

STATE LEASE

MF105301

CONTROL	BASEFILE	COUNTY	
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15-008903	154424 -	GRIMES	/093

SURVEY : GAINES J R
BLOCK :
TOWNSHIP : 00
SECTION/TRACT:
PART :
ACRES : 72.30
DEPTH LIMITS : NO

LESSEE : PATTERSON PETROLEUM LP.
LEASE DATE : Jul 19 2005
PRIMARY TERM : 5 yrs
BONUS (\$) : 10845.00
RENTAL (\$) : 5.00
ROYALTY : 0.25000000
VAR ROYALTY :

Rentals:

Lease
Admin:

Mineral
Maps:

MS
DR
JH



CONTENTS OF FILE NO. M- 105301

- 1. BID FORM 07/19/05
- 2. OIL & GAS LEASE 07/19/05
- 3. TRANSMITTAL LETTER 08/19/05

4. CERTIFIED COPY OF LEASE + letter 9/19/08

5. Pooling Committee Report + Jema Pooling Agreement 5/10/06

6. Pooling Committee Report + Jema Pooling Agreement Pursuant to TNRC # 52,076 5/10/06

7. RENTAL PAYMENT 6/23/06

8. Pooling Committee Reports + Pooling Agreement + Pooling Agreement Pursuant to TNRC 52,076. 12/11/06

Scanned sm 8/15/13

See MF 102980 #9 FY 12 Demand Letter #11 #2 7/23/15.

See MF 110168 FY 10-11 Demand Letter #10 1/17/16.

scanned PJ 2-1-16



July 19, 2005

MINERAL LEASE BID APPLICATION

APPLICANT AGREEMENT

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

APPLICANT IDENTIFICATION TO APPEAR ON LEASE (type/print)

Name: Patterson Petroleum LP, Limited Partnership
 Address: P.O. Box 1416
 City: Snyder State: Texas Zip: 79550-1416
 (Include +4 Code)
 Telephone: (512)328-8085 (Land Department - Austin office)

AREA DESCRIPTION

County(ies): Grimes Survey/Area: J. R. Gaines
 (If Applicable)

Block/Tsp.: _____ Section/Tract: _____ Acres: 72.30
 (If Applicable)

BID SUBMISSION

(A) Bonus Amount (\$)10,845.00

Ten Thousand Eight Hundred Forty-Five and No/100 Dollars
 (type/print above)

(B) Sales Fee Amount (\$)162.68

One Hundred Sixty-Two and 68/100 Dollars
 (type/print above)

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

MGL. NO.
<u>8</u>

APPLICANT NAME

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

Patterson Petroleum LP, Limited Partnership (\$)10,845.00
 (same as above)

STATE OF TEXAS TAX I.D. #

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

SIGNATURE OF AGENT

[Signature]
 (signature)

Ralph W. Owens
 (type/print name)

05048810

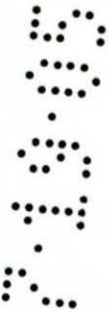
162.68 05048810

PATTERSON PETROLEUM LP

a limited partnership
P.O. BOX 1416
SNYDER, TEXAS 79550
325/574-6300

Vendor Name	Vendor No.	Date	Check Number	Check Total
TEXAS GENERAL LAND OFFICE	20581	Jul-13-2005	052974	\$162.68

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
07-AP-468	07/12/2005	07/12/05	162.68	0.00	162.68
TOTAL INVOICES PAID					162.68



PATTERSON PETROLEUM LP

a limited partnership
P.O. BOX 1416
SNYDER, TEXAS 79550
325/574-6300

Vendor Name	Vendor No.	Date	Check Number	Check Total
TEXAS GENERAL LAND OFFICE	20581	Jul-13-2005	052975	\$10,845.00

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
07-AP-466	071205	07/12/05	10,845.00	0.00	10,845.00
TOTAL INVOICES PAID					10,845.00

90612

File No. MF 105301

Bed Application

Date Filed: 7/19/05

Jerry E. Patterson, Commissioner

By _____

5.70.00

The State of Texas



Austin, Texas

OIL AND GAS LEASE
NO. M-105301

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

J. R. GAINES SURVEY, GRIMES COUNTY, TEXAS, CONTAINING APPROXIMATELY 72.3 ACRES, AS SHOWN ON THE OFFICIAL MAP OF GRIMES COUNTY, TEXAS NOW ON FILE IN THE TEXAS GENERAL LAND OFFICE, AUSTIN, TEXAS,

was, after being duly advertised, offered for lease on the 19th day of July, 2005, at 10:00 o'clock a.m., by the Commissioner of the General Land Office of the State of Texas and the School Land Board of the State of Texas, for the sole and only purpose of prospecting and drilling for, and producing oil and/or gas that may be found and produced from the above described area; and

WHEREAS, after all bids and remittances which were received up to said time have been duly considered by the Commissioner of the General Land Office and the School Land Board at a regular meeting thereof in the General Land Office, on the 19th day of July, 2005, hereinafter the "effective date" and it was found and determined that PATTERSON PETROLEUM LP, LIMITED PARTNERSHIP whose address is P.O. BOX 1416, SNYDER, TEXAS 79550-1416 had offered the highest and best bid for a lease of the area above described and is, therefore, entitled to receive a lease thereon:

NOW, THEREFORE, I, Jerry E. Patterson, Commissioner of the General Land Office of the State of Texas, hereinafter sometimes referred to as "Lessor," whose address is Austin, Texas, by virtue of the authority vested in me and in consideration of the payment by the hereinafter designated Lessee, the sum of Ten Thousand Eight Hundred Forty-Five And 00/100 Dollars (\$10,845.00), receipt of which is hereby acknowledged and of the royalties, covenants, stipulations and conditions contained and hereby agreed to be paid, observed and performed by Lessee, do hereby demise, grant, lease and let unto the above mentioned bidder the exclusive right to prospect for, produce and take oil and/or gas from the aforesaid area upon the following terms and conditions, to-wit:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8.

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

File No. MF 105301
Lease
Date Filed: 7/19/05
Judy E. Patterson, Commissioner
[Signature]

LESSEE _____
BY: _____
TITLE: _____
DATE: _____

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

COMMISSIONER OF THE GENERAL LAND OFFICE
OF THE STATE OF TEXAS

APPROVED

Contents _____
Legal _____
DC _____
Exec _____

STATE OF _____

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

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

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

Notary Public in and for _____

STATE OF _____

(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 _____

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

August 19, 2005

Mr. Ralph W. Owens
Patterson Petroleum LP, Limited Partnership
P.O. Box 1416
Snyder, Texas 79550-1416

Dear Mr. Owens:

Thank you for participating in the General Land Office Oil and Gas Lease Sale held on July 19, 2005. I am pleased to inform you that Patterson Petroleum Lp, Limited Partnership was the high bidder on **MGL. No. 8**, which has been assigned the lease number **M-105301**.

The lease agreement for State Lease M-105301 is enclosed and will serve as your receipt for the amount of your bid. This lease form must be signed and acknowledged by the lessee, and then recorded in the County Clerk's office of the county or counties in which lands covered by the lease are located. After signing and recording the lease, please submit a certified copy of the recorded lease to the attention of the undersigned. These requirements are material provisions of the lease; therefore, please return the certified copy at your earliest convenience.

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

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

Sincerely,

A handwritten signature in black ink, appearing to read "R. Hatter".

Robert B. Hatter, Director
Mineral Leasing Division

File No: NY 105301

Sullivan

Date Filed: 8/19/05

Jerry E. Patterson, Commissioner

By [Signature]

CML Exploration, LLC

Barton Oaks Plaza One, Suite 430
901 Mopac Expressway South
Austin, Texas 78746

Telephone: (512) 328-8085
Facsimile: (512) 327-1259

September 15, 2008

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

Attn: Pat Rogers

Re: Certified Copies of Oil and Gas Leases
M-105301 and M-105344
Brazos/Grimes Counties, Texas

Dear Sir or Madame:

Enclosed herewith are certified copies of the above captioned Oil and Gas Leases in accordance with Paragraph 30 of said leases and a follow-up request from Kayleigh Rust of your office dated August 26, 2008. CML Exploration, LLC is now operator on behalf of Patterson Petroleum.

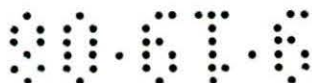
Should you have any questions, please do not hesitate to contact me.
Thank you for your assistance in this matter.

Very truly yours,



Brenda Virgin
Administrative Landman

/bv
Enclosures



The State of Texas



Austin, Texas

OIL AND GAS LEASE NO. M-105301

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

J. R. GAINES SURVEY, GRIMES COUNTY, TEXAS, CONTAINING APPROXIMATELY 72.3 ACRES, AS SHOWN ON THE OFFICIAL MAP OF GRIMES COUNTY, TEXAS NOW ON FILE IN THE TEXAS GENERAL LAND OFFICE, AUSTIN, TEXAS,

was, after being duly advertised, offered for lease on the 19th day of July, 2005, at 10:00 o'clock a.m., by the Commissioner of the General Land Office of the State of Texas and the School Land Board of the State of Texas, for the sole and only purpose of prospecting and drilling for, and producing oil and/or gas that may be found and produced from the above described area; and

WHEREAS, after all bids and remittances which were received up to said time have been duly considered by the Commissioner of the General Land Office and the School Land Board at a regular meeting thereof in the General Land Office, on the 19th day of July, 2005, hereinafter the "effective date" and it was found and determined that PATTERSON PETROLEUM LP, LIMITED PARTNERSHIP whose address is P.O. BOX 1416, SNYDER, TEXAS 79550-1416 had offered the highest and best bid for a lease of the area above described and is, therefore, entitled to receive a lease thereon:

NOW, THEREFORE, I, Jerry E. Patterson, Commissioner of the General Land Office of the State of Texas, hereinafter sometimes referred to as "Lessor," whose address is Austin, Texas, by virtue of the authority vested in me and in consideration of the payment by the hereinafter designated Lessee, the sum of Ten Thousand Eight Hundred Forty-Five and 00/100 Dollars (\$10,845.00), receipt of which is hereby acknowledged and of the royalties, covenants, stipulations and conditions contained and hereby agreed to be paid, observed and performed by Lessee, do hereby demise, grant, lease and let unto the above mentioned bidder the exclusive right to prospect for, produce and take oil and/or gas from the aforesaid area upon the following terms and conditions, to-wit:

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

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

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

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

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

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

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

CERTIFIED COPY CERTIFICATE
STATE OF TEXAS
COUNTY OF GRIMES
This above is a full, true and correct photographic copy of the original record of the above described lease as the same is recorded in the records of the County Clerk of Grimes County, Texas, in my office with volume and page number stamped thereon. I hereby certify on

SEP 03 2008



DAVID PASKET
COUNTY CLERK
GRIMES COUNTY, TEXAS
By *Kristine Johnson*
DEPUTY



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

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

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

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

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

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

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

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

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

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

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

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

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

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

CERTIFIED COPY CERTIFICATE STATE OF TEXAS COUNTY OF GRIMES This above is a full, true and correct photographic copy of the original record... real property

SEP 03 2008



DAVID PASKET COUNTY CLERK GRIMES COUNTY, TEXAS DEPUTY

Handwritten signature of David Pasket



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

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

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

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

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

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

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

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

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

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

CERTIFIED COPY CERTIFICATE
STATE OF TEXAS
COUNTY OF GRIMES
This above is a full, true and correct photographic copy of the original record in the public custody of the State of Texas. It is recorded in the real property records in my office with volume and page number stamped thereon. I hereby certify on

SEP 03 2008

DAVID PASKET
COUNTY CLERK
GRIMES COUNTY, TEXAS
By *Kristy Johnson*
DEPUTY



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CERTIFIED COPY CERTIFICATE
STATE OF TEXAS
COUNTY OF GRIMES
This above is a true and correct photographic copy of the original record as the same is recorded in the public records in my office with volume and page number stamped thereon. I hereby certify on

real property

SEP 03 2008



DAVID PASKET
COUNTY CLERK
GRIMES COUNTY, TEXAS
DEPUTY

David Pasket



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

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

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

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

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

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

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

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

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

CERTIFIED COPY CERTIFICATE
STATE OF TEXAS
COUNTY OF GRIMES
This above is a true and correct photographic copy of the original record as the same has been filed and recorded in my office with volume and page number stamped thereon. I hereby certify on

real property

SEP 03 2008



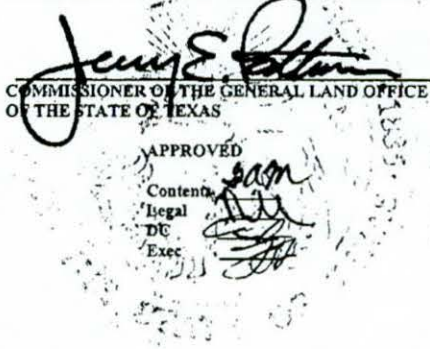
DAVID PASKET
COUNTY CLERK
GRIMES COUNTY, TEXAS
David Pasket
DEPUTY



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

PATTERSON PETROLEUM LP, LIMITED PARTNERSHIP
LESSEE
BY: C.A. Talbott
TITLE: C. A. Talbott CEO
DATE: 9/14/05

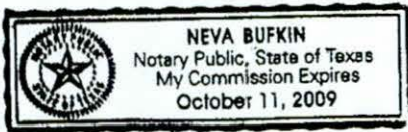
IN TESTIMONY WHEREOF, witness the signature of the Commissioner of the General Land Office of the State of Texas under the seal of the General Land Office.



STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)
COUNTY OF SCURRY

BEFORE ME, the undersigned authority, on this day personally appeared C. A. Talbott
known to me to be the person whose name is subscribed to the foregoing instrument, as CEO of
Patterson Petroleum LP, Limited Partnership and acknowledged to me that he executed the same
for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation. limited partnership.

Given under my hand and seal of office this the 14th day of September, 2005



Signature of Neva Bufkin
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

CERTIFIED COPY CERTIFICATE
STATE OF TEXAS
COUNTY OF GRIMES
This above is a full, true and correct photographic copy of the original
recording of the following instrument, and the same is recorded
in the records in my office with volume and page number stamped thereon. I hereby certify on

SEP 03 2008



Filed for Record in:
Grimes County
On: Sep 19, 2005 at 12:00P
As a RECORDINGS

Document Number: 00202273
Amount 35.00
Receipt Number - 3448
By: Tina S Schroeder

STATE OF TEXAS COUNTY OF GRIMES
I hereby certify that this instrument was
filed on the date and time stamped hereon by me
and was duly recorded in the volume and page
of the named records of:
Grimes County
as stamped hereon by me.
Sep 19, 2005

David Pasket, County Clerk
Grimes County

RETURN TO:
Patterson Petroleum LP
Barton Oaks Plaza One - #430
901 MoPac South
Austin, Texas 78746

CERTIFIED COPY CERTIFICATE
STATE OF TEXAS
COUNTY OF GRIMES
This above is a full, true and correct photographic copy of the original
recorded by my faithful clerk, and the same is recorded
in the records in my office
with volume and page number stamped thereon. I hereby certify on
real property

SEP 03 2008



DAVID PASKET
COUNTY CLERK
GRIMES COUNTY, TEXAS
By: *Misty Johnson*
DEPUTY

4.

File No. FF 705301
Letter and
certified lease
Date Filed: 9/19/08
Jerry Patterson, Commissioner
By: [Signature]



DO NOT DESTROY



Texas General Land Office
UNIT AGREEMENT MEMO

PA06-41

Unit Number 3781
Operator Name PATTERSON PETROLEUM LP Effective Date 4/4/2006
TaxID: [REDACTED] Unitized For Oil & Gas
Unit Name Patterson-Peters No. 5 Unit Unit Term 6 Months

County1 Brazos
County2 Grimes
County3
RRC District: 03
Unit Type: Temporary
State Royalty Interest: 0.0222159090909
State Part in Unit: 0.0888636363636

	<u>Old Unit Number</u>	<u>Inactive Status Date</u>
County 1	0	
County 2	0	
County 3	0	
RRC District:	0	
Unit Type:	0	
State Royalty Interest:	0	

Unit Depth Well:
Below Depth 0 Formation: Top of Buda to Base of the Georgetown
Above Depth 0 Participation Basis: Surface Acreage
[If Exclusions Apply: See Remarks]

MF Number MF105301 Tract Number 1
Lease Acres 72.3 / Total Unit Acres 1320 =
Tract Participation: 0.0547727 X
Lease Royalty 0.25 = Manual Tract Participation:
Tract Royalty Participation 0.0136932 Manual Tract Royalty:

0
0
See Remarks

Tract Royalty Reduction Yes
Tract Royalty Rate 0.2
Tract On-Line Date: 1/19/2007

15-008903 - 72.3 AC

MF Number MF105344 Tract Number 2
Lease Acres 30 / Total Unit Acres 1320 =

Tract Participation: 0.0227273 X

Lease Royalty 0.25 =

Manual Tract Participation: 0 | See Remarks

Tract Royalty Participation 0.0056818

Manual Tract Royalty: 0

Tract Royalty Reduction Yes
Tract Royalty Rate 0.2
Tract On-Line Date: 7/19/2006

01-002809-15.0
01-2818-15.0

MF Number MF106093 Tract Number 3
Lease Acres 15 / Total Unit Acres 1320 =

Tract Participation: 0.0113636 X

Lease Royalty 0.25 =

Manual Tract Participation: 0 | See Remarks

Tract Royalty Participation 0.0028409

Manual Tract Royalty: 0

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

01-2809-7.50
01-2818-7.50

API Number RRC Number

Remarks:

The state's unit royalty participation will be based on the actual survey of the unit.

Prepared By: MT
GLO Base Updated By: M. Silva
RAM Approval By: J King
GIS By: _____
Mineral Maps By: _____

Prepared Date: 5-5-06
GLO Base Date: 5-5-06
RAM Approval Date: 5-10-06
GIS Date: _____
Mineral Maps Date: _____

Pooling Committee Report

To: School Land Board PA06-41
Date of Board Meeting: April 4, 2006 Unit Number: 3781
Effective Date: 4/4/2006
Unit Expiration Date: 10/4/2006
Applicant: PATTERSON PETROLEUM LP
Attorney Rep:
Operator: PATTERSON PETROLEUM LP
County 1: Brazos
County 2: Grimes
County 3:
Unit Name: Patterson-Peters No. 5 Unit
Field Name: Kurten (Buda), Kurten (Georgetown)

<u>Lease Type</u>	<u>MF Number</u>	<u>Lease Royalty</u>	<u>Expiration Date</u>	<u>Lease Term</u>	<u>Lease Acres</u>	<u>Lease Acres in Unit</u>	<u>Royalty Participation</u>
UR	(MF 106093)	0.25				15	0.0028409
SF	MF105301	0.25	7/19/2010	5 years	72.3	72.3	0.0136932
SF	MF105344	0.25	7/19/2008	3 years	30	30	0.0056818

A part of the Navasota River is being pooled pursuant to Texas Natural Resources Code 52.076 which gives the School Land Board the authority to pool unleased riverbeds and channels.

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

Private Acres:	1202.7
State Acres:	117.3
Total Unit Acres:	1320

<u>Participation Basis:</u>	
Surface Acreage	
<u>State Acreage:</u>	8.89%
<u>State Unit Royalty:</u>	2.22%

<u>Unit Type:</u>	<u>Unitized for:</u>
Temporary	Oil & Gas
<u>Term:</u>	6 Months

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

<u>RRC Rules:</u>	<u>Spacing Acres:</u>
Special Field Rule	1320

REMARKS:

- o Patterson Petroleum, L.P. is requesting 6-month temporary oil and gas pooling from the top of the Buda Formation to the base of the Georgetown Formation or its correlative equivalent occurring from 9,455 feet to 9,860 feet as seen on the MCZ #1 Clearlake Properties well log.

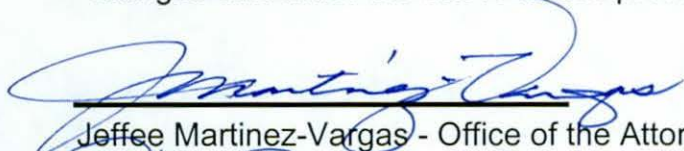
- o The applicant plans on drilling a horizontal well in April this year to test the Buda and Georgetown Formations. The proposed total depth is 9,630 feet true vertical depth.

- o To compensate the state for lost lease bonus on the unleased Navasota River acreage, the applicant has agreed to pay the Permanent School Fund \$2,250.00 or \$150.00 per acre.

- o With approval of the unit the state's unit royalty participation will be approximately 2.22%. If the unit well is on-line to sales by July 19, 2006, the applicant will earn a reduced royalty to 20% on MF105301 and MF105344, making the state's unit royalty participation approximately 1.83%. The state's unit royalty participation will be based on the surveyed unit acreage.

POOLING COMMITTEE RECOMMENDATION:

- o The Pooling Committee recommends Board approval of a 6-month temporary oil and gas unit under the above-stated provisions.



Jeffrey Martinez-Vargas - Office of the Attorney General

3-22-06

Date:



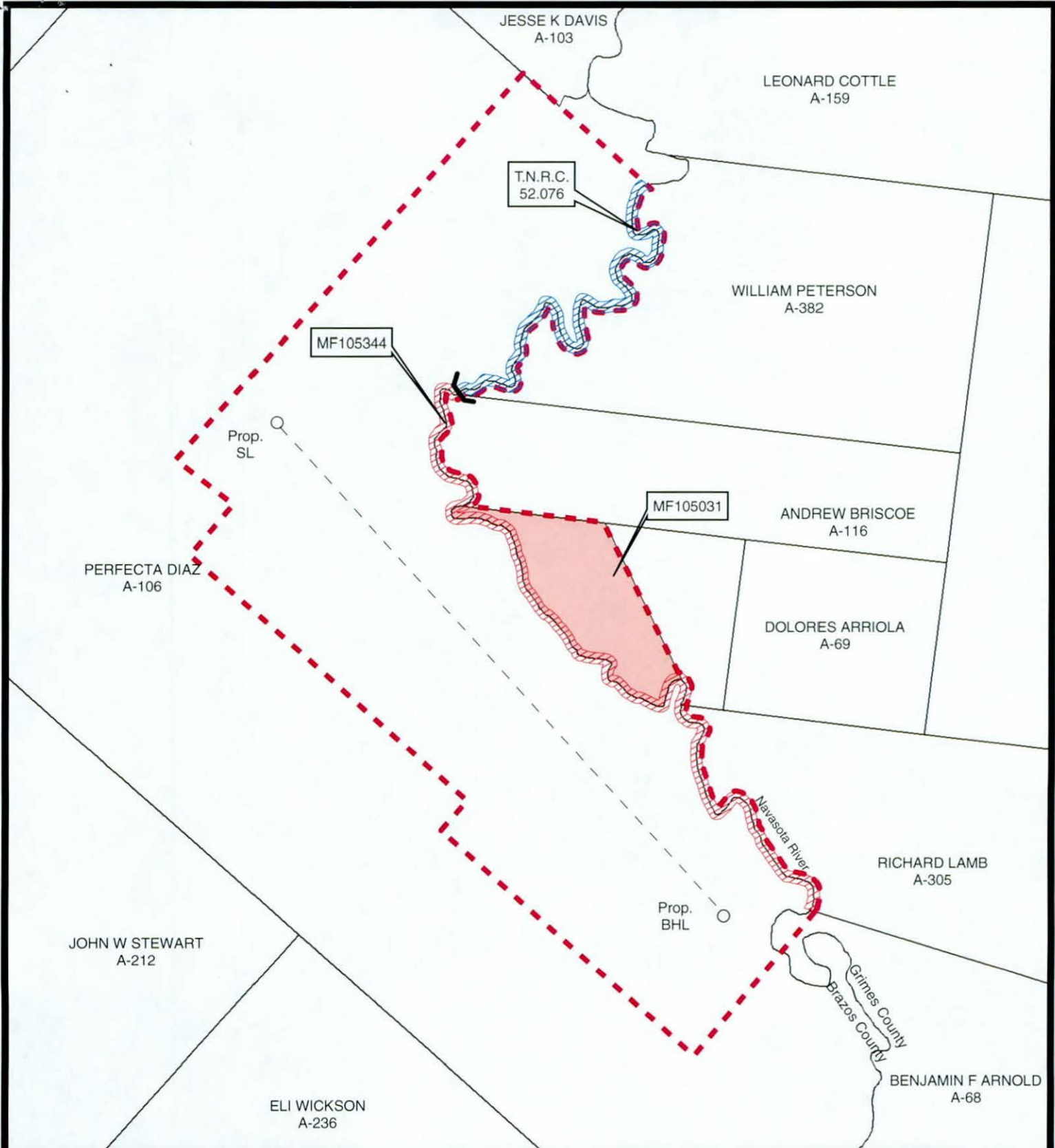
Peter A. Boone - General Land Office

3-22-06

Date:

Vacant - Office of the Governor

Date:



Patterson Petroleum, L.P.
 Patterson-Peters No. 5 Unit
 Kurten (Buda) (Georgetown)
 MF105301, MF105344 and a part of
 the Navasota River is being pooled
 under T.N.R.C. 52.076
 Brazos and Grimes Counties
 PA06-41

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

GCS_North_American_1927
 0 1,000 2,000 Feet



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



Map Compiled By:
 Ferrel Taylor
 Information Systems - GIS
 April 4, 2006

TERM POOLING AGREEMENT
PATTERSON PETROLEUM LP
PATTERSON-PETERS NO. 5 UNIT
BRAZOS AND GRIMES COUNTIES, TEXAS

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

PURPOSES:

1.

