STATE LEASE MF105285

#	LeaseDate	Acres	Status	CONTROL	BASEFILE	COUNTY	
A	Dec 01 2005	0.00	ACTIVE	07-105116	112233 -	REEVES	/195
B	Dec 01 2005	0.00	ACTIVE	07-105125	112232 -	REEVES	/195
C	Nov 03 2004	0.00	ACTIVE	07-105250	112297 -	REEVES	/195
D	Feb 18 2005	0.00	ACTIVE				
E	Oct 06 2004	0.00	ACTIVE				
F	Oct 06 2004	0.00	ACTIVE				

TERMINATION

DATE 12/01/2012
LEASING
MAPS
GIS MC

Rentals:

Lease Admin: DL

Mineral Maps: JP

SURVEY : PUBLIC SCHOOL LAND
BLOCK : 58
TOWNSHIP : 00
SECTION/TRACT: 31, 32, 42
PART :
ACRES : 1895.39 Gross } 1,444.33 Net
DEPTH LIMITS : NO

LESSEE : PETRO-HUNT LLC
LEASE DATE : Dec 01 2005
PRIMARY TERM : 3 yrs
BONUS ($) : 0.00
RENTAL ($) : 0.00
ROYALTY : 0.12500000
VAR ROYALTY :

(C)

F1027853

Contents of Mineral File Number: MF 105285

1. RAL Review 11-5-04
2a Lease A 3-24-06
2b Lease B 3-24-06
2c Lease C ~~1-19-05~~ [redacted]
2d Lease D 6-24-05
2e Lease E 12-21-04
2f Lease F 12-21-04
2g Lease G 12-21-04
2h Lease H 3-10-06
2i Lease I 3-10-06
2j Lease J 3-10-06
2K Lease K 3-10-06
2l Lease L 3-10-06
2M Lease M 2-13-06
3. Ltr, fees, bonus 6-24-05
4. Ltr, fees, bonus 3-24-06
5. Final ltr 10-17-06
6. 5 Bonus payments 3-10-06
7. Lease D rental payment 1-23-06
See MF 104258 #7 for assignment 2-22-07
8. Lease D rental payment 1-29-07
9. Lease M rental payment 11-27-06
10. Blk 56 State 32 #1 well reports 1-24-07
11. Blk 58 State 31-3 #1H well permit plat W-1+ 1-22-07
See MF 104530 #16 for Pooling Agree. 9-25-07
12. 3 rental payments 9-12-07
13. 1 rental payment 10-9-07
14. 1 rental payment 11-14-07
See MF 104580 #10 for Pooling 4194 Agreement 5-7-08
15. 3 rental payments Leases E-G 5th yr. 7-10-08
16. 1 rental payment Lease C 5th yr. 10-8-08
See MF 104528 for assignment 1-29-07
See MF 104781 #10 for assignment 10-9-08
17. Lease C rental payment 2nd 5th year payment 10-31-08
See MF 104580 #14 for Pooling Agree 2-6-09
18. Assignment Burlington → Petro-Hunt WI 1-29-09 3-11-09
See division order in MF 104580 #16 3-11-09
See MF 090897 #35 for assignment
See MF 104780 #10 Pooling Agree. 5-18-08
See MF 104580 #18 Pooling Agree 4554 3-18-10
19. Memo to file 10-7-11
20. ½ bonus for deep rights Lease G. 9-22-11
21. ½ bonus for deep rights Lease E 9-22-11
22. ½ bonus for deep rights Lease F 9-22-11
23. ½ bonus for deep rights Lease C 11-4-11
24. Refund request for 23. above 11-~~28~~ 19-11
25. iNut 4554 Blk 58 State 42 1-H well 3-11-10 ~~8-5-09~~
26. Memo to file - status of leases in iNut 4554 9-28-10
27. Shut in royalty payments Leases B-M (I paid twice) 11-1-11
28. Ltr re: questions about shut-in royalty payments 11-4-11
29. Email re: length of lateral for Blk 58, State 31-3 iNut 11-~~8~~-11

over →

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24. Refund request for 23. above 11-19-11
25. iNet 4554 Blk 58 State 42 1-H well 3-11-10 8-5-09
26. Memo to file - status of leases in iNet 4554 9-28-10
27. Shut in royalty payments Leases B-M (I paid twice) 11-1-11
28. Ltr re: questions about shut-in royalty payments 11-4-11
29. Email re: length of lateral for Blk 58, State 31-3 iNet 11-8-11

over →

MF105285

30. Request for shut in royalty affidavit 11-19-11
31. Shut in roy payments - Lease B-M - Ipd twice 2-22-12
32. Emails re: double shut in payments + no shut in payments 3-14-12
33. Shut in roy payments - Lease B-M - Ipd twice 2-15-13
34. Tract participation from Unit 4554 3-20-13
35. Email re: shut in royalties & expired units 1-17-12
36. Spreadsheet: status of shut in roy payments & deep rights retention 10-25-13
37. Plat of undivided interest lease lands 10-25-13
38. P15 Blk 58 State 31-3 Well #1H 12-18-09
39. LTR Re: extension of Deep Rights 4-3-12
40. SWEPI Shut-in Payments 02/18/14
41. Shell Shut-in Payments 06/06/14
42. Plat 09/30/14
43. Production Report: 42-389-32398 09/30/2014
44. Production Report: 42-389-32452 09/30/2014
45. Production Report: 42-389-32497 09/30/2014
46. Termination Letter 09/30/2014
47. Email re Minimum Royalty Payment 09/30/2014
48. Well Timeline 09/30/2014
49. Email re Lease Inquiry 09/30/2014
50. DIVISION ORDER 4.5.12

51. Release 04/22/15
52. Ltr + fees - release 04/22/15
53. Limited Review Billing 6/5/15.
scanned sm 7/28/15
8/4/16
See MF052863#83 FY14 Demand Letter
See MF104580 item #33 for plugging report 42-389-32497
scanned pj 9-20-16
54. Ltr. From Concho 2/26/18
scanned pj 3-1-2018

RAL REVIEW SHEET

Transaction # 4350 **Geologist:** R. Widmayer

Lessor: Henderson, Ann Covington **Lease Date:** 10/6/2004 **UL** ☐

Lessee: Shaw Interests, Inc. **Acres:** 1280.4

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	[redacted]	112233	ALL	31	58	00	PUBLIC SCHOOL LAND	3154
REEVES	[redacted]	112232	ALL	32	58	00	PUBLIC SCHOOL LAND	3153
REEVES	[redacted]	112297	ALL	42	58	00	PUBLIC SCHOOL LAND	3155

TERMS OFFERED

Primary Term:	5 years
Bonus/Acre:	$50.00
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

Comments: 4th and 5th year rentals will be $16.67 per acre. Total of 5 undivided leases with this file. Also: Wells Fargo Bank with two leases in this group, gross 1895.47 adding 07-105250, 615.07 acres, each lease net 94.7735, dated 12/1/05.

Approved: _____

Thursday, October 19, 2006

11/5/04

RAL REVIEW SHEET

Transaction # 4350 **Geologist:** R. Widmayer

Lessor: Henderson, Ann Covington **Lease Date:** 10/6/2004 **UL** ☐

Lessee: Shaw Interests, Inc. **Acres:** 78.246667

LEASE DESCRIPTION

County	Acres	ID	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	640.3209	07-105116	112233	ALL	31	58	00	PUBLIC SCHOOL LAND	3154
REEVES	640	07-105125	112232	ALL	32	58	00	PUBLIC SCHOOL LAND	3153
	615.07		[redacted]		42	58			3155
	1895.39 Ac.								

TERMS OFFERED		TERMS RECOMMENDED	
Primary Term:	5 years	**Primary Term**	5 years
Bonus/Acre:	$50.00	**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

Comments: Jane C. Drake has 78.24666667 acres also. 4th and 5th year rentals will be $16.67 per acre.

Approved: RAB 11-5-04

Friday, November 05, 2004

RELINQUISHMENT 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: 05-Nov-04

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

Applicant:	Shaw Interests, Inc.	County:	REEVES
Prim. Term:	5 years	Bonus/Acre	$150.00
Royalty:	1/5	Rental/Acre	$1.00

Consideration
Recommended: RAB Date: 11.5.04
Not Recommended: _____
Comments: Jane C. Drake has 78.24666667 acres also. 4th and 5th year rentals will be $16.67 per acre.

Lease Form
Recommended: Rbt Date: 11/05/04
Not Recommended: _____
Comments:

Matt Edling, Deputy Commissioner Date: 11-10-04
Recommended: me
Not Recommended: _____

Bill Warnick, General Counsel Date: 11/22/04
Recommended: WTW
Not Recommended: _____

Larry Laine, Chief Clerk Date: 11/22/04
Approved: JJL
Not Approved: _____

Jerry Patterson, Commissioner Date: 22 NOV 04
Approved: [signature]
Not Approved: _____

1.

File No. MF 105285

BHR Review

Date Filed: 11/5/04

Jerry E. Patterson, Commissioner

By _____

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

The State of Texas

Austin, Texas

paid-p

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 1st day of December, 2005, between the State of Texas, acting

By and through its agent, Wells Fargo Bank, N.A., Wells Fargo Bank, N.A., as Trustee for the Catherine Funk Wall Trust A

Of P.O Box 1959, Midland, TX 79702
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Petro Hunt, L.L.C.

Of 1601 Elm Street, Suite 3400, Dallas, TX 75201-7201 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:

1,895.47 acres of land, more or less, being fully described as three (3) tracts in "Exhibit "A" attached hereto and made a part hereof.

It is the intent hereof for each lease to be separate and distinct, and they are included together solely to avoid a multiplicity of documents.

Containing 1,895.47 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Fourteen Thousand Two Hundred and Sixteen and 03/100 Dollars ($14,216.03)

To the owner of the soil: Fourteen Thousand Two Hundred and Sixteen and 03/100 Dollars ($14,216.03)

Total bonus consideration: Twenty- Eight Thousand Four Hundred Thirty-Two and 06/100 Dollars ($28,432.06)

The total bonus consideration paid represents a bonus of Three Hundred and no/100 Dollars ($300.00) per acre, on 94.7735 net acres.

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

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90-42-2

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 THIS IS A PAID-UP LEASE _____ 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-fourth (1/4) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be 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-fourth (1/4) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality 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-fourth (1/4) part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is 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-fourth (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

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paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

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

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

8. PLANT FUEL AND RECYCLED GAS. No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which 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,

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Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

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

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

LESSEE

BY: _____

Title: Bruce W. Hunt, President

Date 02/16/06 Wash 2/16/06

STATE OF TEXAS

BY: _____
Individually and as agent for the State of Texas
Date: 12-27-05

STATE OF TEXAS

BY: _____
Individually and as agent for the State of Texas
Date: _____

STATE OF TEXAS

BY: _____
Individually and as agent for the State of Texas
Date: _____

STATE OF TEXAS

BY: _____
Individually and as agent for the State of Texas
Date: _____

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STATE OF Texas (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Dallas

BEFORE ME, the undersigned authority, on this day personally appeared Bruce W. Hunt known to me to be the person whose name is subscribed to the foregoing instruments as President of Petro-Hunt, L.L.C. 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.~~ company

Given under my hand and seal of office this the 17th day of February, 2006.

SUSAN M. LECROY NOTARY PUBLIC STATE OF TEXAS EXPIRES 06-24-2008

Susan M. LeCroy

Notary Public in and for State of Texas

STATE OF Texas (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Midland

BEFORE ME, the undersigned authority, on this day personally appeared Jackie Self, Trust Asst Administrator known to me to be the person whose name is subscribed to the foregoing instruments as Trustee, Wells Fargo Bank, N.A. of Catherine Frank Wall Trust 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 27th day of December, 2005.

RICKA NEL BENTLEY NOTARY PUBLIC STATE OF TEXAS EXPIRES 04-20-2006

Ricka Nel Bentley

Notary Public in and for State of Texas

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____

known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

_____

Notary Public in and for _____

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____

known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

_____

Notary Public in and for _____

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ADDENDUM PROVISIONS - ¶ #40 thru #44

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. Lessee, (including his heirs, successors or assigns) agrees to properly plug and abandon at his sole risk, expense and liability, any well drilled or re-entered on the above-described land under the terms of this lease, and further agrees to hold the Lessor completely harmless from any plugging liability with respect to any such well or wells drilled and/or re-entered.

43. Lessee will timely provide Lessor with the same information Lessee provides the State of Texas, including daily drilling reports, upon request by Lessor.

44. If all or any part of the lands, the subject of this lease, subsequently are pooled or unitized by any lawful means, then this lease shall be deemed to create two or more separate and distinct leases, one covering and pertaining to each separate pooled or unitized tract as to the formation so pooled or unitized in such tract, and one covering or pertaining to all other lands and formations that are not so pooled or unitized. The lease terms and all rights and obligations of Lessee under this lease shall apply separately to the pooled or unitized acreage and to the non-pooled or non-unitized acreage, and as to the pooled or unitized acreage only to the specific formations(s) being pooled.

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

LESSOR

STATE OF TEXAS

Wells Fargo Bank, N.A., Trustee of the Catherine Funk Wall Trust A

By: _____
Jackie Self – Trust Asset Administrator
Individually and ~~as Agent for~~ the State of Texas

LESSEE

PETRO-HUNT L.L.C.

By: _____
Bruce W. Hunt, President

STATE OF TEXAS

COUNTY OF MIDLAND

This instrument was acknowledged before me on this the 27th day of December, 2005, by **Jackie Self, as Trust Asset Administrator of Wells Fargo Bank, N.A., Trustee.**

RICKA LEE BENTLEY NOTARY PUBLIC STATE OF TEXAS EXPIRES 04-20-2006

_____
Notary Public in and for the State of Texas

STATE OF TEXAS

COUNTY OF ~~MIDLAND~~ Dallas

This instrument was acknowledged before me on this the 17th day of February, 2006, by Bruce W. Hunt as President of Petro-Hunt, L.L.C.

SUSAN M. LEGROS NOTARY PUBLIC STATE OF TEXAS EXPIRES 06-24-2008

_____
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 September 1, 2005 from the **State of Texas, by and through its Agent, Wells Fargo Bank, N. A., Trustee and Wells Fargo Bank, N.A., Trustee of the Catherine Funk Wall Trust A,** in favor of **Petro-Hunt L.L.C.**, covering lands in Reeves County, Texas.

1,895.47 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: **640.2 acres of land,** more or less, being all of Section 31, Block 58, Public School Lands, Reeves County, Texas

Tract 2: **640.2 acres of land,** more or less, being all of Section 32, Block 58, Public School Lands, Reeves County, Texas

Tract 3:: **615.07 acres of land**, more or less, being all of Section 42, Block 58, Public School Lands, Reeves County, Texas

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EXHIBIT "B"

SURFACE USE AGREEMENT

Attached to and made a part of that certain Oil and Gas Lease dated September 1, 2005 from the **State of Texas, by and through its Agent, Wells Fargo Bank, N. A., Trustee and Wells Fargo Bank, N.A. Trustee fo the Catherine Funk Wall Trust A,** in favor of **Petro-Hunt L.L.C.** 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.

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.

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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.

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

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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:

Wells Fargo Bank, N.A., Trustee of the Catherine Wall Trust A

By: _____
Jackie Sell – Trust Asset Administrator
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. 1354

FILED FOR RECORD ON THE 13TH DAY OF MARCH A.D. 2006 11:20 A. M.

DULY RECORDED ON THE 13TH DAY OF MARCH A.D. 2006 3:00 P. M.

BY: _____, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

File No. MF 105285

Date Filed: 3-24-06

Jerry E. Patterson, Commissioner

By

File No.

Date Filed:

Jerry E. Patterson, Commissioner

By

2a.

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. 726 PAGE 625 THRU 638 OFFICIAL PUBLIC RECORDS

I hereby certified on MARCH 15, 2006

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

3.24.06

FILE# 1355 MF 105285B

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 1st day of December, 2005, between the State of Texas, acting

By and through its agent, Wells Fargo Bank, N.A., Wells Fargo Bank, N.A., as Trustee for the D.D. Wall Estate Trust A

Of P.O Box 1959, Midland, TX 79702
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Petro Hunt, L.L.C.

Of 1601 Elm Street, Suite 3400, Dallas, TX 75201-7201 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:

1,895.47 acres of land, more or less, being fully described as three (3) tracts in "Exhibit "A" attached hereto and made a part hereof.

It is the intent hereof for each lease to be separate and distinct, and they are included together solely to avoid a multiplicity of documents.

Containing 1,895.47 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Fourteen Thousand Two Hundred and Sixteen and 03/100 Dollars ($14,216.03)

To the owner of the soil: Fourteen Thousand Two Hundred and Sixteen and 03/100 Dollars ($14,216.03)

Total bonus consideration: Twenty-Eight Thousand Four Hundred Thirty-Two and 05/100 Dollars ($28,432.06)

The total bonus consideration paid represents a bonus of Three Hundred and no/100 Dollars ($300.00) per acre, on 94.7735 net acres.

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

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90-42-2

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 THIS IS A PAID-UP LEASE _____ 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-fourth (1/4) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be 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-fourth (1/4) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality 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-fourth (1/4) part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is 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-fourth (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

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paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

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

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

8. PLANT FUEL AND RECYCLED GAS. No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. ROYALTY PAYMENTS AND REPORTS. All royalties not taken in kind shall be paid to the Commissioner of the General Land Office at Austin, Texas, in the following manner:

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

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

(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,

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Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

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

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

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.

LESSEE

BY: _____

Title: Bruce W. Hunt, President

Date 02/6/06 WBH 3/14/06

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: 12-27-05

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

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

STATE OF Texas (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Dallas

BEFORE ME, the undersigned authority, on this day personally appeared Bruce W. Hunt known to me to be the person whose name is subscribed to the foregoing instruments as President of Petro-Hunt, L.L.C. 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 6th day of February, 2006.

SUSAN M. LEGROS NOTARY PUBLIC STATE OF TEXAS EXPIRES 06-24-2008

Susan M. Legros

Notary Public in and for State of Texas

STATE OF Texas (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Midland

BEFORE ME, the undersigned authority, on this day personally appeared Jackie Self, Trust Asset Administrator known to me to be the person whose name is subscribed to the foregoing instruments as Wells Fargo Bank, N.A., Trustee of D.D. Wall Estate Trust 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 27th day of December, 2006.

RICKA NEL BENTLEY NOTARY PUBLIC STATE OF TEXAS EXPIRES 04-20-2006

Ricka Nel Bentley

Notary Public in and for State of Texas

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____

_____

known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

_____

Notary Public in and for _____

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____

_____

known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

_____

Notary Public in and for _____

90424

True and Correct copy of Original filed in Reeves County

ADDENDUM PROVISIONS - ¶ #40 thru #44

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. Lessee, (including his heirs, successors or assigns) agrees to properly plug and abandon at his sole risk, expense and liability, any well drilled or re-entered on the above-described land under the terms of this lease, and further agrees to hold the Lessor completely harmless from any plugging liability with respect to any such well or wells drilled and/or re-entered.

43. Lessee will timely provide Lessor with the same information Lessee provides the State of Texas, including daily drilling reports, upon request by Lessor.

44. If all or any part of the lands, the subject of this lease, subsequently are pooled or unitized by any lawful means, then this lease shall be deemed to create two or more separate and distinct leases, one covering and pertaining to each separate pooled or unitized tract as to the formation so pooled or unitized in such tract, and one covering or pertaining to all other lands and formations that are not so pooled or unitized. The lease terms and all rights and obligations of Lessee under this lease shall apply separately to the pooled or unitized acreage and to the non-pooled or non-unitized acreage, and as to the pooled or unitized acreage only to the specific formations(s) being pooled.

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

LESSOR

STATE OF TEXAS

Wells Fargo Bank, N.A., Trustee of the D.D. Wall Estate Trust A

By: _____
Jackie Self – Trust Asset Administrator
Individually and as Agent for the State of Texas

LESSEE

PETRO-HUNT L.L.C.

By: _____
Bruce W. Hunt, President wah 2/15/06

STATE OF TEXAS

COUNTY OF MIDLAND

This instrument was acknowledged before me on this the 27th day of December, 2005, by **Jackie Self, as Trust Asset Administrator of Wells Fargo Bank, N.A., Trustee.**

RICKA NEL BENTLEY NOTARY PUBLIC STATE OF TEXAS EXPIRES 04-20-2006

Ricka Nel Bentley
Notary Public in and for the State of Texas

STATE OF TEXAS

COUNTY OF ~~MIDLAND~~ Dallas

This instrument was acknowledged before me on this the 17th day of February, 2006, by Bruce W. Hunt as President of Petro-Hunt L.L.C.

SUSAN M. LEEROY NOTARY PUBLIC STATE OF TEXAS EXPIRES 06-24-2008

Susan M. Leeroy
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 September 1, 2005 from the **State of Texas, by and through its Agent, Wells Fargo Bank, N. A., Trustee and Wells Fargo Bank, N.A., Trustee of the D.D. Walls Estate Trust A,** in favor of **Petro-Hunt L.L.C.**, covering lands in Reeves County, Texas.

1,895.47 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: **640.2 acres of land,** more or less, being all of Section 31, Block 58, Public School Lands, Reeves County, Texas

Tract 2: **640.2 acres of land,** more or less, being all of Section 32, Block 58, Public School Lands, Reeves County, Texas

Tract 3:: **615.07 acres of land,** more or less, being all of Section 42, Block 58, Public School Lands, Reeves County, Texas

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EXHIBIT "B"

SURFACE USE AGREEMENT

Attached to and made a part of that certain Oil and Gas Lease dated September 1, 2005 from the **State of Texas, by and through its Agent, Wells Fargo Bank, N. A., Trustee and Wells Fargo Bank, N.A. Trustee fo the D.D. Wall Estate Trust A,** in favor of **Petro-Hunt L.L.C.** 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.

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.

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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.

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

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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:

Wells Fargo Bank, N.A., Trustee of the D.D. Wall Estate Trust A

By: _____
Jackie Self – Trust Asset Administrator
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. 1355

FILED FOR RECORD ON THE 13TH DAY OF MARCH A.D. 2006 11:21 A. M.

DULY RECORDED ON THE 13TH DAY OF MARCH A.D. 2006 3:00 P. M.

BY: _____, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

90424

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

File No. 117052785

Date Filed: 3/24/06

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. 226 PAGE 639 THRU 652 OFFICIAL PUBLIC RECORDS

I hereby certified on MARCH 15, 2006

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

BOOK 689 PAGE 606

FILE #3237 MF 105285 C

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 3rd day of November, 2004, between the State of Texas, acting by and through its agent, Randy Camp as Independent Executor of the Estate of Nellie May Gohlke, deceased of 807 Eighth Streete, Suite 800, Wichita Falls, TX 76301
(Give Permanent Address)
said agent herein referred to as the owner of the soil (whether one or more), and Shaw Interests, Inc.
of P.O. Box 9612, Midland, TX 79708 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:

All of Sections 31 and 32, Block 58, Public School Land Survey

containing 1,280.4 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Four thousand eight hundred one and 50/100
Dollars ($4,801.50)

To the owner of the soil: Four thousand eight hundred one and 50/100
Dollars ($4,801.50)

Total bonus consideration: Nine thousand six hundred three and 00/100
Dollars ($9,603.00)

The total bonus consideration paid represents a bonus of One hundred fifty Dollars ($150.00) per acre, on 64.02 net acres.

Notice of Confidentiality Rights: If you are a natural person, you may remove or strike any of the following information from this instrument before it is filed for record in the public records: your social security number or your driver's license number.

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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.

3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the pay directly to Lessor, at the above address, 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 for the first and second anniversary dates:

To the owner of the soil: Thirty two and 1/100
Dollars ($32.01)

To the State of Texas: Thirty two and 1/100
Dollars ($32.01)

Total Delay Rental: Sixty four and 2/100
Dollars ($64.02)

Payments under this paragraph shall be in the following amounts for the third and fourth anniversary dates, but shall not apply to the payment of shut-in royalties:

To the owner of the soil: Five hundred thirty three and 61/100
Dollars ($533.61)

To the State of Texas: Five hundred thirty three and 61/100
Dollars ($533.61)

Total Delay Rental: One thousand sixty seven and 22/100
Dollars ($1,067.22)

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 1/5 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 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 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

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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 1/5 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.

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

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rules, any signage on the leased premises for the purpose of identifying wells, tank batteries or other associated improvements to the land must also include the word "State." Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above-described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to the total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after the making of said survey.

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

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

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

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

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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) CONTINUOUS DEVELOPMENT. If, at the end of the primary term, this lease is producing oil and/or gas or Lessee is engaged in operations or has engaged in operations for drilling or reworking a well on land covered hereby within sixty (60) days prior to the end of the primary term, this lease will remain in force as to all lands, so long as such operations are conducted on that well or successive wells with no cessation of more than one hundred eighty (180) days between the completion or abandonment of one well and the commencement of drilling operations or reworking operations on the succeeding well. For the purposes of this lease, commencement date shall be the date operations for drilling or reworking begin and abandonment abandonment date shall be "The Date Well Plugged" as set out on the Railroad Commission of Texas Form W-3 for a dry hole and completion date shall be the "Completion or Recompletion Date" as set out on the Railroad Commission of Texas Form W-2 for an oil well and the Railroad Commission of Texas Form G-1 for a gas well. The one hundred eighty day (180) day interval between wells drilled on said property after the expiration of the primary term, so as to constitute a drilling program thereon shall be cumulative, to the end that any portion of such one hundred eighty (180) day interval between wells not utilized or taken by Lessee may be added to and form a portion of the interval for drilling the next or any other succeeding well on the property. Upon the cessation of such operations, this lease shall terminate insofar as it covers all of the land described herein except land allocated to wells for production, disposal and/or injection purposes as designated by the Lessee. Said land set out for production purposes by Lessee shall be in accordance with the spacing pattern or patterns designated by the Railroad Commission of Texas, so as to allow the maximum allowable production for each oil and/or gas well. In the event of such partial termination of this lease: (1) Notwithstanding such termination, Lessee shall have a continuing right-of-way easement on, over and across all of the land initially covered by this lease for the construction, use, maintenance, replacement and/or removal of pipelines, roads, electric lines, tanks and other facilities following such termination and (2) in the event Lessee is disposing of and/or injecting water, either by trucking or directly into a well or wells, Lessee shall have the exclusive right to continue such disposal and/or injection of water into that well or wells until such time as production of oil and/or gas from all wells on said land have permanently ceased. (No water produced from land not covered by this lease shall be disposed of or injected into any well located on land covered by this lease without the express written consent of Lessor.)

(B) 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.

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

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

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

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

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

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

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

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(B) REDUCTION OF PAYMENTS. If, during the primary term, a portion of the land covered by this lease is included within the boundaries of a pooled unit that has been approved by the School Land Board and the owner of the soil in accordance with Natural Resources Code Sections 52.151-52.154, or if, at any time after the expiration of the primary term or the extended term, this lease covers a lesser number of acres than the total amount described herein, payments that are made on a per acre basis hereunder shall be reduced according to the number of acres pooled, released, surrendered, or otherwise severed, so that payments determined on a per acre basis under the terms of this lease during the primary term shall be calculated based upon the number of acres outside the boundaries of a pooled unit, or, if after the expiration of the primary term, the number of acres actually retained and covered by this lease.

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

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

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

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

25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

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

27. (A) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change 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.

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Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. **LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND THE STATE OF TEXAS AND THE OWNER OF THE SOIL FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.**

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

38. EXECUTION. This oil and gas lease must be signed and acknowledged by the Lessee before it is filed of record in the county records and in the General Land Office of the State of Texas. Once the filing requirements found in Paragraph 39 of this lease have been satisfied, the effective date of this lease shall be the date found on Page 1.

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

40. The pooling authority granted by Paragraph 34 of this Oil and Gas Lease is limited as follows: the creation of a unit by such pooling shall be based on the following criteria: a unit formed by such pooling for an oil well shall not exceed 40 acres plus a maximum acreage tolerance of ten percent (10%); and for a gas well shall not exceed 320 acres plus a maximum tolerance of ten percent (10%) provided that a larger unit may be formed for an oil well or gas well or a horizontal completion of either of same to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction thereof. The term "oil well" means a well with an initial gas-roll ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas – oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent equipment; and the term "horizontal completion" means a well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. Production from or operations on a pooled unit or units embracing a portion or portions of the leased premises shall maintain this lease in force only as to the acreage embraced in such unit or units. This lease may be maintained as to acreage not included in such unit or units in any manner provided herein.

LESSEE: Shaw Interests, Inc.

By: Maner B. Shaw

Title: President

Date: 11-29-04

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Randy Camp as Independent Executor of the Estate of Nellie May Gohlke, deceased

Date: 11/8/04

54-65F7902

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

BY: _____

Individually and as agent for the State of Texas

Date: _____

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STATE OF Texas (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Midland

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

Given under my hand and seal of office this the 29th day of November, 2004.

DEBORAH L. FORD
MY COMMISSION EXPIRES
November 10, 2007

Deborah L Ford
Notary Public in and for State of Texas

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Wichita

BEFORE ME, the undersigned authority, on this day personally appeared Randy Camp as Independent Executor of the Estate of Nellie May Gohlke, deceased known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that she executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 8 day of November, 2004.

MARY JO KEE
Notary Public, State of Texas
My Comm. Expires 10-24-2007

Mary Jo Kee
Notary Public in and for 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. 3237

FILED FOR RECORD ON THE 21ST DAY OF DECEMBER A.D. 2004 AT 8:00 A. M.

DULY RECORDED ON THE 22ND DAY OF DECEMBER A.D. 2004 AT 11:00 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

2c.

File No. MF105285

Date Filed: 1-19-05

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. 689, PAGE 606, THRU 614.

I hereby certified on 12/27/2004

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

(9)

FILE# 2212 MF 105285-D

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

Rid up

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

The State of Texas

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 18th day of February, 2005, between the State of Texas, acting by and through its agent, Dela Minerals, Inc., of P.O. Box 2539, Midland, TX 79702

(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Petro-Hunt LLC

of 1601 Elm Street, Suite 3400, Dallas, TX 75201-7201 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:

Sections 31 & 32, Block 58, Public School Land Survey

containing 1,280.20 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Forty eight thousand seven and 50/100
Dollars ($ 48,007.50)

To the owner of the soil: Forty eight thousand seven and 50/100
Dollars ($ 48,007.50)

Total bonus consideration: Ninety six thousand fifteen and no/100
Dollars ($ 96,015.00)

The total bonus consideration paid represents a bonus of One hundred fifty and no/100
Dollars ($ 150.00) per acre, on 640.10 net acres.

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

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

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94.42.9

_____ 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: Three hundred twenty and 05/100
Dollars ($ 320.05)
To the State of Texas: Three hundred twenty and 05/100
Dollars ($ 320.05)
Total Delay Rental: Six hundred forty and 10/100
Dollars ($ 640.10)

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 1/4th 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 1/4th 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 1/4th 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 1/4th part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

5. **MINIMUM ROYALTY.** During any year after the expiration of the primary term of this lease, if this lease is maintained by production, the royalties paid under this lease in no event shall be less than an amount equal to the total annual delay rental herein provided; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of this lease a sum equal to the total annual rental less the amount of royalties paid during the preceding year. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

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

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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 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)

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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 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.

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

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

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

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

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

(B) REDUCTION OF PAYMENTS. If, during the primary term, a portion of the land covered by this lease is included within the boundaries of a pooled unit that has been approved by the School Land Board and the owner of the soil in accordance with Natural Resources Code Sections 52.151-52.154, or if, at any time after the expiration of the primary term or the extended term, this lease covers a lesser number of acres than the total amount described herein, payments that are made on a per acre basis hereunder shall be reduced according to the number of acres pooled, released, surrendered, or otherwise severed, so that payments determined on a per acre basis under the terms of this lease during the primary term shall be calculated based upon the number of acres outside the boundaries of a pooled unit, or, if after the expiration of the primary term, the number of acres actually retained and covered by this lease.

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

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

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

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

25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and

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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 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

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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 General Land Office in accordance with Texas Natural Resources Code 52.183. Additionally, this lease shall not be binding upon the State unless it

STATE OF TEXAS ★ REEVES COUNTY ★

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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.

40. PAID-UP RENTALS. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, this Lease is a Paid-Up Lease. Delay rentals for the second and third years have been prepaid. The receipt of the rentals is hereby acknowledged by the State of Texas and by Fred P. Armstrong & Ingrid U. Armstrong each party having received $130.00 for the prepaid rentals.

LESSEE

PETRO-HUNT, LLC

BY: B W Hunt
BRUCE W. HUNT

Title: President

Date: 05/16/05

STATE OF TEXAS

BY: Gary N. Covington
Gary N. Covington, President of Dela Minerals, Inc.
Individually and as agent for the State of Texas

Date: March 22, 2005

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS REEVES COUNTY
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STATE OF Texas (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Dallas

BEFORE ME, the undersigned authority, on this day personally appeared Bruce W. Hunt known to me to be the person whose name is subscribed to the foregoing instruments as President of Petro-Hunt, LLC 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~~ Company.

Given under my hand and seal of office this the 16th day of May, 20 05.

SUSAN M. LEROY NOTARY PUBLIC STATE OF TEXAS EXPIRES 06-24-2008

Susan M. LeRoy

Notary Public in and for State of Texas

STATE OF Texas (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Midland

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

Given under my hand and seal of office this the 22nd day of March, 20 05.

DOUGLAS W FERGUSON My Commission Expires February 12, 2009

Notary Public in and for

STATE OF (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF

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

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

Notary Public in and for _____

STATE OF (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF

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

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

Notary Public in and for _____

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. 2212

FILED FOR RECORD ON THE 9TH DAY OF JUNE A.D. 2005 3:06 P M.

DULY RECORDED ON THE 10TH 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

5143.9

File No. 2 MF105285 (2D)
Lease D

Date Filed: 6-24-05

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. 702 PAGE 695 THRU 703 OFFICIAL PUBLIC RECORDS

I hereby certified on 06/10/2005

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

6-24-05

BOOK 687 PAGE 799

FILE #2923 MF105285E

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 6th day of October, 2004, between the State of Texas, acting by and through its agent, Ted Michael Covington

of 1417 W. Twohig, San Angelo, TX 76901

(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Shaw Interests, Inc.

of P.O. Box 9612, Midland, TX 79708 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:

All of Sections 31 and 32, Block 58, Public School Land Survey

containing 1,280.4 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Five thousand eight hundred sixty eight and 50/100 Dollars ($5,868.50)

To the owner of the soil: Five thousand eight hundred sixty eight and 50/100 Dollars ($5,868.50)

Total bonus consideration: Eleven thousand seven hundred thirty seven and 00/100 Dollars ($11,737.00)

The total bonus consideration paid represents a bonus of One hundred fifty Dollars ($150.00) per acre, on 78.24666667 net acres.

Notice of Confidentiality Rights: If you are a natural person, you may remove or strike any of the following information from this instrument before it is filed for record in the public records: your social security number or your driver's license number.

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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.

3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the pay directly to Lessor, at the above address, 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 for the first and second anniversary dates:

To the owner of the soil: Thirty nine and 12/100
Dollars ($39.12)

To the State of Texas: Thirty nine and 12/100
Dollars ($39.12)

Total Delay Rental: Seventy eight and 24/100
Dollars ($78.24)

Payments under this paragraph shall be in the following amounts for the third and fourth anniversary dates, but shall not apply to the payment of shut-in royalties:

To the owner of the soil: Six hundred fifty one and 79/100
Dollars ($651.79)

To the State of Texas: Six hundred fifty one and 79/100
Dollars ($651.79)

Total Delay Rental: One thousand three hundred three and 58/100
Dollars ($1,303.58)

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 1/5 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 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 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

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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 1/5 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.

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

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rules, any signage on the leased premises for the purpose of identifying wells, tank batteries or other associated improvements to the land must also include the word "State." Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above-described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to the total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after the making of said survey.

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

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

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

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

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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 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.

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(B) REDUCTION OF PAYMENTS. If, during the primary term, a portion of the land covered by this lease is included within the boundaries of a pooled unit that has been approved by the School Land Board and the owner of the soil in accordance with Natural Resources Code Sections 52.151-52.154, or if, at any time after the expiration of the primary term or the extended term, this lease covers a lesser number of acres than the total amount described herein, payments that are made on a per acre basis hereunder shall be reduced according to the number of acres pooled, released, surrendered, or otherwise severed, so that payments determined on a per acre basis under the terms of this lease during the primary term shall be calculated based upon the number of acres outside the boundaries of a pooled unit, or, if after the expiration of the primary term, the number of acres actually retained and covered by this lease.

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

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

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

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

25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

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

27. (A) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change 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.

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

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

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

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

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

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

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

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Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND THE STATE OF TEXAS AND THE OWNER OF THE SOIL FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.

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

38. EXECUTION. This oil and gas lease must be signed and acknowledged by the Lessee before it is filed of record in the county records and in the General Land Office of the State of Texas. Once the filing requirements found in Paragraph 39 of this lease have been satisfied, the effective date of this lease shall be the date found on Page 1.

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

LESSEE: Shaw Interests, Inc.

By: Maner B. Shaw

Title: President

Date: 10-20-04

STATE OF TEXAS

BY: Ted Michael Covington

Individually and as agent for the State of Texas

Ted Michael Covington

Date: 10-7-04

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

40.12.21

STATE OF TEXAS REEVES COUNTY

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

STATE OF Texas (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Midland

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

Given under my hand and seal of office this the 20th day of October, 2004.

DEBORAH L. FORD
MY COMMISSION EXPIRES
November 10, 2007

Deborah L. Ford

Notary Public in and for State of Texas

STATE OF Texas (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Tom Green

BEFORE ME, the undersigned authority, on this day personally appeared Ted Michael Covington known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that she executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 7 day of October, 2004.

SHEILA SWINEHART
Notary Public, State of Texas
My Commission Expires
August 20, 2006

Sheila Swinehart

Notary Public in and for Tom Green County

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____

_____

known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

_____

Notary Public in and for _____

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. 2923

FILED FOR RECORD ON THE 1ST DAY OF DECEMBER A.D. 2004 AT 3:33 P. M.

DULY RECORDED ON THE 2ND DAY OF DECEMBER A.D. 2004 AT 11:00 A. M.

BY: Estella Anaya, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

File No. MF105285
Lease E

2R.

Date Filed:

Jerry E. Patterson, Commissioner

By

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL 687, PAGE 702 THRU 710

I hereby certified on 03 DECEMBER 04

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY DEPUTY

FILE #2921 MF 105285 F

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 6th day of October, 2004, between the State of Texas, acting by and through its agent, Ann Covington Henderson

of 2708 University Ave., San Angelo, TX 76904
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Shaw Interests, Inc.

of P.O. Box 9612, Midland, TX 79708 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:

All of Sections 31 and 32, Block 58, Public School Land Survey

containing 1,280.4 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Five thousand eight hundred sixty eight and 50/100
Dollars ($5,868.50)

To the owner of the soil: Five thousand eight hundred sixty eight and 50/100
Dollars ($5,868.50)

Total bonus consideration: Eleven thousand seven hundred thirty seven and 00/100
Dollars ($11,737.00)

The total bonus consideration paid represents a bonus of One hundred fifty Dollars ($150.00) per acre, on 78.24666667 net acres.

Notice of Confidentiality Rights: If you are a natural person, you may remove or strike any of the following information from this instrument before it is filed for record in the public records: your social security number or your driver's license number.

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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.

3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the pay directly to Lessor, at the above address 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 for the first and second anniversary dates:

To the owner of the soil: Thirty nine and 12/100
Dollars ($39.12)

To the State of Texas: Thirty nine and 12/100
Dollars ($39.12)

Total Delay Rental: Seventy eight and 24/100
Dollars ($78.24)

Payments under this paragraph shall be in the following amounts for the third and fourth anniversary dates, but shall not apply to the payment of shut-in royalties:

To the owner of the soil: Six hundred fifty one and 79/100
Dollars ($651.79)

To the State of Texas: Six hundred fifty one and 79/100
Dollars ($651.79)

Total Delay Rental: One thousand three hundred three and 58/100
Dollars ($1,303.58)

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 1/5 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 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 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

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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 1/5 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.

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

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Railroad Commission or any other governmental agency shall include the word "State" in the title. Additionally, in accordance with Railroad Commission rules, any signage on the leased premises for the purpose of identifying wells, tank batteries or other associated improvements to the land must also include the word "State." Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above-described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to the total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after the making of said survey.

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

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

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

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

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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 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.

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(B) **REDUCTION OF PAYMENTS.** If, during the primary term, a portion of the land covered by this lease is included within the boundaries of a pooled unit that has been approved by the School Land Board and the owner of the soil in accordance with Natural Resources Code Sections 52.151-52.154, or if, at any time after the expiration of the primary term or the extended term, this lease covers a lesser number of acres than the total amount described herein, payments that are made on a per acre basis hereunder shall be reduced according to the number of acres pooled, released, surrendered, or otherwise severed, so that payments determined on a per acre basis under the terms of this lease during the primary term shall be calculated based upon the number of acres outside the boundaries of a pooled unit, or, if after the expiration of the primary term, the number of acres actually retained and covered by this lease.

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

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

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

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

25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

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

27. (A) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change 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.

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

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

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

32. **FORFEITURE.** If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

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

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

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

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

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Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND THE STATE OF TEXAS AND THE OWNER OF THE SOIL FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.

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

38. EXECUTION. This oil and gas lease must be signed and acknowledged by the Lessee before it is filed of record in the county records and in the General Land Office of the State of Texas. Once the filing requirements found in Paragraph 39 of this lease have been satisfied, the effective date of this lease shall be the date found on Page 1.

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

LESSEE: Shaw Interests, Inc.

By: Maner B. Shaw

Title: President

Date: 10-11-04

STATE OF TEXAS

BY: Ann Covington Henderson

Individually and as agent for the State of Texas

Ann Covington Henderson

Date: 10-8-04

S.S. # 462-46-4144

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

10-12-21

STATE OF TEXAS REEVES COUNTY

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STATE OF Texas (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Midland

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

Given under my hand and seal of office this the 11th day of October, 2004.

DEBORAH L FORD
MY COMMISSION EXPIRES
November 10, 2007

Deborah L. Ford
Notary Public in and for State of Texas

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF TOM GREEN

BEFORE ME, the undersigned authority, on this day personally appeared Ann Covington Henderson known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that she executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 4 day of OCT, 2004.

SECCA CARDWELL
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 07-03-05

Notary Public in and for 7-3-2005

STATE OF (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF

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

known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

Notary Public in and for

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. 2921

FILED FOR RECORD ON THE 1ST DAY OF DECEMBER A.D. 2004 AT 3:33 P. M.

DULY RECORDED ON THE 2ND DAY OF DECEMBER A.D. 2004 AT 11:00 A. M.

BY: Estella Anaya, 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 105285 2f.
Lease F

Date Filed: 12-21-04
Jerry E. Patterson, Commissioner
By AD



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. 687, PAGE 684 THRU 692

I hereby certified on 03 DECEMBER 04

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Norma Chavez DEPUTY

FILE #2922 MF 105285 G

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 6th day of October, 2004, between the State of Texas, acting by and through its agent, Jane Covington Drake

of 2707 Harvard Ave., San Angelo, TX 76904
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Shaw Interests, Inc.

of P.O. Box 9612, Midland, TX 79708 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:

All of Sections 31 and 32, Block 58, Public School Land Survey

containing 1,280.4 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Five thousand eight hundred sixty eight and 50/100 Dollars ($5,868.50)

To the owner of the soil: Five thousand eight hundred sixty eight and 50/100 Dollars ($5,868.50)

Total bonus consideration: Eleven thousand seven hundred thirty seven and 00/100 Dollars ($11,737.00)

The total bonus consideration paid represents a bonus of One hundred fifty Dollars ($150.00) per acre, on 78.24666667 net acres.

Notice of Confidentiality Rights: If you are a natural person, you may remove or strike any of the following information from this instrument before it is filed for record in the public records: your social security number or your driver's license number.

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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.

3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the pay directly to Lessor, at the above address

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 for the first and second anniversary dates:

To the owner of the soil: Thirty nine and 12/100
Dollars ($39.12)
To the State of Texas: Thirty nine and 12/100
Dollars ($39.12)
Total Delay Rental: Seventy eight and 24/100
Dollars ($78.24)

Payments under this paragraph shall be in the following amounts for the third and fourth anniversary dates, but shall not apply to the payment of shut-in royalties:

To the owner of the soil: Six hundred fifty one and 79/100
Dollars ($651.79)
To the State of Texas: Six hundred fifty one and 79/100
Dollars ($651.79)
Total Delay Rental: One thousand three hundred three and 58/100
Dollars ($1,303.58)

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 1/5 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 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 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

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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 1/5_____ 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.

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

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Railroad Commission or any other governmental agency shall include the word "State" in the title. Additionally, in accordance with Railroad Commission rules, any signage on the leased premises for the purpose of identifying wells, tank batteries or other associated improvements to the land must also include the word "State." Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above-described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to the total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after the making of said survey.

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

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

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

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

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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 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.

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(B) **REDUCTION OF PAYMENTS.** If, during the primary term, a portion of the land covered by this lease is included within the boundaries of a pooled unit that has been approved by the School Land Board and the owner of the soil in accordance with Natural Resources Code Sections 52.151-52.154, or if, at any time after the expiration of the primary term or the extended term, this lease covers a lesser number of acres than the total amount described herein, payments that are made on a per acre basis hereunder shall be reduced according to the number of acres pooled, released, surrendered, or otherwise severed, so that payments determined on a per acre basis under the terms of this lease during the primary term shall be calculated based upon the number of acres outside the boundaries of a pooled unit, or, if after the expiration of the primary term, the number of acres actually retained and covered by this lease.

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

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

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

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

25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

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

27. (A) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change 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.

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

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

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

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

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

35. INDEMNITY. Lessee hereby releases and discharges the State of Texas and the owner of the soil, their officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns, of and from all and any actions and causes of action of every nature, or other harm, including environmental harm, for which recovery of damages is sought, including, but not limited to, all losses and expenses which are caused by the activities of Lessee, its officers, employees, and agents arising out of, incidental to, or resulting from, the operations of or for Lessee on the leased premises hereunder, or that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement, or by any other negligent or strictly liable act or omission of Lessee. Further, Lessee hereby agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees and agents, their successors or assigns, against any and all claims, liabilities, losses, damages, actions, personal injury (including death), costs and expenses, or other harm for which recovery of damages is sought, under any theory including tort, contract, or strict liability, including attorneys' fees and other legal expenses, including those related to environmental hazards, on the leased premises or in any way related to Lessee's failure to comply with any and all environmental laws; those arising from or in any way related to Lessee's operations or any other of Lessee's activities on the leased premises; those arising from Lessee's use of the surface of the leased premises; and those that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement or any other act or omission of Lessee, its directors, officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns. Each assignee of this Agreement, or an interest therein, agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees, and agents 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

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Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. **LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND THE STATE OF TEXAS AND THE OWNER OF THE SOIL FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.**

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

38. EXECUTION. This oil and gas lease must be signed and acknowledged by the Lessee before it is filed of record in the county records and in the General Land Office of the State of Texas. Once the filing requirements found in Paragraph 39 of this lease have been satisfied, the effective date of this lease shall be the date found on Page 1.

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

LESSEE: Shaw Interests, Inc.

By: Maner B. Shaw

Title: President

Date: 10-11-04

STATE OF TEXAS

BY: Jane Covington Drake

Individually and as agent for the State of Texas

Jane Covington Drake

Date: October 7, 2004

SSN 452-90-9546

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

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STATE OF Texas

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF Midland

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

Given under my hand and seal of office this the 11th day of October, 2004.

DEBORAH L. FORD
MY COMMISSION EXPIRES
November 10, 2007

Deborah L. Ford
Notary Public in and for State of Texas

STATE OF Texas
COUNTY OF Tom Green

(INDIVIDUAL ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Jane Covington Drake known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that she executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 7th day of October, 2004.

ARNOLD SCHNEEMANN, JR.
Notary Public
STATE OF TEXAS
My Comm. Exp. 03/31/2005

Notary Public in and for Tom Green

STATE OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____

_____

known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

_____

Notary Public in and for _____

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. 2922

FILED FOR RECORD ON THE 1ST DAY OF DECEMBER A.D. 2004 AT 3:33 P. M.

DULY RECORDED ON THE 2ND DAY OF DECEMBER A.D. 2004 AT 11:00 A. M.

BY: Estella Arroyo, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

10-12-21

STATE OF TEXAS
REEVES COUNTY

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

File No. 165385

Date Filed: 12/24/04

Jerry Patterson, Commissioner

By _____

29.

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. 687, PAGE 693, THRU 701

I hereby certified on 03 DECEMBER 04

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Norma Chavez, DEPUTY

15-51-04

FILE# 769

MF105285H

BOOK 724 PAGE 97

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 1st day of December, 2005, between the State of Texas, acting

By and through its agent, D D Wall Trust B

Of 2013 Augusta Drive, San Angelo, Texas 76904

(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Petro Hunt, L.L.C.

Of 1601 Elm Street, Suite 3400, Dallas, TX 75201-7201 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:

1,895.47 acres of land, more or less, being fully described as three (3) tracts in "Exhibit "A" attached hereto and made a part hereof.

It is the intent hereof for each lease to be separate and distinct, and they are included together solely to avoid a multiplicity of documents.

Containing 1,895.47 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Fourteen Thousand Two Hundred and Sixteen and 03/100 Dollars ($14,216.03)

To the owner of the soil: Fourteen Thousand Two Hundred and Sixteen and 03/100 Dollars ($14,216.03)

Total bonus consideration: Twenty- Eight Thousand Four Hundred Thirty-Two and 06/100 Dollars ($28,432.06)

The total bonus consideration paid represents a bonus of Three Hundred and no/100 Dollars ($300.00) per acre, on 94.7735 net acres.

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

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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 THIS IS A PAID-UP LEASE _____ 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-fourth (1/4) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be 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-fourth (1/4) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality 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-fourth (1/4) part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is 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-fourth (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

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paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

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

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

8. PLANT FUEL AND RECYCLED GAS. No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. ROYALTY PAYMENTS AND REPORTS. All royalties not taken in kind shall be paid to the Commissioner of the General Land Office at Austin, Texas, in the following manner:

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

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

(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,

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Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

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

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

LESSEE
PETRO-HUNT, L.L.C.
BY: B. W. Hunt
Title: Bruce W. Hunt, President
Date: 2/3/06 1/24/06

STATE OF TEXAS
BY: Dale L. Bates, Trustee
Trustee and as agent for the State of Texas
Date: 12-30-05

STATE OF TEXAS
BY: Dwin Bates, Trustee
Trustee and as agent for the State of Texas
Date: 12-30-05

STATE OF TEXAS
BY: T. L. Stephens, Trustee
Trustee and as agent for the State of Texas
Date: 12-30-05

STATE OF TEXAS
BY: J. T. Driskell
Trustee and as agent for the State of Texas
Date: 12-30-05

STATE OF TEXAS
BY: Allyson B. Baumeister, Trustee
Trustee and as agent for the State of Texas
Date: ~~12-30-05~~ 1/4/06

J. T. DRISKELL
Notary Public, State of Texas
My Commission Expires 05-24-2007

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

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF TomGREEN

BEFORE ME, the undersigned authority, on this day personally appeared Dale L Bates known to me to be the person whose name is subscribed to the foregoing instruments as Trustee. of DD Wall Trust B 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 30th day of December, 20 05.

J. T. DRISKELL
Notary Public, State of Texas
My Commission Expires 05-24-2007

J Driskell
Notary Public in and for Texas

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF TomGreen

BEFORE ME, the undersigned authority, on this day personally appeared Devin Bates, Trustee, DD Wall Trust B known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 30th day of December, 20 05

J. T. DRISKELL
Notary Public, State of Texas
My Commission Expires 05-24-2007

J Driskell
Notary Public in and for TEXAS

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF TomGreen

BEFORE ME, the undersigned authority, on this day personally appeared F.L. Stephens, Trustee, DD Wall Trust B known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 30th day of December 20 05

J. T. DRISKELL
Notary Public, State of Texas
My Commission Expires 05-24-2007

J Driskell
Notary Public in and for TEXAS

STATE OF Texas (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Tarrant

BEFORE ME, the undersigned authority, on this day personally appeared Allyson B. Baumeister, Trustee, DD Wall Trust B known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 4th day of January, 20 06.

DONNA J CAUDLE
NOTARY PUBLIC
State of Texas
Comm Exp. 08-17-2006

Donna J. Caudle
Notary Public in and for Texas

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

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____

_____

known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

_____

Notary Public in and for _____

STATE OF TEXAS (CORPORATE ACKNOWLEDGMENT)

COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared Bruce W. Hunt known to me to be the person whose name is subscribed to the foregoing instruments as President of Petro-Hunt, LLC, a Delaware limited liability company and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said company.

Given under my hand and seal of office this the 3rd day of ~~January~~ February, 2006.

SUSAN M. LECROY NOTARY PUBLIC STATE OF TEXAS EXPIRES 06-24-2008

Susan M. LeCroy

Notary Public in and for State of Texas

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ADDENDUM PROVISIONS - ¶ #40 thru #44

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. Lessee, (including his heirs, successors or assigns) agrees to properly plug and abandon at his sole risk, expense and liability, any well drilled or re-entered on the above-described land under the terms of this lease, and further agrees to hold the Lessor completely harmless from any plugging liability with respect to any such well or wells drilled and/or re-entered.

43. Lessee will timely provide Lessor with the same information Lessee provides the State of Texas, including daily drilling reports, upon request by Lessor.

44. If all or any part of the lands, the subject of this lease, subsequently are pooled or unitized by any lawful means, then this lease shall be deemed to create two or more separate and distinct leases, one covering and pertaining to each separate pooled or unitized tract as to the formation so pooled or unitized in such tract, and one covering or pertaining to all other lands and formations that are not so pooled or unitized. The lease terms and all rights and obligations of Lessee under this lease shall apply separately to the pooled or unitized acreage and to the non-pooled or non-unitized acreage, and as to the pooled or unitized acreage only to the specific formations(s) being pooled.

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EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated December 1, 2005 from the **State of Texas, by and through its Agent, Trustee of the Catherine Funk Wall Trust B,** in favor of **Petro-Hunt L.L.C.**, covering lands in Reeves County, Texas.

1,895.47 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: **640.2 acres of land,** more or less, being all of Section 31, Block 58, Public School Lands, Reeves County, Texas

Tract 2: **640.2 acres of land,** more or less, being all of Section 32, Block 58, Public School Lands, Reeves County, Texas

Tract 3:: **615.07 acres of land**, more or less, being all of Section 42, Block 58, Public School Lands, Reeves County, Texas

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EXHIBIT "B"

SURFACE USE AGREEMENT

Attached to and made a part of that certain Oil and Gas Lease dated September 1, 2005 from the **State of Texas, by and through its Agent, Trustee fo the Catherine Funk Wall Trust B,** in favor of **Petro-Hunt L.L.C.** 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.

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.

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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.

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.

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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.

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. 769

FILED FOR RECORD ON THE 15TH DAY OF FEBRUARY A.D. 2006 4:32 P. M.

DULY RECORDED ON THE 16TH DAY OF FEBRUARY A.D. 2006 11:00 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

24.

File No. OME 105285
Reeves H

Date Filed: 3-10-06

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. 724 PAGE 97 THRU 111 OFFICIAL PUBLIC RECORDS

I hereby certified on 02/20/2006

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

BOOK 724 PAGE 82

FILE# 768

MF105285 I
Paid VR

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 1st day of December, 2005, between the State of Texas, acting

By and through its agent, Catherine Funk Wall Trust B

Of 2013 Augusta Drive, San Angelo, Texas 76904
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Petro Hunt, L.L.C.

Of 1601 Elm Street, Suite 3400, Dallas, TX 75201-7201 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:

1,895.47 acres of land, more or less, being fully described as three (3) tracts in "Exhibit "A" attached hereto and made a part hereof.

It is the intent hereof for each lease to be separate and distinct, and they are included together solely to avoid a multiplicity of documents.

Containing 1,895.47 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Fourteen Thousand Two Hundred and Sixteen and 03/100
Dollars ($14,216.03)

To the owner of the soil: Fourteen Thousand Two Hundred and Sixteen and 03/100
Dollars ($14,216.03)

Total bonus consideration: Twenty- Eight Thousand Four Hundred Thirty-Two and 06/100
Dollars ($28,432.06)

The total bonus consideration paid represents a bonus of Three Hundred and no/100
Dollars ($300.00) per acre, on 94.7735 net acres.

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

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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 THIS IS A PAID-UP LEASE _____ 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-fourth (1/4) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be 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-fourth (1/4) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality 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-fourth (1/4) part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is 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-fourth (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

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paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

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

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

8. PLANT FUEL AND RECYCLED GAS. No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. ROYALTY PAYMENTS AND REPORTS. All royalties not taken in kind shall be paid to the Commissioner of the General Land Office at Austin, Texas, in the following manner:

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

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

(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,

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Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

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

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

LESSEE
PETRO-HUNT, LLC
BY: BW Hunt
Title: Bruce W. Hunt, President
Date: 2/3/06 1/31/06

STATE OF TEXAS
BY: Dale L. Bates, Trustee
Trustee and as agent for the State of Texas
Date: 12-30-05

STATE OF TEXAS
BY: Dwin Bates, Trustee
Trustee and as agent for the State of Texas
Date: 12-30-05

STATE OF TEXAS
BY: T-S Stephens, Trustee
Trustee and as agent for the State of Texas
Date: 12-30-05

STATE OF TEXAS
BY: J Driskell
Trustee and as agent for the State of Texas
Date: 12-30-05

J. T. DRISKELL
Notary Public, State of Texas
My Commission Expires 05-24-2007

STATE OF TEXAS
BY: Allyson B. Baumeister, Trustee
Trustee and as agent for the State of Texas
Date: 1/4/06

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

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Tom Green

BEFORE ME, the undersigned authority, on this day personally appeared Dale L. Bates known to me to be the person whose name is subscribed to the foregoing instruments as Trustee of Catherine Funk Wall Trust B 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 30th day of December, 2005.

J. T. DRISKELL
Notary Public, State of Texas
My Commission Expires 05-24-2007

J Driskell
Notary Public in and for Texas

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF TOM GREEN

BEFORE ME, the undersigned authority, on this day personally appeared Devin Bates, Trustee, Catherine Funk Wall Trust B known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 30th day of December, 2005.

J. T. DRISKELL
Notary Public, State of Texas
My Commission Expires 05-24-2007

J Driskell
Notary Public in and for TEXAS

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Tom Green

BEFORE ME, the undersigned authority, on this day personally appeared F. L. Stephens, Trustee, Catherine Funk Wall Trust B known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 30th day of December, 2005.

J. T. DRISKELL
Notary Public, State of Texas
My Commission Expires 05-24-2007

J Driskell
Notary Public in and for TEXAS

STATE OF Texas (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Tarrant

BEFORE ME, the undersigned authority, on this day personally appeared Allyson B. Baumeister, Trustee, Catherine Funk Wall Trust B known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 4th day of January, 2006.

DONNA J CAUDLE
NOTARY PUBLIC
State of Texas
Comm. Exp. 08-17-2006

Donna J. Caudle
Notary Public in and for Tarrant
Texas

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

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____

_____

known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

_____

Notary Public in and for _____

STATE OF TEXAS (CORPORATE ACKNOWLEDGMENT)

COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared Bruce W. Hunt known to me to be the person whose name is subscribed to the foregoing instruments as President of Petro-Hunt, LLC, a Delaware limited liability company and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said company.

Given under my hand and seal of office this the 3rd day of ~~January~~ February, 2006.

SUSAN M. LECROY NOTARY PUBLIC STATE OF TEXAS EXPIRES 06-24-2008

Susan M. LeCroy

Notary Public in and for State of Texas

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 December 1, 2005 from the **State of Texas, by and through its Agent, Trustee of the Catherine Funk Wall Trust B**, in favor of **Petro-Hunt L.L.C.**, covering lands in Reeves County, Texas.

1,895.47 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: **640.2 acres of land,** more or less, being all of Section 31, Block 58, Public School Lands, Reeves County, Texas

Tract 2: **640.2 acres of land,** more or less, being all of Section 32, Block 58, Public School Lands, Reeves County, Texas

Tract 3:: **615.07 acres of land**, more or less, being all of Section 42, Block 58, Public School Lands, Reeves County, Texas

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

ADDENDUM PROVISIONS - ¶ #40 thru #44

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. Lessee, (including his heirs, successors or assigns) agrees to properly plug and abandon at his sole risk, expense and liability, any well drilled or re-entered on the above-described land under the terms of this lease, and further agrees to hold the Lessor completely harmless from any plugging liability with respect to any such well or wells drilled and/or re-entered.

43. Lessee will timely provide Lessor with the same information Lessee provides the State of Texas, including daily drilling reports, upon request by Lessor.

44. If all or any part of the lands, the subject of this lease, subsequently are pooled or unitized by any lawful means, then this lease shall be deemed to create two or more separate and distinct leases, one covering and pertaining to each separate pooled or unitized tract as to the formation so pooled or unitized in such tract, and one covering or pertaining to all other lands and formations that are not so pooled or unitized. The lease terms and all rights and obligations of Lessee under this lease shall apply separately to the pooled or unitized acreage and to the non-pooled or non-unitized acreage, and as to the pooled or unitized acreage only to the specific formations(s) being pooled.

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 September 1, 2005 from the **State of Texas, by and through its Agent, Trustee fo the Catherine Funk Wall Trust B**, in favor of **Petro-Hunt L.L.C.** 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.

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.

STATE OF TEXAS REEVES COUNTY

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

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.

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.

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

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.

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. 768

FILED FOR RECORD ON THE 15TH DAY OF FEBRUARY A.D. 2006 4:32 P. M.

DULY RECORDED ON THE 16TH DAY OF FEBRUARY A.D. 2006 11:00 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. MF105285 2I.

Date Filed: 3-10-06

Jerry E. Patterson, Commissioner

By

RECEIVED

RECEIVED

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. 724 PAGE 82 THRU 96 OFFICIAL PUBLIC RECORDS

I hereby certified on 02/20/2006

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

MF105285J

BOOK 724 PAGE 31

FILE# 761

Paid up

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 1st day of September, 2005, between the State of Texas, acting by and through its agent, Wells Fargo Bank, N. A., Trustee of the Mary B. Harwit Unitrust of P.O. Box 1959, Midland, Texas 79702 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and Petro-Hunt, LLC of 1601 Elm Street, Suite 3400, Dallas, Texas 75201-7201 (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:

1895.47 acres of land, more or less, being more fully described as three (3) tracts in EXHIBIT "A" attached hereto and made a part hereof.

It is the intent hereof for each lease to be separate and distinct, and they are included together solely to avoid a multiplicity of documents.

Containing 1895.47 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Four thousand seven hundred thirty eight and 50/100 Dollars ($4,738.50)

To the owner of the soil: Four thousand seven hundred thirty eight and 50/100 Dollars ($4,738.50)

Total bonus consideration: Nine thousand four hundred seventy seven and no/100 Dollars ($9,477.00)

The total bonus consideration paid represents a bonus of one hundred fifty (150) Dollars ($150.00) per acre, on 63.18 net acres.

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

STATE OF TEXAS REEVES COUNTY

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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 THIS IS A PAID-UP LEASE _____ 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-fourth (1/4) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be 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 onefourth1/4 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 one-fourth (1/4) part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is 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-fourth (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.

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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
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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.

LESSEE

BY: _____

Title: James F. Clarke, Vice President

Date: 1/20/06

WAH 1/12/06

STATE OF TEXAS

BY: _____
Individually and as agent for the State of Texas

Date: 1/26/06

STATE OF TEXAS

BY: _____
Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____
Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____
Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS REEVES COUNTY

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STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared James F. Clarke known to me to be the person whose name is subscribed to the foregoing instruments as Vice President of Petro-Hunt, LLC, a Delaware limited liability company and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 20th day of January, 2006.

APRIL AGUILAR NOTARY PUBLIC STATE OF TEXAS EXPIRES 05-25-2009

Notary Public in and for State of Texas

STATE OF Texas (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Midland

BEFORE ME, the undersigned authority, on this day personally appeared Mayra Wiggins known to me to be the person whose name is subscribed to the foregoing instruments as Trust Officer of Wells Fargo Bank, 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 24 day of January, 2006.

