105611	State of Texas	Blk 72, PSL, Sec 28	PA 2807	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	MF106554	Bagby, Joseph	Blk 72, Sec 31	PA 3101	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-105523	Mapel Family	Sec 34, Blk 70, PSL	PA 3401	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-104933	Ramsland Family	Sec. 41 Blk 72 (PSL)	PA 4002	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-104933	Ramsland Family	Sec. 41 Blk 72 (PSL)	PA 4002	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-104934	Ramsland Family	Sec. 40 Blk 72 (PSL)	PA 4101	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-104196	Lee, James Clayton	Sec 46, Blk 59, PSL	PA 4601	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-104196	Canon, Zelma L.	Sec 46, Blk 59, PSL	PA 4602	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-104196	Clark, Carol L.	Sec 46, Blk 59, PSL	PA 4602	$ 25.00
21	WI	777 Energy LP	Barrilla et al	734/163	M-104196	Lee, Cecil James II	Sec 46, Blk 59, PSL	PA 4602	$ 25.00
22	WI	777 Energy LP	Barrilla et al	734/191	M-105240	Ramsland, Jane B. Trustee	Sec 20, Blk 55, T&P	PA 2201	$ 25.00
22	WI	777 Energy LP	Barrilla et al	734/191	M-105241	Ramsland, Jane B. Trustee	Sec 48, Blk 56, T&P	PA 4803	$ 25.00
23	WI	777 Energy LP	Barrilla et al	734/159	M-104186	Jobe, Billie Mac et ux	Sec 5, Blk 70, PSL	PA 0501	$ 25.00
23	WI	777 Energy LP	Barrilla et al	734/159	M-104185	Jobe, Billie Mac et ux	Sec 18, Blk C17, PSL	PA 1801	$ 25.00
23	WI	777 Energy LP	Barrilla et al	734/159	M-104184	Jobe, Billie Mac et ux	Sec 25, Blk 70, PSL	PA 2501	$ 25.00
23	WI	777 Energy LP	Barrilla et al	734/159	M-104187	Jobe, Billie Mac et ux	Sec 58, SF7901	PA 5801	$ 25.00
24	WI	777 Energy LP	Barrilla et al	735/558	M-104186	Jobe, Billie Mac et ux	Sec 5, Blk 70, PSL	PA 0501	$ 25.00
24	WI	777 Energy LP	Barrilla et al	735/558	M-104185	Jobe, Billie Mac et ux	Sec 18, Blk C17, PSL	PA 1801	$ 25.00
24	WI	777 Energy LP	Barrilla et al	735/558	M-104184	Jobe, Billie Mac et ux	Sec 25, Blk 70, PSL	PA 2501	$ 25.00
24	WI	777 Energy LP	Barrilla et al	735/558	M-104187	Jobe, Billie Mac et ux	Sec 58, SF7901	PA 5801	$ 25.00
25	WI	777 Energy LP	Barrilla et al	734/153	M-104185	Jobe, Billie Mac et ux	Sec 18, Blk C17, PSL	PA 1801	$ 25.00
		TOTAL DUE							$ 3,850.00

ASSIGNMENTS - STATE OF TEXAS LEASES

Assn Number	Assn Type	Assignor	Assignee	Book/Page	State Lease #	Owner of the Soil as Agent for the State of Texas	Description	777 Lease #	Fee Due
		RAINBOW							
26	ORI	777 Energy LP	Claxton et al	733/822	M-105236	H-S Minerals & Realty, Ltd.	Sec 2, Blk 71, PSL	RB 0201	$ 25.00
26	ORI	777 Energy LP	Claxton et al	733/822	M-105236	Hill Investments, Ltd.	Sec 2, Blk 71, PSL	RB 0202	$ 25.00
26	ORI	777 Energy LP	Claxton et al	733/822	M-105236	Dorothy Hill	Sec 2, Blk 71, PSL	RB 0203	$ 25.00
26	ORI	777 Energy LP	Claxton et al	733/822	M-105236	H&E Hill Trust et al	Sec 2, Blk 71, PSL	RB 0204	$ 25.00
26	ORI	777 Energy LP	Claxton et al	733/822	M-105236	Waltrip Trusts	Sec 2, Blk 71, PSL	RB 0205	$ 25.00
26	ORI	777 Energy LP	Claxton et al	733/822	M-105494	Lawrence Meeker, et al	Sec 2, Blk 71, PSL	RB 0206	$ 25.00
26	ORI	777 Energy LP	Claxton et al	733/822	M-105494	Meeker Investments	Sec 2, Blk 71, PSL	RB 0207	$ 25.00
26	ORI	777 Energy LP	Claxton et al	733/822	M-105494	AWP Trust	Sec 2, Blk 71, PSL	RB 0208	$ 25.00
26	ORI	777 Energy LP	Claxton et al	733/822	M-105242	James R. Ashlock	Sec. 36, Blk 58 PSL	RB 3601	$ 25.00
26	ORI	777 Energy LP	Claxton et al	733/822	M-105235	H&E Hill Trust et al	Sec 43, Blk 59, PSL	RB 4301	$ 25.00
26	ORI	777 Energy LP	Claxton et al	733/822	M-105235	Dorothy Hill	Sec 43, Blk 59, PSL	RB 4302	$ 25.00
26	ORI	777 Energy LP	Claxton et al	733/822	M-105235	Waltrip Trusts	Sec 43, Blk 59, PSL	RB 4303	$ 25.00
26	ORI	777 Energy LP	Claxton et al	733/822	M-105235	Hill Investments, Ltd.	Sec 43, Blk 59, PSL	RB 4304	$ 25.00
26	ORI	777 Energy LP	Claxton et al	733/822	M-105235	H-S Minerals & Realty, Ltd.	Sec 43, Blk 59, PSL	RB 4305	$ 25.00
26	ORI	777 Energy LP	Claxton et al	733/822	M-105235	Lawrence Meeker, et al	Sec 43, Blk 59, PSL	RB 4306	$ 25.00
26	ORI	777 Energy LP	Claxton et al	733/822	M-105235	Meeker Investments	Sec 43, Blk 59, PSL	RB 4307	$ 25.00
26	ORI	777 Energy LP	Claxton et al	733/822	M-105235	AWP Trust	Sec 43, Blk 59, PSL	RB 4308	$ 25.00
27	ORI	777 Energy LP	Claxton et al	735/524	MF105804	Winkler, Paul	Blk 55, T5, T&P, Sec 46	RB 4601	$ 25.00
27	ORI	777 Energy LP	Claxton et al	735/524	MF105804	Winkler, Morris	Blk 55, T5, T&P, Sec 46	RB 4602	$ 25.00
27	ORI	777 Energy LP	Claxton et al	735/524	MF105804	Virginia & Steven McKinney	Sec 46, Blk 55, T&P	RB 4603	$ 25.00
28	ORI	777 Energy LP	Claxton et al	734/64	M-105236	H-S Minerals & Realty, Ltd.	Sec 2, Blk 71, PSL	RB 0201	$ 25.00
28	ORI	777 Energy LP	Claxton et al	734/64	M-105236	Hill Investments, Ltd.	Sec 2, Blk 71, PSL	RB 0202	$ 25.00
28	ORI	777 Energy LP	Claxton et al	734/64	M-105236	Dorothy Hill	Sec 2, Blk 71, PSL	RB 0203	$ 25.00
28	ORI	777 Energy LP	Claxton et al	734/64	M-105236	H&E Hill Trust et al	Sec 2, Blk 71, PSL	RB 0204	$ 25.00
28	ORI	777 Energy LP	Claxton et al	734/64	M-105236	Waltrip Trusts	Sec 2, Blk 71, PSL	RB 0205	$ 25.00
28	ORI	777 Energy LP	Claxton et al	734/64	M-105494	Lawrence Meeker, et al	Sec 2, Blk 71, PSL	RB 0206	$ 25.00
28	ORI	777 Energy LP	Claxton et al	734/64	M-105494	Meeker Investments	Sec 2, Blk 71, PSL	RB 0207	$ 25.00
28	ORI	777 Energy LP	Claxton et al	734/64	M-105494	AWP Trust	Sec 2, Blk 71, PSL	RB 0208	$ 25.00
28	ORI	777 Energy LP	Claxton et al	734/64	M-105242	James R. Ashlock	Sec. 36, Blk 58 PSL	RB 3601	$ 25.00
28	ORI	777 Energy LP	Claxton et al	734/64	M-105235	H&E Hill Trust et al	Sec 43, Blk 59, PSL	RB 4301	$ 25.00
28	ORI	777 Energy LP	Claxton et al	734/64	M-105235	Dorothy Hill	Sec 43, Blk 59, PSL	RB 4302	$ 25.00
28	ORI	777 Energy LP	Claxton et al	734/64	M-105235	Waltrip Trusts	Sec 43, Blk 59, PSL	RB 4303	$ 25.00
28	ORI	777 Energy LP	Claxton et al	734/64	M-105235	Hill Investments, Ltd.	Sec 43, Blk 59, PSL	RB 4304	$ 25.00
28	ORI	777 Energy LP	Claxton et al	734/64	M-105235	H-S Minerals & Realty, Ltd.	Sec 43, Blk 59, PSL	RB 4305	$ 25.00
28	ORI	777 Energy LP	Claxton et al	734/64	M-105235	Lawrence Meeker, et al	Sec 43, Blk 59, PSL	RB 4306	$ 25.00
28	ORI	777 Energy LP	Claxton et al	734/64	M-105235	Meeker Investments	Sec 43, Blk 59, PSL	RB 4307	$ 25.00
28	ORI	777 Energy LP	Claxton et al	734/64	M-105235	AWP Trust	Sec 43, Blk 59, PSL	RB 4308	$ 25.00
29	ORI	777 Energy LP	Claxton et al	735/526	MF105804	Winkler, Paul	Blk 55, T5, T&P, Sec 46	RB 4601	$ 25.00
29	ORI	777 Energy LP	Claxton et al	735/526	MF105804	Winkler, Morris	Blk 55, T5, T&P, Sec 46	RB 4602	$ 25.00
29	ORI	777 Energy LP	Claxton et al	735/526	MF105804	Virginia & Steven McKinney	Sec 46, Blk 55, T&P	RB 4603	$ 25.00
30	ORI	777 Energy LP	Svoboda etal	734/85	M-105236	H-S Minerals & Realty, Ltd.	Sec 2, Blk 71, PSL	RB 0201	$ 25.00
30	ORI	777 Energy LP	Svoboda etal	734/85	M-105236	Hill Investments, Ltd.	Sec 2, Blk 71, PSL	RB 0202	$ 25.00
30	ORI	777 Energy LP	Svoboda etal	734/85	M-105236	Dorothy Hill	Sec 2, Blk 71, PSL	RB 0203	$ 25.00
30	ORI	777 Energy LP	Svoboda etal	734/85	M-105236	H&E Hill Trust et al	Sec 2, Blk 71, PSL	RB 0204	$ 25.00
30	ORI	777 Energy LP	Svoboda etal	734/85	M-105236	Waltrip Trusts	Sec 2, Blk 71, PSL	RB 0205	$ 25.00
30	ORI	777 Energy LP	Svoboda etal	734/85	M-105494	Lawrence Meeker, et al	Sec 2, Blk 71, PSL	RB 0206	$ 25.00
30	ORI	777 Energy LP	Svoboda etal	734/85	M-105494	Meeker Investments	Sec 2, Blk 71, PSL	RB 0207	$ 25.00
30	ORI	777 Energy LP	Svoboda etal	734/85	M-105494	AWP Trust	Sec 2, Blk 71, PSL	RB 0208	$ 25.00
30	ORI	777 Energy LP	Svoboda etal	734/85	M-105242	James R. Ashlock	Sec. 36, Blk 58 PSL	RB 3601	$ 25.00
30	ORI	777 Energy LP	Svoboda etal	734/85	M-105235	H&E Hill Trust et al	Sec 43, Blk 59, PSL	RB 4301	$ 25.00
30	ORI	777 Energy LP	Svoboda etal	734/85	M-105235	Dorothy Hill	Sec 43, Blk 59, PSL	RB 4302	$ 25.00
30	ORI	777 Energy LP	Svoboda etal	734/85	M-105235	Waltrip Trusts	Sec 43, Blk 59, PSL	RB 4303	$ 25.00
30	ORI	777 Energy LP	Svoboda etal	734/85	M-105235	Hill Investments, Ltd.	Sec 43, Blk 59, PSL	RB 4304	$ 25.00
30	ORI	777 Energy LP	Svoboda etal	734/85	M-105235	H-S Minerals & Realty, Ltd.	Sec 43, Blk 59, PSL	RB 4305	$ 25.00
30	ORI	777 Energy LP	Svoboda etal	734/85	M-105235	Lawrence Meeker, et al	Sec 43, Blk 59, PSL	RB 4306	$ 25.00
30	ORI	777 Energy LP	Svoboda etal	734/85	M-105235	Meeker Investments	Sec 43, Blk 59, PSL	RB 4307	$ 25.00
30	ORI	777 Energy LP	Svoboda etal	734/85	M-105235	AWP Trust	Sec 43, Blk 59, PSL	RB 4308	$ 25.00
31	ORI	777 Energy LP	Svoboda etal	735/547	MF105804	Winkler, Paul	Blk 55, T5, T&P, Sec 46	RB 4601	$ 25.00
31	ORI	777 Energy LP	Svoboda etal	735/547	MF105804	Winkler, Morris	Blk 55, T5, T&P, Sec 46	RB 4602	$ 25.00
31	ORI	777 Energy LP	Svoboda etal	735/547	MF105804	Virginia & Steven McKinney	Sec 46, Blk 55, T&P	RB 4603	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105236	H-S Minerals & Realty, Ltd.	Sec 2, Blk 71, PSL	RB 0201	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105236	Hill Investments, Ltd.	Sec 2, Blk 71, PSL	RB 0202	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105236	Dorothy Hill	Sec 2, Blk 71, PSL	RB 0203	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105236	H&E Hill Trust et al	Sec 2, Blk 71, PSL	RB 0204	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105236	Waltrip Trusts	Sec 2, Blk 71, PSL	RB 0205	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105494	Lawrence Meeker, et al	Sec 2, Blk 71, PSL	RB 0206	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105494	Meeker Investments	Sec 2, Blk 71, PSL	RB 0207	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105494	AWP Trust	Sec 2, Blk 71, PSL	RB 0208	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105230	J. W. Williams	Sec 4, Blk 71, PSL	RB 0401	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105496	Susan J. Halbower et al	Sec 5, Blk 59, PSL	RB 0501	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105304	State of Texas	Sec 6, Blk 59, PSL	RB 0601	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105316	State of Texas	Sec 18, Blk 59, PSL	RB 1805	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105495	Yeager Properties	Sec 29, Blk 70, PSL	RB 2901	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105495	James M. Armstrong Trust	Sec 29, Blk 70, PSL	RB 2902	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105229	Methodist Children's Home	Secs 31 & 38, Blk 72, PSL	RB 3101	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105242	James R. Ashlock	Sec. 36, Blk 58 PSL	RB 3601	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105235	H&E Hill Trust et al	Sec 43, Blk 59, PSL	RB 4301	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105235	Dorothy Hill	Sec 43, Blk 59, PSL	RB 4302	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105235	Waltrip Trusts	Sec 43, Blk 59, PSL	RB 4303	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105235	Hill Investments, Ltd.	Sec 43, Blk 59, PSL	RB 4304	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105235	H-S Minerals & Realty, Ltd.	Sec 43, Blk 59, PSL	RB 4305	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105235	Lawrence Meeker, et al	Sec 43, Blk 59, PSL	RB 4306	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105235	Meeker Investments	Sec 43, Blk 59, PSL	RB 4307	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105235	AWP Trust	Sec 43, Blk 59, PSL	RB 4308	$ 25.00
32	WI	777 Energy LP	Alpine etal	734/136	M-105498	Roberta Reagan Trust	Sec 49, Blk 71, PSL	RB 4901	$ 25.00
33	WI	777 Energy LP	Alpine etal	735/555	MF105804	Winkler, Paul	Blk 55, T5, T&P, Sec 46	RB 4601	$ 25.00
33	WI	777 Energy LP	Alpine etal	735/555	MF105804	Winkler, Morris	Blk 55, T5, T&P, Sec 46	RB 4602	$ 25.00
33	WI	777 Energy LP	Alpine etal	735/555	MF105804	Virginia & Steven McKinney	Sec 46, Blk 55, T&P	RB 4603	$ 25.00
		TOTAL DUE							$ 2,200.00