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

UNIT DESCRIPTION:

2.

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

MINERAL POOLED:

3.

The mineral pooled and unitized ("pooled mineral") hereby shall be oil and gas including all hydrocarbons that may be produced from an oil well or a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to those depths underlying the surface boundaries of the pooled unit from the top of the Buda Formation to the base of the Georgetown Formation or its correlative equivalent which occurs from 9,455 feet to 9,860 feet as seen on the log of the MCZ Clearlake Properties No. 1 well ("unitized interval").

POOLING AND EFFECT:

4.

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

- (a) The unit, to the extent as above described, shall be operated as an entirety for the exploration, development and production of the pooled mineral, rather than as separate tracts.
- (b) All drilling operations, reworking or other operations with respect to the pooled mineral on land within the unit shall be considered as though the same were on each separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement. In the event the unitized area covered by this Agreement is maintained in force by drilling or reworking operations conducted on a directional well drilled under the unitized area from a surface location on adjacent or adjoining lands not included within the boundaries of the unitized area, such operations shall be considered to have been commenced on the unitized area when drilling is commenced on the adjacent or adjoining land for the purpose of directionally drilling under the unitized area and production of oil or gas from the unitized area through any directional well surfaced on adjacent or adjoining land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations, as the case may be, on the unitized area for all purposes under this Agreement. Nothing in this Agreement is intended or shall be construed as granting to Lessee any leasehold interest, easements, or other rights in or with respect to any such adjacent or adjoining land in addition to any such leasehold interests, easements, or other rights which the lessee, operator or other interest owner in the unitized area may have lawfully acquired from the state or others.
- (c) Production of the pooled mineral from the unit allocated to each separate tract, respectively, as hereinafter provided, shall be deemed to have been produced from each such separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement Provided that, if any State Lease described in Exhibit "A" attached hereto contains provision 4(E) VARIABLE ROYALTY, and a unit well is not located on such State Lease and a reduced royalty has not otherwise been earned, then a reduced royalty may be earned by unit production, but it shall only apply to the acreage included within the unit and only for so long and insofar as the acreage remains in a temporary unit. At the expiration of the temporary unit the reduced royalty earned by unit production shall cease unless all or a portion of the acreage is included in a permanent unit as approved by the School Land Board. The acreage included within the permanent unit will retain the reduced royalty. Acreage outside of the unitized area must earn a reduced royalty independently.
- (d) All rights to the production of the pooled mineral from the unit, including royalties and other payments, shall be determined and governed by the lease or other contract pertaining to each separate tract, respectively, based upon the production so allocated



to such tract only, in lieu of the actual production of the pooled mineral therefrom. Provided that, payments that are made on a per acre basis shall be reduced according to the number of acres pooled and included herein, so that payments made on a per acre basis shall be calculated based upon the number of acres actually included within the boundaries of the pooled unit covered by this Agreement.

- (e) A shut-in oil or gas well located upon any land or lease included within said unit shall be considered as a shut-in oil or gas well located upon each land or lease included within said unit; provided, however, that shut-in oil or gas well royalty shall be paid to the State on each State lease wholly or partially within the unit, according to the terms of such lease as though such shut-in oil or gas well were located on said lease, it being agreed that shut-in royalties provided in each State lease shall not be shared with other royalty owners.
- (f) Notwithstanding any other provision hereof, it is expressly agreed that each State lease may be maintained in force as to areas lying outside the unitized area described in Exhibit "B" only as provided in each such lease without regard to unit operations or unit production. Neither production of the pooled mineral, nor unit operations with respect thereto, nor the payment of shut-in royalties from a unit well, shall serve to hold any State lease in force as to any area outside the unitized area described in Exhibit "B" regardless of whether the production or operations on the unit are actually located on the State lease or not. "Area" as used in this paragraph shall be based upon surface acres to the end that, except as may otherwise be provided in each State Lease, the area inside the surface boundaries of the pooled unit, if held, will be held as to all depths and horizons.
- (g) If the Railroad Commission of Texas (or any other Texas regulatory body having jurisdiction) shall adopt special field rules providing for oil and/or gas proration units of less than 1,320 acres, then Lessee agrees to either (1) drill to the density permitted by the Railroad Commission, (2) make application to the School Land Board of the State of Texas to reform the unit to comply with Railroad Commission unit rules, or (3) make application to the School Land Board of the State of Texas for such remedy as may be agreeable to the Board.
- (h) This Agreement shall not relieve Lessee from the duty of protecting the State leases described in Exhibit "A" and the State lands within the boundaries of the pooled unit described in Exhibit "B" from drainage from any well situated on privately owned land, lying outside the unitized area described in Exhibit "B", but, subject to such obligation, Lessee may produce the allowable for the entire unit as fixed by the Railroad Commission of Texas or other lawful authority, from any one or more wells completed thereon.
- (i) There shall be no obligation to drill internal offsets to any other well on separate tracts within the pooled unit, nor to develop the lands within the boundaries thereof separately, as to the pooled mineral.
- (j) Should this Agreement terminate for any cause, in whole or in part, the leases and other contracts affecting the lands within the unit, if not then otherwise maintained in force and effect, shall remain and may be maintained in force and effect under their respective terms and conditions in the same manner as though there had been production or operations under said lease or contract and the same had ceased on the date of the termination of this Agreement.

ALLOCATION OF PRODUCTION:

5.

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

TAKING ROYALTY IN KIND:

6.

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

FULL MARKET VALUE:

7.

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

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



(b) As to royalty on gas, such value to be based on (1) the highest market price paid or offered for gas of comparable quality for the field where produced and when run, or (2) the gross price paid or offered to the producer, whichever is the greater.

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

EFFECTIVE DATE: 8.

Upon execution by the Commissioner of the General Land Office of the State of Texas this Agreement shall become effective as of April 4, 2006.

TERM: 9.

Unless this agreement expires earlier pursuant to the terms of the respective leases included as a part of this Agreement, or on such other date approved by the School Land Board and mutually agreed to by the undersigned parties, their successors or assigns, this Agreement shall expire on October 4, 2006. Nothing herein shall amend or modify Section 52.031 of the Natural Resources Code, or any of the provisions thereof, which are contained in any State lease, covered by this Agreement.

STATE LAND: 10.

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

DISSOLUTION: 11.

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

RATIFICATION/WAIVER: 12.

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

COUNTERPARTS: 13.

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

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

Date Executed _____

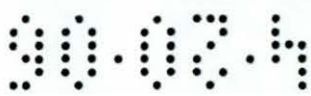
STATE OF TEXAS

Legal
Content
Geology
Executive

WJ
AM
M
JB

Jerry E. Patterson

Jerry E. Patterson, Commissioner
General Land Office



Date Executed 4/17/06

PATTERSON PETROLEUM LP

By: *C.A. Talbott*
Cloyce A. Talbott, CEO

CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on the 4th day of April, 2006, the foregoing instrument was presented to and approved by said Board under the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am custodian.

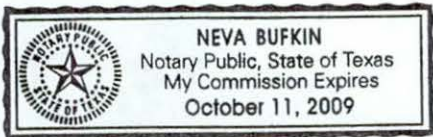
IN TESTIMONY WHEREOF, witness my hand this the 25th day of April, 2006.

Stephanie Crenshaw
Secretary of the School Land Board

STATE OF TEXAS

COUNTY OF SCURRY

This instrument was acknowledged before me on April 17, 2006, by Cloyce A. Talbott as CEO for Patterson Petroleum LP, a Delaware limited partnership on behalf of said partnership.



Neva Bufkin
Notary Public in and for the State of Texas



EXHIBIT "A"

SCHEDULE OF OIL, GAS AND MINERAL LEASES TO BE POOLED

1. Oil, Gas and Mineral Lease dated December 24, 1975 between Diane Peters, et al, as lessor and Jack E. Havard, as lessee, covering 1008.25 acres, more or less, in Brazos County, Texas, and being recorded in Volume 22, Page 435 of the Oil, Gas and Mineral Lease Records, Brazos County, Texas.
2. Oil, Gas and Mineral Lease dated June 8, 2003, as ratified by other owners, between Clear Lake Properties, Inc., et al, as lessor, and Patterson Petroleum LP, Limited Partnership, as lessee, covering 700 acres, more or less, in Brazos County, Texas, a Memorandum of which is recorded in Volume 5666, Page 295 of the Official Records of Brazos County, Texas. This lease later amended to cover 830 acres, more or less, by Amendment of Oil, Gas and Mineral Lease dated July 22, 2004, as ratified by other owners, being recorded in Volume 6190, Page 214 of the Official Records of Brazos County, Texas.
3. Oil, Gas and Mineral Lease dated July 22, 2002 between Charles E. Foltin, et al, as lessor and Patterson Petroleum LP, Limited Partnership, as lessee, covering 361.913 acres, more or less, in Brazos County, Texas and being recorded in Volume 4818, Page 267 of the Official Records of Brazos County, Texas. Extensions of said lease being recorded in Volume 6792, page 88, in Volume 6792, Page 90 and in Volume 6866, Page 15 of the Official Records of Brazos County, Texas.
4. Oil and Gas Lease No. M-105344 dated July 19, 2005 between The State of Texas, as lessor, and Patterson Petroleum LP, Limited Partnership, as lessee, covering 30 acres, more or less, in Brazos and Grimes Counties, Texas.
5. Oil and Gas Lease No. M-105301 dated July 19, 2005 between The State of Texas, as lessor, and Patterson Petroleum LP, Limited Partnership, as lessee, covering 72.3 acres, more or less, in Brazos and Grimes Counties, Texas.
6. Term Pooling Agreement Pursuant to TNRC § 52.076 by and between The State of Texas and Patterson Petroleum LP, Limited Partnership dated _____, and covering 15 acres, more or less.



EXHIBIT "B"

DESCRIPTION OF PATTERSON PETROLEUM-PETERS NO. 5 UNIT**

1320 acres, more or less, out of the Perfecto Diaz Survey, A-106, Brazos County, Texas, and the J.R. Gaines Survey, the Wm Peterson Survey, A-382, the Andrew Briscoe Survey, A-116, and the Richard Lamb Survey, A-305 in Brazos and Grimes Counties, Texas, being comprised of the following tracts of land:

- Tr. 1: The southwesterly 685 acres, more or less, out of that certain Oil, Gas and Mineral Lease dated December 24, 1975 between Diane Peters, et al, as lessor and Jack E. Havard, as lessee, covering 1008.25 acres, more or less, in Brazos County, Texas, and being recorded in Volume 22, Page 435 of the Oil, Gas and Mineral Lease Records, Brazos County, Texas.
- Tr. 2: 125 acres, more or less, out of the northeast one-half that certain Oil, Gas and Mineral Lease dated July 22, 2002 between Charles E. Foltin, et al, as lessor and Patterson Petroleum LP, Limited Partnership, as lessee, covering 361.913 acres, more or less, in Brazos County, Texas and being recorded in Volume 4818, Page 267 of the Official Records of Brazos County, Texas.
- Tr. 3: 392.7 acres, more or less, out of the northeast portion of that certain Oil, Gas and Mineral Lease dated June 8, 2003 between Clear Lake Properties, Inc., et al, as lessor, and Patterson Petroleum LP, Limited Partnership, as lessee, as amended, covering 830 acres, more or less, in Brazos County, Texas, a Memorandum of which is recorded in Volume 5666, Page 295 of the Official Records of Brazos County, Texas.
- Tr. 4: All of the land covered by Oil and Gas Lease No. M-105344 dated July 19, 2005 between The State of Texas, as lessor, and Patterson Petroleum LP, Limited Partnership, as lessee, covering 30 acres, more or less, in Brazos and Grimes Counties, Texas.
- Tr. 5: All of the land covered by Oil and Gas Lease No. M-105301 dated July 19, 2005 between The State of Texas, as lessor, and Patterson Petroleum LP, Limited Partnership, as lessee, covering 72.3 acres, more or less, in Brazos and Grimes Counties, Texas.
- Tr. 6: All of the land covered by Term Pooling Agreement Pursuant To TNRC §52.076 by and between The State of Texas and Patterson Petroleum LP, Limited Partnership dated _____, and covering 15 acres, more or less.

**To be more formally described by surveyor after the drilling of the Patterson Petroleum-Peters No. 5 Well and after the exact determination of the lateral lengths reached in such well, all in accordance with Field Rules of the Kurten (Buda/Georgetown) Field. The above described 1320 acre Unit pre-supposes that a lateral length of 10,000 ft. is reached in said well.



5.