APRIL R. HUMPHREY NOTARY PUBLIC STATE OF TEXAS 05-25-2009

Notary Public in and for State of Texas

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____

known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

Notary Public in and for _____

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____

known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

Notary Public in and for _____

STATE OF TEXAS REEVES COUNTY
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ADDENDUM PROVISIONS – ¶ #40 thru ¶ #44

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. Lessee, (including his heirs, successors or assigns) agrees to properly plug and abandon at his sole risk, expense and liability, any well drilled or re-entered on the above-described land under the terms of this lease, and further agrees to hold the Lessor completely harmless from any plugging liability with respect to any such well or wells drilled and/or re-entered.

43. Lessee will timely provide Lessor with the same information Lessee provides the State of Texas, including daily drilling reports, upon request by Lessor.

44. If all or any part of the lands, the subject of this lease, subsequently are pooled or unitized by any lawful means, then this lease shall be deemed to create two or more separate and distinct leases, one covering and pertaining to each separate pooled or unitized tract as to the formation so pooled or unitized in such tract, and one covering or pertaining to all other lands and formations that are not so pooled or unitized. The lease terms and all rights and obligations of Lessee under this lease shall apply separately to the pooled or unitized acreage and to the non-pooled or non-unitized acreage, and as to the pooled or unitized acreage only to the specific formations(s) being pooled.

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

LESSOR

STATE OF TEXAS

Wells Fargo Bank, N. A., Trustee
Of the Mary B. Harwit Unitrust

By: Mayra Wiggins

Mayra Wiggins – Trust Asset Administrator
Individually and as Agent for the State of Texas

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LESSEE

PETRO-HUNT, LLC

By: _____
James F. Clarke, Vice President

STATE OF TEXAS

COUNTY OF MIDLAND

This instrument was acknowledged before me on this the 30 day of August, 2005, by
Mayra Wiggins, as Trust Asset Administrator of Wells Fargo Bank, N. A., Trustee of the Mary B. Harwit Unitrust.

APRIL RENEE HUMPHREY NOTARY PUBLIC STATE OF TEXAS EXPIRES 02-25-2009

_____
Notary Public in and for the State of Texas

STATE OF TEXAS

COUNTY OF ~~FORT BEND~~ DALLAS

This instrument was acknowledged before me on this the 20th day of January, ~~2005~~ 2006, by
~~James F. Clarke, as Owner of Petro-Hunt, LLC~~ as Vice President of Petro-Hunt, LLC.

APRIL L AQUILAR NOTARY PUBLIC STATE OF TEXAS EXPIRES 05-25-2009

_____
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 June 1, 2005 from the **State of Texas, by and through its Agent, Wells Fargo Bank, N. A., Trustee of the Mary B. Harwit Unitrust,** in favor of **Petro-Hunt, LLC**, covering lands in Reeves County, Texas.

1895.47 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: **640.2 acres of land**, more or less, being *all* of Section 31, Block 58, PSL Survey, Reeves County, Texas

Tract 2: **640.2 acres of land**, more or less, being *all* of Section 32, Block 58, PSL Survey, Reeves County, Texas

Tract 3: **615.07 acres of land**, more or less, being *all* of Section 42, Block 58, PSL Survey, Reeves County, Texas

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EXHIBIT "B"

SURFACE USE AGREEMENT

Attached to and made a part of that certain Oil and Gas Lease dated June 1, 2005 from the **State of Texas, by and through its Agent, Wells Fargo Bank, N. A., Trustee of the Mary B. Harwit Unitrust,** in favor of **Petro-Hunt, LLC**, 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.

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,

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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.

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.

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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:

Wells Fargo Bank, N. A., Trustee
Of the Mary B. Harwit Unitrust

By: Mayra Wiggins
Mayra Wiggins – Trust Asset Administrator
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. 761

FILED FOR RECORD ON THE 15TH DAY OF FEBRUARY A.D. 2006 2:43 P. M.

DULY RECORDED ON THE 16TH DAY OF FEBRUARY A.D. 2006 11:00 A. M.

BY: Anne Flores, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

STATE OF TEXAS REEVES COUNTY
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File No. MF105285 2J
Lease J

Date Filed: 3-10-06

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. 724 PAGE 31 THRU 45 OFFICIAL PUBLIC RECORDS

I hereby certified on 02/20/2006

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

FILE# 760

MF 105285 K
Paid up

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 1st day of September, 2005, between the State of Texas, acting by and through its agent, Wells Fargo Bank, N. A., Trustee of the Mary Y. Tippens Testamentary Trust of P.O. Box 1959, Midland, Texas 79702 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and Petro-Hunt, LLC of 1601 Elm Street, Suite 3400, Dallas, Texas 75201-7201 (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:

1895.47 acres of land, more or less, being more fully described as three (3) tracts in EXHIBIT "A" attached hereto and made a part hereof.

It is the intent hereof for each lease to be separate and distinct, and they are included together solely to avoid a multiplicity of documents.

Containing 1895.47 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Two thousand three hundred sixty nine and 25/100 Dollars ($2369.25)

To the owner of the soil: Two thousand three hundred sixty nine and 25/100 Dollars ($2369.25)

Total bonus consideration: Four thousand seven hundred thirty eight and 50/100 Dollars ($4738.50)

The total bonus consideration paid represents a bonus of one hundred fifty (150) Dollars ($150.00) per acre, on 31.59 net acres.

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

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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 THIS IS A PAID-UP LEASE _____ 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-fourth (1/4) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be 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 onefourth1/4 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 one-fourth (1/4) part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is 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-fourth (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.

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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.

LESSEE

BY: _____

Title: James F. Clarke, Vice President

Date: 1/20/06

OK. WH 1/31/06

STATE OF TEXAS

BY: _____
Individually and as agent for the State of Texas

Date: 1/26/06

STATE OF TEXAS

BY: _____
Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____
Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____
Individually and as agent for the State of Texas

Date: _____

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STATE OF Texas

COUNTY OF Dallas

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared James F. Clarke known to me to be the person whose name is subscribed to the foregoing instruments as Vice President of Petro-Hunt, LLC a Delaware limited liability company and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said ~~corporation~~ company.

Given under my hand and seal of office this the 20th day of January, 2006.

APRIL L AGUILAR NOTARY PUBLIC STATE OF TEXAS EXPIRES 05-25-2009

Notary Public in and for State of Texas

STATE OF Texas

COUNTY OF Midland

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Mayra Wiggins known to me to be the person whose name is subscribed to the foregoing instruments as Trust Officer of Wells Fargo Bank, 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 26 day of January, 2006.

APRIL RENEE HUMPHREY NOTARY PUBLIC STATE OF TEXAS EXPIRES 02-21-2009

Notary Public in and for State of Texas

STATE OF _____

COUNTY OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared _____

known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

Notary Public in and for _____

STATE OF _____

COUNTY OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared _____

known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

Notary Public in and for _____

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

ADDENDUM PROVISIONS – ¶ #40 thru ¶ #44

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. Lessee, (including his heirs, successors or assigns) agrees to properly plug and abandon at his sole risk, expense and liability, any well drilled or re-entered on the above-described land under the terms of this lease, and further agrees to hold the Lessor completely harmless from any plugging liability with respect to any such well or wells drilled and/or re-entered.

43. Lessee will timely provide Lessor with the same information Lessee provides the State of Texas, including daily drilling reports, upon request by Lessor.

44. If all or any part of the lands, the subject of this lease, subsequently are pooled or unitized by any lawful means, then this lease shall be deemed to create two or more separate and distinct leases, one covering and pertaining to each separate pooled or unitized tract as to the formation so pooled or unitized in such tract, and one covering or pertaining to all other lands and formations that are not so pooled or unitized. The lease terms and all rights and obligations of Lessee under this lease shall apply separately to the pooled or unitized acreage and to the non-pooled or non-unitized acreage, and as to the pooled or unitized acreage only to the specific formations(s) being pooled.

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

LESSOR

STATE OF TEXAS

Wells Fargo Bank, N. A., Trustee
Of the Mary Y. Tippens Testamentary Trust

By: Mayra Wiggins
Mayra Wiggins – Trust Asset Administrator
Individually and as Agent for the State of Texas

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LESSEE

PETRO-HUNT, LLC

By: _____
James F. Clarke, Vice President

STATE OF TEXAS

COUNTY OF MIDLAND

This instrument was acknowledged before me on this the 30 day of August, 2005, by **Mayra Wiggins, as Trust Asset Administrator of Wells Fargo Bank, N. A., Trustee of the Mary Y. Tippens Testamentary Trust.**

APRIL RENEE HUMPHREY NOTARY PUBLIC STATE OF TEXAS EXPIRES 02-25-2009

Notary Public in and for the State of Texas

STATE OF TEXAS

COUNTY OF ~~XXXXXXXXX~~ DALLAS

This instrument was acknowledged before me on this the 20th day of January 2006, by James E. Clarke as ~~Owner of Petro-Hunt, LLC~~ Vice President of Petro-Hunt, LLC.

APRIL L AGUILAR NOTARY PUBLIC STATE OF TEXAS EXPIRES 05-25-2009

Notary Public in and for the State of Texas

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 June 1, 2005 from the **State of Texas, by and through its Agent, Wells Fargo Bank, N. A., Trustee of the Mary Y. Tippens Testamentary Trust,** in favor of **Petro-Hunt, LLC**, covering lands in Reeves County, Texas.

1895.47 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: **640.2 acres of land**, more or less, being *all* of Section 31, Block 58, PSL Survey, Reeves County, Texas

Tract 2: **640.2 acres of land**, more or less, being *all* of Section 32, Block 58, PSL Survey, Reeves County, Texas

Tract 3: **615.07 acres of land**, more or less, being *all* of Section 42, Block 58, PSL Survey, Reeves County, Texas

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 June 1, 2005 from the **State of Texas, by and through its Agent, Wells Fargo Bank, N. A., Trustee of the Mary Y. Tippens Testamentary Trust,** in favor of **Petro-Hunt, LLC**, 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.

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,

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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.

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.

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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:

Wells Fargo Bank, N. A., Trustee
Of the Mary Y. Tippens Testamentary Trust

By: Mayra Wiggins
Mayra Wiggins – Trust Asset Administrator
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. 760

FILED FOR RECORD ON THE 15TH DAY OF FEBRUARY A.D. 2006 2:43 P. M.

DULY RECORDED ON THE 16TH DAY OF FEBRUARY A.D. 2006 11:00 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. ME105285

Date Filed: 3-10-06

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 724 PAGE 16 THRU 30 OFFICIAL PUBLIC RECORDS

I hereby certified on 02/20/2006

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

MF 105285L
Pair up

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 1st day of September, 2005, between the State of Texas, acting by and through its agent, Wells Fargo Bank, N. A., Trustee of the Esther Shuman Testamentary Trust of P.O. Box 1959, Midland, Texas 79702 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and Petro-Hunt, LLC of 1601 Elm Street, Suite 3400, Dallas, Texas 75201-7201 (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:

1895.47 acres of land, more or less, being more fully described as three (3) tracts in EXHIBIT "A" attached hereto and made a part hereof.

It is the intent hereof for each lease to be separate and distinct, and they are included together solely to avoid a multiplicity of documents.

Containing 1895.47 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: One thousand one hundred eighty five and no/100 Dollars ($1185.00)

To the owner of the soil: One thousand one hundred eighty five and no/100 Dollars ($1185.00)

Total bonus consideration: Two thousand three hundred seventy and no/100 Dollars ($2370.00)

The total bonus consideration paid represents a bonus of one hundred fifty (150) Dollars ($150.00) per acre, on 15.8 net acres.

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

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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 THIS IS A PAID-UP LEASE _____ 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-fourth (1/4) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be 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 onefourth1/4 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 one-fourth (1/4) part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is 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-fourth (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.

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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.

LESSEE

BY: _____

Title: James F. Clarke, Vice President

Date: 1/20/06

W&H 1/4/06

STATE OF TEXAS

BY: Mayra Wiggins
Individually and as agent for the State of Texas

Date: 1/26/06

STATE OF TEXAS

BY: _____
Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____
Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____
Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS REEVES COUNTY

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STATE OF Texas
COUNTY OF Dallas

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared James E Clarke known to me to be the person whose name is subscribed to the foregoing instruments as Vice President of Petro thirst, LLC, a Delaware limited liability company and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said ~~corporation~~ company.

Given under my hand and seal of office this the 20th day of January, 2006.

April L Aguilar
Notary Public in and for State of Texas

APRIL L AGUILAR NOTARY PUBLIC STATE OF TEXAS EXPIRES 05-25-2009

STATE OF Texas
COUNTY OF Midland

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Mayra Wiggins known to me to be the person whose name is subscribed to the foregoing instruments as Trust Officer of Wells Fargo Bank, 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 26 day of January, 2006.

April Renee Humphrey
Notary Public in and for State of Texas

STATE OF _____
COUNTY OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared _____

known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

Notary Public in and for _____

STATE OF _____
COUNTY OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared _____

known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

Notary Public in and for _____

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

ADDENDUM PROVISIONS – ¶ #40 thru ¶ #44

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. Lessee, (including his heirs, successors or assigns) agrees to properly plug and abandon at his sole risk, expense and liability, any well drilled or re-entered on the above-described land under the terms of this lease, and further agrees to hold the Lessor completely harmless from any plugging liability with respect to any such well or wells drilled and/or re-entered.

43. Lessee will timely provide Lessor with the same information Lessee provides the State of Texas, including daily drilling reports, upon request by Lessor.

44. If all or any part of the lands, the subject of this lease, subsequently are pooled or unitized by any lawful means, then this lease shall be deemed to create two or more separate and distinct leases, one covering and pertaining to each separate pooled or unitized tract as to the formation so pooled or unitized in such tract, and one covering or pertaining to all other lands and formations that are not so pooled or unitized. The lease terms and all rights and obligations of Lessee under this lease shall apply separately to the pooled or unitized acreage and to the non-pooled or non-unitized acreage, and as to the pooled or unitized acreage only to the specific formations(s) being pooled.

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

LESSOR

STATE OF TEXAS

Wells Fargo Bank, N. A., Trustee
Of the Esther Shuman Testamentary Trust

By: Mayra Wiggins

Mayra Wiggins – Trust Asset Administrator
Individually and as Agent for the State of Texas

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

LESSEE

PETRO-HUNT, LLC

By: _____
James F. Clarke, Vice President

STATE OF TEXAS

COUNTY OF MIDLAND

This instrument was acknowledged before me on this the 30 day of August, 2005, by
Mayra Wiggins, as Trust Asset Administrator of Wells Fargo Bank, N. A., Trustee of the Esther Shuman Testamentary Trust.

APRIL RENEE HUMPHREY NOTARY PUBLIC STATE OF TEXAS EXPIRES 02-26-2009

April Renee Humphrey
Notary Public in and for the State of Texas

STATE OF TEXAS

COUNTY OF ~~FORT BEND~~ DALLAS

This instrument was acknowledged before me on this the 20th day of January 2006
James F. Clarke ~~as Owner of Petro-Hunt, LLC.~~ as Vice President of Petro-Hunt, LLC.

APRIL L AGUILAR NOTARY PUBLIC STATE OF TEXAS EXPIRES 05-25-2009

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 June 1, 2005 from the **State of Texas, by and through its Agent, Wells Fargo Bank, N. A., Trustee of the Esther Shuman Testamentary Trust,** in favor of **Petro-Hunt, LLC**, covering lands in Reeves County, Texas.

1895.47 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: **640.2 acres of land**, more or less, being *all* of Section 31, Block 58, PSL Survey, Reeves County, Texas

Tract 2: **640.2 acres of land**, more or less, being *all* of Section 32, Block 58, PSL Survey, Reeves County, Texas

Tract 3: **615.07 acres of land**, more or less, being *all* of Section 42, Block 58, PSL Survey, Reeves County, Texas

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 June 1, 2005 from the **State of Texas, by and through its Agent, Wells Fargo Bank, N. A., Trustee of the Esther Shuman Testamentary Trust,** in favor of **Petro-Hunt, LLC**, 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.

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,

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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.

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.

STATE OF TEXAS REEVES COUNTY
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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:

Wells Fargo Bank, N. A., Trustee
Of the Esther Shuman Testamentary Trust

By: Mayra Wiggins
Mayra Wiggins – Trust Asset Administrator
Individually and as Agent for the State of Texas

ANY PROVISION HEREIN WHICH [illegible] RENTAL OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW

FILE NO. 759

FILED FOR RECORD ON THE 15TH DAY OF FEBRUARY A.D. 2006 2:43 P. M.

DULY RECORDED ON THE 16TH DAY OF FEBRUARY A.D. 2006 11:00 A. M.

BY: _____, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

2L.

0803030

File No. MF105285
Lease L
3-10-06
Date Filed:
Jerry E. Patterson, Commissioner
By

0803030

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. 724 PAGE 01 THRU 15 OFFICIAL PUBLIC RECORDS

I hereby certified on 02/20/2006

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

FILE# 227 MF 105285 M

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

The State of Texas

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 1st day of December, 2005, between the State of Texas, acting by and through its agent, Texas Scottish Rite Hospital of 2222 Welborn, Dallas, Texas 75219 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and Petro-Hunt, LLC of 1601 Elm Street, Suite 3400, Dallas, TX 75201-7201 (Give Permanent Address) hereinafter called Lessee.

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

Sections 31, 32 & 42 Block 58, Public School Land Survey;

containing 1,895.47 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: TWO THOUSAND THREE HUNDRED SIXTY-NINE AND 33/100 Dollars ($2,369.33)

To the owner of the soil: TWO THOUSAND THREE HUNDRED SIXTY-NINE AND 33/100 Dollars ($2,369.33)

Total bonus consideration: FOUR THOUSAND SEVEN HUNDRED THIRTY-EIGHT AND 65/100 Dollars ($4,738.65)

The total bonus consideration paid represents a bonus of THREE HUNDRED AND NO/100 Dollars ($300.00) per acre, on 15.7955 net acres.

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

STATE OF TEXAS REEVES COUNTY

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90.67.2

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

To the owner of the soil: Seven Dollars and 90 Dollars and 90/100
Dollars ($7.90)

To the State of Texas: Seven Dollars and 90 Dollars and 90/100
Dollars ($7.90)

Total Delay Rental: Fifteen Dollars and 80/100
Dollars ($15.80)

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 1/4th 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 1/4th 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 1/4th 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 1/4th 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

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production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

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

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

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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.

90.27.2

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.

LESSEE
PETRO-HUNT, LLC

BY: _____

Title: James F. Clarke, Vice President

Date: _____ ok-WPH 1/4/06

STATE OF TEXAS

BY: _____
John T. Schoonmaker, Senior Vice President and Chief Financial Officer
Individually and as agent for the State of Texas

Date: 12/28/05

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

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

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared John T. Schoonmaker known to me to be the person whose name is subscribed to the foregoing instruments as Senior Vice President and Chief Financial Officer of Texas Scottish Rite Hospital for Crippled Children 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 28th day of December, 2005.

JULIA KINARD
MY COMMISSION EXPIRES
June 6, 2009

Julia Kinard
Notary Public in and for Dallas, County

STATE OF Texas (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Dallas

BEFORE ME, the undersigned authority, on this day personally appeared James F. Clarke, Vice President of Petro-Hunt, LLC, a Delaware limited liability company. known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 16th day of January, 2006.

APRIL A. DOLLAR
NOTARY PUBLIC
STATE OF TEXAS
EXPIRES
05-25-2009

Notary Public in and for Dallas County

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____

known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

Notary Public in and for _____

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____

known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

Notary Public in and for _____

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. 227

FILED FOR RECORD ON THE 20TH DAY OF JANUARY A.D. 2006 9:34 A. M.

DULY RECORDED ON THE 25TH DAY OF JANUARY A.D. 2006 10:00 A. M.

BY: _____, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

90.67.2

STATE OF TEXAS
REEVES COUNTY

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

24.

File No. ME20053285

Date Filed: 2/13/06

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. 721 PAGE 249 THRU 257 OFFICIAL PUBLIC RECORDS

I hereby certified on 01/27/2006

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

5-13-08

1601 Elm Street, Ste 3400
Thanksgiving Tower
Dallas, Texas 75201-7201

Tel: 214-880-8400
Fax: 214-880-7101

June 16, 2005

State of Texas General Land Office
1700 N. Congress Avenue, Room 600
Austin, Texas. 78701.
Attn: Mr. Drew Reid

Gentlemen:

Enclosed please find Petro-Hunt, L.L.C.'s check in the amount of $107,333.50 as payment for one-half of the bonus consideration due for two Relinquishment Act leases taken in Reeves County, Texas along with appropriate application and filing fees. A breakdown of payment for each lease is as follows:

Dela Minerals, Inc.	02/18/05	*$59,076.00- Lease Bonus*
PSL Survey Block 58		*$100.00- Application Fee*
Section 39: The E/2; Section 40: SE/4; and all of Section 42.		*$25.00- Filing Fee*

Dela Minerals, Inc.	02/18/05	*$48,007.50- Lease Bonus*
PSL Survey Block 58		*$100.00- Application Fee*
Sections 31 & 32.		*$25.00- Filing Fee*

Also enclosed are certified copies of each of the leases. If you should have any questions, my phone number is 214-880-8493.

Yours very truly,

William A. Hearne

William A. Hearne
Senior Landman

50-439

PAYEE: DETACH THIS PORTION BEFORE CASHING CHECK

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

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

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE	**58207**	**Jun-22-2005**	**4081610**	**$107,333.50**

06AP640	061605E	06/16/05	107,333.50	0.00	107,333.50
"SOUTH DELAWARE PROSPECT"					
TOTAL INVOICES PAID					107,333.50

X

121

05044982

Attn: Drew Reid

RECEIVED
05 JUN 24 PM 2:50

50.42.9

3.

File No. MF 105285

Lottie fee + bonus

Date Filed: 6/24/05

Jerry E. Patterson, Commissioner

By _____

688168

9.	Judson Operations, Ltd. PSL Survey, A-5046, Block C-17 Section 26.	08/23/05	*$15,999.99- Lease Bonus* *$100.00- Application Fee* *$25.00- Filing Fee*
10.	Paul N. Gilbert PSL Survey, Block 72, Section 34: Northeast quarter (NE/4).	09/01/05	*$1,500.00- Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee*
11.	John Lanahan PSL Survey, Block C-10, All of Section 15.	09/22/05	*$2,453.13- Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee*
12.	LAJ Corporation, a Texas Corporation PSL Survey, A-5046, Block C-17 Section 26.	08/23/05	*$28,000.00- Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee*
13.	Sigmar, Inc., a Texas Corporation PSL Survey, A-5046, Block C-17 Section 26.	08/23/05	*$28,000.00- Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee*
14.	Melvyn Charles Poles PSL Survey, A- 2816, Block 72, Section 34: Southeast quarter (SE/4).	10/18/05	*$3,000.00- Lease Bonus* *$100.00- Application Fee* *$25.00- Filing Fee*
15.	Texas Scottish Rite Hospital PSL Survey, Block 58, Sections 31, 32 & 42.	12/01/05	*$2,369.33- Lease Bonus* *$100.00- Application Fee* *$25.00- Filing Fee*
16.	Cathy Crist PSL Survey, Block 58, Section 41: Northeast quarter (NE/4).	08/01/05	*$554.16- Lease Bonus* *$100.00- Application Fee* *$25.00- Filing Fee*
17.	Martha Chapman Fowler T&P RR Co. Survey, A-1970, Block 55, Township 5 Section 46: West half (W/2).	07/08/05	*$6,000.00- Lease Bonus* *$100.00- Application Fee* *$25.00- Filing Fee*

A certified copy of each of the seventeen (17) leases is also enclosed. If you have any questions please give me a call at 214-880-8493.

Yours very truly,

William A. Hearne

William A. Hearne
Landman

Wells Fargo Bank, Trustee of the Esther Shuman Testamentary Trust Public School Lands, Block 58 Sections 31, 32 and 42. Reeves County, Texas	09/01/05		*$1,185.00 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$1,210.00*** *- check #4093026*
Wells Fargo Bank, Trustee of the Mary Y. Tippens Testamentary Trust Public School Lands, Block 58 Sections 31, 32 and 42. Reeves County, Texas	09/01/05		*$2,369.25 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$2,394.25*** *- check #4093027*
D D Wall Trust B Public School Lands, Block 58 Sections 31, 32 and 42. Reeves County, Texas	12/01/05		*$14,216.03 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$14,241.03*** *- check #4093028*
Catherine Funk Wall Trust B Public School Lands, Block 58 Sections 31, 32 and 42. Reeves County, Texas	12/01/05		*$14,216.03 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$14,241.03*** *- check #4093029*
Joan Warren T&P RR. Co. Survey, Block 55, Township 5 Section 46: West half (W/2). Reeves County, Texas	06/16/05		*$1,500.00 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$1,525.00*** *- check #4093030*
Olive Greenwald PSL Survey, Block 72 Sections 45 & 46: All. Reeves County, Texas	12/08/05		*$7,332.00 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$7,357.00*** *- check #4093031*
Thomas M. Rall PSL Survey, Block 72 Sections 45 & 46: All. Reeves County, Texas	12/08/05		*$3,333.34 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$3,358.34*** *- check #4093032*
Richard C. Rall PSL Survey, Block 72 Sections 45 & 46: All. Reeves County, Texas	12/08/05		*$3,333.34 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$3,358.34*** *- check #4093033*
Colleen Tomlinson Dolin, Executor of the Estate of Mary A. Kenny Tomlinson, deceased. H&GN Ry. Co. Survey, Block 13 Section 308: All.	02/06/05		*****Check not enclosed because lease bonus was previously paid.*** *See attached letter for details.*

Also enclosed are certified copies of each of the aforementioned leases. If you should have any questions, my phone number is 214-880-8491.

Warm regards,

April L. Aguilar
Land Department

1601 Elm Street, Ste 3400
Thanksgiving Tower
Dallas, Texas 75201-7201

Tel: 214-880-8400
Fax: 214-880-7171

March 9, 2006

State of Texas General Land Office
1700 N. Congress Avenue, Room 600
Austin, Texas. 78701.
Attn: Mr. Drew Reid

Gentlemen:

Enclosed please find payment for one-half of the bonus consideration due for fifteen Relinquishment Act leases taken in Reeves County, Texas along with payment for appropriate application and/or filing fees. A breakdown of payment for each lease is as follows:

Theodore M. Seidman as Trustee of the Theodore M. Seidman Family Trust. PSL Survey, Block 72 Section 34: Southeast Quarter (SE/4). Reeves County, Texas	12/22/05		*$750.00 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$775.00*** *- check #4093019*
Wells Fargo Bank, Trustee of the Mary B. Harwit Unitrust Public School Lands, Block 58 Sections 31, 32 and 42. Reeves County, Texas	09/01/05		*$4,738.50 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$4,763.50*** *- check #4093020*
Marine Military Academy, Robert Hill President PSL Survey, Block 72 Sections 45 & 46: All. Reeves County, Texas	11/29/05		*$800.00 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$825.00*** *- check #4093021*
Janis Estelle Swenson PSL Survey, Block 72 Sections 45 & 46: All. Reeves County, Texas	12/08/05		*$3,776.00 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$3,801.00*** *- check #4093022*
Margaret R. Jolley PSL Survey, Block 72 Sections 45 & 46: All. Reeves County, Texas	12/08/05		*$3,776.00 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$3,801.00*** *- check #4093023*
Charles W. Fayne, and wife Hella Wajsman Fayne PSL Survey, Block 72 Section 34: Northeast Quarter (NE/4). Reeves County, Texas	09/20/05		*$750.00 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$775.00*** *- check #4093024*
Blair Elizabeth McGroarty PSL Survey, Block 72 Sections 45 & 46: All. Reeves County, Texas	12/08/05		*$3,776.00 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$3,801.00*** *- check #4093025*

1601 Elm Street, Ste 3400
Thanksgiving Tower
Dallas, Texas 75201-7201

Tel: 214-880-8400
Fax: 214-880-7171

March 22, 2006

State of Texas General Land Office
1700 N. Congress Avenue, Room 600
Austin, Texas. 78701.
Attn: Mr. Drew Reid

Gentlemen:

Enclosed please find payment for one-half of the bonus consideration due for five (5) Relinquishment Act leases taken in Reeves County, Texas along with payment for appropriate application and/or filing fees. A breakdown of payment for each lease is as follows:

D D Wall Trust A Public School Lands, Block 58 Sections 31, 32 and 42. Reeves County, Texas	12/01/05		*$14,216.03 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$14,241.03*** *- check #4093788*
Catherine Funk Wall Trust A Public School Lands, Block 58 Sections 31, 32 and 42. Reeves County, Texas	12/01/05		*$14,216.03 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$14,241.03*** *- check #4093789*
Kelly H. Baxter Public School Lands, Block 58 Section 29: E/2 NW/4 NE/4 Reeves County, Texas	01/20/06		*$750.00 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$775.00*** *- check #4093785*
M. McDonnold, Jr. Public School Lands, Block 58 Section 29: NW/4 NW/4 Reeves County, Texas	02/08/06		*$1,500.00 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$1,525.00*** *- check #4093787*
Kelly H. Baxter Public School Lands, Block 58 Section 40: W/2 NE/4 Reeves County, Texas	01/20/06		*$1,500.00 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$1,525.00*** *- check #4093786*

Also enclosed are certified copies of each of the aforementioned leases. If you should have any questions, my phone number is 214-880-8491.

Warm regards,

April L. Aguilar
Land Department

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

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

March 22, 2006

State of Texas General Land Office
1700 N. Congress Avenue, Room 600
Austin, Texas. 78701.
Attn: Mr. Drew Reid

Gentlemen:

Enclosed please find payment for one-half of the bonus consideration due for five (5) Relinquishment Act leases taken in Reeves County, Texas along with payment for appropriate application and/or filing fees. A breakdown of payment for each lease is as follows:

D D Wall Trust A Public School Lands, Block 58 Sections 31, 32 and 42. Reeves County, Texas	12/01/05		*$14,216.03 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$14,241.03*** *- check #4093788*
Catherine Funk Wall Trust A Public School Lands, Block 58 Sections 31, 32 and 42. Reeves County, Texas	12/01/05		*$14,216.03 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$14,241.03*** *- check #4093789*
Kelly H. Baxter Public School Lands, Block 58 Section 29: E/2 NW/4 NE/4 Reeves County, Texas	01/20/06		*$750.00 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$775.00*** *- check #4093785*
M. McDonnold, Jr. Public School Lands, Block 58 Section 29: NW/4 NW/4 Reeves County, Texas	02/08/06		*$1,500.00 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$1,525.00*** *- check #4093787*
Kelly H. Baxter Public School Lands, Block 58 Section 40: W/2 NE/4 Reeves County, Texas	01/20/06		*$1,500.00 - Lease Bonus* *No Application Fee Necessary* *$25.00- Filing Fee* ***Total:*** ***$1,525.00*** *- check #4093786*

Also enclosed are certified copies of each of the aforementioned leases. If you should have any questions, my phone number is 214-880-8491.

Warm regards,

April L. Aguilar
Land Department

PAYEE: DETACH THIS PORTION BEFORE CASHING CHECK

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

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

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE	**58207**	**Mar-23-2006**	**4093789**	**$14,241.03**

03AP2819	032006F	03/20/06	14,241.03	0.00	14,241.03
"NW TOYAH PROSPECT"					
TOTAL INVOICES PAID					14,241.03

121

06032897

90-62.9

PAYEE: DETACH THIS PORTION BEFORE CASHING CHECK

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

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

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE	**58207**	**Mar-23-2006**	**4093788**	**$14,241.03**

03AP2817	032006E	03/20/06	14,241.03	0.00	14,241.03
"NW TOYAH PROSPECT"					
TOTAL INVOICES PAID					14,241.03

121

06032898

90-42

File No. MF105285

Letter, fees, + bonus

Date Filed: 3/24/06

Jerry E. Patterson, Commissioner

By _____

7.

7399251

TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

October 17, 2006

Attn: April L. Aguilar
Petro-Hunt, LLC
1601 Elm Street, Ste. 3400
Thanksgiving Tower
Dallas, Texas 75201-7201

Re: **Relinquishment Act Lease MF-105285**
1128.160333 acres out of Sections 31, 32 & 42,
Blk. 58, PSL Survey, Reeves County, Texas

Dear Ms. Aguilar:

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-105285**. Please refer to this number in all future correspondence concerning the lease.

Your remittance of $98,971.56, has been applied as the state's portion of the cash bonus $98,846.56, 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

5.

File No. MF105285

SLD letter

Date Filed: 10/17/06

Jerry E. Patterson, Commissioner

By

PAYEE: DETACH THIS PORTION BEFORE CASHING CHECK

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

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

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE	**58207**	**Mar-09-2006**	**4093028**	**$14,241.03**

03AP1012	030706N	03/07/06	14,241.03	0.00	14,241.03
"NW TOYAH PROSPECT"					
TOTAL INVOICES PAID					14,241.03

121

06030661

PAYEE: DETACH THIS PORTION BEFORE CASHING CHECK

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

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

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE	**58207**	**Mar-09-2006**	**4093029**	**$14,241.03**

03AP1010	030706P	03/07/06	14,241.03	0.00	14,241.03
"NW TOYAH PROSPECT"					
TOTAL INVOICES PAID					14,241.03

12 1

06030660

PAYEE: DETACH THIS PORTION BEFORE CASHING CHECK

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

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

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE	**58207**	**Mar-09-2006**	**4093020**	**$4,763.50**

03AP1025	030706D	03/07/06	4,763.50	0.00	4,763.50
"NW TOYAH PROSPECT"					
TOTAL INVOICES PAID					4,763.50

121

06030649

PAYEE: DETACH THIS PORTION BEFORE CASHING CHECK

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

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

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE	**58207**	**Mar-09-2006**	**4093027**	**$2,394.25**

03AP1014	030706M	03/07/06	2,394.25	0.00	2,394.25
"NW TOYAH PROSPECT"					
TOTAL INVOICES PAID					2,394.25

131

31, 32 & 42
B-58
PSL
Reeves Co.

06030648

PAYEE: DETACH THIS PORTION BEFORE CASHING CHECK

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

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

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE	**58207**	**Mar-09-2006**	**4093026**	**$1,210.00**

03AP1015	030706L	03/07/06	1,210.00	0.00	1,210.00
"NW TOYAH PROSPECT"					
TOTAL INVOICES PAID					1,210.00

121

06030659

6.

File No. MF105285

5 Bonuses

Date Filed: 3/10/06

Jerry E. Patterson, Commissioner

By

735106

PAYEE: DETACH THIS PORTION BEFORE CASHING CHECK

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

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

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE		**Jan-18-2006**	**7003966**	**$320.05**

LEASE NUMBER 118*1021625
ORIGINAL LESSOR/LEASE NAME DELA MMINERALS LLC
DATE 01/18/06
CHECK NO 7003966

RENTAL PERIOD

LEASE DATE	MONTHS	FROM	TO	FILE ID
02/18/05	12	02/18/06	02/18/07	68350-0051-001

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

PAYMENT AMOUNT 320.05
BANK SERVICE CHG
TOTAL AMOUNT 320.05

TO BE CREDITED TO
ADDITIONAL TEXT

OWNER # 58207
TEXAS GENERAL LAND OFFICE
1700 N CONGRESS AVENUE ROOM 60
AUSTIN, TEXAS 78701
SSN/TAX ID
RECORDED BOOK 707 PAGE 232 ENTRY
PROSPECT N W TOYAH PROSPECT
COUNTY/PARISH REEVES STATE TX
TRACT NO 23071
LEGAL DESCRIPTION
REEVES COUNTY TEXAS BLOCK 58, PUBLIC SCHOOL LAND SURVEY SEC. 31: ALL SEC. 32: ALL BEING 1280.20 ACRES MORE OR LESS ***

RENTAL PAYMENT
2nd yr.
Lease D
M-105285
(P)

121

RECEIVED
05 06 23 PM 2:58
ENERGY RESOURCES

90-82-1

7.

File No. MF-105285
Lease D-2nd yr.
Rental Payment
Date Filed: 1/23/2006
Jerry E. Patterson, Commissioner
By J. E. Bueno

ES155080

744208

PAYEE: DETACH THIS PORTION BEFORE CASHING CHECK

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

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

07023367

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE		**Jan-12-2007**	**7005456**	**$320.05**

LEASE NUMBER 118*1021625 | ORIGINAL LESSOR/LEASE NAME DELA MMINERALS LLC | DATE 01/12/07 | CHECK NO 7005456

RENTAL PERIOD

LEASE DATE	MONTHS	FROM	TO	FILE ID
02/18/05	12	02/18/07	02/18/08	68350-0051-001

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

TO BE CREDITED TO

ADDITIONAL TEXT

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

RECORDED BOOK 707 PAGE 232 ENTRY
PROSPECT N W TOYAH PROSPECT
COUNTY/PARISH REEVES STATE TX
TRACT NO 23071
LEGAL DESCRIPTION
REEVES COUNTY TEXAS BLOCK 58, PUBLIC SCHOOL LAND SURVEY SEC. 31: ALL SEC. 32: ALL BEING 1280.20 ACRES MORE OR LESS ***

PAYMENT AMOUNT	320.05
BANK SERVICE CHG	
TOTAL AMOUNT	320.05

121

RENTAL PAYMENT
3rd yr.
Lease D
M-105285

20.62.1

8

ile No. MF-105285
Lease D
Rental - 3rd 4yr.
)ate Filed: 01.29.07
Jerry E. Patterson, Commissioner
3y GBK

7631164

PAYEE: DETACH THIS PORTION BEFORE CASHING CHECK

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

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

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE		**Nov-16-2006**	**7005268**	**$7.90**

LEASE NUMBER 118*1021976
ORIGINAL LESSOR/LEASE NAME TEXAS SCOTTISH RITE HOSPIT
DATE 11/16/06
CHECK NO 7005268

RENTAL PERIOD

LEASE DATE	MONTHS	FROM	TO	FILE ID
12/01/05	12	12/01/06	12/01/07	68350-0056-004

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

PAYMENT AMOUNT	7.90
BANK SERVICE CHG	
TOTAL AMOUNT	7.90

TO BE CREDITED TO
ADDITIONAL TEXT

OWNER # 58207
TEXAS GENERAL LAND OFFICE
1700 N CONGRESS AVENUE ROOM 60
AUSTIN, TEXAS 78701
RECORDED BOOK PAGE ENTRY
PROSPECT N W TOYAH PROSPECT
COUNTY/PARISH REEVES STATE TX
TRACT NO 23228
LEGAL DESCRIPTION
REEVES COUNTY TEXAS BLOCK 58, PUBLIC SCHOOL LAND SURVEY SEC. 31: ALL SEC. 32: ALL SEC. 42: ALL BEING 1895.47 ACRES MORE OR LESS ***

RENTAL PAYMENT
2nd yr
Lease M
M-105285

07013514

RECEIVED
06 NOV 27 PM 2:06

9

File No. MF105285

Lease M RENTAL PAYMENT 2nd yr.

Date Filed: 1/27/06

Jerry E. Patterson, Commissioner

By

ARCHIVED

785029

MF 105285

Type or print only

COPY RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

Form G-1
Rev. 4/1/83 DBC1297

483-047

API No. 42- 389-32398

7. RRC District No. 08

8. RRC Gas ID No. New

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

1. FIELD NAME (as per RRC Records or Wildcat): Toyah,NW (Shale)

2. LEASE NAME: Block 58 State 32

9. Well No. 1

3. OPERATOR'S NAME (Exactly as shown on Form P-5, Organization Report): PETRO - HUNT, L.L.C.

RRC Operator No. 660043

10. County of well site: Reeves

4. ADDRESS: 1601 ELM ST. STE 3400 DALLAS, TX 75201

11. Purpose of filing
- Initial Potential [X]
- Retest [ ]
- Reclass [ ]
- Well record only (Explain in remarks) [ ]

5. Location (Section, Block, and Survey): Sec 32 Blk 58 PSL/ASPIN, F

5b. Distance and direction to nearest town in this county.: 9.2 miles NW from Toyah

6. If operator has changed within last 60 days, name former operator

12. If workover or reclass, give former field (with reservoir) & Gas ID or oil lease no.

FIELD & RESERVOIR	GAS ID or OIL LEASE #	Oil--O Gas--G	WELL #

13. Pipe Line Connection: Enterprise GC, L.P.

14. Completion or recompletion date: 12/03/2006

15. Any condensate on hand at time of workover or recompletion? [ ] Yes [ ] No

16. Type of Electric or other Log Run.: Triple Combo

Section I

GAS MEASUREMENT DATA

Date of Test: 12/11/2006

Gas Measurement Method (Check One): Orifice Meter [X] Flange Taps [X] Pipe Taps [ ] Positive Choke [ ] Orifice Vent Meter [ ] Pitot Tube [ ] Critical-flow Prover [ ]

Gas produced during test: 2987 MCF

Run No.	Line Size	Orif. or Choke Size	24 Hr. Coeff. Orif. or Choke	Static P_{tf} or Choke Press	Diff. h_w	Flow Temp. ^oF	Temp. Factor F_{tf}	Gravity Factor F_g	Compress Factor F_{pv}	Volume MCF/DAY
1	3.068	1.500	14734.79	798	5.4	90	0.9723	1.0017	1.057	996
2										
3										
4										

Section II

FIELD DATA AND PRESSURE CALCULATIONS

Gravity (Dry Gas)	Gravity Liquid Hydrocarbon	Gas-Liquid Hydro Ratio	Gravity of Mixture	Avg. Shut-in Temp.	Bottom Hole Temp.
.598	Deg. API	CF/Bbl	G_{mix} = .598	134 ^oF	198 ^oF @ 12140 (Depth)

$D_{eff}^{8/3}$ = 6.31 $\quad \sqrt{T_f}$ = $\sqrt{604}$ = 24.58 $\quad \sqrt{G_L}$ = $\sqrt{\quad}$ = 84.28

$C = \frac{1118 \times (D_{eff})^{8/3}}{\sqrt{T}}$ = 287.05 $\quad \frac{\sqrt{G_L}}{C} = \frac{84.28}{287.05} = 0.2936$

Run No.	Time of Run Min.	Choke Size	Wellhead Press. PSIA P_w	Wellhead Flow Temp. ^oF	P_w^2 (Thousands)	R	R^2 (Thousands)	P_1	P_w/P_1
Shut-in			1280	70	1638				
1	4320		610	90	372	292.4	85.5	676.4	0.9018
2									
3									
4									

Run No.	F	K	$S = \frac{1}{z}$	E^{ks}	P_f and P_s	P_f^2 and P_s^2 (thousands)	$P_f^2 - P_s^2$ (thousands)	Angle of Slope
Shut-In		0.2242	1.148	1.2935	1656	2741		θ .....45.0.
1	0.9517	0.2098	1.111	1.2624	854	729	2011.8	n 1.000
2								Absolute Open Flow
3								..1357 MCF/DAY
4								

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

Signature: Well Tester | Name of Company | RRC Representative

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

Darrell Keener
Signature: Operator's representative

District Manager — Title
01/24/2007 — Date
Tel: (361)887-2111 — A/C Number

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

17. Type of Completion: New Well [X] Deepening [ ] Plug Back [ ] Other: [ ]

18. Permit to Drill, Plug Back or Deepen — DATE: 01/03/2006 — PERMIT NO.: 611800
Rule 37 Exception — CASE NO.:
Water Injection Permit — PERMIT NO.:
Salt Water Disposal Permit — PERMIT NO.:
Other — PERMIT NO.:

19. Notice of Intention to Drill this well was filed in Name of: Petro-Hunt, L.L.C.

20. Number of producing wells on this lease in this field (reservoir) including this well: 1

21. Total number of acres in this lease: 1280

22. Date Plug Back, Deepening, WorkOver or Drilling Operations: Commenced: 02/08/2006 Completed: 04/22/2006

23. Distance to nearest well, Same Lease & Reservoir: N/A

24. Location of well, relative to nearest lease boundaries of lease on which this well is located: 4825 Feet From S Line and 2289 Feet from E Line of the Block 58 State 32 Lease

25. Elevation (DF, RKB, RT, GR, ETC.): RKB=3538

26. Was directional survey made other than inclination (Form W-12)? [ ] Yes [X] No

27. Top of Pay: 11930'

28. Total Depth: 12810'

29. P.B. Depth: 12580'

30. Surface Casing Determined by: [ ] Field Rules [X] Recommendation of T.D.W.R. [ ] Railroad Commission (Special) — Dt. of Letter: 12/30/2005

31. Is well multiple completion? [ ] Yes [X] No

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

FIELD & RESERVOIR	GAS ID or OIL LEASE #	Oil-O Gas-G	WELL #

33. Intervals Drilled by: Rotary Tools: X — Cable Tools:

34. Name of Drilling Contractor: Grey Wolf Drilling Co.

35. Cementing Affidavit Attached? [X] Yes [ ] No

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

CASING SIZE	WT #/FT.	DEPTH SET	MULTISTAGE TOOL DEPTH	TYPE & AMOUNT CEMENT (sacks)	HOLE SIZE	TOP OF CEMENT	SLURRY VOL. cu. ft.
13 3/8"	61.00/54.50#	1630'		1900sx "C"	17.5"	Surface	2452.5
9 5/8"	40.00#	8560'	3202'	See Remarks	12.25"	3202'	3009
9 5/8"	43.50/40#	3202'		See Remarks	12.25"	1000'	1721.4
7"	32.00#	12810'		1190sx Prem	8.50"	5000'	1433

37. LINER RECORD

Size	Top	Bottom	Sacks Cement	Screen
				-
				-

38. TUBING RECORD

Size	Depth Set	Packer Set
2 3/8"	11856'	11857'

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

From	To
11940'	12339'

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

Depth Interval	Amount and Kind of Material Used
11940' TO 12339'	PERFORATED 6 SPF 60 DEG PHASING
11940' TO 12939'	FRAC PERFS WITH 31066 BBLS WATER

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

Formations	Depth	Formations	Depth
BARNETT SHALE	11930	MISS LIME	12398
WOODFORD SHALE	12472	DEVONIAN	13017

REMARKS: Item 36. 9 5/8" Casing Cement - Cemented with 1260 sks Hall. Light Premium with additives + 500 sks Pre Cemex from shoe to DV Tool. Then 750 sks Halliburton Light Premium with additives + 210 sks Premium plus with additives. See W-15.

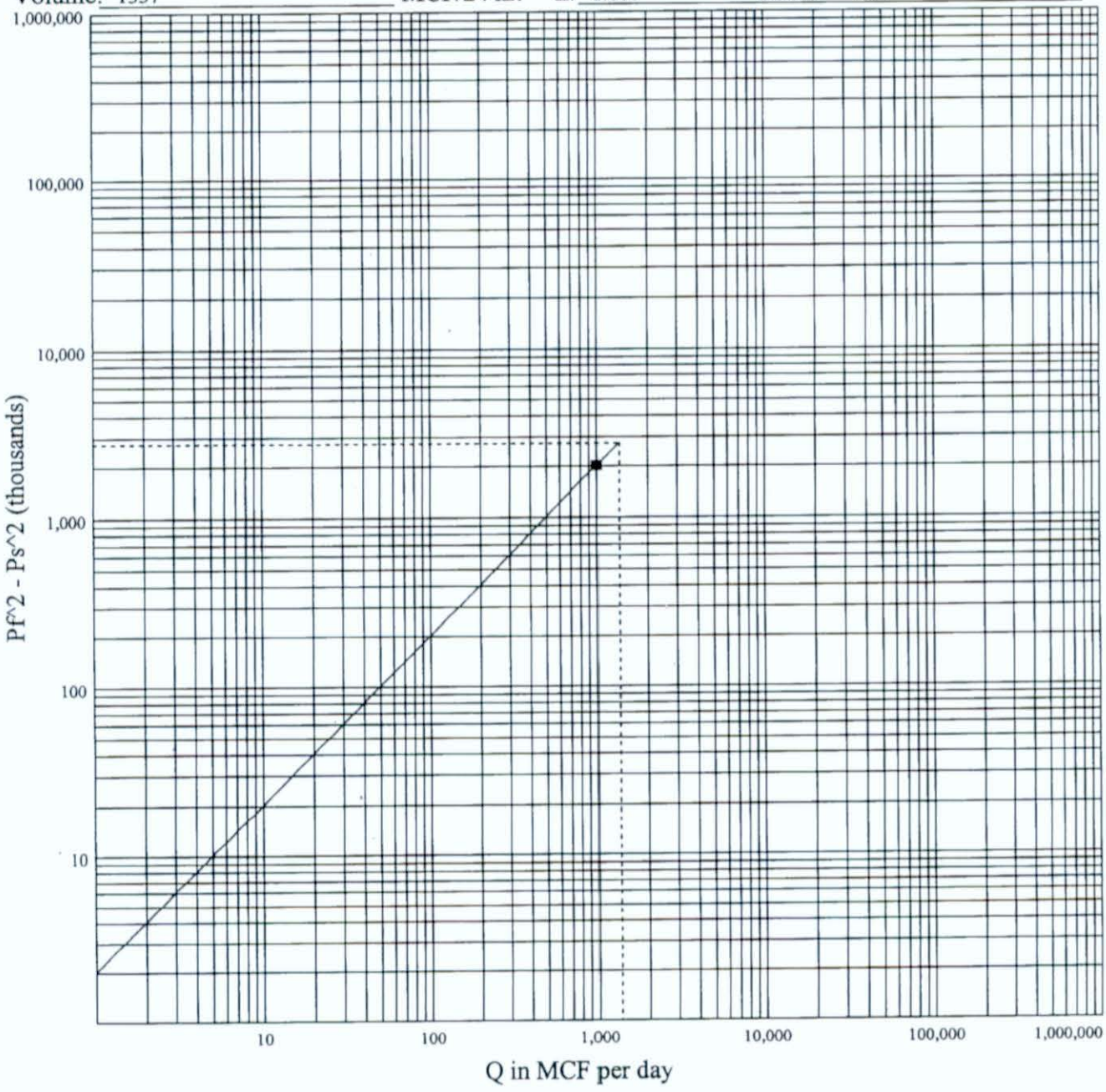
GAS WELL BACK PRESSURE CURVE

Operator: PETRO - HUNT, L.L.C. Date of Test: 12/11/2006

County: Reeves Field: Toyah,NW (Shale)

Lease: Block 58 State 32 Well Number: 1

Volume: 1357 MCF/24 hr. n: 1.000 theta: 45.0°



Point	Rate MCF/Day	BHP Psia	(Pf^2 - Ps^2) (thousands)
Shut-in	0	1656	- - - -
1	996	854	2011.8
2			
3			
4			
AOF	1357		2741

Certified by: Darrell Keener

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

READ INSTRUCTIONS ON BACK

GAS WELL CLASSIFICATION REPORT

Form G-5

Rev. 01/01/86
DBC1297

1. OPERATOR NAME (Exactly as shown on Form P-5 Organization Report)	3. RRC DISTRICT NO.	4. OIL LEASE NO. OR GAS WELL ID NO.
PETRO - HUNT, L.L.C.	08	NEW
2. MAILING ADDRESS 1601 ELM ST. STE 3400 DALLAS,TX 75201	5. WELL NO. 1	6. API NO. 42- 389-32398
	7. COUNTY OF WELL SITE Reeves	
8. FIELD NAME (as per RRC Records) Toyah, NW (Shale)	9. LEASE NAME Block 58 State 32	
10. LOCATION (Section, Block, and Survey) Sec 32 Blk 58 PSL/ASPIN, F. A-3153	11. PIPELINE CONNECTION OR USE OF GAS Enterprise GC, L.P.	

I. PRODUCTION TEST AT RATE ELECTED BY OPERATOR
(data on 24-hour basis)

A. Date of Test	12/10/2006	
B. Gas Volume	996	(Mcf)
C. Oil or Condensate Volume	0	(Bbl)
D. Water Volume	648	(Bbl)
E. Gas/Liquid Hydrocarbon Ratio	N/A	(Cf/Bbl)
F. Flowing Tubing Pressure	625	(psia)
G. Choke Size	30/64	(in.)
H. Casing Pressure	750	(psia)
I. Shut-in Wellhead Pressure–Tubing	1280	(psia)
J. Separator Operating Pressure	525	(psia)
K. Color of Stock Tank Liquid	CLEAR	
L. Gravity of Separator Liquid	N/A	°API
M. Gravity of Stock Tank Liquid	N/A	°API
N. Specific Gravity of the Gas (Air = 1)	.598	

II. A.S.T.M. DISTILLATION OF LIQUID SAMPLE.
Distillation test is required for gas wells ONLY if the producing gas-liquid hydrocarbon ratio is less than 100,000 CF/barrel.

Date Liquid Sample Obtained _____

Where Obtained ☐ Separator ☐ Stock Tank

% Over	Temp. (deg. F)	% Over	Temp. (deg. F)
Initial Boiling Temp.		60	
10		70	
20		80	
30		90	
40		95	
50		End Point	

Total Recovery _____ percent

Residue _____ percent

Loss _____ percent

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

Darrell Keener
NAME (Type or Print)

Darrell Keener
SIGNATURE

District Manager
TITLE

01/24/2007
DATE

Darrell Keener
CONTACT PERSON

(361) 887-2111
PHONE NUMBER

RRC USE ONLY

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

Please Read Instructions

ELECTRIC LOG STATUS REPORT

FORM L-1
Rev. 01/02
DBC0902

INSTRUCTIONS

When to file the L-1
- with Forms G-1, W-2, and GT-1 for new and deepened gas, oil, and geothermal wells
- with Form W-3 for plugged dry holes
- when sending in a log which was held under a request for confidentiality and the period of confidentiality has not yet expired

When the L-1 is NOT required
- with Forms W-2, G-1, and GT-1 filed for injection wells, disposal wells, water supply wells, service wells, re-test wells, re-classifications, and plugbacks of oil, gas, and geothermal wells
- with Form W-3 for plugging of other than a dry hole

Where to file the L-1
- with the appropriate Commission district office

Filling out the L-1
- Section I and the signature section must be filled out for all wells
- complete only the appropriate part of Section II

Type of log required
- any wireline survey run for the purpose of obtaining lithology, porosity, or resistivity information
- no more than one such log is required but it must be of the subject well
- if such a log is NOT run on the subject well, do NOT substitute any other type of log; just select Section II, Part A below

SEE REVERSE SIDE

SECTION I. IDENTIFICATION

Operator Name: **PETRO - HUNT, L.L.C.**	District No.: **08**	Completion Date: **12/03/2006**
Field Name: **Toyah, NW (Shale)**	Drilling Permit No.: **611800**	
Lease Name: **Block 58 State 32**	Lease/ID No.:	Well No.: **1**
County: **Reeves**	API No.: **42- 389-32398**	

SECTION II. LOG STATUS (complete either A. or B.)

☐ A. BASIC ELECTRIC LOG NOT RUN

☒ B. BASIC ELECTRIC LOG RUN (select one)

- ☒ 1. Confidentiality is requested and a copy of the header for each log that has been run on the well is attached.
- ☐ 2. Confidentiality already granted on basic electric log covering this interval (applicable to deepened wells only).
- ☐ 3. Basic electric log covering this interval already on file with Commission (applicable to deepened wells only).
- ☐ 4. Log attached to (select one)
  - ☐ (a) Form L-1 (this form). If the company/lease name on log is different from that shown in Section 1, please enter name on log here: _____.
    Check here if attached log is being submitted after being held confidential ☐.
  - ☐ (b) Form P-7, Application for Discovery Allowable and New Field Designation.
  - ☐ (c) Form W-4, Application for Multiple Completion: lease or ID no.(s) _____, well no.(s) _____.

Darrell Keener
signature

District Manager
title

Darrell Keener
name (print)

(361)887-2111
phone

01/24/2007
date

For Railroad Commission use only

Schlumberger

Company: PETRO-HUNT, L.L.C.

Well: BLOCK 58 STATE 32-1H

Field: WILDCAT

County: REEVES State: TEXAS

DIPOLE SHEAR SONIC
GAMMA RAY LOG

County: REEVES
Field: WILDCAT
Location: 450' FNL, 2289' FEL
Well: BLOCK 58 STATE 32-1H
Company: PETRO-HUNT, L.L.C.

LOCATION		
450' FNL, 2289' FEL SEC. 32, BLK 58, ABS 3153 PSL/ASPIN, F SURVEY		Elev.: K.B. 3051 ft G.L. 3023 ft D.F. 3050 ft
Permanent Datum: GROUND LEVEL		Elev.: 3023 ft
Log Measured From: KELLY BUSHING		28.0 ft above Perm. Datum
Drilling Measured From: KELLY BUSHING		

API Serial No.	Section	Block	Abstract
42-389-32398	32	58	3153

Logging Date			8-Apr-2006				
Run Number			TWO				
Depth Driller			12810 ft				
Schlumberger Depth			12828 ft				
Bottom Log Interval			12765.3 ft				
Top Log Interval			8600 ft				
Casing Driller Size @ Depth			9.625 in	@	8560 ft	@	
Casing Schlumberger			8566 ft				
Bit Size			8.500 in				
Type Fluid In Hole			OIL BASED MUD				
MUD	Density	Viscosity	9 lbm/gal	47 s			
	Fluid Loss	PH					
	Source Of Sample						
RM @ Measured Temperature				@		@	
RMF @ Measured Temperature				@		@	
RMC @ Measured Temperature				@		@	
Source RMF	RMC						
RM @ MRT	RMF @ MRT		@ 205	@ 205		@	@
Maximum Recorded Temperatures			205 degF				
Circulation Stopped	Time		7-Apr-2006	17:30			
Logger On Bottom	Time		8-Apr-2006	14:30			
Unit Number	Location		2201	MIDLAND			
Recorded By			S. SIRAJ				
Witnessed By			MR. C. DEARDOFF				

Schlumberger

Company: PETRO-HUNT, L.L.C.

Well: BLOCK 58 STATE 32-1H
Field: WILDCAT
County: REEVES State: TEXAS

County: REEVES
Field: WILDCAT
Location: 450' FNL, 2289' FEL
Well: BLOCK 58 STATE 32-1H
Company: PETRO-HUNT, L.L.C.

PLATFORM EXPRESS
THREE DETECTOR LITHO-DENSITY
COMPENSATED NEUTRON POROSITY

LOCATION

450' FNL, 2289' FEL
SEC. 32, BLK 58, ABS 3153
PSL/ASPIN, F SURVEY

Elev.: K.B. 3051 ft
G.L. 3023 ft
D.F. 3050 ft

Permanent Datum: GROUND LEVEL Elev.: 3023 ft
Log Measured From: KELLY BUSHING 28.0 ft above Perm. Datum
Drilling Measured From: KELLY BUSHING

API Serial No.	Section	Block	Abstract
42-389-32398	32	58	3153

Logging Date		8-Apr-2006						
Run Number		TWO						
Depth Driller		12810 ft						
Schlumberger Depth		12828 ft						
Bottom Log Interval		12797.9 ft						
Top Log Interval		8566 ft						
Casing Driller Size @ Depth		9.625 in	@	8560 ft		@		
Casing Schlumberger		8566 ft						
Bit Size		8.500 in						
Type Fluid In Hole		OIL BASED MUD						
MUD Density	Viscosity	9 lbm/gal	47 s					
MUD Fluid Loss	PH							
MUD Source Of Sample								
RM @ Measured Temperature			@			@		
RMF @ Measured Temperature			@			@		
RMC @ Measured Temperature			@			@		
Source RMF	RMC							
RM @ MRT	RMF @ MRT	@ 205		@ 205		@		@
Maximum Recorded Temperatures		205 degF						
Circulation Stopped	Time	7-Apr-2006		17:30				
Logger On Bottom	Time	8-Apr-2006		5:45				
Unit Number	Location	2201	MIDLAND					
Recorded By		S. SIRAJ						
Witnessed By		MR. C. DEARDOFF						

[redacted]

Schlumberger

Company: PETRO-HUNT, L.L.C.

Well: BLOCK 58 STATE 32-1H
Field: WILDCAT
County: REEVES State: TEXAS

ARRAY INDUCTION-GAMMA RAY LOG

County: REEVES
Field: WILDCAT
Location: 450' FNL, 2289' FEL
Well: BLOCK 58 STATE 32-1H
Company: PETRO-HUNT, L.L.C.

LOCATION

450' FNL, 2289' FEL
SEC. 32, BLK 58, ABS 3153
PSL/ASPIN, F SURVEY

Elev.: K.B. 3051 ft
G.L. 3023 ft
D.F. 3050 ft

Permanent Datum: GROUND LEVEL Elev.: 3023 ft
Log Measured From: KELLY BUSHING 28.0 ft above Perm. Datum
Drilling Measured From: KELLY BUSHING

API Serial No.	Section	Block	Abstract
42-389-32398	32	58	3153

Logging Date		8-Apr-2006					
Run Number		TWO					
Depth Driller		12810 ft					
Schlumberger Depth		12828 ft					
Bottom Log Interval		12820.9 ft					
Top Log Interval		8566 ft					
Casing Driller Size @ Depth		9.625 in	@	8560 ft		@	
Casing Schlumberger		8566 ft					
Bit Size		8.500 in					
Type Fluid In Hole		OIL BASED MUD					
MUD Density	Viscosity	9 lbm/gal	47 s				
MUD Fluid Loss	PH						
MUD Source Of Sample							
RM @ Measured Temperature			@			@	
RMF @ Measured Temperature			@			@	
RMC @ Measured Temperature			@			@	
Source RMF	RMC						
RM @ MRT	RMF @ MRT	@ 205		@ 205		@	@
Maximum Recorded Temperatures		205 degF					
Circulation Stopped	Time	7-Apr-2006		17:30			
Logger On Bottom	Time	8-Apr-2006		5:45			
Unit Number	Location	2201	MIDLAND				
Recorded By		S. SIRAJ					
Witnessed By		MR. C. DEARDOFF					

RAILROAD COMMISSION OF TEXAS
OIL AND GAS DIVISION

Form W-12
(1-1-71)

INCLINATION REPORT
(One Copy Must Be Filed With Each Completion Report.)

1. FIELD NAME (as per RRC Records or Wildcat): TOYAH, NW (SHALE)	2. LEASE NAME: Block 58 State 32
3. OPERATOR: PETRO-HUNT, L.L.C.	6. RRC District: 8
4. ADDRESS: 1601 ELM ST. STE. 3400 DALLAS, TEXAS 75201	7. RRC Lease Number. (Oil completions only)
5. LOCATION (Section, Block, and Survey): SECTION 32 BLOCK 58, PSL/ASPIN F SURVEY	8. Well Number: 1
	9. RRC Identification Number (Gas completions only)
	10. County: Reeves

RECORD OF INCLINATION

*11. Measured Depth (feet)	12. Course Length (Hundreds of feet)	*13. Angle of Inclination (Degrees)	14. Displacement per Hundred Feet (Sine of Angle X100)	15. Course Displacement (feet)	16. Accumulative Displacement (feet)
249	2.49	1/2	0.87	2.17	2.17
1018	7.69	1 1/2	2.62	20.15	22.32
1274	2.56	1 1/2	2.62	6.71	29.03
3562	22.88	1 1/4	2.18	49.88	78.91
3817	2.55	1 3/4	3.05	7.78	86.69
4056	2.39	2 3/4	4.80	11.47	98.16
4313	2.57	1 3/4	3.05	7.84	106.00
4985	6.72	1 1/4	2.18	14.65	120.65
5400	4.15	1	1.75	7.26	127.91
6778	13.78	1 1/4	2.18	30.04	157.95
6905	1.27	3/4	1.31	1.66	159.61
7508	6.03	1	1.75	10.55	170.16
8022	5.14	1	1.75	9.00	179.16
8500	4.78	1	1.75	8.37	187.53
9666	11.66	1	1.75	20.41	207.94
10143	4.77	3/4	1.31	6.25	214.19

If additional space is needed, use the reverse side of this form.

17. Is any information shown on the reverse side of this form? ☐ yes ☒ no

18. Accumulative total displacement of well bore at total depth of 12,791 feet = 255.40 feet.

*19. Inclination measurements were made in — ☐ Tubing ☐ Casing ☐ Open hole ☒ Drill Pipe

20. Distance from surface location of well to the nearest lease line 2289 feet.

21. Minimum distance to lease line as prescribed by field rules 467 feet.

22. Was the subject well at any time intentionally deviated from the vertical in any manner whatsoever? NO

(If the answer to the above question is "yes", attach written explanation of the circumstances.)

INCLINATION DATA CERTIFICATION

I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that I have personal knowledge of the inclination data and facts placed on both sides of this form and that such data and facts are true, correct, and complete to the best of my knowledge. This certification covers all data as indicated by asterisks (*) by the item numbers on this form.