777energyleaselist.xls

ASSIGNMENTS - STATE OF TEXAS LEASES

Assn Number	Assn Type	Assignor	Assignee	Book/Page	State Lease #	Owner of the Soil as Agent for the State of Texas	Description	777 Lease #	Fee Due
		RIO							
34	ORI	777 Energy LP	Claxton etal	199/489	MF106229	R. M. Zoch, Jr.	Blk 331, Morgan, Sec 110	RI 110A	$ 25.00
34	ORI	777 Energy LP	Claxton etal	199/489	MF106246	JMB Land Company	Blk 331, Mings, Sec 142	RI 142A	$ 25.00
34	ORI	777 Energy LP	Claxton etal	199/489	MF106553	Little Suzy Properties	Blk 10, GH&SA, Sec 242	RI 242A	$ 25.00
34	ORI	777 Energy LP	Claxton etal	199/489	MF106552	Little Suzy Properties	Blk 10, GH&SA Sec. 247	RI 247A	$ 25.00
34	ORI	777 Energy LP	Claxton etal	199/489	MF106550	W. Y. Benge III & Tommie Benge	Blk 10, GH&SA Sec. 255	RI 255A	$ 25.00
34	ORI	777 Energy LP	Claxton etal	199/489	MF106545	R. M. Zoch, Jr.	Blk 10, GH&SA Sec. 271	RI 271A	$ 25.00
34	ORI	777 Energy LP	Claxton etal	199/489	MF106547	R. M. Zoch, Jr.	Blk 10, GH&SA Sec. 275	RI 275A	$ 25.00
34	ORI	777 Energy LP	Claxton etal	199/489	MF106551	Little Suzy Properties	Blk 10, GH&SA Sec. 280	RI 280A	$ 25.00
34	ORI	777 Energy LP	Claxton etal	199/489	MF106546	R. M. Zoch, Jr.	Blk 331, TCRR, Sec. 40	RI 4001	$ 25.00
34	ORI	777 Energy LP	Claxton etal	199/489	MF106549	Hagy Enterprises	Blk 300, GC&SF, Sec. 66	RI 6601	$ 25.00
34	ORI	777 Energy LP	Claxton etal	199/489	MF106548	Dickie Revera, et al	Blk 300, GC&SF, Sec. 68	RI 6801	$ 25.00
35	ORI	777 Energy LP	Svoboda etal	199/507	MF106299	R. M. Zoch, Jr.	Blk 331, Morgan, Sec 110	RI 110A	$ 25.00
35	ORI	777 Energy LP	Svoboda etal	199/507	MF106246	JMB Land Company	Blk 331, Mings, Sec 142	RI 142A	$ 25.00
35	ORI	777 Energy LP	Svoboda etal	199/507	MF106553	Little Suzy Properties	Blk 10, GH&SA, Sec 242	RI 242A	$ 25.00
35	ORI	777 Energy LP	Svoboda etal	199/507	MF106552	Little Suzy Properties	Blk 10, GH&SA Sec. 247	RI 247A	$ 25.00
35	ORI	777 Energy LP	Svoboda etal	199/507	MF106550	W. Y. Benge III & Tommie Benge	Blk 10, GH&SA Sec. 255	RI 255A	$ 25.00
35	ORI	777 Energy LP	Svoboda etal	199/507	MF106545	R. M. Zoch, Jr.	Blk 10, GH&SA Sec. 271	RI 271A	$ 25.00
35	ORI	777 Energy LP	Svoboda etal	199/507	MF106547	R. M. Zoch, Jr.	Blk 10, GH&SA Sec. 275	RI 275A	$ 25.00
35	ORI	777 Energy LP	Svoboda etal	199/507	MF106551	Little Suzy Properties	Blk 10, GH&SA Sec. 280	RI 280A	$ 25.00
35	ORI	777 Energy LP	Svoboda etal	199/507	MF106546	R. M. Zoch, Jr.	Blk 331, TCRR, Sec. 40	RI 4001	$ 25.00
36	ORI	777 Energy LP	WTG etal	199/504	MF106549	Hagy Enterprises	Blk 300, GC&SF, Sec. 66	RI 6601	$ 25.00
36	ORI	777 Energy LP	WTG etal	199/504	MF106548	Dickie Revera, et al	Blk 300, GC&SF, Sec. 68	RI 6801	$ 25.00
37	WI	777 Energy LP	Alpine etal	199/522	MF106549	Hagy Enterprises	Blk 300, GC&SF, Sec. 66	RI 6601	$ 25.00
37	WI	777 Energy LP	Alpine etal	199/522	MF106548	Dickie Revera, et al	Blk 300, GC&SF, Sec. 68	RI 6801	$ 25.00
38	WI	777 Energy LP	Alpine etal	199/526	MF106299	R. M. Zoch, Jr.	Blk 331, Morgan, Sec 110	RI 110A	$ 25.00
38	WI	777 Energy LP	Alpine etal	199/526	MF106246	JMB Land Company	Blk 331, Mings, Sec 142	RI 142A	$ 25.00
38	WI	777 Energy LP	Alpine etal	199/526	MF106553	Little Suzy Properties	Blk 10, GH&SA, Sec 242	RI 242A	$ 25.00
38	WI	777 Energy LP	Alpine etal	199/526	MF106552	Little Suzy Properties	Blk 10, GH&SA Sec. 247	RI 247A	$ 25.00
38	WI	777 Energy LP	Alpine etal	199/526	MF106550	W. Y. Benge III & Tommie Benge	Blk 10, GH&SA Sec. 255	RI 255A	$ 25.00
38	WI	777 Energy LP	Alpine etal	199/526	MF106545	R. M. Zoch, Jr.	Blk 10, GH&SA Sec. 271	RI 271A	$ 25.00
38	WI	777 Energy LP	Alpine etal	199/526	MF106547	R. M. Zoch, Jr.	Blk 10, GH&SA Sec. 275	RI 275A	$ 25.00
38	WI	777 Energy LP	Alpine etal	199/526	MF106551	Little Suzy Properties	Blk 10, GH&SA Sec. 280	RI 280A	$ 25.00
38	WI	777 Energy LP	Alpine etal	199/526	MF106546	R. M. Zoch, Jr.	Blk 331, TCRR, Sec. 40	RI 4001	$ 25.00
		TOTAL DUE							$ 825.00
		TOTAL DUE ALL LEASES							$ 10,050.00

#8

File No. MF 105235

ASSIGNMENT CROSS-REFERENCE

Date Filed: 6-12-07

Jerry E. Patterson, Commissioner

By B Boyd

TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

January 5, 2007

Debbie Kimbrell
777 Energy, LP
3409 S. Broadway, Suite 600.
Edmond, OK 73013

Re: GLO Assignment ID # 5776

Dear Ms. Kimbrell,

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 Interest, executed May 25th, 2006, from 777 Energy, LP, as Assignor, to Brenda Claxton (50% of 1.5% reserved ORRI) and Geochemical Prospectors, LLC (50% of 1.5% reserved ORRI). Vol. 733, P. 822, Reeves County.

Filing fees of $425.00 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*
5776	*Reeves*	MF105235
5776	*Reeves*	MF105236
5776	*Reeves*	MF105242
5776	*Reeves*	MF105494

5776

AFTER RECORDED, RETURN TO:
Alpine Energy, LP
3409 S. Broadway, Suite 600
Edmond, Oklahoma 73013

4-25
733-822

ASSIGNMENT OF OVERRIDING ROYALTY INTEREST

KNOW ALL MEN BY THESE PRESENTS:

777 Energy, LP, a Texas limited partnership, 3409 S. Broadway, Suite 600, Edmond, Oklahoma 73013, hereinafter referred to as "777 Energy", assigned to Symbol Energy, P. O. Box 10209, Amarillo, Texas 79116-0209, hereinafter referred to as "Symbol", an undivided interest in and to certain oil and gas leases covering lands in **Reeves County, Texas**, reserving unto 777 Energy a 1.5% overriding royalty interest, as set out in the following assignment(s):

ASSIGNOR	ASSIGNEE	DATED	BOOK	PAGE
777 Energy, LP	Symbol Energy, Inc.	8/25/05	725	244
777 Energy, LP	Symbol Energy, Inc.	8/25/05	725	239
777 Energy, LP	Symbol Energy, Inc.	10/7/05	725	251
777 Energy, LP	Symbol Energy, Inc.	5/3/06		

The overriding royalty interest reserved by 777 Energy in said assignment(s) is hereinafter referred to as "said reserved override."

777 Energy, for and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby sell, assign, transfer and convey **ALL** of said reserved override, insofar and only insofar as it burdens the leases described on the Exhibit "A" attached to this assignment, to the parties listed below, in the proportions shown opposite their names:

Brenda Claxton — 50.000%
3006 Oakland Drive
Sugarland, TX 77479

Geochemical Prospectors, L.L.C. — 50.000%
P.O. Box 789
Humble, TX 77347

100.000%

This Assignment is made without warranty of title, either express or implied.

IN WITNESS WHEREOF, this instrument is executed this 25th day of May, 2006, but shall be effective the 3rd day of May, 2006.

777 Energy, LP, a Texas limited partnership, by
777 GP, LLC, an Oklahoma LLC, General Partner

By: _____
David J. Kurtz, Manager

STATE OF OKLAHOMA

COUNTY OF OKLAHOMA

This instrument was acknowledged before me on this 25th day of May, 2006, by David J. Kurtz, Manager of 777 GP, LLC, an Oklahoma LLC, General Partner of 777 Energy LP, a Texas limited partnership.

OFFICIAL SEAL
DEBORAH KIMBRELL
NOTARY PUBLIC – OKLAHOMA
LOGAN COUNTY COMM # 01000507
My Comm. Expires 1-21-09

_____
Deborah Kimbrell, Notary Public

My Commission Expires: 1-21-09
Commission #01000507

Rainbow Prospect

#26

90.9T.01

Exhibit "A"
Lease Schedule of Assignment
Reeves County, Texas

Date : 04/25/2005
Lease # : RB0201
Lessor : H-S MINERALS & REALTY LTD., AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 154 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0202
Lessor : HILL INVESTMENTS LTD., AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 115 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0203
Lessor : DOROTHY HILL, F/K/A DOROTHY JEAN KEENOM, INDIVIDUALLY AND AS TRUSTEE OF THE THOMAS HILL PUFF TRUST AND AS TRUSTEE OF THE NANCY PUFF JONES TRUST, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 180 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0204
Lessor : JAMES ROBERT HILL, VIRGINIA GLENN HILL LATTIMORE AND JOHN A. STYRSKY, AS CO-TRUSTEES OF THE HOUSTON AND EMMA HILL TRUST ESTATE AND JAMES ROBERT HILL AND VIRGINIA GLENN HILL LATTIMORE, INDIVIUDALLY, AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 207 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0205
Lessor : WALTRIP MARITAL TRUST, KENNETH M. WALTRIP, TRUSTEE; MSW REVOCABLE TRUST, MARGERY L. HANNA, TRUSTEE; D/B/A HILL TRUSTS UNDER CERTAIN AGENCY AGREEMENT DATED JUNE 8, 1996, AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 235 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS

90.91.01

Date : 04/25/2005
Lease # : RB0206
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 91 Instrument:
Description: SEE BELOW
TRACT 1: 170.57 ACRES OF LAND, MORE OR LESS, BEING THE SOUTH 7/16 OF SECTION 2, BLOCK 71, PSL, A- 5996,
TRACT 2: 140.0 ACRES OF LAND, MORE OR LESS, BEING THE EAST 7/16 OF S/2 OF SECTION 4, BLOCK 71, PSL, A-6000, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0207
Lessor : MEEKER INVESTMENTS INC., AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 79 Instrument:
Description: SEE BELOW
TRACT 1: 170.57 ACRES OF LAND, MORE OR LESS, BEING THE SOUTH 7/16 OF SECTION 2, BLOCK 71, PSL, A- 5996,
TRACT 2: 140.0 ACRES OF LAND, MORE OR LESS, BEING THE EAST 7/16 OF S/2 OF SECTION 4, BLOCK 71, PSL, A-6000, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0208
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE, AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 104 Instrument:
Description: SEE BELOW
TRACT 1: 170.57 ACRES OF LAND, MORE OR LESS, BEING THE SOUTH 7/16 OF SECTION 2, BLOCK 71, PSL, A- 5996,
TRACT 2: 140.0 ACRES OF LAND, MORE OR LESS, BEING THE EAST 7/16 OF S/2 OF SECTION 4, BLOCK 71, PSL, A-6000, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0701
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 267 Instrument:
Description: SEE BELOW
213.58 ACRES MORE OR LESS, BEING THE SOUTH 1/3 OF SECTION 7, BLOCK 70, PSL, A-5959, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0702
Lessor : MEEKER INVESTMENTS, INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 262 Instrument:
Description: SEE BELOW
213.58 ACRES MORE OR LESS, BEING THE SOUTH 1/3 OF SECTION 7, BLOCK 70, PSL, A-5959, REEVES COUNTY, TEXAS

90.91.07

Date : 04/25/2005
Lease # : RB0703
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 272 Instrument:
Description: SEE BELOW
213.58 ACRES MORE OR LESS, BEING THE SOUTH 1/3 OF SECTION 7, BLOCK 70, PSL, A-5959, REEVES COUNTY, TEXAS

Date : 08/23/2005
Lease # : RB0704
Lessor : H. L. HAWKINS, JR., INC.
Lessee : 777 ENERGY LP, A TEXAS LIMITED PARTNERSHIP
Recorded: Book: 711 Page: 338 Instrument:
Description: SEE BELOW
427.16 ACRES MORE OR LESS BEING THE NORTH 2/3 OF SECTION 7, BLOCK 70, PSL, A-5706, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0801
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 312 Instrument:
Description: SEE BELOW
160.0 ACRES MORE OR LESS, BEING THE WEST 160.0 ACRES OF THE EAST 3/4 OF SECTION 8, BLOCK C-17, PSL, A-5961, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0802
Lessor : MEEKER INVESTMENTS INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 307 Instrument:
Description: SEE BELOW
160.0 ACRES MORE OR LESS, BEING THE WEST 160.0 ACRES OF THE EAST 3/4 OF SECTION 8, BLOCK C-17, PSL, A-5961, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0803
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 317 Instrument:
Description: SEE BELOW
160.0 ACRES MORE OR LESS, BEING THE WEST 160.0 ACRES OF THE EAST 3/4 OF SECTION 8, BLOCK C-17, PSL, A-5961, REEVES COUNTY, TEXAS

Date : 08/23/2005
Lease # : RB0804
Lessor : H. L. HAWKINS, JR., INC.
Lessee : 777 ENERGY LP, A TEXAS LIMITED PARTNERSHIP
Recorded: Book: 711 Page: 326 Instrument:
Description: SEE BELOW
320.0 ACRES MORE OR LESS BEING THE EAST 3/4 OF SECTION 8, BLOCK C-17, PSL, A-5735, REEVES COUNTY, TEXAS

Exhibit "A"
Lease Schedule of Assignment
Reeves County, Texas

Date : 04/25/2005
Lease # : RB0901
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 297 Instrument:
Description: SEE BELOW
160.0 ACRES MORE OR LESS, BEING THE EAST 160.0 ACRES OF THE WEST 3/4 OF SECTION 9, BLOCK C-17, PSL, A-5966, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0902
Lessor : MEEKER INVESTMENTS, INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 292 Instrument:
Description: SEE BELOW
160.0 ACRES MORE OR LESS, BEING THE EAST 160.0 ACRES OF THE WEST 3/4 OF SECTION 9, BLOCK C-17, PSL, A-5966, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0903
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 302 Instrument:
Description: SEE BELOW
160.0 ACRES MORE OR LESS, BEING THE EAST 160.0 ACRES OF THE WEST 3/4 OF SECTION 9, BLOCK C-17, PSL, A-5966, REEVES COUNTY, TEXAS

Date : 08/23/2005
Lease # : RB0904
Lessor : H. L. HAWKINS, JR., INC.
Lessee : 777 ENERGY LP, A TEXAS LIMITED PARTNERSHIP
Recorded: Book: 711 Page: 332 Instrument:
Description: SEE BELOW
320.0 ACRES MORE OR LESS BEING THE WEST 3/4 OF SECTION 9, BLOCK C-17, PSL, A-5736, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1601
Lessor : H-S MINERALS & REALTY LTD
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 255 Instrument:
Description: SEE BELOW
426.67 ACRES MORE OR LESS, BEING PART OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1602
Lessor : HILL INVESTMENTS, LTD.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 249 Instrument:
Description: SEE BELOW
426.67 ACRES MORE OR LESS, BEING PART OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

20.91.01

Date : 04/25/2005
Lease # : RB1603
Lessor : DOROTHY HILL, F/K/A DOROTHY JEAN KEENOM, INDIVIDUALLY AND AS TRUSTEE OF THE THOMAS HILL PUFF TRUST AND AS TRUSTEE OF THE NANCY PUFF JONES TRUST
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 261 Instrument:
Description: SEE BELOW
426.67 ACRES MORE OR LESS, BEING PART OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1604
Lessor : KHN RESOURCES, INC., AND L&L RESOURCES INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 267 Instrument:
Description: SEE BELOW
426.67 ACRES MORE OR LESS, BEING PART OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1605
Lessor : GEOMAR RESOURCES, INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 273 Instrument:
Description: SEE BELOW
426.67 ACRES MORE OR LESS, BEING PART OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1606
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 207 Instrument:
Description: SEE BELOW
213.33 ACRES MORE OR LESS, BEING THE NORTH 1/3 OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1607
Lessor : MEEKER INVESTMENTS INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 202 Instrument:
Description: SEE BELOW
213.33 ACRES MORE OR LESS, BEING THE NORTH 1/3 OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1608
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 212 Instrument:
Description: SEE BELOW
213.33 ACRES MORE OR LESS, BEING THE NORTH 1/3 OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 03/21/2005
Lease # : RB1801
Lessor : JACK LOUIS MCGOWEN & R. B. MCGOWEN, III DEALING IN THEIR SEPARATE PROPERTY
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 698 Page: 47 Instrument:
Description: SEE BELOW
300.0 ACRES OF LAND, MORE OR LESS, BEING THE E/2 OF SECTION 18 SAVE AND EXCEPT THE N/2 NE/4 NE/4, BLOCK 59, PSL SURVEY, A-3317, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1802
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 222 Instrument:
Description: SEE BELOW
184.60 ACRES MORE OR LESS, BEING ALL OF SECTION 18, BLOCK C-18, PSL, A-5742, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1803
Lessor : MEEKER INVESTMENTS, INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 217 Instrument:
Description: SEE BELOW
184.60 ACRES MORE OR LESS, BEING ALL OF SECTION 18, BLOCK C-18, PSL, A-5742, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1804
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 227 Instrument:
Description: SEE BELOW
184.60 ACRES MORE OR LESS, BEING ALL OF SECTION 18, BLOCK C-18, PSL, A-5742, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB2401
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 252 Instrument:
Description: SEE BELOW
229.64 ACRES MORE OR LESS, BEING THE EAST 1/3 OF SECTION 24, BLOCK 58, TOWNSHIP 6, T&P RAILWAY CO SURVEY, A-5964 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB2402
Lessor : MEEKER INVESTMENTS, INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 247 Instrument:
Description: SEE BELOW
229.64 ACRES MORE OR LESS, BEING THE EAST 1/3 OF SECTION 24, BLOCK 58, TOWNSHIP 6, T&P RAILWAY CO SURVEY, A-5964 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB2403
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 257 Instrument:
Description: SEE BELOW
229.64 ACRES MORE OR LESS, BEING THE EAST 1/3 OF SECTION 24, BLOCK 58, TOWNSHIP 6, T&P RAILWAY CO SURVEY, A-5964 REEVES COUNTY, TEXAS

30.91.01

Date : 08/23/2005
Lease # : RB2404
Lessor : H. L. HAWKINS, JR., INC.
Lessee : 777 ENERGY LP, A TEXAS LIMITED PARTNERSHIP
Recorded: Book: 711 Page: 344 Instrument:
Description: SEE BELOW
459.28 ACRES MORE OR LESS BEING THE WEST 2/3 OF SECTION 24, BLOCK 58, TOWNSHIP 6, T&P RAILWAY CO. SURVEY, A-5856, REEVES COUNTY, TEXAS

Date : 03/05/2005
Lease # : RB3601
Lessor : JAMES R. ASHLOCK, DEALING IN HIS SEPARATE PROPERTY, AS AGENT FOR THE STATE OF TEXAS M-105242
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 697 Page: 808 Instrument:
Description: SEE BELOW
160.0 ACRES, MORE OR LESS, BEING THE NORTH 160.0 ACRES OF SECTION 36, BLOCK 58, PSL, A-3532, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4301
Lessor : JAMES ROBERT HILL, VIRGINIA GLENN HILL LATTIMORE AND JOHN A. STYRSKY, AS CO-TRUSTEES OF THE HOUSTON AND EMMA HILL TRUST ESTATE AND JAMES ROBERT HILL AND VIRGINIA GLENN HILL LATTIMORE, INDIVIUDALLY, AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 193 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND A-4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL, A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4302
Lessor : DOROTHY HILL, F/K/A DOROTHY JEAN KEENOM, INDIVIDUALLY AND AS TRUSTEE OF THE THOMAS HILL PUFF TRUST AND AS TRUSTEE OF THE NANCY PUFF JONES TRUST, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 167 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND 4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL, A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4303
Lessor : WALTRIP MARITAL TRUST, KENNETH M. WALTRIP, TRUSTEE; MSW REVOCABLE TRUST, MARGERY L. HANNA, TRUSTEE; D/B/A HILL TRUSTS UNDER CERTAIN AGENCY AGREEMENT DATED JUNE 8, 1996, AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 221 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND 4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL, A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4304
Lessor : HILL INVESTMENTS LTD, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 128 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND 4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL, A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4305
Lessor : H-S MINERALS & REALTY LTD, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 141 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND 4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL, A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4306
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 52 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND A-4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL A-4006; AND
640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4307
Lessor : MEEKER INVESTMENTS, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 39 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND A-4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL A-4006; AND
640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4308
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 66 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND A-4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL A-4006; AND
640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007, REEVES COUNTY, TEXAS

Exhibit "A"
Lease Schedule of Assignment
Reeves County, Texas

Date : 02/08/2006
Lease # : RB4902
Lessor : KAY S. SORVILLO, ET AL
Lessee : 777 ENERGY, LP
Recorded: Book: 730 Page: 387 Instrument:
Description: SEE BELOW
160 ACRES OF LAND, MORE OR LESS, BEING THE E/4 OF SECTION 49, BLOCK 71, PSL SURVEY, A-2372, REEVES COUNTY, TEXAS

Date : 02/08/2006
Lease # : RB4903
Lessor : RICHARD H. SWEANEY III
Lessee : 777 ENERGY, LP
Recorded: Book: 730 Page: 380 Instrument:
Description: SEE BELOW
160 ACRES OF LAND, MORE OR LESS, BEING THE E/4 OF SECTION 49, BLOCK 71, PSL SURVEY, A-2372, REEVES COUNTY, TEXAS

Date : 02/08/2006
Lease # : RB4904
Lessor : GARY W. SWEANEY
Lessee : 777 ENERGY, LP
Recorded: Book: 730 Page: 373 Instrument:
Description: SEE BELOW
160 ACRES OF LAND, MORE OR LESS, BEING THE E/4 OF SECTION 49, BLOCK 71, PSL SURVEY, A-2372, REEVES COUNTY, TEXAS

Certificate of Record

4.00 Recording Fee

Certified Copy Fee

4.00 Total Paid

002888

FILED FOR RECORD

2006 MAY 31 AM 10:19

Return to:

Alpine Energy L.P.