File No. MF105301
Order Committee Report
Jermis Cooling Agreement

Date Filed: 5/10/08

Jerry E. Patterson, Commissioner

By: 



DO NOT DESTROY



Texas General Land Office
UNIT AGREEMENT MEMO

PA06-41

Unit Number 3781

Operator Name **PATTERSON PETROLEUM LP** Effective Date 4/4/2006

TaxID: [REDACTED] Unitized For Oil & Gas

Unit Name **Patterson-Peters No. 5 Unit** Unit Term 6 Months

County1 **Brazos**

County 2 **Grimes** Old Unit Number Inactive Status Date

County 3 0

RRC District: 03 0

Unit Type: **Temporary** 0

State Royalty Interest: 0.0222159090909 0

State Part in Unit: 0.0888636363636

Unit Depth Well:

Below Depth 0 Formation: **Ton of Buda to Base of the Georgetown**

Above Depth 0 Participation Basis: **Surface Acreage**

[If Exclusions Apply: See Remarks]

MF Number **MF105301** Tract Number 1

Lease Acres 72.3 / Total Unit Acres 1320 =

Tract Participation: 0.0547727 X

Lease Royalty 0.25 = Manual Tract Participation: [] 0 | See Remarks

Tract Royalty Participation 0.0136932 Manual Tract Royalty: [] 0 |

Tract Royalty Reduction Yes

Tract Royalty Rate 0.2

Tract On-Line Date: 1/19/2007

15-008903 = 72.3 Ac

MF Number MF105344 Tract Number 2
Lease Acres 30 / Total Unit Acres 1320 =

Tract Participation: 0.0227273 X

Lease Royalty 0.25 =

Manual Tract Participation: 0 | See Remarks

Tract Royalty Participation 0.0056818

Manual Tract Royalty: 0

Tract Royalty Reduction Yes
Tract Royalty Rate 0.2
Tract On-Line Date: 7/19/2006

01-002809-15.0
01-2818-15.0

MF Number MF106093 Tract Number 3
Lease Acres 15 / Total Unit Acres 1320 =

Tract Participation: 0.0113636 X

Lease Royalty 0.25 =

Manual Tract Participation: 0 | See Remarks

Tract Royalty Participation 0.0028409

Manual Tract Royalty: 0

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

01-2809-7.50
01-2818-7.50

API Number RRC Number

Remarks:

The state's unit royalty participation will be based on the actual survey of the unit.

Prepared By: MT
GLO Base Updated By: M. Silva
RAM Approval By: J Ky
GIS By: _____
Mineral Maps By: _____

Prepared Date: 5-5-06
GLOBase Date: 5-5-06
RAM Approval Date: 5-10-06
GIS Date: _____
Mineral Maps Date: _____

Pooling Committee Report

To: School Land Board PA06-41
Date of Board Meeting: April 4, 2006 Unit Number: 3781
Effective Date: 4/4/2006
Unit Expiration Date: 10/4/2006
Applicant: PATTERSON PETROLEUM LP
Attorney Rep:
Operator: PATTERSON PETROLEUM LP
County 1: Brazos
County 2: Grimes
County 3:
Unit Name: Patterson-Peters No. 5 Unit
Field Name: Kurten (Buda), Kurten (Georgetown)

<u>Lease Type</u>	<u>MF Number</u>	<u>Lease Royalty</u>	<u>Expiration Date</u>	<u>Lease Term</u>	<u>Lease Acres</u>	<u>Lease Acres in Unit</u>	<u>Royalty Participation</u>
UR	(MF 106093)	0.25				15	0.0028409
SF	MF105301	0.25	7/19/2010	5 years	72.3	72.3	0.0136932
SF	MF105344	0.25	7/19/2008	3 years	30	30	0.0056818

A part of the Navasota River is being pooled pursuant to Texas Natural Resources Code 52.076 which gives the School Land Board the authority to pool unleased riverbeds and channels.

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

Private Acres:	1202.7
State Acres:	117.3
Total Unit Acres:	1320

Participation Basis:	
Surface Acreage	
State Acreage:	8.89%
State Unit Royalty:	2.22%

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

Well Location:
Private Land

RRC Rules:	Spacing Acres:
Special Field Rule	1320

REMARKS:

- o Patterson Petroleum, L.P. is requesting 6-month temporary oil and gas pooling from the top of the Buda Formation to the base of the Georgetown Formation or its correlative equivalent occurring from 9,455 feet to 9,860 feet as seen on the MCZ #1 Clearlake Properties well log.

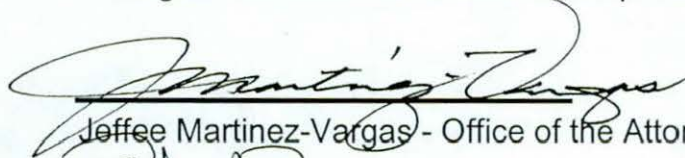
- o The applicant plans on drilling a horizontal well in April this year to test the Buda and Georgetown Formations. The proposed total depth is 9,630 feet true vertical depth.

- o To compensate the state for lost lease bonus on the unleased Navasota River acreage, the applicant has agreed to pay the Permanent School Fund \$2,250.00 or \$150.00 per acre.

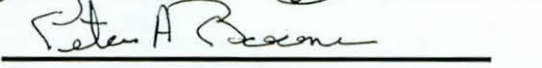
- o With approval of the unit the state's unit royalty participation will be approximately 2.22%. If the unit well is on-line to sales by July 19, 2006, the applicant will earn a reduced royalty to 20% on MF105301 and MF105344, making the state's unit royalty participation approximately 1.83%. The state's unit royalty participation will be based on the surveyed unit acreage.

POOLING COMMITTEE RECOMMENDATION:

- o The Pooling Committee recommends Board approval of a 6-month temporary oil and gas unit under the above-stated provisions.



Jeffee Martinez-Vargas - Office of the Attorney General


Peter A. Boone - General Land Office

Vacant - Office of the Governor

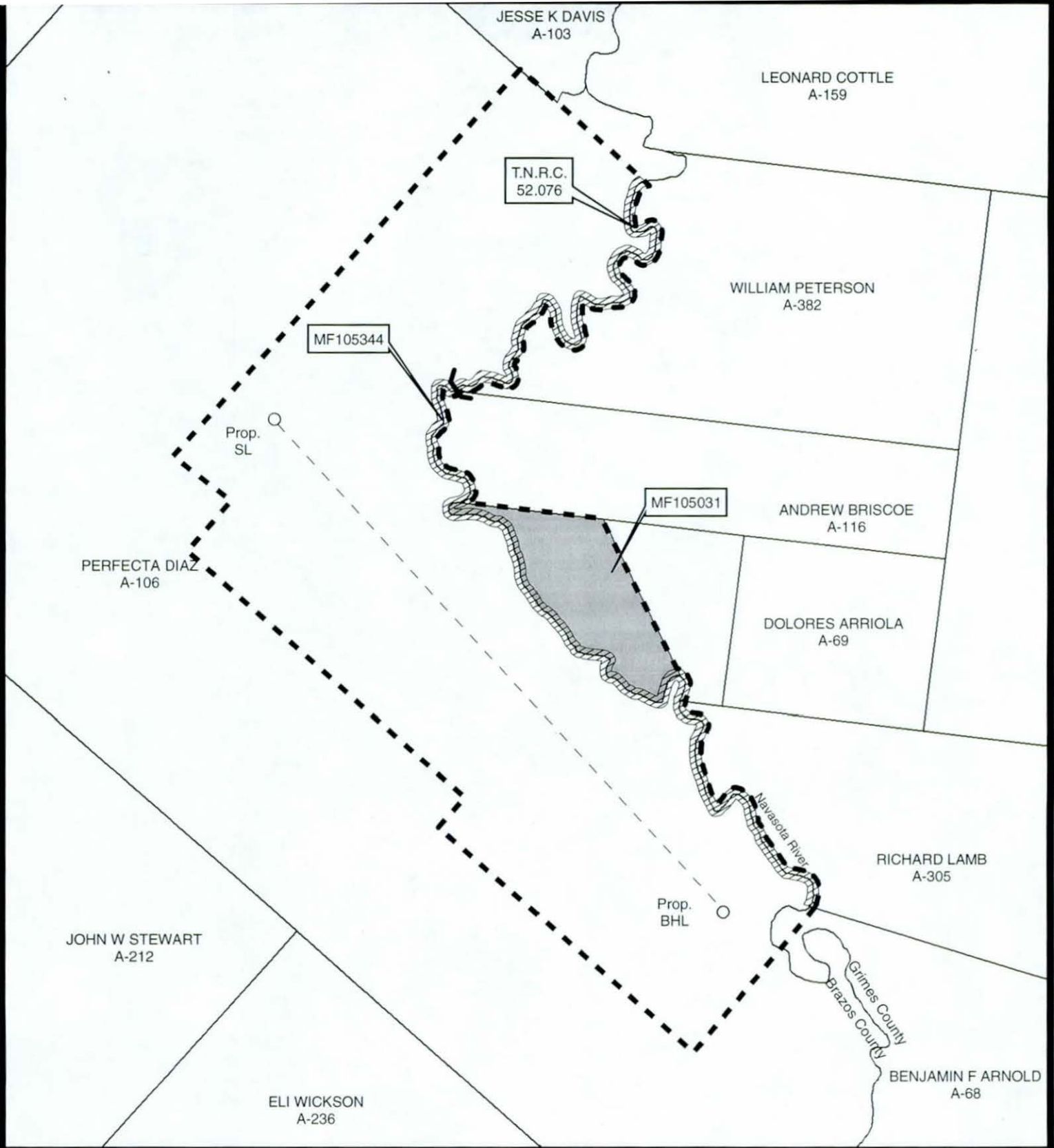
3-22-06

Date:

3-22-06

Date:

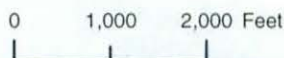
Date:



Patterson Petroleum, L.P.
 Patterson-Peters No. 5 Unit
 Kurten (Buda) (Georgetown)
 MF105301, MF105344 and a part of
 the Navasota River is being pooled
 under T.N.R.C. 52.076
 Brazos and Grimes Counties
 PA06-41

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

GCS_North_American_1927



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



Map Compiled By:
 Ferrel Taylor
 Information Systems - GIS
 April 4, 2006

**TERM POOLING AGREEMENT PURSUANT TO TNRC § 52.076
STATE OF TEXAS / PATTERSON PETROLEUM LP
PATTERSON-PETERS NO. 5 UNIT
M-106093
BRAZOS AND GRIMES COUNTIES, TEXAS**

THIS AGREEMENT ("Agreement") is made and entered into effective the 4th day of April 2006, by and between the Commissioner of the General Land Office of the State of Texas ("State"), and Patterson Petroleum LP ("Patterson").

WITNESSETH THAT:

WHEREAS, the State owns the minerals under approximately 15 acres of the Navasota River contained within the boundaries of the approximately 1,320-acre, Patterson-Peters No. 5 Unit ("Unit"), said 15 acres hereinafter referred to as the ("unleased interest"); and

WHEREAS, pursuant to Texas Natural Resources Code § 52.076(a)(4), the School Land Board has authority to pool unleased riverbeds and channels owned by the State; and

WHEREAS, Patterson and the State desire to pool the above-referenced unleased interest into said Unit; and

WHEREAS, The School Land Board at its regular meeting on April 4, 2006 determined that pooling said unleased interest as to oil and gas from the top of the Buda Formation to the base of the Georgetown Formation as described on Exhibit "2" for a term of six months is in the best interest of the State.

NOW, THEREFORE, in consideration of the payment of \$2,250.00 to the State and of the mutual agreements hereinafter set forth and together with other valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, and for the purposes and upon the terms and conditions contained herein, the parties hereto agree as follows:

1. This Agreement is entered into pursuant to the authority granted in Chapter 52, of the Texas Natural Resources Code and Chapter 9 of Title 31 of the Texas Administrative Code and is intended to be performed pursuant to and in compliance with all applicable statutes, decisions, regulations, rules, orders and directives of any governmental agency having jurisdiction over the production and conservation of minerals from the Unit and in the interpretation and application hereof this Agreement shall be, in all things, subject thereto.

2. The State and Patterson agree that nothing herein shall be construed as granting a leasehold interest to Patterson in the unleased interest, but rather this Agreement affects a contractual pooling of interests with the respective rights and duties of the parties defined in paragraph 3, below.

3. The rights and duties of the State and Patterson with respect to the State's unleased interest within the boundaries of the Unit shall be established, governed and controlled by the terms, conditions and covenants contained in Exhibit "1" and Exhibit "2" attached hereto and incorporated herein, wherein the State shall be considered the Lessor and Patterson the Lessee and the State shall receive its share of unit production in the form of a royalty as provided in Exhibit "1" and allocated to the State as provided in Exhibit "2" with no obligation to the State for operating costs of any kind, including but not limited to exploring, drilling, equipping, completion, treating, transporting, marketing, plugging, abandonment or restoration.

4. This Agreement is for a term of six months from the effective date and shall expire on October 4, 2006, unless it is dissolved earlier as approved by the School Land Board and mutually agreed to by the undersigned parties, their successors or assigns.