Signature of Authorized Representative

Dumas Kubala, Drilling Superintendent
Name of Person and Title (type or print)

GREY WOLF DRILLING COMPANY, L.P.
Name of Company

Telephone: 361 668-8364
Area Code

OPERATOR CERTIFICATION

I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that I have personal knowledge of all information presented in this report, and that all data presented on both sides of this form are true, correct, and complete to the best of my knowledge. This certification covers all data and information presented herein except inclination data as indicated by asterisks (*) by the item numbers on this form.

Signature of Authorized Representative

DARRELL KEENER, DISTRICT MANAGER
Name of Person and Title (type or print)

PETRO-HUNT, L.L.C.
Operator

Telephone: 361 887-2111
Area Code

Railroad Commission Use Only:

Approved By: _____ Title: _____ Date: _____

* Designates items certified by company that conducted the inclination surveys.

RECORD OF INCLINATION (Continued from reverse side)

*11. Measured Depth (feet)	12. Course Length (Hundreds of feet)	*13. Angle of Inclination (Degrees)	14. Displacement per Hundred Feet (Sine of Angle X100)	15. Course Displacement (feet)	16. Accumulative Displacement (feet)
~~10624~~	~~4.81~~	~~3/4~~	~~1.31~~	~~6.30~~	~~220.49~~
~~11611~~	~~9.87~~	~~3/4~~	~~1.31~~	~~12.93~~	~~233.42~~
~~12122~~	~~5.11~~	~~1/2~~	~~0.87~~	~~4.45~~	~~237.87~~
~~12598~~	~~4.76~~	~~1 1/2~~	~~2.62~~	~~12.47~~	~~250.34~~
~~12791~~	~~1.93~~	~~1 1/2~~	~~2.62~~	~~5.06~~	~~255.40~~

If additional space is needed, attach separate sheet and check here. ☐

REMARKS: _____

– INSTRUCTIONS –

An inclination survey made by persons or concerns approved by the Commission shall be filed on a form prescribed by the Commission for each well drilled or deepened with rotary tools or when, as a result of any operation, the course of the well is changed. No inclination survey is required on wells that are drilled and completed as dry holes that are plugged and abandoned. (Inclination surveys are required on re-entry of abandoned wells.) Inclination surveys must be made in accordance with the provisions of Statewide Rule 11.

This report shall be filed in the District Office of the Commission for the district in which the well is drilled, by attaching one copy to each appropriate completion for the well. (except Plugging Report)

The Commission may require the submittal of the original charts, graphs, or discs, resulting from the surveys.

Cementer: Fill in shaded areas
Operator: Fill in other items

Cementing Report
Rev. 4/1/83
RAL1198

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

1. Operator's Name (As Shown on Form P-5, Organization Report)	2. RRC Operator No.	3. RRC District No.	4. County of Well Site
PETRO-HUNT, L.L.C.	660043	08	REEVES
5. Field Name (Wildcat or Exactly as Shown on RRC Records)		**6. API No.**	**7. Drilling Permit No.**
TOYAH, NW (SHALE)		42- 389-32398	611800
8. Lease Name	**9. Rule 37 Case No.**	**10. Oil Lease/Gas ID No.**	**11. Well No.**
BLOCK 58 STATE 32			1

CASING CEMENTING DATA:		SURFACE CASING	INTER-MEDIATE CASING	PRODUCTION CASING		MULTI-STAGE CEMENTING PROCESS	
				Single String	Multiple Parallel Strings	Tool	Shoe
12. Cementing Date		2/15/2006					
13. *Drilled hole size		17 1/2"					
*Est. % wash or hole enlargement		100%					
14. Size of casing (in. O.D.)		13 3/8"					
15. Top of liner (ft)		------					
16. Setting depth (ft)		1630'					
17. Number of centralizers used		11					
18. Hrs. waiting on cement before drill-out		56					
1st Slurry	19. API cement used: No. of sacks ▶	900					
	Class ▶	PREM.PLUS					
	Additives ▶	SEEREMARK					
2nd Slurry	No. of sacks ▶	650					
	Class ▶	PREM.PLUS					
	Additives ▶	SEEREMARK					
3rd Slurry	No. of sacks ▶	350					
	Class ▶	PREM.PLUS					
	Additives ▶	SEEREMARK					
1st	20. Slurry pumped: Volume (cu.ft.) ▶	1575					
	Height (ft.) ▶	2267					
2nd	Volume (cu.ft.) ▶	877.5					
	Height (ft.) ▶	1263					
3rd	Volume (cu.ft.) ▶						
	Height (ft.) ▶						
Total	Volume (cu.ft.) ▶	2452.5					
	Height (ft.) ▶	3530					
21. Was cement circulated to ground surface (or bottom of cellar) outside casing?		YES					

22. Remarks

LEAD: 4% BENTONITE; 2% CALCIUM CHLORIDE; .25LBM FLOCELE

TAIL: 2% CALCIUM CHLORIDE; .25LBM FLOCELE

TOP OUT: 2% CALCIUM CHLORIDE
CIRCUALTED TO SURFACE

Sales Order 4207080
Customer Name
PETRO-HUNT LLC
Lease
Block 58 State 32
Well Number 1H
Reeves County

OVER ▶

CEMENTING TO PLUG AND ABANDON	PLUG #1	PLUG #2	PLUG #3	PLUG #4	PLUG #5	PLUG #6	PLUG #7	PLUG #8
23. Cementing date								
24. Size of hole or pipe plugged (in.)								
25. Depth to bottom of tubing or drill pipe (ft.)								
26. Sacks of cement used (each plug)								
27. Slurry volume pumped (cu ft.)								
28. Calculated top of plug (ft.)								
29. Measured top of plug, if tagged (ft.)								
30. Slurry wt. (lbs/gal)								
31. Type cement								

CEMENTER'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification; that the cementing of casing and/or the placing of cement plugs in this well as shown in the report was performed by me or under my supervision, and that the cementing data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers cementing data only.

ROBERT SIMPSON SERVICE SUPERVISOR	Halliburton Energy Services	Signature
Name and Title of Cementer's Representative	Cementing Company	

4000 N. BIG SPRING STE 400 MIDLAND TEXAS	79705	1-800-844-8451	2/15/2006
Address City State,	Zip Code	Tel: Area Code Number	Date: Mo. Day Yr.

OPERATOR'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that I have knowledge of the well data and information presented in this report, and that data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers all well data.

DARRELL KEENER	DISTRICT MGR.	Darrell Keener
Typed or Printed Name of Operator's Representative	Title	Signature

P.O.BOX 2866,CORPUS CHRISTI,TX 78403	361-887-2111	3/10/06
Address City, State, Zip Code	Tel: Area Code Number	Date: Mo. Day Yr.

Instruction to Form W-15, Cementing Report

IMPORTANT: Operators and cementing companies must comply with the requirements of the Commission's Statewide rules 8 (Water Protection), 13 (Casing, Cementing, Drilling, and Completion, and 14 (Well Plugging). For offshore operations, see the requirements of Rule 13 (c).

A. What to file. An operator should file an original and one copy of the completed Form W-15 for each cementing company used on a well. The cementing of different casing strings on a well by one cementing company may be reported on one form. Form W-15 should be filed with the following:

* An initial oil or gas completion report, Form W-2 or G-1, as required by Statewide or special field rules;
* Form W-4, Application for Multiple Completion, if the well is a multiple parallel casing completion; and
* Form W-3, Plugging Record, unless the W-3 is signed by the cementing company representative. When reporting dry holes, operators must complete *Form W-15, in addition to Form W-3, to show any casing cemented in the hole.

B. Where to file. The appropriate Commission District Office for the county in which the well is located.

C. Surface casing. An operator must set and cement sufficient surface casing to protect all usable-quality water strata, as defined by the Texas Department of Water Resources, Austin. Before drilling a well in any field or area in which no field rules are in effect or in which surface casing requirements are not specified in the applicable rules, an operator must obtain a letter from the Department of Water Resources stating the protection depth. Surface casing should not be set deeper than 200 feet below the specified depth without prior approval from the Commission.

D. Centralizers. Surface casing must be centralized at the shoe, above and below a stage collar or diverting tool, if run, and through usable-quality water zones. In nondeviated holes, a centralizer must be placed every fourth joint from the cement shoe to the ground surface or to the bottom of the cellar. All centralizers must meet API specifications.

E. Exceptions and alternative casing programs. The District Director may grant an exception to the requirements of Statewide Rule 13. In a written application, an operator must state the reason for the requested exception and outline an alternate program for casing and cementing through the protection depth for strata containing usable-quality water. The District Director may approve, modify, or reject a proposed program. An operator must obtain approval of any exception before beginning casing and cementing operations.

F. Intermediate and production casing. For specific technical requirements, operators should consult Statewide Rule 13 (b) (3) and (4).

G. Plugging and abandoning. Cement plugs must be placed in the wellbore as required by Statewide Rule 14. The District Director may require additional cement plugs. For onshore or inland wells, a 10-foot cement plug must be placed in the top of the well, and the casing must be cut off three feet below the ground surface. All cement plugs, except the top plug, must have sufficient slurry volume to fill 100 feet of hole, plus ten percent for each 1,000 feet of depth from the ground surface to the bottom of the plug.

To plug and abandon a well, operators must use only cementers approved by the Director of Field Operations. Cementing companies, service companies, or operators can qualify as approved cementers by demonstrating that they are able to mix and pump cement in compliance with Commission rules and regulations.

Cementer: Fill in shaded areas
Operator: Fill in other items

Form W-15
Cementing Report
Rev. 4/1/83
HAL1199

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

1. Operator's Name (As Shown on Form P-5, Organization Report)	2. RRC Operator No.	3. RRC District No.	4. County of Well Site
PETRO-HUNT, L.L.C.	660043	08	REEVES
5. Field Name (Wildcat or Exactly as Shown on RRC Records)		**6. API No.**	**7. Drilling Permit No.**
TOYAH, NW (SHALE)		42-389-32398	611800
8. Lease Name	**9. Rule 37 Case No.**	**10. Oil Lease/Gas ID No.**	**11. Well No.**
BLOCK 58 STATE 32			1

CASING CEMENTING DATA:		SURFACE CASING	INTER-MEDIATE CASING	PRODUCTION CASING		MULTI-STAGE CEMENTING PROCESS	
				Single String	Multiple Parallel Strings	Tool	Shoe
12. Cementing Date						3/14/2006	3/14/2006
13. *Drilled hole size						12 1/4"	12 1/4"
*Est. % wash or hole enlargement						310%	310%
14. Size of casing (in. O.D.)						9 5/8"	9 5/8"
15. Top of liner (ft)						-------	--------
16. Setting depth (ft)						3202'	8560'
17. Number of centralizers used						6	14
18. Hrs. waiting on cement before drill-out						48	70
1st Slurry	19. API cement used: No. of sacks ▶					750	1260
	Class ▶					Hall. Light prem	Hall. Light Prem
	Additives ▶					See Remarks	See Remarks
2nd Slurry	No. of sacks ▶					210	500
	Class ▶					Prem Plus	Pre Cemex
	Additives ▶					See Remarks	See Remarks
3rd Slurry	No. of sacks ▶						
	Class ▶						
	Additives ▶						
1st	20. Slurry pumped: Volume (cu.ft.) ▶					1440	2419
	Height (ft.) ▶					4597.92	7723.8
2nd	Volume (cu.ft.) ▶					281.4	590
	Height (ft.) ▶					898.5	1884.8
3rd	Volume (cu.ft.) ▶						
	Height (ft.) ▶						
Total	Volume (cu.ft.) ▶					1721.4	3009
	Height (ft.) ▶					5496.42	9608.6
21. Was cement circulated to ground surface (or bottom of cellar) outside casing?						No	No

22. Remarks

1st Stage 1st Slurry Additives: .25lbm Flocele, 5lbm Gilsonite, .6% Halad-R-9
1st Stage 2nd Slurry Additives: .1% HR-5, .5% Lap-1, .3% CFR-3, .25lbm D-Air
2nd Stage 1st Slurry Additives: .25lbm Flocele, 5lbm Gilsonite, .6% HALAD-r-9
2nd Stage 2nd Slurry Additives: .1% CC, .25lbm Flocele

Sales Order 4256111
Customer Name
PETRO-HUNT LLC
Lease
Block 58 State 32
Well Number 1H
Reeves **County**

OVER ▶

EMENTING TO PLUG AND ABANDON	PLUG #1	PLUG #2	PLUG #3	PLUG #4	PLUG #5	PLUG #6	PLUG #7	PLUG #8
3. Cementing date								
4. Size of hole or pipe plugged (in.)								
5. Depth to bottom of tubing or drill pipe (ft.)								
6. Sacks of cement used (each plug)								
7. Slurry volume pumped (cu.ft.)								
8. Calculated top of plug (ft.)								
9. Measured top of plug, if tagged (ft.)								
0. Slurry wt. (lbs/gal)								
1. Type cement								

CEMENTER'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that the cementing of casing and/or the placing of cement plugs in this well as shown in the report was performed by me or under my supervision, and that the cementing data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers cementing data only.

SERVICE SUPERVISOR JAMES BETHKE	Halliburton Energy Services	James Bethke
Name and Title of Cementer's Representative	Cementing Company	Signature

4000 N BIG SPRING STE 400	MIDLAND	TX	79705	1-800-844-8451	3/14/2006
Address	City	State	Zip Code	Tel: Area Code Number	Date: Mo. Day Yr.

OPERATOR'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that I have knowledge of the well data and information presented in this report, and that data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers all well data.

DARRELL KEENER	DISTRICT MGR.	Darrell Keener
Typed or Printed Name of Operator's Representative	Title	Signature

P.O.BOX 2866;CORPUS CHRISTI,TX 78403	361-887-2111	04/02/2006
Address City, State, Zip Code	Tel: Area Code Number	Date: Mo. Day Yr.

Instruction to Form W-15, Cementing Report

MPORTANT: Operators and cementing companies must comply with the requirements of the Commission's Statewide rules 8 (Water Protection), 13 (Casing, Cementing, Drilling, and Completion, and 14 (Well Plugging). For offshore operations, see the requirements of Rule 13 (c).

A. What to file. An operator should file an original and one copy of the completed Form W-15 for each cementing company used on a well. The cementing of different casing strings on a well by one cementing company may be reported on one form. Form W-15 should be filed with the following:

* An initial oil or gas completion report, **Form W-2 or G-1**, as required by Statewide or special field rules;
* Form **W-4**, Application for Multiple Completion, if the well is a multiple parallel casing completion; and
* Form **W-3**, Plugging Record, unless the W-3 is signed by the cementing company representative. When reporting dry holes, operators must complete
*Form **W-15, in addition to Form W-3, to show any casing cemented in the hole.**

B. Where to file. The appropriate Commission District Office for the county in which the well is located.

C. **Surface casing.** An operator must set and cement sufficient surface casing to protect all usable-quality water strata, as defined by the Texas Department of Water Resources, Austin. Before drilling a well in any field or area in which no field rules are in effect or in which surface casing requirements are not specified in the applicable rules, an operator must obtain a letter from the Department of Water Resources stating the protection depth. Surface casing should not be set deeper than 200 feet below the specified depth without prior approval from the Commission.

D. **Centralizers.** Surface casing must be centralized at the shoe, above and below a stage collar or diverting tool, if run, and through usable-quality water zones. In nondeviated holes, a centralizer must be placed every fourth joint from the cement shoe to the ground surface or to the bottom of the cellar. All centralizers must meet API specifications.

E. **Exceptions and alternative casing programs.** The District Director may grant an exception to the requirements of Statewide Rule 13. In a written application, an operator must state the reason for the requested exception and outline an alternate program for casing and cementing through the protection depth for strata containing usable-quality water. The District Director may approve, modify, or reject a proposed program. **An operator must obtain approval of any exception before beginning casing and cementing operations.**

F. **Intermediate and production casing.** For specific technical requirements, operators should consult Statewide Rule 13 (b) (3) and (4).

G. **Plugging and abandoning:** Cement plugs must be placed in the wellbore as required by Statewide Rule 14. The District Director may require additional cement plugs. For onshore or inland wells, a 10-foot cement plug must be placed in the top of the well, and the casing must be cut off three feet below the ground surface. All cement plugs, except the top plug, must have sufficient slurry volume to fill 100 feet of hole, plus ten percent for each 1,000 feet of depth from the ground surface to the bottom of the plug.

To plug and abandon a well, operators must use only cementers approved by the Director of Field Operations. Cementing companies, service companies, or operators can qualify as approved cementers by demonstrating that they are able to mix and pump cement in compliance with Commission rules and regulations.



Cementer: Fill in shaded areas
Operator: Fill in other items

Form W-15
Cementing Report
Rev. 4/1993
HAL1199

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

1. Operator's Name (As Shown on Form P-5, Organization Report)	2. RRC Operator No.	3. RRC District No.	4. County of Well Site
PETRO-HUNT, L.L.C.	660043	08	REEVES
5. Field Name (Wildcat or Exactly as Shown on RRC Records)		**6. API No.**	**7. Drilling Permit No.**
TOYAH, NW (SHALE)		42-389-32398	611800
8. Lease Name	**9. Rule 37 Case No.**	**10. Oil Lease/Gas ID No.**	**11. Well No.**
BLOCK 58 STATE 32			1

CASING CEMENTING DATA:		SURFACE CASING	INTER-MEDIATE CASING	PRODUCTION CASING		MULTI-STAGE CEMENTING PROCESS	
				Single String	Multiple Parallel Strings	Tool	Shoe
12. Cementing Date				4/15/2006			
13. *Drilled hole size				8 1/2"			
*Est. % wash or hole enlargement				20%			
14. Size of casing (in. O.D.)				7"			
15. Top of liner (ft)							
16. Setting depth (ft)				12810'			
17. Number of centralizers used				13			
18. Hrs. waiting on cement before drill-out							
1st Slurry	19. API cement used: No. of sacks ▶			900			
	Class ▶			Premium			
	Additives ▶			See Remarks			
2nd Slurry	No. of sacks ▶			240			
	Class ▶			Premium			
	Additives ▶			See Remarks			
3rd Slurry	No. of sacks ▶			50			
	Class ▶			Premium Plus			
	Additives ▶			See Remarks			
1st	20. Slurry pumped: Volume (cu.ft.) ▶			1071			
	Height (ft.) ▶			8446			
2nd	Volume (cu.ft.) ▶			288			
	Height (ft.) ▶			2272			
3rd	Volume (cu.ft.) ▶			74			
	Height (ft.) ▶			584			
Total	Volume (cu.ft.) ▶			1433			
	Height (ft.) ▶			11302			
21. Was cement circulated to ground surface (or bottom of cellar) outside casing?				No			

22. Remarks

Pump 900 sks Premium Cemex Lead Cmn't with 2% Zonesealant 2000, .5% HR-601.
Pump 240 sks Premium Cemex Tail Cmn't with .4% Halad-344, .3% Super-CBL, .5% HR-5, 1.87 lbm Potassium Chloride.
Pump 50 sks Premium Plus Cap / Top-Out Cmn't with 2% CC, 10 lbm Cal-Seal.

Sales Order 4328126
Customer Name PETRO-HUNT LLC
Lease Block 58 State 32
Well Number 1H
Reeves County

OVER

ITING TO PLUG AND ABANDON	PLUG #1	PLUG #2	PLUG #3	PLUG #4	PLUG #5	PLUG #6	PLUG #7	PLUG #8
menting date								
ze of hole or pipe plugged (in.)								
epth to bottom of tubing or drill pipe (ft.)								
cks of cement used (each plug)								
urry volume pumped (cu.ft.)								
lculated top of plug (ft.)								
easured top of plug, if tagged (ft.)								
urry wt. (lbs/gal)								
pe cement								

EMENTER'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this rtification, that the cementing of casing and/or the placing of cement plugs in this well as shown in the report was performed by me or under my pervision, and that the cementing data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. is certification covers cementing data only.

RENE G LOPEZ SERVICE SUPERVISOR	Halliburton Energy Services	
ne and Title of Cementer's Representative	Cementing Company	Signature

20 N Big Spring, Ste 400	Midland	Texas	79705	1-800-844-8451	4/15/2006
dress	City	State,	Zip Code	Tel: Area Code Number	Date: Mo. Day Yr.

OPERATOR'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that I have knowledge of the well data and information presented in this report, and that data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers all well data.

ARRELL KEENER	DISTRICT MGR.	
ped or Printed Name of Operator's Representative	Title	Signature

P.O.BOX 2866;CORPUS CHRISTI,TX 78403			361-887-2111	06/12/2006
dress	City, State,	Zip Code	Tel: Area Code Number	Date: Mo. Day Yr.

Instruction to Form W-15, Cementing Report

PORTANT: Operators and cementing companies must comply with the requirements of the Commission's Statewide rules 8 (Water Protection), (Casing, Cementing, Drilling, and Completion, and 14 (Well Plugging). For offshore operations, see the requirements of Rule 13 (c).

What to file. An operator should file an original and one copy of the completed Form W-15 for each cementing company used on a well. The ementing of different casing strings on a well by one cementing company may be reported on one form. Form W-15 should be filed with the following:

* An initial oil or gas completion report, Form W-2 or G-1, as required by Statewide or special field rules;
* Form W-4, Application for Multiple Completion, if the well is a multiple parallel casing completion; and
* Form W-3, Plugging Record, unless the W-3 is signed by the cementing company representative. When reporting dry holes, operators must complete *Form W-15, in addition to Form W-3, to show any casing cemented in the hole.

Where to file. The appropriate Commission District Office for the county in which the well is located.

. Surface casing. An operator must set and cement sufficient surface casing to protect all usable-quality water strata, as defined by the Texas epartment of Water Resources, Austin. Before drilling a well in any field or area in which no field rules are in effect or in which surface casing equirements are not specified in the applicable rules, an operator must obtain a letter from the Department of Water Resources stating the protection depth. urface casing should not be set deeper than 200 feet below the specified depth without prior approval from the Commission.

). Centralizers. Surface casing must be centralized at the shoe, above and below a stage collar or diverting tool, if run, and through usable-quality vater zones. In nondeviated holes, a centralizer must be placed every fourth joint from the cement shoe to the ground surface or to the bottom of the cellar. ll centralizers must meet API specifications.

. Exceptions and alternative casing programs. The District Director may grant an exception to the requirements of Statewide Rule 13. In a written pplication, an operator must state the reason for the requested exception and outline an alternate program for casing and cementing through the protection epth for strata containing usable-quality water. The District Director may approve, modify, or reject a proposed program. An operator must obtain pproval of any exception before beginning casing and cementing operations.

. Intermediate and production casing. For specific technical requirements, operators should consult Statewide Rule 13 (b) (3) and (4).

. Plugging and abandoning. Cement plugs must be placed in the wellbore as required by Statewide Rule 14. The District Director may equire additional cement plugs. For onshore or inland wells, a 10-foot cement plug must be placed in the top of the well, and the casing must e cut off three feet below the ground surface. All cement plugs, except the top plug, must have sufficient slurry volume to fill 100 feet of hole, plus ten percent for each 1,000 feet of depth from the ground surface to the bottom of the plug.

To plug and abandon a well, operators must use only cementers approved by the Director of Field Operations. Cementing companies, service companies, or operators can qualify as approved cementers by demonstrating that they are able to mix and pump cement in compliance with Commission rules and regulations.

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division
PO Box 12967
Austin TX 78711-2967
www.rrc.state.tx.us

CERTIFICATE OF COMPLIANCE AND TRANSPORTATION AUTHORITY

READ INSTRUCTIONS ON BACK

P-4
5/02

1 Field name exactly as shown on proration schedule	2 Lease name as shown on proration schedule			
Toyah, NW (Shale)	Block 58 State 32			
3 Current operator name exactly as shown on P-5 Organization Report	4 Operator P-5 no	5 Oil Lse/Gas ID no	6 County	7 RRC district
Petro-Hunt, L.L.C.	660043		Reeves	08
8 Operator address including city, state, and zip code	9 Well no(s) (*see instruction E*)			
1601 Elm Street, Suite 3400 Dallas, TX 75201	1			
	10 Classification ☐ Oil ☒ Gas ☐ Other (*see instruction A*)		11 Effective Date	12/03/06

12 Purpose of Filing. (Complete section a or b below.) (*See instructions B and G*)

a. Change of: ☐ operator ☐ oil or condensate gatherer ☐ gas gatherer ☐ gas purchaser ☐ gas purchaser system code
☐ field name from: _____
☐ lease name from: _____

OR

b. New RRC Number for: ☐ oil lease ☒ gas well ☐ other well (specify)_____ Due to: ☐ new completion or recompletion ☐ reclass oil to gas ☐ reclass gas to oil ☐ consolidation, unitization, or subdivision (oil lease only)

13. Authorized GAS WELL GAS or CASINGHEAD GAS Gatherer(s) and/or Purchaser(s). (*See instruction G*).

Gatherer	Purchaser	Name of GAS WELL GAS or CASINGHEAD GAS Gatherer(s) or Purchaser(s) As Indicated in Columns to the Left (*Attach an additional sheet in same format if more space is needed*)	Purchaser's RRC Assigned System Code	Percent of Take	Full-well stream
X	X	Enterprise GC, L.P.	0001	100	

14. Authorized OIL or CONDENSATE Gatherer(s). (*See instruction G*).

Name of OIL or CONDENSATE Gatherer(s) - List Highest Volume Gatherer First (*Attach an additional sheet in same format if more space is needed*)	Percent of Take

RRC USE ONLY
Reviewer's initials: _____
Approval date: _____

15. PREVIOUS OPERATOR CERTIFICATION FOR CHANGE OF OPERATOR P-4 FILING. Being the PREVIOUS OPERATOR, I certify that operating responsibility for the well(s) designated in this filing, located on the subject lease has been transferred in its entirety to the above named Current Operator. I understand, as Previous Operator, that designation of the above named operator as Current Operator is not effective until this certificate is approved by the Commission.

Name of Previous Operator _____ Signature _____

Name (print) _____ ☐ Authorized Employee of previous operator ☐ Authorized agent of previous operator (*see instruction G*)

Title _____ Date _____ Phone with area code _____

16. CURRENT OPERATOR CERTIFICATION. By signing this certificate as the Current Operator, I certify that all statements on this form are true and correct and I acknowledge responsibility for the regulatory compliance of the subject lease including plugging of well(s) pursuant to Rule 14. I further acknowledge that I assume responsibility for the physical operation, control, and proper plugging of each well designated in this filing. I also acknowledge that I will remain designated as the Current Operator until a new certificate designating a new Current Operator is approved by the Commission.

Liz Luthans
Name (print)

Signature

Manager, Oil Marketing
Title

☒ Authorized Employee of current operator ☐ Authorized agent of current operator (*see instruction G*)

lluthans@petrohunt.com
E-mail Address (optional)

1/26/07
Date

214.880.8400
Phone with area code

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

STATEMENT OF PRODUCTIVITY OF ACREAGE ASSIGNED TO PRORATION UNITS

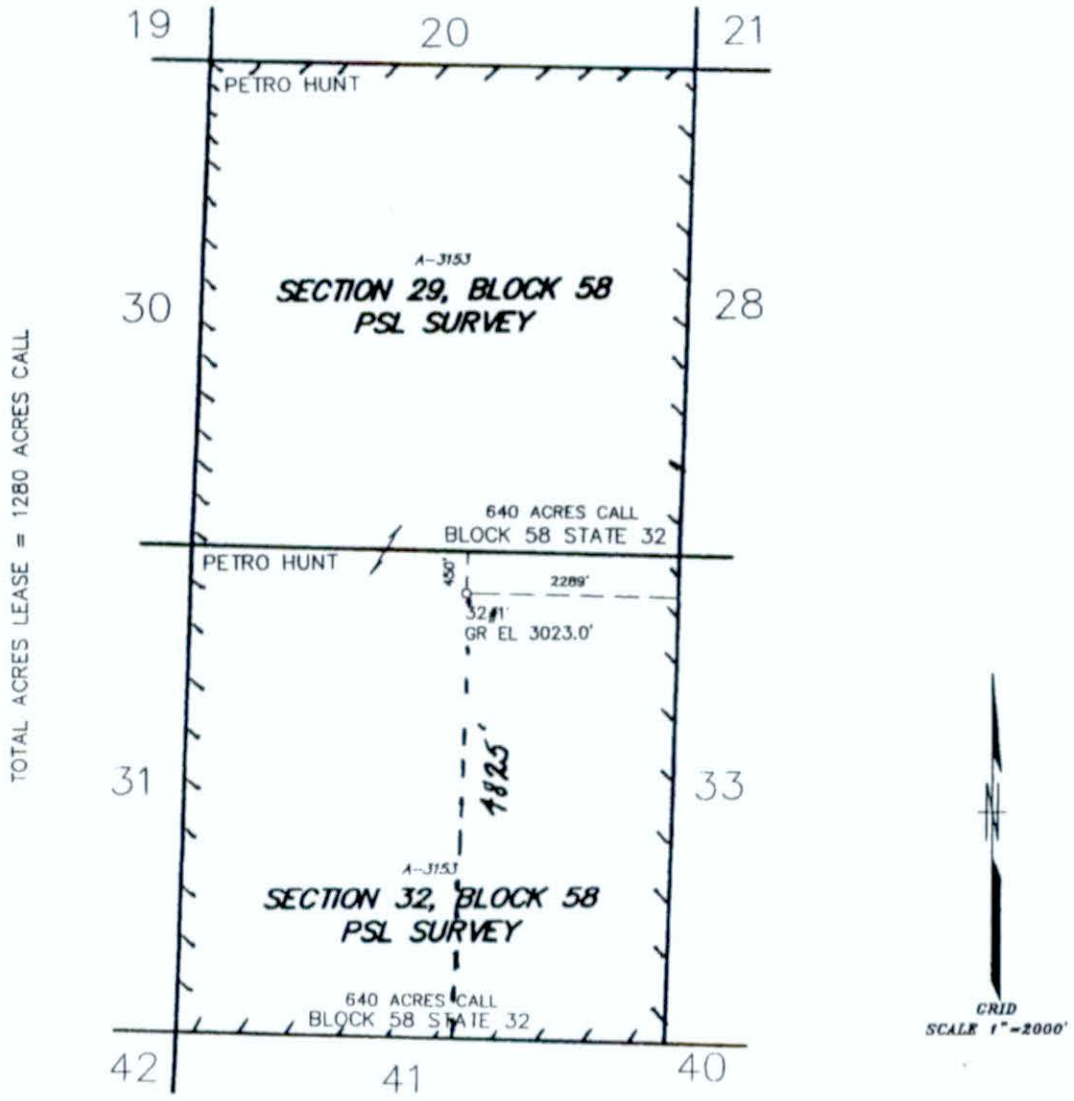
The undersigned states that he is authorized to make this statement; that he has knowledge of the facts concerning the PETRO - HUNT, L.L.C. (OPERATOR), Block 58 State 32 (LEASE), No. 1 (WELL); that such well is completed in the Toyah, NW (Shale) Field, Reeves County, Texas and that the acreage claimed, and assigned to such well for proration purposes as authorized by special rule and as shown on the attached certified plat embraces 1280 acres which can reasonably be considered to be productive of hydrocarbons.

- CERTIFICATE -

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

Date 01/24/2007 Signature Darell Keener

Telephone (AREA CODE) (361)887-2111 Title District Clerk



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

NAD 83, TEXAS CENTRAL ZONE COORDINATES (HERE POSITION) OF THE 32#1H: N=10503822.5', E=1193775.3'.
LATITUDE & LONGITUDE OF THE 32#1H:
LATITUDE=31°26'12.4", LONGITUDE=-103°52'12.2".

NAD 27, TEXAS CENTRAL ZONE COORDINATES (HERE POSITION) OF THE 32#1H: N=661247.8', E=897312.6'.
LATITUDE & LONGITUDE OF THE 32#1H:
LATITUDE=31°26'11.9", LONGITUDE=-103°52'10.5".

APPROXIMATELY 9.2 MILES NORTHWEST OF TOYAH, TEXAS

PERMIT PLAT

PETRO-HUNT, L.L.C.
BLOCK 58 STATE 32#1
450' FNL & 2289' FEL
SECTION 32, BLOCK 58
PSL SURVEY
REEVES COUNTY, TEXAS

STATE OF TEXAS
REGISTERED
W. D. WATSON, JR.
1989
PROFESSIONAL
LAND SURVEYOR

OPERATOR NAME AND ADDRESS, including city, state and zip

PETRO - HUNT, L.L.C.
1601 ELM ST. STE 3400
DALLAS, TX 75201

GAS WELL STATUS REPORT

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

Page 1 of 1

Reason for Filing
☐ Survey ☐ Retest
☐ Initial Test ☐ Correction

Operator P-5 Organization No.: 660043

RRC Dist. No.: 08

G-10
DBC1297
rev. 7/95

Test Period:
Due Date:
Effective Date

FIELD NAME / * LEASE NAME	RRC IDENT NO. / WELL NO.	DATE TESTED MO/DAY/YR / MARK X FOR SHUT-IN WELL	GAS PRODUCED MCF/DAY** / GAS SPEC. GRAVITY	CONDENSATE PRODUCED / CONDENSATE GRAVITY (API)	WATER PROD BBL/DAY / X BOTTOMHOLE PRESSURE PSIA	***SIWH PRESSURE PSIA / ***FLOWING PRESSURE PSIA
Toyah, NW (Shale)	NEW WELL	12/10/2006	996 MCF	.0 BBL	648 BBL	1280
Block 58 State 32	1		.598	N/A		625
			MCF	BBL	BBL	
			MCF	BBL	BBL	
			MCF	BBL	BBL	
			MCF	BBL	BBL	
			MCF	BBL	BBL	
			MCF	BBL	BBL	
			MCF	BBL	BBL	

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

Signature: Darrell Keener Title: District Clerk Phone: (361) 887-2111 Date: 01/24/2007

* AN ASTERISK PREPRINTED ON A SURVEY IDENTIFIES WELL SUBJECT TO COMMINGLING TEST REQUIREMENT
X AN "X" PREPRINTED ON A SURVEY IN THE BOTTOMHOLE PRESSURE BOX INDICATES A BOTTOMHOLE PRESSURE MUST BE REPORTED FOR THE WELL
** GAS PRODUCTION RATE, IN MCF, IS TO BE REPORTED FULL-WELL STREAM, INCLUDING CONDENSATE
***PRESSURE FOR THE TEXAS HUGOTON FIELD IS REPORTED IN PSIG

10

File No. MT 105285

Will Leonhardt

Date Filed: 1/24/07

Jerry E. Patterson, Commissioner

By

Enter if Assigned:
API No.: 42-_____
Drilling Permit No.: _____
Rule 37/38 Case No.: _____

RAILROAD COMMISSION OF TEXAS
OIL AND GAS DIVISION

APPLICATION FOR PERMIT TO DRILL, RECOMPLETE OR RE-ENTER

FORM W-1 DBC1105 EFF 10/04

Drilling Permit Fee Based on Depth:
0'-2000' $200 2001'-4000' $225
4001'-9000' $250 >9000'- $300
Expedited Service Fee ADD $150
Rule 37/38 Exception Fee ADD $200

MF 105285

1. RRC Operator No.: 660043

2. Operator Name (as shown on P-5 Organization Report): PETRO - HUNT, L.L.C.

3. Operator Address (include street, city, state, zip): 1601 ELM ST. STE 3400 DALLAS, TX 75201

4. Lease Name: Block 58 State 31-3

5. Well No.: 1H

GENERAL INFORMATION

6. Purpose of Filing (Mark ALL appropriate boxes): ☒ New Drill ☐ Recompletion ☐ Reclass ☐ Field Transfer ☐ Re-enter ☐ Amended ☐ Amended as Drilled (BHL) (Also File Form W-1D)

7. Wellbore Profile (Mark ALL appropriate boxes): ☐ Vertical ☒ Horizontal (Also File Form W-1H) ☐ Directional (Also File Form W-1D) ☐ Sidetrack

8. Total Vertical Depth: 12,500'

9. Do you have the right to develop minerals under any right of way? ☒ Yes ☐ No

10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)? ☒ Yes ☐ No

SURFACE LOCATION AND ACREAGE INFORMATION

11. RRC District No.: 08

12. County: Reeves

13. Surface Location: ☒ Land ☐ Bay/estuary ☐ Inland waterway ☐ Offshore

14. This well is to be located 7.9 miles in a NW direction from Toyah, which is the nearest town in the county.

15. Section: 31

16. Block: 58

17. Survey: PSL

18. Abstract No: 3154

19. Distance to nearest lease line: 2555'

20. Number of contiguous acres in lease, pooled unit or unitized tract: 1280

21. Lease Perpendiculars: 4815 ft. from the S line and 2555 ft from the W line.

22. Survey Perpendiculars: 461 ft from the N line and 2555 ft from the W line.

23. Is this a pooled unit? ☐ Yes ☒ No

24. Unitization Docket No: _____

25. Are you applying for Substandard Acreage Field? ☐ Yes (attach Form W-1A) ☒ No

FIELD INFORMATION List all fields of anticipated completion including Wildcat. List one zone per line. Attach an additional Form W-1 if you require more space.

26. RRC District No.	27. Field No:	28. Field Name (exactly as shown in RRC records)	29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Lease & Reservoir	32. No. of Wells on this Lease in this Reservoir
08	00018001	Wildcat above 12,500'	B	12500'	N/A	1
08	90890700	Toyah, NW (Shale)	B	12500'	N/A	1

BOTTOMHOLE LOCATION INFORMATION is required for DIRECTIONAL, HORIZONTAL, AND AMENDED AS DRILLED PERMIT APPLICATIONS – Attach FORM W-1D/FORM W-1H as appropriate

Remarks:
Please Expedite this Permit.

RRC Use only

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

Darrell Keener
Name of Representative (Print)

Darrell Keener
Signature

01/09/2007
Date (mm/dd/yy)

(361)887-2111
Telephone (AC and number)

dkeener@petrohunt.com
E-mail Address (OPTIONAL – If provided, e-mail address will become part of this public record.)

Railroad Commission of Texas
Oil and Gas Division
Application for Permit to Drill, Recomplete or Re-Enter

Form W-1H 07/2004 DBC0604
Supplemental Horizontal Well Information

1. RRC Operator No.	2. Operator Name (as shown on P5 Organization Report)	3. Lease Name	4. Well No.
660043	PETRO - HUNT, L.L.C.	Block 58 State 31-3	1H

Lateral Drainhole Location Information

5. Field as shown on Form W-1: Toyah, NW (Shale)

6. Section	7. Block	8. Survey	9. Abstract	10. County of BHL
31	58	PSL	3154	Reeves

11. Terminus Lease Line Perpendiculars #1
2399 ft. from the N line and 553 ft. from the E line.

12. Terminus Survey Line Perpendiculars
2399 ft from the N line and 553 ft from the E line.

13. Penetration Point Lease Line Perpendiculars
5233 ft. from the S line and 2449 ft. from the E line.

14. Field as shown on Form W-1: Wildcat

15. Section	16. Block	17. Survey	18. Abstract	19. County of BHL
31	58	PSL	3154	Reeves

20. Terminus Lease Line Perpendiculars #2
2399 ft. from the N line and 553 ft. from the E line.

21. Terminus Survey Line Perpendiculars
2399 ft from the N line and 553 ft from the E line.

22. Penetration Point Lease Line Perpendiculars
5233 ft. from the S line and 2449 ft from the E line.

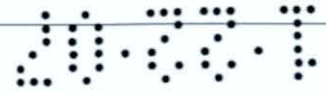
23. Field as shown on Form W-1

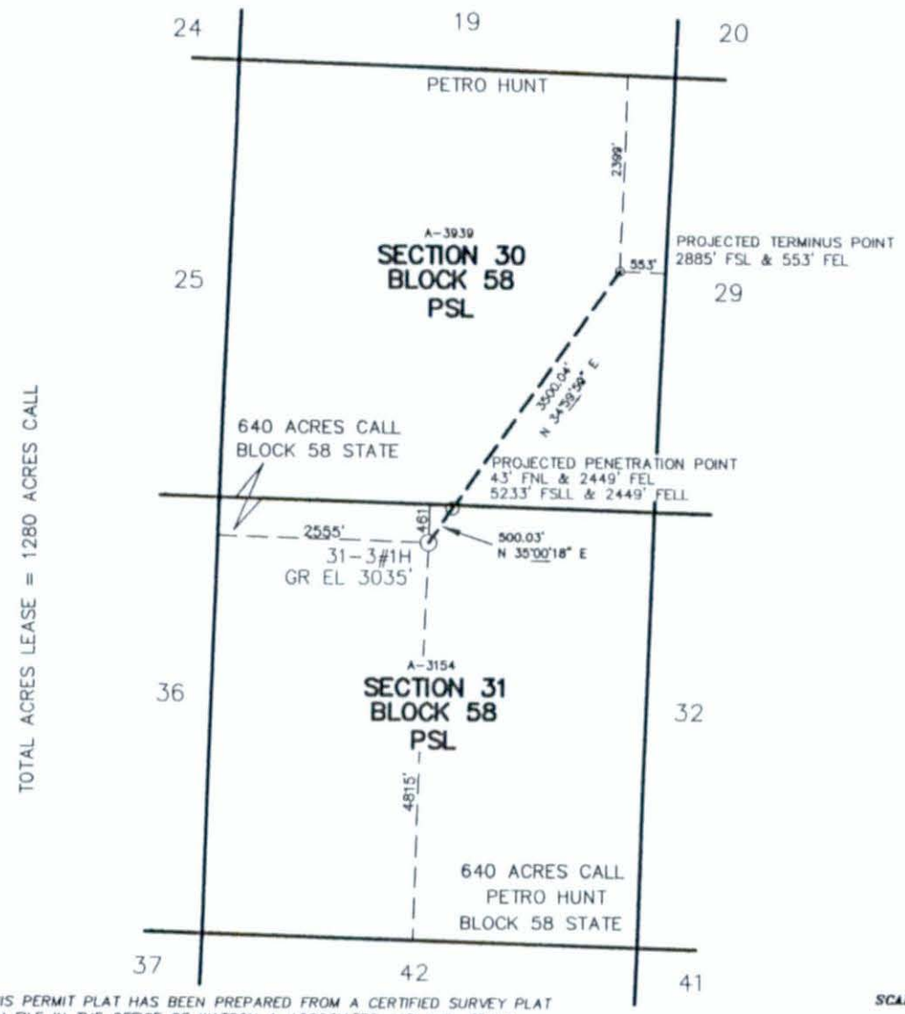
24. Section	25. Block	26. Survey	27. Abstract	28. County of BHL

29. Terminus Lease Line Perpendiculars #3
_____ ft. from the _____ line and _____ ft from the _____ line.

30. Terminus Survey Line Perpendiculars
_____ ft from the _____ line and _____ ft from the _____ line.

31. Penetration Point Lease Line Perpendiculars
_____ ft from the _____ line and _____ ft from the _____ line.





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

NAD 83, TEXAS CENTRAL ZONE COORDINATES (HERE POSITION)
OF THE 31-3#1H: N=10503986.7', E=1188067.6'.
LATITUDE & LONGITUDE OF THE 31-3#1H:
LATITUDE=31°26'12.2", LONGITUDE=-103°53'18.1".

PROJECTED PENETRATION POINT 31-3#1H N = 10504396.3', E = 1188354.5'
LATITUDE = 31°26'16.3", LONGITUDE = -103°53'15.0"
PROJECTED TERMINUS POINT 31-3#1H N = 10507263.3', E = 1190362.0'
LATITUDE=31°26'45.3", LONGITUDE=-103°52'52.9"

NAD 27, TEXAS CENTRAL ZONE COORDINATES (HERE POSITION)
OF THE 31-3#1H: N=661412.0', E=891604.9'.
LATITUDE & LONGITUDE OF THE 31-3#1H:
LATITUDE=31°26'11.7", LONGITUDE=-103°53'16.5".

PROJECTED PENETRATION POINT 31-3#1H N = 661821.6', E = 891891.8'
LATITUDE = 31°26'15.9", LONGITUDE = -103°53'13.3"
PROJECTED TERMINUS POINT 31-3#1H N = 664688.6', E = 893899.3'
LATITUDE=31°26'44.9", LONGITUDE=-103°52'51.2".

APPROXIMATELY 7.9 MILES NORTHWEST OF TOYAH, TEXAS

PERMIT PLAT

PETRO-HUNT, L.L.C.
BLOCK 58 STATE 31-3#1H
461' FNL & 2555' FWL
PROJECTED PENETRATION POINT
43' FNL & 2449' FEL
SECTION 31, BLOCK 58
PROJECTED TERMINUS POINT
2885' FSL & 553' FEL
SECTION 30, BLOCK 58
PSL SURVEY
REEVES COUNTY, TEXAS

STATE OF TEXAS
REGISTERED
W. D. WATSON, JR.
1989
PROFESSIONAL
LAND SURVEYOR

WATSON & ASSOCIATES OF MIDLAND, INC.

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

(800) 495-6443

CONSULTING ENGINEERS, LAND SURVEYORS & PLANNERS

DATE: JANUARY 5, 2007 ACAD FILE: M:/BLOCK 59 PSL/DWG/BLOCK 59 PSL.DWG
F/B: 530/49 DRAWN BY: SW DATE SURVEYED: 12/15/06
W-582-06

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

REGISTERED PROFESSIONAL LAND SURVEYOR

DATE 1/5/07 RPLS 1989

File No. MF 705285

Well Reports

Date Filed: 1/22/07

Jerry E. Patterson, Commissioner

By

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
10-06-2004	Ted Michael Covington M 105285 E	12	10-06-2007	439023/001

AGENCY LEASE NUMBER: M 105285
IN PAYMENT OF:Rental Business Unit :EXPLORATION HOUSTON

08000729

REMARKS: This payment is being made on behalf of Burlington Resources O&G Co.

RECORDED: BK 687 PG 702 #002923

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES 78.247
Prospect: NEWARK WEST-URE (BR)
Asset Area:URE DELAWARE BASIN
LEGAL (Part of):PSL BLK 58 S31 ABST/ID# 3154
PSL BLK 58 S32 ABST/ID# 3153

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $651.79
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
TAX ID: [redacted] ACCT:

(DPS# [redacted]

TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $651.79

RENTAL PAYMENT
4th yr. (9)

121

60406

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
10-06-2004	Jane Covington Drake M 105285	12	10-06-2007	439023/002

AGENCY LEASE NUMBER: M 105285
IN PAYMENT OF:Rental Business Unit :EXPLORATION HOUSTON

08000730

REMARKS: This payment is being made on behalf of Burlington Resources O&G Co.

RECORDED: BK 687 PG 693 #002922

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES 78.247
Prospect: NEWARK WEST-URE (BR)
Asset Area:URE DELAWARE BASIN
LEGAL (Part of):PSL BLK 58 S31 ABST/ID# 3154
PSL BLK 58 S32 ABST/ID# 3153

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $651.79
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
TAX ID: [redacted] ACCT:

(DPS# [redacted]

TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $651.79

121

RENTAL PAYMENT
4th yr.

60408

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
10-06-2004	Ann Covington Henderson M 105285	12	10-06-2007	439023/003

AGENCY LEASE NUMBER: M 105285
IN PAYMENT OF:Rental Business Unit :EXPLORATION HOUSTON

08000731

REMARKS: This payment is being made on behalf of Burlington Resources O&G Co.

RECORDED: BK 687 PG 684 #002921

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES 78.247
Prospect: NEWARK WEST-URE (BR)
Asset Area:URE DELAWARE BASIN
LEGAL (Part of):PSL BLK 58 S31 ABST/ID# 3154
PSL BLK 58 S32 ABST/ID# 3153

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $651.79
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
TAX ID: [redacted] ACCT:

(DPS# [redacted]

TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $651.79

RENTAL PAYMENT
4th yr. (P)

121

60411

12.

File No. MF705285
Leases E-G 4th yr.
RENTAL PAYMENTS
Date Filed: 9/12/07
Jerry E. Patterson, Commissioner
By

THIS PORTION IS NON-NEGOTIABLE

THIS PORTION IS NON-NEGOTIABLE

THIS PORTION IS NON-NEGOTIABLE

08003004

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
11-03-2004	Randy Camp Ind Exec M 105285 C	12	11-03-2007	439023/004

AGENCY LEASE NUMBER: M 105285
IN PAYMENT OF:Rental Business Unit :EXPLORATION HOUSTON

REMARKS: This payment is being made on behalf of Burlington Resources O&G Co.

RECORDED: BK 692 PG 478 #000353

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES 64.020
Prospect: NEWARK WEST-URE (BR)
Asset Area:URE DELAWARE BASIN
LEGAL (Part of):PSL BLK 58 S31 ABST/ID# 3154
PSL BLK 58 S32 ABST/ID# 3153

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $533.61
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
TAX ID: [redacted] ACCT:

(DPS# [redacted]

TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $533.61

121

RENTAL PAYMENT
4th yr.
105285C

61508

A0080300 4

File No. ME-105285
lease c
4th yr. Rental Payment

Date Filed: 10/19/2002

Jerry E. Patterson, Commissioner

By: C. Brown

THIS PORTION IS NON-NEGOTIABLE

THIS PORTION IS NON-NEGOTIABLE

THIS PORTION IS NON-NEGOTIABLE

13.

PAYEE: DETACH THIS PORTION BEFORE CASHING CHECK

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

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

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
ST OF TX GENERAL LAND OFFICE		Nov-07-2007	7006876	$7.90

LEASE NUMBER 118*1021976
ORIGINAL LESSOR/LEASE NAME TEXAS SCOTTISH RITE HOSPIT
DATE 11/07/07
CHECK NO 7006876

RENTAL PERIOD

LEASE DATE	MONTHS	FROM	TO	FILE ID
12/01/05	12	12/01/07	12/01/08	68350-0056-004

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

PAYMENT AMOUNT	7.90
BANK SERVICE CHG	0.00
TOTAL AMOUNT	7.90

121

TO BE CREDITED TO
ADDITIONAL TEXT

OWNER # 73260
ST TX MF 105285 M
RECORDED BOOK PAGE ENTRY
PROSPECT N W TOYAH PROSPECT
COUNTY/PARISH REEVES STATE TX
TRACT NO 23228
LEGAL DESCRIPTION
REEVES COUNTY TEXAS BLOCK 58, PUBLIC SCHOOL LAND SURVEY SEC. 31: ALL SEC. 32: ALL SEC. 42: ALL BEING 1895.47 ACRES MORE OR LESS ***

RENTAL PAYMENT

MF105285M
3rd yr. (P)

RECEIVED
01 NOV 14 PM 4
08005366

11.1.07

14

File No. MF-105285

RENTAL PAYMENT

Lease M 3rd yr.

Date Filed: 11-14-07

Jerry E. Patterson, Commissioner

By LINDA ANDERSON

11-14-07

871614

09000743

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
10-06-2004	Jane Covington Drake M 105285 G	12	10-06-2008	439023/002

AGENCY LEASE NUMBER: M 105285 G
IN PAYMENT OF:Rental Business Unit :EXPLORATION HOUSTON

REMARKS: This payment is being made on behalf of Burlington Resources O&G Co.

RECORDED: BK 687 PG 693 #002922

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: NEWARK WEST-URE (BR) 78.247
Asset Area:URE DELAWARE BASIN
LEGAL (Part of):PSL BLK 58 S31 ABST/ID# 3154 Grantee
PSL BLK 58 S32 ABST/ID# 3153 Grantee

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $651.79
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
TAX ID: [redacted] ACCT:

(DPS# [redacted]

TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $651.79

RENTAL PAYMENT
$ th yr.
(P)

No Received Date
Punched

75234

17-15750 N, 11-05

09000744

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
10-06-2004	Ann Covington Henderson M 105285	12	10-06-2008	439023/003

AGENCY LEASE NUMBER: M 105285 F
IN PAYMENT OF:Rental Business Unit :EXPLORATION HOUSTON

REMARKS: This payment is being made on behalf of Burlington Resources O&G Co.

RECORDED: BK 687 PG 684 #002921

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES 78.247
Prospect: NEWARK WEST-URE (BR)
Asset Area:URE DELAWARE BASIN
LEGAL (Part of):PSL BLK 58 S31 ABST/ID# 3154 Grantee
PSL BLK 58 S32 ABST/ID# 3153 Grantee

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $651.79
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
TAX ID: [redacted] ACCT:

(DPS# [redacted]

TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $651.79

RENTAL PAYMENT

5th yr. ①

No Received Date Punched

75235

121

09000742

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
10-06-2004	Ted Michael Covington M 105285	12	10-06-2008	439023/001

AGENCY LEASE NUMBER: M 105285
IN PAYMENT OF:Rental Business Unit :EXPLORATION HOUSTON

REMARKS: This payment is being made on behalf of Burlington Resources O&G Co.

RECORDED: BK 687 PG 702 #002923

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES 78.247
Prospect: NEWARK WEST-URE (BR)
Asset Area:URE DELAWARE BASIN
LEGAL (Part of):PSL BLK 58 S31 ABST/ID# 3154 Grantee
PSL BLK 58 S32 ABST/ID# 3153 Grantee

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $651.79
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
TAX ID: [redacted] ACCT:

(DPS# [redacted]

TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $651.79

RENTAL PAYMENT
5th yr.
No received date punched

75231

17-15750 N, 11-05

15.

File No. MF 105285
Leases E-G 5th yr.
RENTAL PAYMENT
Date Filed: 09/10/08
Jerry E. Patterson, Commissioner
By

THIS PORTION IS NON-NEGOTIABLE

THIS PORTION IS NON-NEGOTIABLE

THIS PORTION IS NON-NEGOTIABLE

09002669

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
11-03-2004	Randy Camp Ind Exec M 105285	12	11-03-2008	439023/004

AGENCY LEASE NUMBER: M 105285 C
IN PAYMENT OF:Rental Business Unit :EXPLORATION HOUSTON

REMARKS: This payment is being made on behalf of Burlington Resources O&G Co.

RECORDED: BK 692 PG 478 #000353

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES 64.020
Prospect: NEWARK WEST-URE (BR)
Asset Area:URE DELAWARE BASIN
LEGAL (Part of):PSL BLK 58 S31 ABST/ID# 3154 Grantee
PSL BLK 58 S32 ABST/ID# 3153 Grantee

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $533.61
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
TAX ID: [redacted] ACCT:

(DPS#[redacted] TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $533.61

RENTAL PAYMENT

5th yr. ①

121

76415

See also Doc # 17

Payment 1 of 2

File No. MF 102385
Lease C 5th yr.
RENTAL PAYMENT
Date Filed: 10/08/08
Jerry E. Patterson, Commissioner
By

THIS PORTION IS NON-NEGOTIABLE

THIS PORTION IS NON-NEGOTIABLE

THIS PORTION IS NON-NEGOTIABLE

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY OCTOBER 29, 2008 TENDERED TO

COMMISSIONER OF THE GENERAL LAND

THE SUM OF $533.61 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
11/3/2008 TO 11/3/2009 COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

Survey: PUBLIC SCHOOL LAND Block/Suffix: 58 Section: 31 Short Desc: ALL
Survey: PUBLIC SCHOOL LAND Block/Suffix: 58 Section: 32 Short Desc: ALL

PAYMENT RENTAL
LEASE NUMBER TX0011622-012 LEASE DATE: 11/3/2004 PROSPECT: BALMORHEA
RECORDED: BOOK 689 PAGE 606 ENTRY NUMBER: 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: 3RD & 4TH ANNIV DELAY RENTAL 533.61

RENTAL PAYMENT
105285C
5th yr.
See also Doc # 16
Payment 2 of 2

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 to the person(s) named above and date, sign and return the receipt on the day you receive it. If correspondence required, please make reference to lease number.

Date Received _____

Sign Here _____

By _____
Title

Subtotal	533.61
BANK SERVICE CHARGE $	0.00
Grand Total	533.61
Check No.	38521

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

38521

[redacted]

DATE 10/29/2008

AMOUNT $533.61

**********533 * DOLLARS * 61 * 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

⑈038521⑈ [redacted]

10.15.01 17.

File No. MF 105285

RENTAL PAYMENT

Date Filed: 10/31/08

Jerry E. Patterson, Commissioner

By

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

March 2, 2009

April Aguilar
Petro-Hunt, LLC
1601 Elm Street, Suite 2400.
Dallas, TX 75201

RE: GLO Assignment ID # 6754

Dear Ms. Aguilar,

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 & Gas Leases, executed June 20th, 2008, from Burlington Resources Oil & Gas Co., LP, as Assignor, to Petro-Hunt, LLC, as Assignee. Reeves Co. Vol. 803, P. 497.

Filing fees of $250.00 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*
6754	*Reeves*	~~MF10285x4~~ 105285
6754	*Reeves*	MF106627
6754	*Reeves*	MF106641

FILE# 3969

ASSIGNMENT OF OIL AND GAS LEASES

STATE OF TEXAS §
§ KNOWN ALL MEN BY THESE PRESENTS:
COUNTY OF REEVES §

THAT, IN CONSIDERATION OF THE SUM OF TEN DOLLARS ($10.00) and other good and valuable consideration, the receipt of which is hereby acknowledged, **BURLINGTON RESOURCES OIL & GAS COMPANY LP**, a Delaware Limited Partnership, whose address is 600 North Dairy Ashford, Houston, Texas 77079 (hereinafter referred to as "Assignor"), does hereby bargain, assign, transfer and convey unto **PETRO-HUNT, L.L.C.**, a Delaware Limited Liability Corporation,, whose address is 1601 Elm Street, Suite 3400, Dallas, Texas 75201-7201 (hereinafter referred to as "Assignee"), subject to the terms, provisions and reservations set forth herein below, all of Assignor's right, title and interest in and to those certain oil and gas leases ("Leases") as to the lands described on Exhibit "A" attached hereto and made a part hereof for all purposes, **INSOFAR AND ONLY INSOFAR as the Leases cover lands in Sections 30 and 31 of Block 58 PSL Survey, Reeves County, Texas, and INSOFAR AND ONLY INSOFAR as the Leases cover depths from the surface of the earth to the stratigraphic equivalent of the base of the Woodford Shale Formation as seen at 13,040 feet on the log of the Petro-Hunt, L.L.C., Block 59, State 35 No. 1H well.**

THIS ASSIGNMENT OF OIL AND GAS LEASES is made by Assignor and accepted by Assignee without any representations or warranties of title, or otherwise, either express or implied, and is made subject to all terms, conditions and reservations set forth herein and in said Leases and any and all intervening assignments of said Leases or interest therein made as of the date of this Assignment. Assignee agrees to assume and perform any and all of the liabilities and obligations of Assignor attributable to the interest hereby assigned under said Leases.

Assignor expressly excepts and reserves an overriding royalty interest of all oil, gas and casinghead gas produced and saved from, or attributable to, the Leases equal to five percent (5%) of 8/8. The overriding royalty interest reserved shall be delivered to Assignor free and clear of all risk, liens, encumbrances, costs and expenses except for its proportionate part of any production, severance and ad valorem taxes.

If any of the Leases cover less than the entire oil and gas mineral estate in the lands covered thereby, the overriding royalty reserved herein shall be reduced, with respect to that particular lease, in the proportion that the interest actually assigned in the particular lease bears to the entire and undivided oil and gas mineral estate attributable to the lands covered by such lease.

Assignor grants Assignee, insofar as the Assignor has the right and authority to do so, and subject to the terms of the Leases, the right to combine the Leases and the reserved overriding interest herein with other leases or lands to create a pooled unit for the

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

production of oil and/or gas, and the reserved overriding royalty interest herein shall be reduced to the proportion thereof that the number of surface acres represented by the Leases within the pooled unit bears to the total number of surface acres included within the pooled unit.

ASSIGNEE, ITS SUCCESSORS AND ASSIGNS, AGREE TO PROTECT, INDEMNIFY AND HOLD ASSIGNOR FREE AND HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, LIENS, DEMANDS AND CAUSES OF ACTION OF EVERY KIND AND CHARACTER (INCLUDING, BUT NOT LIMITED TO, THE AMOUNTS OF JUDGEMENTS, PENALTIES, INTEREST, COURT COST, AND REASONABLE LEGAL FEES INCURRED BY ASSIGNEE IN THE DEFENSE OF SAME) ARISING IN FAVOR OF ANY PERSON, ENTITY, OR GOVERNMENTAL AGENCY, OR THIRD PARTIES (INCLUDING EMPLOYEES OF EITHER PARTY), ON ACCOUNT OF FINES, PENALTIES, FORFEITURES, TAXES, CLAIMS, DEMANDS AND CAUSES OF ACTION OF ANY KIND AND EVERY CHARACTER CAUSED BY, OCCURRING FROM, OR INCIDENTAL TO ASSIGNEE'S USE AND OCCUPANCY OF THE LANDS REPRESENTED BY THE LEASES.

It is expressly understood that all rights not herein specifically described are reserved and retained unto Assignor, its successors and assigns. This Assignment is also made expressly subject to all of the terms and provisions of that certain unrecorded Letter Agreement dated February 15, 2007 by and between Assignor and Assignee.

The terms, covenants, and conditions hereof shall be covenants running with the Leases and shall extend to and be binding upon and inure to the benefit of the parties hereto, their heirs, administrators, executors, personal representatives, successors and assigns.

IN WITNESS WHEREOF, this instrument is executed this 20th day of June, 2008 but made effective March 8, 2008.

ASSIGNOR:
BURLINGTON RESOURCES OIL & GAS COMPANY LP
By: BROG GP INC., Its Sole General Partner

By: _____
Mark B. Carlisle
Attorney-in-Fact

ATTEST:
PETRO-HUNT L.L.C.

By: _____
Name: R Fred Hosey
Title: Secretary

ASSIGNEE:
PETRO-HUNT L.L.C.

By: _____
Name: BRUCE W. HUNT
Title: President

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

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on the 20th day of June, 2008, by Mark B. Carlisle, Attorney-in-Fact of BROG GP Inc., a Delaware corporation, the sole General Partner of Burlington Resources Oil & Gas Company LP, a Delaware limited partnership, on behalf of said partnership.

Denise Duplantier
Notary Public in and for the
State of Texas

My Commission Expires:

12-11-2010

DENISE DUPLANTIER
MY COMMISSION EXPIRES
December 11, 2010

STATE OF TEXAS §
§
COUNTY OF DALLAS §

This instrument was acknowledged before me on the 25th day of August, 2008 by Bruce W. Hunt, President, of PETRO-HUNT L.L.C., on behalf of said company.

SUSAN M. LECROY
NOTARY PUBLIC
STATE OF TEXAS
6-24-2012

Susan M. Lecroy
Notary Public, State of Texas

My Commission Expires: 6-24-2012

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

60-62-1

BOOK 803 PAGE 500

FILE# 3969

FILED FOR RECORD ON THE 17TH DAY OF SEPTEMBER A.D. 2008 2:57 P. M.

DULY RECORDED ON THE 19TH DAY OF SEPTEMBER A.D. 2008 9:00A. M.

BY: _____ DEPUTY

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

EXHIBIT "A"

Attached to and made a part of that certain Assignment of Oil and Gas Leases dated effective March 8, 2008 by and between Burlington Resources Oil & Gas Company LP, as Assignor, and Petro-Hunt, L.L.C., as Assignee, covering lands in Sections 30 and 31, Block 58, PSL Survey, Reeves County, Texas

Lease No.	Agreement Type	Effective Date	Lessor	Lessee	County	Section	Block	Survey	Gross Acres	Recording Data
439023/001	Oil & Gas Lease	October 6, 2004	State of Texas acting through its agent Ted Michael Covington	Shaw Interests, Inc.	Reeves	31	58	PSL	640.2	Vol. 687/Pg. 702
439023/002	Oil & Gas Lease	October 6, 2004	State of Texas acting through its agent Jane Covington Drake	Shaw Interests, Inc.	Reeves	31	58	PSL	640.2	Vol. 687/Pg. 693
439023/003	Oil & Gas Lease	October 6, 2004	State of Texas acting through its agent Ann Covington Henderson	Shaw Interests, Inc.	Reeves	31	58	PSL	640.2	Vol. 687/Pg. 684
439023/004	Oil & Gas Lease	November 3, 2004	State of Texas acting through its agent Randy Camp as Independent Executor of the Estate of Nellie May Gohike, deceased	Shaw Interests, Inc.	Reeves	31	58	PSL	640.2	Vol. 689/Pg. 606
440561/001	Oil & Gas Lease	January 20, 2005	State of Texas acting through its agent David Armstrong	Shaw Interests, Inc.	Reeves	30	58	PSL	80	Vol. 696/Pg. 707
440561/002	Oil & Gas Lease	January 20, 2005	State of Texas acting through its agent Weldon Scott Armstrong, Jr.	Shaw Interests, Inc.	Reeves	30	58	PSL	80	Vol. 696/Pg. 717
440561/003	Oil & Gas Lease	January 20, 2005	State of Texas acting through its agent John Cole Armstrong	Shaw Interests, Inc.	Reeves	30	58	PSL	80	Vol. 696/Pg. 697
440561/004	Oil & Gas Lease	January 20, 2005	State of Texas acting through its agent Betty B. Armstrong	Shaw Interests, Inc.	Reeves	30	58	PSL	80	Vol. 696/Pg. 687
440561/005	Oil & Gas Lease	January 20, 2005	State of Texas acting through its agent April Armstrong Perez	Shaw Interests, Inc.	Reeves	30	58	PSL	80	Vol. 696/Pg. 727
441716/000	Oil & Gas Lease	July 15, 2005	State of Texas acting through its agent Robert Roush Vance	Shaw Interests, Inc.	Reeves	30	58	PSL	80	Vol. 709/Pg. 334

105285

INSOFAR AND ONLY INSOFAR as the above described Leases cover lands in Sections 30 and 31 of Block 58, PSL Survey, Reeves County, Texas, and INSOFAR AND ONLY INSOFAR as the above described Leases cover depths from the surface of the earth to the stratigraphic equivalent of the the base of the Woodford Shale Formation as seen at 13,040 feet on the log of the Petro-Hunt, L.L.C., Block 59, State 35 No. 1H well.