COMPARED

THE STATE OF TEXAS, }
COUNTY OF REEVES. }

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.

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. 733 PAGE 822 DATE RECORDED 06/01/2006

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
By _____, Deputy

BEAR GRAPHICS, INC

40.97.01

#9

File No. MF105235

Assignment

Date Filed: 6-13-07

Jerry E. Patterson, Commissioner

By B Boyd

TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

January 5, 2007

Debbie Kimbrell
777 Energy, LP
3409 S. Broadway, Suite 600.
Edmond, OK 73013

Re: GLO Assignment ID # 5778

Dear Ms. Kimbrell,

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 Interest, executed May 25th, 2006, from 777 Energy, LP, as Assignor, to Brenda Claxton (.75000% of 1.5%) and to Geochemical, LLC (.75000% of 1.5%) as Assignees. Vol. 734, P. 64, Reeves County.

Filing fees of $425.00 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*
5778	*Reeves*	MF105235
5778	*Reeves*	MF105236
5778	*Reeves*	MF105242
5778	*Reeves*	MF105494

5778

AFTER RECORDED, RETURN TO:
Alpine Energy, LP
3409 S. Broadway, Suite 600
Edmond, OK 73013

5-25-06
134-64

ASSIGNMENT OF OVERRIDING ROYALTY INTEREST

KNOW ALL MEN BY THESE PRESENTS:

THAT the undersigned, **777 Energy, LP, a Texas limited partnership,** whose mailing address is 3409 S. Broadway, Suite 600, Edmond, Oklahoma 73013, hereinafter referred to as "Assignor", for and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby sell, assign, transfer and convey unto the parties listed below (hereinafter collectively referred to as "ASSIGNEES") the overriding royalty interest set out opposite their name, of all the oil, gas and other hydrocarbons in, under and that may be produced from the oil and gas leases and lands described on Exhibit "A", attached hereto and made a part hereof, covering lands in **REEVES COUNTY, TEXAS.**

Brenda Claxton 3006 Oakland Drive Sugarland, TX 77479	.75000%
Geochemical Prospectors, L.L.C. P.O. Box 789 Humble, TX 77347	.75000%
	1.50000%

IN THE EVENT Assignor owns less or the leases described herein cover less than the full and undivided mineral interest in said lands, then the overriding royalty interest herein assigned as to such lease shall be reduced to the proportion that the mineral interest covered by such lease bears to the total number of mineral acres in said lands.

As of the effective date of this Assignment, Assignor owned 100% of the leasehold interests in the leases described on Exhibit "A", except for Assignor's prior assignments of leasehold in said leases to Symbol Energy, Inc.

THIS Assignment is made without warranty of title, either express or implied. The terms hereof shall extend and be binding upon the parties hereto, their heirs, successors and assigns.

IN WITNESS WHEREOF, this instrument is executed this 25th day of May, 2006, but shall be effective the 3rd day of May, 2006.

777 Energy, LP, a Texas limited partnership, by
777 GP, LLC, an Oklahoma LLC, General Partner

By: _____
David J. Kurtz, Manager

STATE OF OKLAHOMA

COUNTY OF OKLAHOMA

This instrument was acknowledged before me on this 25th day of May, 2006, by David J. Kurtz, Manager of 777 GP, LLC, an Oklahoma LLC, General Partner of 777 Energy, LP, a Texas limited partnership.

OFFICIAL SEAL
DEBORAH KIMBRELL
NOTARY PUBLIC – OKLAHOMA
LOGAN COUNTY COMM # 01000507
My Comm. Expires 1-21-09

_____
Deborah Kimbrell, Notary Public

My Commission Expires: 1-21-09

Rainbow Prospect

#28

90.91.01

Exhibit "A"
Lease Schedule of Assignment
Reeves County, Texas

Date : 04/25/2005
Lease # : RB0201
Lessor : H-S MINERALS & REALTY LTD., AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 154 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0202
Lessor : HILL INVESTMENTS LTD., AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 115 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0203
Lessor : DOROTHY HILL, F/K/A DOROTHY JEAN KEENOM, INDIVIDUALLY AND AS TRUSTEE OF THE THOMAS HILL PUFF TRUST AND AS TRUSTEE OF THE NANCY PUFF JONES TRUST, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 180 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0204
Lessor : JAMES ROBERT HILL, VIRGINIA GLENN HILL LATTIMORE AND JOHN A. STYRSKY, AS CO-TRUSTEES OF THE HOUSTON AND EMMA HILL TRUST ESTATE AND JAMES ROBERT HILL AND VIRGINIA GLENN HILL LATTIMORE, INDIVIUDALLY, AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 207 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0205
Lessor : WALTRIP MARITAL TRUST, KENNETH M. WALTRIP, TRUSTEE; MSW REVOCABLE TRUST, MARGERY L. HANNA, TRUSTEE; D/B/A HILL TRUSTS UNDER CERTAIN AGENCY AGREEMENT DATED JUNE 8, 1996, AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 235 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS

90.91.01

Date : 04/25/2005
Lease # : RB0206
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 91 Instrument:
Description: SEE BELOW
TRACT 1: 170.57 ACRES OF LAND, MORE OR LESS, BEING THE SOUTH 7/16 OF SECTION 2, BLOCK 71, PSL, A- 5996,
TRACT 2: 140.0 ACRES OF LAND, MORE OR LESS, BEING THE EAST 7/16 OF S/2 OF SECTION 4, BLOCK 71, PSL, A-6000, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0207
Lessor : MEEKER INVESTMENTS INC., AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 79 Instrument:
Description: SEE BELOW
TRACT 1: 170.57 ACRES OF LAND, MORE OR LESS, BEING THE SOUTH 7/16 OF SECTION 2, BLOCK 71, PSL, A- 5996,
TRACT 2: 140.0 ACRES OF LAND, MORE OR LESS, BEING THE EAST 7/16 OF S/2 OF SECTION 4, BLOCK 71, PSL, A-6000, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0208
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE, AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 104 Instrument:
Description: SEE BELOW
TRACT 1: 170.57 ACRES OF LAND, MORE OR LESS, BEING THE SOUTH 7/16 OF SECTION 2, BLOCK 71, PSL, A- 5996,
TRACT 2: 140.0 ACRES OF LAND, MORE OR LESS, BEING THE EAST 7/16 OF S/2 OF SECTION 4, BLOCK 71, PSL, A-6000, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0701
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 267 Instrument:
Description: SEE BELOW
213.58 ACRES MORE OR LESS, BEING THE SOUTH 1/3 OF SECTION 7, BLOCK 70, PSL, A-5959, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0702
Lessor : MEEKER INVESTMENTS, INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 262 Instrument:
Description: SEE BELOW
213.58 ACRES MORE OR LESS, BEING THE SOUTH 1/3 OF SECTION 7, BLOCK 70, PSL, A-5959, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0703
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 272 Instrument:
Description: SEE BELOW
213.58 ACRES MORE OR LESS, BEING THE SOUTH 1/3 OF SECTION 7, BLOCK 70, PSL, A-5959, REEVES COUNTY, TEXAS

Date : 08/23/2005
Lease # : RB0704
Lessor : H. L. HAWKINS, JR., INC.
Lessee : 777 ENERGY LP, A TEXAS LIMITED PARTNERSHIP
Recorded: Book: 711 Page: 338 Instrument:
Description: SEE BELOW
427.16 ACRES MORE OR LESS BEING THE NORTH 2/3 OF SECTION 7, BLOCK 70, PSL, A-5706, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0801
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 312 Instrument:
Description: SEE BELOW
160.0 ACRES MORE OR LESS, BEING THE WEST 160.0 ACRES OF THE EAST 3/4 OF SECTION 8, BLOCK C-17, PSL, A-5961, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0802
Lessor : MEEKER INVESTMENTS INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 307 Instrument:
Description: SEE BELOW
160.0 ACRES MORE OR LESS, BEING THE WEST 160.0 ACRES OF THE EAST 3/4 OF SECTION 8, BLOCK C-17, PSL, A-5961, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0803
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 317 Instrument:
Description: SEE BELOW
160.0 ACRES MORE OR LESS, BEING THE WEST 160.0 ACRES OF THE EAST 3/4 OF SECTION 8, BLOCK C-17, PSL, A-5961, REEVES COUNTY, TEXAS

Date : 08/23/2005
Lease # : RB0804
Lessor : H. L. HAWKINS, JR., INC.
Lessee : 777 ENERGY LP, A TEXAS LIMITED PARTNERSHIP
Recorded: Book: 711 Page: 326 Instrument:
Description: SEE BELOW
320.0 ACRES MORE OR LESS BEING THE EAST 3/4 OF SECTION 8, BLOCK C-17, PSL, A-5735, REEVES COUNTY, TEXAS

30.31.01

Date : 04/25/2005
Lease # : RB0901
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 297 Instrument:
Description: SEE BELOW
160.0 ACRES MORE OR LESS, BEING THE EAST 160.0 ACRES OF THE WEST 3/4 OF SECTION 9, BLOCK C-17, PSL, A-5966, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0902
Lessor : MEEKER INVESTMENTS, INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 292 Instrument:
Description: SEE BELOW
160.0 ACRES MORE OR LESS, BEING THE EAST 160.0 ACRES OF THE WEST 3/4 OF SECTION 9, BLOCK C-17, PSL, A-5966, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0903
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 302 Instrument:
Description: SEE BELOW
160.0 ACRES MORE OR LESS, BEING THE EAST 160.0 ACRES OF THE WEST 3/4 OF SECTION 9, BLOCK C-17, PSL, A-5966, REEVES COUNTY, TEXAS

Date : 08/23/2005
Lease # : RB0904
Lessor : H. L. HAWKINS, JR., INC.
Lessee : 777 ENERGY LP, A TEXAS LIMITED PARTNERSHIP
Recorded: Book: 711 Page: 332 Instrument:
Description: SEE BELOW
320.0 ACRES MORE OR LESS BEING THE WEST 3/4 OF SECTION 9, BLOCK C-17, PSL, A-5736, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1601
Lessor : H-S MINERALS & REALTY LTD
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 255 Instrument:
Description: SEE BELOW
426.67 ACRES MORE OR LESS, BEING PART OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1602
Lessor : HILL INVESTMENTS, LTD.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 249 Instrument:
Description: SEE BELOW
426.67 ACRES MORE OR LESS, BEING PART OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

30.31.01

Date : 04/25/2005
Lease # : RB1603
Lessor : DOROTHY HILL, F/K/A DOROTHY JEAN KEENOM, INDIVIDUALLY AND AS TRUSTEE OF THE THOMAS HILL PUFF TRUST AND AS TRUSTEE OF THE NANCY PUFF JONES TRUST
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 261 Instrument:
Description: SEE BELOW
426.67 ACRES MORE OR LESS, BEING PART OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1604
Lessor : KHN RESOURCES, INC., AND L&L RESOURCES INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 267 Instrument:
Description: SEE BELOW
426.67 ACRES MORE OR LESS, BEING PART OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1605
Lessor : GEOMAR RESOURCES, INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 273 Instrument:
Description: SEE BELOW
426.67 ACRES MORE OR LESS, BEING PART OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1606
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 207 Instrument:
Description: SEE BELOW
213.33 ACRES MORE OR LESS, BEING THE NORTH 1/3 OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1607
Lessor : MEEKER INVESTMENTS INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 202 Instrument:
Description: SEE BELOW
213.33 ACRES MORE OR LESS, BEING THE NORTH 1/3 OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1608
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 212 Instrument:
Description: SEE BELOW
213.33 ACRES MORE OR LESS, BEING THE NORTH 1/3 OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 03/21/2005
Lease # : RB1801
Lessor : JACK LOUIS MCGOWEN & R. B. MCGOWEN, III DEALING IN THEIR SEPARATE PROPERTY
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 698 Page: 47 Instrument:
Description: SEE BELOW
300.0 ACRES OF LAND, MORE OR LESS, BEING THE E/2 OF SECTION 18 SAVE AND EXCEPT THE N/2 NE/4 NE/4, BLOCK 59, PSL SURVEY, A-3317, REEVES COUNTY, TEXAS

20.07.07

Date : 04/25/2005
Lease # : RB1802
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 222 Instrument:
Description: SEE BELOW
184.60 ACRES MORE OR LESS, BEING ALL OF SECTION 18, BLOCK C-18, PSL, A-5742, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1803
Lessor : MEEKER INVESTMENTS, INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 217 Instrument:
Description: SEE BELOW
184.60 ACRES MORE OR LESS, BEING ALL OF SECTION 18, BLOCK C-18, PSL, A-5742, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1804
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 227 Instrument:
Description: SEE BELOW
184.60 ACRES MORE OR LESS, BEING ALL OF SECTION 18, BLOCK C-18, PSL, A-5742, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB2401
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 252 Instrument:
Description: SEE BELOW
229.64 ACRES MORE OR LESS, BEING THE EAST 1/3 OF SECTION 24, BLOCK 58, TOWNSHIP 6, T&P RAILWAY CO SURVEY, A-5964 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB2402
Lessor : MEEKER INVESTMENTS, INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 247 Instrument:
Description: SEE BELOW
229.64 ACRES MORE OR LESS, BEING THE EAST 1/3 OF SECTION 24, BLOCK 58, TOWNSHIP 6, T&P RAILWAY CO SURVEY, A-5964 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB2403
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 257 Instrument:
Description: SEE BELOW
229.64 ACRES MORE OR LESS, BEING THE EAST 1/3 OF SECTION 24, BLOCK 58, TOWNSHIP 6, T&P RAILWAY CO SURVEY, A-5964 REEVES COUNTY, TEXAS

Date : 08/23/2005
Lease # : RB2404
Lessor : H. L. HAWKINS, JR., INC.
Lessee : 777 ENERGY LP, A TEXAS LIMITED PARTNERSHIP
Recorded: Book: 711 Page: 344 Instrument:
Description: SEE BELOW
459.28 ACRES MORE OR LESS BEING THE WEST 2/3 OF SECTION 24, BLOCK 58, TOWNSHIP 6, T&P RAILWAY CO. SURVEY, A-5856, REEVES COUNTY, TEXAS

Date : 03/05/2005
Lease # : RB3601
Lessor : JAMES R. ASHLOCK, DEALING IN HIS SEPARATE PROPERTY, AS AGENT FOR THE STATE OF TEXAS M-105242
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 697 Page: 808 Instrument:
Description: SEE BELOW
160.0 ACRES, MORE OR LESS, BEING THE NORTH 160.0 ACRES OF SECTION 36, BLOCK 58, PSL, A-3532, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4301
Lessor : JAMES ROBERT HILL, VIRGINIA GLENN HILL LATTIMORE AND JOHN A. STYRSKY, AS CO-TRUSTEES OF THE HOUSTON AND EMMA HILL TRUST ESTATE AND JAMES ROBERT HILL AND VIRGINIA GLENN HILL LATTIMORE, INDIVIUDALLY, AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 193 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND A-4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL, A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4302
Lessor : DOROTHY HILL, F/K/A DOROTHY JEAN KEENOM, INDIVIDUALLY AND AS TRUSTEE OF THE THOMAS HILL PUFF TRUST AND AS TRUSTEE OF THE NANCY PUFF JONES TRUST, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 167 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND 4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL, A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4303
Lessor : WALTRIP MARITAL TRUST, KENNETH M. WALTRIP, TRUSTEE; MSW REVOCABLE TRUST, MARGERY L. HANNA, TRUSTEE; D/B/A HILL TRUSTS UNDER CERTAIN AGENCY AGREEMENT DATED JUNE 8, 1996, AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 221 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND 4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL, A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4304
Lessor : HILL INVESTMENTS LTD, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 128 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND 4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL, A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4305
Lessor : H-S MINERALS & REALTY LTD, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 141 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND 4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL, A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4306
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 52 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND A-4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL A-4006; AND
640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4307
Lessor : MEEKER INVESTMENTS, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 39 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND A-4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL A-4006; AND
640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4308
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 66 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND A-4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL A-4006; AND
640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007, REEVES COUNTY, TEXAS

Exhibit "A"
Lease Schedule of Assignment
Reeves County, Texas

Date : 02/08/2006
Lease # : RB4902
Lessor : KAY S. SORVILLO, ET AL
Lessee : 777 ENERGY, LP
Recorded: Book: 730 Page: 387 Instrument:
Description: SEE BELOW
160 ACRES OF LAND, MORE OR LESS, BEING THE E/4 OF SECTION 49, BLOCK 71, PSL SURVEY, A-2372, REEVES COUNTY, TEXAS

Date : 02/08/2006
Lease # : RB4903
Lessor : RICHARD H. SWEANEY III
Lessee : 777 ENERGY, LP
Recorded: Book: 730 Page: 380 Instrument:
Description: SEE BELOW
160 ACRES OF LAND, MORE OR LESS, BEING THE E/4 OF SECTION 49, BLOCK 71, PSL SURVEY, A-2372, REEVES COUNTY, TEXAS

Date : 02/08/2006
Lease # : RB4904
Lessor : GARY W. SWEANEY
Lessee : 777 ENERGY, LP
Recorded: Book: 730 Page: 373 Instrument:
Description: SEE BELOW
160 ACRES OF LAND, MORE OR LESS, BEING THE E/4 OF SECTION 49, BLOCK 71, PSL SURVEY, A-2372, REEVES COUNTY, TEXAS

Certificate of Record

4.00 Recording Fee

_____ Certified Copy Fee

4.00 Total Paid

002894

FILED FOR RECORD

2006 MAY 31 [illegible]

Return to:

Alpine Energy, L.P.