5. Inasmuch as the parties may not be able conveniently to execute one original hereof, it is agreed that a counterpart hereof may be executed by each party to this Agreement, each of which shall be considered an original, and all of said counterparts shall be construed together as one instrument.

6. The terms and provisions hereof shall extend to and be binding upon the heirs, legal representatives, successors, and assigns of the parties hereto.





7. This Agreement is to be performed in the State of Texas, and the substantive laws of the State of Texas will govern the validity, construction and enforcement of this Agreement.



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

Date Executed April 24, 2006

STATE OF TEXAS

legal 
geol. 
cont. 
exec. 


Jerry E. Patterson, Commissioner
General Land Office

Date Executed 4/17/06

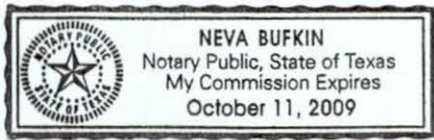
PATTERSON PETROLEUM LP

By: 
Cloyce A. Talbott, CEO

STATE OF TEXAS

COUNTY OF SCURRY

This instrument was acknowledged before me on April 17, 2006, by Cloyce A. Talbott as CEO of Patterson Petroleum LP, a Delaware limited partnership on behalf of said partnership.




Notary Public in and for the State of Texas

CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on April 4, 2006, the foregoing instrument was approved by said Board under the provisions of Chapter 52 of the Natural Resources Code all of which is set forth in the Minutes of the Board of which I am custodian.

IN TESTIMONY WHEREOF, witness my hand this the 25th day of April, 2006.


Secretary of the School Land Board

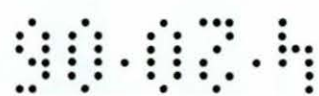


EXHIBIT "1"

§52.076 Form
Revised 3/04

1. RESERVATION AND GRANT: There is hereby excepted and reserved to Lessor the full use of the property covered hereby and all rights with respect to the surface and subsurface thereof for any and all purposes except those granted to Lessee, being the right to explore for, drill and produce the pooled mineral from the pooled area, and Lessor further reserves the rights of ingress and egress and use of said lands by Lessor and its mineral lessees, for purposes of exploring for and producing the minerals and zones which are not covered by this Agreement. All of the rights in and to the pooled area retained by Lessor and all of the rights in and to the pooled area granted to Lessee herein shall be exercised in such a manner that neither shall unduly interfere with the operations of the other.

2. PRODUCTION ROYALTIES: Upon production of the pooled mineral Lessee agrees to pay or cause to be paid to the Commissioner of the General Land Office in Austin, Texas, for the use and benefit of the State of Texas, during the term hereof:

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

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

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

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

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

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

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

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

(H) MINIMUM ROYALTY: The royalties paid to Lessor each year in no event shall be less than \$5.00 per acre pooled; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of first production a sum equal to \$5.00 per acre pooled less the amount of royalties paid during the preceding year.

3. 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 to each lease number. If Lessee pays his royalty on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% on the royalty or \$25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or \$25.00 whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.

4. (A) RESERVES, CONTRACTS AND OTHER RECORDS: Lessee shall annually furnish the Commissioner of the General Land Office with its best possible estimate of pooled mineral reserves underlying the pooled area 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 pooled



mineral produced from the pooled area, including the books and accounts, receipts and discharges of all wells, tanks, pools, meters, and pipelines shall at all times be subject to inspection and examination by the Commissioner of the General Land Office, the Attorney General, the Governor, or the representative of any of them.

(B) DRILLING RECORDS: Written notice of all operations on the pooled unit 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 unit well or wells. Such written notice to the General Land Office shall include copies of Railroad Commission forms for application to drill. Copies of well tests, completion reports and plugging reports shall be supplied to the General Land Office at the time they are filed with the Texas Railroad Commission. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above-described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to the total depth of well, of all wells drilled on the unit 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.

5. OFFSET WELLS: If the pooled mineral should be produced in commercial quantities from a well located on land privately owned or on State land leased at a lesser royalty, which well is within one thousand (1,000) feet of the area included herein, or which well is draining the area covered by this agreement, the Lessee shall, within sixty (60) days after such initial production from the draining well or the well located within one thousand (1,000) feet from the area covered by this agreement begin in good faith and prosecute diligently the drilling of an offset well on the area covered by this agreement, and such offset well shall be drilled to such depth as may be necessary to prevent the undue drainage of the area covered by this agreement, and the Lessee, manager or driller shall use all means necessary in a good faith effort to make such offset well produce oil and/or gas in commercial quantities. Only upon the determination of the Commissioner and with his written approval, may the payment of a compensatory royalty satisfy the obligation to drill an offset well or wells required under this Paragraph. Insofar as there is production from the well(s) provided for in this pooling agreement, there exists a duty to protect the state acreage that is a part of this agreement from drainage. This duty shall survive this agreement, but only to the extent that the well(s) provided for in this agreement is producing and only insofar as they are from the depths and productive acreage provided for in this agreement. This duty is in addition to any other duties that may now or hereafter exist.

6. USE OF WATER; SURFACE: Lessee shall have the right to use water produced on said land necessary for operations hereunder and solely upon the pooled area; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for water flood operations without the prior written consent of Lessor. Subject to its obligation to pay surface damages, Lessee shall have the right to use so much of the surface of the land that may be reasonably necessary for drilling and operating wells and transporting and marketing the production therefrom, such use to be conducted under conditions of least injury to the surface of the land.

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

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

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

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

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

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

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

11. FORFEITURE: If Lessee shall fail or refuse to make the payment of any sum within thirty (30) days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this agreement, or if this agreement is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this agreement 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 or pooling. However, nothing herein shall be construed as waiving the automatic termination of this agreement by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this agreement 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 agreement and the rules and regulations that may be adopted relative hereto.



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

13. APPLICABLE LAWS AND DRILLING RESTRICTIONS: This agreement shall be subject to all rules and regulations, and amendments thereto, promulgated by the Commissioner of the General Land Office governing drilling and producing operations on Permanent Free School Land (specifically including any rules promulgated that relate to plans of operations), payment of royalties, and auditing procedures, and shall be subject to all other valid statutes, rules, regulations, orders and ordinances that may affect operations under the provisions of this agreement. Without limiting the generality of the foregoing, Lessee hereby agrees, by the acceptance of this agreement, to be bound by and subject to all statutory and regulatory provisions relating to the General Land Office's audit billing notice and audit hearings procedures. Said provisions are currently found at 31 Texas Administrative Code, Chapter 4, and Texas Natural Resources Code Sections 52.135 and 52.137 through 52.140. In the event this agreement covers land franchised or leased or otherwise used by a navigation district or by the United States for the purpose of navigation or other purpose incident to the operation of a port, then Lessee shall not be entitled to enter or possess such land without prior approval as provided under Section 61.117 of the Texas Water Code, but Lessee shall be entitled to develop such land for oil and/or gas by directional drilling; provided, however, that no surface drilling location may be nearer than 660 feet and special permission from the Commissioner of the General Land Office is necessary to make any surface location nearer than 2,160 feet measured at right angles from the nearest bulkhead line or from the nearest dredged bottom edge of any channel, slip, or turning basin which has been authorized by the United States as a federal project for future construction, whichever is nearer.

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

15. FORCE MAJEURE: Should Lessee be prevented from complying with any express or implied covenant of this agreement, from conducting drilling operations thereon, or from producing the pooled mineral therefrom, after effort made in good faith, by reason of war, rebellion, riots, strikes, fires, acts of God or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended upon proper and satisfactory proof presented to the Commissioner of the General Land Office in support of Lessee's contention and Lessee shall not be liable for damages for failure to comply therewith (except in the event of operations suspended as provided in the rules and regulations adopted by the School Land Board); and this agreement shall be extended while and so long as Lessee is prevented, by any such cause, from drilling, reworking operations or producing the pooled mineral from the pooled area; provided, however, that nothing herein shall be construed to suspend the or to abridge Lessee's right to a suspension under any applicable statute of this State.

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

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

18. ANTIQUITIES CODE: In the event that any feature of archeological or historical interest on Permanent School Fund Land is encountered during the activities authorized by this agreement, Lessee will immediately cease activities and will immediately notify the General Land Office (ATTN: Archaeologist, Asset Management Division, 1700 N. Congress Ave., Austin, Texas 78701) and the Texas Historical Commission (P.O. Box 12276, Austin, TX 78711) so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate. Lessee is expressly placed on notice of the National Historical Preservation Act of 1966 (PB-89-66, 80 Statute 915; 16 U.S.C.A. 470) and the Antiquities Code of Texas, Chapter 191, Tex. Nat. Code Ann. (Vernon 1993 & Supp. 1998). Further, in the event that any site, object, location, artifact or other feature of archaeological, scientific, educational, cultural or historic interest is encountered during the activities authorize by this agreement, lessee will immediately notify lessor and the Texas Historical Commission so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate.

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

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



EXHIBIT "2"

PURPOSES:

1.

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

UNIT DESCRIPTION:

2.

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

MINERAL POOLED:

3.

The mineral pooled and unitized ("pooled mineral") hereby shall be oil and gas including all hydrocarbons that may be produced from an oil well or a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to those depths underlying the surface boundaries of the pooled unit from the top of the Buda Formation to the base of the Georgetown Formation or its correlative equivalent which occurs from 9,455 feet to 9,860 feet as seen on the log of the MCZ Clearlake Properties No. 1 well ("unitized interval").

POOLING AND EFFECT:

4.

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

- (a) The unit, to the extent as above described, shall be operated as an entirety for the exploration, development and production of the pooled mineral, rather than as separate tracts.
- (b) All drilling operations, reworking or other operations with respect to the pooled mineral on land within the unit shall be considered as though the same were on each separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.
- (c) Production of the pooled mineral from the unit allocated to each separate tract, respectively, as hereinafter provided, shall be deemed to have been produced from each such separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.
- (d) All rights to the production of the pooled mineral from the unit, including royalties and other payments, shall be determined and governed by the lease or other contract pertaining to each separate tract, respectively, based upon the production so allocated to such tract only, in lieu of the actual production of the pooled mineral therefrom.
- (e) A shut-in oil or gas well located upon any land or lease included within said unit shall be considered as a shut-in oil or gas well located upon each tract or lease included within said unit.
- (f) If the Railroad Commission of Texas (or any other Texas regulatory body having jurisdiction) shall adopt special field rules providing for oil and/or gas proration units of less than 1,320 acres, then Lessee agrees to either (1) drill to the density permitted by the Railroad Commission, (2) make application to the School Land Board of the State of Texas to reform the unit to comply with Railroad Commission unit rules, or (3) make application to the School Land Board of the State of Texas for such remedy as may be agreeable to the Board.
- (g) This Agreement shall not relieve Lessee from the duty of protecting the State lands within the boundaries of the pooled unit described in Exhibit "B" from drainage from any well situated on privately owned land, lying outside the unitized area described in Exhibit "B", but, subject to such obligation, Lessee may produce the allowable for the entire unit as fixed by the Railroad Commission of Texas or other lawful authority, from any one or more wells completed thereon.
- (h) There shall be no obligation to drill internal offsets to any other well on separate tracts within the pooled unit, nor to develop the lands within the boundaries thereof separately, as to the pooled mineral.



ALLOCATION OF PRODUCTION:

5.

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

DISSOLUTION:

6.

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

RATIFICATION/WAIVER:

7.

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



EXHIBIT "A"

SCHEDULE OF OIL, GAS AND MINERAL LEASES TO BE POOLED

1. Oil, Gas and Mineral Lease dated December 24, 1975 between Diane Peters, et al, as lessor and Jack E. Havard, as lessee, covering 1008.25 acres, more or less, in Brazos County, Texas, and being recorded in Volume 22, Page 435 of the Oil, Gas and Mineral Lease Records, Brazos County, Texas.
2. Oil, Gas and Mineral Lease dated June 8, 2003, as ratified by other owners, between Clear Lake Properties, Inc., et al, as lessor, and Patterson Petroleum LP, Limited Partnership, as lessee, covering 700 acres, more or less, in Brazos County, Texas, a Memorandum of which is recorded in Volume 5666, Page 295 of the Official Records of Brazos County, Texas. This lease later amended to cover 830 acres, more or less, by Amendment of Oil, Gas and Mineral Lease dated July 22, 2004, as ratified by other owners, being recorded in Volume 6190, Page 214 of the Official Records of Brazos County, Texas.
3. Oil, Gas and Mineral Lease dated July 22, 2002 between Charles E. Foltin, et al, as lessor and Patterson Petroleum LP, Limited Partnership, as lessee, covering 361.913 acres, more or less, in Brazos County, Texas and being recorded in Volume 4818, Page 267 of the Official Records of Brazos County, Texas. Extensions of said lease being recorded in Volume 6792, page 88, in Volume 6792, Page 90 and in Volume 6866, Page 15 of the Official Records of Brazos County, Texas.
4. Oil and Gas Lease No. M-105344 dated July 19, 2005 between The State of Texas, as lessor, and Patterson Petroleum LP, Limited Partnership, as lessee, covering 30 acres, more or less, in Brazos and Grimes Counties, Texas.
5. Oil and Gas Lease No. M-105301 dated July 19, 2005 between The State of Texas, as lessor, and Patterson Petroleum LP, Limited Partnership, as lessee, covering 72.3 acres, more or less, in Brazos and Grimes Counties, Texas.
6. Term Pooling Agreement Pursuant to TNRC § 52.076 by and between The State of Texas and Patterson Petroleum LP, Limited Partnership dated _____, and covering 15 acres, more or less.