CONTRACT

1. Farmout Agreement dated February 15, 2007, by and between Burlington Resources Oil & Gas Company, LP and Petro-Hunt, L.L.C. (COPC Contract #203368).

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

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 803, PAGE 497, THRU 500.

I hereby certified on 09/23/2008

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

DENISE G. VALDEZ

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

TEL. 214-880-8400
Fax 214-880-7101

January 23, 2009

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

Re: Lease/Assignment Fees
Burlington Resources Oil & Gas Company, LP, as Assignor
Petro-Hunt, L.L.C., as Assignee

Dear Ms. Boyd,

Enclosed please find Petro-Hunt's check in the amount of $250.00 payable to the Texas General Land Office as payment for filing fees associated with ten (10) Relinquishment Act Leases which were assigned to Petro-Hunt L.L.C. from Burlington Resources Oil & Gas Company in the Assignment of Oil and Gas Leases dated June 20, 2008, but effective March 8, 2008.

A list of the leases assigned is as follows:

LESSOR	LESSEE	MINERAL FILE NUMBER	LEGAL DESCRIPTION	LEASE GROSS ACRES	FILING FEE	LEASE DATE	BOOK PAGE
Ted Michael Covington	Shaw Interests, Inc.	M-105285	All of Section 31, Block 58, PSL Survey	640.20	$25.00	10/06/04	687/702
Jane Covington Drake	Shaw Interests, Inc.	M-105285	All of Section 31, Block 58, PSL Survey	640.20	$25.00	10/06/04	687/693
Anne Covington Henderson	Shaw Interests, Inc.	M-105285	All of Section 31, Block 58, PSL Survey	640.20	$25.00	10/06/04	687/684
Randy Camp, as Ind. Executor of the Estate of Nellie May Gohlke, deceased	Shaw Interests, Inc.	M-105285	All of Section 31, Block 58, PSL Survey	640.20	$25.00	11/03/04	689/606
David Armstrong 106641	Shaw Interests, Inc.	Unknown	Section 30, Block 58, PSL Survey	80.0	$25.00	01/20/05	696/707
Weldon Scott Armstrong, Jr. 106641	Shaw Interests, Inc.	Unknown	Section 30, Block 58, PSL Survey	80.0	$25.00	01/20/05	696/717
John Cole Armstrong 106641	Shaw Interests, Inc.	Unknown	Section 30, Block 58, PSL Survey	80.0	$25.00	01/20/05	696/697
Betty B. Armstrong 106641	Shaw Interests, Inc.	Unknown	Section 30, Block 58, PSL Survey	80.0	$25.00	01/20/05	696/687
April Armstrong Perez 106641	Shaw Interests, Inc.	Unknown	Section 30, Block 58, PSL Survey	80.0	$25.00	01/20/05	696/727
Robert Roush Vance 106627 106721-	Shaw Interests, Inc.	Unknown	Section 30, Block 58, PSL Survey	80.0	$25.00	07/15/05	709/334
				Total Fees:	**$250.00**		

Also enclosed please find a certified recorded copy of the Assignment of Oil and Gas Leases which is evidenced of record in Reeves County, Texas. If you should have any questions, please contact me at 214-880-7163.

Yours very truly,

April L. Aguilar
Petroleum Land Administrator

60.62.1

PAYEE: DETACH THIS PORTION BEFORE CASHING CHECK

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

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

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE	58207	Jan-23-2009	4144181	$250.00

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
01AP1012	012109	01/21/09	250.00	0.00	250.00
"FILING FEES"					
TOTAL INVOICES PAID					250.00

121
129

09008727

60-62-1

18.

File No. MF105285

assignment

Date Filed: 3/2/09

Jerry E. Patterson, Commissioner

By

9177754

MEMO TO FILE MF105285

Date: October 7, 2011
From : Tracey Throckmorton
RE: Info on and Status of undivided interest leases

MF105285A – Gross acres – 1,895.47 Net acres – 94.7735
Lessor: Wells Fargo for Catherine Funk Wall Trust A
Sections: 31, 32 and 42
Lease Date: 12-1-2005
Term: 3 years
Royalty: ¼
Vertical & horizontal severance: 12-1-2010

MF105285B – Gross acres – 1,895.47 Net acres – 94.7735
Lessor: Wells Fargo for D.D. Wall Estate Trust A
Sections: 31, 32 and 42
Lease Date: 12-1-2005
Term: 3 years
Royalty: ¼
Vertical & horizontal severance: 12-1-2010

MF105285C – Gross acres – 1,280.4 Net acres – 64.02
Lessor: Randy Camp, executor of estate of Nellie May Gohike
Sections: 31 and 32
Lease Date: 11-3-2004
Term: 5 years
Royalty: 1/5
Vertical & horizontal severance: NONE

MF105285D – Gross acres – 1,280.2 Net acres – 640.10
Lessor: Dela Minerals, Inc.
Sections: 31 and 32
Lease Date: 2-18-2005
Term: 3 years
Royalty: ¼
Vertical & horizontal severance: 2-18-2010

MF105285E – Gross acres – 1,280.4 Net acres – 78.24666667
Lessor: Ted Michael Covington
Sections: 31 and 32
Lease Date: 10-6-2004
Term: 5 years
Royalty: 1/5
Vertical severance: 10-6-2011
Horizontal severance: 10-6/2013 ½ bonus pd

MF105285F – Gross acres – 1,280.4 Net acres – 78.24666667
Lessor: Ann Covington Henderson
Sections: 31 and 32
Lease Date: 10-6-2004
Term: 5 years
Royalty: 1/5
Vertical severance: 10-6-2011
Horizontal severance: 10-6/2013

MF105285G – Gross acres – 1,280.4 Net acres – 78.24666667
Lessor: Jean Covington Drake
Sections: 31 and 32
Lease Date: 10-6-2004
Term: 5 years
Royalty: 1/5
Vertical severance: 10-6-2011
Horizontal severance: 10-6/2013

MF105285H – Gross acres – 1,895.47 Net acres – 94.7735
Lessor: D D Wall Trust B
Sections: 31, 32 and 42
Lease Date: 12-1-2005
Term: 3 years
Royalty: ¼
Vertical & Horizontal severance: 12-1-2010

MF105285I – Gross acres – 1,895.47 Net acres – 94.7735
Lessor: Catherine Funk Wall Trust B
Sections: 31, 32 and 42
Lease Date: 12-1-2005
Term: 3 years
Royalty: ¼
Vertical & Horizontal severance: 12-1-2010

MF105285J – Gross acres – 1,895.47 Net acres – 63.18
Lessor: Wells Fargo Trustee of Mary B. Harwit Unitrust
Sections: 31, 32 and 42
Lease Date: 9-1-2005
Term: 3 years
Royalty: ¼
Vertical & Horizontal severance: 9-1-2010

MF105285K – Gross acres – 1,895.47 Net acres – 31.59
Lessor: Wells Fargo Trustee of Mary Y. Tippens Testamentary Trust
Sections: 31, 32 and 42
Lease Date: 9-1-2005
Term: 3 years
Royalty: ¼
Vertical & Horizontal severance: 9-1-2010

MF105285L – Gross acres – 1,895.47 Net acres – 15.8
Lessor: Wells Fargo Trustee of Esther Shuman Testamentary Trust
Sections: 31, 32 and 42
Lease Date: 9-1-2005
Term: 3 years
Royalty: ¼
Vertical & Horizontal severance: 9-1-2010

MF105285M – Gross acres – 1,895.47 Net acres – 15.7955
Lessor: Texas Scottish Rite Hospital
Sections: 31, 32 and 42
Lease Date: 12-1-2005
Term: 3 years
Royalty: ¼
Vertical & Horizontal severance: 12-1-2010

Status:
Section 31 held by producing well – API # 389-32452 – RRC ID 245061 – MOFP – 2/2008 NOTE: 0 prod. From 8/2010 thru 10/2010 – TVD 12,632'
Section 32 held by producing well – API # 389-32398 – RRC ID 224464 – MOFP – 12/2006 NOTE: 0 prod. From 2/2011 thru 5/2011 – TVD 12,810'
Section 42 held by producing well – API# 389-32497 – RRC ID 244453 MOFP – 8/2008 – Unit 4554 set-up for accounting purposes – TVD 12,590'

Depths per Ron W. dmg 10-19-11

Pd shut-in

MF105285	Sections 31 & 32					Sections 31, 32 & 42		
U.I. Alpha	Lease Date	Term	Royalty		U.I. Alpha	Lease Date	Term	Royalty
C	11/3/2004	5 years	0.20		A	12/1/2005	3 years	0.25
D	2/18/2005	3 years	0.25	✓	B	12/1/2005	3 years	0.25
E	10/6/2004	5 years	0.20	✓	H	12/1/2005	3 years	0.25
F	10/6/2004	5 years	0.20	✓	I	12/1/2005	3 years	0.25
G	10/6/2004	5 years	0.20	✓	J	9/1/2005	3 years	0.25
				✓	K	9/1/2005	3 years	0.25
				✓	L	9/1/2005	3 years	0.25
				✓	M	12/1/2005	3 years	0.25

(19)

File No. MF105285
Memo to File

Date Filed: 10-7-11
Jerry E. Patterson, Commissioner
By m

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **SEPTEMBER 14, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$2,934.25** 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 **10/06/2011** TO **10/06/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: ALL OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL OF

MF 105285 G

12700930

PAYMENT: PUGH RENTAL
LEASE NUMBER: TX0011622-010 LEASE DATE: **10/06/2004** PROSPECT: **TOYAH**
RECORDED BOOK: **687** PAGE: **693** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	1/2 ORIGINAL BONUS TO EXT END DEEP RIGHTS	$2,934.25

121

PLEASE SIGN AND RETURN

COPY

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 SEP 22 2011 RENTAL PAYMENT

Sign Here _____

By _____ Title

Subtotal	$2,934.25
BANK SERVICE CHARGE	$.00
Grand Total	$2,934.25
Check No.	402594

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **SEPTEMBER 14, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$2,934.25** 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 **10/06/2011** TO **10/06/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL OF

PAYMENT: **PUGH RENTAL**
LEASE NUMBER: TX0011622-010 LEASE DATE: **10/06/2004** PROSPECT: **TOYAH**
RECORDED BOOK: **687** PAGE: **693** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	1/2 ORIGINAL BONUS TO EXT END DEEP RIGHTS	$2,934.25

COPY FOR YOUR RECORDS

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$2,934.25
BANK SERVICE CHARGE	$.00
Grand Total	$2,934.25
Check No.	402594

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

MF 105285 G

402594

SEPTEMBER 14, 2011

TWO THOUSAND NINE HUNDRED THIRTY-FOUR AND 25 /100 Dollars **********

$2,934.25

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈0000402594⑈ [redacted]

(20)

ile No. MF 105295
~~Delay Rental~~ GL
½ bonus deep rights
)ate Filed: 9/22/11
Jerry E. Patterson, Comissioner
)y EA

9-23-11

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

LEASE OBLIGATION DEPOSIT RECEIPT

12700932

WE HAVE THIS DAY **SEPTEMBER 14, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$2,934.25** 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 **10/06/2011** TO **10/06/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL OF

MF105285E

PAYMENT: **PUGH RENTAL**
LEASE NUMBER: TX0011622-011 LEASE DATE: **10/06/2004** PROSPECT: **TOYAH**
RECORDED BOOK: **687** PAGE: **702** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	1/2 ORIGINAL BONUS TO EXT END DEEP RIGHTS	$2,934.25

X

12/

COPY

PLEASE SIGN AND RETURN

IMPORTANT

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Date Received SEP 22 2011

Sign Here RENTAL PAYMENT

By _____ Title

Subtotal	$2,934.25
BANK SERVICE CHARGE	$.00
Grand Total	$2,934.25
Check No.	402596

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **SEPTEMBER 14, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$2,934.25** 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 **10/06/2011** TO **10/06/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL OF

PAYMENT: **PUGH RENTAL**
LEASE NUMBER: TX0011622-011 LEASE DATE: **10/06/2004** PROSPECT: **TOYAH**
RECORDED BOOK: **687** PAGE: **702** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	1/2 ORIGINAL BONUS TO EXT END DEEP RIGHTS	$2,934.25

COPY FOR YOUR RECORDS

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$2,934.25
BANK SERVICE CHARGE	$.00
Grand Total	$2,934.25
Check No.	402596

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

M F 105285 E

402596

SEPTEMBER 14, 2011

TWO THOUSAND NINE HUNDRED THIRTY-FOUR AND 25 /100 Dollars **********

$2,934.25

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈000040 2596⑈ [redacted]

(21)

File No. MF 105 285 Power
~~Delay Point~~ E
1/2 Tonnage for deep lights
Date Filed: 9/22/11
Jerry F. Patterson, Comissioner
By EA

9-23-11

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

LEASE OBLIGATION DEPOSIT RECEIPT

12700984

WE HAVE THIS DAY **SEPTEMBER 14, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$2,934.25** 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 **10/06/2011** TO **10/06/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL OF

MF 105285 F

PAYMENT: **PUGH RENTAL**
LEASE NUMBER: TX0011622-009 LEASE DATE: **10/06/2004** PROSPECT: **TOYAH**
RECORDED BOOK: **687** PAGE: **684** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	1/2 ORIGINAL BONUS TO EXT END DEEP RIGHTS	$2,934.25

X

COPY 2\

PLEASE SIGN AND RETURN

IMPORTANT

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Date Received SEP 23 2011

Sign Here RENTAL PAYMENT

By _____ Title

Subtotal	$2,934.25
BANK SERVICE CHARGE	$.00
Grand Total	$2,934.25
Check No.	402592

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **SEPTEMBER 14, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$2,934.25** 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 **10/06/2011** TO **10/06/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: ALL OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL OF

PAYMENT: **PUGH RENTAL**
LEASE NUMBER: TX0011622-009 LEASE DATE: **10/06/2004** PROSPECT: **TOYAH**
RECORDED BOOK: **687** PAGE: **684** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	1/2 ORIGINAL BONUS TO EXT END DEEP RIGHTS	$2,934.25

COPY FOR YOUR RECORDS

IMPORTANT

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$2,934.25
BANK SERVICE CHARGE	$.00
Grand Total	$2,934.25
Check No.	402592

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

MF 105 285 6

402592

SEPTEMBER 14, 2011

TWO THOUSAND NINE HUNDRED THIRTY-FOUR AND 25 /100 Dollars **********

$2,934.25

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈000040259 2⑈ [redacted]

(22)

File No. MF 105285

~~Delay Rental~~ Lease F

1/2 Tonnes for deep rights

Date Filed: 9/22/11

Jerry E. Patterson, Comissioner

By EH

3-23-11

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

LEASE OBLIGATION DEPOSIT RECEIPT

12702985

WE HAVE THIS DAY **OCTOBER 31, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$2,400.75** 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 **11/03/2011** TO **11/03/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL OF

COPY

PAYMENT: **PUGH RENTAL**
LEASE NUMBER: TX0011622-012 LEASE DATE: **11/03/2004** PROSPECT: **TOYAH**
RECORDED BOOK: **689** PAGE: **606** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	1/2 ORIGINAL BONUS TO EXT END DEEP RIGHTS	$2,400.75

MF 105285C

121

PLEASE SIGN AND RETURN

IMPORTANT

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Date Received NOV 04 2011

Sign Here RENTAL PAYMENT

By _____ Title

Subtotal	$2,400.75
BANK SERVICE CHARGE	$.00
Grand Total	$2,400.75
Check No.	419797

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **OCTOBER 31, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$2,400.75** 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 **11/03/2011** TO **11/03/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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PAYMENT: **PUGH RENTAL**
LEASE NUMBER: TX0011622-012 LEASE DATE: **11/03/2004** PROSPECT: **TOYAH**
RECORDED BOOK: **689** PAGE: **606** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	1/2 ORIGINAL BONUS TO EXT END DEEP RIGHTS	$2,400.75

COPY FOR YOUR RECORDS

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$2,400.75
BANK SERVICE CHARGE	$.00
Grand Total	$2,400.75
Check No.	419797

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

419797

OCTOBER 31, 2011

TWO THOUSAND FOUR HUNDRED AND 75 /100 Dollars **********

$2,400.75

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈00004 19797⑈ [redacted]

23.

File No. MF 105285
1/2 tonne to attend deep sights 2yr-Lease C (Paid in error)
Date Filed: 11-4-11
Jerry E. Patterson, Commissioner
By

Refund Request Form

Texas General Land Office
Texas Veterans Land Board
P.O. Box 12873
Austin, Texas 78711-2873

Date: 11/19/2011

Comptroller Payee # [redacted]

Refund to:

Name: Chesapeake Operating Inc

Address: PO Box 18496
Oklahoma City, OK 73154
Attn: Blair Nutter 405-935-1435

If you have questions regarding this refund, please contact:

Name: Harriet Dunne
Phone Number: 512-475-1579

Please Type Form

Date Received	Register Number	Amount Refunded	Reason for Refund	Warrant Number
11/4/2011	**12702985**	**$2,400.75**	**Lease does not require an additional payment to maintain deep rights; paid in error**	12917577

For Asset Use:

File # MF105285C

Data Control Use:

Backed out from Lockasset/LRS:
Returned to Lockasset/Added:
Date Refund Completed:
Control Ledger Entry:

Division: Energy Resources

Requested by: Harriet Dunne
Supervisor approval: [signature] 11/18/11
Deputy approval*: [signature]

Date warrant mailed: November 28, 2011
Printed Name: Robert Hatter
Printed Name: Louis Renaud

Refunds requested for $1,000.00 or more must have Deputy approval.

Record copy: GLO Receiver

Rev. 6/16/2000

Refund Request Form

Texas General Land Office
Texas Veterans Land Board
P.O. Box 12873
Austin, Texas 78711-2873

Date: 11/19/2011

Comptroller Payee # _____

Refund to:

Name: Chesapeake Operating Inc

Address: PO Box 18496
Oklahoma City, OK 73154
Attn: Blair Nutter 405-935-1435

If you have questions regarding this refund, please contact:

Name: Harriet Dunne
Phone Number: 512-475-1579

Please Type Form

Date Received	Register Number	Amount Refunded	Reason for Refund	Warrant Number
11/4/2011	**12702985**	**$2,400.75**	**Lease does not require an additional payment to maintain deep rights; paid in error**	

For Asset Use:

File # MF105285C

Data Control Use:

Backed out from Lockasset/LRS: _____
Returned to Lockasset/Added: _____
Date Refund Completed: _____
Control Ledger Entry: _____

Division: Energy Resources

Requested by: Harriet Dunne
Date warrant mailed: _____

Supervisor approval: [signature] 11/19/11
Printed Name: Robert Hatter

Deputy approval*: [signature]
Printed Name: Louis Renaud

Refunds requested for $1,000.00 or more must have Deputy approval.

Record copy: GLO Receiver

Rev. 6/16/2000

Harriet Dunne - Re: ST/TX - Estate of Nellie May Gohlke, et al (M-105285)

From: Harriet Dunne
To: Blair Nutter
Date: 11/18/2011 9:18 AM
Subject: Re: ST/TX - Estate of Nellie May Gohlke, et al (M-105285)

Blair,
We agree that this particular lease does not require an additional payment to retain the deep rights.

I will be happy to process a request for refund of the $2400.75. It will take approximately 4 weeks for the refund to reach Chesapeake. I will use your name and phone number as the contact person.

Harriet Dunne, CPL
Manager, Mineral Leasing, Energy Resources
Texas General Land Office
512-475-1579
harriet.dunne@glo.state.tx.us

>>> Blair Nutter <blair.nutter@chk.com> 11/17/2011 3:09 PM >>>
Harriet,

On October 31, 2011, Chesapeake sent GLO a check for ½ original bonus to extend the deep rights of the above lease. However, this particular lease does not require an additional payment to retain the deep rights. Are you the best person who can help me in this situation?

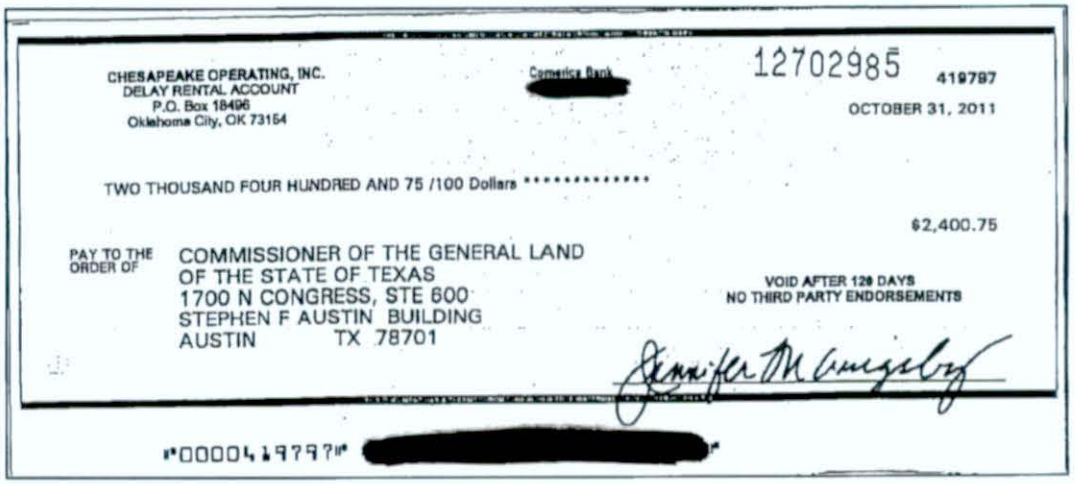
Thank you,
Blair Nutter
Land Assistant
Chesapeake Energy Corporation
Office: (405) 935-1435
Fax: (405) 849-1435
E-mail: Blair.Nutter@chk.com

Chesapeake ENERGY
DECLARE YOUR ENERGY INDEPENDENCE
Click here ▸

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Check Image Inquiry Results

Account #	Check #	Amount	Paid Date	Sequence #
[redacted]	419797	$2,400.75	11/09/2011	973027446



CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank [redacted]

12702985 419797

OCTOBER 31, 2011

TWO THOUSAND FOUR HUNDRED AND 75 /100 Dollars **********

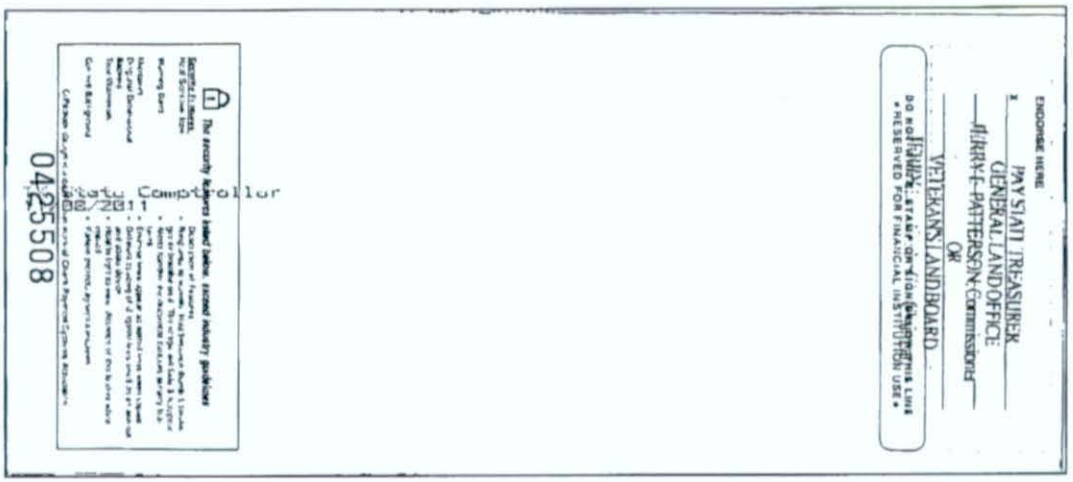
$2,400.75

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Jennifer McCaughey

⑈000041979?⑈ [redacted]



ENDORSE HERE
PAY TO THE TREASURER
GENERAL LAND OFFICE
JERRY E. PATTERSON, Commissioner
OR
VETERANS LAND BOARD

DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE
RESERVED FOR FINANCIAL INSTITUTION USE

Comptroller

11/2/2011

04255508

File No. MF105285 24.
Refund Request

Date Filed: 11-19-11

Jerry E. Patterson, Commissioner

By _____

Chesapeake did not apply for this unit. It is only for royalty revenue reporting only. Each lease in this unit is "Producing" — as opposed to "No Non Unit Acres." **DO NOT DESTROY** MF105285

Texas General Land Office

UNIT AGREEMENT MEMO

PA09-125

Unit Number	*4554*	*Unit*	
Operator Name	*CHESAPEAKE OPERATING INC*	*Effective Date*	*8/5/2009*
Customer ID	*C000025243*	*Unitized For*	*Oil & Gas*
Unit Name	*Block 58 State 42 1-H*	*Unit Term*	*0 Months*
County1	*Reeves*		
County 2			
County 3			
RRC District:	*08*		
Unit Type:	*Permanent*		
State Royalty Interest:	*0.102356631*		
State Part in Unit:	*0.662607*		

Old Unit Number	*Inactive Status Date*
4194	*2/5/2009*
4390	*8/5/2009*
0	
0	
0	

Unit Depth	*All*	*Well:*	*Other*
Below Depth	*0*	*Formation:*	*Penn. Barnett and Woodford Shales*
Above Depth	*0*	*Participation Basis:*	*See Remarks*

[If Exclusions Apply: See Remarks]

MF Number	MF104580		*Tract Number*	1	
Lease Acres	99.8	/	*Total Unit Acres*	513	=
Tract Participation:	0.16268767	X			
Lease Royalty	0.25	=	*Manual Tract Participation:*	0.16268767	*See Remarks*
Tract Royalty Participation	0.040671917		*Manual Tract Royalty:*	0.040671917	

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

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

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

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

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

API Number	*RRC Number*
4238932497	244453

Remarks:

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

Prepared By:	REW	*Prepared Date:*	03/11/2010
GLO Base Updated By:	TM	*GLOBase Date:*	3-11-10
RAM Approval By:	[signature]	*RAM Approval Date:*	3-17-2010
GIS By:		*GIS Date:*	

Pooling Committee Report

To: School Land Board

PA09-125

Date of Board Meeting: July 14, 2009

Unit Number: 4554

Effective Date: 8/5/2009

Unit Expiration Date: Permanent

Applicant: CHESAPEAKE EXPLORATION LLC

Attorney Rep: Clark Jobe

Operator: CHESAPEAKE OPERATING INC

County 1: Reeves

County 2:

County 3:

Unit Name: Block 58 State 42 1-H

Field Name: Toyah N.W. (Shale)

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

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

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

Participation Basis:	
Surface Acreage	
State Acreage:	70.19%
State Unit Royalty:	10.24%

Unit Type:	Unitized for:
Permanent	Oil & Gas
Term: 0	Months

Well Location:
State Land

RRC Rules:	Spacing Acres:
Special Field Rule	640 Acres

File No. MF 105285 25.
Copy of i Nut Truck
Slip
Date Filed: 3-11-10
Jerry E. Patterson, Commissioner
By

MEMO TO FILE MF 104778, 105285 & 104580

Date: September 28, 2010

From: Harriet Dunne

Re: Status of leases - Unit 4554

MF104778:
MF 104778A lease covers lands in Sec 39, 40, & 42, Blk 58, PSL in Reeves Co TX.

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

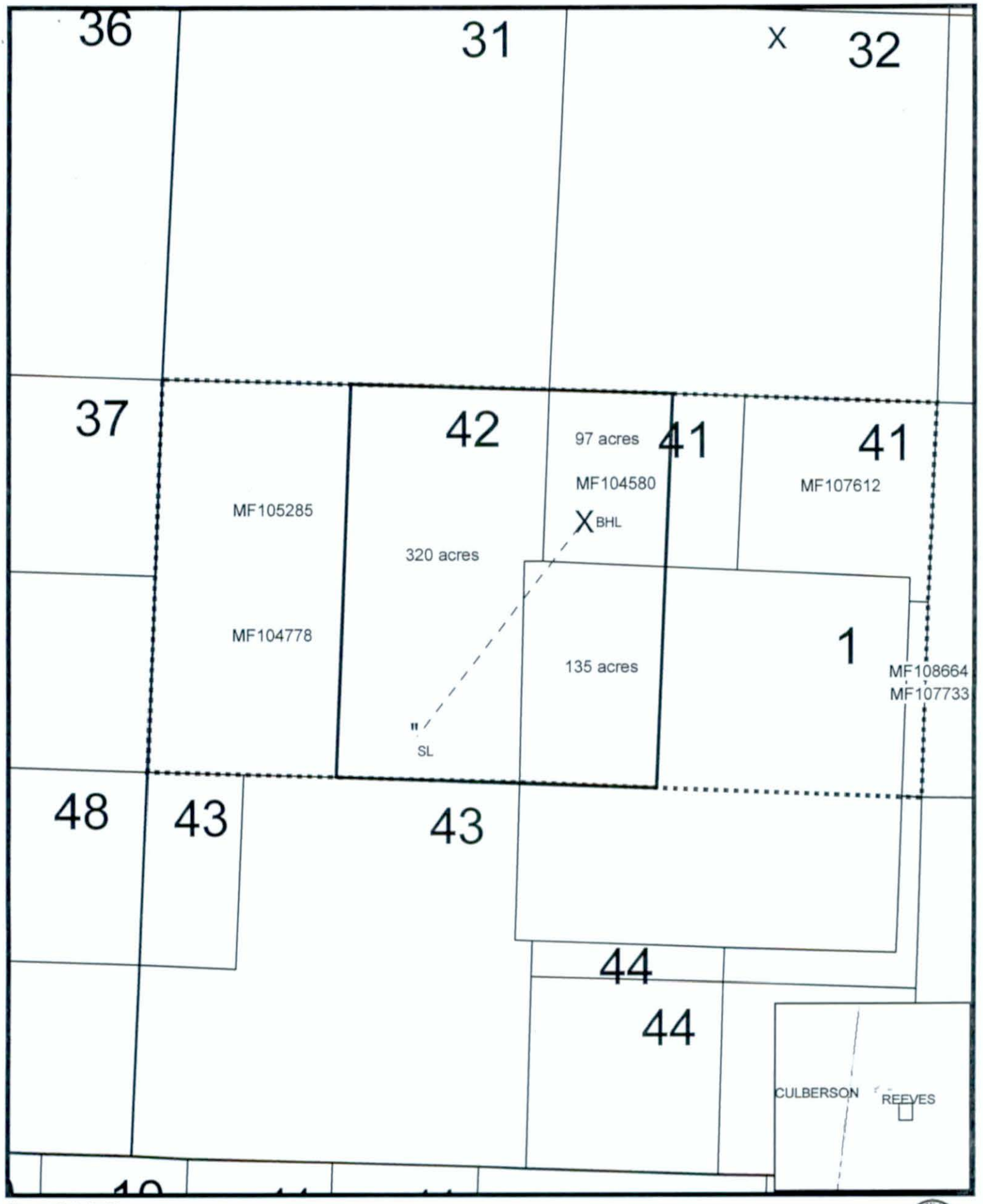
The A lease participates in the Block 58 State 42 1-H Well, API 389+32497, RRC #244453, Dist 08.

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

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

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

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

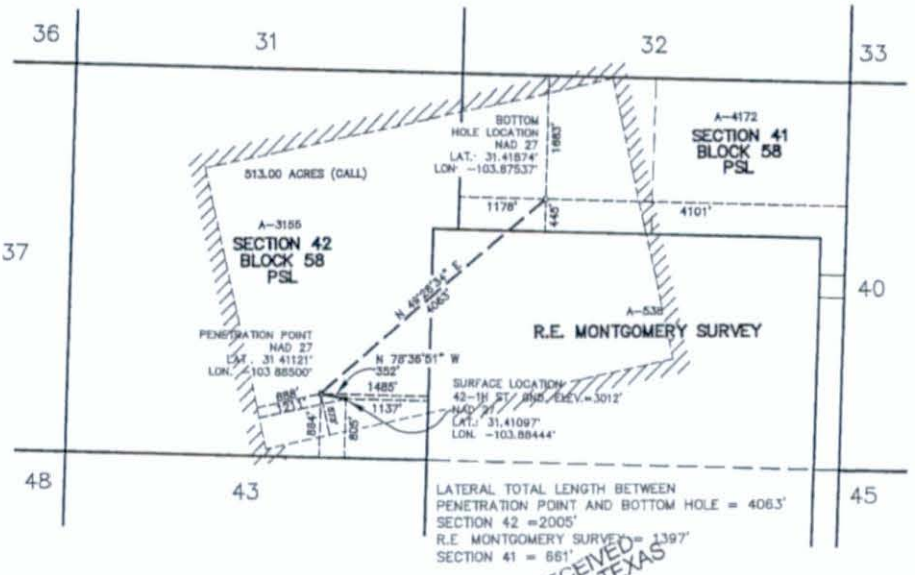


Chesapeake Exploration LLC
Block 58, State 42 1-H Unit
Toyah N. W. (Shale) Field
Reeves County
MF104580, MF104778, MF105285, MF105289
MF107612, MF107733, MF108664
Unit #4554
PA09-125

0 650 1,300 2,600 Feet

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

Map Compiled By: Zeke Guillen
July 14, 2009



RECEIVED
RRC OF TEXAS
NOV 16 2009
O&G
AUSTIN TX

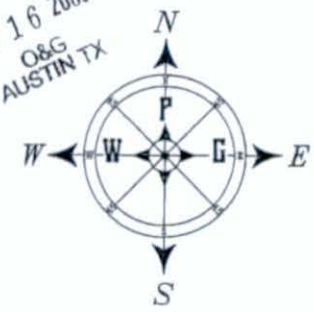
- *SURFACE LOCATION OF THE 42-1H ST*
  1137 FEL AND 805 FSL GND. ELEV.=3012'
  SECTION 42, BLOCK 58, P.S.L.
  NAD 27 LAT.: 31.41097° LON: -103.88444°

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

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

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

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



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

APPROXIMAYELY 7.9 MILES NORTHWEST OF TOYAH, TEXAS.

AS-DRILLED PLAT

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



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

10/26/09
W.D. WATSON, JR. RPLS 1989 — DATE

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

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

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

Watson Professional Group Inc.

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

CONSULTING ENGINEERS, LAND SURVEYORS & PLANNERS

389-32497 - Judy

Dist 08
Gas #244453

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

STATEMENT OF PRODUCTIVITY OF ACREAGE ASSIGNED TO PRORATION UNITS

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

- CERTIFICATE -

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

Date 11/13/09 Signature Lindsey Melott

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

RECEIVED
RRC OF TEXAS
NOV 16 2009
O&G
AUSTIN TX

352 + 200 = ≤52 Ac

11/18/09

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

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Date 11/13/09 Signature Lindsey Melott

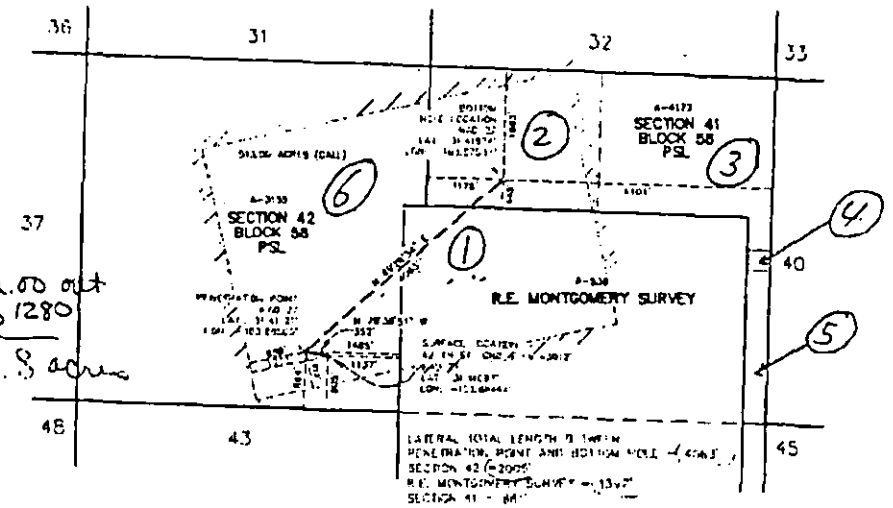
Telephone (AREA CODE) (405)935-8323 Title REG. COMP. SPECIALIST

Updated Plat

Tract
(1) = Fee Acreage - 34.3834609%
(2) Stat - Tx - 16.2687679%
(3) 260.3 acres 49.3477735%

382.00 out of 1280
79.8 acres

Wellbore #40-3



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

© PENETRATION POINT
1485' FEL AND 864' FSL
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1178' FWL & 445' FSL
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(SURFACE LOCATION COORDINATES AS STAKED
PENETRATION POINT AND BOTTOM HOLE COORDINATES
PROVIDED BY CHESAPEAKE)

NAD 83, TEXAS CENTRAL ZONE COORDINATES (HERE POSITION)
SURFACE LOCATION: N=10494662.6', E=1189024.7',
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APPROXIMATELY 7.9 MILES NORTHWEST OF TOYAH, TEXAS.

W ◁ ▷ W
S

AS-DRILLED PLAT

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

STATE OF TEXAS
REGISTERED
W. D. WATSON, JR.
1359
PROFESSIONAL
LAND SURVEYOR

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

10/26/09
W. D. WATSON, JR. RPLS 1359 DATE

1E: M-1/BLOCK 58 PSL/proj/BLOCK 58 PSL & 30 07.dgn

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

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

Watson Professional Group Inc.
4120 W. Illinois
Suite 201 (79703)
P.O. Drawer 1136 (79702)
Midland, Texas
PH: (432) 520-4200
FAX: (432) 520-4202
jdavis@watsonpg.com

CONSULTING ENGINEERS, LAND SURVEYORS & PLANNERS

PA 09-125

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

Beverly,

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

Thanks,
Kim

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

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

start 9/09

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

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

Revised unit

BLOCK 58 STATE 42 1H ST PN 619121

	MINERALS - Section 1 Tract 1	Lease Owner	Net Acres	Revised Unit Acres	Unit Acres	Royalty Rate	revised decimal in the unit		Tract Size	Tract Unit Factor
	(SPLIT OUT TO THE OWNERS BELOW):		382	**0.000000**	1280		**0**	0.000000%	152.9	0.40026178
0.12500000	BELINDA HARRINGTON	Fee Owner	RI	47.750000	1280	0.20000000	0.00746094	0.02984375		
0.25000000	ARWILDA B HARRINGTON	Fee Owner	RI	95.500000	1280	0.20000000	0.01492188	0.0596875		
0.13125000	P D SAMS	Fee Owner	RI	50.137500	1280	0.25000000	0.00979248	0.029377441		
0.03125000	WHITE LIVING TRUST DATED 7/1/96	Fee Owner	RI	11.937500	1280	0.25000000	0.00233154	0.006994629		
0.00204544	ANN LOUISE LEEDS	Fee Owner	RI	0.781357	1280	0.25000000	0.00015261	0.000457826		
0.00409088	ISADORE J KAHN	Fee Owner	RI	1.562714	1280	0.25000000	0.00030522	0.00091565		
0.00409088	HELEN ROCHFORD BAUMGAERTNER	Fee Owner	RI	1.562714	1280	0.25000000	0.00030522	0.00091565		
0.00250000	Merle Burleson Taylor	Fee Owner	RI	0.955000	1280	0.25000000	0.00018652	0.00055957		
0.31250000	THE FASKEN FOUNDATION	Fee Owner	RI	119.375000	1280	0.25000000	0.02331543	0.069946289		
0.12500000	DIANE LEINWEBER	Fee Owner	RI	47.750000	1280	0.20000000	0.00746094	0.02984375		
0.98772719	subtotal(leased)			**377.311786**			**0.06623277**	**0.22854206**		
0.00204544	**MARGUERITE G STEVENS**	Fee Owner	unleased	0.781357	1280	**1.00000000**	0.00061044			
0.00409088	**Morton L and VIVIAN BLAUGRUND**	Fee Owner	unleased	1.562714	1280	**1.00000000**	0.00122087			
0.00409088	**MARY Y TIPPENS TEST TRST**	Fee Owner	unleased	1.562714	1280	**1.00000000**	0.00122087			
0.00102281	**J M EVENSEN**	Fee Owner	unleased	0.390714	1280	**1.00000000**	0.00030525			
0.00102281	**D. G EVESEN**	Fee Owner	unleased	0.390714	1280	**1.00000000**	0.00030525			
0.01227281	subtotal (unleased)			**4.688214**			**0.00366267**			
1.00000000				382.000000						
	CHK		WI	367.878991	1280	0.77531063	0.55598537			
	CI		WI	9.432795	1280	0.77531063	0.01425604			
				377.311786			**0.57024140**	0.64013684		
							0.29477483	0.22854206		
								0.775310633		
	MINERALS - Section 1 Tract 2	Lease Owner	Net Acres	Revised Unit Acres	Unit Acres	Royalty Rate	revised decimal in the unit		Tract Size	Tract Unit Factor
	STATE OF TEXAS (OWLS DOCK)	0.16268767	513	**83.4587743**	513	0.25	**0.04067192**	0.16268767%	99.8	0.19454191
	SUBTOTAL			83.4587743	513	0.25	**0.04067192**	0.122015752		
	CHK		WI	81.372305	513	0.75	0.11896536			
	CI		WI	2.086469	513	0.75	0.00305039			
				83.458774			**0.12201575**	0.16268767		
	MINERALS - Section 1 Tract 3	Lease Owner	Net Acres	Revised Unit Acres	Unit Acres	Royalty Rate	revised decimal in the unit		Tract Size	Tract Unit Factor
	(SPLIT OUT TO THE OWNERS BELOW):	0.49347773	513	**253.154073**	513	0.25	**0.12336943**	**49.347773%**	260.3	0.50740741
0.50000000	DELA MINERALS, INC			126.577037	513	0.125	0.03084236	0.215896505		
0.00833333	TEXAS SCOTTISH RITE HOSPITAL FOR CRIPPLED CHILDREN			2.109617	513	0.125	0.00051404	0.003598275		
0.01666667	MARY Y TIPPENS TEST TRST			4.219235	513	0.125	0.00102808	0.00719655		
0.00833333	ESTHER SHUMAN TEST TRST			2.109617	513	0.125	0.00051404	0.003598275		
0.03333333	MARY B HARWITT UNITRUST			8.438469	513	0.125	0.00205616	0.0143931		
0.05000000	D D WALL ESTATE TRUST A			12.657704	513	0.125	0.00308424	0.021589651		
0.05000000	DD WALL ESTATE TRUST B			12.657704	513	0.125	0.00308424	0.021589651		
0.05000000	CATHERINE FUNK WALL ESTATE TRUST A			12.657704	513	0.125	0.00308424	0.021589651		
0.05000000	CATHERINE FUNK WALL ESTATE TRUST B			12.657704	513	0.125	0.00308424	0.021589651		
0.06111111	ANN COVINGTON HENDERSON			15.470527	513	0.125	0.00376962	0.026387351		
0.06111111	JANE COVINGTON DRAKE			15.470527	513	0.125	0.00376962	0.026387351		
0.06111111	TED MICHAEL COVINGTON			15.470527	513	0.125	0.00376962	0.026387351		
0.05000000	ESTATE OF NELLIE MAY GOHKLE			12.657704	513	0.125	0.00308424	0.021589651		
1.00000000	STATE OF TEXAS			0.000000	513	0.125	0.00616847	0.043179306		
	SUBTOTAL			**253.154073**	513		**0.12336943**			
	CHK		WI	246.825221	513	0.75	0.36085559			
	CI		WI	6.328852	513	0.75	0.00925271			
							0.37010829	0.49347773		
	Grand Totals	**0.65616540**		**718.612848**			**1.29630223**	**65.616540%**	**513**	**1.10221110**

0.016283
0.003663
0.570341

713.924633

PA 09-125

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

Beverly,

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

Thanks,
Kim

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

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

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

Daryl will contact attys for Chesapeake 3-8-10. Hold OB on Kim.

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

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

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

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

129 AC

MINERALS Section 41 W/2 Tract 1

STATE OF TEXAS (owns 100%)	**129**	1280	0.25	**0.02519531**

2/08 ~~1280~~
1280 AC expired 8/09
went to Unit 4554

File No. MF105285 26.
Memo to file - Participation
in ilNet 4554
Date Filed: 11-28-10
Jerry E. Patterson, Commissioner
By

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

LEASE OBLIGATION DEPOSIT RECEIPT

12702785

WE HAVE THIS DAY **OCTOBER 28, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **11/04/2011** TO **11/04/2012** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: ALL

MF 105258B

COPY

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-008 LEASE DATE: **12/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **726** PAGE: **639** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (616169)	$600.00

X

121

PLEASE SIGN AND RETURN

IMPORTANT

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

Date Received NOV 0 1 2011

Sign Here RENTAL PAYMENT

By _____ Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	419475

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **OCTOBER 28, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **11/04/2011** TO **11/04/2012** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: ALL

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-008 LEASE DATE: **12/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **726** PAGE: **639** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (616169)	$600.00

COPY FOR YOUR RECORDS

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Date Received _____

Sign Here _____

By _____ Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	419475

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

419475

OCTOBER 28, 2011

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈0000419475⑈ [redacted]

Chesapeake ENERGY

Land Department

Notice to Lessor:

The well drilled on your leased lands or lands pooled therewith is temporarily "shut-in", which means it is not producing at this time. The enclosed payment is made in compliance with the shut-in provisions of your oil and gas lease for the amount stipulated in your lease.

This is not a payment of royalties for the production of minerals. Instead it is a "shut-in" payment to maintain the oil and gas lease for the period of time stipulated in the lease for a well that is prevented from producing due to lack of market or other circumstances. Please refer to your oil and gas lease for specific shut-in provisions.

When the production commences or resumes, royalty payments will be made to you.

If you have any questions or need additional information regarding this shut-in payment, please feel free to contact us at 877-245-1427 or email to AskChesapeake@chk.com.

Chesapeake Energy Corporation
P.O. Box 18496 • Oklahoma City, OK 73154-0496 • 6100 N. Western Avenue • Oklahoma City, OK 73118
877-245-1427 • AskChesapeake@chk.com

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **OCTOBER 31, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$1,067.22** 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 **11/04/2011** TO **11/04/2012** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL OF

12702885

COPY

PAYMENT: SHUT-IN ROYALTY

LEASE NUMBER: TX0011622-012 LEASE DATE: **11/03/2004** PROSPECT: **TOYAH**
RECORDED BOOK: **689** PAGE: **606** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	DOUBLE ANNUAL RENTAL AMT (616169)	$1,067.22

Shut-in?

MF105285C

121

PLEASE SIGN AND RETURN

IMPORTANT

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

Date Received NOV 03 2011

Sign Here RENTAL PAYMENT

By _____ Title

Subtotal	$1,067.22
BANK SERVICE CHARGE	$.00
Grand Total	$1,067.22
Check No.	420428

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **OCTOBER 31, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$1,067.22** 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 **11/04/2011** TO **11/04/2012** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL OF

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-012 LEASE DATE: **11/03/2004** PROSPECT: **TOYAH**
RECORDED BOOK: **689** PAGE: **606** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	DOUBLE ANNUAL RENTAL AMT (616169)	$1,067.22

COPY FOR YOUR RECORDS

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$1,067.22
BANK SERVICE CHARGE	$.00
Grand Total	$1,067.22
Check No.	420428

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

420428

OCTOBER 31, 2011

ONE THOUSAND SIXTY-SEVEN AND 22 /100 Dollars **********

$1,067.22

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

"00004 204 28" [redacted]

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

LEASE OBLIGATION DEPOSIT RECEIPT

12702790

WE HAVE THIS DAY **OCTOBER 28, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$640.10** 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 **11/04/2011** TO **11/04/2012** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL OF

MF 105285D

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011621-001 LEASE DATE: **2/18/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **707** PAGE: **232** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:		AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (616169)	X	$640.10

121

PLEASE SIGN AND RETURN

IMPORTANT

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Date Received NOV 0 1 2011 RENTAL PAYMENT

Sign Here _____

By _____ Title

Subtotal	$640.10
BANK SERVICE CHARGE	$.00
Grand Total	$640.10
Check No.	419460

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **OCTOBER 28, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$640.10** 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 **11/04/2011** TO **11/04/2012** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL OF

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011621-001 LEASE DATE: **2/18/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **707** PAGE: **232** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (616169)	$640.10

COPY FOR YOUR RECORDS

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$640.10
BANK SERVICE CHARGE	$.00
Grand Total	$640.10
Check No.	419460

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

419460

OCTOBER 28, 2011

SIX HUNDRED FORTY AND 10 /100 Dollars **********

$640.10

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈0000419460⑈ [redacted]

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

LEASE OBLIGATION DEPOSIT RECEIPT

12704018

WE HAVE THIS DAY **NOVEMBER 28, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **11/04/2011** TO **11/04/2012** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL OF

MF 105285E

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-011 LEASE DATE: **10/06/2004** PROSPECT: **TOYAH**
RECORDED BOOK: **687** PAGE: **702** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (616169)	$600.00

COPY 12(

PLEASE SIGN AND RETURN

IMPORTANT

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Date Received DEC 0 5 2011

Sign Here RENTAL PAYMENT

By _____ Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	429877

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

LEASE OBLIGATION DEPOSIT RECEIPT

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL OF

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-011 LEASE DATE: **10/06/2004** PROSPECT: **TOYAH**
RECORDED BOOK: **687** PAGE: **702** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (616169)	$600.00

COPY FOR YOUR RECORDS

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	429877

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

429877
NOVEMBER 28, 2011

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈00004298??⑈ [redacted]

Chesapeake ENERGY

Land Department

Notice to Lessor:

The well drilled on your leased lands or lands pooled therewith is temporarily "shut-in", which means it is not producing at this time. The enclosed payment is made in compliance with the shut-in provisions of your oil and gas lease for the amount stipulated in your lease.

This is not a payment of royalties for the production of minerals. Instead it is a "shut-in" payment to maintain the oil and gas lease for the period of time stipulated in the lease for a well that is prevented from producing due to lack of market or other circumstances. Please refer to your oil and gas lease for specific shut-in provisions.

When the production commences or resumes, royalty payments will be made to you.

If you have any questions or need additional information regarding this shut-in payment, please feel free to contact us at 877-245-1427 or email to AskChesapeake@chk.com.

Chesapeake Energy Corporation
P.O. Box 18496 • Oklahoma City, OK 73154-0496 • 6100 N. Western Avenue • Oklahoma City, OK 73118
877-245-1427 • AskChesapeake@chk.com

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

LEASE OBLIGATION DEPOSIT RECEIPT

12704020

WE HAVE THIS DAY **NOVEMBER 28, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **11/04/2011** TO **11/04/2012** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL OF

MF
105285F

COPY

PAYMENT: ~~SHUT-IN ROYALTY~~
LEASE NUMBER: TX0011622-009 LEASE DATE: **10/06/2004** PROSPECT: **TOYAH**
RECORDED BOOK: **687** PAGE: **684** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (616169)	$600.00

121

PLEASE SIGN AND RETURN

IMPORTANT

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

Date Received DEC 0 5 2011

Sign Here RENTAL PAYMENT

By AB
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	429873

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **NOVEMBER 28, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **11/04/2011** TO **11/04/2012** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL OF

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-009 LEASE DATE: **10/06/2004** PROSPECT: **TOYAH**
RECORDED BOOK: **687** PAGE: **684** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (616169)	$600.00

COPY FOR YOUR RECORDS

IMPORTANT

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Date Received _____

Sign Here _____

By _____ Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	429873

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

429873
NOVEMBER 28, 2011

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈000042987 3⑈ [redacted]

Chesapeake ENERGY

Land Department

Notice to Lessor:

The well drilled on your leased lands or lands pooled therewith is temporarily "shut-in", which means it is not producing at this time. The enclosed payment is made in compliance with the shut-in provisions of your oil and gas lease for the amount stipulated in your lease.

This is not a payment of royalties for the production of minerals. Instead it is a "shut-in" payment to maintain the oil and gas lease for the period of time stipulated in the lease for a well that is prevented from producing due to lack of market or other circumstances. Please refer to your oil and gas lease for specific shut-in provisions.

When the production commences or resumes, royalty payments will be made to you.

If you have any questions or need additional information regarding this shut-in payment, please feel free to contact us at 877-245-1427 or email to AskChesapeake@chk.com.

Chesapeake Energy Corporation
P.O. Box 18496 • Oklahoma City, OK 73154-0496 • 6100 N. Western Avenue • Oklahoma City, OK 73118
877-245-1427 • AskChesapeake@chk.com

Chesapeake ENERGY

Land Department

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877-245-1427 • AskChesapeake@chk.com

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

LEASE OBLIGATION DEPOSIT RECEIPT

12704019

WE HAVE THIS DAY **NOVEMBER 28, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **11/04/2011** TO **11/04/2012** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL OF

MF
105285G

COPY

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-010 LEASE DATE: **10/06/2004** PROSPECT: **TOYAH**
RECORDED BOOK: **687** PAGE: **693** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (616169)	$600.00

12 |

PLEASE SIGN AND RETURN

IMPORTANT

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

Date Received DEC 0 5 2011

Sign Here RENTAL PAYMENT

By _____ Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	429874

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **NOVEMBER 28, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **11/04/2011** TO **11/04/2012** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL OF

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-010 LEASE DATE: **10/06/2004** PROSPECT: **TOYAH**
RECORDED BOOK: **687** PAGE: **693** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (616169)	$600.00

COPY FOR YOUR RECORDS

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Date Received _____

Sign Here _____

By _____ Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	429874

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

429874
NOVEMBER 28, 2011

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈00004 29874⑈ [redacted]

Chesapeake ENERGY

Land Department

Notice to Lessor:

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877-245-1427 • AskChesapeake@chk.com

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

LEASE OBLIGATION DEPOSIT RECEIPT

12702791

WE HAVE THIS DAY **OCTOBER 28, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **11/04/2011** TO **11/04/2012** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: ALL

MF 105258A

COPY

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-006 LEASE DATE: **12/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **724** PAGE: **97** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (616169)	$600.00

+ 121

PLEASE SIGN AND RETURN

IMPORTANT

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Date Received NOV 0 1 2011

Sign Here RENTAL PAYMENT

By PE

Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	419471

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **OCTOBER 28, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **11/04/2011** TO **11/04/2012** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: ALL

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-006 LEASE DATE: **12/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **724** PAGE: **97** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (616169)	$600.00

COPY FOR YOUR RECORDS

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	419471

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

419471

OCTOBER 28, 2011

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈00004194?1⑈ [redacted]

Chesapeake ENERGY

Land Department

Notice to Lessor:

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877-245-1427 • AskChesapeake@chk.com

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

12702788

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **OCTOBER 28, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **11/04/2011** TO **11/04/2012** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL OF
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: ALL OF

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-005 LEASE DATE: **12/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **724** PAGE: **82** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (616169)	$600.00

MF105285I

121

PLEASE SIGN AND RETURN

IMPORTANT

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Date Received NOV 0 1 2011

RENTAL PAYMENT

Sign Here _____

By _____ Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	419469

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **OCTOBER 28, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **11/04/2011** TO **11/04/2012** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: ALL OF

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-005 LEASE DATE: **12/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **724** PAGE: **82** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (616169)	$600.00

COPY FOR YOUR RECORDS

IMPORTANT

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	419469

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

419469

OCTOBER 28, 2011

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈00004 19469⑈ [redacted]⑈

Chesapeake ENERGY

Land Department

Notice to Lessor:

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877-245-1427 • AskChesapeake@chk.com

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

LEASE OBLIGATION DEPOSIT RECEIPT

12702784

WE HAVE THIS DAY **OCTOBER 28, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **11/04/2011** TO **11/04/2012** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: ALL

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-007 LEASE DATE: **12/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **724** PAGE: **82** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (890607)	$600.00

MF 105285 I

121

PLEASE SIGN AND RETURN

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Date Received NOV 0 1 2011

Sign Here RENTAL PAYMENT

By _____ Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	419473

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **OCTOBER 28, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **11/04/2011** TO **11/04/2012** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: ALL

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-007 LEASE DATE: **12/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **724** PAGE: **82** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (890607)	$600.00

COPY FOR YOUR RECORDS

IMPORTANT

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	419473

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank [redacted]

419473

OCTOBER 28, 2011

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈00004194 73⑈ [redacted]

Chesapeake ENERGY

Land Department

Notice to Lessor:

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Chesapeake Energy Corporation
P.O. Box 18496 • Oklahoma City, OK 73154-0496 • 6100 N. Western Avenue • Oklahoma City, OK 73118
877-245-1427 • AskChesapeake@chk.com

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

LEASE OBLIGATION DEPOSIT RECEIPT

12702792

WE HAVE THIS DAY **OCTOBER 28, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **11/04/2011** TO **11/04/2012** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: ALL

MF
1052585

COPY

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-004 LEASE DATE: **9/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **724** PAGE: **31** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (616169)	$600.00

X
121

PLEASE SIGN AND RETURN

IMPORTANT

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Date Received NOV 0 1 2011

Sign Here RENTAL PAYMENT

By _____ Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	419467

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **OCTOBER 28, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **11/04/2011** TO **11/04/2012** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: ALL

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-004 LEASE DATE: **9/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **724** PAGE: **31** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (616169)	$600.00

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	419467

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

419467

OCTOBER 28, 2011

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈0000419467⑈ [redacted] ⑈

Chesapeake ENERGY

Land Department

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877-245-1427 • AskChesapeake@chk.com

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

LEASE OBLIGATION DEPOSIT RECEIPT

12702787

WE HAVE THIS DAY **OCTOBER 28, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **11/04/2011** TO **11/04/2012** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: ALL

MF 105258X

COPY

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-003 LEASE DATE: **9/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **724** PAGE: **16** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200 SHUT IN PAYMENT (61 6169)	$600.00

X

121

PLEASE SIGN AND RETURN

IMPORTANT

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Date Received NOV 0 1 2011

Sign Here RENTAL PAYMENT

By _____ Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	419466

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **OCTOBER 28, 2011** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **11/04/2011** TO **11/04/2012** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP:	RANGE:	SECTION: 31	BLOCK: 58/	SURVEY: PUBLIC SCHOOL LAND	ABSTRACT: 3154	COUNTY: REEVES	SHORT DESC: NW2 OF
TOWNSHIP:	RANGE:	SECTION: 32	BLOCK: 58/	SURVEY: PUBLIC SCHOOL LAND	ABSTRACT: 3153	COUNTY: REEVES	SHORT DESC: ALL
TOWNSHIP:	RANGE:	SECTION: 42	BLOCK: 58/	SURVEY: PUBLIC SCHOOL LAND	ABSTRACT: 3155	COUNTY: REEVES	SHORT DESC: ALL

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-003 LEASE DATE: **9/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **724** PAGE: **16** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200 SHUT IN PAYMENT (61 6169)	$600.00

COPY FOR YOUR RECORDS

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	419466

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

419466

OCTOBER 28, 2011

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈0000419466⑈ [redacted]⑈

Chesapeake ENERGY

Land Department

Notice to Lessor:

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877-245-1427 • AskChesapeake@chk.com

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

12702794

LEASE OBLIGATION DEPOSIT RECEIPT

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TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: ALL

MF
105258L

COPY

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-002 LEASE DATE: **9/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **724** PAGE: **1** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200 SHUT IN PAYMENT (61 6169)	$600.00

X
12

PLEASE SIGN AND RETURN

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Date Received NOV 0 1 2011

Sign Here RENTAL PAYMENT

By PE

Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	419463

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

LEASE OBLIGATION DEPOSIT RECEIPT

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TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: ALL

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-002 LEASE DATE: **9/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **724** PAGE: **1** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200 SHUT IN PAYMENT (61 6169)	$600.00

COPY FOR YOUR RECORDS

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	419463

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

419463

OCTOBER 28, 2011

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈000041946 3⑈ [redacted]

Chesapeake ENERGY

Land Department

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877-245-1427 • AskChesapeake@chk.com

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

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12702789

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TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: ALL OF

MF 105258M

COPY

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-001 LEASE DATE: **12/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **721** PAGE: **249** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (616169)	$600.00

121

PLEASE SIGN AND RETURN

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Date Received NOV 0 1 2011

Sign Here RENTAL PAYMENT

By PE

Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	419461

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

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PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-001 LEASE DATE: **12/01/2005** PROSPECT: **TOYAH**
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FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (616169)	$600.00

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Sign Here _____

By _____
Title

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Check No.	419461

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank [redacted]

419461

OCTOBER 28, 2011

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

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OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈00004194⑆1⑈ [redacted]

Chesapeake ENERGY

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P.O. Box 18496 • Oklahoma City, OK 73154-0496 • 6100 N. Western Avenue • Oklahoma City, OK 73118
877-245-1427 • AskChesapeake@chk.com

File No. MF105285 27.

Shut-in Payments Leases

B-C-M - I paid twice

Date Filed: 11-1-11

Jerry E. Patterson, Commissioner

By

Harriet Dunne - Shut-in royalty questions - Reeve Co TX - MF105285

From: Harriet Dunne
To: Victoria Adams
Date: 11/4/2011 3:29 PM
Subject: Shut-in royalty questions - Reeve Co TX - MF105285
Attachments: Ltr-Chesapeake-shut-in royalty-MF105285.pdf; Chesapeake ck #419473 & 419469.pdf; Chesapeake ck #419464 & 419460.pdf

Vicki,
Attached is our letter with shut-in royalty questions together with copies of checks.

I will not send a hard copy unless you so request.

Thank you,

Harriet Dunne, CPL
Manager, Mineral Leasing, Energy Resources
Texas General Land Office
512-475-1579
harriet.dunne@glo.state.tx.us

TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

November 4, 2011
(sent e-mail; not USPS)

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

Re: **State Lease No. MF 105285** Relinquishment Act Leases covering 1895.47 gross ac in Sec 31, 32 42, Blk 58, Public School Lands, Reeves Co TX
Shut-in Royalty Payments

Dear Victoria:

We have received ten shut-in royalty payments for an unnamed well under leases covering the referenced tracts. There are 13 undivided interest leases covering this description as set out on page 2 of this letter. We have been able to identify by recording data to which lease six of the payments should be credited.

There are two checks, your check nos. 419473 and 419469, which appear to be paying shut-in royalty on the same lease recorded in Book 724, page 82. Copies of those checks are attached.

I have attached copies of two more checks, your check nos. 419460 and 419464, because we have no leases with this description that have the recording data on the checks. It may be that we were never furnished copies of those leases which means the State was never paid its share of the bonuses or the filing fees.

Your request for the State to accept your shut-in royalty payments must go before our Shut-In Royalty Committee which cannot consider this shut-in until we have received payments for all the leases. Please provide the information for the attached checks as well as information about shut-in royalty payments for the other leases for which we have received no payment.

Thank you for your attention to this.