COMPARED

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. 734 PAGE 64 DATE RECORDED 06/01/2006

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.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

By: _____ Deputy

BEAR GRAPHICS, INC.

90.91.01

#10

File No. MF 105235

assignment

Date Filed: 6-13-07

Jerry E. Patterson, Commissioner

By B Boyd

TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

January 5, 2007

Debbie Kimbrell
777 Energy, LP
3409 S. Broadway, Suite 600.
Edmond, OK 73013

Re: GLO Assignment ID # 5780

Dear Ms. Kimbrell,

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 Interest, executed May 25th, 2006, from 777 Energy, LP, as Assignor, to the Assignees listed in the attached "A-1" Vol. 734, P. 85, Reeves County.

Filing fees of $425.00 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-1"

Name	Exhibit A
Mark S. and Julie G. Svoboda, Trustees of the Svoboda Family 1997 Revocable Trust 1309 Boomer Trail Edmond, OK 73034	.500000% x 3.50%
WTG Exploration, Inc. 401 West Wadley Avenue Midland, TX 79705-5339	47.454437% x 3.50%
Scooter, LLC 3409 S. Broadway, Suite 600 Edmond, OK 73013	23.727219% x 3.50%
Surprise Production, LLC 3409 S. Broadway, Suite 600 Edmond, OK 73013	23.727219% x 3.50%
TOTAL	95.408875% x 3.50%

Exhibit "A"

GLO ID	*County*	*Lease*
5780	*Reeves*	MF105235
5780	*Reeves*	MF105236
5780	*Reeves*	MF105242
5780	*Reeves*	MF105494

734-85

5780

AFTER RECORDED, RETURN TO:
Alpine Energy, LP
3409 S. Broadway, Suite 600
Edmond, OK 73013

ASSIGNMENT OF OVERRIDING ROYALTY INTEREST

KNOW ALL MEN BY THESE PRESENTS:

THAT the undersigned, **777 Energy, LP, a Texas limited partnership,** whose mailing address is 3409 S. Broadway, Suite 600, Edmond, Oklahoma 73013, hereinafter referred to as "Assignor", for and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby sell, assign, transfer and convey unto the parties listed below (hereinafter, collectively referred to as "ASSIGNEES"), the overriding royalty interest set out opposite their names, of all the oil, gas and other hydrocarbons in, under and that may be produced from the oil and gas leases and lands described on Exhibit "A" attached hereto and made a part hereof, covering lands in **REEVES COUNTY, TEXAS.**

Name	Exhibit A
Mark S. and Julie G. Svoboda, Trustees of the Svoboda Family 1997 Revocable Trust 1309 Boomer Trail Edmond, OK 73034	.500000% x 3.50%
WTG Exploration, Inc. 401 West Wadley Avenue Midland, TX 79705-5339	47.454437% x 3.50%
Scooter, LLC 3409 S. Broadway, Suite 600 Edmond, OK 73013	23.727219% x 3.50%
Surprise Production, LLC 3409 S. Broadway, Suite 600 Edmond, OK 73013	23.727219% x 3.50%
TOTAL	95.408875% x 3.50%

IN THE EVENT the leases described herein cover less than the full and undivided mineral interest in said lands, then the overriding royalty interest herein assigned as to such lease shall be reduced to the proportion that the mineral interest covered by such lease bears to the total number of mineral acres in said lands.

The 95.408875% figure shown above reflects the fact that, as of the effective date of this assignment, Assignor owned 95.408875% of the leasehold interest in the leases.

THIS Assignment is made without warranty of title, either express or implied. The terms hereof shall extend and be binding upon the parties hereto, their heirs, successors and assigns.

IN WITNESS WHEREOF, this instrument is executed on May 25th, 2006, but shall be effective as of May 3rd, 2006

777 Energy, LP, a Texas limited partnership, by
777 GP, LLC, an Oklahoma LLC, General Partner

By: _____
David J. Kurtz, Manager

Rainbow Prospect

#30

90.91.01

STATE OF OKLAHOMA

COUNTY OF OKLAHOMA

This instrument was acknowledged before me on this 25th day of May, 2006, by David J. Kurtz, Manager of 777 GP, LLC, an Oklahoma LLC, General Partner of 777 Energy, LP, a Texas limited partnership.

OFFICIAL SEAL
DEBORAH KIMBRELL
NOTARY PUBLIC - OKLAHOMA
LOGAN COUNTY COMM # 01000507
My Comm. Expires 1-21-09

Deborah Kimbrell, Notary Public

My Commission Expires: 1-21-09

90.91.01

Exhibit "A"
Lease Schedule of Assignment
Reeves County, Texas

Date : 04/25/2005
Lease # : RB0201
Lessor : H-S MINERALS & REALTY LTD., AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 154 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0202
Lessor : HILL INVESTMENTS LTD., AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 115 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0203
Lessor : DOROTHY HILL, F/K/A DOROTHY JEAN KEENOM, INDIVIDUALLY AND AS TRUSTEE OF THE THOMAS HILL PUFF TRUST AND AS TRUSTEE OF THE NANCY PUFF JONES TRUST, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 180 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0204
Lessor : JAMES ROBERT HILL, VIRGINIA GLENN HILL LATTIMORE AND JOHN A. STYRSKY, AS CO-TRUSTEES OF THE HOUSTON AND EMMA HILL TRUST ESTATE AND JAMES ROBERT HILL AND VIRGINIA GLENN HILL LATTIMORE, INDIVIUDALLY, AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 207 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0205
Lessor : WALTRIP MARITAL TRUST, KENNETH M. WALTRIP, TRUSTEE; MSW REVOCABLE TRUST, MARGERY L. HANNA, TRUSTEE; D/B/A HILL TRUSTS UNDER CERTAIN AGENCY AGREEMENT DATED JUNE 8, 1996, AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 235 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS

90.91.01

Date : 04/25/2005
Lease # : RB0206
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 91 Instrument:
Description: SEE BELOW
TRACT 1: 170.57 ACRES OF LAND, MORE OR LESS, BEING THE SOUTH 7/16 OF SECTION 2, BLOCK 71, PSL, A- 5996,
TRACT 2: 140.0 ACRES OF LAND, MORE OR LESS, BEING THE EAST 7/16 OF S/2 OF SECTION 4, BLOCK 71, PSL, A-6000, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0207
Lessor : MEEKER INVESTMENTS INC., AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 79 Instrument:
Description: SEE BELOW
TRACT 1: 170.57 ACRES OF LAND, MORE OR LESS, BEING THE SOUTH 7/16 OF SECTION 2, BLOCK 71, PSL, A- 5996,
TRACT 2: 140.0 ACRES OF LAND, MORE OR LESS, BEING THE EAST 7/16 OF S/2 OF SECTION 4, BLOCK 71, PSL, A-6000, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0208
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE, AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 104 Instrument:
Description: SEE BELOW
TRACT 1: 170.57 ACRES OF LAND, MORE OR LESS, BEING THE SOUTH 7/16 OF SECTION 2, BLOCK 71, PSL, A- 5996,
TRACT 2: 140.0 ACRES OF LAND, MORE OR LESS, BEING THE EAST 7/16 OF S/2 OF SECTION 4, BLOCK 71, PSL, A-6000, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0701
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 267 Instrument:
Description: SEE BELOW
213.58 ACRES MORE OR LESS, BEING THE SOUTH 1/3 OF SECTION 7, BLOCK 70, PSL, A-5959, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0702
Lessor : MEEKER INVESTMENTS, INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 262 Instrument:
Description: SEE BELOW
213.58 ACRES MORE OR LESS, BEING THE SOUTH 1/3 OF SECTION 7, BLOCK 70, PSL, A-5959, REEVES COUNTY, TEXAS

90.91.01

Date : 04/25/2005
Lease # : RB0703
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 272 Instrument:
Description: SEE BELOW
213.58 ACRES MORE OR LESS, BEING THE SOUTH 1/3 OF SECTION 7, BLOCK 70, PSL, A-5959, REEVES COUNTY, TEXAS

Date : 08/23/2005
Lease # : RB0704
Lessor : H. L. HAWKINS, JR., INC.
Lessee : 777 ENERGY LP, A TEXAS LIMITED PARTNERSHIP
Recorded: Book: 711 Page: 338 Instrument:
Description: SEE BELOW
427.16 ACRES MORE OR LESS BEING THE NORTH 2/3 OF SECTION 7, BLOCK 70, PSL, A-5706, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0801
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 312 Instrument:
Description: SEE BELOW
160.0 ACRES MORE OR LESS, BEING THE WEST 160.0 ACRES OF THE EAST 3/4 OF SECTION 8, BLOCK C-17, PSL, A-5961, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0802
Lessor : MEEKER INVESTMENTS INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 307 Instrument:
Description: SEE BELOW
160.0 ACRES MORE OR LESS, BEING THE WEST 160.0 ACRES OF THE EAST 3/4 OF SECTION 8, BLOCK C-17, PSL, A-5961, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0803
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 317 Instrument:
Description: SEE BELOW
160.0 ACRES MORE OR LESS, BEING THE WEST 160.0 ACRES OF THE EAST 3/4 OF SECTION 8, BLOCK C-17, PSL, A-5961, REEVES COUNTY, TEXAS

Date : 08/23/2005
Lease # : RB0804
Lessor : H. L. HAWKINS, JR., INC.
Lessee : 777 ENERGY LP, A TEXAS LIMITED PARTNERSHIP
Recorded: Book: 711 Page: 326 Instrument:
Description: SEE BELOW
320.0 ACRES MORE OR LESS BEING THE EAST 3/4 OF SECTION 8, BLOCK C-17, PSL, A-5735, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0901
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 297 Instrument:
Description: SEE BELOW
160.0 ACRES MORE OR LESS, BEING THE EAST 160.0 ACRES OF THE WEST 3/4 OF SECTION 9, BLOCK C-17, PSL, A-5966, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0902
Lessor : MEEKER INVESTMENTS, INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 292 Instrument:
Description: SEE BELOW
160.0 ACRES MORE OR LESS, BEING THE EAST 160.0 ACRES OF THE WEST 3/4 OF SECTION 9, BLOCK C-17, PSL, A-5966, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0903
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 302 Instrument:
Description: SEE BELOW
160.0 ACRES MORE OR LESS, BEING THE EAST 160.0 ACRES OF THE WEST 3/4 OF SECTION 9, BLOCK C-17, PSL, A-5966, REEVES COUNTY, TEXAS

Date : 08/23/2005
Lease # : RB0904
Lessor : H. L. HAWKINS, JR., INC.
Lessee : 777 ENERGY LP, A TEXAS LIMITED PARTNERSHIP
Recorded: Book: 711 Page: 332 Instrument:
Description: SEE BELOW
320.0 ACRES MORE OR LESS BEING THE WEST 3/4 OF SECTION 9, BLOCK C-17, PSL, A-5736, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1601
Lessor : H-S MINERALS & REALTY LTD
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 255 Instrument:
Description: SEE BELOW
426.67 ACRES MORE OR LESS, BEING PART OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1602
Lessor : HILL INVESTMENTS, LTD.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 249 Instrument:
Description: SEE BELOW
426.67 ACRES MORE OR LESS, BEING PART OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1603
Lessor : DOROTHY HILL, F/K/A DOROTHY JEAN KEENOM, INDIVIDUALLY AND AS TRUSTEE OF THE THOMAS HILL PUFF TRUST AND AS TRUSTEE OF THE NANCY PUFF JONES TRUST
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 261 Instrument:
Description: SEE BELOW
426.67 ACRES MORE OR LESS, BEING PART OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1604
Lessor : KHN RESOURCES, INC., AND L&L RESOURCES INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 267 Instrument:
Description: SEE BELOW
426.67 ACRES MORE OR LESS, BEING PART OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1605
Lessor : GEOMAR RESOURCES, INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 273 Instrument:
Description: SEE BELOW
426.67 ACRES MORE OR LESS, BEING PART OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1606
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 207 Instrument:
Description: SEE BELOW
213.33 ACRES MORE OR LESS, BEING THE NORTH 1/3 OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1607
Lessor : MEEKER INVESTMENTS INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 202 Instrument:
Description: SEE BELOW
213.33 ACRES MORE OR LESS, BEING THE NORTH 1/3 OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1608
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 212 Instrument:
Description: SEE BELOW
213.33 ACRES MORE OR LESS, BEING THE NORTH 1/3 OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 03/21/2005
Lease # : RB1801
Lessor : JACK LOUIS MCGOWEN & R. B. MCGOWEN, III DEALING IN THEIR SEPARATE PROPERTY
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 698 Page: 47 Instrument:
Description: SEE BELOW
300.0 ACRES OF LAND, MORE OR LESS, BEING THE E/2 OF SECTION 18 SAVE AND EXCEPT THE N/2 NE/4 NE/4, BLOCK 59, PSL SURVEY, A-3317, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1802
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 222 Instrument:
Description: SEE BELOW
184.60 ACRES MORE OR LESS, BEING ALL OF SECTION 18, BLOCK C-18, PSL, A-5742, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1803
Lessor : MEEKER INVESTMENTS, INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 217 Instrument:
Description: SEE BELOW
184.60 ACRES MORE OR LESS, BEING ALL OF SECTION 18, BLOCK C-18, PSL, A-5742, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1804
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 227 Instrument:
Description: SEE BELOW
184.60 ACRES MORE OR LESS, BEING ALL OF SECTION 18, BLOCK C-18, PSL, A-5742, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB2401
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 252 Instrument:
Description: SEE BELOW
229.64 ACRES MORE OR LESS, BEING THE EAST 1/3 OF SECTION 24, BLOCK 58, TOWNSHIP 6, T&P RAILWAY CO SURVEY, A-5964 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB2402
Lessor : MEEKER INVESTMENTS, INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 247 Instrument:
Description: SEE BELOW
229.64 ACRES MORE OR LESS, BEING THE EAST 1/3 OF SECTION 24, BLOCK 58, TOWNSHIP 6, T&P RAILWAY CO SURVEY, A-5964 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB2403
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 257 Instrument:
Description: SEE BELOW
229.64 ACRES MORE OR LESS, BEING THE EAST 1/3 OF SECTION 24, BLOCK 58, TOWNSHIP 6, T&P RAILWAY CO SURVEY, A-5964 REEVES COUNTY, TEXAS

Date : 08/23/2005
Lease # : RB2404
Lessor : H. L. HAWKINS, JR., INC.
Lessee : 777 ENERGY LP, A TEXAS LIMITED PARTNERSHIP
Recorded: Book: 711 Page: 344 Instrument:
Description: SEE BELOW
459.28 ACRES MORE OR LESS BEING THE WEST 2/3 OF SECTION 24, BLOCK 58, TOWNSHIP 6, T&P RAILWAY CO. SURVEY, A-5856, REEVES COUNTY, TEXAS

Date : 03/05/2005
Lease # : RB3601
Lessor : JAMES R. ASHLOCK, DEALING IN HIS SEPARATE PROPERTY, AS AGENT FOR THE STATE OF TEXAS M-105242
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 697 Page: 808 Instrument:
Description: SEE BELOW
160.0 ACRES, MORE OR LESS, BEING THE NORTH 160.0 ACRES OF SECTION 36, BLOCK 58, PSL, A-3532, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4301
Lessor : JAMES ROBERT HILL, VIRGINIA GLENN HILL LATTIMORE AND JOHN A. STYRSKY, AS CO-TRUSTEES OF THE HOUSTON AND EMMA HILL TRUST ESTATE AND JAMES ROBERT HILL AND VIRGINIA GLENN HILL LATTIMORE, INDIVIUDALLY, AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 193 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND A-4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL, A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4302
Lessor : DOROTHY HILL, F/K/A DOROTHY JEAN KEENOM, INDIVIDUALLY AND AS TRUSTEE OF THE THOMAS HILL PUFF TRUST AND AS TRUSTEE OF THE NANCY PUFF JONES TRUST, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 167 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND 4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL, A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4303
Lessor : WALTRIP MARITAL TRUST, KENNETH M. WALTRIP, TRUSTEE; MSW REVOCABLE TRUST, MARGERY L. HANNA, TRUSTEE; D/B/A HILL TRUSTS UNDER CERTAIN AGENCY AGREEMENT DATED JUNE 8, 1996, AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 221 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND 4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL, A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4304
Lessor : HILL INVESTMENTS LTD, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 128 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND 4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL, A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4305
Lessor : H-S MINERALS & REALTY LTD, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 141 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND 4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL, A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4306
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 52 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND A-4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL A-4006; AND
640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4307
Lessor : MEEKER INVESTMENTS, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 39 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND A-4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL A-4006; AND
640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4308
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 66 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND A-4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL A-4006; AND
640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007, REEVES COUNTY, TEXAS

Exhibit "A"
Lease Schedule of Assignment
Reeves County, Texas

Date : 02/08/2006
Lease # : RB4902
Lessor : KAY S. SORVILLO, ET AL
Lessee : 777 ENERGY, LP
Recorded: Book: 730 Page: 387 Instrument:
Description: SEE BELOW
160 ACRES OF LAND, MORE OR LESS, BEING THE E/4 OF SECTION 49, BLOCK 71, PSL SURVEY, A-2372, REEVES COUNTY, TEXAS

Date : 02/08/2006
Lease # : RB4903
Lessor : RICHARD H. SWEANEY III
Lessee : 777 ENERGY, LP
Recorded: Book: 730 Page: 380 Instrument:
Description: SEE BELOW
160 ACRES OF LAND, MORE OR LESS, BEING THE E/4 OF SECTION 49, BLOCK 71, PSL SURVEY, A-2372, REEVES COUNTY, TEXAS

Date : 02/08/2006
Lease # : RB4904
Lessor : GARY W. SWEANEY
Lessee : 777 ENERGY, LP
Recorded: Book: 730 Page: 373 Instrument:
Description: SEE BELOW
160 ACRES OF LAND, MORE OR LESS, BEING THE E/4 OF SECTION 49, BLOCK 71, PSL SURVEY, A-2372, REEVES COUNTY, TEXAS

Certificate of Record

50.00 Recording Fee

Certified Copy Fee

50.00 Total Paid

002897

FILED FOR RECORD

2006 MAY 31 AM 10:11

Return to:

Alpine Energy, L.P.