EXHIBIT "B"

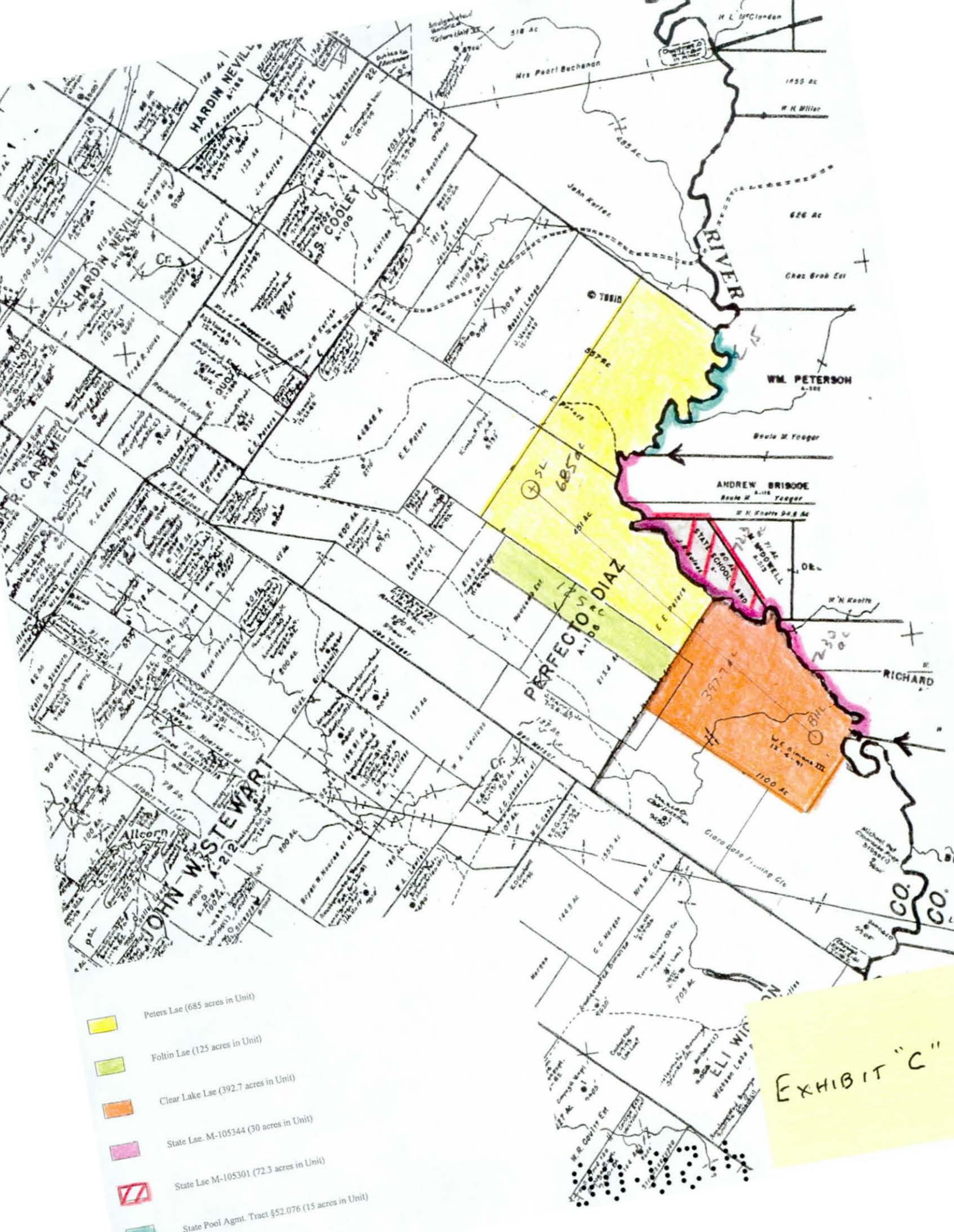
DESCRIPTION OF PATTERSON PETROLEUM-PETERS NO. 5 UNIT**

1320 acres, more or less, out of the Perfecto Diaz Survey, A-106, Brazos County, Texas, and the J.R. Gaines Survey, the Wm Peterson Survey, A-382, the Andrew Briscoe Survey, A-116, and the Richard Lamb Survey, A-305 in Brazos and Grimes Counties, Texas, being comprised of the following tracts of land:

- Tr. 1: The southwesterly 685 acres, more or less, out of that certain Oil, Gas and Mineral Lease dated December 24, 1975 between Diane Peters, et al, as lessor and Jack E. Havard, as lessee, covering 1008.25 acres, more or less, in Brazos County, Texas, and being recorded in Volume 22, Page 435 of the Oil, Gas and Mineral Lease Records, Brazos County, Texas.
- Tr. 2: 125 acres, more or less, out of the northeast one-half that certain Oil, Gas and Mineral Lease dated July 22, 2002 between Charles E. Foltin, et al, as lessor and Patterson Petroleum LP, Limited Partnership, as lessee, covering 361.913 acres, more or less, in Brazos County, Texas and being recorded in Volume 4818, Page 267 of the Official Records of Brazos County, Texas.
- Tr. 3: 392.7 acres, more or less, out of the northeast portion of that certain Oil, Gas and Mineral Lease dated June 8, 2003 between Clear Lake Properties, Inc., et al, as lessor, and Patterson Petroleum LP, Limited Partnership, as lessee, as amended, covering 830 acres, more or less, in Brazos County, Texas, a Memorandum of which is recorded in Volume 5666, Page 295 of the Official Records of Brazos County, Texas.
- Tr. 4: All of the land covered by Oil and Gas Lease No. M-105344 dated July 19, 2005 between The State of Texas, as lessor, and Patterson Petroleum LP, Limited Partnership, as lessee, covering 30 acres, more or less, in Brazos and Grimes Counties, Texas.
- Tr. 5: All of the land covered by Oil and Gas Lease No. M-105301 dated July 19, 2005 between The State of Texas, as lessor, and Patterson Petroleum LP, Limited Partnership, as lessee, covering 72.3 acres, more or less, in Brazos and Grimes Counties, Texas.
- Tr. 6: All of the land covered by Term Pooling Agreement Pursuant To TNRC §52.076 by and between The State of Texas and Patterson Petroleum LP, Limited Partnership dated _____, and covering 15 acres, more or less.

**To be more formally described by surveyor after the drilling of the Patterson Petroleum-Peters No. 5 Well and after the exact determination of the lateral lengths reached in such well, all in accordance with Field Rules of the Kurten (Buda/Georgetown) Field. The above described 1320 acre Unit pre-supposes that a lateral length of 10,000 ft. is reached in said well.





- Peters Lse (685 acres in Unit)
- Foltin Lse (125 acres in Unit)
- Clear Lake Lse (392.7 acres in Unit)
- State Lse. M-105344 (30 acres in Unit)
- State Lse M-105301 (72.3 acres in Unit)
- State Pool Agmt. Tract \$52.076 (15 acres in Unit)

EXHIBIT "C"

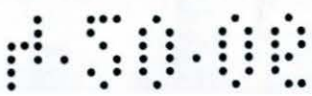
6.

File No. MF 705301
Development of Report Term
Order Placement Pursuant to TDR

Date Filed: 5/10/06 53,076

Jerry E. Patterson, Commissioner


B.D.



PATTERSON PETROLEUM LP

a limited partnership
P.O. BOX 1416
SNYDER, TEXAS 79550
325/574-6300



Vendor Name	Vendor No.	Date	Check Number	Check Total
COMMISSIONER OF THE GENERAL LAND OFFICE	421852320001	Jun-19-2006	060372	\$361.50

STATE OF TEXAS LEASE # M 105301

PATTERSON PETROLEUM ** DELAY RENTALS **

COMMISSIONER OF THE GENERAL LAND OFFICE SSN 74-6000
STATE OF TEXAS

TRACT

421852320001

J.R. GAINES SURVEY, GRIMES COUNTY,
TEXAS, CONTAINING APPROXIMATELY 72.3
ACRES, AS SHOWN ON THE OFFICIAL MAP
OF GRIMES COUNTY, TEXAS NOW ON FILE
IN THE TEXAS GENERAL LAND OFFICE,

More Legal Description On File

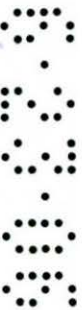
X

\$361.50

121

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ENERGY RESOURCES



2025

7.

File No. M105301

Rental

Date Filed: 06/23/08

Jerry E. Patterson, Commissioner

By [Signature]

DO NOT DESTROY



Texas General Land Office
UNIT AGREEMENT MEMO

PA06-164

Unit Number 3904
Operator Name PATTERSON PETROLEUM LP Effective Date 10/4/2006
TaxID: [REDACTED] Unitized For Oil & Gas
Unit Name Patterson-Peters No. 5 Unit Unit Term 0 Months
County 1 Brazos
County 2 Grimes Old Unit Number 3781 Inactive Status Date 10/4/2006
County 3 0
RRC District: 03 0
Unit Type: Permanent 0
State Royalty Interest: 0.0189140625 0
State Part in Unit: 0.091640625
Unit Depth Well:
Below Depth 0 Formation: Top of Buda to Base of the Georgetown
Above Depth 0 Participation Basis: Surface Acreage
[If Exclusions Apply: See Remarks]

MF Number MF105301 Tract Number 1
Lease Acres 72.3 / Total Unit Acres 1280 =
Tract Participation: 0.0564844 X
Lease Royalty 0.2 = Manual Tract Participation: [] 0 | See Remark
Tract Royalty Participation 0.0112969 Manual Tract Royalty: [] 0 |

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

15-008903

Pooling Committee Report

To: School Land Board PA06-164
Date of Board Meeting: November 7, 2006 Unit Number: 3904
Effective Date: 10/4/2006
Unit Expiration Date: Permanent
Applicant: PATTERSON PETROLEUM LP
Attorney Rep:
Operator: PATTERSON PETROLEUM LP
County 1: Brazos
County 2: Grimes
County 3:
Unit Name: Patterson-Peters No. 5 Unit
Field Name: Kurten (Buda), Kurten (Georgetown)

<u>Lease Type</u>	<u>MF Number</u>	<u>Lease Royalty</u>	<u>Expiration Date</u>	<u>Lease Term</u>	<u>Lease Acres</u>	<u>Lease Acres in Unit</u>	<u>Royalty Participation</u>
SF	MF105301	0.2	7/19/2010	5 years	72.3	72.3	0.0112969
SF	MF105344	0.2	7/19/2008	3 years	30	30	0.0046875
UR	MF106093	0.25				15	0.0029297

A part of the Navasota River is being pooled pursuant to Texas Natural Resources Code 52.076 which gives the School Land Board the authority to pool unleased riverbeds and channels.

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

Private Acres:	1162.7
State Acres:	117.3
Total Unit Acres:	1280

<u>Participation Basis:</u>	
Surface Acreage	
<u>State Acreage:</u>	9.16%
<u>State Unit Royalty:</u>	1.89%

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

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

<u>RRC Rules:</u>	<u>Spacing Acres:</u>
Special Field Rule	1280

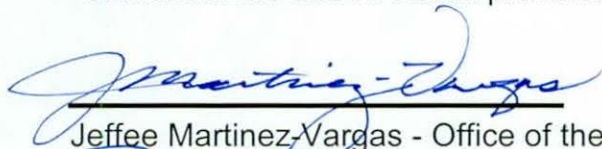
REMARKS:

- Patterson Petroleum, L.P. is requesting permanent oil and gas pooling from the top of the Buda Formation to the base of the Georgetown Formation defined as the stratigraphic interval or its correlative equivalent occurring from 9,198 feet TVD to 9,605 feet TVD as seen in the unit well log. The requested effective date is October 4, 2006.
- On April 4, 2006, the School Land Board approved 6-month temporary oil and gas pooling from the top of the Buda Formation to the base of the Georgetown Formation. On July 12, 2006, the applicant completed a dual lateral horizontal oil well, with completions in the Buda and Georgetown Formations. The well is currently shut-in awaiting pipeline connection.
- The applicant previously submitted \$150.00 per acre for a total of \$2,250.00 for the unleased Navasota River acreage.

- With approval of the unit the State's unit royalty participation will be 1.89%.