Yours truly,

Harriet Dunne

Harriet Dunne, CPL
Mineral Leasing, Energy Resources
512-475-1579
512-475-1543 (fax)
harriet.dunne@glo.texas.gov

State Lease No.	Lessor	Recorded Book/Page	SIR Paid
MF105285A	Catherine Funk Wall Trust A	726/625	No
MF105285B	DD Wall Estate Trust A	726/639	Yes
MF105285C	Estate of Nellie May Gohike	689/606 received 11/3/11	No
MF105285D	Dela Minerals, Inc.	702/695	No
MF105285E	Ted Michael Covington	687/792	No
MF105285F	Ann Covington Henderson	687/684	No
MF105285G	Jane Covington Drake	687/693	No
MF105285H	DD Wall Trust B	724/97	Yes
MF105285I	Catherine Funk Wall Trust B	724/82	Yes, 2 checks
MF105285J	Mary B. Harwit Unitrust	724/31	Yes
MF105285K	Mary Y. Tippens Testamentary Trust	724/16	Yes
MF105285L	Esther Shurman Testamentary Trust	724/01	Yes
MF105285M	Texas Scottish Rite Hospital	721/249	Yes

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

LEASE OBLIGATION DEPOSIT RECEIPT 12702784

WE HAVE THIS DAY OCTOBER 28, 2011 TENDERED TO COMMISSIONER OF THE GENERAL LAND THE SUM OF $600.00 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 11/04/2011 TO 11/04/2012 COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3163 COUNTY: REEVES SHORT DESC: ALL
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: ALL

PAYMENT: SHUT-IN ROYALTY
LEASE NUMBER: TX0011622-007 LEASE DATE: 12/01/2005 PROSPECT: TOYAH
RECORDED BOOK: 724 PAGE: 82 ENTRY NUMBER: COUNTY/PARISH: REEVES STATE: TX

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (890607)	+ $600.00

RECEIVED
NOV 01 2011

COPY

PLEASE SIGN AND RETURN

IMPORTANT

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

Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	419473

THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND WITH A VOID PANTOGRAPH

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

12702784 419473

OCTOBER 28, 2011

SIX HUNDRED AND 00/100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Jennifer M Caughey

THIS DOCUMENT HAS A TRUE WATERMARK WHEN HELD AT AN ANGLE

⑈00004 19473⑈ [redacted]

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

12702788

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY OCTOBER 28, 2011 TENDERED TO COMMISSIONER OF THE GENERAL LAND THE SUM OF $600.00 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 11/04/2011 TO 11/04/2012 COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: ALL OF
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: ALL OF

PAYMENT: SHUT-IN ROYALTY
LEASE NUMBER: TX0011622-005 LEASE DATE: 12/01/2005 PROSPECT: TOYAH
RECORDED BOOK: 724 PAGE: 82 ENTRY NUMBER: COUNTY/PARISH: REEVES STATE: TX

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (616169)	$600.00

RECEIVED
NOV 01 2011

COPY

PLEASE SIGN AND RETURN

IMPORTANT

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

Date Received _____

Sign Here _____

By _____ Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	419469

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

Comerica Bank
[redacted]

12702788 419469

OCTOBER 28, 2011

SIX HUNDRED AND 00 /100 Dollars ********** $600.00

PAY TO THE ORDER OF COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Jennifer M Quigley

THIS DOCUMENT HAS A THERMOCHROMIC INK WITH A TRUE WATERMARK - HOLD TO LIGHT TO VIEW

⑈00004 19469⑈ [redacted]

File No. MF105285 28.

Ltr re: Questions about short in Roy payments

Date Filed: 11-4-11

Jerry E. Patterson, Commissioner

By

Harriet Dunne - Unit 4484 - Block 58, State 31-3 Unit

From: Tracey Throckmorton
To: kim.haley@chk.com
Date: 11/8/2011 1:14 PM
Subject: Unit 4484 - Block 58, State 31-3 Unit
CC: Dunne, Harriet; Stimson, Lannie

This is an iNut.

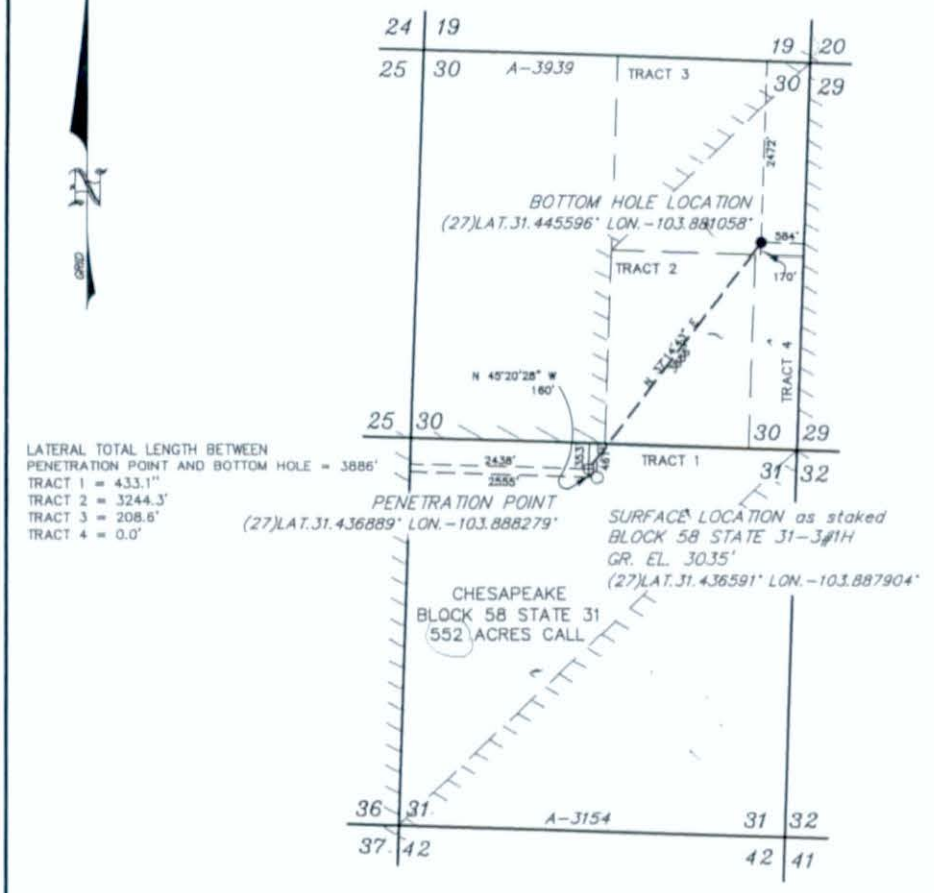
Hi Kim,
You may recall that we set-up a unit for accounting purposes only in the same area as Unit 4484 - Block 58, State 31-3 Unit in Reeves County.
Since Unit 4484 expired on April 16, 2011, we'll need to set-up another unit for accounting purposes only based on length of lateral under each of the following State leases:
MF104782
MF105285
MF105490
Correction reports will need to be filed from April 16, 2011 for the old unit well (API 389-32452) after we've determined the overall State participation and get the new information set-up in our databases. You may want to contact Lannie Stimson on sending those corrected reports.
Would you please have your land department send a plat (I think the last time you got the information from Jerris Johnson) showing the length of lateral under each lease and how Chesapeake plans on reporting for API 389-32452.
Many thanks for your help with this,
Tracey

Tracey T. Throckmorton, P.G.
Energy Geoscience Manager
Energy Resources/Mineral Leasing Division
Texas General Land Office
512-475-1500
tracey.throckmorton@glo.texas.gov

Unit # 4484

AS-DRILLED PLAT

SECTIONS 30 & 31, BLOCK 58, P.S.L.,
REEVES COUNTY, TEXAS



LATERAL TOTAL LENGTH BETWEEN PENETRATION POINT AND BOTTOM HOLE = 3886'
TRACT 1 = 433.1'
TRACT 2 = 3244.3'
TRACT 3 = 208.6'
TRACT 4 = 0.0'

SURFACE LOCATION;
NAD 83, TEXAS CENTRAL ZONE
COORD'S: N=10503986.7, E=1188067.7
LAT=31°26'12.2"N, LONG=103°53'18.1"W.

○ SURFACE LOCATION
⊕ PENETRATION POINT
● BOTTOM HOLE LOCATION
⊙ FOUND 1" IRON PIPE
//////// = PRORATION UNIT

NOTES:
- THIS AS-DRILLED PLAT HAS BEEN PREPARED FROM A CERTIFIED SURVEY PLAT ON FILE IN THE OFFICE OF WATSON PROFESSIONAL GROUP INC IN MIDLAND, TEXAS.
- SURFACE LOCATION IS AS STAKED 12/2006, ANY UNIT DIMENSIONS, PENETRATION POINT AND BOTTOM HOLE ARE AS PROVIDED BY CHESAPEAKE.
- SEE DOCUMENTS ON FILE IN THIS SURVEYORS OFFICE FOR COMPLETE RECONSTRUCTION OF THESE BLOCKS, SECTIONS OR SURVEYS.
- COORDINATES AND BEARINGS ARE BASED ON A LAMBERT CONICAL PROJECTION OF THE TEXAS STATE PLANE COORDINATE SYSTEM (NAD 83), TEXAS CENTRAL ZONE (4203) SINCE NAD 27 IS ANTIQUATED AND UNACCOMPLISHABLE WITH MODERN SURVEY EQUIPMENT ALL COORDINATES ARE AN ADJUSTMENT FROM NAD 83 USING THE SOFTWARE "CORPSCON".
- APPROXIMATELY 7.9 MILES NORTHWEST OF TOYAH, TEXAS.

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

STATE OF TEXAS
REGISTERED
W. D. WATSON, JR.
1989
PROFESSIONAL
LAND SURVEYOR

12/16/09
W.D. WATSON JR. TEXAS R.P.L.S. No. 1989 — DATE

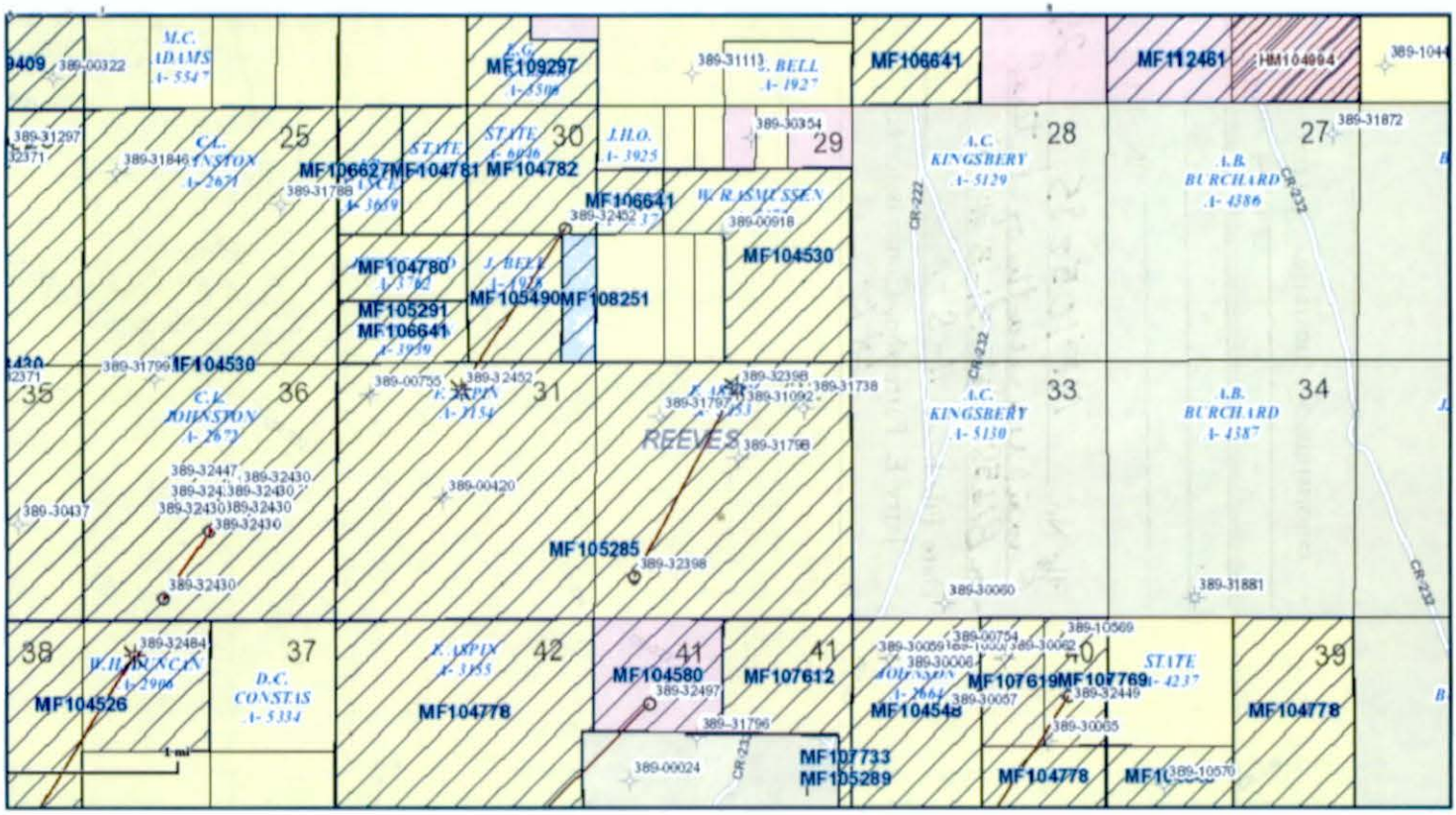
FILE: M:\BLOCK58PSL\DWG\BLOCK58PSL 6 30 07.dwg

1000 0 1000 2000 FEET

Watson Professional Group Inc
GRANBURY • MASON • MIDLAND
4500 W. ILLINOIS
SUITE 201 (79703)
P.O. DRAWER 11186
MIDLAND, TEXAS 79702
(432) 520-9200
FAX (432) 520-9212
wpginc@wpg-us.com

AS-DRILLED PLAT
CHESAPEAKE OPERATING
BLOCK 58 STATE 31-3#1H
461' FNL & 2555' FWL
SECTIONS 30 & 31, BLOCK 58, P.S.L.,
REEVES COUNTY, TEXAS

JOB NO.: 09-1587-08 FIELD BOOK: SKETCH DRAFT: TA REV. 0



MF104782-105490-105285

Chk Sec 30-31 Blk 58

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

Printed: Jan 17, 2012

File No. _____

_____

_____

_____

Date Filed: _____

Jerry E. Patterson, Commissioner

By _____

File No. MF105285 29.

Emilsui Laughing Lateral

to Blue Stat 31-3 #1H

Date Filed: 11-8-11

Jerry E. Patterson, Commissioner

By _____

UNITED STATES POSTAL SERVICE



First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

• Sender: Please print your name, address, and ZIP+4 in this box •

03111
MF 105285
HARRIET DUNNE
TEXAS GENERAL LAND OFFICE
PO BOX 12873
AUSTIN TX 78711-2873

RECEIVED
NOV 28 2011
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:

VICTORIA ADAMS
CHESAPEAKE EXPLORATION LP
PO BOX 18496
OKLAHOMA CITY OK 73154-0496

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent
☐ Addressee

B. Received by (Printed Name) RECEIVED

C. Date of Delivery NOV 21 2007

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

MAILROOM 3

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? *(Extra Fee)* ☐ Yes

2. Article Number
(Transfer from service label) 7007 0710 0000 5380 4411

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 Chesapeake

Street, Apt. No.; or PO Box No.

City, State, ZIP+4

PS Form 3800, August 2006 **See Reverse for Instructions**

7007 0710 0000 5380 4411

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

Certified Mail 7007 0710 0000 5380 4411

November 19, 2011

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

Re: **State Lease No. MF 105285** **Eight** Relinquishment Act Leases covering 1895.47 gross ac in Sec 31, 32 42, Blk 58, Public School Lands, Reeves Co TX
Shut-in Royalty Payments – See page 2 for lease descriptions

Dear Victoria:

This acknowledges receipt of your checks set out on page 2 of this letter on November 1, 2011 as shut-in royalty payments for the leases described on page 2 hereof.

Acceptance of these payments does not ensure that lease obligations have been met. Our shut-in affidavit (copy enclosed) must be completed for each lease, notarized and returned to the General Land Office within 30 days of receipt of this letter.

If you would like to access the affidavit form online, you may find it here:
http://www.glo.state.tx.us/energy/leasesales/shut-in/index.html

Please note that the Texas Administrative Code contains the following provision at Title 31, Part I, Chapter 9, Subchapter C, Rule 9.36, (e).
(e) Affidavit required. Upon receipt of a shut-in royalty, the GLO will send a shut-in affidavit to the party paying the shut-in royalty. The affidavit must be completed and returned to the GLO. Failure to complete and return the affidavit as required may result in a penalty under §9.32(c)(3)(B)(iii), and/or forfeiture of the lease.

The reasons set out in your lease for a shut-in are "oil or gas is not being produced for lack of suitable production facilities or lack of a suitable market." Note that the well must be capable of producing in paying quantities. Please be sure your reason(s) in the affidavit address those set out in the Agreement.

Please note on page 2 that there are two checks, your check nos. 419473 and 419469, which appear to be paying shut-in royalty on the same lease recorded in Book 724, page 82. It appears one of the checks may have been for the first lease on that list. Please advise if that is a fact and which check.

We have received two checks, nos. 419460 and 419464, for shut-in payments for leases we are unable to identify. They may or may not be related to the subject leases. I would appreciate your sending us at least the front pages of each of these leases so we may be able to identify them. If you have the MF numbers for the leases under which you are paying these two shut-in royalties, that will be adequate information for me.

I look forward to hearing from Chesapeake within the required 30 day period with the executed shut-in affidavit.

Yours truly,

Harriet Dunne

Harriet Dunne, CPL
Mineral Leasing, Energy Resources
512-475-1579
512-475-1543 (fax)
harriet.dunne@glo.texas.gov

State Lease No.	Lessor	Recorded Book/Page	SIR Paid by check #
MF105285A	Catherine Funk Wall Trust A	726/625	*None
MF105285B	DD Wall Estate Trust A	726/639	419475
MF105285H	DD Wall Trust B	724/97	419471
MF105285I	Catherine Funk Wall Trust B	724/82	*419473 & 419469
MF105285J	Mary B. Harwit Unitrust	724/31	419467
MF105285K	Mary Y. Tippens Testamentary Trust	724/16	419466
MF105285L	Esther Shurman Testamentary Trust	724/01	419463
MF105285M	Texas Scottish Rite Hospital	721/249	419461

*The shut-in royalty paid by check #419473 & 419469 both describe the book/page of MF105285I. We have no shut-in royalty paid for MF105285A, but the amount of that shut-in royalty is the same as MF105285I. Perhaps one of the payments under MF105285I was intended for MF105285A but the reference to book/page was wrong on one of the checks.

File No. MF/05285 30.
Request for shut in affidavit
Date Filed: 11-19-11
Jerry E. Patterson, Commissioner
By _____

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 15, 2012** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2012** TO **2/17/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

MF 105285 B

12707488

PAYMENT: SHUT-IN ROYALTY
LEASE NUMBER: TX0011622-008 LEASE DATE: **12/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **726** PAGE: **639** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (730721)	$600.00

121

PLEASE SIGN AND RETURN

IMPORTANT

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

Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	459675

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 15, 2012** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2012** TO **2/17/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-008 LEASE DATE: **12/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **726** PAGE: **639** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (730721)	$600.00

COPY FOR YOUR RECORDS

IMPORTANT

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	459675

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank [redacted]

459675

FEBRUARY 15, 2012

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈0000459675⑈ [redacted]

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

LEASE OBLIGATION DEPOSIT RECEIPT

12707409

WE HAVE THIS DAY **FEBRUARY 15, 2012** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2012** TO **2/17/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF

MF/105285C

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-012 LEASE DATE: **11/03/2004** PROSPECT: **TOYAH**
RECORDED BOOK: **689** PAGE: **606** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (730: 21)	$600.00

121

PLEASE SIGN AND RETURN

IMPORTANT

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	459684

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 15, 2012** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2012** TO **2/17/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-012 LEASE DATE: **11/03/2004** PROSPECT: **TOYAH**
RECORDED BOOK: **689** PAGE: **606** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (730721)	$600.00

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 recieve it. If correspondence required, please make reference to lease number.

Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	459684

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

459684

FEBRUARY 15, 2012

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈0000459684⑈ [redacted]

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 15, 2012** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$640.10** 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 **2/17/2012** TO **2/17/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF

12707403

PAYMENT: SHUT-IN ROYALTY
LEASE NUMBER: TX0011621-001 LEASE DATE: **2/18/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **707** PAGE: **232** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	SHUT IN PAYMENT (730721)	$640.10

MF105285D

121

PLEASE SIGN AND RETURN

IMPORTANT

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

Date Received _____

Sign Here _____

By _____
Title

Subtotal	$640.10
BANK SERVICE CHARGE	$.00
Grand Total	$640.10
Check No.	459660

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 15, 2012** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$640.10** 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 **2/17/2012** TO **2/17/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011621-001 LEASE DATE: **2/18/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **707** PAGE: **232** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	SHUT IN PAYMENT (730721)	$640.10

COPY FOR YOUR RECORDS

IMPORTANT

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$640.10
BANK SERVICE CHARGE	$.00
Grand Total	$640.10
Check No.	459660

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

459660
FEBRUARY 15, 2012

SIX HUNDRED FORTY AND 10 /100 Dollars **********

$640.10

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈0000459660⑈ [redacted]

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 15, 2012** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2012** TO **2/17/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF

12707485

MF105285E

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-011 LEASE DATE: **10/06/2004** PROSPECT: **TOYAH**
RECORDED BOOK: **687** PAGE: **702** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (730721)	$600.00

121

PLEASE SIGN AND RETURN

IMPORTANT

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

Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	459682

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 15, 2012** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2012** TO **2/17/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-011 LEASE DATE: **10/06/2004** PROSPECT: **TOYAH**
RECORDED BOOK: **687** PAGE: **702** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (730721)	$600.00

COPY FOR YOUR RECORDS

IMPORTANT

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	459682

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

459682

FEBRUARY 15, 2012

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈00004 5968 2⑈ [redacted]⑈

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 15, 2012** TENDERED TO **COMMISSIONER OF THE GENERAL LAND**
THE SUM OF **$600.00** 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 **2/17/2012** TO **2/17/2013**
COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF

MF105285F

12707484

PAYMENT: SHUT-IN ROYALTY
LEASE NUMBER: TX0011622-009 LEASE DATE: **10/06/2004** PROSPECT: **TOYAH**
RECORDED BOOK: **687** PAGE: **684** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (730721)	$600.00

121

PLEASE SIGN AND RETURN

IMPORTANT

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	459678

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 15, 2012** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2012** TO **2/17/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-009 LEASE DATE: **10/06/2004** PROSPECT: **TOYAH**
RECORDED BOOK: **687** PAGE: **684** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (730721)	$600.00

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 recieve it. If correspondence required, please make reference to lease number.

Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	459678

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank [redacted]

459678

FEBRUARY 15, 2012

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈00004596 78⑈ [redacted]

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

LEASE OBLIGATION DEPOSIT RECEIPT

12707415

WE HAVE THIS DAY **FEBRUARY 15, 2012** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2012** TO **2/17/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF

MF 105285 G

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-010 LEASE DATE: **10/06/2004** PROSPECT: **TOYAH**
RECORDED BOOK: **687** PAGE: **693** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (730721)	$600.00

121

PLEASE SIGN AND RETURN

IMPORTANT

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	459679

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 15, 2012** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2012** TO **2/17/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-010 LEASE DATE: **10/06/2004** PROSPECT: **TOYAH**
RECORDED BOOK: **687** PAGE: **693** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (730721)	$600.00

COPY FOR YOUR RECORDS

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	459679

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

459679

FEBRUARY 15, 2012

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈000045967 9⑈ [redacted]

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 15, 2012** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2012** TO **2/17/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

MF 105285 H 12707411

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-006 LEASE DATE: **12/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **724** PAGE: **97** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (730721)	$600.00

1 of 1

PLEASE SIGN AND RETURN

IMPORTANT

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	459671

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

LEASE OBLIGATION DEPOSIT RECEIPT

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TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
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TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-006 LEASE DATE: **12/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **724** PAGE: **97** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (730721)	$600.00

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	459671

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

459671

FEBRUARY 15, 2012

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈00004596 7 1⑈ [redacted]⑈

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

LEASE OBLIGATION DEPOSIT RECEIPT

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TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

12707413

MF/052851

PAYMENT: SHUT-IN ROYALTY

LEASE NUMBER: TX0011622-007 LEASE DATE: **12/01/2005** PROSPECT: **TOYAH**

RECORDED BOOK: **724** PAGE: **82** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (730721)	$600.00

121

PLEASE SIGN AND RETURN

IMPORTANT

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

Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	459673

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 15, 2012** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2012** TO **2/17/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-007 LEASE DATE: **12/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **724** PAGE: **82** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (730721)	$600.00

COPY FOR YOUR RECORDS

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	459673

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

459673
FEBRUARY 15, 2012

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈0000459673⑈ [redacted]

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 15, 2012** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2012** TO **2/17/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58, SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

MF105285I

12707489

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-005 LEASE DATE: **12/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **724** PAGE: **82** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (730721)	$600.00

PLEASE SIGN AND RETURN

121

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	459669

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 15, 2012** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2012** TO **2/17/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-005 LEASE DATE: **12/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **724** PAGE: **82** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (730721)	$600.00

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	459669

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

459669

FEBRUARY 15, 2012

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈0000459669⑈ [redacted]⑈

LEASE OBLIGATION DEPOSIT RECEIPT

Check Date:	FEBRUARY 15, 2012	Check No:	459669
The Sum Of:	$600.00	Lease Date:	12/1/2005
Lease:	TX0011622-005 ST/TX - CATHERINE FUNK WALL TRUST A	Payment Date:	2/17/2012
Payment Type:	SHUT-IN ROYALTY	Payment End Date:	2/17/2013
Tendered To:	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS		

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 15, 2012** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2012** TO **2/17/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

MF105285 J

12707483

PAYMENT: SHUT-IN ROYALTY
LEASE NUMBER: TX0011622-004 LEASE DATE: **9/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **724** PAGE: **31** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (730721)	$600.00

121

PLEASE SIGN AND RETURN

IMPORTANT

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	459667

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 15, 2012** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2012** TO **2/17/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
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TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-004 LEASE DATE: **9/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **724** PAGE: **31** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (730721)	$600.00

COPY FOR YOUR RECORDS

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Date Received _____

Sign Here _____

By _____ Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	459667

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

459667

FEBRUARY 15, 2012

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈00004596 6?⑈ [redacted]

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

LEASE OBLIGATION DEPOSIT RECEIPT

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

MF105285K

12707490

PAYMENT: SHUT-IN ROYALTY
LEASE NUMBER: TX0011622-003 LEASE DATE: **9/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **724** PAGE: **16** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (730721)	$600.00

121

PLEASE SIGN AND RETURN

IMPORTANT

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	459666

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 15, 2012** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2012** TO **2/17/2013** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-003 LEASE DATE: **9/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **724** PAGE: **16** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (730721)	$600.00

COPY FOR YOUR RECORDS

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	459666

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank [redacted]

459666

FEBRUARY 15, 2012

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈00004596666⑈ [redacted]

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

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

MF105285L

12707410

PAYMENT: SHUT-IN ROYALTY

LEASE NUMBER: TX0011622-002 LEASE DATE: 9/01/2005 PROSPECT: TOYAH
RECORDED BOOK: 724 PAGE: 1 ENTRY NUMBER: COUNTY/PARISH: REEVES STATE: TX

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (730721)	$600.00

121

PLEASE SIGN AND RETURN

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	459663

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

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TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-002 LEASE DATE: **9/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **724** PAGE: **1** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (730721)	$600.00

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	459663

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank [redacted]

459663

FEBRUARY 15, 2012

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈0000459663⑈ [redacted]

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

LEASE OBLIGATION DEPOSIT RECEIPT

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

12707487

MF 105285 M

PAYMENT: SHUT-IN ROYALTY
LEASE NUMBER: TX0011622-001 LEASE DATE: **12/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **721** PAGE: **249** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (730721)	$600.00

PLEASE SIGN AND RETURN

121

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Date Received _____

Sign Here _____

By _____ Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	459661

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

LEASE OBLIGATION DEPOSIT RECEIPT

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-001 LEASE DATE: **12/01/2005** PROSPECT: **TOYAH**
RECORDED BOOK: **721** PAGE: **249** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	$1200/YR SHUT IN PAYMENT (730721)	$600.00

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	459661

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank [redacted]

459661

FEBRUARY 15, 2012

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Non-Negotiable

⑈00004596 6⑈ [redacted]

LEASE OBLIGATION DEPOSIT RECEIPT

Check Date:	FEBRUARY 15, 2012	Check No:	459661
The Sum Of:	$600.00	Lease Date:	12/1/2005
Lease:	TX0011622-001 ST/TX - TEXAS SCOTTISH RITE HOSPITAL	Payment Date:	2/17/2012
Payment Type:	SHUT-IN ROYALTY	Payment End Date:	2/17/2013
Tendered To:	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS		

File No. MF105285 31.
Sheet in Royalty ~~Affidavit~~
payments Lease B-M
Date Filed: 2-22-12
Jerry E. Patterson, Commissioner
By _____

5-55-15

Harriet Dunne - State Lease MF105285I covering Sec 31, 32, 42, Blk 58, PSL, Reeves Co TX

From: Harriet Dunne
To: Blair Nutter
Date: 3/14/2012 3:13 PM
Subject: State Lease MF105285I covering Sec 31, 32, 42, Blk 58, PSL, Reeves Co TX

Blair,
I have another question about a lease in this area.

Please check your Lease Nos. TX0011622-005 and TX0011622-007. How are these leases different? When you are paying shut-in royalties under this description, you are tendering a check for TX001622-005 and a check for TX0011622-007. However, on the receipt that comes with the checks, both leases are recorded in the same book and page, being Book 724, page 82, Reeves Co TX.

If they are different leases, please scan a copy of the front page of each and send to me. How am I supposed to be able to decipher the difference?

I look forward to hearing from you.

Harriet Dunne, CPL
Manager, Mineral Leasing, Energy Resources
Texas General Land Office
512-475-1579
harriet.dunne@glo.state.tx.us

Harriet Dunne - FW: State Leases in Sec 31, 32, 42, Blk 58, PSL, Reeves Co, TX

From: Blair Nutter <blair.nutter@chk.com>
To: 'Harriet Dunne' <Harriet.Dunne@GLO.STATE.TX.US>
Date: 3/15/2012 8:44 AM
Subject: FW: State Leases in Sec 31, 32, 42, Blk 58, PSL, Reeves Co, TX

It looks like this lease was recorded twice. Once by us and once by our broker. So that is where the two different recording information is coming from. Crazy!

Blair

From: Blair Nutter
Sent: Thursday, March 15, 2012 8:15 AM
To: 'Harriet Dunne'
Subject: RE: State Leases in Sec 31, 32, 42, Blk 58, PSL, Reeves Co, TX

Harriet,

You are correct. That shut in payment belongs to TX0011621-001, which is the same as MF105285D. This lease was recorded in Book 702, pg 695. They made an error on the receipt of the check. The lessor is Dela Minerals, Inc. I'm so sorry for that mistake.

Blair

From: Harriet Dunne [mailto:Harriet.Dunne@GLO.STATE.TX.US]
Sent: Wednesday, March 14, 2012 3:00 PM
To: Blair Nutter
Subject: State Leases in Sec 31, 32, 42, Blk 58, PSL, Reeves Co, TX

Blair,
I am trying to get some of our records straight as they pertain to leases owned by Chesapeake. I am going to take this one piece at a time in an e-mail.

Attached is a copy of a shut-in royalty payment for your lease no. TX0011621-001 which receipts says the lease is recorded in Book 707, page 232 and covers lands in Sec 31 and 32 in Blk 58, PSL, Reeves Co TX. The lease is dated Feb 18, 2005.

Could this be the same lease as Texas State Lease No. MF105285D on which we have received no shut-in royalty payment? Our lease has the same date of Feb 18, 2005 and covers the lands in Sec 31 and 32 in Blk 58, PSL, Reeves Co. However, our lease MF105285D is recorded in Book 702, pg 695 instead of Book 707. page 232. The Lessor under our MF105285D is Dela Minerals Inc.

Please let me know if these two leases may be one and the same. If so, then you will have tendered shut-in royalty on MF1052985D. If you don't think they are the same, please scan the front page of your lease no. TX0011621-001 and send it to me.

When I have received an answer from you on this, then I will have more information to share about other leases in this area.

I look forward to hearing from you.

Harriet Dunne, CPL
Manager, Mineral Leasing, Energy Resources
Texas General Land Office
512-475-1579
harriet.dunne@glo.state.tx.us

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

File No. MF105285 32.
Emails re: double shut-in payment + no shut in payment
Date Filed: 3-14-12
Jerry E. Patterson, Commissioner
By

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 14, 2013** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2013** TO **2/17/2014** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

MF105285B

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: **TX0011622-008** LEASE DATE: **12/01/2005** PROSPECT: **RDS-TOYAH**
RECORDED BOOK: **726** PAGE: **639** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	$1200/YR SHUT IN PAYMENT (730721)	$600.00

13706632

PLEASE SIGN AND RETURN

121

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 _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	546898

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

LEASE OBLIGATION DEPOSIT RECEIPT

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

MF 105285 B

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-008 LEASE DATE: **12/01/2005** PROSPECT: **RDS-TOYAH**
RECORDED BOOK: **726** PAGE: **639** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	$1200/YR SHUT IN PAYMENT (730721)	$600.00

13706632

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By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	546898

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

[redacted] Bank

13706632 **546898**

FEBRUARY 14, 2013

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Jennifer McCaughey

THIS DOCUMENT HAS A THERMOCHROMIC INK WITH A HEAT-SENSITIVE ICON TO LIGHT TO VOID

⑈000054689 8⑈

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

LEASE OBLIGATION DEPOSIT RECEIPT

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF

MF105285C

13706638

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-012 LEASE DATE: **11/03/2004** PROSPECT: **RDS-TOYAH**
RECORDED BOOK: **689** PAGE: **606** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:		AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	$1200/YR SHUT IN PAYMENT (730721)	X	$600.00

PLEASE SIGN AND RETURN

12 (

IMPORTANT

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	546909

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 14, 2013** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2013** TO **2/17/2014** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF

13706638

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-012 LEASE DATE: 11/03/2004 PROSPECT: RDS-TOYAH
RECORDED BOOK: 689 PAGE: 606 ENTRY NUMBER: COUNTY/PARISH: REEVES STATE: TX

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	$1200/YR SHUT IN PAYMENT (730721)	X $600.00

PLEASE SIGN AND RETURN

12 (

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Date Received _____

Sign Here _____

By _____ Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	546909

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

Comerica Bank [redacted]

13706638 546909

FEBRUARY 14, 2013

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Jennifer McCaughey

THIS DOCUMENT HAS A MICROPRINT LINE WITH A TRUE WATERMARK - HOLD TO LIGHT TO VIEW

⑈000054690⑈

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 14, 2013** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$640.10** 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 **2/17/2013** TO **2/17/2014** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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13706631

MF 105285D

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011621-001 LEASE DATE: **2/18/2005** PROSPECT: **RDS-TOYAH**
RECORDED BOOK: **707** PAGE: **232** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	SHUT IN PAYMENT (730721)	$640.10

PLEASE SIGN AND RETURN

121

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$640.10
BANK SERVICE CHARGE	$.00
Grand Total	$640.10
Check No.	546881

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

LEASE OBLIGATION DEPOSIT RECEIPT

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13706631

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011621-001 LEASE DATE: **2/18/2005** PROSPECT: **RDS-TOYAH**
RECORDED BOOK: **707** PAGE: **232** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	SHUT IN PAYMENT (730721)	$640.10

PLEASE SIGN AND RETURN

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Date Received _____

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By _____ Title

Subtotal	$640.10
BANK SERVICE CHARGE	$.00
Grand Total	$640.10
Check No.	546881

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CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

13706631 **546881**

FEBRUARY 14, 2013

SIX HUNDRED FORTY AND 10 /100 Dollars **********

$640.10

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Jennifer M Cunningham

THIS INCLUDES AN AREA FOR MICROPRINTING AND A TRUE WATERMARK - HOLD AT AN ANGLE TO VIEW

⑈000054688 1⑈

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 14, 2013** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2013** TO **2/17/2014** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF

13706624

MF105285E

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-011 LEASE DATE: **10/06/2004** PROSPECT: **RDS-TOYAH**
RECORDED BOOK: **687** PAGE: **702** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	$1200/YR SHUT IN PAYMENT (730721)	$600.00

PLEASE SIGN AND RETURN

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	546907

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

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13706624

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-011 LEASE DATE: **10/06/2004** PROSPECT: **RDS-TOYAH**
RECORDED BOOK: **687** PAGE: **702** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	$1200/YR SHUT IN PAYMENT (730721)	$600.00

MF/05285E

121

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Subtotal	$600.00
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Grand Total	$600.00
Check No.	546907

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CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank [redacted]

13706624 **546907**

FEBRUARY 14, 2013

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

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1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Jennifer M Conigsby

THIS DOCUMENT HAS A THERMOCHROMIC INK WITH A TRUE WATERMARK AND IS HEAT SENSITIVE

"0005469071"

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

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MF105285F 13706635

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-009 LEASE DATE: **10/06/2004** PROSPECT: **RDS-TOYAH**
RECORDED BOOK: **687** PAGE: **684** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	$1200/YR SHUT IN PAYMENT (730721)	$600.00

X

121

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	546903

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 14, 2013** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2013** TO **2/17/2014** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF

MF105285F

13706635

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-009 LEASE DATE: **10/06/2004** PROSPECT: **RDS-TOYAH**
RECORDED BOOK: **687** PAGE: **684** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:		AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	$1200/YR SHUT IN PAYMENT (730721)	X	$600.00

121

PLEASE SIGN AND RETURN

IMPORTANT

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

Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	546903

THE CASE OF THIS DOCUMENT HAS A COLORED BACKGROUND WITH TOUCH FAN TECHNIQUE

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

13706635

546903
FEBRUARY 14, 2013

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Jennifer M Conigsby

THIS DOCUMENT HAS A THERMOCHROMIC INK WITH A TRUE WATERMARK - HOLD AT AN ANGLE TO VIEW

⑈000054690 3⑈

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 14, 2013** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2013** TO **2/17/2014** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF

MF 105285 G

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-010 LEASE DATE: **10/06/2004** PROSPECT: **RDS-TOYAH**
RECORDED BOOK: **687** PAGE: **693** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:		AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	$1200/YR SHUT IN PAYMENT (730721)	13706625	$600.00

PLEASE SIGN AND RETURN

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	546904

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 14, 2013** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2013** TO **2/17/2014** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-010 LEASE DATE: **10/06/2004** PROSPECT: **RDS-TOYAH**
RECORDED BOOK: **687** PAGE: **693** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:		AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	$1200/YR SHUT IN PAYMENT (730721)	13706625	$600.00

PLEASE SIGN AND RETURN

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	546904

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

Comerica Bank
[redacted]

13706625 **546904**

FEBRUARY 14, 2013

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Jennifer McCaughey

THIS DOCUMENT HAS A THERMOCHROMIC INK WITH A TRUE WATERMARK - HOLD TO LIGHT TO VIEW

⑈0000546904⑈

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

LEASE OBLIGATION DEPOSIT RECEIPT

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

MF105285H

13706633

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-006 LEASE DATE: **12/01/2005** PROSPECT: **RDS-TOYAH**
RECORDED BOOK: **724** PAGE: **97** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	$1200/YR SHUT IN PAYMENT (730721)	$600.00

X

121

PLEASE SIGN AND RETURN

IMPORTANT

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

Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	546894

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 14, 2013** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2013** TO **2/17/2014** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

13706633

MF105285H

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-006 LEASE DATE: **12/01/2005** PROSPECT: **RDS-TOYAH**
RECORDED BOOK: **724** PAGE: **97** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:		AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	$1200/YR SHUT IN PAYMENT (730721)	X	$600.00

121

PLEASE SIGN AND RETURN

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	546894

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

Comerica Bank [redacted]

13706633

546894

FEBRUARY 14, 2013

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Jennifer M Cangelosi

THIS DOCUMENT HAS A THERMOCHROMIC INK WITH A TRUE WATERMARK - HOLD TO LIGHT TO VIEW

⑈000054689⑈

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 14, 2013** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2013** TO **2/17/2014** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

MF105285I

13706634

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-005 LEASE DATE: **12/01/2005** PROSPECT: **RDS-TOYAH**
RECORDED BOOK: **724** PAGE: **82** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	$1200/YR SHUT IN PAYMENT (730721)	$600.00

X

121

PLEASE SIGN AND RETURN

IMPORTANT

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	546890

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 14, 2013** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2013** TO **2/17/2014** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

13706634

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-005 LEASE DATE: 12/01/2005 PROSPECT: RDS-TOYAH
RECORDED BOOK: 724 PAGE: 82 ENTRY NUMBER: COUNTY/PARISH: REEVES STATE: TX

FOR CREDIT OF:		ACCT:		AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	$1200/YR SHUT IN PAYMENT (730721)	X 121	$600.00

PLEASE SIGN AND RETURN

IMPORTANT

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	546890

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

Comerica Bank
[redacted]

13706634 **546890**

FEBRUARY 14, 2013

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Jennifer M Conigsby

THIS DOCUMENT HAS A THERMOCHROMIC INK WITH A TRUE WATERMARK - HOLD TO LIGHT TO VIEW

⑈000054689⑈

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

LEASE OBLIGATION DEPOSIT RECEIPT

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TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

MF 105285 I

13706636

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-007 LEASE DATE: **12/01/2005** PROSPECT: **RDS-TOYAH**
RECORDED BOOK: **724** PAGE: **82** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	$1200/YR SHUT IN PAYMENT (730721)	X $600.00

PLEASE SIGN AND RETURN

121

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	546896

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

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TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

13706636

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-007 LEASE DATE: **12/01/2005** PROSPECT: **RDS-TOYAH**
RECORDED BOOK: **724** PAGE: **82** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:		AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	$1200/YR SHUT IN PAYMENT (730721)	X	$600.00

PLEASE SIGN AND RETURN

121

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Date Received _____

Sign Here _____

By _____ Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	546896

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

Comerica Bank
[redacted]

13706636 **546896**

FEBRUARY 14, 2013

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Jennifer McLaughlin

THIS DOCUMENT HAS A THERMOCHROMIC INK WITH A HEAT WATERMARK - HOLD TO LIGHT TO VIEW

⑈0005468961⑈

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

LEASE OBLIGATION DEPOSIT RECEIPT

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TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

MF/D5285J

13706637

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-004 LEASE DATE: **9/01/2005** PROSPECT: **RDS-TOYAH**
RECORDED BOOK: **724** PAGE: **31** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	$1200/YR SHUT IN PAYMENT (730721)	X $600.00

PLEASE SIGN AND RETURN

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	546888

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

LEASE OBLIGATION DEPOSIT RECEIPT

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TOWNSHIP: RANGE: SECTION: 32 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3153 COUNTY: REEVES SHORT DESC: N2 OF
TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

MF105285J 13706637

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-004 LEASE DATE: 9/01/2005 PROSPECT: RDS-TOYAH
RECORDED BOOK: 724 PAGE: 31 ENTRY NUMBER: COUNTY/PARISH: REEVES STATE: TX

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	$1200/YR SHUT IN PAYMENT (730721)	X $600.00

PLEASE SIGN AND RETURN

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Date Received _____

Sign Here _____

By _____ Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	546888

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

Comerica Bank [redacted]

13706637 **546888**

FEBRUARY 14, 2013

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Jennifer M Langley

THIS DOCUMENT HAS A THERMOCHROMIC INK WITH A TRUE WATERMARK - HOLD TO LIGHT TO VIEW

⑈000054688⑈ ⑆

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

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **FEBRUARY 14, 2013** TENDERED TO **COMMISSIONER OF THE GENERAL LAND** THE SUM OF **$600.00** 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 **2/17/2013** TO **2/17/2014** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 31 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3154 COUNTY: REEVES SHORT DESC: NW2 OF
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TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

13706626

MF105285K

13706626

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-003 LEASE DATE: **9/01/2005** PROSPECT: **RDS-TOYAH**
RECORDED BOOK: **724** PAGE: **16** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	$1200/YR SHUT IN PAYMENT (730721)	$600.00

121

PLEASE SIGN AND RETURN

IMPORTANT

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

Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	546887

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

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13706626
13706626

MF105285K

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-003 LEASE DATE: **9/01/2005** PROSPECT: **RDS-TOYAH**
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Date Received _____

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Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	546887

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CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

13706626 **546887**

FEBRUARY 14, 2013

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Jennifer M Conzelby

THIS CHECK IS PRINTED ON A TAMPER RESISTANT PAPER WITH A TRUE WATERMARK. HOLD AT AN ANGLE TO VIEW.

"0000546887"

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

LEASE OBLIGATION DEPOSIT RECEIPT

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TOWNSHIP: RANGE: SECTION: 42 BLOCK: 58/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 3155 COUNTY: REEVES SHORT DESC: 258 AC

MF105285L

~~13706626~~

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-002 LEASE DATE: **9/01/2005** PROSPECT: **RDS-TOYAH**
RECORDED BOOK: **724** PAGE: **1** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	$1200/YR SHUT IN PAYMENT (730721)	$600.00

13706627

PLEASE SIGN AND RETURN

121

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	546884

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

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MF105285L

~~13706626~~

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-002 LEASE DATE: **9/01/2005** PROSPECT: **RDS-TOYAH**
RECORDED BOOK: **724** PAGE: **1** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	$1200/YR SHUT IN PAYMENT (730721)	$600.00

13706627

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Date Received _____

Sign Here _____

By _____ Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	546884

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

Comerica Bank [redacted]

13706627 546884

FEBRUARY 14, 2013

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

PAY TO THE ORDER OF
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OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Jennifer M Emigholz

THIS DOCUMENT HAS A THERMOCHROMIC INK WITH A HEAT WARNING. HOLD TO LIGHT TO VIEW

⑈000054688④

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

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THE SUM OF **$600.00** DOLLARS FOR THE CREDIT OF PARTY OR PARTIES NAMED BELOW IN AMOUNT STATED
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MF105285 M

13706630

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-001 LEASE DATE: **12/01/2005** PROSPECT: **RDS-TOYAH**
RECORDED BOOK: **721** PAGE: **249** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	$1200/YR SHUT IN PAYMENT (730721)	$600.00

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Date Received _____

Sign Here _____

By _____
Title

Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	546882

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

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13706630

MF105285M

PAYMENT: **SHUT-IN ROYALTY**
LEASE NUMBER: TX0011622-001 LEASE DATE: **12/01/2005** PROSPECT: **RDS-TOYAH**
RECORDED BOOK: **721** PAGE: **249** ENTRY NUMBER: COUNTY/PARISH: **REEVES** STATE: **TX**

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	$1200/YR SHUT IN PAYMENT (730721)	$600.00

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Sign Here _____

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Subtotal	$600.00
BANK SERVICE CHARGE	$.00
Grand Total	$600.00
Check No.	546882

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CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank
[redacted]

13706630 **546882**

FEBRUARY 14, 2013

SIX HUNDRED AND 00 /100 Dollars **********

$600.00

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1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Jennifer McCaughey

THIS DOCUMENT HAS A THERMOCHROMIC INK WITH A TRUE WATERMARK - HOLD TO LIGHT TO VIEW

⑈0000546882⑈

File No. MF105285 33.
Shut in Roy Payments
Lease B-M-L Petroleum
Date Filed: 2-15-13
Jerry E. Patterson, Commissioner
By _____

5.12.13

Harriet Dunne - Re: iNut 4554 - Chesapeake - MF104580-MF105285- MF104778 - Reeves Co

From: Susan Wauer
To: Harriet Dunne
Date: 3/20/2013 3:19 PM
Subject: Re: iNut 4554 - Chesapeake - MF104580-MF105285- MF104778 - Reeves Co

Harriet,
I went back to January 2012 and they've been paying the same TPF and Royalty since then. I can go back and check further if you need me to.

MF104580:
Tract Participation: 0.16268767
Royalty Decimal: 0.25

MF104778:
Tract Participation: 0.36188399
Royalty Decimal: 0.125

MF105285:
Tract Participation: 0.13803534
Royalty Decimal: 0.119167

Susan

>>> Harriet Dunne 3/20/2013 1:14 PM >>>
You should have been confused.....I was obviously doing my best to confuse you.

I have no idea where my head was Monday (I was exhausted), but I put in the wrong numbers. I should have been asking for iNut 4554, which is MF104580, MF104778 and MF105285.

I would like to see the decimals Chesapeake is paying to each of these leases.

Thank you, and my apologies.....
Harriet

>>> Susan Wauer 3/18/2013 10:26 AM >>>
Harriet,
I'm confused. In GloBase, we have MF104580, MF104778 and MF105285 showing as being the leases in this unit. Can you clarify for me please?

Thanks,
Susan

>>> Harriet Dunne 2/20/2013 3:02 PM >>>
Susan,
I would love to see the decimals of revenue that Chesapeake is paying to each lease under this iNut. I have some notes that indicate they may not be paying it correctly. And the date of the last change in the revenue decimals would have been April 16, 2011.

Any help you can provide will be most appreciated.
Harriet

File No. MF105285 34.
Grant Participations from
~~Expired~~ Unit 4554
Date Filed: 3-20-13
Jerry E. Patterson, Commissioner
By JEP

Harriet Dunne - Descriptions for MF104782 and MF105285

From: Harriet Dunne
To: blair.nutter@chk.com
Date: 1/17/2012 12:58 PM
Subject: Descriptions for MF104782 and MF105285

Blair,
Good to talk with you this morning. Blk 58 State 31-3 #1H well

MF104782 covers the NE/4 Sec 30, Blk 58, PSL Survey, Reeves Co.

MF105285A-M (13 undivided interest leases), 5 leases covering Sec 31 & 32, Blk 58, and 8 undivided interest leases covering Sec 31, 32 & 48, Blk 58, Reeves Co.

There were four different temporary units covering these lands which were approved by the State.....Units 4044, 4113, 4194, and 4484.....for Block 58 State 31-3 well. It is my understanding that after Unit 4484 expired Chesapeake elected not to form a new unit. Therefore, the three State leases, MF104782, MF105285 and MF105490 (the lease on which the shut-in was paid) are all producing independently of any unit. Thus, shut-in royalty should have been timely paid on all three leases for the Block 58 State 31-3 Well.

These leases are beyond their primary term. If shut-in royalty was not paid, the leases would have terminated 60 days after the last production from Block 58 State 31-3 well. If shut-in royalty on this well was paid under these leases, a shut-in affidavit for each lease should be submitted.

I will be communicating with you about another set of shut-in royalty payments under MF105285 undivided interest leases for different well, I believe. I had also requested a shut-in affidavit under these leases in November 2011 to which I have had no response. But that will be the subject of another e-mail.

I look forward to hearing from you, and would be happy to discuss anything that is not clear.

Thank you,

Harriet Dunne, CPL
Manager, Mineral Leasing, Energy Resources
Texas General Land Office
512-475-1579
harriet.dunne@glo.state.tx.us

File No. MF105285
Email re: Shut in Royalties
+ Expired Lists
Date Filed: 1-17-12
Jerry E. Patterson, Commissioner
By

35.

Status of STATE LEASES MF105285-MF105490-MF104782

Chesapeake shut-in royalty and half bonus to extend deep rights

Covering Sections 31 & 32, Blk 58, PSL, Reeves Co TX

API 389-32452 (Blk 58 State 31-3 #1H), API 389-32398 (Blk 58 State 32 #1)

MF105285

State Lease No.	CHK Lease No.	Lease Date	Term	Roy	Rec data	Date shut-in pd	Date 2nd shut-in pd	Date 3rd shut-in pd	Date 1/2 bonus pd	Net Ac
MF105285C	TX0016622-012	11/3/2004	5 years	0.20	689/606	11/3/2011	2/21/2012	2/15/2013	* 11/4/2011	64.02
MF105285D	TX0011621-001	2/18/2005	3 years	0.25	702/695; 707/232	11/1/2011	2/21/2012	2/15/2013		640.1
MF105285E	TX0016622-011	10/6/2004	5 years	0.20	687/702	12/5/2011	2/22/2012	2/15/2013	9/22/2012	78.2466667
MF105285F	TX0016622-009	10/6/2004	5 years	0.20	687/684	12/5/2011	2/22/2012	2/15/2013	9/23/2012	78.24666667
MF105285G	TX0016622-010	10/6/2004	5 years	0.20	687/693	12/5/2011	2/22/2012	2/15/2013	9/22/2012	78.24666667
										938.86

API 389-32497 (Blk 58 State 42 #1H), API 389-32452 (Blk 58 State 31-3 #1H), & API 389-32398 (Blk 58 State 32 #1)

Covering Sections 31,32 & 42, Blk 58, PSL, Reeves Co TX

State Lease No.	CHK Lease No.	Lease Date	Term	Roy	Rec data	Date shut-in pd	Date 2nd shut-in pd	Date 3rd shut-in pd	Date 1/2 bonus pd	
MF105285A		12/1/2005	3 years	0.25	726/625					94.7735
MF105285B	TX0011622-008	12/1/2005	3 years	0.25	726/639	11/1/2011	2/22/2012	2/15/2013		94.7735
MF105285H	TX0011622-006	12/1/2005	3 years	0.25	724/97	11/1/2011	2/21/2012	2/15/2013		94.7735
MF105285I	TX0011622-005 & -007	12/1/2005	3 years	0.25	724/82	twice on 11/1/11	twice on 2/22/12	twice on 5/15/13		94.7735
MF105285J	TX0011622-004	9/1/2005	3 years	0.25	724/31	11/1/2011	2/22/2012	2/15/2013		63.18
MF105285K	TX0011622-003	9/1/2005	3 years	0.25	724/16	11/1/2011	2/21/2012	2/15/2013		31.59
MF105285L	TX0011622-002	9/1/2005	3 years	0.25	724/1	11/1/2011	2/22/2012	2/15/2013		15.8
MF105285M	TX0011622-001	12/1/2005	3 years	0.25	721/249					15.7955
										505.4595

API 389-32452 (Blk 58 State 31-3 #1H)

MF104782	TX0011467-000	10/20/2004	5 years	0.2	689/31	11/1/2011			9/22/2011	160/160

API 389-32452 (Blk 58 State 31-3 #1H)

MF105490	TX0011479-000	3/1/2005	3 years	0.25	701/22	11/1/2011				

* Refunded 11/28/11; lease had no severance provision; didn't require 1/2 bonus to maintin deep rights.

Shut-in affidavit requested on 11/19/2011.

x

Status of STATE LEASES MF105285-MF105490-MF104782

Chesapeake shut-in royalty and half bonus to extend deep rights

Wells and Status	
API 389-32452 (Blk 58 State 31-3 #1H)	Appears this is the well on which shut-in payments were made.
No production 10/2011 - 4/2013	
92 mcf in May 2013	
No production 6/2013 - 7/2013	
Aug & Sept 2013 - No Rpt	
API 389-32398 (Blk 58 State 32 #1)	
No production 5/2010 - 6/2010	
No production 2/2011 - 5/2011	
No production 12/2011-01/2012	
No production 4/2012 - 6/2012	
No production 11/2012 - 4/2013	
No Rpt Aug - Sept 2013	
API 389-32497 (Blk 58 State 42 #1H)	
3 mo no production: 9/12 - 11/12	
No Rpt Aug - Sept 2013	

File No. ME105285 (36)

Shut-in & DRR Spreadsheet

Date Filed: 10/25/13

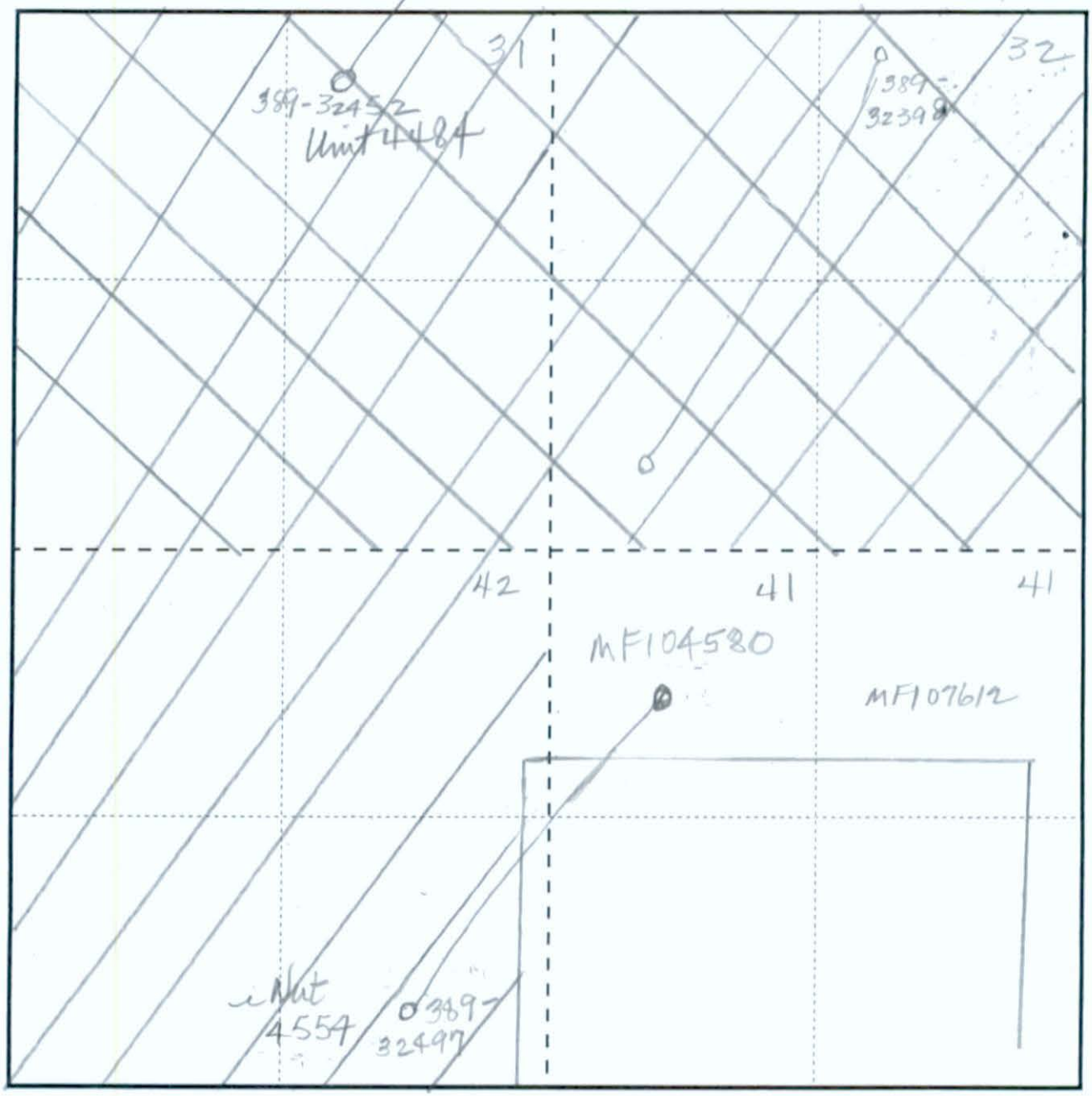
Jerry E. Patterson, Commissioner

By _____

MF105285

ABNIJKLM

CDEFG



389-32398
Blk 58 State 32 #1

County _____ Block _____ Section _____

389-32452
Blk 58 State 31-3 #1H

389-32497
Blk 58 State 42 #1H

File No. MF 105285 37.
Plat of undivided interest
lease lands
Date Filed: 10-25-13
Jerry E. Patterson, Commissioner
By

Unit 4484 expired

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

STATEMENT OF PRODUCTIVITY OF ACREAGE ASSIGNED TO PRORATION UNITS

The undersigned states that he is authorized to make this statement; that he has knowledge of the facts concerning the CHESAPEAKE OPERATING INC (OPERATOR), BLOCK 58 STATE 31-3 (LEASE), No. 1H (WELL); that such well is completed in the TOYAH, NW (SHALE) Field, REEVES County, Texas and that the acreage claimed, and assigned to such well for proration purposes as authorized by special rule and as shown on the attached certified plat embraces 552 acres which can reasonably be considered to be productive of hydrocarbons.

- CERTIFICATE -

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

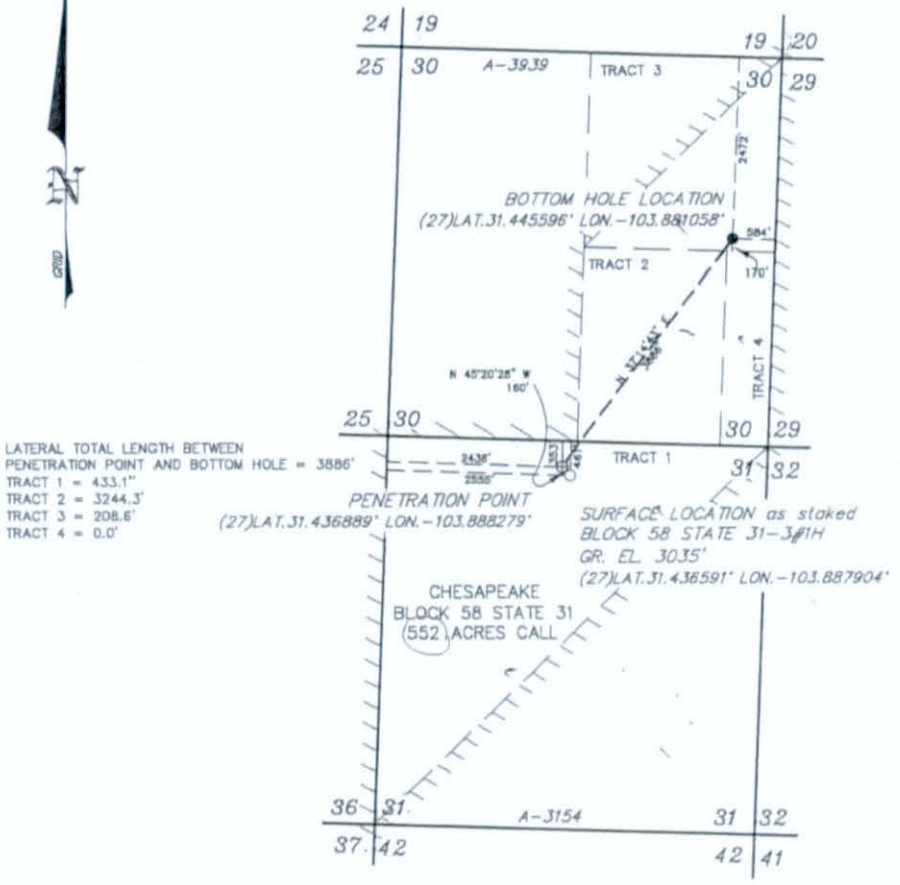
Date 12/18/2009 Signature Lindsey Mellott

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

Unit # 4484

AS-DRILLED PLAT

SECTIONS 30 & 31, BLOCK 58, P.S.L.,
REEVES COUNTY, TEXAS



LATERAL TOTAL LENGTH BETWEEN PENETRATION POINT AND BOTTOM HOLE = 3886'
TRACT 1 = 433.1'
TRACT 2 = 3244.3'
TRACT 3 = 208.6'
TRACT 4 = 0.0'

SURFACE LOCATION;
NAD 83, TEXAS CENTRAL ZONE
COORD'S: N=10503986.7, E=1188067.7
LAT=31°26'12.2"N, LONG=103°53'18.1"W.

○ SURFACE LOCATION
⊕ PENETRATION POINT
● BOTTOM HOLE LOCATION
⊙ FOUND 1" IRON PIPE
= PRORATION UNIT

NOTES:
- THIS AS-DRILLED PLAT HAS BEEN PREPARED FROM A CERTIFIED SURVEY PLAT ON FILE IN THE OFFICE OF WATSON PROFESSIONAL GROUP INC IN MIDLAND, TEXAS.
- SURFACE LOCATION IS AS STAKED 12/2006, ANY UNIT DIMENSIONS, PENETRATION POINT AND BOTTOM HOLE ARE AS PROVIDED BY CHESAPEAKE.
- SEE DOCUMENTS ON FILE IN THIS SURVEYORS OFFICE FOR COMPLETE RECONSTRUCTION OF THESE BLOCKS, SECTIONS OR SURVEYS.
- COORDINATES AND BEARINGS ARE BASED ON A LAMBERT CONICAL PROJECTION OF THE TEXAS STATE PLANE COORDINATE SYSTEM (NAD 83), TEXAS CENTRAL ZONE (4203) SINCE NAD 27 IS ANTIQUATED AND UNACCOMPLISHABLE WITH MODERN SURVEY EQUIPMENT ALL COORDINATES ARE AN ADJUSTMENT FROM NAD 83 USING THE SOFTWARE "CORPSCON".
- APPROXIMATELY 7.9 MILES NORTHWEST OF TOYAH, TEXAS.