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. 734 PAGE 85 DATE RECORDED 06/01/2006

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
By:

BEAR GRAPHICS, INC

90.91.01

#11

File No. MF105235

Assignment

Date Filed: 6-13-07

Jerry E. Patterson, Commissioner

By B Boyd

08008996

Pinnacle Land Services, Inc.
P. O. Box 991 Ph. 830-569-5436
Pleasanton, TX 78064

9676 [redacted]

DATE 11-09-2007

PAY TO THE ORDER OF State of Texas $ 9,333.33

-Nine thousand three hundred thirty-three & 33/100 DOLLARS

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

Reeves Co.
FOR DGL-10-23-07-Charles Mecker Trust-N7/16-Sec.45, Blk 59, A-4007

Cindy L. Mercer

⑈00000096 76⑈ [redacted]

08008995 12

PARKS LAND MANAGEMENT
RESEARCH & LEASE ACQUISITIONS
11306 N CR 31/ PO BOX 711
BIG SPRING, TX 79720
432-399-4659/ 432-264-8024

10802

1-3 2008 [redacted]

PAY TO THE ORDER OF State of Texas $ 125.00

One hundred twenty-five & no/100 DOLLARS

Approval + Fees
CGL 10-23-07 Reeves Co.
N7/16 Sec 45 Blk 59, A-4007
FOR Meeker Trust

AMERICAN STATE BANK

Mary J. Parks

⑈010802 21⑈ [redacted]

08008998

PARKS LAND MANAGEMENT
RESEARCH & LEASE ACQUISITIONS
11306 N CR 31/ PO BOX 711
BIG SPRING, TX 79720
432-399-4659/ 432-264-8024

10801

1-3 2007

PAY TO THE ORDER OF State of Texas $ 125.00

One hundred twenty-five & 00/100 DOLLARS

AMERICAN STATE BANK

Approval & FE
OGL 10-23-07 Reeves Co.
N 7/16 of Sec 44, A-1006, BK 59PSL

FOR Meeker Trust

Mary J Parks MP

⑈010801⑈ [redacted]

Pinnacle Land Services, Inc.
P. O. Box 991 Ph. 830-569-5436
Pleasanton, TX 78064

08008997

9682

DATE 11-09-07

PAY TO THE ORDER OF State of Texas $ 9,333.33

-Nine thousand three hundred thirty-three & 33/100 DOLLARS

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

FOR Reeves 06L-10-23-07-Charles Meeker Trust, N 7/16 Sec. 44, Blk 59, A-4006

Cindy G. Mercer MP

⑈000009682⑈ [redacted]

08008994

Pinnacle Land Services, Inc.
P. O. Box 991 Ph. 830-569-5436
Pleasanton, TX 78064

9673 [redacted]

DATE 11-09-2007

PAY TO THE ORDER OF State of Texas $ 9,333.33

-Nine thousand three hundred thirty-three & 33/100 DOLLARS

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

Reeves Co
FOR D&L-10-23-07-Charles Meeker Trust- N 7/16 Sec. 43, Blk 59, A-4005 Cindy G. Mercer

⑈00000096 73⑈ [redacted]

121

PARKS LAND MANAGEMENT
RESEARCH & LEASE ACQUISITIONS
11306 N CR 31/ PO BOX 711
BIG SPRING, TX 79720
432-399-4659/ 432-264-8024

08008993 10803

1- 3 2008 [redacted]

PAY TO THE ORDER OF State of Texas $ 125.00

One hundred twenty-five & 00/100 DOLLARS

AMERICAN STATE BANK

Approval & Fees
OGL 10-23-07 Reeves Co Blk 59 PSL
N 7/16 Sec 43, A-4005
FOR Meeker Trust Mary J. Parks

⑈010803⑈ [redacted]

(12)

File No. M-105235
Bonded FF Fees

Date Filed: 11/9/07

Jerry E. Patterson, Commissioner

By M. Silva

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY FEBRUARY 20, 2008 TENDERED TO

COMMISSIONER OF THE GENERAL LAND

THE SUM OF **$27,000.00** DOLLARS FOR THE CREDIT OF PARTY OR PARTIES NAMED BELOW
IN AMOUNT STATED PURSUANT TO THE TERMS OF THE LEASE IDENTIFIED HEREIN, FOR THE PERIOD FROM
4/25/2008 TO **4/25/2009** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 43	Abstract: 4005	Short Desc: 320.00 AC, SEC 43, BLK 59, PSLS, A-4005
Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 43	Abstract: 4204	Short Desc: 320.00 AC, SEC 43, BLK 59, PSLS, A-4204
Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 44	Abstract: 4006	Short Desc: ALL OF SEC 44, BLK 59, PSLS, A-4006
Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 45	Abstract: 4007	Short Desc: ALL OF SEC 45, BLK 59, PSLS, A-4007

'MENT RENTAL
ASE NUMBER TX3230271-001 LEASE DATE: 4/25/2005 PROSPECT: BALMORHEA
CORDED: BOOK 701 PAGE 193 ENTRY NUMBER: 1968 COUNTY/PARISH REEVES STATE TX
R CREDIT OF: AMOUNT

017397

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

Acct: 4TH YR RENTAL PYMT — 27,000.00

COPY FOR
YOUR RECORDS

M-105235

IMPORTANT

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

Date Received COPY FOR
Sign Here YOUR RECORDS
By
Title

Subtotal	27,000.00
BANK SERVICE CHARGE $	0.00
Grand Total	27,000.00
Check No.	32627

THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND WITH VOID PANTOGRAPH

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. BOX 18496
OKLAHOMA CITY, OK 73154
405/848-8000

BANK OF OKLAHOMA, N.A.
OKLAHOMA CITY, OK

32627

[redacted]

DATE 02/20/2008

AMOUNT $27,000.00

*****************27,000 * DOLLARS * 00 * CENTS

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

CHESAPEAKE OPERATING, INC.
Jennifer N. Gregsley

THIS DOCUMENT HAS THERMOGRAPHIC INK WITH ARTIFICIAL WATERMARK. HOLD AT AN ANGLE TO VIEW.

⑈032627⑈ [redacted]

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY FEBRUARY 15, 2008 TENDERED TO

COMMISSIONER OF THE GENERAL LAND

THE SUM OF **$12,375.00** DOLLARS FOR THE CREDIT OF PARTY OR PARTIES NAMED BELOW IN AMOUNT STATED PURSUANT TO THE TERMS OF THE LEASE IDENTIFIED HEREIN, FOR THE PERIOD FROM **4/25/2008** TO **4/25/2009** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 43	Abstract: 4005	Short Desc: 320.00 AC, SEC 43, BLK 59, PSLS, A-4005
Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 43	Abstract: 4204	Short Desc: 320.00 AC, SEC 43, BLK 59, PSLS, A-4204
Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 44	Abstract: 4006	Short Desc: 640.00 AC, SEC 44, BLK 59, PSLS, A-4006
Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 45	Abstract: 4007	Short Desc: 640.00 AC, SEC 45, BLK 59, PSLS, A-4007

PAYMENT RENTAL

LEASE NUMBER TX3230271-002 LEASE DATE: 4/25/2005 PROSPECT: BALMORHEA

RECORDED: BOOK 701 PAGE 167 ENTRY NUMBER: 1966 COUNTY/PARISH REEVES STATE TX

FOR CREDIT OF:			AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS STEPHEN F. AUSTIN BUILDING 1700 NORTH CONGRESS, SUITE 600 AUSTIN, TX 78701	Acct: 4TH YR RENTAL PYMT	12,375.00

COPY FOR YOUR RECORDS

M-105235

IMPORTANT

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

COPY FOR YOUR RECORDS

Date Received _____

Sign Here _____

By _____
Title

Subtotal	12,375.00
BANK SERVICE CHARGE $	0.00
Grand Total	12,375.00
Check No.	32536

THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND WITH VOID PANTOGRAPH

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. BOX 18496
OKLAHOMA CITY, OK 73154
405/848-8000

BANK OF OKLAHOMA, N.A.
OKLAHOMA CITY, OK

32536

[redacted]

DATE 02/15/2008

AMOUNT $12,375.00

**********12,375 * DOLLARS * 00 * CENTS

PAY TO THE ORDER OF

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

CHESAPEAKE OPERATING, INC.

Jennifer M. Quigley

THIS DOCUMENT HAS THERMOGRAPHIC INK WITH ARTIFICIAL WATERMARK. HOLD AT AN ANGLE TO VIEW.

⑈032536⑈ [redacted]

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY FEBRUARY 15, 2008 TENDERED TO

COMMISSIONER OF THE GENERAL LAND

THE SUM OF **$1,125.00** DOLLARS FOR THE CREDIT OF PARTY OR PARTIES NAMED BELOW
IN AMOUNT STATED PURSUANT TO THE TERMS OF THE LEASE IDENTIFIED HEREIN, FOR THE PERIOD FROM
4/25/2008 TO **4/25/2009** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 43	Abstract: 4005	Short Desc: 320.00 AC, SEC 43, BLK 59, PSLS, A-4005
Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 43	Abstract: 4204	Short Desc: 320.00 AC, SEC 43, BLK 59, PSLS, A-4204
Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 44	Abstract: 4006	Short Desc: ALL OF SEC 44, BLK 59, PSLS, A-4006
Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 45	Abstract: 4007	Short Desc: ALL OF SEC 45, BLK 59, PSLS, A-4007

PAYMENT RENTAL M-105235

LEASE NUMBER TX3230271-005 LEASE DATE: 4/25/2005 PROSPECT: BALMORHEA

RECORDED: BOOK 701 PAGE 141 ENTRY NUMBER: 1964 COUNTY/PARISH REEVES STATE TX

FOR CREDIT OF: AMOUNT

017397

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

Acct:
4TH YR RENTAL PYMT

1,125.00

COPY FOR
YOUR RECORDS

IMPORTANT

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

Date Received COPY FOR

Sign Here YOUR RECORDS

By _____
Title

Subtotal	1,125.00
BANK SERVICE CHARGE $	0.00
Grand Total	1,125.00
Check No.	32546

THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND WITH VOID PANTOGRAPH

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. BOX 18496
OKLAHOMA CITY, OK 73154
405/848-8000

BANK OF OKLAHOMA, N.A.
OKLAHOMA CITY, OK

32546

[redacted]

DATE 02/15/2008

AMOUNT $1,125.00

*****************1,125 * DOLLARS * 00 * CENTS

PAY TO THE ORDER OF

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

CHESAPEAKE OPERATING, INC.

Jennifer M. Grigsby

THIS DOCUMENT HAS THERMOGRAPHIC INK WITH ARTIFICIAL WATERMARK. HOLD AT AN ANGLE TO VIEW.

⑈032546⑈ [redacted]

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY FEBRUARY 15, 2008 TENDERED TO

COMMISSIONER OF THE GENERAL LAND

THE SUM OF **$12,375.00** DOLLARS FOR THE CREDIT OF PARTY OR PARTIES NAMED BELOW
IN AMOUNT STATED PURSUANT TO THE TERMS OF THE LEASE IDENTIFIED HEREIN, FOR THE PERIOD FROM
4/25/2008 TO **4/25/2009** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 43	Abstract: 4005	Short Desc: 320.00 AC, SEC 43, BLK 59, PSLS, A-4005
Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 43	Abstract: 4204	Short Desc: 320.00 AC, SEC 43, BLK 59, PSLS, A-4204
Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 44	Abstract: 4006	Short Desc: 640.00 AC, SEC 44, BLK 59, PSLS, A-4006
Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 45	Abstract: 4007	Short Desc: 640.00 AC, SEC 45, BLK 59, PSLS, A-4007

M-105235

PAYMENT RENTAL
LEASE NUMBER TX3230271-003 LEASE DATE: 4/25/2005 PROSPECT: BALMORHEA
RECORDED: BOOK 701 PAGE 221 ENTRY NUMBER: 1970 COUNTY/PARISH REEVES STATE TX

FOR CREDIT OF: AMOUNT

017397

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

Acct:
4TH YR RENTAL PYMT

12,375.00

COPY FOR
YOUR RECORDS

IMPORTANT

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

Date Received COPY FOR
Sign Here YOUR RECORDS
By
Title

Subtotal	12,375.00
BANK SERVICE CHARGE $	0.00
Grand Total	12,375.00
Check No.	32540

THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND WITH VOID PANTOGRAPH

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. BOX 18496
OKLAHOMA CITY, OK 73154
405/848-8000

BANK OF OKLAHOMA, N.A.
OKLAHOMA CITY, OK
[redacted]

32540

DATE 02/15/2008

AMOUNT $12,375.00

****************12,375 * DOLLARS * 00 * CENTS

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

CHESAPEAKE OPERATING, INC.
Jennifer N. Grigsby

THIS DOCUMENT HAS THERMOGRAPHIC INK WITH ARTIFICIAL WATERMARK. HOLD AT AN ANGLE TO VIEW.

⑈032540⑈ [redacted]

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY FEBRUARY 15, 2008 TENDERED TO

COMMISSIONER OF THE GENERAL LAND

THE SUM OF **$14,000.00** DOLLARS FOR THE CREDIT OF PARTY OR PARTIES NAMED BELOW
IN AMOUNT STATED PURSUANT TO THE TERMS OF THE LEASE IDENTIFIED HEREIN, FOR THE PERIOD FROM
4/25/2008 TO **4/25/2009** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 43	Abstract: 4005	Short Desc: 320.00 AC, SEC 43, BLK 59, PSLS, A-4005
Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 43	Abstract: 4204	Short Desc: 320.00 AC, SEC 43, BLK 59, PSLS, A-4204
Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 44	Abstract: 4006	Short Desc: ALL OF SEC 44, BLK 59, PSLS, A-4006
Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 45	Abstract: 4007	Short Desc: ALL OF SEC 45, BLK 59, PSLS, A-4007

PAYMENT RENTAL
LEASE NUMBER TX3230271-006 LEASE DATE: 4/25/2005 PROSPECT: BALMORHEA
RECORDED: BOOK 704 PAGE 52 ENTRY NUMBER: 2487 COUNTY/PARISH REEVES STATE TX

FOR CREDIT OF:			AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS STEPHEN F. AUSTIN BUILDING 1700 NORTH CONGRESS, SUITE 600 AUSTIN, TX 78701	Acct: 4TH YR RENTAL PYMT	14,000.00

COPY FOR
YOUR RECORDS

M-105235

IMPORTANT

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

Date Received COPY FOR YOUR RECORDS

Sign Here _____

By _____
Title

Subtotal	14,000.00
BANK SERVICE CHARGE $	0.00
Grand Total	14,000.00
Check No.	32548

THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND WITH VOID PANTOGRAPH

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. BOX 18496
OKLAHOMA CITY, OK 73154
405/848-8000

BANK OF OKLAHOMA, N.A.
OKLAHOMA CITY, OK

32548

[redacted]

********** DOLLARS	DATE	AMOUNT
14,000 * 00 * CENTS	02/15/2008	$14,000.00

PAY TO THE ORDER OF

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

CHESAPEAKE OPERATING, INC.
Jennifer N. Grigsby

THIS DOCUMENT HAS THERMOGRAPHIC INK WITH ARTIFICIAL WATERMARK. HOLD AT AN ANGLE TO VIEW.

⑈032548⑈ [redacted]⑈

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY FEBRUARY 15, 2008 TENDERED TO

COMMISSIONER OF THE GENERAL LAND

THE SUM OF **$14,000.00** DOLLARS FOR THE CREDIT OF PARTY OR PARTIES NAMED BELOW
IN AMOUNT STATED PURSUANT TO THE TERMS OF THE LEASE IDENTIFIED HEREIN, FOR THE PERIOD FROM
4/25/2008 TO **4/25/2009** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 43	Abstract: 4005	Short Desc: 320.00 AC, SEC 43, BLK 59, PSLS, A-4005
Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 43	Abstract: 4204	Short Desc: 320.00 AC, SEC 43, BLK 59, PSLS, A-4204
Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 44	Abstract: 4006	Short Desc: ALL OF SEC 44, BLK 59, PSLS, A-4006
Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 45	Abstract: 4007	Short Desc: ALL OF SEC 45, BLK 59, PSLS, A-4007

PAYMENT RENTAL
LEASE NUMBER TX3230271-007 LEASE DATE: 4/25/2005 PROSPECT: BALMORHEA
RECORDED: BOOK 704 PAGE 39 ENTRY NUMBER: 2486 COUNTY/PARISH REEVES STATE TX

FOR CREDIT OF:			AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS STEPHEN F. AUSTIN BUILDING 1700 NORTH CONGRESS, SUITE 600 AUSTIN, TX 78701	Acct: 4TH YR RENTAL PYMT	14,000.00

COPY FOR
YOUR RECORDS

M-105235

IMPORTANT

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

Date Received COPY FOR

Sign Here YOUR RECORDS

By _____
Title

Subtotal	14,000.00
BANK SERVICE CHARGE $	0.00
Grand Total	14,000.00
Check No.	32550

THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND WITH VOID PANTOGRAPH

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. BOX 18496
OKLAHOMA CITY, OK 73154
405/848-8000

BANK OF OKLAHOMA, N.A.
OKLAHOMA CITY, OK

32550

[redacted]

DATE 02/15/2008

AMOUNT $14,000.00

**********14,000 * DOLLARS * 00 * CENTS

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

CHESAPEAKE OPERATING, INC.
Jennifer N. Grigsby

THIS DOCUMENT HAS THERMOGRAPHIC INK WITH ARTIFICIAL WATERMARK. HOLD AT AN ANGLE TO VIEW.

"032550" [redacted]

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY FEBRUARY 15, 2008 TENDERED TO

COMMISSIONER OF THE GENERAL LAND

THE SUM OF **$7,000.00** DOLLARS FOR THE CREDIT OF PARTY OR PARTIES NAMED BELOW
IN AMOUNT STATED PURSUANT TO THE TERMS OF THE LEASE IDENTIFIED HEREIN, FOR THE PERIOD FROM
4/25/2008 TO **4/25/2009** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 43	Abstract: 4005	Short Desc: 320.00 AC, SEC 43, BLK 59, PSLS, A-4005
Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 43	Abstract: 4204	Short Desc: 320.00 AC, SEC 43, BLK 59, PSLS, A-4204
Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 44	Abstract: 4006	Short Desc: ALL OF SEC 44, BLK 59, PSLS, A-4006
Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 45	Abstract: 4007	Short Desc: ALL OF SEC 45, BLK 59, PSLS, A-4007

PAYMENT RENTAL
LEASE NUMBER TX3230271-008 LEASE DATE: 4/25/2005 PROSPECT: BALMORHEA
RECORDED: BOOK 704 PAGE 66 ENTRY NUMBER: 2488 COUNTY/PARISH REEVES STATE TX

FOR CREDIT OF:			AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS STEPHEN F. AUSTIN BUILDING 1700 NORTH CONGRESS, SUITE 600 AUSTIN, TX 78701	Acct: 4TH YR RENTAL PYMT	7,000.00

M-105235

COPY FOR
YOUR RECORDS

IMPORTANT

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

Date Received COPY FOR

Sign Here YOUR RECORDS

By
Title

Subtotal	7,000.00
BANK SERVICE CHARGE $	0.00
Grand Total	7,000.00
Check No.	32552

THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND WITH VOID PANTOGRAPH

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. BOX 18496
OKLAHOMA CITY, OK 73154
405/848-8000

BANK OF OKLAHOMA, N.A.
OKLAHOMA CITY, OK

32552

*****************7,000 *DOLLARS* 00 *CENTS

DATE 02/15/2008

AMOUNT $7,000.00

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

CHESAPEAKE OPERATING, INC.
Jennifer N. Grigsby

THIS DOCUMENT HAS THERMOGRAPHIC INK WITH ARTIFICIAL WATERMARK. HOLD AT AN ANGLE TO VIEW.