POOLING COMMITTEE RECOMMENDATION:

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



Jeffee Martinez-Vargas - Office of the Attorney General



Peter A. Boone - General Land Office

Vacant - Office of the Governor

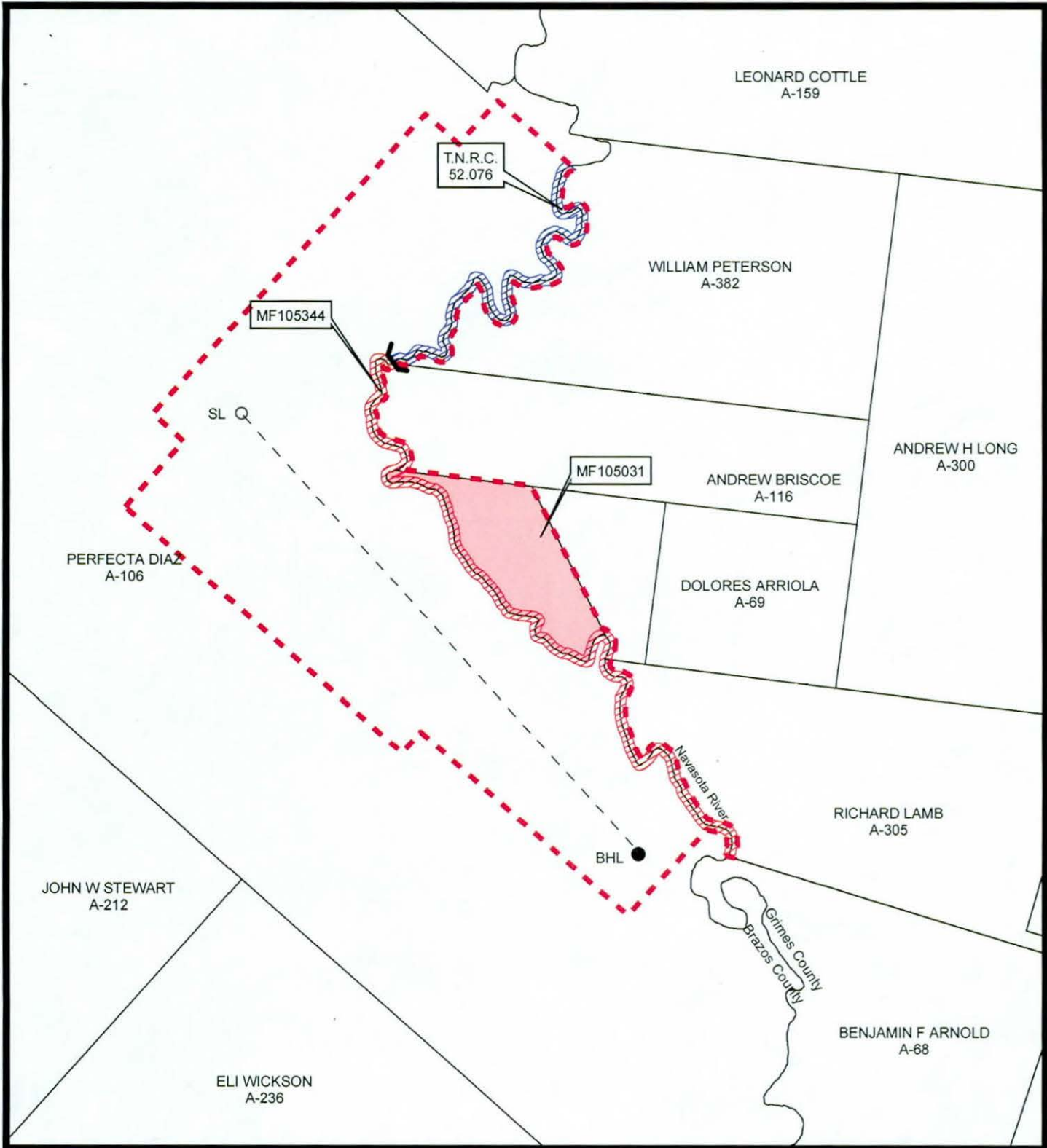
10-25-06

Date:

10-25-06

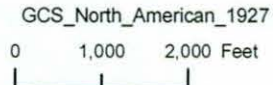
Date:

Date:



Patterson Petroleum, L.P.
 Patterson-Peters No. 5 Unit
 Kurten (Buda) (Georgetown)
 MF105301, MF105344 and a part of
 the Navasota River is being pooled
 under T.N.R.C. 52.076
 Brazos and Grimes Counties
 PA06-164

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



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



Map Compiled By:
 Ferrel Taylor
 Information Systems - GIS
 April 4, 2006

POOLING AGREEMENT
PATTERSON PETROLEUM LP
PATTERSON-PETERS NO. 5 UNIT
BRAZOS AND GRIMES COUNTIES, TEXAS

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

PURPOSES:

1.

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

UNIT DESCRIPTION:

2.

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

MINERAL POOLED:

3.

The mineral pooled and unitized ("pooled mineral") hereby shall be oil and gas including all hydrocarbons that may be produced from an oil well or a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to those depths underlying the surface boundaries of the pooled unit from the top of the Buda Formation to the base of the Georgetown Formation defined as the stratigraphic interval or its correlative equivalent occurring from 9,198 feet true vertical depth to 9,605 feet true vertical depth as seen on the log of the Patterson Petroleum LP, Peters Unit No. 5 well ("unitized interval").

POOLING AND EFFECT:

4.

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

- (a) The unit, to the extent as above described, shall be operated as an entirety for the exploration, development and production of the pooled mineral, rather than as separate tracts.
- (b) All drilling operations, reworking or other operations with respect to the pooled mineral on land within the unit shall be considered as though the same were on each separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement. In the event the unitized area covered by this Agreement is maintained in force by drilling or reworking operations conducted on a directional well drilled under the unitized area from a surface location on adjacent or adjoining lands not included within the boundaries of the unitized area, such operations shall be considered to have been commenced on the unitized area when drilling is commenced on the adjacent or adjoining land for the purpose of directionally drilling under the unitized area and production of oil or gas from the unitized area through any directional well surfaced on adjacent or adjoining land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations, as the case may be, on the unitized area for all purposes under this Agreement. Nothing in this Agreement is intended or shall be construed as granting to Lessee any leasehold interest, easements, or other rights in or with respect to any such adjacent or adjoining land in addition to any such leasehold interests, easements, or other rights which the lessee, operator or other interest owner in the unitized area may have lawfully acquired from the state or others.
- (c) Production of the pooled mineral from the unit allocated to each separate tract, respectively, as hereinafter provided, shall be deemed to have been produced from each such separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement. Provided that, if any State Lease described in Exhibit "A" attached hereto contains provision 4(E) VARIABLE ROYALTY, and a unit well is not located on such State Lease and a reduced royalty has not otherwise been earned, then a reduced royalty may be earned by unit production, but it shall only apply to the acreage included within the unit. Acreage outside of the unitized area must earn a reduced royalty independently.
- (d) All rights to the production of the pooled mineral from the unit, including royalties and other payments, shall be determined and governed by the lease or other contract pertaining to each separate tract, respectively, based upon the production so allocated to such tract only, in lieu of the actual production of the pooled mineral therefrom. Provided that, payments that are made on a per acre basis shall be reduced according to the number of acres pooled and included herein, so that payments made on a per acre basis

shall be calculated based upon the number of acres actually included within the boundaries of the pooled unit covered by this Agreement.

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

ALLOCATION OF PRODUCTION:

5.

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

TAKING ROYALTY IN KIND:

6.

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

FULL MARKET VALUE:

7.

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

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

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

EFFECTIVE DATE:

8.

Upon execution by the Commissioner of the General Land Office of the State of Texas this Agreement shall become effective as of October 4, 2006.

TERM:

9.

This Agreement shall remain in effect so long as the pooled mineral is being produced from said unit, or so long as all leases included in the pooled unit are maintained in force by payment of delay rentals or shut-in oil or gas well royalties, by drilling or rework, or by other means, in accordance with the terms of said leases. Nothing herein shall amend or modify Section 52.031 of the Natural Resources Code, or any of the provisions thereof, which are contained in any State lease covered by this Agreement.

STATE LAND:

10.

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

DISSOLUTION:

11.

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

RATIFICATION/WAIVER:

12.

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

COUNTERPARTS:

13.

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

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

Date Executed 12/7/06

STATE OF TEXAS

Legal
Content
Geology
Executive

[Signature]
[Signature]
[Signature]

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

Date Executed 11/21/06

PATTERSON PETROLEUM LP

By: Cloyce A. Talbott
Cloyce A. Talbott, CEO

CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on the 7th day of November, 2006, the foregoing instrument was presented to and approved by said Board under the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am Custodian.

IN TESTIMONY WHEREOF, witness my hand this the 8th day of December, 2006.

Stephanie Crenshaw
Secretary of the School Land Board

STATE OF TEXAS

COUNTY OF SCURRY

This instrument was acknowledged before me on November 21, 2006, by Cloyce A. Talbott as CEO for Patterson Petroleum LP, a Delaware limited partnership on behalf of said partnership.



Brenda A. Billingsley
Notary Public in and for the
State of Texas

EXHIBIT "A"

Attached to and made a part of State Of Texas Pooling Agreement for Patterson Petroleum LP-
Peters No. 5 Unit, Brazos and Grimes Counties, Texas

1. Oil, Gas and Mineral Lease dated December 24, 1975, from Diane Peters, Edgar Duane Peters and Patricia Kay Peters to Jack E. Havard, covering 1008.25 acres, more or less, recorded in Volume 22 at Page 435 of the Oil and Gas Lease Records of Brazos County, Texas; as amended.
2. Oil, Gas and Mineral Lease dated December 24, 1975 from The City National Bank of Bryan, Texas, as Trustee of the Diane Peters, Edgar Duane Peters, Patricia Kay Peters Trust #205 to Jack E. Havard, covering 524.48 acres, more or less, recorded in Volume 22 at Page 437 of the Oil and Gas Lease Records of Brazos County, Texas, as amended.
3. Oil, Gas and Mineral Lease dated July 22, 2002 from Charles E. Foltin, a.k.a. Charles Edward Foltin et al to Patterson Petroleum LP, Limited Partnership, covering 361.913 acres, more or less, recorded in Volume 4818 at Page 267 of the Official Records of Brazos County, Texas, as amended.
4. Oil and Gas Lease No. M-105344, dated July 19, 2005 from The State of Texas to Patterson Petroleum LP, Limited Partnership, covering 30.00 acres, more or less, recorded in Volume 1141 at Page 187 in the Real Property Records of Grimes County, Texas.
5. Oil and Gas Lease No. M-105301, dated July 19, 2005 from The State of Texas to Patterson Petroleum LP, Limited Partnership, covering 72.3 acres, more or less, recorded in Volume 1141 at Page 194 in the Real Property Records of Grimes County, Texas.
6. Oil, Gas and Mineral Lease dated June 8, 2003, as extended, by and between Clear Lake Properties, Inc. as Lessor and Patterson Petroleum LP, Limited Partnership, a Memorandum of which is recorded in Volume 5666 at Page 295 of the Official Records of Brazos County, Texas; as amended by Amendment of Oil, Gas and Mineral Lease dated July 22, 2004 and being recorded in Volume 6190 at Page 214 of the Official Records of Brazos County, Texas.
7. Ratification of Amended Oil, Gas and Mineral Lease dated August 10, 2004 executed by Nancy Jean Arnold, et vir, recorded in Volume 6547 at Page 200 of the Official Records of Brazos County, Texas.
8. Ratification of Amended Oil, Gas and Mineral Lease dated August 12, 2004 executed by Carolyn Kindt Benjamin, recorded in Volume 6547 at Page 201 of the Official Records of Brazos County, Texas.
9. Ratification of Amended Oil, Gas and Mineral Lease dated August 13, 2004 executed by Mary Lois Bland, recorded in Volume 6547 at Page 202 of the Official Records of Brazos County, Texas.
10. Ratification of Amended Oil, Gas and Mineral Lease dated November 5, 2004 executed by Danice Deegan Corbin, Attorney-in-Fact for Ina Dyess Browning, and as Remainderman, recorded in Volume 6547 at Page 210 of the Official Records of Brazos County, Texas.
11. Ratification of Amended Oil, Gas and Mineral Lease dated August 20, 2004 executed by Bobby Russell Carter et ux, recorded in Volume 6547 at Page 203 of the Official Records of Brazos County, Texas.
12. Ratification of Amended Oil, Gas and Mineral Lease dated January 25, 2005 executed by James Lee Carter, recorded in Volume 6547 at Page 204 of the Official Records of Brazos County, Texas.