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

STATE OF TEXAS
REGISTERED
W. D. WATSON, JR.
1989
PROFESSIONAL
LAND SURVEYOR

12/16/09
W.D. WATSON JR. TEXAS R.P.L.S. No. 1989 — DATE

1000 0 1000 2000 FEET

FILE: M:\BLOCK59PSL\DWG\BLOCK59PSL 6 30 07.dwg

Watson Professional Group Inc
GRANBURY • MASON • MIDLAND
4500 W. ILLINOIS
SUITE 201 (79703)
P.O. DRAWER 11186
MIDLAND, TEXAS 79702
(432) 520-9200
FAX (432) 520-9212
wdwatson@wpg-tx.com

AS-DRILLED PLAT
CHESAPEAKE OPERATING
BLOCK 58 STATE 31-3#1H
461' FNL & 2555' FWL
SECTIONS 30 & 31, BLOCK 58, P.S.L.,
REEVES COUNTY, TEXAS
JOB NO.: 09-1587-08 FIELD BOOK: SKETCH DRAFT: TA REV. 0

File No. MF105285

P15 B1K59 State 31-3 well #1H

Date Filed: 12-18-09

Jerry Patterson, Commissioner

By _____

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

April 3, 2012
(sent by e-mail; not USPS)

Victoria Adams
Chesapeake Exploration LP
PO Box 18496
Oklahoma City, OK 73154-0496

RE: **State Lease MF105825 & Hodge State 70-24 Well #1H** – Your Lease No. TX3230292-000
Reeves Co TX

Dear Victoria:

According to Railroad Commission records, a copy of which is attached, the referenced well has not produced since December 2010.

The referenced lease was dated June 10, 2005 for a 5 year primary term which ended June 10, 2010. Sixty days after the well ceased to produce if there were no reworking operations in progress this lease terminated. We were unable to find a well either drilling or being reworked on this description within that sixty days. Therefore, we consider this lease to be terminated as of March 1, 2011.

We have received from Chesapeake a payment of $12,000.00 (copy attached) for this lease and the receipt indicates this is to extend the deep rights under this lease. Since the lease has terminated, we will not accept this payment. If you will send me a request for refund, I will be happy to process that request which takes about four weeks.

Since Chesapeake appears to be the record leaseholder under this lease, we request that you file with this office a recorded original or certified copy of a Release of this State Oil and Gas Lease along with a processing fee of $25.00 to be sent to the attention of Beverly Boyd.

Yours truly,

Harriet Dunne

Harriet Dunne, CPL
Mineral Leasing, Energy Resources
512-475-1579
512-475-1543 (fax)
harriet.dunne@glo.texas.gov

RRC ONLINE SYSTEM

Oil & Gas Production Data Query

Production Data FAQs PDQ Help

General Production Query **Specific Lease Query**

Specific Lease Query Results

Query Path: Search Criteria > District 08, Lease: HODGE STATE 70-24

Date Range: Jan 2008 to Mar 2012 Submit

Related Links

O&G Directory

O&G Proration Schedule

Offshore County Map

View by: **Production and Total Disposition** Disposition Details County Production

Lease Name: HODGE STATE 70-24, Lease No: 246601, Well No: 1H
District 08
Lease Production and Disposition
Jan 2008 - Mar 2012

View Page By Page

Date	GW Gas (MCF)		Condensate (BBL)		Operator Name	Operator No.	Field Name	Field No.
	Production	Disposition	Production	Disposition				
May 2008	6,510	6,510	84	84	CHESAPEAKE OPERATING, INC.	147715	TOYAH, NW (SHALE)	90890700
Jun 2008	37,953	37,953	0	0				
Jul 2008	5,581	5,581	0	0				
Aug 2008	3,926	3,926	0	0				
Sep 2008	883	883	0	0				
Oct 2008	8,595	8,595	0	0				
Nov 2008	5,578	5,578	0	0				
Dec 2008	72,793	72,793	0	0				
Jan 2009	145,547	145,547	60	60				
Feb 2009	107,764	107,764	3	3				
Mar 2009	68,379	68,379	0	0				
Apr 2009	19	19	0	0				
May 2009	0	0	0	0				
Jun 2009	10,698	10,698	6	6				
Jul 2009	103,248	103,248	0	0				
Aug	9,777	9,777	0	0				

2009								
Sep 2009	87,972	87,972	0	0				
Oct 2009	47,203	47,203	0	0				
Nov 2009	33,160	33,160	0	0				
Dec 2009	0	0	0	0				
Jan 2010	1,318	1,318	0	0				
Feb 2010	37,654	37,654	0	0				
Mar 2010	100,822	100,822	0	0				
Apr 2010	17,272	17,272	0	0				
May 2010	29,783	29,783	0	0				
Jun 2010	1,911	1,911	0	0				
Jul 2010	2,067	2,067	0	0				
Aug 2010	11,188	11,188	0	0				
Sep 2010	2,295	2,295	0	0				
Oct 2010	1,740	1,740	0	0				
Nov 2010	1,777	1,777	0	0				
Dec 2010	885	885	0	0				
Jan 2011	0	0	0	0				
Feb 2011	0	0	0	0				
Mar 2011	0	0	0	0				
Apr 2011	0	0	0	0				
May 2011	0	0	0	0				
Jun 2011	0	0	0	0				
Jul 2011	0	0	0	0				
Aug 2011	0	0	0	0				
Sep 2011	0	0	0	0				
Oct 2011	0	0	0	0				
Nov	0	0	0	0				

2011								
Dec 2011	0	0	0	0				
Jan 2012	0	0	0	0				
Feb 2012	NO RPT	NO RPT	NO RPT	NO RPT				
Mar 2012	NO RPT	NO RPT	NO RPT	NO RPT				
Total	964,298	964,298	153	153				

View Page By Page

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

LEASE OBLIGATION DEPOSIT RECEIPT

12709153

WE HAVE THIS DAY MARCH 20, 2012 TENDERED TO COMMISSIONER OF THE GENERAL LAND THE SUM OF $12,000.00 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 6/10/2012 TO 6/10/2014 COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 24 BLOCK: 70/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 5181 COUNTY: REEVES SHORT DESC: S/2 S/

C 25243

MF105825

RECEIVED
MAR 26 2012

PAYMENT: PUGH RENTAL
LEASE NUMBER: TX3230292-000 LEASE DATE: 6/10/2005 PROSPECT: BALMORHEA
RECORDED BOOK: 706 PAGE: 845 ENTRY NUMBER: 3137 COUNTY/PARISH: REEVES STATE: TX

FOR CREDIT OF:		ACCT:	AMOUNT
017397	COMMISSIONER OF THE GENERAL LAND OF THE STATE OF TEXAS 1700 N CONGRESS, STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701	ST/TX-HODGES, ET AL, EXTE ND DEEP RIGHTS	$12,000.00

12/10

PLEASE SIGN AND RETURN

IMPORTANT

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

Date Received _____

Sign Here _____

By _____ Title

Subtotal	$12,000.00
BANK SERVICE CHARGE	$.00
Grand Total	$12,000.00
Check No.	470675

CHESAPEAKE OPERATING, INC.
DELAY RENTAL ACCOUNT
P.O. Box 18496
Oklahoma City, OK 73154

Comerica Bank [redacted]

12709153 470675
MARCH 20, 2012

TWELVE THOUSAND AND 00 /100 Dollars **********

$12,000.00

PAY TO THE ORDER OF
COMMISSIONER OF THE GENERAL LAND
OF THE STATE OF TEXAS
1700 N CONGRESS, STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701

VOID AFTER 120 DAYS
NO THIRD PARTY ENDORSEMENTS

Jennifer M. Longley

⑈000047067 5⑈ [redacted]

File No. MF105295 39.

LTR RE: extension of Dep Rights

Date Filed: 4-3-12

Jerry Patterson, Commissioner

By

PAYMENTS FOR THE
ACCOUNT OF: SWEPI LP

PAYEE: COMMISSIONER OF THE GENERAL LAND
PAYEE NO.: NOT AVAILABLE

LEASE NO.:	CHECK DATE:	CHECK NO.:	CHECK AMOUNT:
TX00347 001	01/15/2014	0000260055	**********$600.00

FOR PAYMENT UNDER OUR PROPERTY NUMBER: TX00347 001
(AS AMENDED AND RATIFIED IF APPLICABLE)
IN COUNTY AND STATE: REEVES, TX
BOOK: 724 PAGE: 82
ACRES COVERED: 1895.670
TYPE OF PAYMENT: SHUT-IN ROYALTY
PERIOD COVERED - 12 MOS. FROM (MO-DAY-YEAR): 02-17-2014

14707643

LANDS DESCRIBED AS: PUBLIC SCHOOL LAND SURVEY, BLOCK 58
SECTION 31: ALL, FROM SURFACE TO 16,608'
SECTION 32: ALL, FROM SURFACE TO 12,910'
SECTION 42: ALL, FROM SURFACE TO 16,400'

COMMENTS: 1200/YR SHUT IN PAYMENT (730721)

FOR CREDIT TO:	PAYEE NO. ACCOUNT	AMOUNT
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	COMMIS0300	600.00

121

ADDRESS WRITTEN INQUIRIES TO:
SWEPI LP LEASE ADMINISTRATION P.O. Box 576 Houston, TX 77001-0576

PLEASE NOTE: YOU HAVE BEEN DESIGNATED TO RECEIVE PAYMENTS UNDER THE INSTRUMENT DESCRIBED ABOVE. THE ATTACHED CHECK REPRESENTS PAYMENT THEREUNDER FOR THE PERIOD DESIGNATED WHICH SHOULD BE CREDITED TO THE PARTIES SHOWN IN THE FULL AMOUNTS AS INDICATED. DO NOT DEDUCT ANY HANDLING CHARGE OTHER THAN INDICATED ABOVE. SHOULD A DIFFICULTY ARISE PLEASE COMMUNICATE AT THE ADDRESS SHOWN ON THE REVERSE SIDE AFTER CREDITING THE FULL AMOUNTS AS REQUESTED. THANK YOU. *** DETACH AND RETAIN THIS STUB FOR YOUR RECORDS ***

SD2100101-0001_of_0001 5408-0000118 (F33D)

SWEPI LP
LEASE ADMINISTRATION
P.O. Box 576
Houston, TX 77001-0576

2100101 01 SD T 5408 20R2 -P00101

COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

PAYMENTS FOR THE
ACCOUNT OF: SWEPI LP

PAYEE: COMMISSIONER OF THE GENERAL LAND
PAYEE NO.: NOT AVAILABLE

LEASE NO.:	CHECK DATE:	CHECK NO.:	CHECK AMOUNT:
TX00347 001	01/15/2014	0000260055	**********$600.00

FOR PAYMENT UNDER OUR PROPERTY NUMBER: TX00347 001
(AS AMENDED AND RATIFIED IF APPLICABLE)
IN COUNTY AND STATE: REEVES, TX
BOOK: 724 PAGE: 82
ACRES COVERED: 1895.670
TYPE OF PAYMENT: SHUT-IN ROYALTY
PERIOD COVERED - 12 MOS. FROM (MO-DAY-YEAR): 02-17-2014

14707643

LANDS DESCRIBED AS: PUBLIC SCHOOL LAND SURVEY, BLOCK 58
SECTION 31: ALL, FROM SURFACE TO 16,608'
SECTION 32: ALL, FROM SURFACE TO 12,910'
SECTION 42: ALL, FROM SURFACE TO 16,400'

COMMENTS: 1200/YR SHUT IN PAYMENT (730721)

FOR CREDIT TO:	PAYEE NO. ACCOUNT	AMOUNT
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	COMMIS0300	600.00

12

ADDRESS WRITTEN INQUIRIES TO:
SWEPI LP LEASE ADMINISTRATION P.O. Box 576 Houston, TX 77001-0576

PLEASE NOTE: YOU HAVE BEEN DESIGNATED TO RECEIVE PAYMENTS UNDER THE INSTRUMENT DESCRIBED ABOVE. THE ATTACHED CHECK REPRESENTS PAYMENT THEREUNDER FOR THE PERIOD DESIGNATED WHICH SHOULD BE CREDITED TO THE PARTIES SHOWN IN THE FULL AMOUNTS AS INDICATED. DO NOT DEDUCT ANY HANDLING CHARGE OTHER THAN INDICATED ABOVE. SHOULD A DIFFICULTY ARISE PLEASE COMMUNICATE AT THE ADDRESS SHOWN ON THE REVERSE SIDE AFTER CREDITING THE FULL AMOUNTS AS REQUESTED. THANK YOU. *** DETACH AND RETAIN THIS STUB FOR YOUR RECORDS. ***

SWEPI LP
LEASE ADMINISTRATION
P.O. Box 576
Houston, TX 77001-0576

[redacted]

Check No.: 0000260055
14707643
01/15/2014

PAY TO THE ORDER OF:
COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

**********$600.00

NOT VALID AFTER 180 DAYS

Six Hundred and 00/100 Dollars

CITIBANK, N.A.
ONE PENN'S WAY, NEW CASTLE, DE 19720

AUTHORIZED SIGNATURE

⑈0000260055⑈ ⑆[redacted]

PAYMENTS FOR THE
ACCOUNT OF: SWEPI LP

PAYEE: COMMISSIONER OF THE GENERAL LAND
PAYEE NO.: NOT AVAILABLE

LEASE NO.:	CHECK DATE:	CHECK NO.:	CHECK AMOUNT:
TX00345 004	01/15/2014	0000260039	**********$600.00

FOR PAYMENT UNDER OUR PROPERTY NUMBER: TX00345 004
(AS AMENDED AND RATIFIED IF APPLICABLE)
IN COUNTY AND STATE: REEVES, TX
BOOK: 726 PAGE: 639
ACRES COVERED: 1895.670
TYPE OF PAYMENT: SHUT-IN ROYALTY
PERIOD COVERED - 12 MOS. FROM (MO-DAY-YEAR): 02-17-2014

14707640

LANDS DESCRIBED AS: PUBLIC SCHOOL LAND SURVEY, BLOCK 58
SECTION 31: ALL
SECTION 32: ALL
SECTION 42: ALL

COMMENTS: 1200/YR SHUT IN PAYMENT (730721)

FOR CREDIT TO:	PAYEE NO. ACCOUNT	AMOUNT
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	COMMIS0300	600.00

MF 105285 B
DD Wall Estate Trust A

ADDRESS WRITTEN INQUIRIES TO:
SWEPI LP LEASE ADMINISTRATION P.O. Box 576 Houston, TX 77001-0576

PLEASE NOTE: YOU HAVE BEEN DESIGNATED TO RECEIVE PAYMENTS UNDER THE INSTRUMENT DESCRIBED ABOVE. THE ATTACHED CHECK REPRESENTS PAYMENT THEREUNDER FOR THE PERIOD DESIGNATED WHICH SHOULD BE CREDITED TO THE PARTIES SHOWN IN THE FULL AMOUNTS AS INDICATED. DO NOT DEDUCT ANY HANDLING CHARGE OTHER THAN INDICATED ABOVE. SHOULD A DIFFICULTY ARISE PLEASE COMMUNICATE AT THE ADDRESS SHOWN ON THE REVERSE SIDE AFTER CREDITING THE FULL AMOUNTS AS REQUESTED. THANK YOU *** DETACH AND RETAIN THIS STUB FOR YOUR RECORDS ***

SD2100091-0001_of_0001 5408-0000108 (F33D)

SWEPI LP
LEASE ADMINISTRATION
P.O. Box 576
Houston, TX 77001-0576

2100091 01 SD T 5408 20R2 -P00091

COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

PAYMENTS FOR THE
ACCOUNT OF: SWEPI LP

PAYEE: COMMISSIONER OF THE GENERAL LAND
PAYEE NO.: NOT AVAILABLE

LEASE NO.:	CHECK DATE:	CHECK NO.:	CHECK AMOUNT:
TX00345 004	01/15/2014	0000260039	**********$600.00

FOR PAYMENT UNDER OUR PROPERTY NUMBER: TX00345 004
(AS AMENDED AND RATIFIED IF APPLICABLE)
IN COUNTY AND STATE: REEVES, TX
BOOK: 726 PAGE: 639
ACRES COVERED: 1895.670
TYPE OF PAYMENT: SHUT-IN ROYALTY
PERIOD COVERED - 12 MOS. FROM (MO-DAY-YEAR): 02-17-2014

14707640

LANDS DESCRIBED AS: PUBLIC SCHOOL LAND SURVEY, BLOCK 58
SECTION 31: ALL
SECTION 32: ALL
SECTION 42: ALL

COMMENTS: 1200/YR SHUT IN PAYMENT (730721)

FOR CREDIT TO:	PAYEE NO. ACCOUNT	AMOUNT
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	COMMIS0300	600.00

ADDRESS WRITTEN INQUIRIES TO:
SWEPI LP LEASE ADMINISTRATION P.O. Box 576 Houston, TX 77001-0576

PLEASE NOTE: YOU HAVE BEEN DESIGNATED TO RECEIVE PAYMENTS UNDER THE INSTRUMENT DESCRIBED ABOVE. THE ATTACHED CHECK REPRESENTS PAYMENT THEREUNDER FOR THE PERIOD DESIGNATED WHICH SHOULD BE CREDITED TO THE PARTIES SHOWN IN THE FULL AMOUNTS AS INDICATED. DO NOT DEDUCT ANY HANDLING CHARGE OTHER THAN INDICATED ABOVE. SHOULD A DIFFICULTY ARISE PLEASE COMMUNICATE AT THE ADDRESS SHOWN ON THE REVERSE SIDE AFTER CREDITING THE FULL AMOUNTS AS REQUESTED. THANK YOU. *** DETACH AND RETAIN THIS STUB FOR YOUR RECORDS. ***

SWEPI LP
LEASE ADMINISTRATION
P.O. Box 576
Houston, TX 77001-0576

[redacted]

Check No.: 0000260039
14707640
01/15/2014

PAY TO THE ORDER OF:
COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

**********$600.00

NOT VALID AFTER 180 DAYS

Six Hundred and 00/100 Dollars

CITIBANK, N.A.
ONE PENN'S WAY, NEW CASTLE, DE 19720

AUTHORIZED SIGNATURE

⑈0000260039⑈ [redacted]

PAYMENTS FOR THE
ACCOUNT OF: SWEPI LP

PAYEE: COMMISSIONER OF THE GENERAL LAND
PAYEE NO.: NOT AVAILABLE

LEASE NO.:	CHECK DATE:	CHECK NO.:	CHECK AMOUNT:
TX00342 005	01/15/2014	0000260023	**********$600.00

FOR PAYMENT UNDER OUR PROPERTY NUMBER: TX00342 005
(AS AMENDED AND RATIFIED IF APPLICABLE)
IN COUNTY AND STATE: REEVES, TX
BOOK: 689 PAGE: 606
ACRES COVERED: 1280.200
TYPE OF PAYMENT: SHUT-IN ROYALTY
PERIOD COVERED - 12 MOS. FROM (MO-DAY-YEAR): 02-17-2014

14707636

LANDS DESCRIBED AS: PUBLIC SCHOOL LAND SURVEY, BLOCK 58
SECTION 31: ALL
SECTION 32: ALL

COMMENTS: 1200/YR SHUT IN PAYMENT (730721)

FOR CREDIT TO:	PAYEE NO. ACCOUNT	AMOUNT
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	COMMIS0300	600.00

(8)

MF 105285C
Estate of Nellie May Gohlke

ADDRESS WRITTEN INQUIRIES TO:
SWEPI LP LEASE ADMINISTRATION P.O. Box 576 Houston, TX 77001-0576

PLEASE NOTE: YOU HAVE BEEN DESIGNATED TO RECEIVE PAYMENTS UNDER THE INSTRUMENT DESCRIBED ABOVE. THE ATTACHED CHECK REPRESENTS PAYMENT THEREUNDER FOR THE PERIOD DESIGNATED WHICH SHOULD BE CREDITED TO THE PARTIES SHOWN IN THE FULL AMOUNTS AS INDICATED. DO NOT DEDUCT ANY HANDLING CHARGE OTHER THAN INDICATED ABOVE. SHOULD A DIFFICULTY ARISE PLEASE COMMUNICATE AT THE ADDRESS SHOWN ON THE REVERSE SIDE AFTER CREDITING THE FULL AMOUNTS AS REQUESTED. THANK YOU *** DETACH AND RETAIN THIS STUB FOR YOUR RECORDS ***

SD2100082-0001_of_0001 5408-0000099 (F33D)

SWEPI LP
LEASE ADMINISTRATION
P.O Box 576
Houston, TX 77001-0576

D100082 01 SD T 5408 20R2 -P00082

COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

SD2100082-0001_of_0001 5408-0000099 (F33D)

PAYMENTS FOR THE
ACCOUNT OF: SWEPI LP

PAYEE: COMMISSIONER OF THE GENERAL LAND
PAYEE NO.: NOT AVAILABLE

LEASE NO.:	CHECK DATE:	CHECK NO.:	CHECK AMOUNT:
TX00342 005	01/15/2014	0000260023	**********$600.00

FOR PAYMENT UNDER OUR PROPERTY NUMBER: TX00342 005
(AS AMENDED AND RATIFIED IF APPLICABLE)
IN COUNTY AND STATE: REEVES, TX
BOOK: 689 PAGE: 606
ACRES COVERED: 1280.200
TYPE OF PAYMENT: SHUT-IN ROYALTY
PERIOD COVERED - 12 MOS. FROM (MO-DAY-YEAR): 02-17-2014

14707636

LANDS DESCRIBED AS: PUBLIC SCHOOL LAND SURVEY, BLOCK 58
SECTION 31: ALL
SECTION 32: ALL

COMMENTS: 1200/YR SHUT IN PAYMENT (730721)

FOR CREDIT TO:	PAYEE NO. ACCOUNT	AMOUNT
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	COMMIS0300	600.00

(2)

ADDRESS WRITTEN INQUIRIES TO:
SWEPI LP LEASE ADMINISTRATION P.O. Box 576 Houston, TX 77001-0576

PLEASE NOTE: YOU HAVE BEEN DESIGNATED TO RECEIVE PAYMENTS UNDER THE INSTRUMENT DESCRIBED ABOVE. THE ATTACHED CHECK REPRESENTS PAYMENT THEREUNDER FOR THE PERIOD DESIGNATED WHICH SHOULD BE CREDITED TO THE PARTIES SHOWN IN THE FULL AMOUNTS AS INDICATED. DO NOT DEDUCT ANY HANDLING CHARGE OTHER THAN INDICATED ABOVE. SHOULD A DIFFICULTY ARISE PLEASE COMMUNICATE AT THE ADDRESS SHOWN ON THE REVERSE SIDE AFTER CREDITING THE FULL AMOUNTS AS REQUESTED. THANK YOU. *** DETACH AND RETAIN THIS STUB FOR YOUR RECORDS. ***

SWEPI LP
LEASE ADMINISTRATION
P.O. Box 576
Houston, TX 77001-0576

[redacted]

Check No.: 0000260023
14707636
01/15/2014

PAY TO THE ORDER OF:
COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

**********$600.00

NOT VALID AFTER 180 DAYS

Six Hundred and 00/100 Dollars

CITIBANK, N.A.
ONE PENN'S WAY, NEW CASTLE, DE 19720

AUTHORIZED SIGNATURE

⑈0000260023⑈ [redacted]

PAYMENTS FOR THE
ACCOUNT OF: SWEPI LP

PAYEE: COMMISSIONER OF THE GENERAL LAND
PAYEE NO.: NOT AVAILABLE

LEASE NO.:	CHECK DATE:	CHECK NO.:	CHECK AMOUNT:
TX00342 001	01/15/2014	0000260017	**********$640.10

FOR PAYMENT UNDER OUR PROPERTY NUMBER: TX00342 001
(AS AMENDED AND RATIFIED IF APPLICABLE)
IN COUNTY AND STATE: REEVES, TX
BOOK: 702 PAGE: 695
IN COUNTY AND STATE: REEVES, TX
BOOK: 707 PAGE: 232
ACRES COVERED: 1280.200
TYPE OF PAYMENT: SHUT-IN ROYALTY
PERIOD COVERED - 12 MOS. FROM (MO-DAY-YEAR): 02-17-2014

14707633

LANDS DESCRIBED AS: PUBLIC SCHOOL LAND SURVEY, BLOCK 58
SECTION 31: ALL
SECTION 32: ALL

COMMENTS: SHUT IN PAYMENT (730721)

FOR CREDIT TO:	PAYEE NO. ACCOUNT	AMOUNT
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	COMMIS0300	640.10

12/

MF 105285 D
Dela Minerals, Inc

ADDRESS WRITTEN INQUIRIES TO:
SWEPI LP LEASE ADMINISTRATION P.O. Box 576 Houston, TX 77001-0576

PLEASE NOTE: YOU HAVE BEEN DESIGNATED TO RECEIVE PAYMENTS UNDER THE INSTRUMENT DESCRIBED ABOVE. THE ATTACHED CHECK REPRESENTS PAYMENT THEREUNDER FOR THE PERIOD DESIGNATED WHICH SHOULD BE CREDITED TO THE PARTIES SHOWN IN THE FULL AMOUNTS AS INDICATED. DO NOT DEDUCT ANY HANDLING CHARGE OTHER THAN INDICATED ABOVE. SHOULD A DIFFICULTY ARISE PLEASE COMMUNICATE AT THE ADDRESS SHOWN ON THE REVERSE SIDE AFTER CREDITING THE FULL AMOUNTS AS REQUESTED. THANK YOU. *** DETACH AND RETAIN THIS STUB FOR YOUR RECORDS. ***

SD2100074-0001_of_0001 5408-0000091 (F33D)

SWEPI LP
LEASE ADMINISTRATION
P.O. Box 576
Houston, TX 77001-0576

2100074 01 SD T 5408 20R2 -P00074

COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

SD2100074-0001_of_0001 5408-0000091 (F33D)

PAYMENTS FOR THE
ACCOUNT OF: SWEPI LP

PAYEE: COMMISSIONER OF THE GENERAL LAND
PAYEE NO.: NOT AVAILABLE

LEASE NO.:	CHECK DATE:	CHECK NO.:	CHECK AMOUNT:
TX00342 001	01/15/2014	0000260017	**********$640.10

FOR PAYMENT UNDER OUR PROPERTY NUMBER: TX00342 001
(AS AMENDED AND RATIFIED IF APPLICABLE)
IN COUNTY AND STATE: REEVES, TX
BOOK: 702 PAGE: 695
IN COUNTY AND STATE: REEVES, TX
BOOK: 707 PAGE: 232
ACRES COVERED: 1280.200
TYPE OF PAYMENT: SHUT-IN ROYALTY
PERIOD COVERED - 12 MOS. FROM (MO-DAY-YEAR): 02-17-2014

14707633

LANDS DESCRIBED AS: PUBLIC SCHOOL LAND SURVEY, BLOCK 58
SECTION 31: ALL
SECTION 32: ALL

COMMENTS: SHUT IN PAYMENT (730721)

FOR CREDIT TO:	PAYEE NO. ACCOUNT	AMOUNT
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	COMMIS0300	640.10

12/

ADDRESS WRITTEN INQUIRIES TO:
SWEPI LP LEASE ADMINISTRATION P.O. Box 576 Houston, TX 77001-0576

PLEASE NOTE: YOU HAVE BEEN DESIGNATED TO RECEIVE PAYMENTS UNDER THE INSTRUMENT DESCRIBED ABOVE. THE ATTACHED CHECK REPRESENTS PAYMENT THEREUNDER FOR THE PERIOD DESIGNATED WHICH SHOULD BE CREDITED TO THE PARTIES SHOWN IN THE FULL AMOUNTS AS INDICATED. DO NOT DEDUCT ANY HANDLING CHARGE OTHER THAN INDICATED ABOVE. SHOULD A DIFFICULTY ARISE PLEASE COMMUNICATE AT THE ADDRESS SHOWN ON THE REVERSE SIDE AFTER CREDITING THE FULL AMOUNTS AS REQUESTED. THANK YOU. *** DETACH AND RETAIN THIS STUB FOR YOUR RECORDS ***

SWEPI LP
LEASE ADMINISTRATION
P.O. Box 576
Houston, TX 77001-0576

[redacted]

Check No.: 0000260017

14707633
01/15/2014

PAY TO THE ORDER OF:
COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

**********$640.10

NOT VALID AFTER 180 DAYS

Six Hundred Forty and 10/100 Dollars

CITIBANK, N.A.
ONE PENN'S WAY, NEW CASTLE, DE 19720

AUTHORIZED SIGNATURE

⑈0000260017⑈ [redacted]

PAYMENTS FOR THE
ACCOUNT OF: SWEPI LP

PAYEE: COMMISSIONER OF THE GENERAL LAND
PAYEE NO.: NOT AVAILABLE

LEASE NO.:	CHECK DATE:	CHECK NO.:	CHECK AMOUNT:
TX00342 002	01/15/2014	0000260019	**********$600.00

FOR PAYMENT UNDER OUR PROPERTY NUMBER: TX00342 002
(AS AMENDED AND RATIFIED IF APPLICABLE)
IN COUNTY AND STATE: REEVES, TX
BOOK: 687 PAGE: 684
ACRES COVERED: 1280.200
TYPE OF PAYMENT: SHUT-IN ROYALTY
PERIOD COVERED - 12 MOS. FROM (MO-DAY-YEAR): 02-17-2014

14707634

LANDS DESCRIBED AS: PSL SURVEY, BLOCK 58
SECTION 31: ALL
SECTION 32: ALL

COMMENTS: 1200/YR SHUT IN PAYMENT (730721)

FOR CREDIT TO:	PAYEE NO. ACCOUNT	AMOUNT
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	COMMIS0300	600.00

12

MF105285F
Ann Covington Henderson

ADDRESS WRITTEN INQUIRIES TO:
SWEPI LP LEASE ADMINISTRATION P.O. Box 576 Houston, TX 77001-0576

PLEASE NOTE: YOU HAVE BEEN DESIGNATED TO RECEIVE PAYMENTS UNDER THE INSTRUMENT DESCRIBED ABOVE. THE ATTACHED CHECK REPRESENTS PAYMENT THEREUNDER FOR THE PERIOD DESIGNATED WHICH SHOULD BE CREDITED TO THE PARTIES SHOWN IN THE FULL AMOUNTS AS INDICATED. DO NOT DEDUCT ANY HANDLING CHARGE OTHER THAN INDICATED ABOVE. SHOULD A DIFFICULTY ARISE PLEASE COMMUNICATE AT THE ADDRESS SHOWN ON THE REVERSE SIDE AFTER CREDITING THE FULL AMOUNTS AS REQUESTED. THANK YOU. *** DETACH AND RETAIN THIS STUB FOR YOUR RECORDS ***

SD2100079-0001_of_0001 5408-0000096 (F33D)

SWEPI LP
LEASE ADMINISTRATION
P.O. Box 576
Houston, TX 77001-0576

2100079 01 SD T 5408 20R2 -P00079

COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

SD2100079-0001_of_0001 5408-0000096 (F33D)

PAYMENTS FOR THE
ACCOUNT OF: SWEPI LP

PAYEE: COMMISSIONER OF THE GENERAL LAND
PAYEE NO.: NOT AVAILABLE

LEASE NO.:	CHECK DATE:	CHECK NO.:	CHECK AMOUNT:
TX00342 002	01/15/2014	0000260019	**********$600.00

FOR PAYMENT UNDER OUR PROPERTY NUMBER: TX00342 002
(AS AMENDED AND RATIFIED IF APPLICABLE)
IN COUNTY AND STATE: REEVES, TX
BOOK: 687 PAGE: 684
ACRES COVERED: 1280.200
TYPE OF PAYMENT: SHUT-IN ROYALTY
PERIOD COVERED - 12 MOS. FROM (MO-DAY-YEAR): 02-17-2014

14707634

LANDS DESCRIBED AS: PSL SURVEY, BLOCK 58
SECTION 31: ALL
SECTION 32: ALL

COMMENTS: 1200/YR SHUT IN PAYMENT (730721)

FOR CREDIT TO:	PAYEE NO. ACCOUNT	AMOUNT
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	COMMIS0300	600.00

12

ADDRESS WRITTEN INQUIRIES TO:
SWEPI LP LEASE ADMINISTRATION P.O. Box 576 Houston, TX 77001-0576

PLEASE NOTE: YOU HAVE BEEN DESIGNATED TO RECEIVE PAYMENTS UNDER THE INSTRUMENT DESCRIBED ABOVE. THE ATTACHED CHECK REPRESENTS PAYMENT THEREUNDER FOR THE PERIOD DESIGNATED WHICH SHOULD BE CREDITED TO THE PARTIES SHOWN IN THE FULL AMOUNTS AS INDICATED. DO NOT DEDUCT ANY HANDLING CHARGE OTHER THAN INDICATED ABOVE. SHOULD A DIFFICULTY ARISE PLEASE COMMUNICATE AT THE ADDRESS SHOWN ON THE REVERSE SIDE AFTER CREDITING THE FULL AMOUNTS AS REQUESTED. THANK YOU. *** DETACH AND RETAIN THIS STUB FOR YOUR RECORDS ***

SWEPI LP
LEASE ADMINISTRATION
P.O. Box 576
Houston, TX 77001-0576

[redacted]

Check No.: 0000260019
14707634
01/15/2014

PAY TO THE ORDER OF:
COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

**********$600.00

NOT VALID AFTER 180 DAYS

Six Hundred and 00/100 Dollars

CITIBANK, N.A.
ONE PENN'S WAY, NEW CASTLE, DE 19720

AUTHORIZED SIGNATURE

⑈0000260019⑈ [redacted]

PAYMENTS FOR THE
ACCOUNT OF: SWEPI LP

PAYEE: COMMISSIONER OF THE GENERAL LAND
PAYEE NO.: NOT AVAILABLE

LEASE NO.:	CHECK DATE:	CHECK NO.:	CHECK AMOUNT:
TX00342 003	01/15/2014	0000260020	**********$600.00

FOR PAYMENT UNDER OUR PROPERTY NUMBER: TX00342 003
(AS AMENDED AND RATIFIED IF APPLICABLE)
IN COUNTY AND STATE: REEVES, TX
BOOK: 687 PAGE: 693
ACRES COVERED: 1280.200
TYPE OF PAYMENT: SHUT-IN ROYALTY
PERIOD COVERED - 12 MOS. FROM (MO-DAY-YEAR): 02-17-2014

14707635

LANDS DESCRIBED AS: PUBLIC SCHOOL LAND SURVEY, BLOCK 58
SECTION 31: ALL
SECTION 32: ALL

COMMENTS: 1200/YR SHUT IN PAYMENT (730721)

FOR CREDIT TO:	PAYEE NO. ACCOUNT	AMOUNT
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	COMMIS0300	600.00

MF 105285 G
Jane Covington Drake

ADDRESS WRITTEN INQUIRIES TO:
SWEPI LP LEASE ADMINISTRATION P.O. Box 576 Houston, TX 77001-0576

PLEASE NOTE: YOU HAVE BEEN DESIGNATED TO RECEIVE PAYMENTS UNDER THE INSTRUMENT DESCRIBED ABOVE. THE ATTACHED CHECK REPRESENTS PAYMENT THEREUNDER FOR THE PERIOD DESIGNATED WHICH SHOULD BE CREDITED TO THE PARTIES SHOWN IN THE FULL AMOUNTS AS INDICATED. DO NOT DEDUCT ANY HANDLING CHARGE OTHER THAN INDICATED ABOVE. SHOULD A DIFFICULTY ARISE PLEASE COMMUNICATE AT THE ADDRESS SHOWN ON THE REVERSE SIDE AFTER CREDITING THE FULL AMOUNTS AS REQUESTED. THANK YOU. *** DETACH AND RETAIN THIS STUB FOR YOUR RECORDS. ***

SD2100083-0001_of_0001 5408-0000100 (F33D)

SWEPI LP
LEASE ADMINISTRATION
P.O. Box 576
Houston, TX 77001-0576

2100083 01 SD T 5408 20R2 -P00083

COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

SD2100083-0001_of_0001 5408-000100 (F33D)

PAYMENTS FOR THE
ACCOUNT OF: SWEPI LP

PAYEE: COMMISSIONER OF THE GENERAL LAND
PAYEE NO.: NOT AVAILABLE

LEASE NO.:	CHECK DATE:	CHECK NO.:	CHECK AMOUNT:
TX00342 003	01/15/2014	0000260020	**********$600.00

FOR PAYMENT UNDER OUR PROPERTY NUMBER: TX00342 003
(AS AMENDED AND RATIFIED IF APPLICABLE)
IN COUNTY AND STATE: REEVES, TX
BOOK: 687 PAGE: 693
ACRES COVERED: 1280.200
TYPE OF PAYMENT: SHUT-IN ROYALTY
PERIOD COVERED - 12 MOS. FROM (MO-DAY-YEAR): 02-17-2014

14707635

LANDS DESCRIBED AS: PUBLIC SCHOOL LAND SURVEY, BLOCK 58
SECTION 31: ALL
SECTION 32: ALL

COMMENTS: 1200/YR SHUT IN PAYMENT (730721)

FOR CREDIT TO:	PAYEE NO. ACCOUNT	AMOUNT
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	COMMIS0300	600.00

ADDRESS WRITTEN INQUIRIES TO:
SWEPI LP LEASE ADMINISTRATION P.O. Box 576 Houston, TX 77001-0576

PLEASE NOTE. YOU HAVE BEEN DESIGNATED TO RECEIVE PAYMENTS UNDER THE INSTRUMENT DESCRIBED ABOVE. THE ATTACHED CHECK REPRESENTS PAYMENT THEREUNDER FOR THE PERIOD DESIGNATED WHICH SHOULD BE CREDITED TO THE PARTIES SHOWN IN THE FULL AMOUNTS AS INDICATED. DO NOT DEDUCT ANY HANDLING CHARGE OTHER THAN INDICATED ABOVE. SHOULD A DIFFICULTY ARISE PLEASE COMMUNICATE AT THE ADDRESS SHOWN ON THE REVERSE SIDE AFTER CREDITING THE FULL AMOUNTS AS REQUESTED. THANK YOU. *** DETACH AND RETAIN THIS STUB FOR YOUR RECORDS. ***

SWEPI LP
LEASE ADMINISTRATION
P.O. Box 576
Houston, TX 77001-0576

[redacted]

Check No.: 0000260020
14707635
01/15/2014

PAY TO THE ORDER OF:
COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

**********$600.00

NOT VALID AFTER 180 DAYS

Six Hundred and 00/100 Dollars

CITIBANK, N.A.
ONE PENN'S WAY, NEW CASTLE, DE 19720

AUTHORIZED SIGNATURE

⑈0000260020⑈ [redacted]

PAYMENTS FOR THE
ACCOUNT OF: SWEPI LP

PAYEE: COMMISSIONER OF THE GENERAL LAND
PAYEE NO.: MG105285

LEASE NO.:	CHECK DATE:	CHECK NO.:	CHECK AMOUNT:
TX00345 002	01/15/2014	0000260031	**********$600.00

FOR PAYMENT UNDER OUR PROPERTY NUMBER: TX00345 002
(AS AMENDED AND RATIFIED IF APPLICABLE)
GOVERNMENT OR OTHER LEASE NUMBER: MG105285
IN COUNTY AND STATE: REEVES, TX
BOOK: 724 PAGE: 97
ACRES COVERED: 1895.670
TYPE OF PAYMENT: SHUT-IN ROYALTY
PERIOD COVERED - 12 MOS. FROM (MO-DAY-YEAR): 02-17-2014

14707638

LANDS DESCRIBED AS: PUBLIC SCHOOL LAND SURVEY, BLOCK 58
SECTION 31: ALL
SECTION 32: ALL
SECTION 42: ALL

COMMENTS: 1200/YR SHUT IN PAYMENT (730721)

FOR CREDIT TO:	PAYEE NO. ACCOUNT	AMOUNT
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	COMMIS0300	600.00

MF105285H
DD Wall Trust B

ADDRESS WRITTEN INQUIRIES TO:
SWEPI LP LEASE ADMINISTRATION P.O. Box 576 Houston, TX 77001-0576

PLEASE NOTE: YOU HAVE BEEN DESIGNATED TO RECEIVE PAYMENTS UNDER THE INSTRUMENT DESCRIBED ABOVE. THE ATTACHED CHECK REPRESENTS PAYMENT THEREUNDER FOR THE PERIOD DESIGNATED WHICH SHOULD BE CREDITED TO THE PARTIES SHOWN IN THE FULL AMOUNTS AS INDICATED. DO NOT DEDUCT ANY HANDLING CHARGE OTHER THAN INDICATED ABOVE. SHOULD A DIFFICULTY ARISE PLEASE COMMUNICATE AT THE ADDRESS SHOWN ON THE REVERSE SIDE AFTER CREDITING THE FULL AMOUNTS AS REQUESTED. THANK YOU. *** DETACH AND RETAIN THIS STUB FOR YOUR RECORDS. ***

SD2100086-0001_of_0001 5408-0000103 (F33D)

SWEPI LP
LEASE ADMINISTRATION
P.O. Box 576
Houston, TX 77001-0576

8[illegible] 2100086 01 SD T 5408 20R2 -P00086

COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

SD2100086-0001_of_0001 5408-0000103 (F33D)

PAYMENTS FOR THE
ACCOUNT OF: SWEPI LP

PAYEE: COMMISSIONER OF THE GENERAL LAND
PAYEE NO.: MG105285

LEASE NO.:	CHECK DATE:	CHECK NO.:	CHECK AMOUNT:
TX00345 002	01/15/2014	0000260031	**********$600.00

FOR PAYMENT UNDER OUR PROPERTY NUMBER: TX00345 002
(AS AMENDED AND RATIFIED IF APPLICABLE)
GOVERNMENT OR OTHER LEASE NUMBER: MG105285
IN COUNTY AND STATE: REEVES, TX
BOOK: 724 PAGE: 97
ACRES COVERED: 1895.670
TYPE OF PAYMENT: SHUT-IN ROYALTY
PERIOD COVERED - 12 MOS. FROM (MO-DAY-YEAR): 02-17-2014

14707638

LANDS DESCRIBED AS: PUBLIC SCHOOL LAND SURVEY, BLOCK 58
SECTION 31: ALL
SECTION 32: ALL
SECTION 42: ALL

COMMENTS: 1200/YR SHUT IN PAYMENT (730721)

FOR CREDIT TO:	PAYEE NO. ACCOUNT	AMOUNT
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	COMMIS0300	600.00

ADDRESS WRITTEN INQUIRIES TO:
SWEPI LP LEASE ADMINISTRATION P.O. Box 576 Houston, TX 77001-0576

PLEASE NOTE: YOU HAVE BEEN DESIGNATED TO RECEIVE PAYMENTS UNDER THE INSTRUMENT DESCRIBED ABOVE. THE ATTACHED CHECK REPRESENTS PAYMENT THEREUNDER FOR THE PERIOD DESIGNATED WHICH SHOULD BE CREDITED TO THE PARTIES SHOWN IN THE FULL AMOUNTS AS INDICATED. DO NOT DEDUCT ANY HANDLING CHARGE OTHER THAN INDICATED ABOVE. SHOULD A DIFFICULTY ARISE PLEASE COMMUNICATE AT THE ADDRESS SHOWN ON THE REVERSE SIDE AFTER CREDITING THE FULL AMOUNTS AS REQUESTED. THANK YOU. *** DETACH AND RETAIN THIS STUB FOR YOUR RECORDS ***

SWEPI LP
LEASE ADMINISTRATION
P.O. Box 576
Houston, TX 77001-0576

[redacted]

Check No.: 0000260031

14707638
01/15/2014

PAY TO THE ORDER OF:
COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

**********$600.00

NOT VALID AFTER 180 DAYS

Six Hundred and 00/100 Dollars

CITIBANK, N.A.
ONE PENN'S WAY, NEW CASTLE, DE 19720

AUTHORIZED SIGNATURE

⑈0000260031⑈ [redacted]

PAYMENTS FOR THE
ACCOUNT OF: SWEPI LP

PAYEE: COMMISSIONER OF THE GENERAL LAND
PAYEE NO.: MF105285

LEASE NO.:	CHECK DATE:	CHECK NO.:	CHECK AMOUNT:
TX00345 003	01/15/2014	0000260035	**********$600.00

FOR PAYMENT UNDER OUR PROPERTY NUMBER: TX00345 003
(AS AMENDED AND RATIFIED IF APPLICABLE)
GOVERNMENT OR OTHER LEASE NUMBER: MF105285
IN COUNTY AND STATE: REEVES, TX
BOOK: 724 PAGE: 82
ACRES COVERED: 1895.670
TYPE OF PAYMENT: SHUT-IN ROYALTY
PERIOD COVERED - 12 MOS. FROM (MO-DAY-YEAR): 02-17-2014

14707639

LANDS DESCRIBED AS: PUBLIC SCHOOL LAND SURVEY, BLOCK 58
SECTION 31: ALL
SECTION 32: ALL
SECTION 42: ALL

COMMENTS: 1200/YR SHUT IN PAYMENT (730721)

FOR CREDIT TO:	PAYEE NO. ACCOUNT	AMOUNT
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	COMMIS0300	600.00

+ 12

MF105285 I
Catherine Funk Hall Trust B

ADDRESS WRITTEN INQUIRIES TO:
SWEPI LP LEASE ADMINISTRATION P.O. Box 576 Houston, TX 77001-0576

PLEASE NOTE: YOU HAVE BEEN DESIGNATED TO RECEIVE PAYMENTS UNDER THE INSTRUMENT DESCRIBED ABOVE. THE ATTACHED CHECK REPRESENTS PAYMENT THEREUNDER FOR THE PERIOD DESIGNATED WHICH SHOULD BE CREDITED TO THE PARTIES SHOWN IN THE FULL AMOUNTS AS INDICATED. DO NOT DEDUCT ANY HANDLING CHARGE OTHER THAN INDICATED ABOVE. SHOULD A DIFFICULTY ARISE PLEASE COMMUNICATE AT THE ADDRESS SHOWN ON THE REVERSE SIDE AFTER CREDITING THE FULL AMOUNTS AS REQUESTED. THANK YOU *** DETACH AND RETAIN THIS STUB FOR YOUR RECORDS ***

SD2100087-0001_of_0001 5408-0000104 (F33D)

SWEPI LP
LEASE ADMINISTRATION
P.O. Box 576
Houston, TX 77001-0576

2100087 01 SD T 5408 20R2 -P00087

COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

SD2100087-0001_of_0001 5408-0000104 (F33D)

PAYMENTS FOR THE
ACCOUNT OF: SWEPI LP

PAYEE: COMMISSIONER OF THE GENERAL LAND
PAYEE NO.: MF105285

LEASE NO.:	CHECK DATE:	CHECK NO.:	CHECK AMOUNT:
TX00345 003	01/15/2014	0000260035	**********$600.00

FOR PAYMENT UNDER OUR PROPERTY NUMBER: TX00345 003
(AS AMENDED AND RATIFIED IF APPLICABLE)
GOVERNMENT OR OTHER LEASE NUMBER: MF105285
IN COUNTY AND STATE: REEVES, TX
BOOK: 724 PAGE: 82
ACRES COVERED: 1895.670
TYPE OF PAYMENT: SHUT-IN ROYALTY
PERIOD COVERED - 12 MOS. FROM (MO-DAY-YEAR): 02-17-2014

14707639

LANDS DESCRIBED AS: PUBLIC SCHOOL LAND SURVEY, BLOCK 58
SECTION 31: ALL
SECTION 32: ALL
SECTION 42: ALL

COMMENTS: 1200/YR SHUT IN PAYMENT (730721)

FOR CREDIT TO:	PAYEE NO. ACCOUNT	AMOUNT
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	COMMIS0300	600.00

121

ADDRESS WRITTEN INQUIRIES TO:
SWEPI LP LEASE ADMINISTRATION P.O. Box 576 Houston, TX 77001-0576

PLEASE NOTE: YOU HAVE BEEN DESIGNATED TO RECEIVE PAYMENTS UNDER THE INSTRUMENT DESCRIBED ABOVE. THE ATTACHED CHECK REPRESENTS PAYMENT THEREUNDER FOR THE PERIOD DESIGNATED WHICH SHOULD BE CREDITED TO THE PARTIES SHOWN IN THE FULL AMOUNTS AS INDICATED. DO NOT DEDUCT ANY HANDLING CHARGE OTHER THAN INDICATED ABOVE. SHOULD A DIFFICULTY ARISE PLEASE COMMUNICATE AT THE ADDRESS SHOWN ON THE REVERSE SIDE AFTER CREDITING THE FULL AMOUNTS AS REQUESTED. THANK YOU. *** DETACH AND RETAIN THIS STUB FOR YOUR RECORDS. ***

SWEPI LP
LEASE ADMINISTRATION
P.O. Box 576
Houston, TX 77001-0576

[redacted]

Check No.: 0000260035

14707639
01/15/2014

PAY TO THE ORDER OF:
COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

**********$600.00

NOT VALID AFTER 180 DAYS

Six Hundred and 00/100 Dollars

CITIBANK, N.A.
ONE PENN'S WAY, NEW CASTLE, DE 19720

AUTHORIZED SIGNATURE

⑈0000260035⑈ [redacted]

PAYMENTS FOR THE
ACCOUNT OF: SWEPI LP

PAYEE: COMMISSIONER OF THE GENERAL LAND
PAYEE NO.: MF105285

LEASE NO.:	CHECK DATE:	CHECK NO.:	CHECK AMOUNT:
TX00345 001	01/15/2014	0000260025	**********$600.00

FOR PAYMENT UNDER OUR PROPERTY NUMBER: TX00345 001
(AS AMENDED AND RATIFIED IF APPLICABLE)
GOVERNMENT OR OTHER LEASE NUMBER: MF105285
IN COUNTY AND STATE: REEVES, TX
BOOK: 724 PAGE: 31
ACRES COVERED: 1895.670
TYPE OF PAYMENT: SHUT-IN ROYALTY
PERIOD COVERED - 12 MOS. FROM (MO-DAY-YEAR): 02-17-2014

14707637

LANDS DESCRIBED AS: PUBLIC SCHOOL LAND SURVEY, BLOCK 58
SECTION 31: ALL
SECTION 32: ALL
SECTION 42: ALL

COMMENTS: 1200/YR SHUT IN PAYMENT (730721)

FOR CREDIT TO:	PAYEE NO. ACCOUNT	AMOUNT
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	COMMIS0300	+ 600.00

MF105285 J
Mary B Harriet Unitrust

ADDRESS WRITTEN INQUIRIES TO:
SWEPI LP LEASE ADMINISTRATION P.O. Box 576 Houston, TX 77001-0576

PLEASE NOTE: YOU HAVE BEEN DESIGNATED TO RECEIVE PAYMENTS UNDER THE INSTRUMENT DESCRIBED ABOVE. THE ATTACHED CHECK REPRESENTS PAYMENT THEREUNDER FOR THE PERIOD DESIGNATED WHICH SHOULD BE CREDITED TO THE PARTIES SHOWN IN THE FULL AMOUNTS AS INDICATED. DO NOT DEDUCT ANY HANDLING CHARGE OTHER THAN INDICATED ABOVE. SHOULD A DIFFICULTY ARISE PLEASE COMMUNICATE AT THE ADDRESS SHOWN ON THE REVERSE SIDE AFTER CREDITING THE FULL AMOUNTS AS REQUESTED. THANK YOU. *** DETACH AND RETAIN THIS STUB FOR YOUR RECORDS ***

SD2100084-0001_of_0001 5408-0000101 (F33D)

SWEPI LP
LEASE ADMINISTRATION
P.O. Box 576
Houston, TX 77001-0576

2100084 01 SD T 5408 20R2 -P00084

COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

SD2100084-0001_of_0001 5408-0000101 (F33D)

PAYMENTS FOR THE
ACCOUNT OF: SWEPI LP

PAYEE: COMMISSIONER OF THE GENERAL LAND
PAYEE NO.: MF105285

LEASE NO.:	CHECK DATE:	CHECK NO.:	CHECK AMOUNT:
TX00345 001	01/15/2014	0000260025	**********$600.00

FOR PAYMENT UNDER OUR PROPERTY NUMBER: TX00345 001
(AS AMENDED AND RATIFIED IF APPLICABLE)
GOVERNMENT OR OTHER LEASE NUMBER: MF105285
IN COUNTY AND STATE: REEVES, TX
BOOK: 724 PAGE: 31
ACRES COVERED: 1895.670
TYPE OF PAYMENT: SHUT-IN ROYALTY
PERIOD COVERED - 12 MOS. FROM (MO-DAY-YEAR): 02-17-2014

14707637

LANDS DESCRIBED AS: PUBLIC SCHOOL LAND SURVEY, BLOCK 58
SECTION 31: ALL
SECTION 32: ALL
SECTION 42: ALL

COMMENTS: 1200/YR SHUT IN PAYMENT (730721)

FOR CREDIT TO:	PAYEE NO. ACCOUNT	AMOUNT
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	COMMIS0300	600.00

ADDRESS WRITTEN INQUIRIES TO:
SWEPI LP LEASE ADMINISTRATION P.O. Box 576 Houston, TX 77001-0576

PLEASE NOTE: YOU HAVE BEEN DESIGNATED TO RECEIVE PAYMENTS UNDER THE INSTRUMENT DESCRIBED ABOVE. THE ATTACHED CHECK REPRESENTS PAYMENT THEREUNDER FOR THE PERIOD DESIGNATED WHICH SHOULD BE CREDITED TO THE PARTIES SHOWN IN THE FULL AMOUNTS AS INDICATED. DO NOT DEDUCT ANY HANDLING CHARGE OTHER THAN INDICATED ABOVE. SHOULD A DIFFICULTY ARISE PLEASE COMMUNICATE AT THE ADDRESS SHOWN ON THE REVERSE SIDE AFTER CREDITING THE FULL AMOUNTS AS REQUESTED. THANK YOU *** DETACH AND RETAIN THIS STUB FOR YOUR RECORDS ***

SWEPI LP
LEASE ADMINISTRATION
P.O. Box 576
Houston, TX 77001-0576

[redacted]

Check No.: 0000260025

14707637

01/15/2014

PAY TO THE ORDER OF:
COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

**********$600.00

NOT VALID AFTER 180 DAYS

Six Hundred and 00/100 Dollars

CITIBANK, N.A.
ONE PENN'S WAY, NEW CASTLE, DE 19720

AUTHORIZED SIGNATURE

⑈0000260025⑈ [redacted]

PAYMENTS FOR THE
ACCOUNT OF: SWEPI LP

PAYEE: COMMISSIONER OF THE GENERAL LAND
PAYEE NO.: NOT AVAILABLE

LEASE NO.:	CHECK DATE:	CHECK NO.:	CHECK AMOUNT:
TX00346 002	01/15/2014	0000260049	**********$600.00

FOR PAYMENT UNDER OUR PROPERTY NUMBER: TX00346 002
(AS AMENDED AND RATIFIED IF APPLICABLE)
IN COUNTY AND STATE: REEVES, TX
BOOK: 724 PAGE: 16
ACRES COVERED: 1895.870
TYPE OF PAYMENT: SHUT-IN ROYALTY
PERIOD COVERED - 12 MOS. FROM (MO-DAY-YEAR): 02-17-2014

14707642

LANDS DESCRIBED AS: PUBLIC SCHOOL LAND SURVEY, BLOCK 58
SECTION 31: ALL
SECTION 32: ALL
SECTION 42: ALL

COMMENTS: 1200/YR SHUT IN PAYMENT (730721)

FOR CREDIT TO:	PAYEE NO. ACCOUNT	AMOUNT
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	COMMIS0300	600.00

MF105285K
Mary Y Tippens Testamentary Trust

ADDRESS WRITTEN INQUIRIES TO:
SWEPI LP LEASE ADMINISTRATION P.O. Box 576 Houston, TX 77001-0576

PLEASE NOTE: YOU HAVE BEEN DESIGNATED TO RECEIVE PAYMENTS UNDER THE INSTRUMENT DESCRIBED ABOVE. THE ATTACHED CHECK REPRESENTS PAYMENT THEREUNDER FOR THE PERIOD DESIGNATED WHICH SHOULD BE CREDITED TO THE PARTIES SHOWN IN THE FULL AMOUNTS AS INDICATED. DO NOT DEDUCT ANY HANDLING CHARGE OTHER THAN INDICATED ABOVE. SHOULD A DIFFICULTY ARISE PLEASE COMMUNICATE AT THE ADDRESS SHOWN ON THE REVERSE SIDE AFTER CREDITING THE FULL AMOUNTS AS REQUESTED. THANK YOU. *** DETACH AND RETAIN THIS STUB FOR YOUR RECORDS ***

SD2100100-0001_of_0001 5408-0000117 (F33D)

SWEPI LP
LEASE ADMINISTRATION
P.O. Box 576
Houston, TX 77001-0576

2100100 01 SD T 5408 20R2 -P00100

COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

PAYMENTS FOR THE
ACCOUNT OF: SWEPI LP

PAYEE: COMMISSIONER OF THE GENERAL LAND
PAYEE NO.: NOT AVAILABLE

LEASE NO.:	CHECK DATE:	CHECK NO.:	CHECK AMOUNT:
TX00346 002	01/15/2014	0000260049	**********$600.00

FOR PAYMENT UNDER OUR PROPERTY NUMBER: TX00346 002
(AS AMENDED AND RATIFIED IF APPLICABLE)
IN COUNTY AND STATE: REEVES, TX
BOOK: 724 PAGE: 16
ACRES COVERED: 1895.870
TYPE OF PAYMENT: SHUT-IN ROYALTY
PERIOD COVERED - 12 MOS. FROM (MO-DAY-YEAR): 02-17-2014

14707642

LANDS DESCRIBED AS: PUBLIC SCHOOL LAND SURVEY, BLOCK 58
SECTION 31: ALL
SECTION 32: ALL
SECTION 42: ALL

COMMENTS: 1200/YR SHUT IN PAYMENT (730721)

FOR CREDIT TO:	PAYEE NO. ACCOUNT	AMOUNT
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	COMMIS0300	600.00

ADDRESS WRITTEN INQUIRIES TO:
SWEPI LP LEASE ADMINISTRATION P.O. Box 576 Houston, TX 77001-0576

PLEASE NOTE: YOU HAVE BEEN DESIGNATED TO RECEIVE PAYMENTS UNDER THE INSTRUMENT DESCRIBED ABOVE. THE ATTACHED CHECK REPRESENTS PAYMENT THEREUNDER FOR THE PERIOD DESIGNATED WHICH SHOULD BE CREDITED TO THE PARTIES SHOWN IN THE FULL AMOUNTS AS INDICATED. DO NOT DEDUCT ANY HANDLING CHARGE OTHER THAN INDICATED ABOVE. SHOULD A DIFFICULTY ARISE PLEASE COMMUNICATE AT THE ADDRESS SHOWN ON THE REVERSE SIDE AFTER CREDITING THE FULL AMOUNTS AS REQUESTED. THANK YOU. *** DETACH AND RETAIN THIS STUB FOR YOUR RECORDS. ***

SWEPI LP
LEASE ADMINISTRATION
P.O. Box 576
Houston, TX 77001-0576

[redacted]

Check No.: 0000260049
14707642
01/15/2014

PAY TO THE ORDER OF:
COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

**********$600.00

NOT VALID AFTER 180 DAYS

Six Hundred and 00/100 Dollars

CITIBANK, N.A.
ONE PENN'S WAY, NEW CASTLE, DE 19720

AUTHORIZED SIGNATURE

⑈0000260049⑈ ⑆[redacted]

PAYMENTS FOR THE
ACCOUNT OF: SWEPI LP

PAYEE: COMMISSIONER OF THE GENERAL LAND
PAYEE NO.: NOT AVAILABLE

LEASE NO.:	CHECK DATE:	CHECK NO.:	CHECK AMOUNT:
TX00346 001	01/15/2014	0000260045	**********$600.00

FOR PAYMENT UNDER OUR PROPERTY NUMBER: TX00346 001
(AS AMENDED AND RATIFIED IF APPLICABLE)
IN COUNTY AND STATE: REEVES, TX
BOOK: 724 PAGE: 1
ACRES COVERED: 1895.870
TYPE OF PAYMENT: SHUT-IN ROYALTY
PERIOD COVERED - 12 MOS. FROM (MO-DAY-YEAR): 02-17-2014

14707641

LANDS DESCRIBED AS: PUBLIC SCHOOL LAND SURVEY, BLOCK 58
SECTION 31: ALL
SECTION 32: ALL
SECTION 42: ALL

COMMENTS: 1200/YR SHUT IN PAYMENT (730721)

FOR CREDIT TO:	PAYEE NO. ACCOUNT	AMOUNT
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	COMMIS0300	600.00

+
12

MF105285L
Esther Shuman Testamentary Trust

ADDRESS WRITTEN INQUIRIES TO:
SWEPI LP LEASE ADMINISTRATION P.O. Box 576 Houston, TX 77001-0576

PLEASE NOTE: YOU HAVE BEEN DESIGNATED TO RECEIVE PAYMENTS UNDER THE INSTRUMENT DESCRIBED ABOVE. THE ATTACHED CHECK REPRESENTS PAYMENT THEREUNDER FOR THE PERIOD DESIGNATED WHICH SHOULD BE CREDITED TO THE PARTIES SHOWN IN THE FULL AMOUNTS AS INDICATED. DO NOT DEDUCT ANY HANDLING CHARGE OTHER THAN INDICATED ABOVE. SHOULD A DIFFICULTY ARISE PLEASE COMMUNICATE AT THE ADDRESS SHOWN ON THE REVERSE SIDE AFTER CREDITING THE FULL AMOUNTS AS REQUESTED. THANK YOU *** DETACH AND RETAIN THIS STUB FOR YOUR RECORDS ***

SD2100094-0001_of_0001 5408-0000111 (F33D)

SWEPI LP
LEASE ADMINISTRATION
P.O. Box 576
Houston, TX 77001-0576

100094 01 SD T 5408 20R2 -P00094

COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

SD2100094-0001_of_0001 5408-0000111 (F33D)

PAYMENTS FOR THE
ACCOUNT OF: SWEPI LP

PAYEE: COMMISSIONER OF THE GENERAL LAND
PAYEE NO.: NOT AVAILABLE

LEASE NO.:	CHECK DATE:	CHECK NO.:	CHECK AMOUNT:
TX00346 001	01/15/2014	0000260045	**********$600.00

FOR PAYMENT UNDER OUR PROPERTY NUMBER: TX00346 001
(AS AMENDED AND RATIFIED IF APPLICABLE)
IN COUNTY AND STATE: REEVES, TX
BOOK: 724 PAGE: 1
ACRES COVERED: 1895.870
TYPE OF PAYMENT: SHUT-IN ROYALTY
PERIOD COVERED - 12 MOS. FROM (MO-DAY-YEAR): 02-17-2014

14707641

LANDS DESCRIBED AS: PUBLIC SCHOOL LAND SURVEY, BLOCK 58
SECTION 31: ALL
SECTION 32: ALL
SECTION 42: ALL

COMMENTS: 1200/YR SHUT IN PAYMENT (730721)

FOR CREDIT TO:	PAYEE NO. ACCOUNT	AMOUNT
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	COMMIS0300	600.00

12

ADDRESS WRITTEN INQUIRIES TO:
SWEPI LP LEASE ADMINISTRATION P.O. Box 576 Houston, TX 77001-0576

PLEASE NOTE: YOU HAVE BEEN DESIGNATED TO RECEIVE PAYMENTS UNDER THE INSTRUMENT DESCRIBED ABOVE. THE ATTACHED CHECK REPRESENTS PAYMENT THEREUNDER FOR THE PERIOD DESIGNATED WHICH SHOULD BE CREDITED TO THE PARTIES SHOWN IN THE FULL AMOUNTS AS INDICATED. DO NOT DEDUCT ANY HANDLING CHARGE OTHER THAN INDICATED ABOVE. SHOULD A DIFFICULTY ARISE PLEASE COMMUNICATE AT THE ADDRESS SHOWN ON THE REVERSE SIDE AFTER CREDITING THE FULL AMOUNTS AS REQUESTED. THANK YOU *** DETACH AND RETAIN THIS STUB FOR YOUR RECORDS. ***