⑈032552⑈ [redacted]

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY FEBRUARY 15, 2008 TENDERED TO

COMMISSIONER OF THE GENERAL LAND

THE SUM OF **$1,125.00** DOLLARS FOR THE CREDIT OF PARTY OR PARTIES NAMED BELOW IN AMOUNT STATED PURSUANT TO THE TERMS OF THE LEASE IDENTIFIED HEREIN, FOR THE PERIOD FROM **4/25/2008** TO **4/25/2009** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 43	Abstract: 4005	Short Desc: 320.00 AC, SEC 43, BLK 59, PSLS, A-4005
Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 43	Abstract: 4204	Short Desc: 320.00 AC, SEC 43, BLK 59, PSLS, A-4204
Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 44	Abstract: 4006	Short Desc: ALL OF SEC 44, BLK 59, PSLS, A-4006
Survey: PUBLIC SCHOOL LAND	Block/Suffix: 59	Section: 45	Abstract: 4007	Short Desc: ALL OF SEC 45, BLK 59, PSLS, A-4007

PAYMENT RENTAL

LEASE NUMBER TX3230271-004 LEASE DATE: 4/25/2005 PROSPECT: BALMORHEA

RECORDED: BOOK 701 PAGE 128 ENTRY NUMBER: 1963 COUNTY/PARISH REEVES STATE TX

FOR CREDIT OF:

			AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS STEPHEN F. AUSTIN BUILDING 1700 NORTH CONGRESS, SUITE 600 AUSTIN, TX 78701	Acct: 4TH YR RENTAL PYMT	1,125.00

COPY FOR
YOUR RECORDS

M-105235

IMPORTANT

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Date Received COPY FOR YOUR RECORDS

Sign Here

By
Title

Subtotal	1,125.00
BANK SERVICE CHARGE $	0.00
Grand Total	1,125.00
Check No.	32544

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CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. BOX 18496
OKLAHOMA CITY, OK 73154
405/848-8000

BANK OF OKLAHOMA, N.A.
OKLAHOMA CITY, OK

32544

[redacted]

DATE 02/15/2008

AMOUNT $1,125.00

**********1,125 * DOLLARS * 00 * CENTS

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

CHESAPEAKE OPERATING, INC.
Jennifer M. Grigsby

THIS DOCUMENT HAS THERMOGRAPHIC INK WITH ARTIFICIAL WATERMARK. HOLD AT AN ANGLE TO VIEW.

⑈032544⑈ [redacted]

80-15-5 11

File No. MF-105235

RENTAL PAYMENT

Date Filed: 8-26-88

Jerry E. Patterson, Commissioner

By LINDA ANDERSON

08037288

08037288

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

See 2nd page

July 9, 2008

Debbie Kimbrell
Alpine Energy, LP
3409 S. Broadway, Suite 600.
Edmond, OK 73013

RE: GLO Assignment ID # 6469

Dear Ms. Kimbrell,

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 April 10th, 2008, from Scooter, LLC, as Assignor, to The R. Clark Company LLC, as Assignee. Reeves Co. Vol. 790, P. 344.

Filing fees of $450.00 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

105235
105236
105242
105494

Exhibit "A"

GLO ID	*County*	*Lease*
6469		
6469	*Reeves*	MF105235
6469	*Reeves*	MF105236
6469	*Reeves*	MF105242
6469	*Reeves*	MF105494

AFTER RECORDED, RETURN TO:
Alpine Energy, LP
3409 S. Broadway, #600
Edmond, OK 73013

ASSIGNMENT OF OVERRIDING ROYALTY INTEREST

KNOW ALL MEN BY THESE PRESENTS, THAT:

The undersigned, **SCOOTER, LLC,** with an address of 3409 S. Broadway, Suite 600, Edmond, Oklahoma, 73013, and **SURPRISE PRODUCTION, LLC,** with an address of 3409 S. Broadway, Suite 600, Edmond, Oklahoma, 73013, collectively, herein called "Assignors", in consideration of the sum of Ten Dollars and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, do hereby assign, transfer and convey unto:

THE R. CLARK COMPANY, LLC,
an Oklahoma limited liability company
3409 S. Broadway, Suite 600
Edmond, Oklahoma 73013

herein called "Assignee", an undivided ten percent (10%) of their overriding royalty interest of all the oil, gas and other hydrocarbons in, under and that may be produced from the oil and gas leases and lands described on Exhibit "A" attached hereto and made a part hereof, covering lands in **Reeves County, Texas.**

THIS Assignment is made without warranty of title, either express or implied. The terms hereof shall extend and be binding upon the parties hereto, their heirs, successors and assigns.

IN WITNESS WHEREOF, this assignment is executed this 10th day of April, 2008, but effective May 11, 2006.

Scooter, LLC

By: _____
David J. Kurtz, Managing Member

Surprise Production, LLC

By: _____
Steven R. Knox, Managing Member

STATE OF OKLAHOMA

COUNTY OF OKLAHOMA

This instrument was acknowledged before me on this 10th day of April, 2008, by David J. Kurtz, Managing Member of Scooter, LLC.

_____
Deborah Kimbrell, Notary Public

My Commission Expires: 1-21-09

OFFICIAL SEAL
DEBORAH KIMBRELL
NOTARY PUBLIC - OKLAHOMA
LOGAN COUNTY COMM # 01000507
My Comm. Expires 1-21-09

STATE OF OKLAHOMA

COUNTY OF OKLAHOMA

This instrument was acknowledged before me on this 10th day of April, 2008, by Steven R. Knox, Managing Member of Surprise Production, LLC.

_____
Deborah Kimbrell, Notary Public

My Commission Expires: 1-21-09

OFFICIAL SEAL
DEBORAH KIMBRELL
NOTARY PUBLIC - OKLAHOMA
LOGAN COUNTY COMM # 01000507
My Comm. Expires 1-21-09

N

STATE OF TEXAS REEVES COUNTY

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

Exhibit "A"
Lease Schedule of Assignment
Reeves County, Texas

Date : 04/25/2005
Lease # : RB0201
Lessor : H-S MINERALS & REALTY LTD., AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 154 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0202
Lessor : HILL INVESTMENTS LTD., AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 115 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0203
Lessor : DOROTHY HILL, F/K/A DOROTHY JEAN KEENOM, INDIVIDUALLY AND AS TRUSTEE OF THE THOMAS HILL PUFF TRUST AND AS TRUSTEE OF THE NANCY PUFF JONES TRUST, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 180 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0204
Lessor : JAMES ROBERT HILL, VIRGINIA GLENN HILL LATTIMORE AND JOHN A. STYRSKY, AS CO-TRUSTEES OF THE HOUSTON AND EMMA HILL TRUST ESTATE AND JAMES ROBERT HILL AND VIRGINIA GLENN HILL LATTIMORE, INDIVIUDALLY, AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 207 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0205
Lessor : WALTRIP MARITAL TRUST, KENNETH M. WALTRIP, TRUSTEE; MSW REVOCABLE TRUST, MARGERY L. HANNA, TRUSTEE; D/B/A HILL TRUSTS UNDER CERTAIN AGENCY AGREEMENT DATED JUNE 8, 1996, AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 235 Instrument:
Description: SEE BELOW
219.33 ACRES MORE OR LESS, BEING THE NORTH 219.33 ACRES OF SECTION 2, BLOCK 71, PSL, A-4238; AND 180.0 ACRES MORE OR LESS, BEING THE S/2 OF SECTION 4, BLOCK 71, PSL, A-5227, REEVES COUNTY, TEXAS

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

Exhibit "A"
Lease Schedule of Assignment
Reeves County, Texas

Date : 04/25/2005
Lease # : RB0206
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 91 Instrument:
Description: SEE BELOW
TRACT 1: 170.57 ACRES OF LAND, MORE OR LESS, BEING THE SOUTH 7/16 OF SECTION 2, BLOCK 71, PSL, A- 5996,
TRACT 2: 140.0 ACRES OF LAND, MORE OR LESS, BEING THE EAST 7/16 OF S/2 OF SECTION 4, BLOCK 71, PSL, A-6000, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0207
Lessor : MEEKER INVESTMENTS INC., AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 79 Instrument:
Description: SEE BELOW
TRACT 1: 170.57 ACRES OF LAND, MORE OR LESS, BEING THE SOUTH 7/16 OF SECTION 2, BLOCK 71, PSL, A- 5996,
TRACT 2: 140.0 ACRES OF LAND, MORE OR LESS, BEING THE EAST 7/16 OF S/2 OF SECTION 4, BLOCK 71, PSL, A-6000, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0208
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE, AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 104 Instrument:
Description: SEE BELOW
TRACT 1: 170.57 ACRES OF LAND, MORE OR LESS, BEING THE SOUTH 7/16 OF SECTION 2, BLOCK 71, PSL, A- 5996,
TRACT 2: 140.0 ACRES OF LAND, MORE OR LESS, BEING THE EAST 7/16 OF S/2 OF SECTION 4, BLOCK 71, PSL, A-6000, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0701
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 267 Instrument:
Description: SEE BELOW
213.58 ACRES MORE OR LESS, BEING THE SOUTH 1/3 OF SECTION 7, BLOCK 70, PSL, A-5959, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0702
Lessor : MEEKER INVESTMENTS, INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 262 Instrument:
Description: SEE BELOW
213.58 ACRES MORE OR LESS, BEING THE SOUTH 1/3 OF SECTION 7, BLOCK 70, PSL, A-5959, REEVES COUNTY, TEXAS

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

Exhibit "A"
Lease Schedule of Assignment
Reeves County, Texas
Page 3 of 10

Date : 04/25/2005
Lease # : RB0703
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 272 Instrument:
Description: SEE BELOW
213.58 ACRES MORE OR LESS, BEING THE SOUTH 1/3 OF SECTION 7, BLOCK 70, PSL, A-5959, REEVES COUNTY, TEXAS

Date : 08/23/2005
Lease # : RB0704
Lessor : H. L. HAWKINS, JR., INC.
Lessee : 777 ENERGY LP, A TEXAS LIMITED PARTNERSHIP
Recorded: Book: 711 Page: 338 Instrument:
Description: SEE BELOW
427.16 ACRES MORE OR LESS BEING THE NORTH 2/3 OF SECTION 7, BLOCK 70, PSL, A-5706, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0801
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 312 Instrument:
Description: SEE BELOW
160.0 ACRES MORE OR LESS, BEING THE WEST 160.0 ACRES OF THE EAST 3/4 OF SECTION 8, BLOCK C-17, PSL, A-5961, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0802
Lessor : MEEKER INVESTMENTS INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 307 Instrument:
Description: SEE BELOW
160.0 ACRES MORE OR LESS, BEING THE WEST 160.0 ACRES OF THE EAST 3/4 OF SECTION 8, BLOCK C-17, PSL, A-5961, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0803
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 317 Instrument:
Description: SEE BELOW
160.0 ACRES MORE OR LESS, BEING THE WEST 160.0 ACRES OF THE EAST 3/4 OF SECTION 8, BLOCK C-17, PSL, A-5961, REEVES COUNTY, TEXAS

Date : 08/23/2005
Lease # : RB0804
Lessor : H. L. HAWKINS, JR., INC.
Lessee : 777 ENERGY LP, A TEXAS LIMITED PARTNERSHIP
Recorded: Book: 711 Page: 326 Instrument:
Description: SEE BELOW
320.0 ACRES MORE OR LESS BEING THE EAST 3/4 OF SECTION 8, BLOCK C-17, PSL, A-5735, REEVES COUNTY, TEXAS

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

Exhibit "A"
Lease Schedule of Assignment
Reeves County, Texas

Date : 04/25/2005
Lease # : RB0901
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 297 Instrument:
Description: SEE BELOW
160.0 ACRES MORE OR LESS, BEING THE EAST 160.0 ACRES OF THE WEST 3/4 OF SECTION 9, BLOCK C-17, PSL, A-5966, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0902
Lessor : MEEKER INVESTMENTS, INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 292 Instrument:
Description: SEE BELOW
160.0 ACRES MORE OR LESS, BEING THE EAST 160.0 ACRES OF THE WEST 3/4 OF SECTION 9, BLOCK C-17, PSL, A-5966, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB0903
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 302 Instrument:
Description: SEE BELOW
160.0 ACRES MORE OR LESS, BEING THE EAST 160.0 ACRES OF THE WEST 3/4 OF SECTION 9, BLOCK C-17, PSL, A-5966, REEVES COUNTY, TEXAS

Date : 08/23/2005
Lease # : RB0904
Lessor : H. L. HAWKINS, JR., INC.
Lessee : 777 ENERGY LP, A TEXAS LIMITED PARTNERSHIP
Recorded: Book: 711 Page: 332 Instrument:
Description: SEE BELOW
320.0 ACRES MORE OR LESS BEING THE WEST 3/4 OF SECTION 9, BLOCK C-17, PSL, A-5736, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1601
Lessor : H-S MINERALS & REALTY LTD
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 255 Instrument:
Description: SEE BELOW
426.67 ACRES MORE OR LESS, BEING PART OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1602
Lessor : HILL INVESTMENTS, LTD.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 249 Instrument:
Description: SEE BELOW
426.67 ACRES MORE OR LESS, BEING PART OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

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

Exhibit "A"
Lease Schedule of Assignment
Reeves County, Texas

Date : 04/25/2005
Lease # : RB1603
Lessor : DOROTHY HILL, F/K/A DOROTHY JEAN KEENOM, INDIVIDUALLY AND AS TRUSTEE OF THE THOMAS HILL PUFF TRUST AND AS TRUSTEE OF THE NANCY PUFF JONES TRUST
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 261 Instrument:
Description: SEE BELOW
426.67 ACRES MORE OR LESS, BEING PART OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1604
Lessor : KHN RESOURCES, INC., AND L&L RESOURCES INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 267 Instrument:
Description: SEE BELOW
426.67 ACRES MORE OR LESS, BEING PART OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1605
Lessor : GEOMAR RESOURCES, INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 273 Instrument:
Description: SEE BELOW
426.67 ACRES MORE OR LESS, BEING PART OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1606
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 207 Instrument:
Description: SEE BELOW
213.33 ACRES MORE OR LESS, BEING THE NORTH 1/3 OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1607
Lessor : MEEKER INVESTMENTS INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 202 Instrument:
Description: SEE BELOW
213.33 ACRES MORE OR LESS, BEING THE NORTH 1/3 OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1608
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 212 Instrument:
Description: SEE BELOW
213.33 ACRES MORE OR LESS, BEING THE NORTH 1/3 OF SECTION 16, BLOCK C-18, PSL, A-5741, REEVES COUNTY, TEXAS

Date : 03/21/2005
Lease # : RB1801
Lessor : JACK LOUIS MCGOWEN & R. B. MCGOWEN, III DEALING IN THEIR SEPARATE PROPERTY
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 698 Page: 47 Instrument:
Description: SEE BELOW
300.0 ACRES OF LAND, MORE OR LESS, BEING THE E/2 OF SECTION 18 SAVE AND EXCEPT THE N/2 NE/4 NE/4, BLOCK 59, PSL SURVEY, A-3317, REEVES COUNTY, TEXAS

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

Exhibit "A"
Lease Schedule of Assignment
Reeves County, Texas

Date : 04/25/2005
Lease # : RB1802
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND
JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE
WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME
BENEFIT OF L. H. MEEKER
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 222 Instrument:
Description: SEE BELOW
184.60 ACRES MORE OR LESS, BEING ALL OF SECTION 18, BLOCK C-18,
PSL, A-5742, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1803
Lessor : MEEKER INVESTMENTS, INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 217 Instrument:
Description: SEE BELOW
184.60 ACRES MORE OR LESS, BEING ALL OF SECTION 18, BLOCK C-18,
PSL, A-5742, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB1804
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 227 Instrument:
Description: SEE BELOW
184.60 ACRES MORE OR LESS, BEING ALL OF SECTION 18, BLOCK C-18,
PSL, A-5742, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB2401
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND
JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE
WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME
BENEFIT OF L. H. MEEKER
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 252 Instrument:
Description: SEE BELOW
229.64 ACRES MORE OR LESS, BEING THE EAST 1/3 OF SECTION 24,
BLOCK 58, TOWNSHIP 6, T&P RAILWAY CO SURVEY, A-5964
REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB2402
Lessor : MEEKER INVESTMENTS, INC.
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 247 Instrument:
Description: SEE BELOW
229.64 ACRES MORE OR LESS, BEING THE EAST 1/3 OF SECTION 24,
BLOCK 58, TOWNSHIP 6, T&P RAILWAY CO SURVEY, A-5964
REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB2403
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 257 Instrument:
Description: SEE BELOW
229.64 ACRES MORE OR LESS, BEING THE EAST 1/3 OF SECTION 24,
BLOCK 58, TOWNSHIP 6, T&P RAILWAY CO SURVEY, A-5964
REEVES COUNTY, TEXAS

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

Exhibit "A"
Lease Schedule of Assignment
Reeves County, Texas

Date : 08/23/2005
Lease # : RB2404
Lessor : H. L. HAWKINS, JR., INC.
Lessee : 777 ENERGY LP, A TEXAS LIMITED PARTNERSHIP
Recorded: Book: 711 Page: 344 Instrument:
Description: SEE BELOW
459.28 ACRES MORE OR LESS BEING THE WEST 2/3 OF SECTION 24, BLOCK 58, TOWNSHIP 6, T&P RAILWAY CO. SURVEY, A-5856, REEVES COUNTY, TEXAS

Date : 03/05/2005
Lease # : RB3601
Lessor : JAMES R. ASHLOCK, DEALING IN HIS SEPARATE PROPERTY, AS AGENT FOR THE STATE OF TEXAS M-105242
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 697 Page: 808 Instrument:
Description: SEE BELOW
160.0 ACRES, MORE OR LESS, BEING THE NORTH 160.0 ACRES OF SECTION 36, BLOCK 58, PSL, A-3532, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4301
Lessor : JAMES ROBERT HILL, VIRGINIA GLENN HILL LATTIMORE AND JOHN A. STYRSKY, AS CO-TRUSTEES OF THE HOUSTON AND EMMA HILL TRUST ESTATE AND JAMES ROBERT HILL AND VIRGINIA GLENN HILL LATTIMORE, INDIVIUDALLY, AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 193 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND A-4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL, A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4302
Lessor : DOROTHY HILL, F/K/A DOROTHY JEAN KEENOM, INDIVIDUALLY AND AS TRUSTEE OF THE THOMAS HILL PUFF TRUST AND AS TRUSTEE OF THE NANCY PUFF JONES TRUST, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 167 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND 4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL, A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4303
Lessor : WALTRIP MARITAL TRUST, KENNETH M. WALTRIP, TRUSTEE; MSW REVOCABLE TRUST, MARGERY L. HANNA, TRUSTEE; D/B/A HILL TRUSTS UNDER CERTAIN AGENCY AGREEMENT DATED JUNE 8, 1996, AS AGENT FOR STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 221 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND 4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL, A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