SWEPI LP
LEASE ADMINISTRATION
P.O. Box 576
Houston, TX 77001-0576

[redacted]

Check No.: 0000260045

14707641
01/15/2014

PAY TO THE ORDER OF:
COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

**********$600.00

NOT VALID AFTER 180 DAYS

Six Hundred and 00/100 Dollars

CITIBANK, N.A.
ONE PENN'S WAY, NEW CASTLE, DE 19720

AUTHORIZED SIGNATURE

⑈0000260045⑈ ⑆[redacted]

PAYMENTS FOR THE
ACCOUNT OF: SWEPI LP

PAYEE: COMMISSIONER OF THE GENERAL LAND
PAYEE NO.: MF 105285

LEASE NO.:	CHECK DATE:	CHECK NO.:	CHECK AMOUNT:
TX00348 001	01/15/2014	0000260063	**********$600.00

FOR PAYMENT UNDER OUR PROPERTY NUMBER: TX00348 001
(AS AMENDED AND RATIFIED IF APPLICABLE)
GOVERNMENT OR OTHER LEASE NUMBER: MF 105285
IN COUNTY AND STATE: REEVES, TX
BOOK: 721 PAGE: 249
ACRES COVERED: 1895.870
TYPE OF PAYMENT: SHUT-IN ROYALTY
PERIOD COVERED - 12 MOS. FROM (MO-DAY-YEAR): 02-17-2014

LANDS DESCRIBED AS: INSOFAR AND ONLY INSOFAR AS
PUBLIC SCHOOL LAND SURVEY, BLOCK 58
SECTION 31: ALL, FROM SURFACE TO 16,508'
SECTION 32: ALL, FROM SURFACE TO 12,810'
SECTION 42: ALL, FROM SURFACE TO 16,400'

COMMENTS: 1200/YR SHUT IN PAYMENT (730721)

14707644

FOR CREDIT TO:	PAYEE NO. ACCOUNT	AMOUNT
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	COMMIS0300	+ 600.00

121

MF105285M
Texas Scottish Rite Hospital

ADDRESS WRITTEN INQUIRIES TO:
SWEPI LP LEASE ADMINISTRATION P.O. Box 576 Houston, TX 77001-0576

PLEASE NOTE: YOU HAVE BEEN DESIGNATED TO RECEIVE PAYMENTS UNDER THE INSTRUMENT DESCRIBED ABOVE. THE ATTACHED CHECK REPRESENTS PAYMENT THEREUNDER FOR THE PERIOD DESIGNATED WHICH SHOULD BE CREDITED TO THE PARTIES SHOWN IN THE FULL AMOUNTS AS INDICATED. DO NOT DEDUCT ANY HANDLING CHARGE OTHER THAN INDICATED ABOVE. SHOULD A DIFFICULTY ARISE PLEASE COMMUNICATE AT THE ADDRESS SHOWN ON THE REVERSE SIDE AFTER CREDITING THE FULL AMOUNTS AS REQUESTED. THANK YOU. *** DETACH AND RETAIN THIS STUB FOR YOUR RECORDS ***

SD2100099-0001_of_0001 5408-0000116 (F33D)

SWEPI LP
LEASE ADMINISTRATION
P O Box 576
Houston, TX 77001-0576

2100099 01 SD T 5408 20R2 -P00099

COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

SD2100099-0001_of_0001 5408-0000116 (F33D)

PAYMENTS FOR THE
ACCOUNT OF: SWEPI LP

PAYEE: COMMISSIONER OF THE GENERAL LAND
PAYEE NO.: MF 105285

LEASE NO.:	CHECK DATE:	CHECK NO.:	CHECK AMOUNT:
TX00348 001	01/15/2014	0000260063	**********$600.00

FOR PAYMENT UNDER OUR PROPERTY NUMBER: TX00348 001
(AS AMENDED AND RATIFIED IF APPLICABLE)
GOVERNMENT OR OTHER LEASE NUMBER: MF 105285
IN COUNTY AND STATE: REEVES, TX
BOOK: 721 PAGE: 249
ACRES COVERED: 1895.870
TYPE OF PAYMENT: SHUT-IN ROYALTY
PERIOD COVERED - 12 MOS. FROM (MO-DAY-YEAR): 02-17-2014

14707644

LANDS DESCRIBED AS: INSOFAR AND ONLY INSOFAR AS
PUBLIC SCHOOL LAND SURVEY, BLOCK 58
SECTION 31: ALL, FROM SURFACE TO 16,508'
SECTION 32: ALL, FROM SURFACE TO 12,810'
SECTION 42: ALL, FROM SURFACE TO 16,400'

COMMENTS: 1200/YR SHUT IN PAYMENT (730721)

FOR CREDIT TO:	PAYEE NO. ACCOUNT	AMOUNT
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS 1700 CONGRESS AVE STE 600 STEPHEN F AUSTIN BUILDING AUSTIN TX 78701-1436	COMMIS0300	600.00

ADDRESS WRITTEN INQUIRIES TO:
SWEPI LP LEASE ADMINISTRATION P.O. Box 576 Houston, TX 77001-0576

PLEASE NOTE: YOU HAVE BEEN DESIGNATED TO RECEIVE PAYMENTS UNDER THE INSTRUMENT DESCRIBED ABOVE. THE ATTACHED CHECK REPRESENTS PAYMENT THEREUNDER FOR THE PERIOD DESIGNATED WHICH SHOULD BE CREDITED TO THE PARTIES SHOWN IN THE FULL AMOUNTS AS INDICATED. DO NOT DEDUCT ANY HANDLING CHARGE OTHER THAN INDICATED ABOVE. SHOULD A DIFFICULTY ARISE PLEASE COMMUNICATE AT THE ADDRESS SHOWN ON THE REVERSE SIDE AFTER CREDITING THE FULL AMOUNTS AS REQUESTED. THANK YOU. *** DETACH AND RETAIN THIS STUB FOR YOUR RECORDS ***

SWEPI LP
LEASE ADMINISTRATION
P.O. Box 576
Houston, TX 77001-0576

[redacted]

Check No.: 0000260063
14707644

01/15/2014

PAY TO THE ORDER OF:
COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
1700 CONGRESS AVE STE 600
STEPHEN F AUSTIN BUILDING
AUSTIN TX 78701-1436

**********$600.00

NOT VALID AFTER 180 DAYS

Six Hundred and 00/100 Dollars

CITIBANK, N.A.
ONE PENN'S WAY, NEW CASTLE, DE 19720

AUTHORIZED SIGNATURE

⑈0000260063⑈ [redacted]

File No. MF105285 (40)

SWEPI Shut-in Payments

Date Filed: 02/18/14

Jerry E. Patterson, Commissioner

By

121

14713338 6519

SHELL EXPLORATION & PRODUCTION COMPANY
LAND & CONTRACTS

[redacted]

DATE June 5, 2014

PAY TO THE ORDER OF Commissioner of the General Land Office of the State of Texas $ 600.00 ***

Six Hundred and 00/100 ********** DOLLARS

citibank
CITIBANK, N.A. BR. #99920
1 PENNS WAY, OPS 2/2ND FLOOR
NEW CASTLE, DE 19720

TX00342.005

FOR BLK58 State 32 1 Well Shut-In Royalty

⑈00006519⑈ ⑆[redacted]

R. Scott Fields

121

14713326 7700

SHELL EXPLORATION & PRODUCTION COMPANY
LAND & CONTRACTS

[redacted]

DATE JUNE 5, 2014

PAY TO THE ORDER OF COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS $ 600.00

SIX HUNDRED DOLLARS AND .00/1.00 DOLLARS

citibank
CITIBANK, N.A. SH #99970
1 PENNS WAY OPS 2/2ND FLOOR
NEW CASTLE, DE 19720

FOR BLOCK 58 STATE 32 1 WELL

⑈0000 7700⑈ ⑆[redacted]

121

14713327 6507

SHELL EXPLORATION & PRODUCTION COMPANY
LAND & CONTRACTS

[redacted]

DATE JUNE 5, 2014

PAY TO THE ORDER OF COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS $ 600.00

SIX HUNDRED DOLLARS AND .00/1.00 DOLLARS

citibank
CITIBANK, N.A. BR. #99920
1 PENNS WAY OPS 2/2ND FLOOR
NEW CASTLE, DE 19720

FOR SHUT IN ROYALTY BLOCK 58 STATE 32 1 WELL

K. Nitta Smith

⑈000065O 7⑈ [redacted]

121

14713328 6524

SHELL EXPLORATION & PRODUCTION COMPANY
LAND & CONTRACTS

[redacted]

DATE JUNE 5, 2014

PAY TO THE ORDER OF COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS $ 640.10

SIX HUNDRED FORTY DOLLARS AND .10/1.00 DOLLARS

citibank
CITIBANK, N.A. BR. #99920
1 PENNS WAY, OPS 2/2ND FLOOR
NEW CASTLE, DE 19720

FOR SHUT IN ROYALTY BLOCK 58 STATE 32 1 WELL

⑈00006524⑈ [redacted]

121

14713329 6523

SHELL EXPLORATION & PRODUCTION COMPANY
LAND & CONTRACTS

[redacted]

DATE JUNE 5, 2014

PAY TO THE ORDER OF COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS $ 600.00

SIX HUNDRED DOLLARS AND .00/1.00 DOLLARS

citibank
CITIBANK, N.A. BR. #99920
1 PENNS WAY OPS 2/2ND FLOOR
NEW CASTLE, DE 19720

FOR SHUT IN ROYALTY BLOCK 58 STATE 32 1 WELL

R. Scott Fuller

⑈00006523⑈ [redacted]

121

14713330 6501

SHELL EXPLORATION & PRODUCTION COMPANY
LAND & CONTRACTS

[redacted]

DATE JUNE 5, 2014

PAY TO THE ORDER OF COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS $ 600.00

SIX HUNDRED DOLLARS AND .00/1.00 DOLLARS

citibank
CITIBANK, N.A. BR. #99920
1 PENNS WAY, OPS 2/2ND FLOOR
NEW CASTLE, DE 19720

FOR SHUT IN ROYALTY BLOCK 58 STATE 32 1 WELL

K. Matt Hulse

⑈00006501⑈ [redacted]

121

14713331 7349

SHELL EXPLORATION & PRODUCTION COMPANY
LAND & CONTRACTS

[redacted]

DATE June 5, 2014

PAY TO THE ORDER OF COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS $ 600.00

Six hundred and no/100---------- DOLLARS

citibank
CITIBANK, N.A. BR. #99920
1 PENNS WAY OPS 2/2ND FLOOR
NEW CASTLE, DE 19720

TX00345.001
FOR Shut-in Royalty - Blk 58 State 32 1 Well

⑈0000734 9⑈ [redacted]

R. Scott Fields

121

14713332 7347

SHELL EXPLORATION & PRODUCTION COMPANY
LAND & CONTRACTS

[redacted]

DATE June 5, 2014

PAY TO THE ORDER OF COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS $ 600.00

Six hundred and no/100---------- DOLLARS

citibank
CITIBANK, N.A. BR. #99920
1 PENNS WAY OPS 2/2ND FLOOR
NEW CASTLE, DE 19720

TX00345.002

FOR Shut in Royalty-Blk 58, State 32 1 Well

⑈0000734?⑈ ⑆[redacted]⑆

R. Scott Fields

121

14713333 6499

SHELL EXPLORATION & PRODUCTION COMPANY
LAND & CONTRACTS

[redacted]

DATE June 5, 2014

PAY TO THE ORDER OF COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS $ 600.00

Six hundred and no/100---------- DOLLARS

citibank
CITIBANK, N.A. BR. #99920
1 PENNS WAY, OPS 2/2ND FLOOR
NEW CASTLE, DE 19720

TX00348.001

FOR Shut in Royalty-Blk 58, State 32 1 Well

"0000649" [redacted]

R. Scott Fields

121

14713334 6498

SHELL EXPLORATION & PRODUCTION COMPANY
LAND & CONTRACTS

[redacted]

DATE June 5, 2014

PAY TO THE ORDER OF COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS $ 600.00

Six hundred and no/100---------- DOLLARS

citibank
CITIBANK, N.A. BR. #99920
1 PENNS WAY, OPS 2/2ND FLOOR
NEW CASTLE, DE 19720

TX00346.001

FOR Shut in Royalty-Blk 58 State 32 1 Well

"0000649 8" [redacted]

R. Scott Fields

121

14713335 6503

SHELL EXPLORATION & PRODUCTION COMPANY
LAND & CONTRACTS

[redacted]

DATE June 5, 2014

PAY TO THE ORDER OF Commissioner of the General Land Office of the State of Texas $ 600.00 ****

Six Hundred and 00/100 ********** DOLLARS

citibank
CITIBANK, N.A. BR. #99920
1 PENNS WAY, OPS 2/2ND FLOOR
NEW CASTLE, DE 19720

TX00346.002

FOR Shut-In Royalty Blk58 State 32 1 Wcll

⑈00006503⑈ [redacted]

R. Scott Fields

121

14713336 6512

SHELL EXPLORATION & PRODUCTION COMPANY
LAND & CONTRACTS

[redacted]

DATE June 5, 2014

PAY TO THE ORDER OF Commissioner of the General Land Office of the State of Texas $ 600.00 ****

Six Hundred and 00/100 ********** DOLLARS

citibank
CITIBANK, N.A. BR. #99920
1 PENNS WAY, OPS 2/2ND FLOOR
NEW CASTLE, DE 19720

FOR TX00345.004 Shut-In Royalty
Block 58 State 32 1 Well

⑈000065 1 2⑈ ⑆[redacted]

R. Scott Fields

121

14713337 6514

SHELL EXPLORATION & PRODUCTION COMPANY
LAND & CONTRACTS

[redacted]

DATE June 5, 2014

PAY TO THE ORDER OF Commissioner of the General Land Office of the State of Texas $ 600.00 ***

Six Hundred and 00/100 ********** DOLLARS

citibank
CITIBANK, N.A. BR. #99920
1 PENNS WAY, OPS 2/2ND FLOOR
NEW CASTLE, DE 19720

FOR TX00342.004
Shut-In Royalty Blk 58 State 32 1 Well

R. Scott Fields

⑈0000651 4⑈ [redacted]

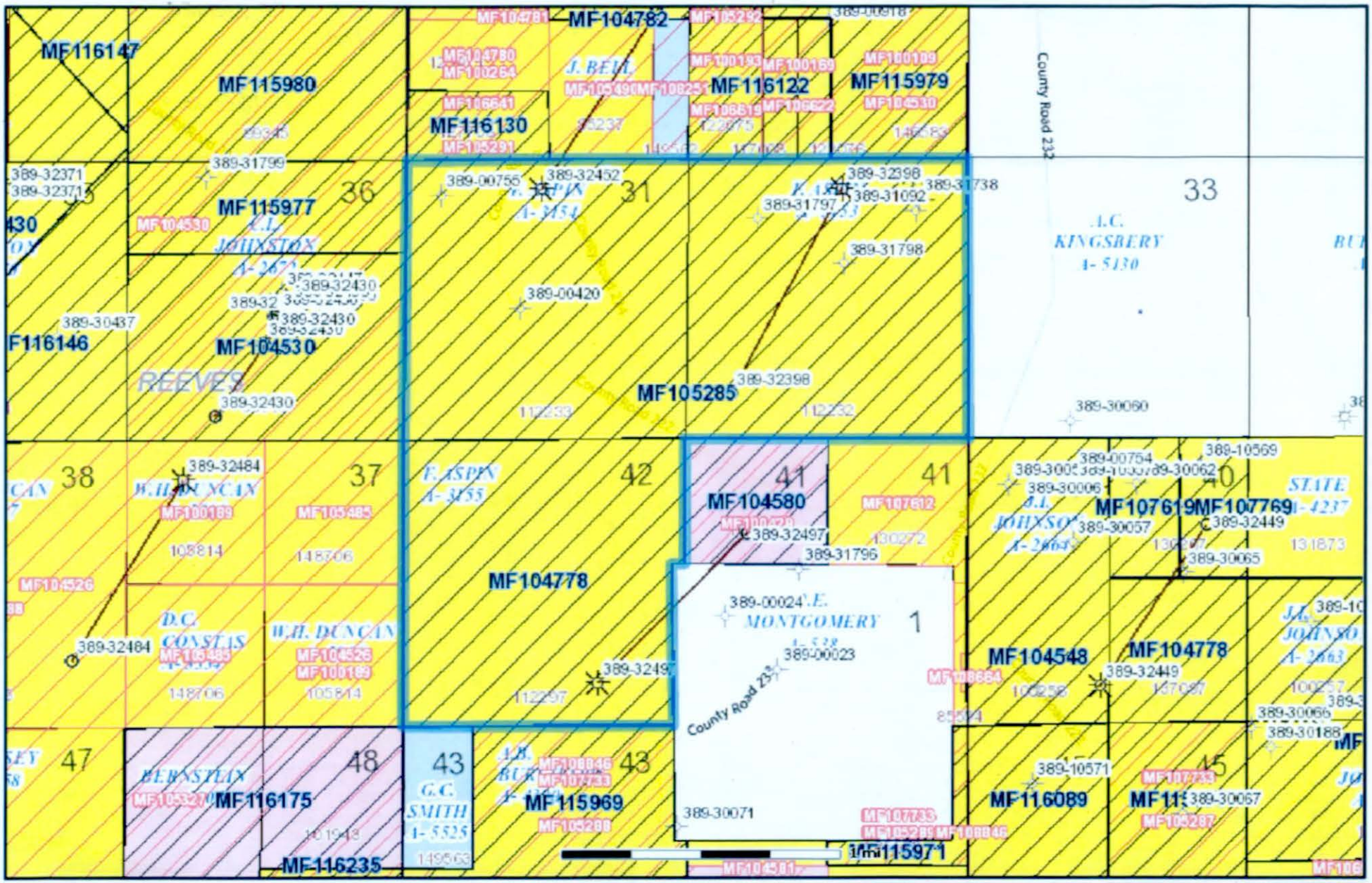
File No. MF105285 (41)

Shell Shut-in Payments

Date Filed: 02/18/2014

Jerry E. Patterson, Commissioner

By



MF105285

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

Printed: May 05, 2014

File No. ME 105285 (42)

Plat

Date Filed: 09/30/2014

Jerry E. Patterson, Commissioner

By _____

Operator/Wellbore/PDQ Results

Print

OPERATOR/WELLBORE
API: 389-32398

WELLBORE STATUS	OPEN
LAST PERMIT ISSUED	611800
LAST PERMIT OPERATOR NUMBER	660043
LAST PERMIT OPERATOR	PETRO-HUNT, L.L.C.
LAST PERMIT LEASE NAME	BLOCK 58 STATE 32
TOTAL DEPTH	12810
SURFACE LOCATION	Land
ABSTRACT	3153
SURVEY	PSL/ASPIN, F
BLOCK	58
SECTION	32
DISTANCE 1	450
DIRECTION 1	N
DISTANCE 2	2289
DIRECTION 2	E

Oil/Gas Imaged Records for API: 389-32398

COMPLETION INFORMATION

High Cost Tight Sands

PRORATION SCHEDULE	GAS
DISTRICT	08
LEASE/ID	224464
OPERATOR NUMBER	774719
OPERATOR	SHELL WESTERN E&P
LEASE NAME	BLOCK 58 STATE 32
FIELD	TOYAH, NW (SHALE)
WELL NUMBER	1
TYPE WELL	PRODUCING
ON SCHEDULE	YES

Production Data Query(PDQ) Oil/Gas Imaged Records for Lease/ID: 224464

PLUGGING INFORMATION

DATE PLUGGED	
PLUG DEPTH	
PLUGGING OPERATOR	
PLUGGED LEASE	

08:23:13 Mon Sep 15, 2014

42.389-32398

DISTRICT > 08 GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700
OPERATOR > SHELL WESTERN E&P # 774719
LEASE > BLOCK 58 STATE 32 # 224464 WELL # 1

MM/YYYY	ALLOW	GAS PROD	GAS LIFT	* DISPOSITIONS * AMT	CODE	* DISPOSITIONS * AMT	CODE	CUMU STAT	G/C RATIO (MCF/BBL)
08/2013	372 N	0	0						0
09/2013	10 N	10	0	10	3				0
10/2013	10 N	10	0	10	2				0
11/2013	0 N	0	0						0
12/2013	0 N	0	0						0
01/2014	43 N	43	0	43	3				0
02/2014	35 N	35	0	35	3				0
03/2014	415 N	415	0	415	3				0
04/2014	120 N	120	0	120	3				0
05/2014	31 N	0	0						0
06/2014	360 N	15	0	15	3				0
07/2014	124 N	10	0	10	3				0

GO TO DIST > GAS RRC ID # >
PF1=HELP PF2=COND PF3=MENU PF4=PROD RMKS PF6=PROD PF7=SCHEDULE PF8=P4 PF9=LDGR
PF10=G10 PF11=STATUS PF12=G-1 _ PF17=P-17 PMT _ PF18=T-1 _ PF19=HIST LDG
** PRESS ENTER TO SCROLL **

08:23:04 Mon Sep 15, 2014

DISTRICT > 08 GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700
OPERATOR > SHELL WESTERN E&P # 774719
LEASE > BLOCK 58 STATE 32 # 224464 WELL # 1

MM/YYYY	ALLOW	GAS PROD	GAS LIFT	* DISPOSITIONS * AMT	CODE	* * AMT	CODE	CUMU STAT	G/C RATIO (MCF/BBL)
08/2012	4435 X	4435	0	4435	2				0
09/2012	3705 X	3705	0	3705	2				0
10/2012	2944 X	2944	0	2944	2				0
11/2012	4290 X	0	0						0
12/2012	4433 X	0	0						0
01/2013	4433 X	0	0						0
02/2013	3472 X	0	0						0
03/2013	2945 X	0	0						0
04/2013	0 X	0	0						0
05/2013	357 X	357	0	357	2				0
06/2013	0 X	0	0						0
07/2013	10 X	10	0	10	2				0

GO TO DIST > GAS RRC ID # >
PF1=HELP PF2=COND PF3=MENU PF4=PROD RMKS PF6=PROD PF7=SCHEDULE PF8=P4 PF9=LDGR
PF10=G10 PF11=STATUS PF12=G-1 _ PF17=P-17 PMT _ PF18=T-1 _ PF19=HIST LDG
** PRESS ENTER TO SCROLL **

08:21:32 Mon Sep 15, 2014

DISTRICT > 08 HISTORICAL GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700 FLD TYPE CAPACITY
OPERATOR > CHESAPEAKE OPERATING, INC. # 147715
LEASE > BLOCK 58 STATE 32 # 224464 WELL # 1

MM/YYYY	ALLOW		GAS PROD	INJECT(I) LIFT(L)	* * DISPOSITIONS * * AMT	CODE	AMT	CODE	MONTHLY STAT(CD)	CUMU STATUS
01/2012	2976	X	0	0					-2976	0
02/2012	4089	X	4020	0	4020	2			-69	0
03/2012	4371	X	471	0	471	2			-3900	0
04/2012	4230	X	0	0					-4230	0
05/2012	4309	X	0	0					-4309	0
06/2012	4170	X	0	0					-4170	0
07/2012	4309	X	2377	0	2377	2			-1932	0

GO TO DIST > GAS RRC ID # > YEAR >
PF1=HELP PF2=COND PF3=MENU PF4=PREV PF5=NEXT PF6=LDGR PF7=CORRECTED P2
PF8=P4 PF9=DISPOSITIONS

08:21:21 Mon Sep 15, 2014

DISTRICT > 08 HISTORICAL GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700 FLD TYPE CAPACITY
OPERATOR > CHESAPEAKE OPERATING, INC. # 147715
LEASE > BLOCK 58 STATE 32 # 224464 WELL # 1

MM/YYYY	ALLOW		GAS PROD	INJECT(I) LIFT(L)	* * DISPOSITIONS * * AMT	CODE	AMT	CODE	MONTHLY STAT(CD)	CUMU STATUS
01/2011	4433	X	1659	0	1659	2			-2774	0
02/2011	4004	X	0	0					-4004	0
03/2011	1798	X	0	0					-1798	0
04/2011	1620	X	0	0					-1620	0
05/2011	1674	X	0	0					-1674	0
06/2011	1990	X	1990	0	1990	2			0	0
07/2011	2039	X	2039	0	2039	2			0	0
08/2011	2813	X	2813	0	2813	2			0	0
09/2011	1980	X	0	0					-1980	0
10/2011	2964	X	2964	0	2964	2			0	0
11/2011	4225	X	4225	0	4225	2			0	0
12/2011	2821	X	0	0					-2821	0

GO TO DIST > GAS RRC ID # > YEAR >
PF1=HELP PF2=COND PF3=MENU PF4=PREV PF5=NEXT PF6=LDGR PF7=CORRECTED P2
PF8=P4 PF9=DISPOSITIONS

08:21:13 Mon Sep 15, 2014

DISTRICT > 08 HISTORICAL GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700 FLD TYPE CAPACITY
OPERATOR > CHESAPEAKE OPERATING, INC. # 147715
LEASE > BLOCK 58 STATE 32 # 224464 WELL # 1

MM/YYYY	ALLOW		GAS PROD	INJECT(I) LIFT(L)	* * DISPOSITIONS * * AMT	CODE	AMT	CODE	MONTHLY STAT(CD)	CUMU STATUS
01/2010	1658	X	1658	0	1658	2			0	0
02/2010	4548	X	4548	0	4548	2			0	0
03/2010	4433	X	3602	0	3602	2			-831	0
04/2010	4290	X	1067	0	1067	2			-3223	0
05/2010	5022	X	0	0					-5022	0
06/2010	4860	X	0	0					-4860	0
07/2010	5022	X	1789	0	1789	2			-3233	0
08/2010	3689	X	3689	0	3689	2			0	0
09/2010	4293	X	4293	0	4293	2			0	0
10/2010	1798	X	1786	0	1786	2			-12	0
11/2010	3570	X	556	0	556	2			-3014	0
12/2010	4433	X	0	0					-4433	0

GO TO DIST > GAS RRC ID # > YEAR >
PF1=HELP PF2=COND PF3=MENU PF4=PREV PF5=NEXT PF6=LDGR PF7=CORRECTED P2
PF8=P4 PF9=DISPOSITIONS

08:21:00 Mon Sep 15, 2014

DISTRICT > 08 HISTORICAL GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700 FLD TYPE CAPACITY
OPERATOR > CHESAPEAKE OPERATING, INC. # 147715
LEASE > BLOCK 58 STATE 32 # 224464 WELL # 1

MM/YYYY	ALLOW		GAS PROD	INJECT(I) LIFT(L)	* * DISPOSITIONS * * AMT	CODE	AMT	CODE	MONTHLY STAT(CD)	CUMU STATUS
01/2009	13991	X	10706	0	719	1	9987	2	-3285	0
02/2009	10758	X	7594	0	631	1	6963	2	-3164	0
03/2009	6698	X	6317	0	555	1	5762	2	-381	0
04/2009	2922	X	2869	0	242	1	2627	2	-53	0
05/2009	2417	X	2280	0	199	1	2081	2	-137	0
06/2009	2944	X	2751	0	255	1	2496	2	-193	0
07/2009	3645	X	3413	0	306	1	3107	2	-232	0
08/2009	0	W	2518	0	218	1	2300	2	2518	2518
09/2009	0	W	1437	0	109	1	1328	2	1437	3955
10/2009	0	W	300	0	27	1	273	2	300	4255
11/2009	INC G-10		2223	0	169	1	2054	2	2223	6478
12/2009	10923	X	4445	0	504	1	3941	2	-6478	0

GO TO DIST > GAS RRC ID # > YEAR >
PF1=HELP PF2=COND PF3=MENU PF4=PREV PF5=NEXT PF6=LDGR PF7=CORRECTED P2
PF8=P4 PF9=DISPOSITIONS

08:20:19 Mon Sep 15, 2014

DISTRICT > 08 HISTORICAL GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700 FLD TYPE CAPACITY
OPERATOR > CHESAPEAKE OPERATING, INC. # 147715
LEASE > BLOCK 58 STATE 32 # 224464 WELL # 1

MM/YYYY	ALLOW		GAS PROD	INJECT(I) LIFT(L)	* * DISPOSITIONS * * AMT	CODE	AMT	CODE	MONTHLY STAT(CD)	CUMU STATUS
01/2008	25792	X	14102	0	1556	1	12546	#	-11690	0
02/2008	13536	X	13536	0	1560	1	11976	#	0	0
03/2008	14198	X	7014	0	689	1	6325	#	-7184	0
04/2008	13740	X	0	0					-13740	0
05/2008	14477	X	2410	0	2410	2			-12067	0
06/2008	14010	X	0	0					-14010	0
07/2008	14477	X	2932	0	2932	2			-11545	0
08/2008	T. A.		4538	0	4538	2			4538	4538
09/2008	T. A.		3444	0	3444	2			3444	7982
10/2008	12592	X	4610	0	4610	2			-7982	0
11/2008	130	X	130	0	130	2			0	0
12/2008	3689	X	1543	0	79	1	1464	2	-2146	0

GO TO DIST > GAS RRC ID # > YEAR >
PF1=HELP PF2=COND PF3=MENU PF4=PREV PF5=NEXT PF6=LDGR PF7=CORRECTED P2
PF8=P4 PF9=DISPOSITIONS

08:20:10 Mon Sep 15, 2014

DISTRICT > 08 HISTORICAL GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700 FLD TYPE CAPACITY
OPERATOR > PETRO-HUNT, L.L.C. # 660043
LEASE > BLOCK 58 STATE 32 # 224464 WELL # 1

MM/YYYY	ALLOW		GAS PROD	INJECT(I) LIFT(L)	* * DISPOSITIONS * * AMT	CODE	AMT	CODE	MONTHLY STAT(CD)	CUMU STATUS
01/2007	39265	X	18306	0	1785	1	16521	#	-20959	0
02/2007	27888	X	17893	0	1475	1	16418	2	-9995	0
03/2007	30876	X	20230	0	1279	1	18951	2	-10646	0
04/2007	29880	X	15182	0	1301	1	13881	2	-14698	0
05/2007	30876	X	6077	0	740	1	5337	#	-24799	0
06/2007	60861	X	60861	0	60857	2	4	9	0	0
07/2007	35384	X	35384	0	1695	1	33689	2	0	0
08/2007	25798	X	25798	0	1326	1	24472	#	0	0
09/2007	61350	X	13195	0	1425	1	11770	#	-48155	0
10/2007	63395	X	11912	0	1574	1	10338	#	-51483	0
11/2007	61350	X	10937	0	1047	1	9890	2	-50413	0
12/2007	35371	X	14204	0	1375	1	12829	#	-21167	0

GO TO DIST > GAS RRC ID # > YEAR >
PF1=HELP PF2=COND PF3=MENU PF4=PREV PF5=NEXT PF6=LDGR PF7=CORRECTED P2
PF8=P4 PF9=DISPOSITIONS

08:19:55 Mon Sep 15, 2014

DISTRICT > 08 HISTORICAL GAS LEDGER INQUIRY
FIELD > **TOYAH, NW (SHALE)** # 90890 700 FLD TYPE **CAPACITY**
OPERATOR > **PETRO-HUNT, L.L.C.** # 660043
LEASE > **BLOCK 58 STATE 32** # 224464 WELL # 1

MM/YYYY	ALLOW	GAS PROD	INJECT(I) LIFT(L)	* * DISPOSITIONS * * AMT	CODE	AMT	CODE	MONTHLY STAT(CD)	CUMU STATUS
01/2006									
02/2006									
03/2006									
04/2006									
05/2006									
06/2006									
07/2006									
08/2006									
09/2006									
10/2006									
11/2006									
12/2006	0	20959	0	1656	1	19303	#	20959	20959

GO TO DIST > GAS RRC ID # > YEAR >
PF1=HELP PF2=COND PF3=MENU PF4=PREV PF5=NEXT PF6=LDGR PF7=CORRECTED P2
PF8=P4 PF9=DISPOSITIONS

File No. MF105285 (43)

Production Reports #2-389-32398

Date Filed: 09/30/2014

Jerry E. Patterson, Commissioner

By LOP

Operator/Wellbore/PDQ Results

Print

OPERATOR/WELLBORE
API: 389-32452

WELLBORE STATUS	OPEN
LAST PERMIT ISSUED	632273
LAST PERMIT OPERATOR NUMBER	660043
LAST PERMIT OPERATOR	PETRO-HUNT, L.L.C.
LAST PERMIT LEASE NAME	BLOCK 58 STATE 31-3
TOTAL DEPTH	12632
SURFACE LOCATION	Land
ABSTRACT	3154
SURVEY	PSL/ASPIN, F
BLOCK	58
SECTION	31
DISTANCE 1	461
DIRECTION 1	N
DISTANCE 2	2555
DIRECTION 2	W

Oil/Gas Imaged Records for API: 389-32452

COMPLETION INFORMATION

High Cost Tight Sands

PRORATION SCHEDULE	GAS
DISTRICT	08
LEASE/ID	245061
OPERATOR NUMBER	774719
OPERATOR	SHELL WESTERN E&P
LEASE NAME	BLOCK 58 STATE 31-3
FIELD	TOYAH, NW (SHALE)
WELL NUMBER	1H
TYPE WELL	PRODUCING
ON SCHEDULE	YES

Production Data Query(PDQ) Oil/Gas Imaged Records for Lease/ID: 245061

PLUGGING INFORMATION

DATE PLUGGED	
PLUG DEPTH	
PLUGGING OPERATOR	
PLUGGED LEASE	

DrillingInfo One-Page Production Summary

Tag This Element

API#	42-389-32452
Well#	1H
Lease	BLOCK 58 STATE 31-3
Field	TOYAH, NW (SHALE)
Lease Operator	SHELL WESTERN E&P Well Op History
County	Reeves
State	Texas
Location	461.0 N / 2555.0 W, PSL/ASPIN, F A-3154 Block:58 Section:31
Elevation	3054 KB
Date Spud	--
Date TD	--
Logs Run	MWD,WITH,GAMMA,RAY,

Prod.	First Production	Most Recent Production	Cumulative (MCF & BBL)	Gravity (SG & API)	Gatherer
Oil	2/1/08	5/1/14	53	0.00	
Gas	2/1/08	5/1/14	512,970	0.60	ENTPO

Most Recently Reported Monthly Production (12 Months)

Mo/Yr	Gas (MCF)					Oil (BBL)				Water (BW)	#Wells Flowing	#Wells Other	Avg Gas (MCF/D)	Avg Oil (BBL/D)	Avg Wtr (BW/D)
	Produced	Sold	Used	Vented/Flared	Other	Produced	Sold	Other	Closing						
8/2013	0	0	0	0	0	0	0	0	0	0	---	---	0.00	0.00	0.00
5/2014	0	0	0	0	0	39	0	0	39	0	---	---	0.00	1.26	0.00
6/2014	0	0	0	0	0	0	0	0	39	0	---	---	0.00	0.00	0.00
Totals	0	0	0	0	0	39	0	0	78	0	---	---	---	---	---

Annual Production

Year	Gas (MCF)	Oil (BBL)	Water (BW)	#Wells Flowing	#Wells Other	Avg Gas (MCF/D)	Avg Oil (BBL/D)	Avg Wtr (BW/D)	Annual Dec. Gas	Annual Dec. Oil
2008	215,004	14	---	---	---	707.25	0.05	0.00	---	---
2009	197,948	0	---	---	---	542.62	0.00	0.00	7.9%	100.0%
2010	70,831	0	---	---	---	194.16	0.00	0.00	64.2%	---
2011	29,095	0	---	---	---	79.76	0.00	0.00	58.9%	---
2012	0	0	---	---	---	0.00	0.00	0.00	100.0%	---
2013	92	0	---	---	---	0.50	0.00	0.00	---	---
2014	0	39	---	---	---	0.00	0.64	0.00	100.0%	---
Totals	512,970	53	---	---	---	---	---	---	---	---

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07:31:58 Mon Sep 15, 2014

389-32452

DISTRICT > 08 GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700
OPERATOR > SHELL WESTERN E&P # 774719
LEASE > BLOCK 58 STATE 31-3 # 245061 WELL # 1H

MM/YYYY	ALLOW	GAS PROD	GAS LIFT	* AMT	* DISPOSITIONS * CODE	AMT	* CODE	CUMU STAT	G/C RATIO (MCF/BBL)	
08/2013	93 N	0	0					0		
09/2013	0 N	0	0					0		
10/2013	0 N	0	0					0		
11/2013	0 N	0	0					0		
12/2013	0 N	0	0					0		
01/2014	0 N	0	0					0		
02/2014	0 N	0	0					0		
03/2014	0 N	0	0					0		
04/2014	0 N	0	0					0		
05/2014	0 N	0	0					0		0
06/2014	0 N	0	0					0		
07/2014	0 N	0	0					0		

GO TO DIST > GAS RRC ID # >
PF1=HELP PF2=COND PF3=MENU PF4=PROD RMKS PF6=PROD PF7=SCHEDULE PF8=P4 PF9=LDGR
PF10=G10 PF11=STATUS PF12=G-1 _ PF17=P-17 PMT _ PF18=T-1 _ PF19=HIST LDG
** PRESS ENTER TO SCROLL **

07:31:45 Mon Sep 15, 2014

DISTRICT > 08 GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700
OPERATOR > SHELL WESTERN E&P # 774719
LEASE > BLOCK 58 STATE 31-3 # 245061 WELL # 1H

MM/YYYY	ALLOW	GAS PROD	GAS LIFT	* DISPOSITIONS * AMT	CODE	* AMT	CODE *	CUMU STAT	G/C RATIO (MCF/BBL)
08/2012	0 X	0	0						0
09/2012	0 X	0	0						0
10/2012	0 X	0	0						0
11/2012	0 X	0	0						0
12/2012	0 X	0	0						0
01/2013	0 X	0	0						0
02/2013	0 X	0	0						0
03/2013	0 X	0	0						0
04/2013	0 X	0	0						0
05/2013	92 X	92	0	92	1				0
06/2013	0 X	0	0						0
07/2013	0 X	0	0						0

GO TO DIST > GAS RRC ID # >
PF1=HELP PF2=COND PF3=MENU PF4=PROD RMKS PF6=PROD PF7=SCHEDULE PF8=P4 PF9=LDGR
PF10=G10 PF11=STATUS PF12=G-1 _ PF17=P-17 PMT _ PF18=T-1 _ PF19=HIST LDG
** PRESS ENTER TO SCROLL **

07:30:17 Mon Sep 15, 2014

DISTRICT > 08 HISTORICAL GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700 FLD TYPE CAPACITY
OPERATOR > CHESAPEAKE OPERATING, INC. # 147715
LEASE > BLOCK 58 STATE 31-3 # 245061 WELL # 1H

MM/YYYY	ALLOW		GAS PROD	INJECT(I) LIFT(L)	* * DISPOSITIONS * * AMT CODE	AMT CODE	MONTHLY STAT(CD)	CUMU STATUS
01/2012	93	X	0	0			-93	0
02/2012	87	X	0	0			-87	0
03/2012	0	X	0	0			0	0
04/2012	0	X	0	0			0	0
05/2012	0	X	0	0			0	0
06/2012	0	X	0	0			0	0
07/2012	0	X	0	0			0	0

GO TO DIST > GAS RRC ID # > YEAR >
PF1=HELP PF2=COND PF3=MENU PF4=PREV PF5=NEXT PF6=LDGR PF7=CORRECTED P2
PF8=P4 PF9=DISPOSITIONS

08:26:36 Mon Sep 15, 2014

DISTRICT > 08 HISTORICAL GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700 FLD TYPE CAPACITY
OPERATOR > CHESAPEAKE OPERATING, INC. # 147715
LEASE > BLOCK 58 STATE 31-3 # 245061 WELL # 1H

MM/YYYY	ALLOW		GAS PROD	INJECT(I) LIFT(L)	* * DISPOSITIONS * * AMT	CODE	AMT	CODE	MONTHLY STAT(CD)	CUMU STATUS
01/2011	8445	X	8445	0	8445	2			0	0
02/2011	4455	X	4455	0	4455	2			0	0
03/2011	1752	X	1752	0	1752	2			0	0
04/2011	8160	X	6187	0	6187	2			-1973	0
05/2011	8432	X	4922	0	4922	2			-3510	0
06/2011	8160	X	2176	0	2176	2			-5984	0
07/2011	6386	X	1074	0	1074	2			-5312	0
08/2011	6386	X	0	0					-6386	0
09/2011	6180	X	84	0	84	2			-6096	0
10/2011	4929	X	0	0					-4929	0
11/2011	2190	X	0	0					-2190	0
12/2011	1085	X	0	0					-1085	0

GO TO DIST > GAS RRC ID # > YEAR >
PF1=HELP PF2=COND PF3=MENU PF4=PREV PF5=NEXT PF6=LDGR PF7=CORRECTED P2
PF8=P4 PF9=DISPOSITIONS

08:26:30 Mon Sep 15, 2014

DISTRICT > 08 HISTORICAL GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700 FLD TYPE CAPACITY
OPERATOR > CHESAPEAKE OPERATING, INC. # 147715
LEASE > BLOCK 58 STATE 31-3 # 245061 WELL # 1H

MM/YYYY	ALLOW		GAS PROD	INJECT(I) LIFT(L)	* * DISPOSITIONS * * AMT	CODE	AMT	CODE	MONTHLY STAT(CD)	CUMU STATUS
01/2010	13853	X	13853	0	13853	2			0	0
02/2010	17472	X	12189	0	12189	2			-5283	0
03/2010	18631	X	12758	0	12758	2			-5873	0
04/2010	14220	X	10258	0	10258	2			-3962	0
05/2010	14694	X	8738	0	8738	2			-5956	0
06/2010	13410	X	7969	0	7969	2			-5441	0
07/2010	13485	X	2578	0	2578	2			-10907	0
08/2010	10261	X	0	0					-10261	0
09/2010	9930	X	0	0					-9930	0
10/2010	8742	X	0	0					-8742	0
11/2010	7980	X	1326	0	1326	2			-6654	0
12/2010	2573	X	1162	0	1162	2			-1411	0

GO TO DIST > GAS RRC ID # > YEAR >
PF1=HELP PF2=COND PF3=MENU PF4=PREV PF5=NEXT PF6=LDGR PF7=CORRECTED P2
PF8=P4 PF9=DISPOSITIONS

08:26:22 Mon Sep 15, 2014

DISTRICT > 08 HISTORICAL GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700 FLD TYPE CAPACITY
OPERATOR > CHESAPEAKE OPERATING, INC. # 147715
LEASE > BLOCK 58 STATE 31-3 # 245061 WELL # 1H

MM/YYYY	ALLOW		GAS PROD	INJECT(I) LIFT(L)	* * DISPOSITIONS * * AMT	CODE	AMT	CODE	MONTHLY STAT(CD)	CUMU STATUS
01/2009	61597	X	10667	0	716	1	9951	2	-50930	0
02/2009	55636	X	14749	0	1227	1	13522	2	-40887	0
03/2009	61597	X	13597	0	1196	1	12401	2	-48000	0
04/2009	21589	X	21201	0	1788	1	19413	2	-388	0
05/2009	21057	X	19862	0	1734	1	18128	2	-1195	0
06/2009	19581	X	18301	0	1699	1	16602	2	-1280	0
07/2009	22320	X	10377	0	931	1	9446	2	-11943	0
08/2009	0	W	20318	0	1758	1	18560	2	20318	20318
09/2009	0	W	18705	0	1410	1	17295	2	18705	39023
10/2009	0	W	18623	0	1681	1	16942	2	18623	57646
11/2009	0	W	11027	0	838	1	10189	2	11027	68673
12/2009	83371	X	14698	0	1666	1	13032	2	-68673	0

GO TO DIST > GAS RRC ID # > YEAR >
PF1=HELP PF2=COND PF3=MENU PF4=PREV PF5=NEXT PF6=LDGR PF7=CORRECTED P2
PF8=P4 PF9=DISPOSITIONS

08:26:09 Mon Sep 15, 2014

DISTRICT > 08 HISTORICAL GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700 FLD TYPE CAPACITY
OPERATOR > CHESAPEAKE OPERATING, INC. # 147715
LEASE > BLOCK 58 STATE 31-3 # 245061 WELL # 1H

MM/YYYY	ALLOW		GAS PROD	INJECT(I) LIFT(L)	* * DISPOSITIONS * * AMT	CODE	AMT	CODE	MONTHLY STAT(CD)	CUMU STATUS
01/2008										
02/2008	0		1256	0	213	1	1043	2	1256	1256
03/2008	41727	X	32165	0	563	1	31602	#	-9562	0
04/2008	59610	X	0	0					-59610	0
05/2008	61597	X	29357	0	29357	2			-32240	0
06/2008	59610	X	27560	0	27560	2			-32050	0
07/2008	61597	X	26459	0	26459	2			-35138	0
08/2008	61597	X	27571	0	27571	2			-34026	0
09/2008	59610	X	28096	0	28096	2			-31514	0
10/2008	61597	X	30838	0	30838	2			-30759	0
11/2008	59610	X	8240	0	8240	2			-51370	0
12/2008	61597	X	3650	0	188	1	3462	2	-57947	0

GO TO DIST > GAS RRC ID # > YEAR >
PF1=HELP PF2=COND PF3=MENU PF4=PREV PF5=NEXT PF6=LDGR PF7=CORRECTED P2
PF8=P4 PF9=DISPOSITIONS

File No. MF105285 (44)

Production Report: 42-389-32452

Date Filed: 09/30/2014

Jerry E. Patterson, Commissioner

By LSP

Operator/Wellbore/PDQ Results

Print

OPERATOR/WELLBORE
API: 389-32497

WELLBORE STATUS	OPEN
LAST PERMIT ISSUED	649786
LAST PERMIT OPERATOR NUMBER	660043
LAST PERMIT OPERATOR	PETRO-HUNT, L.L.C.
LAST PERMIT LEASE NAME	BLOCK 58 STATE 42
TOTAL DEPTH	12590
SURFACE LOCATION	Land
ABSTRACT	3155
SURVEY	PSL/ASPIN, F
BLOCK	58
SECTION	42
DISTANCE 1	805
DIRECTION 1	S'LY SOUTH
DISTANCE 2	1137
DIRECTION 2	S'LY E

Oil/Gas Imaged Records for API: 389-32497

COMPLETION INFORMATION

High Cost Tight Sands

PRORATION SCHEDULE	GAS
DISTRICT	08
LEASE/ID	244453
OPERATOR NUMBER	774719
OPERATOR	SHELL WESTERN E&P
LEASE NAME	BLOCK 58 STATE 42
FIELD	TOYAH, NW (SHALE)
WELL NUMBER	1H
TYPE WELL	TEMP ABANDONED
ON SCHEDULE	YES

Production Data Query(PDQ) Oil/Gas Imaged Records for Lease/ID: 244453

PLUGGING INFORMATION

DATE PLUGGED	
PLUG DEPTH	
PLUGGING OPERATOR	
PLUGGED LEASE	

07:37:30 Mon Sep 15, 2014

42-389-32497

DISTRICT > 08 GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700
OPERATOR > SHELL WESTERN E&P # 774719
LEASE > BLOCK 58 STATE 42 # 244453 WELL # 1H

MM/YYYY	ALLOW	GAS PROD	GAS LIFT	* DISPOSITIONS * AMT	CODE	* * AMT	CODE	CUMU STAT	G/C RATIO (MCF/BBL)
08/2013	**DLQ G-10**	**15254**	**0**	**15254**	**3**			**15254**	
09/2013	DLQ G-10	968	0	968	3			16222	
10/2013	**DLQ G-10**	**587**	**0**	**587**	**2**			**16809**	
11/2013	DLQ G-10	5839	0	5839	3			22648	
12/2013	**DLQ G-10**	**1946**	**0**	**1946**	**3**			**24594**	
01/2014	33654 X	9060	0	9060	3			0	
02/2014	**5460 X**	**2780**	**0**	**2780**	**3**			**0**	
03/2014	6045 X	5905	0	5905	3			0	
04/2014	**8760 X**	**4553**	**0**	**4553**	**3**			**0**	
05/2014	9052 X	75	0	21	3	54	9	0	2
06/2014	**8760 X**	**233**	**0**	**233**	**3**			**0**	
07/2014	5890 X	35	0	35	3			0	

GO TO DIST > GAS RRC ID # >
PF1=HELP PF2=COND PF3=MENU PF4=PROD RMKS PF6=PROD PF7=SCHEDULE PF8=P4 PF9=LDGR
PF10=G10 PF11=STATUS PF12=G-1 _ PF17=P-17 PMT _ PF18=T-1 _ PF19=HIST LDG
** PRESS ENTER TO SCROLL **

07:37:23 Mon Sep 15, 2014

DISTRICT > 08 GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700
OPERATOR > SHELL WESTERN E&P # 774719
LEASE > BLOCK 58 STATE 42 # 244453 WELL # 1H

MM/YYYY	ALLOW	GAS PROD	GAS LIFT	* DISPOSITIONS * AMT	CODE	AMT	CODE	CUMU STAT	G/C RATIO (MCF/BBL)
08/2012	3100 X	1247	0	1247	2				0
09/2012	5550 X	0	0						0
10/2012	5735 X	0	0						0
11/2012	5550 X	0	0						0
12/2012	3627 X	2719	0	2719	2				0
01/2013	4600 X	4600	0	4600	2				0
02/2013	4801 X	4801	0	4801	2				0
03/2013	6599 X	6599	0	6599	2				0
04/2013	6599 X	6599	0	6599	2				0
05/2013	13295 X	13295	0	13295	2				0
06/2013	4500 X	516	0	516	2				0
07/2013	8955 X	8955	0	8955	2				0

GO TO DIST > GAS RRC ID # >
PF1=HELP PF2=COND PF3=MENU PF4=PROD RMKS PF6=PROD PF7=SCHEDULE PF8=P4 PF9=LDGR
PF10=G10 PF11=STATUS PF12=G-1 _ PF17=P-17 PMT _ PF18=T-1 _ PF19=HIST LDG
** PRESS ENTER TO SCROLL **

07:34:58 Mon Sep 15, 2014

42-389-32497

DISTRICT > 08 HISTORICAL GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700 FLD TYPE CAPACITY
OPERATOR > CHESAPEAKE OPERATING, INC. # 147715
LEASE > BLOCK 58 STATE 42 # 244453 WELL # 1H

MM/YYYY	ALLOW	GAS PROD	INJECT(I) LIFT(L)	* * DISPOSITIONS * * AMT	CODE	AMT	CODE	MONTHLY STAT(CD)	CUMU STATUS
01/2012	7688 X	4257	0	4257	2			-3431	0
02/2012	6061 X	1895	0	1895	2			-4166	0
03/2012	5797 X	1950	0	1950	2			-3847	0
04/2012	5460 X	3006	0	3006	2			-2454	0
05/2012	5642 X	929	0	929	2			-4713	0
06/2012	5544 X	5544	0	5544	2			0	0
07/2012	3620 X	3620	0	3620	2			0	0

GO TO DIST > GAS RRC ID # > YEAR >
PF1=HELP PF2=COND PF3=MENU PF4=PREV PF5=NEXT PF6=LDGR PF7=CORRECTED P2
PF8=P4 PF9=DISPOSITIONS

07:34:48 Mon Sep 15, 2014

DISTRICT > 08 HISTORICAL GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700 FLD TYPE CAPACITY
OPERATOR > CHESAPEAKE OPERATING, INC. # 147715
LEASE > BLOCK 58 STATE 42 # 244453 WELL # 1H

MM/YYYY	ALLOW		GAS PROD	INJECT(I) LIFT(L)	* * DISPOSITIONS * * AMT	CODE	AMT	CODE	MONTHLY STAT(CD)	CUMU STATUS
01/2011	13261	X	13261	0	13261	2			0	0
02/2011	7700	X	5815	0	5815	2			-1885	0
03/2011	10397	X	10397	0	10397	2			0	0
04/2011	11400	X	10805	0	10805	2			-595	0
05/2011	11780	X	8094	0	8094	2			-3686	0
06/2011	11400	X	7739	0	7739	2			-3661	0
07/2011	11160	X	4538	0	4538	2			-6622	0
08/2011	11160	X	7691	0	7691	2			-3469	0
09/2011	10800	X	6281	0	6281	2			-4519	0
10/2011	8091	X	5808	0	5808	2			-2283	0
11/2011	7740	X	4981	0	4981	2			-2759	0
12/2011	7688	X	5657	0	5657	2			-2031	0

GO TO DIST > GAS RRC ID # > YEAR >
PF1=HELP PF2=COND PF3=MENU PF4=PREV PF5=NEXT PF6=LDGR PF7=CORRECTED P2
PF8=P4 PF9=DISPOSITIONS

07:34:34 Mon Sep 15, 2014

DISTRICT > 08 HISTORICAL GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700 FLD TYPE CAPACITY
OPERATOR > CHESAPEAKE OPERATING, INC. # 147715
LEASE > BLOCK 58 STATE 42 # 244453 WELL # 1H

MM/YYYY	ALLOW		GAS PROD	INJECT(I) LIFT(L)	* * DISPOSITIONS * * AMT	CODE	AMT	CODE	MONTHLY STAT(CD)	CUMU STATUS
01/2010	18569	X	4144	0	4144	2			-14425	0
02/2010	16772	X	51	0	51	2			-16721	0
03/2010	6479	X	494	0	494	2			-5985	0
04/2010	13443	X	13443	0	13443	2			0	0
05/2010	17742	X	17742	0	17742	2			0	0
06/2010	15911	X	15911	0	15911	2			0	0
07/2010	13888	X	12323	0	12323	2			-1565	0
08/2010	17732	X	8251	0	8251	2			-9481	0
09/2010	17160	X	8248	0	8248	2			-8912	0
10/2010	17732	X	1127	0	1127	2			-16605	0
11/2010	15900	X	16	0	16	2			-15884	0
12/2010	12338	X	3696	0	3696	2			-8642	0

GO TO DIST > GAS RRC ID # > YEAR >
PF1=HELP PF2=COND PF3=MENU PF4=PREV PF5=NEXT PF6=LDGR PF7=CORRECTED P2
PF8=P4 PF9=DISPOSITIONS

07:34:23 Mon Sep 15, 2014

DISTRICT > 08 HISTORICAL GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700 FLD TYPE CAPACITY
OPERATOR > CHESAPEAKE OPERATING, INC. # 147715
LEASE > BLOCK 58 STATE 42 # 244453 WELL # 1H

MM/YYYY	ALLOW		GAS PROD	INJECT(I) LIFT(L)	* * DISPOSITIONS * * AMT	CODE	AMT	CODE	MONTHLY STAT(CD)	CUMU STATUS
01/2009	89993	X	26341	0	1768	1	24573	2	-63652	0
02/2009	81284	X	9287	0	772	1	8515	2	-71997	0
03/2009	39091	X	0	0					-39091	0
04/2009	22110	X	12805	0	1079	1	11726	2	-9305	0
05/2009	20305	X	7137	0	623	1	6514	2	-13168	0
06/2009	19650	X	8587	0	797	1	7790	2	-11063	0
07/2009	13485	X	11535	0	1035	1	10500	2	-1950	0
08/2009	0	W	5603	0	486	1	5117	2	5603	5603
09/2009	0	W	17961	0	1355	1	16606	2	17961	23564
10/2009	0	W	1690	0	153	1	1537	2	1690	25254
11/2009	31522	X	6268	0	476	1	5792	2	-25254	0
12/2009	18569	X	256	0	29	1	227	2	-18313	0

GO TO DIST > GAS RRC ID # > YEAR >
PF1=HELP PF2=COND PF3=MENU PF4=PREV PF5=NEXT PF6=LDGR PF7=CORRECTED P2
PF8=P4 PF9=DISPOSITIONS

07:34:10 Mon Sep 15, 2014

DISTRICT > 08 HISTORICAL GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700 FLD TYPE CAPACITY
OPERATOR > CHESAPEAKE OPERATING, INC. # 147715
LEASE > BLOCK 58 STATE 42 # 244453 WELL # 1H

MM/YYYY	ALLOW		GAS PROD	INJECT(I) LIFT(L)	* * DISPOSITIONS * * AMT	CODE	AMT	CODE	MONTHLY STAT(CD)	CUMU STATUS
01/2008										
02/2008										
03/2008										
04/2008										
05/2008										
06/2008										
07/2008										
08/2008	39588	X	39588	0	39588	2			0	0
09/2008	87090	X	1555	0	1555	2			-85535	0
10/2008	89993	X	39090	0	39090	2			-50903	0
11/2008	87090	X	22105	0	22105	2			-64985	0
12/2008	89993	X	12399	0	638	1	11761	2	-77594	0

GO TO DIST > GAS RRC ID # > YEAR >
PF1=HELP PF2=COND PF3=MENU PF4=PREV PF5=NEXT PF6=LDGR PF7=CORRECTED P2
PF8=P4 PF9=DISPOSITIONS

File No. MF105285 (45)

Production Report: 42-389-32497

Date Filed: 09/30/2014

Jerry E. Patterson, Commissioner

By

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MF 105285
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PO BOX 12873
AUSTIN TX 78711-2873

SENDER: *COMPLETE THIS SECTION*

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- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

MEREDITH MACALLISTER CPLTA
SR LEASE ANALYST
SHELL EXPLORATION & PRODUCTION CO
150 N DAIRY ASHFORD ROOM EPC E0460-G
HOUSTON TEXAS 77079

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X
☐ Agent
☐ Addressee

B. Received by *(Printed Name)*

C. Date of Delivery
8-25-14

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)
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PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

7011 1150 0001 2474 4940

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Sent To
MEREDITH MACALLISTER CPLTA
SR LEASE ANALYST

Street, Apt. No.; or PO Box No.
SHELL EXPLORATION & PRODUCTION CO
150 N DAIRY ASHFORD ROOM EPC E0460-G

City, State, ZIP+4
HOUSTON TEXAS 77079

PS Form 3800, Au

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PS Form 3800, August 2006 *(Reverse)* PSN 7530-02-000-9047

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

August 21, 2014

Meredith MacAllister, CPLTA
Senior Lease Analyst
Shell Exploration & Production Company
150 North Dairy Ashford Room EPC E0460-G
Houston, Texas 77079
Via CMRRR#: 7011 1150 0001 2416 4660

RE: **State Lease MF105285A-M** 13 RAL Leases described on Page 2, covering all or part of 1,895.47 acres
Tract 1: 640.2 acres, all of Section 31, Block 58, PSL, Reeves County, Texas
Tract 2: 640.2 acres, all of Section 32, Block 58, PSL, Reeves County, Texas
Tract 3: 615.07 acres, all of Section 42, Block 58, PSL, Reeves County, Texas

Dear Ms. MacAllister:

Our records indicate that there are no producing wells on the referenced Oil and Gas Leases.

As a result, we believe that these leases may have terminated under the terms and conditions of the leases and the laws of the State as further defined in Title 31 of the Texas Administrative Code ("TAC"). Pursuant to the TAC, a certified, recorded copy of a Release of the State Oil and Gas Leases and filing fee of $25 per state lease must be filed with our office and sent to my attention.

In accordance with the provisions of the TAC, if you disagree with this assessment, you have 30 days from the receipt of this letter in which to present evidence and convince the General Land Office that the leases are maintained. Failure to reply or failure to present sufficient evidence of the continuation of the leases will result in the mineral file being endorsed as "terminated" with no further communication from this office.

If the wells are plugged, copies of Railroad Commission Form W-3 must be filed with our office.

Discontinue filing GLO production reports and immediately delete the GLO RRAC control record for all wells under these leases. Our Audit Division will notify you shortly if delinquent royalties are due.

Sincerely,

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

State Lease No.	Agent for State of TX	Lease Date	Recorded Volume/Page
MF105285A	Catherine Funk Wall Trust A	12/01/2005	726/625
MF105285B	D.D. Wall Estate Trust A	12/01/2005	726/639
MF105285C	Estate of Nellie May Gohlke	11/03/2004	689/606
MF105285D	Dela Minerals	02/18/2005	702/695
MF105285E	Ted Michael Covington	10/06/2004	687/702
MF105285F	Ann Covington Henderson	10/06/2004	687/684
MF105285G	Jane Covington Drake	10/06/2004	687/693
MF105285H	D. D. Wall Trust B	12/01/2005	724/97
MF105285I	Catherine Funk Wall Trust B	12/01/2005	724/82
MF105285J	Mary B. Harwit Unitrust	09/01/2005	724/31
MF105285K	Mary Y. Tippens Testamentary Trust	09/01/2005	724/16
MF105285L	Esther Shuman Testamentary Trust	09/01/2005	724/01
MF105285M	Texas Scottish Rite Hospital	12/01/2005	721/249

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August 25, 2014 , 7:59 am	Out for Delivery	HOUSTON, TX 77079
August 25, 2014 , 7:49 am	Sorting Complete	HOUSTON, TX 77079
August 25, 2014 , 4:35 am	Arrived at Unit	HOUSTON, TX 77079
August 24, 2014 , 10:25 pm	Departed USPS Facility	HOUSTON, TX 77201
August 23, 2014 , 4:44 pm	Arrived at USPS Facility	HOUSTON, TX 77201
August 23, 2014 , 2:16 am	Departed USPS Facility	AUSTIN, TX 78710
August 22, 2014 , 9:26 pm	Arrived at USPS Facility	AUSTIN, TX 78710

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Sept. 24

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File No. MF105285 (4a)

Termination Letter

Date Filed: 09/30/2014

Jerry E. Patterson, Commissioner

By

Linda Price - MF105285 - Minimum Royalty Payment

From: Linda Price
To: terry.sloyan@shell.com
Date: 9/11/2014 6:10 AM
Subject: MF105285 - Minimum Royalty Payment

Terry:

Our records indicate that there are no producing wells on this lease.

Our termination letter was sent to Meredith on August 21, 2014 with thirty days in which to provide evidence that the lease is maintained.

Thank you.
Linda

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

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

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

>>> <terry.sloyan@shell.com> 9/10/2014 4:28 PM >>>
Linda,

Should we need to make a minimum royalty payment for this particular lease, can you advise what the amount should be?

Thanks,
Terry Sloyan, CPLTA
Lease Analyst
Upstream Americas - Land & Contracts
Shell Exploration & Production Company
150 N. Dairy Ashford, EPC E-0460D
Houston TX 77079-1197, USA
Tel: +1 832 337 1915 **Fax:** +1 832 337 4323
Email: Terry.Sloyan@shell.com
Internet: http://www.shell.com
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Per applicable service agreements

File No. ME 105285 (47)

Email re minimum Royalty payment

Date Filed: 09/30/2014

Jerry E. Patterson, Commissioner

By Lee

WELL TIMELINE

	Block 58 State 32 #1	Block 58 State 31-3 #1H	Block 58 State 42 #1H
API #	42-389-32398	42-389-32452	42-389-32497
RRC ID #	08-224464	08-245061	08-244453
RRC Proration Schedule	Gas	Gas	Gas
	MF105285 Lease Well	Unit 4484 (Terminated 04/16/2011) MF105285, MF105490** & MF104782**	Unit 4554 (Terminated 12/01/2012) MF104580, MF104778* & MF105285
Permit Issued	1/3/2006	1/24/2007	1/24/2007
Date Commenced	5/11/2007	6/15/2007	12/21/2007
Date Completed	6/3/2007	11/4/2007	6/9/2008
1st Production	12/1/2006	2/1/2008	8/1/2008
Shut-In Payment Received	NA	11/1/2011****	NA
Shut-In Affidavit Requested	NA	11/19/2011	NA
Shut-in Affidavit Req. Letter Rec.	NA	11/21/2011	NA
Shut-In Affidavit Due***	NA	12/21/2011	NA
2nd Shut-In Payment Rec.	NA	2/22/2012*****	NA
3rd Shut-In Payment Rec.	NA	2/15/2013******	NA
Gaps	04/2008 06/2008 **05/2010 - 06/2010** 12/2010 **02/2011 - 05/2011** 09/2011 12/2011 - 01/2012 04/2012 - 06/2012 11/2012 - 04/2013 06/2013 08/2013 11/2013 - 12/2013 05/2014	04/2008 **08/2010 - 10/2010** 08/2011 10/2011 - 04/2013 06/2013 - 04/2014	03/2009 **09/2012 - 11/2012**
Termination Date	**04/02/2011**	**10/01/2010**	**11/01/2012**
Last Production	06/2014 (15 MCF)*******	05/2014 (39 BBL Oil)*******	06/2014 (233 MCF)*******

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

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

*** Shut in Affidavit requested by GLO letter dated 11/19/2011 was never received ,so shut in was rejected. (CHK received letter 11/21/2011 with 30-day s after receipt due date of 12/21/2011.