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

Exhibit "A"
Lease Schedule of Assignment
Reeves County, Texas

Date : 04/25/2005
Lease # : RB4304
Lessor : HILL INVESTMENTS LTD, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 128 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND 4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL, A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4305
Lessor : H-S MINERALS & REALTY LTD, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 701 Page: 141 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND 4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL, A-4006; AND 640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007 REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4306
Lessor : LAWRENCE HILL MEEKER, DANIEL HILL MEEKER AND JULIAN WADE MEEKER, AS CO-TRUSTEES UNDER THE WILL OF J. R. MEEKER, DECEASED FOR THE LIFETIME BENEFIT OF L. H. MEEKER, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 52 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND A-4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL A-4006; AND
640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4307
Lessor : MEEKER INVESTMENTS, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 39 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND A-4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL A-4006; AND
640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007, REEVES COUNTY, TEXAS

Date : 04/25/2005
Lease # : RB4308
Lessor : AWP 1983 TRUST, WINDI GRIMES, SOLE TRUSTEE, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 704 Page: 66 Instrument:
Description: SEE BELOW
640 ACRES MORE OR LESS, BEING ALL OF SECTION 43, BLOCK 59, PSL, A-4005 AND A-4204;
640 ACRES MORE OR LESS, BEING ALL OF SECTION 44, BLOCK 59, PSL A-4006; AND
640 ACRES MORE OR LESS, BEING ALL OF SECTION 45, BLOCK 59, PSL, A-4007, REEVES COUNTY, TEXAS

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

Date : 02/08/2006
Lease # : RB4902
Lessor : KAY S. SORVILLO, ET AL
Lessee : 777 ENERGY, LP
Recorded: Book: 730 Page: 387 Instrument:
Description: SEE BELOW
160 ACRES OF LAND, MORE OR LESS, BEING THE E/4 OF SECTION 49,
BLOCK 71, PSL SURVEY, A-2372, REEVES COUNTY, TEXAS

Date : 02/08/2006
Lease # : RB4903
Lessor : RICHARD H. SWEANEY III
Lessee : 777 ENERGY, LP
Recorded: Book: 730 Page: 380 Instrument:
Description: SEE BELOW
160 ACRES OF LAND, MORE OR LESS, BEING THE E/4 OF SECTION 49,
BLOCK 71, PSL SURVEY, A-2372, REEVES COUNTY, TEXAS

Date : 02/08/2006
Lease # : RB4904
Lessor : GARY W. SWEANEY
Lessee : 777 ENERGY, LP
Recorded: Book: 730 Page: 373 Instrument:
Description: SEE BELOW
160 ACRES OF LAND, MORE OR LESS, BEING THE E/4 OF SECTION 49,
BLOCK 71, PSL SURVEY, A-2372, REEVES COUNTY, TEXAS

Date : 11/09/2005
Lease # : RB0402
Lessor : BILLIE MAC JOBE & WIFE LEXA DEAN JOBE
Lessee : 777 ENERGY, LP
Recorded: Book: .717 Page: 446 Instrument:
Description: SEE BELOW
240.0 ACRES OF LAND, MORE OR LESS, BEING THE SW/4
& E/2 SE/4 OF SECTION 4, BLOCK C-18, PSL, A-5565
REEVES COUNTY, TEXAS

Date : 10/21/2005
Lease # : RB1501
Lessor : J. GEORGE ROSS, JR.
Lessee : 777 ENERGY LP, A TEXAS LIMITED PARTNERSHIP
Recorded: Book: 719 Page: 79 Instrument:
Description: SEE BELOW
182.86 ACRES MORE OR LESS, BEING THE NORTH 182 6/7 ACRES OF THE
N/2 OF SECTION 15, BLOCK 59, PSL, A-3386
REEVES COUNTY, TEXAS

Date : 07/18/2005
Lease # : RB4601
Lessor : PAUL M. WINKLER, AS AGENT FOR THE
STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 709 Page: 661 Instrument:
Description: SEE BELOW
320 ACRES OF LAND, MORE OR LESS, BEING THE W/2 OF SECTION 46,
BLOCK 55, TOWNSHIP 5, T&P RAILWAY CO. SURVEY, A-1970,
REEVES COUNTY, TEXAS

Exhibit "A"
Lease Schedule of Assignment
Reeves County, Texas

Date : 07/18/2005
Lease # : RB4602
Lessor : MORRIS B. WINKLER, AS AGENT FOR THE STATE OF TEXAS
Lessee : DWIGHT SNELL & ASSOCIATES
Recorded: Book: 709 Page: 673 Instrument:
Description: SEE BELOW
320 ACRES OF LAND, MORE OR LESS, BEING THE W/2 OF SECTION 46, BLOCK 55, TOWNSHIP 5, T&P RAILWAY CO. SURVEY, A-1970, REEVES COUNTY, TEXAS

Date : 08/12/2005
Lease # : RB4603
Lessor : VIRGINIA DARE MCKINNEY, AS AGENT FOR THE STATE OF TEXAS
Lessee : 777 ENERGY, LP
Recorded: Book: 711 Page: 290 Instrument:
Description: SEE BELOW
320 ACRES OF LAND, MORE OR LESS, BEING THE W/2 OF SECTION 46, BLOCK 55, TOWNSHIP 5, T&P RAILWAY CO. SURVEY, A-1970, REEVES COUNTY, TEXAS

Certificate of Record

50.00/xx Recording Fee

16.00/xx Certified Copy Fee

66.00/xx Total Paid

001669

FILED FOR RECORD
2008 APR 29 AM 9:18

COMPARED

Return to:

Alpine

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. 790 PAGE 344 DATE RECORDED 05/02/2008

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
By _____, Deputy

BEAR GRAPHICS, INC.

(12.)

File No. MT 105235

Assignment

Date Filed: 7/9/08

Jerry E. Patterson, Commissioner

By

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

See 2nd page

July 9, 2008

Debbie Kimbrell
Alpine Energy, LP
3409 S. Broadway, Suite 600.
Edmond, OK 73013

RE: GLO Assignment ID # 6467

Dear Ms. Kimbrell,

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

> Assignment of Oil and Gas Leases, executed March 26th, 2008, from Chesapeake Exploration, LLC, as Assignor, to Alpine Energy, LP, as Assignee. Reeves Co. Vol. 789, P. 72.

Filing fees of $125.00 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

105235
105494
108406

Exhibit "A"

GLO ID	*County*	*Lease*
6467	*Reeves*	MF105235
6467	*Reeves*	MF105494
6467	*Reeves*	MF108406

FILE#1411

105235
105494

ASSIGNMENT OF OIL AND GAS LEASES

STATE OF TEXAS)
) KNOW ALL PERSONS BY THESE PRESENTS:
COUNTY OF REEVES)

CHESAPEAKE EXPLORATION, L.L.C., whose address is P.O. Box 18496, Oklahoma City, OK 73154-0496, ("Assignor"), for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby GRANT, BARGAIN, SELL, TRANSFER, ASSIGN and CONVEY unto **ALPINE ENERGY, LP**, whose address is 3409 S. Broadway, Suite 600, Edmond, Oklahoma 73013, ("Assignee"), twenty-five percent (25.0%) of Assignor's right, title and interest in the lease(s) as described on Exhibit "A", attached hereto.

This assignment is executed without warranty of title, except by, through and under Assignor. This special warranty extends to the defense of title in and to said lease(s) and the delivery thereof to Assignee free and clear of any and all encumbrances, liens, mortgages and judgments created (voluntarily or involuntarily) by Assignor. The terms hereof shall extend and be binding upon the parties hereto, their heirs, successors and assigns.

This assignment is subject to the terms and conditions of that certain Purchase, Sale and Development Agreement dated May 4, 2006 by and between Chesapeake Exploration Limited Partnership and 777 Energy, LP, as amended.

The terms, covenants and conditions hereof shall be binding upon and shall inure to the benefit of Assignor and Assignee, their respective successors, heirs and assigns; and such terms, covenants and conditions shall be covenants running with said lease(s) and with each transfer or assignment of said lease(s), or interest therein.

IN WITNESS WHEREOF, this instrument is dated the 18th day of March, 2008, but is effective as of March 1, 2008.

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 26th day of March, 2008, by Henry J. Hood, as Senior Vice President - Land and Legal & General Counsel of Chesapeake Exploration, L.L.C. on behalf of said limited liability company.

DEBBIE F. ALLEN
Oklahoma County
Notary Public in and for
State of Oklahoma
Commission # 06013703 Expires 8/22/08

Debbie F. Allen
Notary Public

My Commission Expires: _____
Commission Number: _____

30

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

EXHIBIT "A"
Leases

Attached to and by reference made a part of that certain Assignment of Oil and Gas Leases dated March 18, 2008; effective March 1, 2008 by and between Chesapeake Exploration, L.L.C., as Assignor, and Alpine Energy, LP, as Assignee.

(All recording information pertains to the Official Public Records in Reeves County, Texas)

Lessor	Date	Description	Sec.	Blk.	Survey	County	Gross Acres	Vol./Page
Charles R. Meeker Trust U/A Bank of America N.A. Trustee	10/23/2007	North 7/16	44	59	PSL	Reeves	280.00	779/273
Charles R. Meeker Trust U/A Bank of America N.A. Trustee	10/23/2007	North 7/16	45	59	PSL	Reeves	280.00	779/263
Charles R. Meeker Trust U/A Bank of America N.A. Trustee	10/23/2007	North 7/16	43	59	PSL	Reeves	280.00	779/283
Charles R. Meeker Trust U/A Bank of America N.A. Trustee	10/23/2007	East 7/16 of South 1/2	4	71	PSL	Reeves	140.00	779/293
Charles R. Meeker Trust U/A Bank of America N.A. Trustee	10/23/2007	South 7/16	2	71	PSL	Reeves	170.57	779/303
Charles R. Meeker Trust U/A Bank of America N.A. Trustee	10/23/2007	East 1/3; South 1/3; West 1/3 of East 3/4; East 1/3 of West 3/4; North 1/3; All	24; 7; 8; 9; 16; 18	58 T-6; 70; C-17; C-17; C-18; C-18	T&P RR; PSL; PSL; PSL; PSL; PSL	Reeves	1144.60	782/601
Roberta M. Regan Testamentary Trust, Bank of America N.A., Trustee	6/11/2007	All	19	72	PSL	Reeves	478.50	778/423
Roberta M. Regan Testamentary Trust, Bank of America N.A., Trustee	6/11/2007	All l&e NW/4	39	72	PSL	Reeves	480.00	778/433
Roberta M. Regan Testamentary Trust, Bank of America N.A., Trustee	6/11/2007	West 1/2	43	72	PSL	Reeves	320.00	778/428
Roberta M. Regan Testamentary Trust, Bank of America N.A., Trustee	6/11/2007	All	42	72	PSL	Reeves	640.00	778/438
State of Texas Lease No. M-108406	10/2/2007	East 1/2	43	72	PSL	Reeves	320.00	780/150
Jane B. Ramsland, W. Forest Wynn and Christy B. Mallams Motycka	6/12/2007	All l&e NW/4; All; W/2	39; 42; 43	72	PSL	Reeves	1440.00	772/567
ROSS FAMILY TRUST	2/7/2008	All l&e NW/4; All; W/2	39; 42; 43	72	PSL	Reeves	1440.00	File No. 997
MARGARET F. WHITE	2/7/2008	All l&e NW/4; All; W/2	39; 42; 43	72	PSL	Reeves	1440.00	784/224
Wells Fargo Bank, N.A., Agent for the Laurie Barr Family Trust	12/31/2007	All l&e NW/4; All; W/2	39; 42; 43	72	PSL	Reeves	1440.00	File No. 1200

105235 I
105494
105494

It is the Assignors' intent to convey to Assignee 25.0% of Assignors' right, title, and interest in and to the said leases, insofar and only insofar as said leases cover the lands described hereinabove, regardless of incorrect or misspelled names or incorrect recording references.

END OF EXHIBIT "A"

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# 1411

FILED FOR RECORD ON THE 11TH DAY OF APRIL A.D. 2008 10:37 A.M.

DULY RECORDED ON THE 16TH DAY OF APRIL A.D. 2008 10:00 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

(13)

File No. MF105335

assignment

Date Filed: 7/9/08

By 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. 789, PAGE 72, THRU 73, OPR.

I hereby certified on 04/21/2008

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY _____ DEPUTY

TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

see 2nd page

July 9, 2008

Debbie Kimbrell
Alpine Energy, LP
3409 S. Broadway, Suite 600.
Edmond, OK 73013

RE: GLO Assignment ID # 6468

Dear Ms. Kimbrell,

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

> Assignment of Oil and Gas Leases, executed April 28th, 2008 from Alpine Energy, LP, as Assignor, to Alpine Energy, LP, Crusader Energy Group, LLC, Barrilla Energy, LP and WTG Exploration, Inc., as Assignees. Reeves Co. Vol. 792, P. 350.

Filing fees of $100.00 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,

✓ 105235
✓ 105494

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Exhibit "A"

GLO ID	*County*	*Lease*
6468	*Reeves*	MF105235
6468	*Reeves*	MF105494

BOOK 792 PAGE 350

FILE# 2060

AFTER RECORDED, RETURN TO:
Alpine Energy, LP
3409 S. Broadway, Suite 600
Edmond, OK 73013

ASSIGNMENT OF OIL AND GAS LEASES

KNOW ALL MEN BY THESE PRESENTS:

THAT the undersigned, **ALPINE ENERGY LP, a Texas limited partnership,** 3409 South Broadway, Suite 600, Edmond, Oklahoma 73013-3735, hereinafter referred to as "Assignor", for and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby grant, bargain, sell, transfer, convey and assign to the parties listed below (hereinafter collectively referred to as "ASSIGNEES"), in the interests shown opposite their names, in and to the oil and gas leases described on Exhibit "A", attached hereto and made a part hereof, said lands being located in **Reeves County, Texas.**

Alpine Energy, LP, a Texas limited partnership 3409 S. Broadway, Suite 600 Edmond, OK 73013	6.505695%
Crusader Energy Group, LLC 4747 Gaillardia Parkway Oklahoma City, OK 73142	12.43750%
Barrilla Energy, LP, a Texas limited partnership 1309 Boomer Trail Edmond, OK 73034	.125000%
WTG Exploration, Inc. 401 West Wadley Avenue Midland, TX 79705-5339	5.931805%
TOTAL	25.000000%

This assignment is subject to the terms and conditions of the following agreements:

a. The interest assigned to ASSIGNEES is subject to that certain unrecorded Purchase, Sale and Development Agreement dated May 4, 2006, by and between 777 Energy, LP and Chesapeake Exploration Limited Partnership, together with all amendments thereto, and the ratifications thereof executed by Assignees.

This assignment is executed without warranty of title, either express or implied. The terms hereof shall extend and be binding upon the parties hereto, their heirs, successors and assigns.

This instrument is executed this 28th day of April, 2008, but effective March 1, 2008.

Alpine Energy, LP, a Texas limited partnership, by
Alpine GP, LLC, an Oklahoma LLC, General
Partner

By: _____
David J. Kurtz, Manager

STATE OF OKLAHOMA)
)ss
COUNTY OF OKLAHOMA)

This instrument was acknowledged before me on this 28th day of April, 2008, by David J. Kurtz, Manager of Alpine GP, LLC, an Oklahoma LLC, General Partner of Alpine Energy, LP, a Texas limited partnership.

_____
Deborah Kimbrell, Notary Public

My Commission Expires: 1-21-09

DEBORAH KIMBRELL
NOTARY PUBLIC - OKLAHOMA
COMM # 01012707
EXPIRES 1-21-09

Rainbow Prospect CHK AMI

31

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

EXHIBIT 'A'
Lease Schedule of Assignment
REEVES County, TEXAS

Date : 10/23/2007
Lease # : RB0209
Lessor : CHARLES R. MEEKER TRUST U/A BANK OF AMERICA NA, TRUSTEE
AGENT STATE OF TEXAS
Lessee : PINNACLE LAND SERVICES INC.
Recorded: Book: 779 Page: 303 Instrument:
Description: SEE BELOW
THE SOUTH 7/16 OF SECTION 2, A-5996, BLOCK 71, PSL, REEVES COUNTY, TEXAS,

Date : 10/23/2007
Lease # : RB0406
Lessor : CHARLES R. MEEKER TRUST U/A BANK OF AMERICA N.A., TRUSTEE
AGENT STATE OF TEXAS
Lessee : PINNACLE LAND SERVICES INC.
Recorded: Book: 779 Page: 293 Instrument:
Description: SEE BELOW
THE NORTH 7/16 OF THE SOUTH 1/2 OF SECTION 4, A-6000, BLOCK 71, PSL, REEVES COUNTY, TEXAS,

Date : 12/19/2007
Lease # : RB2405
Lessor : CHARLES R. MEEKER TRUST U/A BANK OF AMERICA N.A., TRUSTEE
Lessee : CHESAPEAKE EXPLORATION LLC
Recorded: Book: 782 Page: 601 Instrument:
Description: SEE BELOW
TRACT 1: EAST 1/3 OF SECTION 24, BLOCK 58, TOWNSHIP 6 SOUTH, T&P 44, A-5984; TRACT 2: SOUTH 1/3 OF SECTION 7, BLOCK 70, PSL, A-5959; TRACT 3: WEST 1/3 OF THE EAST 3/4 OF SECTION 8, BLOCK C-17, PSL, A-5961; TRACT 4: EAST 1/3 OF THE WEST 3/4 OF SECTION 9, BLOCK C-17, PSL, A-5966; TRACT 5: NORTH 1/3 OF SECTION 16, BLOCK C-18, PSL, A-5741; TRACT 6: ALL OF SECTION 18, BLOCK C-18, PSL, A-5742

Date : 10/23/2007
Lease # : RB4310
Lessor : CHARLES R. MEEKER TRUST U/A BANK OF AMERICA N.A., TRUSTEE
AGENT STATE OF TEXAS
Lessee : PINNACLE LAND SERVICES
Recorded: Book: 779 Page: 283 Instrument:
Description: SEE BELOW
THE NORTH 7/16 OF SECTION 43, A-4005, BLOCK 59, PSL, REEVES COUNTY, TEXAS,

Date : 10/23/2007
Lease # : RB4401
Lessor : CHARLES R. MEEKER TRUST U/A BANK OF AMERICA N.A., TRUSTEE
AGENT STATE OF TEXAS
Lessee : PINNACLE LAND SERVICES INC.
Recorded: Book: 779 Page: 273 Instrument:
Description: SEE BELOW
THE NORTH 7/16 OF SECTION 44, A-4006, BLOCK 59, PSL, REEVES COUNTY, TEXAS,

Date : 10/23/2007
Lease # : RB4501
Lessor : CHARLES R. MEEKER TRUST U/A BANK OF AMERICA N.A., TRUSTEE
AGENT STATE OF TEXAS
Lessee : PINNACLE LAND SERVICES INC.
Recorded: Book: 779 Page: 263 Instrument:
Description: SEE BELOW
THE NORTH 7/16 OF SECTION 45, A-4007, BLOCK 59, PSL, REEVES COUNTY, 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# 2060

FILED FOR RECORD ON THE 21ST DAY OF MAY A.D. 2008 3:13 P.M.

DULY RECORDED ON THE 27TH DAY OF MAY A.D. 2008 2:00 P. M.