****Shut-In Payment Received for MF105285B-M ("I" paid twice)

*****2nd Shut-In Payment Rec. MF105285B-M ("I" paid twice)

******3rd Shut-In Payment Rec. MF105285B-M ("I" paid twice)

*******Source: Drilling Info

Revised 09/15/2014

File No. MF105285 (48)

Well Timeline

Date Filed: 09/30/2014

Jerry E. Patterson, Commissioner

By

Linda Price - MF105285

From: Linda Price
To: Meredith.MacAllister@shell.com
Date: 9/16/2014 9:10 AM
Subject: MF105285
CC: Harriet Dunne; Mike May
Attachments: MF105285 Schedule of Leases.pdf

Meredith:

The Elevation Resources leases you inquired about cover 947.75 gross acres and 189.551 net leased acres outside of the MF105285 proration units. Specifically, 320 acres, the SE/2 of Section 31, Block 58, PSL; 307.75 acres, the W/2 of Section 42, Block 58, PSL; and 320 acres, the S/2 of Section 32, Block 58, PSL.

With regard to your question as to whether MF105285 was held by shut-in payments made by Chesapeake, our records indicate the following:

1. Block 58 State 31-3 #1H
There were gaps in production from August through, and including October 2010. The primary terms of the leases had expired by the 2010 gap. Therefore, the well proration unit acreage terminated October 1, 2010, sixty days after the cessation of production that began August 2010. **All operations on the well proration unit acreage after October 1, 2010 have been trespass.**

2. Block 58 State 32 #1
There were gaps in production from February 2011 through, and including, May 2011. The primary terms of the leases had already expired by this time. Therefore, the well proration unit acreage terminated April 2, 2011, sixty days after the cessation of production beginning February 2011. **All operations on the well proration unit acreage after April 2, 2011 have been trespass.**

The GLO received 13 Shut-in checks from Shell on June 6, 2014, noted as being in payment of "BLOCK 58 STATE 32 1 WELL" As stated above, all operations on the well proration unit subsequent to April 2, 2011 have been trespass. Therefore, Shell may request a refund of these checks by submitting a written request to my attention.

3. Block 58 State 42 #1H
There was a gap in production from September through, and including, November 2012. The primary terms of the leases had already expired by this time. Therefore, the proration unit acreage terminated on November 1, 2012, sixty days after the cessation of production that began September 2012. **All operations on the well proration unit acreage after November 1, 2012 have been trespass.**

State Lease MF105285A-M terminated as of November 1, 2012. Please see the attached for the schedule of leases. Pursuant to Title 31 of the Texas Administrative Code ("TAC"), please mail a recorded original or a certified copy of a Release of the State Oil and Gas Lease and the filing fee of $25 per state lease to my attention at the GLO.

Our financial management group will contact you regarding royalty revenues due for the periods of mineral trespass.

Thank you.
Linda

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

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

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

MF105285 SCHEDULE OF LEASES

State Lease No.	Lessor	Recorded Volume /Page
MF105285A	Catherine Funk Wall Trust A	726/625
MF105285B	DD Wall Estate Trust A	726/639
MF105285C	Estate of Nellie May Gohlke	689/606
MF105285D	Dela Minerals, Inc.	702/695
MF105285E	Ted Michael Covington	687/792
MF105285F	Ann Covington Henderson	687/684
MF105285G	Jane Covington Drake	687/693
MF105285H	DD Wall Trust B	724/97
MF105285I	Catherine Funk Wall Trust B	724/82
MF105285J	Mary B. Harwit Unitrust	724/31
MF105285K	Mary Y. Tippens Testamentary Trust	724/16
MF105285L	Esther Shurman Testamentary Trust	724/01
MF105285M	Texas Scottish Rite Hospital	721/249

File No. MF105285 (49)

Email re Rate Inquiry

Date Filed: 09/30/2014

Jerry E. Patterson, Commissioner

By JEP

DIVISION ORDER

RR 8

MF105285

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

PROPERTY NO:	616169
EFFECTIVE:	4/16/2011
PREPARED BY:	JOLENE SCHUR
DATE PREPARED:	4/3/2012
PRODUCT/ZONE:	OIL & GAS

This agreement is made and entered into on April 3, 2012.

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

OPERATOR	CHESAPEAKE OPERATING, INC.	OWNER NO:	646157	INT TYPE: 5	(REG)
PROPERTY:	BLOCK 58 STATE 31-3 1H (TOYAH UNIT)	OWNER:	STATE OF TEXAS		
LEGAL DESCRIPTION:	SEC 30 & 31 BLK 58 PSL SURVEY	UNIT ACRES:	552.000000		
	REEVES CO, TX	COMMENTS	N/A		

Status	BPO Net Ac	BPO Lse NRI/RI	BPO Unit Int.	APO1 Net Ac	APO1 Lse NRI/RI	APO1 Unit Int.	APO2 Net Ac	APO2 Lse NRI/RI	APO2 Unit Int.
SM	245.383306	0.25000000	0.11113374	N/A	N/A	N/A	N/A	N/A	N/A

DIVISION OF INTEREST

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

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

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

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

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

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

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

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

WITNESS SIGNATURE	SIGNATURE OF INTEREST OWNER	SOCIAL SECURITY/ TAX ID NUMBER	MAILING ADDRESS FOR PAYMENT
HOME PHONE NUMBER	CELL PHONE NUMBER		CORRESPONDENCE ADDRESS
WORK PHONE NUMBER	FAX NUMBER		EMAIL ADDRESS

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

PLEASE RETURN THIS COPY

File No. MF105285

DIVISION ORDER

Date Filed: 4.5.12

Jerry E. Patterson, Commissioner

By

15-01058
FILED FOR RECORD
REEVES COUNTY, TEXAS
Feb 03, 2015 at 02:41:00 PM

State of Texas Lease No. MF105285

RELEASE OF STATE OIL AND GAS LEASES

VOL 1142 PG 0771

STATE OF TEXAS §
§
COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS:

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

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

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

SWEPI LP

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

ACKNOWLEDGEMENT

STATE OF TEXAS §

COUNTY OF HARRIS §

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

Aline S. Khalilieh
Notary Public, State of Texas

ALINE S. KHALILIEH
Notary Public, State of Texas
My Commission Expires
March 03, 2017

51.25

TITLEHOLDER TEXAS, LLC

By: SWEPI LP, its Manager

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

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on the 30th day of January 2015 by George K. Zimmerman, as Attorney-in-Fact for SWEPI LP, a Delaware limited partnership, in its capacity as Manager of Titleholder Texas, LLC, a Delaware limited liability company, on behalf of said limited liability company.

Aline S. Khalilieh
Notary Public, State of Texas

ALINE S. KHALILIEH
Notary Public, State of Texas
My Commission Expires
March 03, 2017

VOL 1142 PG 0772

Exhibit "A"

Attached to and made a part of that certain Release of State Oil and Gas Leases made by SWEPI LP and dated effective November 1, 2012.

State Lease No.:	MF105285A
SWEPI LP No.:	TX00347.001
Lessor Name:	State of Texas, acting by and through its agent, Wells Fargo Bank, N.A., as Trustee for the Catherine Funk Wall Trust A
Date:	December 1, 20015
Recorded:	Vol 726 Page 625
Legal:	1,895.47 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: 640.2 acres of land, more or less, being all of Section 31, Block 58, Public School Lands, Reeves County, Texas Tract 2: 640.2 acres of land, more or less, being all of Section 32, Block 58, Public School Lands, Reeves County, Texas Tract 3:: 615.07 acres of land, more or less, being all of Section 42, Block 58, Public School Lands, Reeves County, Texas

State Lease No.:	MF105285B
SWEPI LP No.:	TX00345.004
Lessor Name:	State of Texas, acting by and through its agent, Wells Fargo Bank, N.A., as Trustee for the D.D. Wall Estate Trust A
Date:	December 1, 20015
Recorded:	Vol 726 Page 639
Legal:	1,895.47 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: 640.2 acres of land, more or less, being all of Section 31, Block 58, Public School Lands, Reeves County, Texas Tract 2: 640.2 acres of land, more or less, being all of Section 32, Block 58, Public School Lands, Reeves County, Texas Tract 3:: 615.07 acres of land, more or less, being all of Section 42, Block 58, Public School Lands, Reeves County, Texas

State Lease No.:	MF105285C
SWEPI LP No.:	TX00342.005
Lessor Name:	State of Texas, acting by and through its agent, Randy Camp as Independent Executor of the Estate of Nellie may Gohlke, deceased
Date:	November 3, 2004
Recorded:	Vol 689 Page 606
Legal:	All of Sections 31 and 32, Block 58, Public School Land Survey containing 1,280.4 acres, more or less

State Lease No.:	MF105285D
SWEPI LP No.:	TX00342.001
Lessor Name:	State of Texas, acting by and through its agent, Dela Minerals, Inc.
Date:	February 18, 2005
Recorded:	Vol 702 Page 695
Legal:	Sections 31 & 32, Block 58, Public School Land Survey containing 1,280.20 acres

State Lease No.:	MF105285E
SWEPI LP No.:	TX00342.004
Lessor Name:	State of Texas, acting by and through its agent, Ted Michael Covington
Date:	October 6, 2004
Recorded:	Vol 687 Page 793
Legal:	All of Sections 31 and 32, Block 58, Public School Land Survey containing 1,280.4 acres, more or less

VOL 1142 PG 0773

State Lease No.:	MF105285F
SWEPI LP No.:	TX00342.002
Lessor Name:	State of Texas, acting by and through its agent, Ann Covington Henderson
Date:	October 6, 2004
Recorded:	Vol 687 Page 684
Legal:	All of Sections 31 and 32, Block 58, Public School Land Survey containing 1,280.4 acres, more or less

State Lease No.:	MF105285G
SWEPI LP No.:	TX00342.003
Lessor Name:	State of Texas, acting by and through its agent, Jane Covington Drake
Date:	October 6, 2004
Recorded:	Vol 687 Page 693
Legal:	All of Sections 31 and 32, Block 58, Public School Land Survey containing 1,280.4 acres, more or less

State Lease No.:	MF105285H
SWEPI LP No.:	TX00345.002
Lessor Name:	State of Texas, acting by and through its agent, D D Wall Trust B
Date:	December 1, 2005
Recorded:	Vol 724 Page 97
Legal:	1,895.47 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: 640.2 acres of land, more or less, being all of Section 31, Block 58, Public School Lands, Reeves County, Texas Tract 2: 640.2 acres of land, more or less, being all of Section 32, Block 58, Public School Lands, Reeves County, Texas Tract 3:: 615.07 acres of land, more or less, being all of Section 42, Block 58, Public School Lands, Reeves County, Texas

State Lease No.:	MF105285I
SWEPI LP No.:	TX00345.003
Lessor Name:	State of Texas, acting by and through its agent, Catherine Funk Wall Trust B
Date:	December 1, 2005
Recorded:	Vol 724 Page 82
Legal:	1,895.47 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: 640.2 acres of land, more or less, being all of Section 31, Block 58, Public School Lands, Reeves County, Texas Tract 2: 640.2 acres of land, more or less, being all of Section 32, Block 58, Public School Lands, Reeves County, Texas Tract 3:: 615.07 acres of land, more or less, being all of Section 42, Block 58, Public School Lands, Reeves County, Texas

State Lease No.:	MF105285J
SWEPI LP No.:	TX00345.001
Lessor Name:	State of Texas, acting by and through its agent, Wells Fargo Bank, N.A., Trustee of the Mary B. Harwit Unitrust
Date:	September 1, 2005
Recorded:	Vol 724 Page 31

VOL 1142 PG 0774

Legal:	1,895.47 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: 640.2 acres of land, more or less, being all of Section 31, Block 58, Public School Lands, Reeves County, Texas Tract 2: 640.2 acres of land, more or less, being all of Section 32, Block 58, Public School Lands, Reeves County, Texas Tract 3:: 615.07 acres of land, more or less, being all of Section 42, Block 58, Public School Lands, Reeves County, Texas

State Lease No.:	MF105285K
SWEPI LP No.:	TX00346.002
Lessor Name:	State of Texas, acting by and through its agent, Wells Fargo Bank, N.A., Trustee of the Mary Y Tippens Testamentary Trust
Date:	September 1, 2005
Recorded:	Vol 724 Page 16
Legal:	1,895.47 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: 640.2 acres of land, more or less, being all of Section 31, Block 58, Public School Lands, Reeves County, Texas Tract 2: 640.2 acres of land, more or less, being all of Section 32, Block 58, Public School Lands, Reeves County, Texas Tract 3:: 615.07 acres of land, more or less, being all of Section 42, Block 58, Public School Lands, Reeves County, Texas

State Lease No.:	MF105285L
SWEPI LP No.:	TX00346.001
Lessor Name:	State of Texas, acting by and through its agent, Wells Fargo Bank, N.A., Trustee of the Esther Shuman Testamentary Trust
Date:	September 1, 2005
Recorded:	Vol 724 Page 01
Legal:	1,895.47 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: 640.2 acres of land, more or less, being all of Section 31, Block 58, Public School Lands, Reeves County, Texas Tract 2: 640.2 acres of land, more or less, being all of Section 32, Block 58, Public School Lands, Reeves County, Texas Tract 3:: 615.07 acres of land, more or less, being all of Section 42, Block 58, Public School Lands, Reeves County, Texas

State Lease No.:	MF105285M
SWEPI LP No.:	TX00348.001
Lessor Name:	State of Texas, acting by and through its agent, Texas Scottish Rite Hospital
Date:	December 1, 2005
Recorded:	Vol 721 Page 249
Legal:	Sections 31, 32 & 42 Block 58, Public School Land Survey containing 1,895.47 acres, more or less

VOL 1142 PG 0775

Inst No. 15-01058
DIANNE O. FLOREZ
COUNTY CLERK
2015 Feb 03 at 02:41 PM
REEVES COUNTY, TEXAS
By: ER DEPUTY

File No. 105285

_____ County

Release

Date Filed: 04/22/15

George P. Bush, Commissioner

By _____

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

April 21, 2015

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

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

Dear Harriet,

Please find enclosed the following original recorded documents:

1. Release of State Oil and Gas Leases dated January 30, 2015, but effective October 23, 2012, recorded at Volume 1142, Page 787, Reeves County, Texas. (State Lease #'s MF105494D {TX02319.001}, MF105494E {TX02320.001})

2. Release of State Oil and Gas Lease dated January 30, 2015, but effective July 16, 2014, recorded at Volume 1142, Page 781, Reeves County, Texas. (State Lease # MF115504 {TX02885.001})

3. Partial Release of State Oil and Gas Lease dated January 30, 2015, but effective June 21, 2011, recorded at Volume 1142, Page 778, Reeves County, Texas. (State Lease # MF104191 {TX02511.001})

4. Release of State Oil and Gas Leases dated January 30, 2015, but effective December 1, 2012, recorded at Volume 1142, Page 776, Reeves County, Texas. (State Lease #'s M104580 {TX00270.001}, MF104778A {TX00349.001}, MF104778G {TX02494.001}, MF104778H {TX02494.003}, MF104778I {TX02494.002}, MF104778J {TX02495.001})

5. Release of State Oil and Gas Lease dated January 30, 2015, but effective November 1, 2012, recorded at Volume 1142, Page 771, Reeves County, Texas. (State Lease #'s MF105285A through MF105285M, {TX00347.001, TX00345.001 through TX00345.004, TX00342.001 through TX00342.005, TX00346.001, TX00346.002, TX00348.001})

6. Release of State Oil and Gas Leases dated January 30, 2015, but effective August 29, 2012, recorded at Volume 1142, Page 767, Reeves County, Texas. (State Lease #'s MF107619A {TX00351.001}, MF107619B {TX00350.001}, MF107769 {TX02415.001}, MF104548 {TX00268.001})

7. Release of State Oil and Gas Lease dated January 30, 2015, but effective December 1, 2011, recorded at Volume 1142, Page 769, Reeves County, Texas. (State Lease # MF105490 {TX00269.001}, MF104782 {TX00266.001})

8. Release of State Oil and Gas Lease dated February 2, 2015, but effective March 1, 2014, recorded at Volume 1142, Page 794, Reeves County, Texas. (State Lease # MF104539 {TX02541.001})

9. Release of State Oil and Gas Lease dated February 2, 2015, but effective April 1, 2014, recorded at Volume 1142, Page 791, Reeves County, Texas. (State Lease # MF104871 {TX02307.001})

10. Partial Release of State Oil and Gas Lease dated January 30, 2015, but effective April 25, 2014, recorded at Volume 1142, Page 789, Reeves County, Texas. (State Lease #'s MF105236A through MF105236E {TX02321.001 through TX02321.005})

11. Release of State Oil and Gas Lease dated January 30, 2015, but effective June 11, 2011, recorded at Volume 1142, Page 786, Reeves County, Texas. (State Lease # MF105230 {TX02326.001})

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

Very truly yours,

Terry Sloyan
Lease Analyst

126

8826

SHELL EXPLORATION & PRODUCTION COMPANY
LAND & CONTRACTS

15710902

[redacted]

DATE April 21, 2015

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

Nine hundred twenty five and no/100----------DOLLARS

Security Features Included. Details on Back.

citibank

CITIBANK, N.A. BR. #99920
1 PENNS WAY, OPS 2/2ND FLOOR
NEW CASTLE, DE 19720

FOR Filing Fees

Terry Sloyan

MP

⑈000088 26⑈ [redacted]

File No. 105285

_____ County

Ltr + fees- release

Date Filed: 04/22/15

George P. Bush, Commissioner

By _____

Texas General Land Office
Limited Review Billing

George P. Bush, Commissioner

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

SWEPI LP
PO Box 576
Houston, TX 77001-0576

COPY

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

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

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

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

NOTICE

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

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

Detach and return with payment

Limited Review Billing

SWEPI LP

Billing Date: 4/30/2015

Billing Due Date: 5/30/2015

Customer Number: C000044963

Remit Payment To:

Texas General Land Office
PO Box 12873
Austin, TX 78711-2873

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

Energy Financial Management
SMAR Activity / Invoicing Approval

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

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

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

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

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

Month / Year	RRC Number	(1) Gas Volume	(2) Tract Participation Rate	(3) Price	(4) BTU	(5) Gross Value (1)x(2)x(3)x(4)	(6) Royalty Due (5) * Royalty Rate	(7) Royalty Paid	(8) Additional Royalty Due	(9) Number of Days Late	(10) Interest Rate For Additional Royalty	(11) Penalty From Additional Royalty	(12) Interest From Additional Royalty	(13) Revenue Due (8)+(11)+(12)
Dec-12	08-244453	2,719	0.16268767	$2.974971	0.947000	$1,246.23	$1,246.23	$469.07	$777.16	804	0.00%	$0.00	$0.00	$777.16
Jan-13	08-244453	4,600	0.16268767	$2.350301	0.952000	$1,674.45	$1,674.45	$418.41	$1,256.04	776	0.00%	$0.00	$0.00	$1,256.04
Feb-13	08-244453	4,801	0.16268767	$2.404396	0.960000	$1,802.87	$1,802.87	$450.68	$1,352.19	745	0.00%	$0.00	$0.00	$1,352.19
Mar-13	08-244453	6,599	0.16268767	$2.521749	0.980000	$2,653.14	$2,653.14	$662.93	$1,990.21	715	0.00%	$0.00	$0.00	$1,990.21
Apr-13	08-244453	6,599	0.16268767	$4.359700	0.975191	$4,564.35	$4,564.35	$518.69	$4,045.66	684	0.00%	$0.00	$0.00	$4,045.66
May-13	08-244453	13,295	0.16268767	$4.375000	0.975191	$9,228.07	$9,228.07	$455.45	$8,772.62	654	0.00%	$0.00	$0.00	$8,772.62
Jun-13	08-244453	516	0.16268767	$4.257428	0.975316	$348.58	$348.58	$488.94	-$140.36	623	0.00%	$0.00	$0.00	-$140.36
Jul-13	08-244453	8,955	0.16268767	$3.623877	0.984367	$5,196.98	$5,196.98	$26.76	$5,170.22	592	0.00%	$0.00	$0.00	$5,170.22
Aug-13	08-244453	15,254	0.16268767	$3.623877	0.984367	$8,852.56	$8,852.56	$26.76	$8,825.80	562	0.00%	$0.00	$0.00	$8,825.80
Sep-13	08-244453	968	0.16268767	$3.770000	0.978469	$580.92	$580.92	$102.37	$478.55	531	0.00%	$0.00	$0.00	$478.55
Oct-13	08-244453	587	0.16268767	$3.785000	0.983670	$355.56	$355.56	$55.85	$299.71	501	0.00%	$0.00	$0.00	$299.71
Nov-13	08-244453	5,839	0.16268767	$3.985000	0.978566	$3,704.35	$3,704.35	$697.05	$3,007.30	470	0.00%	$0.00	$0.00	$3,007.30
Dec-13	08-244453	1,946	0.16268767	$3.985000	0.978566	$1,234.57	$1,234.57	$697.05	$537.52	439	0.00%	$0.00	$0.00	$537.52
Jan-14	08-244453	9,060	0.16268767	$3.985000	0.978566	$5,747.80	$5,747.80	$697.05	$5,050.75	411	0.00%	$0.00	$0.00	$5,050.75
Feb-14	08-244453	2,780	0.16268767	$4.520806	0.400000	$817.85	$817.85	$129.91	$687.94	380	0.00%	$0.00	$0.00	$687.94
Mar-14	08-244453	5,905	0.16268767	$4.698548	0.976060	$4,405.70	$4,405.70	$335.93	$4,069.77	350	0.00%	$0.00	$0.00	$4,069.77
Apr-14	08-244453	4,553	0.16268767	$4.698548	0.970911	$3,379.06	$3,379.06	$752.71	$2,626.35	319	0.00%	$0.00	$0.00	$2,626.35
May-14	08-244453	21	0.16268767	$4.464000	0.970911	$14.81	$14.81	$536.35	-$521.54	289	0.00%	$0.00	$0.00	-$521.54
Jun-14	08-244453	233	0.16268767	$4.464000	3.970911	$671.93	$671.93	$536.35	$135.58	258	0.00%	$0.00	$0.00	$135.58
Jul-14	08-244453	35	0.16268767	$4.464000	0.970911	$24.68	$24.68	$536.35	-$511.67	227	0.00%	$0.00	$0.00	-$511.67
Aug-14	08-244453	1,539	0.16268767	$4.464000	0.970911	$1,085.17	$1,085.17	$536.35	$548.82	197	0.00%	$0.00	$0.00	$548.82
Sep-14	08-244453	1,332	0.16268767	$4.464000	0.970911	$939.21	$939.21	$536.35	$402.86	166	0.00%	$0.00	$0.00	$402.86
Oct-14	08-244453	967	0.16268767	$3.712400	0.987020	$576.45	$576.45	$1,004.91	-$428.46	136	0.00%	$0.00	$0.00	-$428.46
Nov-14	08-244453	1,016	0.16268767	$3.640000	0.987030	$593.85	$593.85	$83.53	$510.32	105	0.00%	$0.00	$0.00	$510.32
Dec-14	08-244453	777	0.16268767	$3.860000	0.978450	$477.42	$477.42	$39.66	$437.76	74	0.00%	$0.00	$0.00	$437.76
Jan-15	08-244453	20	0.16268767	$4.215000	0.984370	$13.50	$13.50	$136.82	-$123.32	46	0.00%	$0.00	$0.00	-$123.32
Feb-15	08-244453	872	0.16268767	$2.810000	1.000000	$398.64	$398.64	$0.00	$398.64	15	0.00%	$0.00	$0.00	$398.64
TOTALS		101,788				$60,588.67	$60,588.70	$10,932.28	$49,656.42			$0.00	$0.00	$49,656.42

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

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

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

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

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

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

ATTENTION: THIYAGARAJAN BALASUBRAMANIAN CERTIFIED MAIL NUMBER: 7011 1150 0001 2418 7157

COPY

(53)

File No. UF 105285

Reeves County

Limited Review Billing

Date Filed: 6/5/15.

George P. Bush, Commissioner

By Nayda Ramirez

MF105285

CONCHO

JEROLD JENKINS
STAFF LANDMAN

February 16, 2018

Catherine Funk Trust B
c/o Devin Bates, Dale Bates, F.L. Stephens and
Allyson Baumeister, Co-Trustees
2013 Augusta Drive
San Angelo, TX 76904

Re: Relinquishment Act Lands Oil and Gas Lease Dated December 1, 2005 ("**Lease**"); Reeves County, Texas

Ladies and Gentlemen:

COG Operating LLC ("**COG**") is the Lessee under the captioned Oil and Gas Lease, under which you are acting as the agent for the State of Texas, covering the following described lands:

All of Sections 31 & 32, Block 58, Public School Land Survey,
Reeves County, Texas

COG is planning on entering the lands covered by the Lease on or about March 26, 2018, for the purpose of plugging and abandoning the Block 58 State 31-3 #1H & Block 58 State 32 #1 Wells ("**Wells**"), which are operated by COG, and thereafter conducting surface remediation operations. Paragraph 26 of the Lease, entitled **Removal of Equipment**, grants COG the right to remove machinery and fixtures placed by it on the leased premises, including the right to draw and remove casing, within 120 days after the termination of the Lease, unless the owner of the soil grants an extension of this period. It has been more than 120 days since the Lease terminated.

Accordingly, COG is hereby asking your permission to extend the period of time under the Lease until September 1, 2018, in order that COG is permitted to remove the machinery and fixtures from the location, including the drawing and removal of the casing from these Wells, in connection with its plugging and abandonment activities, and that COG shall have the right to retain the ownership of the machinery and fixtures, including removed casing, from these Wells and the lands.

Please indicate in the space provided below whether you agree or disagree with the terms of this letter, and then sign and return an original of this letter to COG in the self-addressed, stamped envelope provided for this purpose. We are sending two originals of this letter and you may retain one original for your files.

One Concho Center | 600 West Illinois Avenue | Midland, Texas 79701 | **P** 432.683.7443 | **F** 432.683.7441

31.32.2

Thank you for your cooperation and we look forward to hearing from you soon. If you have any questions, please give Mr. Jerold Jenkins of COG a call at 432.234.1508.

Very truly yours,

COG OPERATING LLC

Jerold Jenkins
Staff Landman

____ I, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby consent** to the extension terms of this letter.

____ I, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby *DO NOT* consent** to the extension terms of this letter.

____ I, the owner of the soil of the above-described land **hereby elect to convert** the Well to a water well pursuant to my rights under the Addendum to the Lease.

____ I, the owner of the soil of the above-described land hereby **elect *NOT TO* convert** the Well to a water well pursuant to my rights under the Addendum to the Lease.

cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

81.92.2

CONCHO

JEROLD JENKINS
STAFF LANDMAN

February 16, 2018

DD Wall Trust B
c/o Devin Bates, Dale Bates, F.L. Stephens and
Allyson Baumeister, Co-Trustees
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San Angelo, TX 76904

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Staff Landman

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cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

41-92-2

CONCHO

JEROLD JENKINS
STAFF LANDMAN

February 16, 2018

Texas Scottish Rite Hospital
c/o Mr. Gary Nease
2222 Welborn Street
Dallas, TX 75219

Re: Relinquishment Act Lands Oil and Gas Lease Dated December 1, 2005 (Successor interest from Ester Shuman & Mary Tippens ("**Lease**"); Reeves County, Texas

Gentlemen:

COG Operating LLC ("**COG**") is the Lessee under the captioned Oil and Gas Lease, under which you are acting as the agent for the State of Texas, covering the following described lands:

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41-92-2

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COG OPERATING LLC

Jerold Jenkins
Staff Landman

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cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

01-92-3

CONCHO

JEROLD JENKINS
STAFF LANDMAN

February 16, 2018

Midland AOG Partners, LTD
P. O. Box 793
Midland, TX 79702

Re: Relinquishment Act Lands Oil and Gas Lease Dated October 6, 2004 (Successor interest from Ted Michael Covington) ("**Lease**"); Reeves County, Texas

Gentlemen:

COG Operating LLC ("**COG**") is the Lessee under the captioned Oil and Gas Lease, under which you are acting as the agent for the State of Texas, covering the following described lands:

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41-92-2

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COG OPERATING LLC

Jerold Jenkins
Staff Landman

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cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

01.92.2

CONCHO

JEROLD JENKINS
STAFF LANDMAN

February 16, 2018

Mr. Wade Koehl
P. O. Box 1581
Cypress, TX 77410

Re: Relinquishment Act Lands Oil and Gas Lease Dated October 6, 2004 (Successor interest from Ted Michael Covington) ("**Lease**"); Reeves County, Texas

Dear Mr. Koehl:

COG Operating LLC ("**COG**") is the Lessee under the captioned Oil and Gas Lease, under which you are acting as the agent for the State of Texas, covering the following described lands:

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One Concho Center | 600 West Illinois Avenue | Midland, Texas 79701 | **P** 432.683.7443 | **F** 432.683.7441

01.92.2

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COG OPERATING LLC

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Staff Landman

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cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

✓

01-92-2

CONCHO

JEROLD JENKINS
STAFF LANDMAN

February 16, 2018

BK Joint Royalty Venture
P. O. Box 3579
Midland, TX 79702

Re: Relinquishment Act Lands Oil and Gas Lease Dated October 6, 2004 (Successor interest from Ted Michael Covington) ("**Lease**"); Reeves County, Texas

Gentlemen:

COG Operating LLC ("**COG**") is the Lessee under the captioned Oil and Gas Lease, under which you are acting as the agent for the State of Texas, covering the following described lands:

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01.92.2

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COG OPERATING LLC

Jerold Jenkins
Staff Landman

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cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

81-92-2

CONCHO

JEROLD JENKINS
STAFF LANDMAN

February 16, 2018

Lambert Land Company, LLC
c/o Mr. Stephen Lambert
P. O. Box 2401
Midland, TX 79702

Re: Relinquishment Act Lands Oil and Gas Lease Dated October 6, 2004 (Successor interest from Ted Michael Covington) ("**Lease**"); Reeves County, Texas

Gentlemen:

COG Operating LLC ("**COG**") is the Lessee under the captioned Oil and Gas Lease, under which you are acting as the agent for the State of Texas, covering the following described lands:

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One Concho Center | 600 West Illinois Avenue | Midland, Texas 79701 | **P** 432 683 7443 | **F** 432 683 7441

91.42.2

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Very truly yours,

COG OPERATING LLC

Jerold Jenkins
Staff Landman

_____ I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby consent** to the forgoing provisions of this letter.

_____, I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby *DO NOT* consent** to the forgoing provisions of this letter.

cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

91-92-2

CONCHO

JEROLD JENKINS
STAFF LANDMAN

February 16, 2018

Dela Minerals, Inc.
Attn: Mr. Gary Covington, President
P. O. Box 535
Midland, TX 79702

Re: Relinquishment Act Lands Oil and Gas Lease Dated February 18, 2005 ("**Lease**"); Reeves County, Texas

Dear Mr. Covington:

COG Operating LLC ("**COG**") is the Lessee under the captioned Oil and Gas Lease, under which you are acting as the agent for the State of Texas, covering the following described lands:

All of Sections 31 & 32, Block 58, Public School Land Survey,
Reeves County, Texas

COG is planning on entering the lands covered by the Lease on or about March 26, 2018, for the purpose of plugging and abandoning the Block 58 State 31-3 #1H & Block 58 State 32 #1 Wells ("**Wells**"), which are operated by COG, and thereafter conducting surface remediation operations. Paragraph 26 of the Lease, entitled **Removal of Equipment**, grants COG the right to remove machinery and fixtures placed by it on the leased premises, including the right to draw and remove casing, within 120 days after the termination of the Lease, unless the owner of the soil grants an extension of this period. It has been more than 120 days since the Lease terminated.

Accordingly, COG is hereby asking your permission to extend the period of time under the Lease until September 1, 2018, in order that COG is permitted to remove the machinery and fixtures from the location, including the drawing and removal of the casing from these Wells, in connection with its plugging and abandonment activities, and that COG shall have the right to retain the ownership of the machinery and fixtures, including removed casing, from these Wells and the lands.

Please indicate in the space provided below whether you agree or disagree with the terms of this letter, and then sign and return an original of this letter to COG in the self-addressed, stamped envelope provided for this purpose. We are sending two originals of this letter and you may retain one original for your files.

One Concho Center | 600 West Illinois Avenue | Midland, Texas 79701 | **P** 432.683.7443 | **F** 432.683.7441

01.02.2

Thank you for your cooperation and we look forward to hearing from you soon. If you have any questions, please give Mr. Jerold Jenkins of COG a call at 432.234.1508.

Very truly yours,

COG OPERATING LLC

Jerold Jenkins
Staff Landman

_____ I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby consent** to the forgoing provisions of this letter.

_____, I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby *DO NOT* consent** to the forgoing provisions of this letter.

cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

91-92-2

CONCHO

JEROLD JENKINS
STAFF LANDMAN

February 16, 2018

Mr. Kirk Covington
921 Lauder Drive
Spicewood, TX 78669

Re: Relinquishment Act Lands Oil and Gas Lease Dated February 18, 2005 (Successor interest from Dela Minerals) ("**Lease**"); Reeves County, Texas

Dear Mr. Covington:

COG Operating LLC ("**COG**") is the Lessee under the captioned Oil and Gas Lease, under which you are acting as the agent for the State of Texas, covering the following described lands:

All of Sections 31 & 32, Block 58, Public School Land Survey,
Reeves County, Texas

COG is planning on entering the lands covered by the Lease on or about March 26, 2018, for the purpose of plugging and abandoning the Block 58 State 31-3 #1H & Block 58 State 32 #1 Wells ("**Wells**"), which are operated by COG, and thereafter conducting surface remediation operations. Paragraph 26 of the Lease, entitled **Removal of Equipment**, grants COG the right to remove machinery and fixtures placed by it on the leased premises, including the right to draw and remove casing, within 120 days after the termination of the Lease, unless the owner of the soil grants an extension of this period. It has been more than 120 days since the Lease terminated.

Accordingly, COG is hereby asking your permission to extend the period of time under the Lease until September 1, 2018, in order that COG is permitted to remove the machinery and fixtures from the location, including the drawing and removal of the casing from these Wells, in connection with its plugging and abandonment activities, and that COG shall have the right to retain the ownership of the machinery and fixtures, including removed casing, from these Wells and the lands.

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One Concho Center | 600 West Illinois Avenue | Midland, Texas 79701 | **P** 432 683 7443 | **F** 432 683 7441

01.32.2

Thank you for your cooperation and we look forward to hearing from you soon. If you have any questions, please give Mr. Jerold Jenkins of COG a call at 432.234.1508.

Very truly yours,

COG OPERATING LLC

Jerold Jenkins
Staff Landman

_____ I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby consent** to the forgoing provisions of this letter.

_____, I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby *DO NOT* consent** to the forgoing provisions of this letter.

cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

CONCHO

JEROLD JENKINS
STAFF LANDMAN

February 16, 2018

The Catalpa Trust
c/o Kyle Bruce & Shelia D. Covington, Trustee's
P. O. Box 1987
Goodlettsville, TN 37070

Re: Relinquishment Act Lands Oil and Gas Lease Dated February 18, 2005 (Successor interest from Dela Minerals) ("**Lease**"); Reeves County, Texas

Dear Mr. Bruce and Mrs. Covington:

COG Operating LLC ("**COG**") is the Lessee under the captioned Oil and Gas Lease, under which you are acting as the agent for the State of Texas, covering the following described lands:

All of Sections 31 & 32, Block 58, Public School Land Survey,
Reeves County, Texas

COG is planning on entering the lands covered by the Lease on or about March 26, 2018, for the purpose of plugging and abandoning the Block 58 State 31-3 #1H & Block 58 State 32 #1 Wells ("**Wells**"), which are operated by COG, and thereafter conducting surface remediation operations. Paragraph 26 of the Lease, entitled **Removal of Equipment**, grants COG the right to remove machinery and fixtures placed by it on the leased premises, including the right to draw and remove casing, within 120 days after the termination of the Lease, unless the owner of the soil grants an extension of this period. It has been more than 120 days since the Lease terminated.

Accordingly, COG is hereby asking your permission to extend the period of time under the Lease until September 1, 2018, in order that COG is permitted to remove the machinery and fixtures from the location, including the drawing and removal of the casing from these Wells, in connection with its plugging and abandonment activities, and that COG shall have the right to retain the ownership of the machinery and fixtures, including removed casing, from these Wells and the lands.

Please indicate in the space provided below whether you agree or disagree with the terms of this letter, and then sign and return an original of this letter to COG in the self-addressed, stamped envelope provided for this purpose. We are sending two originals of this letter and you may retain one original for your files.

One Concho Center | 600 West Illinois Avenue | Midland Texas 79701 | **P** 432 683 7443 | **F** 432 683 7441

91.92.2

Thank you for your cooperation and we look forward to hearing from you soon. If you have any questions, please give Mr. Jerold Jenkins of COG a call at 432.234.1508.

Very truly yours,

COG OPERATING LLC

Jerold Jenkins
Staff Landman

_____ I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby consent** to the forgoing provisions of this letter.

_____, I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby *DO NOT* consent** to the forgoing provisions of this letter.

cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

CONCHO

JEROLD JENKINS
STAFF LANDMAN

February 16, 2018

Earmark Enterprises, LLC
c/o Ms. Lisa Graham
P. O. Box 53343
Midland, TX 79710

Re: Relinquishment Act Lands Oil and Gas Lease Dated February 18, 2005 (Successor interests from Dela Minerals) ("**Lease**"); Reeves County, Texas

Dear Ms. Graham:

COG Operating LLC ("**COG**") is the Lessee under the captioned Oil and Gas Lease, under which you are acting as the agent for the State of Texas, covering the following described lands:

All of Sections 31 & 32, Block 58, Public School Land Survey,
Reeves County, Texas

COG is planning on entering the lands covered by the Lease on or about March 26, 2018, for the purpose of plugging and abandoning the Block 58 State 31-3 #1H & Block 58 State 32 #1 Wells ("**Wells**"), which are operated by COG, and thereafter conducting surface remediation operations. Paragraph 26 of the Lease, entitled **Removal of Equipment**, grants COG the right to remove machinery and fixtures placed by it on the leased premises, including the right to draw and remove casing, within 120 days after the termination of the Lease, unless the owner of the soil grants an extension of this period. It has been more than 120 days since the Lease terminated.

Accordingly, COG is hereby asking your permission to extend the period of time under the Lease until September 1, 2018, in order that COG is permitted to remove the machinery and fixtures from the location, including the drawing and removal of the casing from these Wells, in connection with its plugging and abandonment activities, and that COG shall have the right to retain the ownership of the machinery and fixtures, including removed casing, from these Wells and the lands.

Please indicate in the space provided below whether you agree or disagree with the terms of this letter, and then sign and return an original of this letter to COG in the self-addressed, stamped envelope provided for this purpose. We are sending two originals of this letter and you may retain one original for your files.

One Concho Center | 600 West Illinois Avenue | Midland, Texas 79701 | **P** 432 683 7443 | **F** 432 683 7441

91.92.2

Thank you for your cooperation and we look forward to hearing from you soon. If you have any questions, please give Mr. Jerold Jenkins of COG a call at 432.234.1508.

Very truly yours,

COG OPERATING LLC

Jerold Jenkins
Staff Landman

_____ I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby consent** to the forgoing provisions of this letter.

_____, I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby *DO NOT* consent** to the forgoing provisions of this letter.

cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

41.92.2

CONCHO

JEROLD JENKINS
STAFF LANDMAN

February 16, 2018

Ms. Renee J. Brunson
P. O. Box 2041
Midland, TX 79702

Re: Relinquishment Act Lands Oil and Gas Lease Dated February 18, 2005 (Successor interest from Dela Minerals) ("**Lease**"); Reeves County, Texas

Dear Ms. Brunson:

COG Operating LLC ("**COG**") is the Lessee under the captioned Oil and Gas Lease, under which you are acting as the agent for the State of Texas, covering the following described lands:

All of Sections 31 & 32, Block 58, Public School Land Survey,
Reeves County, Texas

COG is planning on entering the lands covered by the Lease on or about March 26, 2018, for the purpose of plugging and abandoning the Block 58 State 31-3 #1H & Block 58 State 32 #1 Wells ("**Wells**"), which are operated by COG, and thereafter conducting surface remediation operations. Paragraph 26 of the Lease, entitled **Removal of Equipment**, grants COG the right to remove machinery and fixtures placed by it on the leased premises, including the right to draw and remove casing, within 120 days after the termination of the Lease, unless the owner of the soil grants an extension of this period. It has been more than 120 days since the Lease terminated.

Accordingly, COG is hereby asking your permission to extend the period of time under the Lease until September 1, 2018, in order that COG is permitted to remove the machinery and fixtures from the location, including the drawing and removal of the casing from these Wells, in connection with its plugging and abandonment activities, and that COG shall have the right to retain the ownership of the machinery and fixtures, including removed casing, from these Wells and the lands.

Please indicate in the space provided below whether you agree or disagree with the terms of this letter, and then sign and return an original of this letter to COG in the self-addressed, stamped envelope provided for this purpose. We are sending two originals of this letter and you may retain one original for your files.

One Concho Center | 600 West Illinois Avenue | Midland, Texas 79701 | **P** 432.683.7443 | **F** 432.683.7441

01-32-2

Thank you for your cooperation and we look forward to hearing from you soon. If you have any questions, please give Mr. Jerold Jenkins of COG a call at 432.234.1508.

Very truly yours,

COG OPERATING LLC

Jerold Jenkins
Staff Landman

_____ I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby consent** to the forgoing provisions of this letter.

_____, I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby *DO NOT* consent** to the forgoing provisions of this letter.

cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

91.92.2

CONCHO

JEROLD JENKINS
STAFF LANDMAN

February 16, 2018

Mary B. Harwit Unitrust
Wells Fargo, NA., Trustee
P. O. Box 2088
San Angelo, TX 76902

Re: Relinquishment Act Lands Oil and Gas Lease Dated September 1, 2005 ("**Lease**");
Reeves County, Texas

Gentlemen:

COG Operating LLC ("**COG**") is the Lessee under the captioned Oil and Gas Lease, under which you are acting as the agent for the State of Texas, covering the following described lands:

All of Sections 31 & 32, Block 58, Public School Land Survey,
Reeves County, Texas

COG is planning on entering the lands covered by the Lease on or about March 26, 2018, for the purpose of plugging and abandoning the Block 58 State 31-3 #1H & Block 58 State 32 #1 Wells ("**Wells**"), which are operated by COG, and thereafter conducting surface remediation operations. Paragraph 26 of the Lease, entitled **Removal of Equipment**, grants COG the right to remove machinery and fixtures placed by it on the leased premises, including the right to draw and remove casing, within 120 days after the termination of the Lease, unless the owner of the soil grants an extension of this period. It has been more than 120 days since the Lease terminated.

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One Concho Center | 600 West Illinois Avenue | Midland, Texas 79701 | **P** 432.683.7443 | **F** 432.683.7441

41-92-2

Thank you for your cooperation and we look forward to hearing from you soon. If you have any questions, please give Mr. Jerold Jenkins of COG a call at 432.234.1508.

Very truly yours,

COG OPERATING LLC

Jerold Jenkins
Staff Landman

____ I, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby consent** to the extension terms of this letter.

____ I, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby *DO NOT* consent** to the extension terms of this letter.

____ I, the owner of the soil of the above-described land **hereby elect to convert** the Well to a water well pursuant to my rights under the Addendum to the Lease.

____ I, the owner of the soil of the above-described land hereby **elect *NOT TO* convert** the Well to a water well pursuant to my rights under the Addendum to the Lease.

cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

01-92-3

CONCHO

JEROLD JENKINS
STAFF LANDMAN

February 16, 2018

Mr. Andrew H. Wall
1161 Maree Drive
Waxahachie, TX 75165

Re: Relinquishment Act Lands Oil and Gas Lease Dated December 18, 2005 (Successor interest from Dela Minerals) ("**Lease**"); Reeves County, Texas

Dear Mr. Wall:

COG Operating LLC ("**COG**") is the Lessee under the captioned Oil and Gas Lease, under which you are acting as the agent for the State of Texas, covering the following described lands:

All of Sections 31 & 32, Block 58, Public School Land Survey,
Reeves County, Texas

COG is planning on entering the lands covered by the Lease on or about March 26, 2018, for the purpose of plugging and abandoning the Block 58 State 31-3 #1H & Block 58 State 32 #1 Wells ("**Wells**"), which are operated by COG, and thereafter conducting surface remediation operations. Paragraph 26 of the Lease, entitled **Removal of Equipment**, grants COG the right to remove machinery and fixtures placed by it on the leased premises, including the right to draw and remove casing, within 120 days after the termination of the Lease, unless the owner of the soil grants an extension of this period. It has been more than 120 days since the Lease terminated.

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One Concho Center | 600 West Illinois Avenue | Midland, Texas 79701 | **P** 432.683.7443 | **F** 432.683.7441

01-92-2

Thank you for your cooperation and we look forward to hearing from you soon. If you have any questions, please give Mr. Jerold Jenkins of COG a call at 432.234.1508.

Very truly yours,

COG OPERATING LLC

Jerold Jenkins

Jerold Jenkins
Staff Landman

_____ I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby consent** to the forgoing provisions of this letter.

_____, I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby *DO NOT* consent** to the forgoing provisions of this letter.

cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

✓

01.92.2

CONCHO

JEROLD JENKINS
STAFF LANDMAN

February 16, 2018

Mr. Craig Lee Henderson
2801 Vista Dell Arroyo
San Angelo, TX 76904

Re: Relinquishment Act Lands Oil and Gas Lease Dated October 6, 2004 (Successor interest from Ann Covington Henderson) ("**Lease**"); Reeves County, Texas

Dear Mr. Henderson:

COG Operating LLC ("**COG**") is the Lessee under the captioned Oil and Gas Lease, under which you are acting as the agent for the State of Texas, covering the following described lands:

All of Sections 31 & 32, Block 58, Public School Land Survey,
Reeves County, Texas

COG is planning on entering the lands covered by the Lease on or about March 26, 2018, for the purpose of plugging and abandoning the Block 58 State 31-3 #1H & Block 58 State 32 #1 Wells ("**Wells**"), which are operated by COG, and thereafter conducting surface remediation operations. Paragraph 26 of the Lease, entitled **Removal of Equipment**, grants COG the right to remove machinery and fixtures placed by it on the leased premises, including the right to draw and remove casing, within 120 days after the termination of the Lease, unless the owner of the soil grants an extension of this period. It has been more than 120 days since the Lease terminated.

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One Concho Center | 600 West Illinois Avenue | Midland, Texas 79701 | **P** 432.683.7443 | **F** 432.683.7441

01.02.2

Thank you for your cooperation and we look forward to hearing from you soon. If you have any questions, please give Mr. Jerold Jenkins of COG a call at 432.234.1508.

Very truly yours,

COG OPERATING LLC

Jerold Jenkins
Staff Landman

_____ I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby consent** to the forgoing provisions of this letter.

_____, I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby *DO NOT* consent** to the forgoing provisions of this letter.

cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

41.92.2

CONCHO

JEROLD JENKINS
STAFF LANDMAN

February 16, 2018

Jane Covington Drake Estate
Regina Wortham Drake, Star Drake Stovall
& Clifton King Drake, Jr., Co-Executors
1578 Holman Lane
San Angelo, TX 76905

Re: Relinquishment Act Lands Oil and Gas Lease Dated October 6, 2004 (Successor interest from Jane Covington Drake ("**Lease**"); Reeves County, Texas

Ladies and Gentlemen:

COG Operating LLC ("**COG**") is the Lessee under the captioned Oil and Gas Lease, under which you are acting as the agent for the State of Texas, covering the following described lands:

All of Sections 31 & 32, Block 58, Public School Land Survey,
Reeves County, Texas

COG is planning on entering the lands covered by the Lease on or about March 26, 2018, for the purpose of plugging and abandoning the Block 58 State 31-3 #1H & Block 58 State 32 #1 Wells ("**Wells**"), which are operated by COG, and thereafter conducting surface remediation operations. Paragraph 26 of the Lease, entitled **Removal of Equipment**, grants COG the right to remove machinery and fixtures placed by it on the leased premises, including the right to draw and remove casing, within 120 days after the termination of the Lease, unless the owner of the soil grants an extension of this period. It has been more than 120 days since the Lease terminated.

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One Concho Center | 600 West Illinois Avenue | Midland, Texas 79701 | **P** 432.683.7443 | **F** 432.683.7441

01.32.2

Thank you for your cooperation and we look forward to hearing from you soon. If you have any questions, please give Mr. Jerold Jenkins of COG a call at 432.234.1508.

Very truly yours,

COG OPERATING LLC

Jerold Jenkins
Staff Landman

_____ I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby consent** to the forgoing provisions of this letter.

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cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

91.92.2

CONCHO

JEROLD JENKINS
STAFF LANDMAN

February 16, 2018

The Estate of Nellie Mae Gohlke, Deceased
Mr. Randy Camp, Executor
1400 11th Street
Wichita Falls, TX 76301 or

7 Park Place Ct.
Wichita Falls, TX 76302

Re: Relinquishment Act Lands Oil and Gas Lease Dated November 3, 2004 ("**Lease**"); Reeves County, Texas

Gentleman:

COG Operating LLC ("**COG**") is the Lessee under the captioned Oil and Gas Lease, under which you are acting as the agent for the State of Texas, covering the following described lands:

All of Sections 31 & 32, Block 58, Public School Land Survey,
Reeves County, Texas

COG is planning on entering the lands covered by the Lease on or about March 26, 2018, for the purpose of plugging and abandoning the Block 58 State 31-3 #1H & Block 58 State 32 #1 Wells ("**Wells**"), which are operated by COG, and thereafter conducting surface remediation operations. Paragraph 26 of the Lease, entitled **Removal of Equipment**, grants COG the right to remove machinery and fixtures placed by it on the leased premises, including the right to draw and remove casing, within 120 days after the termination of the Lease, unless the owner of the soil grants an extension of this period. It has been more than 120 days since the Lease terminated.

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One Concho Center | 600 West Illinois Avenue | Midland, Texas 79701 | P 432.683.7443 | F 432.683.7441

91-92-2

Thank you for your cooperation and we look forward to hearing from you soon. If you have any questions, please give Mr. Jerold Jenkins of COG a call at 432.234.1508.

Very truly yours,

COG OPERATING LLC

Jerold Jenkins
Staff Landman

_____ I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby consent** to the forgoing provisions of this letter.

_____, I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby *DO NOT* consent** to the forgoing provisions of this letter.

cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

✓

91-92-2

CONCHO

JEROLD JENKINS
STAFF LANDMAN

February 16, 2018

The Estate of Nellie Mae Gohlke, Deceased
Mr. Randy Camp, Executor
1400 11th Street
Wichita Falls, TX 76301 or

7 Park Place Ct.
Wichita Falls, TX 76302

Re: Relinquishment Act Lands Oil and Gas Lease Dated November 3, 2004 ("**Lease**"); Reeves County, Texas

Gentleman:

COG Operating LLC ("**COG**") is the Lessee under the captioned Oil and Gas Lease, under which you are acting as the agent for the State of Texas, covering the following described lands:

All of Sections 31 & 32, Block 58, Public School Land Survey,
Reeves County, Texas

COG is planning on entering the lands covered by the Lease on or about March 26, 2018, for the purpose of plugging and abandoning the Block 58 State 31-3 #1H & Block 58 State 32 #1 Wells ("**Wells**"), which are operated by COG, and thereafter conducting surface remediation operations. Paragraph 26 of the Lease, entitled **Removal of Equipment**, grants COG the right to remove machinery and fixtures placed by it on the leased premises, including the right to draw and remove casing, within 120 days after the termination of the Lease, unless the owner of the soil grants an extension of this period. It has been more than 120 days since the Lease terminated.

Accordingly, COG is hereby asking your permission to extend the period of time under the Lease until September 1, 2018, in order that COG is permitted to remove the machinery and fixtures from the location, including the drawing and removal of the casing from these Wells, in connection with its plugging and abandonment activities, and that COG shall have the right to retain the ownership of the machinery and fixtures, including removed casing, from these Wells and the lands.

Please indicate in the space provided below whether you agree or disagree with the terms of this letter, and then sign and return an original of this letter to COG in the self-addressed, stamped envelope provided for this purpose. We are sending two originals of this letter and you may retain one original for your files.

One Concho Center | 600 West Illinois Avenue | Midland, Texas 79701 | P 432.683.7443 | F 432.683.7441

41-92-2

Thank you for your cooperation and we look forward to hearing from you soon. If you have any questions, please give Mr. Jerold Jenkins of COG a call at 432.234.1508.

Very truly yours,

COG OPERATING LLC

Jerold Jenkins
Staff Landman

_____ I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby consent** to the forgoing provisions of this letter.

_____, I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby *DO NOT* consent** to the forgoing provisions of this letter.

cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

CONCHO

JEROLD JENKINS
STAFF LANDMAN

February 16, 2018

Mrs. Andrea Lynn Wall Owens
107 Kruger Road
Krugerville, TX 76227

Re: Relinquishment Act Lands Oil and Gas Lease Dated December 1, 2005 (Successor interest from DD Wall Trust A & Catherine Funk Trust A ("**Lease**"); Reeves County, Texas

Dear Mrs. Owens:

COG Operating LLC ("**COG**") is the Lessee under the captioned Oil and Gas Lease, under which you are acting as the agent for the State of Texas, covering the following described lands:

All of Sections 31 & 32, Block 58, Public School Land Survey,
Reeves County, Texas

COG is planning on entering the lands covered by the Lease on or about March 26, 2018, for the purpose of plugging and abandoning the Block 58 State 31-3 #1H & Block 58 State 32 #1 Wells ("**Wells**"), which are operated by COG, and thereafter conducting surface remediation operations. Paragraph 26 of the Lease, entitled **Removal of Equipment**, grants COG the right to remove machinery and fixtures placed by it on the leased premises, including the right to draw and remove casing, within 120 days after the termination of the Lease, unless the owner of the soil grants an extension of this period. It has been more than 120 days since the Lease terminated.

Accordingly, COG is hereby asking your permission to extend the period of time under the Lease until September 1, 2018, in order that COG is permitted to remove the machinery and fixtures from the location, including the drawing and removal of the casing from these Wells, in connection with its plugging and abandonment activities, and that COG shall have the right to retain the ownership of the machinery and fixtures, including removed casing, from these Wells and the lands.

Please indicate in the space provided below whether you agree or disagree with the terms of this letter, and then sign and return an original of this letter to COG in the self-addressed, stamped envelope provided for this purpose. We are sending two originals of this letter and you may retain one original for your files.

One Concho Center | 600 West Illinois Avenue | Midland, Texas 79701 | **P** 432.683.7443 | **F** 432.683.7441

01.92.2

Thank you for your cooperation and we look forward to hearing from you soon. If you have any questions, please give Mr. Jerold Jenkins of COG a call at 432.234.1508.

Very truly yours,

COG OPERATING LLC

Jerold Jenkins
Staff Landman

_____ I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby consent** to the forgoing provisions of this letter.

_____, I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby *DO NOT* consent** to the forgoing provisions of this letter.

cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

91.92.2

CONCHO

JEROLD JENKINS
STAFF LANDMAN

February 16, 2018

Mrs. Heather Wall Mullins
1638 Wildflower Drive
Waxahachie, TX 75165

Re: Relinquishment Act Lands Oil and Gas Lease Dated dated December 1, 2005 (Successor interest from DD Wall Trust A & Catherine Funk Trust A ("**Lease**"); Reeves County, Texas

Dear Mrs. Mullins:

COG Operating LLC ("**COG**") is the Lessee under the captioned Oil and Gas Lease, under which you are acting as the agent for the State of Texas, covering the following described lands:

All of Sections 31 & 32, Block 58, Public School Land Survey,
Reeves County, Texas

COG is planning on entering the lands covered by the Lease on or about March 26, 2018, for the purpose of plugging and abandoning the Block 58 State 31-3 #1H & Block 58 State 32 #1 Wells ("**Wells**"), which are operated by COG, and thereafter conducting surface remediation operations. Paragraph 26 of the Lease, entitled **Removal of Equipment**, grants COG the right to remove machinery and fixtures placed by it on the leased premises, including the right to draw and remove casing, within 120 days after the termination of the Lease, unless the owner of the soil grants an extension of this period. It has been more than 120 days since the Lease terminated.

Accordingly, COG is hereby asking your permission to extend the period of time under the Lease until September 1, 2018, in order that COG is permitted to remove the machinery and fixtures from the location, including the drawing and removal of the casing from these Wells, in connection with its plugging and abandonment activities, and that COG shall have the right to retain the ownership of the machinery and fixtures, including removed casing, from these Wells and the lands.

Please indicate in the space provided below whether you agree or disagree with the terms of this letter, and then sign and return an original of this letter to COG in the self-addressed, stamped envelope provided for this purpose. We are sending two originals of this letter and you may retain one original for your files.

One Concho Center | 600 West Illinois Avenue | Midland, Texas 79701 | **P** 432.683.7443 | **F** 432.683.7441

41.92.2

Thank you for your cooperation and we look forward to hearing from you soon. If you have any questions, please give Mr. Jerold Jenkins of COG a call at 432.234.1508.

Very truly yours,

COG OPERATING LLC

Jerold Jenkins
Staff Landman

_____ I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby consent** to the forgoing provisions of this letter.

_____, I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby *DO NOT* consent** to the forgoing provisions of this letter.

cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

81-92-2

$4

File No. M-105285

County

Lits. From Concho

Date Filed: 2/26/18

George P. Bush, Commissioner

By

Daryl Morgan

From: Daryl Morgan
Sent: Wednesday, March 07, 2018 9:34 AM
To: 'Justin Kitchens'
Subject: RE: RAL dated 10/6/04 (Successor interest from Ted Michael Covington)

Justin,

We were copied on the letter from COG requesting the extension of time and so have been given notice of the intention to plug. The GLO does not have any issues with the extension of time being granted. We just want to see the wells properly plugged and abandoned in accordance with RRC rules. Let me know if you have any questions or need anything else.

Daryl

J. Daryl Morgan, CPL
Energy Resources
(512) 305-9106
daryl.morgan@glo.texas.gov

From: Justin Kitchens [mailto:justin@desertroyalty.com]
Sent: Tuesday, March 06, 2018 4:22 PM
To: Daryl Morgan <Daryl.Morgan@GLO.TEXAS.GOV>
Subject: RAL dated 10/6/04 (Successor interest from Ted Michael Covington)

Mr. Morgan –

I am writing on behalf of BK Joint Royalty Venture and DP V as we are in receipt of a request from COG to extend the period of time under the above referenced (and attached) lease in order to plug and abandon a well and remove equipment.

Per paragraph 26 COG is not allowed to remove casing until after 30 days written notice to the GLO. I wanted to ensure that this had been done and that the GLO didn't have any other issues with said extension being granted.

Thanks
Justin

DESERT ROYALTY
COMPANY

Justin Kitchens, CPL

Director of Land
Desert Royalty Company
303 West Wall Street, Suite 2000
Midland, TX 79701
432.684.4042
www.desertroyalty.com

(55)

File No. M- 105285

County

E-Mail with surface owner

Date Filed: 3/7/18

George P. Bush, Commissioner

By

Daryl Morgan

From: Justin Kitchens <justin@desertroyalty.com>
Sent: Wednesday, March 07, 2018 9:44 AM
To: Daryl Morgan
Subject: RE: RAL dated 10/6/04 (Successor interest from Ted Michael Covington)

Thanks for your prompt response Daryl.



Justin Kitchens, CPL
Director of Land
Desert Royalty Company
303 West Wall Street, Suite 2000
Midland, TX 79701
432.684.4042
www.desertroyalty.com

From: Daryl Morgan [mailto:Daryl.Morgan@GLO.TEXAS.GOV]
Sent: Wednesday, March 07, 2018 9:34 AM
To: Justin Kitchens <justin@desertroyalty.com>
Subject: RE: RAL dated 10/6/04 (Successor interest from Ted Michael Covington)

Justin,

We were copied on the letter from COG requesting the extension of time and so have been given notice of the intention to plug. The GLO does not have any issues with the extension of time being granted. We just want to see the wells properly plugged and abandoned in accordance with RRC rules. Let me know if you have any questions or need anything else.

Daryl

J. Daryl Morgan, CPL
Energy Resources
(512) 305-9106
daryl.morgan@glo.texas.gov

From: Justin Kitchens [mailto:justin@desertroyalty.com]
Sent: Tuesday, March 06, 2018 4:22 PM
To: Daryl Morgan <Daryl.Morgan@GLO.TEXAS.GOV>
Subject: RAL dated 10/6/04 (Successor interest from Ted Michael Covington)

Mr. Morgan –

I am writing on behalf of BK Joint Royalty Venture and DP V as we are in receipt of a request from COG to extend the period of time under the above referenced (and attached) lease in order to plug and abandon a well and remove equipment.

Per paragraph 26 COG is not allowed to remove casing until after 30 days written notice to the GLO. I wanted to ensure that this had been done and that the GLO didn't have any other issues with said extension being granted.

Thanks
Justin



Justin Kitchens, CPL
Director of Land
Desert Royalty Company
303 West Wall Street, Suite 2000
Midland, TX 79701
432.684.4042
www.desertroyalty.com

56

File No. M-105285

County

E-Mail From Surface Owner

Date Filed: 3/7/18

George P. Bush, Commissioner

By

105285

TEXAS
SCOTTISH RITE HOSPITAL
FOR CHILDREN

April 4, 2018

Mr. Jerold Jenkins, Staff Landman
COG Operating LLC
One Concho Center
600 West Illinois Avenue
Midland, Texas 79701

**SUBJECT: RELINQUISHMENT ACT LANDS OIL AND GAS LEASES
TEXAS SCOTTISH RITE HOSPITAL SUCCESSOR INTEREST FROM
WILLYS BLOUNT, ESTHER SHUMAN & MARY TIPPENS
REEVES COUNTY, TEXAS**

Dear Mr. Jenkins:

Texas Scottish Rite Hospital for Crippled Children ("the Hospital") is in receipt of the recent request from COG Operating LLC ("COG"), current owner of the above-referenced leases ("Leases"), under which the Hospital is the owner of the soil and acting as the agent for the State of Texas under the Leases, covering the following described lands ("the Lands"):

All of Sections 31 & 32, Block 58, Public School Land Survey, Reeves County, Texas.

in which COG is planning on entering the lands covered by the Leases for the purpose of plugging and abandoning the Block 58 State 31-3 #1H & Block 58 State 32 #1 wells ("Wells"), which are operated by COG, and thereafter conducting surface remediation operations. The Hospital understands COG plans commencement of the plugging and abandonment of the Wells on or relatively soon after April 9, 2018.

The Hospital notes under Lease Paragraph 26, entitled **Removal of Equipment,** COG is granted the right to remove machinery and fixtures placed by it on the leased premises, including the right to draw and remove casing within 120 days after the termination of the Lease unless the owner of the soil grants an extension of this period. It has been more than 120 days since the Lease terminated.

Accordingly, the Hospital will allow until September 1, 2018, for COG to remove the machinery and fixtures from the location, including the drawing and removal of the casing from these Wells, in connection with its plugging and abandonment activities, and that COG has the right to retain the ownership of the machinery and fixtures, including removed casing, from these Wells and the Lands.

Further, the Hospital, as owner of the soil of the Lands, elects not to convert the Wells to water wells pursuant to the Hospital's rights under Paragraph 11 of the Addendum to the Esther Shuman and Mary Tippens Leases.

2222 Welborn Street, Dallas, Texas 75219
Phone: 214-559-5000
tsrhc.org

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*Advisory Trustee
A MASONIC CHARITY

Please furnish copies of the W3 plugging reports to Judi Chapman, Landman, Oil and Gas Department, at the letterhead address or judi.chapman@tsrh.org. We appreciate your cooperation.

Sincerely,

J. C. Montgomery, Jr.
President Emeritus

JCM/jk
MI#925-01

cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office
P. O. Box 12873
Austin, Texas 78711-2873

File No. 105285

County

Ltr from Scottish Rite

Date Filed: 04/06/18

George P. Bush, Commissioner

By

P. 2.19