BY: Josie Flores, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

(14)

File No. MF705235

Assignments

Date Filed: 7/9/08

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. 782 PAGE 350 THRU 351 OFFICIAL RECORDS PUBLIC

I hereby certified on MAY 29, 2008

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

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 •

TEXAS GENERAL LAND OFFICE
P O BOX 12873
AUSTIN TX 78711-2873

RECEIVED
OCT 26 2009
GENERAL LAND OFFICE

ATTN: CARL BONN, Energy Resources
03111

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:

Alpine Energy, LP
3409 S. Broadway Ste 600
Edmond, OK 73013

ME 105 235

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X [signature] ☐ Agent ☐ Addressee

B. Received by (*Printed Name*) RK DAX

C. Date of Delivery 10-21

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 5379 6037

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

7007 0710 0000 5379 6037

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com®

OFFICIAL USE

Postage	$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	$

Postmark Here

Sent To

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

Important Reminders:

- 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

TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

October 20, 2009

Certified Mail # 7007 0710 0000 5379 6037

Alpine Energy, LP
3409 S. Broadway, Ste 600
Edmond, OK 73013

RE: MF105235
Termination for non-payment of rental
Reeves County

Gentlemen:

Our records indicate that the captioned lease has terminated for failure to pay the delay rental due April 25, 2009.

Any well on these tracts 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 (512) 463-5407.

Sincerely,

Carl Bonn, Landman
Mineral Leasing, Energy Resources
Phone: (512) 463-5407
Fax: (512) 475-1543
carl.bonn@glo.state.tx.us

15

File No. MF105235
Termin for Rental Non-Pay

Date Filed: 10-20-09
Jerry E. Patterson, Commissioner
By Carl Bonn

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 •

TEXAS GENERAL LAND OFFICE
P O BOX 12873
AUSTIN TX 78711-2873

ATTN: CARL BONN, Energy Resources
03111

RECEIVED
OCT 26 2009
GENERAL LAND OFFICE

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:

Chesapeake Expl LLC
PO Box 18496
Oklahoma City, OK 73154

MF105235

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 5379 6044

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com®

OFFICIAL USE

Postage	$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	$

Postmark Here

Sent To

Street, Apt. No.; or PO Box No.

City, State, ZIP+4

PS Form 3800, August 2006 **See Reverse for Instructions**

7007 0710 0000 5379 6044

Certified Mail Provides:

- A mailing receipt
- A unique identifier for your mailpiece
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- 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

TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

October 20, 2009

Certified Mail # 7007 0710 0000 5379 6044

Chesapeake Exploration, LLC
PO Box 18496
Oklahoma City, OK 73154-0496

RE: MF105235
Termination for non-payment of rental
Reeves County

Gentlemen:

Our records indicate that the captioned lease has terminated for failure to pay the delay rental due April 25, 2009.

Any well on these tracts 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 (512) 463-5407.

Sincerely,

Carl Bonn, Landman
Mineral Leasing, Energy Resources
Phone: (512) 463-5407
Fax: (512) 475-1543
carl.bonn@glo.state.tx.us

16

File No. MF105235
Termin Rental Ltr

Date Filed: 10-20-09
Jerry E. Patterson, Commissioner
By Carl Bonn

Chesapeake ENERGY

Permian Land Department

Permianteal

January 26, 2010

VIA OVERNIGHT COURIER

Ms. Beverly Boyd
Texas General Land Office
1700 N. Congress Ave.
Suite 935
Austin, Texas 78701-1495

Re: Filing of Release of Lease
MF 105235, Sections 43, 44 and 45, Block 59, PSL Survey
Reeves County, Texas

Dear Ms. Boyd:

Enclosed please find a certified copy of the above mentioned Release of Lease ("Release") located in Reeves County, Texas. Chesapeake Exploration, L.L.C. ("Chesapeake") desires to file this Release with the General Land Office.

Also enclosed, is Chesapeake's check number 1234714 in the amount of $25.00 which represents the required filing fee of $25.00 per Release.

Should you have any questions in this regard, please call me at (405) 935-4344.

Sincerely,

Chesapeake Exploration, L.L.C.

Rebecca Young

Rebecca Young
Assistant Landman

Enclosures

Chesapeake Energy Corporation
P.O. Box 18496 • Oklahoma City, OK 73154-0496 • 6100 N. Western Avenue • Oklahoma City, OK 73118
405.935.8000 • fax 405.935.4251

Chesapeake Operating, Inc.

10704063

008019 TX GENERAL LAND OFFICE

No. 1234714

VOUCHER NUMBER	INVOICE DATE	INVOICE NUMBER	DESCRIPTION OR GROSS AMOUNT DISCOUNT	NET AMOUNT
458267	01/12/10	011210B	BALMORHEA PROSP REC FEE	25.00

#17

File No. MF105235

Letter w/ Release

Date Filed: 1-28-10

Jerry E. Patterson, Commissioner

By B Boyd

1-28-10

FILE # 3733

RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS)
) SS:
COUNTY OF REEVES)

The undersigned parties hereto do hereby release, relinquish and surrender all of their right, title and interest in and to that certain Oil and Gas Lease located in Reeves County, Texas, and described as follows:

LESSOR: State of Texas, acting by and through its agent, Dorothy Hill, f/k/a Dorothy Jean Keenom, Individually and as Trustee of the Thomas Hill Puff Trust and as Trustee of the Nancy Puff Jones Trust
LESSEE: Dwight Snell & Associates
DATE: April 25, 2005
RECORDED: Vol. 701, Pg. 167
DESCRIPTION: Block 59, Public School Land Survey, A-4005 & A-4204
Section 43: All
Block 59, Public School Land Survey, A-4006
Section 44: All
Block 59, Public School Land Survey, A-4007
Section 45: All
STATE LEASE: MF105235

This Release of Oil and Gas Lease may be executed in any number of counterparts. For recording purposes, the signature and acknowledgement pages from multiple counterparts may be assembled into a single document.

IN WITNESS WHEREOF, this instrument is executed on the date of the acknowledgments, as shown below, but to be effective as of April 25, 2009.

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

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

K2X Operating Company, LP, a Texas limited partnership as successor in interest to Alpine Energy, LP, a Texas limited partnership, by Alpine GP, LLC, an Oklahoma limited liability company, General Partner

By:_____
David J. Kurtz, Manager

12-37

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

Rec 1-27-10

RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS)
) SS:
COUNTY OF REEVES)

The undersigned parties hereto do hereby release, relinquish and surrender all of their right, title and interest in and to that certain Oil and Gas Lease located in Reeves County, Texas, and described as follows:

LESSOR:	State of Texas, acting by and through its agent, Dorothy Hill, f/k/a Dorothy Jean Keenom, Individually and as Trustee of the Thomas Hill Puff Trust and as Trustee of the Nancy Puff Jones Trust
LESSEE:	Dwight Snell & Associates
DATE:	April 25, 2005
RECORDED:	Vol. 701, Pg. 167
DESCRIPTION:	Block 59, Public School Land Survey, A-4005 & A-4204 Section 43: All Block 59, Public School Land Survey, A-4006 Section 44: All Block 59, Public School Land Survey, A-4007 Section 45: All
STATE LEASE:	MF105235

This Release of Oil and Gas Lease may be executed in any number of counterparts. For recording purposes, the signature and acknowledgement pages from multiple counterparts may be assembled into a single document.

IN WITNESS WHEREOF, this instrument is executed on the date of the acknowledgments, as shown below, but to be effective as of April 25, 2009.

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

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

K2X Operating Company, LP, a Texas limited partnership as successor in interest to Alpine Energy, LP, a Texas limited partnership, by Alpine GP, LLC, an Oklahoma limited liability company, General Partner

By:_____
David J. Kurtz, Manager

True and Correct
copy of
Original filed in
Reeves County
Clerk's Office

WTG Exploration, Inc.

By: David L. Davis
David L. Davis, Executive Vice President

Crusader Energy Group, LLC

By:_____
David D. LeNorman, President

Barrilla Energy, LP, a Texas limited partnership

By:_____
Mark Svoboda, Manager

ACKNOWLEDGEMENTS

STATE OF OKLAHOMA)
) ss:
COUNTY OF OKLAHOMA)

This instrument was acknowledged before me on this ____ day of _____, 2009, by Henry J. Hood, as Senior Vice President - Land and Legal & General Counsel of Chesapeake Exploration, L.L.C. on behalf of said limited liability company.

_____
Notary Public
My Commission Expires:_____
Commission Number:_____

STATE OF OKLAHOMA)
) ss:
COUNTY OF _____)

This instrument was acknowledged before me on _____, 2009, by David J. Kurtz, as Manager of Alpine GP, LLC, an Oklahoma limited liability company, General Partner of K2X Operating Company, LP, a Texas limited partnership, as successor in interest to Alpine Energy, LP a Texas limited partnership.

Commission Expires:
_____

_____
Notary Public

STATE OF TEXAS)
) ss:
COUNTY OF MIDLAND)

This instrument was acknowledged before me on November 12th, 2009, by David L. Davis, as Executive Vice President of WTG Exploration, Inc.

Commission Expires:
10.7.2012

KIM DEHART STEPHENS
MY COMMISSION EXPIRES
October 7, 2012

Kim DeHart-Stephens
Notary Public

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

WTG Exploration, Inc.

By:_____
David L. Davis, Executive Vice President

Crusader Energy Group, LLC

By:_____
David D. LeNorman, President

Barrilla Energy, LP, a Texas limited partnership

By:_____
Mark Svoboda, Manager

ACKNOWLEDGEMENTS

STATE OF OKLAHOMA)
) ss:
COUNTY OF OKLAHOMA)

This instrument was acknowledged before me on this ____ day of _____, 2009, by Henry J. Hood, as Senior Vice President - Land and Legal & General Counsel of Chesapeake Exploration, L.L.C. on behalf of said limited liability company.

_____
Notary Public
My Commission Expires:_____
Commission Number:_____

STATE OF OKLAHOMA)
) ss:
COUNTY OF _____)

This instrument was acknowledged before me on _____, 2009, by David J. Kurtz, as Manager of Alpine GP, LLC, an Oklahoma limited liability company, General Partner of K2X Operating Company, LP, a Texas limited partnership, as successor in interest to Alpine Energy, LP a Texas limited partnership.

Commission Expires:
_____

_____
Notary Public

STATE OF TEXAS)
) ss:
COUNTY OF _____)

This instrument was acknowledged before me on _____, 2009, by David L. Davis, as Executive Vice President of WTG Exploration, Inc.

Commission Expires:
_____

_____
Notary Public

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

WTG Exploration, Inc.

By:_____
David L. Davis, Executive Vice President

Crusader Energy Group, LLC

By:_____
David D. LeNorman, President

Barrilla Energy, LP, a Texas limited partnership

By:_____
Mark Svoboda, Manager

ACKNOWLEDGEMENTS

STATE OF OKLAHOMA)
) ss:
COUNTY OF OKLAHOMA)

This instrument was acknowledged before me on this ____ day of _____, 2009, by Henry J. Hood, as Senior Vice President - Land and Legal & General Counsel of Chesapeake Exploration, L.L.C. on behalf of said limited liability company.

_____
Notary Public
My Commission Expires:_____
Commission Number:_____

STATE OF OKLAHOMA)
) ss:
COUNTY OF _____)

This instrument was acknowledged before me on _____, 2009, by David J. Kurtz, as Manager of Alpine GP, LLC, an Oklahoma limited liability company, General Partner of K2X Operating Company, LP, a Texas limited partnership, as successor in interest to Alpine Energy, LP a Texas limited partnership.

Commission Expires:
_____

_____
Notary Public

STATE OF TEXAS)
) ss:
COUNTY OF _____)

This instrument was acknowledged before me on _____, 2009, by David L. Davis, as Executive Vice President of WTG Exploration, Inc.

Commission Expires:
_____

_____
Notary Public

True and Correct copy of Original filed in Reeves County ...rks Office

WTG Exploration, Inc.

By:_____
David L. Davis, Executive Vice President

Crusader Energy Group, LLC

By:_____
David D. LeNorman, President

Barrilla Energy, LP, a Texas limited partnership

By:_____
Mark Svoboda, Manager

ACKNOWLEDGEMENTS

STATE OF OKLAHOMA)
) ss:
COUNTY OF OKLAHOMA)

This instrument was acknowledged before me on this 13th day of November, 2009, by Henry J. Hood, as Senior Vice President - Land and Legal & General Counsel of Chesapeake Exploration, L.L.C. on behalf of said limited liability company.

NOTARY PUBLIC # 08011086 EXP. 11/07/12 STATE OF OKLAHOMA

_____
Notary Public
My Commission Expires: 11-7-12
Commission Number: 08011086

STATE OF OKLAHOMA)
) ss:
COUNTY OF _____)

This instrument was acknowledged before me on _____, 2009, by David J. Kurtz, as Manager of Alpine GP, LLC, an Oklahoma limited liability company, General Partner of K2X Operating Company, LP, a Texas limited partnership, as successor in interest to Alpine Energy, LP a Texas limited partnership.

Commission Expires:
_____

_____
Notary Public

STATE OF TEXAS)
) ss:
COUNTY OF _____)

This instrument was acknowledged before me on _____, 2009, by David L. Davis, as Executive Vice President of WTG Exploration, Inc.

Commission Expires:
_____

_____
Notary Public

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

WTG Exploration, Inc.

By:_____
David L. Davis, Executive Vice President

Crusader Energy Group, LLC

By:_____
David D. LeNorman, President

Barrilla Energy, LP, a Texas limited partnership

By:_____
Mark Svoboda, Manager

ACKNOWLEDGEMENTS

STATE OF OKLAHOMA)
) ss:
COUNTY OF OKLAHOMA)

This instrument was acknowledged before me on this ____ day of _____, 2009, by Henry J. Hood, as Senior Vice President - Land and Legal & General Counsel of Chesapeake Exploration, L.L.C. on behalf of said limited liability company.

_____
Notary Public
My Commission Expires:_____
Commission Number:_____

STATE OF OKLAHOMA)
) ss:
COUNTY OF Oklahoma)

This instrument was acknowledged before me on March 13, 2009, by David J. Kurtz, as Manager of Alpine GP, LLC, an Oklahoma limited liability company, General Partner of K2X Operating Company, LP, a Texas limited partnership, as successor in interest to Alpine Energy, LP a Texas limited partnership.

Commission Expires:
Jan 21, 2013

Deborah Kimbrell
Notary Public

OFFICIAL SEAL
DEBORAH KIMBRELL
NOTARY PUBLIC – OKLAHOMA
LOGAN COUNTY COMM #01000507
My Comm. Expires 1-21-13

STATE OF TEXAS)
) ss:
COUNTY OF _____)

This instrument was acknowledged before me on _____, 2009, by David L. Davis, as Executive Vice President of WTG Exploration, Inc.

Commission Expires:
_____

_____
Notary Public

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

STATE OF OKLAHOMA)
) ss:
COUNTY OF Oklahoma)

This instrument was acknowledged before me on November 17, 2009, by David D. LeNorman, President of Crusader Energy Group, LLC.

Commission Expires:
7/17/13

TINA J. HANAWAY NOTARY # 00011760 EXP. 07/17/13 PUBLIC STATE OF OKLAHOMA

Tina J. Hanaway
Notary Public

STATE OF OKLAHOMA)
) ss:
COUNTY OF _____)

This instrument was acknowledged before me on _____, 2009, by Mark Svoboda, Manager of Barrilla Energy, LP, a Texas limited partnership.

Commission Expires:
_____

_____
Notary Public

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

STATE OF OKLAHOMA)
) ss:
COUNTY OF _____)

This instrument was acknowledged before me on _____, 2009, by David D. LeNorman, President of Crusader Energy Group, LLC.

Commission Expires:
_____

_____
Notary Public

STATE OF OKLAHOMA)
) ss:
COUNTY OF _____)

This instrument was acknowledged before me on 23rd, November 2009, by Mark Svoboda, Manager of Barrilla Energy, LP, a Texas limited partnership.

MARCIA L. HOGECOURT NOTARY PUBLIC # 06009518 EXP. 09/28/10 STATE OF OKLAHOMA

Commission Expires:
_____

Marcia L. Hogecourt
Notary Public

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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# 3733

FILED FOR RECORD ON THE 7TH DAY OF DECEMBER A.D. 2009 1:52 P. M.

DULY RECORDED ON THE 9TH DAY OF DECEMBER A.D. 2009 1:00 P. M.

BY: Dalia Holguin, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

STATE OF TEXAS

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

#18

File No. MF105235

Date Filed: 1-28-10

Jerry E. Patterson, Commissioner

By B Boyd

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 833, PAGE 103, THRU 111 OFFICIAL PUBLIC RECORDS

I hereby certified on 12/17/2009

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

By Dalia Galindo DEPUTY

DALIA GALINDO

TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

January 28, 2010

Ms. Rebecca Young
Chesapeake Energy Corp.
PO Box 18496
Oklahoma City, OK 73154

Re: Release of State of Texas Lease - MF 105235, Reeves County

Dear Ms. Young,

The General Land Office received the following instrument on January 27, 2010. Said instrument has been filed in the mineral file stated above.

The release is effective April 25th, 2009 recorded in Reeves Co. Vol. 833, P. 103.
The $25.00 filing fee has been noted in the file.

Best regards,

Beverly Boyd
Energy Resources
Mineral Leasing

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

#19 File No. MF105235

CSLO Release Letter

Date Filed: 1-28-10

Jerry E. Patterson, Commissioner

By B Boyd

BOOK 853 PAGE 252

FILE # 3462

RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS)
) SS
COUNTY OF REEVES)

CHESAPEAKE EXPLORATION, L.L.C., successor by merger to Chesapeake Exploration Limited Partnership, whose address is P. O. Box 18496, Oklahoma City, Oklahoma, 73154-0496, does hereby release, relinquish and surrender all its right, title and interest in and to that certain Oil and Gas Lease located in Reeves County, Texas, and described as follows:

LESSOR:	ST/TX – James Robert Hill, Et al
LESSEE:	Dwight Snell & Associates
DATE:	April 25, 2005
RECORDED:	Vol. 701, Page 193
STATE LEASE #:	MF 105235

IN WITNESS WHEREOF, the undersigned owner and Lessee has signed this instrument this 30th day of August, 2010

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)
) ss:
COUNTY OF OKLAHOMA)

This instrument was acknowledged before me on this 30th day of August, 2010, by Henry J. Hood, as Senior Vice President - Land and Legal & General Counsel of Chesapeake Exploration, L.L.C. on behalf of said limited liability company.

Rebecca A Young
Notary Public

My Commission Expires: 8/12/12
Commission Number: 04007282

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REBECCA A. YOUNG NOTARY # 04007282 EXP. 08/12/12 PUBLIC STATE OF OKLAHOMA

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 # 3462

FILED FOR RECORD ON THE 29TH DAY OF SEPTEMBER A.D. 2010 2:46 P M.

DULY RECORDED ON THE 5TH DAY OF OCTOBER A.D. 2010 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

#20

File No. 105235

Release

Date Filed: 10-22-10

Jerry E. Patterson, Commissioner

By B Boyd

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. 853, PAGE 252 OFFICIAL RECORDS PUBLIC

I hereby certified on 10/06/2010

PHINNIE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY DEPUTY