13. Ratification of Amended Oil, Gas and Mineral Lease dated August 10, 2004 executed by Joseph T. Carter (a/k/a J. T. Carter) et ux, recorded in Volume 6547 at Page 205 of the Official Records of Brazos County, Texas.
14. Ratification of Amended Oil, Gas and Mineral Lease dated December 22, 2004 executed by William Benton Carter et ux, recorded in Volume 6547 at Page 206 of the Official Records of Brazos County, Texas.
15. Ratification of Amended Oil, Gas and Mineral Lease dated September 29, 2004 executed by Central Baptist Church, recorded in Volume 6547 at Page 241 of the Official Records of Brazos County, Texas.
16. Ratification of Amended Oil, Gas and Mineral Lease dated August 17, 2004 executed by Edward L. Cobb et ux, recorded in Volume 6547 at Page 207 of the Official Records of Brazos County, Texas.
17. Ratification of Amended Oil, Gas and Mineral Lease dated August 11, 2004 executed by Sammye Kay Collier, recorded in Volume 6547 at Page 208 of the Official Records of Brazos County, Texas.
18. Ratification of Amended Oil, Gas and Mineral Lease dated August 11, 2004 executed by Robert Henry Conaway, Jr., Guardian of the Person and Estate of Mary Frances Conaway, mind, recorded in Volume 6547 at Page 209 of the Official Records of Brazos County, Texas.
19. Ratification of Amended Oil, Gas and Mineral Lease dated August 12, 2004 executed by Patsy Ruth Cox, recorded in Volume 6547 at Page 211 of the Official Records of Brazos County, Texas.
20. Ratification of Amended Oil, Gas and Mineral Lease dated August 10, 2004 executed by Dorothy Jean Carter Davis et vir, recorded in Volume 6547 at Page 212 of the Official Records of Brazos County, Texas.
21. Ratification of Amended Oil, Gas and Mineral Lease dated August 24, 2004 executed by Leola Todd Davis, recorded in Volume 6547 at Page 213 of the Official Records of Brazos County, Texas.
22. Ratification of Amended Oil, Gas and Mineral Lease dated August 31, 2004 executed by Linda Edling Andrews, Successor Co-Trustee of the Glenn Edward Edling Trust, recorded in Volume 6547 at Page 238 of the Official Records of Brazos County, Texas.
23. Ratification of Amended Oil, Gas and Mineral Lease dated August 13, 2004 executed by Lillie Maurine Edwards et vir, recorded in Volume 6547 at Page 239 of the Official Records of Brazos County, Texas.
24. Ratification of Amended Oil, Gas and Mineral Lease dated September 11, 2004 executed by Linda Ruth Fayard et vir, recorded in Volume 6547 at Page 240 of the Official Records of Brazos County, Texas.
25. Ratification of Amended Oil, Gas and Mineral Lease dated November 5, 2004 executed by First Baptist Church of Bryan, Texas, recorded in Volume 6547 at Page 214 of the Official Records of Brazos County, Texas.
26. Ratification of Amended Oil, Gas and Mineral Lease dated August 27, 2004 executed by Leah Elizabeth Gelber, recorded in Volume 6547 at Page 216 of the Official Records of Brazos County, Texas.
27. Ratification of Amended Oil, Gas and Mineral Lease dated September 22, 2004 executed by Joseph R. Gelber, Jr., recorded in Volume 6547 at Page 215 of the Official Records of

Brazos County, Texas.

28. Ratification of Amended Oil, Gas and Mineral Lease dated August 18, 2004 executed by Morris J. Gelber, recorded in Volume 6547 at Page 217 of the Official Records of Brazos County, Texas.
29. Ratification of Amended Oil, Gas and Mineral Lease dated August 10, 2004 executed by Gladys Jeske, recorded in Volume 6547 at Page 218 of the Official Records of Brazos County, Texas.
30. Ratification of Amended Oil, Gas and Mineral Lease dated August 13, 2004 executed by Georgia Kay Jones, recorded in Volume 6547 at Page 219 of the Official Records of Brazos County, Texas.
31. Ratification of Amended Oil, Gas and Mineral Lease dated August 9, 2004 executed by Kenneth John Kindt et ux, recorded in Volume 6547 at Page 220 of the Official Records of Brazos County, Texas.
32. Ratification of Amended Oil, Gas and Mineral Lease dated September 28, 2004 executed by Bernerd Krause, Trustee for Cory Krause, Cameron Krause and Kristin Krause, recorded in Volume 6547 at Page 221 of the Official Records of Brazos County, Texas.
33. Ratification of Amended Oil, Gas and Mineral Lease dated August 6, 2004 executed by Paul Levy, Individually and as Trustee of the Paul Levy Trust, recorded in Volume 6547 at Page 222 of the Official Records of Brazos County, Texas.
34. Ratification of Amended Oil, Gas and Mineral Lease dated June 4, 2005 executed by Linda Sue Lingwall, recorded in Volume 6718 at Page 43 of the Official Records of Brazos County, Texas.
35. Ratification of Amended Oil, Gas and Mineral Lease dated September 28, 2004 executed by Kathy S. McBride, recorded in Volume 6547 at Page 223 of the Official Records of Brazos County, Texas.
36. Ratification of Amended Oil, Gas and Mineral Lease dated August 16, 2004 executed by Angus S. McSwain, Jr., recorded in Volume 6547 at Page 224 of the Official Records of Brazos County, Texas.
37. Ratification of Amended Oil, Gas and Mineral Lease dated August 13, 2004 executed by Mary Lois Bland, Co-Trustee of The James Brooks McSwain Trust, recorded in Volume 6547 at Page 243 of the Official Records of Brazos County, Texas.
38. Ratification of Amended Oil, Gas and Mineral Lease dated August 16, 2004 executed by Angus S. McSwain, Jr. (a/k/a A. S. McSwain, Jr. and Angus Stewart McSwain, Jr.), Co-Trustee of The James Brooks McSwain Trust, recorded in Volume 6547 at Page 245 of the Official Records of Brazos County, Texas.
39. Ratification of Amended Oil, Gas and Mineral Lease dated August 9, 2004 executed by Betty Ann Pate et vir, recorded in Volume 6547 at Page 225 of the Official Records of Brazos County, Texas.
40. Ratification of Amended Oil, Gas and Mineral Lease dated August 9, 2004 executed by Willie E. Pieters, Jr., recorded in Volume 6547 at Page 226 of the Official Records of Brazos County, Texas.
41. Ratification of Amended Oil, Gas and Mineral Lease dated August 9, 2004 executed by Cecil Gelber Reese, recorded in Volume 6547 at Page 227 of the Official Records of Brazos County, Texas.

42. Ratification of Amended Oil, Gas and Mineral Lease dated October 6, 2004 executed by John Alex Riley et ux, recorded in Volume 6547 at Page 228 of the Official Records of Brazos County, Texas.
43. Ratification of Amended Oil, Gas and Mineral Lease dated August 27, 2004 executed by Martin Luther Riley, Jr. et ux, recorded in Volume 6547 at Page 242 of the Official Records of Brazos County, Texas.
44. Ratification of Amended Oil, Gas and Mineral Lease dated February 11, 2005 executed by Claude W. Rosier, recorded in Volume 6547 at Page 229 of the Official Records of Brazos County, Texas.
45. Ratification of Amended Oil, Gas and Mineral Lease dated February 18, 2005 executed by James M. Rosier, recorded in Volume 6547 at Page 230 of the Official Records of Brazos County, Texas.
46. Ratification of Amended Oil, Gas and Mineral Lease dated January 26, 2005 executed by James Edward Rumfield, recorded in Volume 6547 at Page 231 of the Official Records of Brazos County, Texas.
47. Ratification of Amended Oil, Gas and Mineral Lease dated January 26, 2005 executed by Michael Lynn Rumfield, Sr., recorded in Volume 6547 at Page 232 of the Official Records of Brazos County, Texas.
48. Ratification of Amended Oil, Gas and Mineral Lease dated August 13, 2004 executed by The Saxon Trust, recorded in Volume 6547 at Page 233 of the Official Records of Brazos County, Texas.
49. Ratification of Amended Oil, Gas and Mineral Lease dated August 11, 2004 executed by Clyde D. Sides et ux, recorded in Volume 6547 at Page 234 of the Official Records of Brazos County, Texas.
50. Ratification of Amended Oil, Gas and Mineral Lease dated August 27, 2004 executed by Larry W. Sides et ux, recorded in Volume 6547 at Page 235 of the Official Records of Brazos County, Texas.
51. Ratification of Amended Oil, Gas and Mineral Lease dated January 26, 2005 executed by Cindy Lou Smith, recorded in Volume 6547 at Page 236 of the Official Records of Brazos County, Texas.
52. Ratification of Amended Oil, Gas and Mineral Lease dated August 9, 2004 executed by Ruby M. Watson, recorded in Volume 6547 at Page 237 of the Official Records of Brazos County, Texas.
53. Oil and Gas Lease No. M-106093 (Pooling Agreement) dated October 4, 2006 covering 15 acres, more or less, in Brazos and Grimes Counties, Texas, by and between the Commissioner of the General Land Office of the State of Texas, as lessor and Patterson Petroleum LP, Limited Partnership, as lessee.

EXHIBIT "B"

Attached to and made a part of the State of Texas Pooling Agreement
for the Patterson Petroleum LP - Peters No. 5 Unit
Brazos and Grimes Counties, Texas

1,280 acres, more or less, out of the Perfecto Diaz Survey, Abstract 106, Brazos County, Texas and the J.R. Gaines Survey, Grimes County, Texas, more particularly described as follows:

Beginning at a fence corner marking the most southerly corner of a called 427 acre tract described in a Warranty Deed from J.E. Newcomb, et al to Edward H. Foltin, et ux dated February 15, 1956 and recorded in Volume 173 at Page 34 of the Deed Records of Brazos County, Texas, then North 42°09'46" East 1126.98' to the Place of Beginning herein;

Then North 47°34'40" West 5443.42' to a point for corner;

Then North 42°25'20" East 1449.28' to a point for corner on the fence line between the Foltin called 427 acre property and Peters called 451.25 acre property;

Then North 47°34'40" West 1060.25' to a point for a corner;

Then, across the Peters property crossing a called 451.25 acre tract and onto a called 557 acre tract, North 42°25'20" East 6557.40' to a point for a corner;

Then South 48°53'14" East 1143.00' to a point for corner;

Then North 42°25'20" East 1143.30' to a point for corner on the northeast line of the Peters property;

Then South 48°53'14" East to the western high bank of the Navasota River and continuing across the river to the high bank on the east side of the Navasota River for a corner;

Then down the Navasota River, along the high bank on the Grimes County side of said river, in a general southerly direction to the intersection of said high bank and the common northwest corner of the J.R. Gaines Survey and the southwest corner of the A. Briscoe Survey, Abstract 116;

Then in an easterly direction along the common survey line of the J.R. Gaines Survey and the A. Briscoe Survey, Abstract 116, to the northeast corner of the J.R. Gaines Survey;

Then in a southeasterly direction along the common survey line of the J.R. Gaines Survey and the M. McDowell Survey, A-501 to the high bank of the Navasota River;

Then down said high bank of the Navasota River to a point that intersects with a line whose bearings begin at the Place of Beginning and then runs North 42°09'46" East 542.46' and then South 47°34'40" East 4814.26' to a point for a corner and then North 42°25'20" East to a point on the high bank on the Grimes County side of said river;

Then South 42°25'20" West to a point of intersection for a corner that intersects with a line whose bearings begin at the Place of Beginning and then runs North 42°09'46" East 542.46' and then South 47°34'40" East 4814.26';

Then North 47°34'40" West 4814.26' to a point for corner;

Then South 42°09'46" West 542.46' to the Place of Beginning.

Pooling Committee Report

To: School Land Board PA06-164
Date of Board Meeting: November 7, 2006 Unit Number: 3904
Effective Date: 10/4/2006
Unit Expiration Date: Permanent
Applicant: PATTERSON PETROLEUM LP
Attorney Rep:
Operator: PATTERSON PETROLEUM LP
County 1: Brazos
County 2: Grimes
County 3:
Unit Name: Patterson-Peters No. 5 Unit
Field Name: Kurten (Buda), Kurten (Georgetown)

<u>Lease Type</u>	<u>MF Number</u>	<u>Lease Royalty</u>	<u>Expiration Date</u>	<u>Lease Term</u>	<u>Lease Acres</u>	<u>Lease Acres in Unit</u>	<u>Royalty Participation</u>
SF	MF105301	0.2	7/19/2010	5 years	72.3	72.3	0.0112969
SF	MF105344	0.2	7/19/2008	3 years	30	30	0.0046875
UR	MF106093	0.25				15	0.0029297

A part of the Navasota River is being pooled pursuant to Texas Natural Resources Code 52.076 which gives the School Land Board the authority to pool unleased riverbeds and channels.

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

Private Acres:	1162.7
State Acres:	117.3
Total Unit Acres:	1280

<u>Participation Basis:</u>	
Surface Acreage	
<u>State Acreage:</u>	9.16%
<u>State Unit Royalty:</u>	1.89%

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

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

<u>RRC Rules:</u>	<u>Spacing Acres:</u>
Special Field Rule	1280

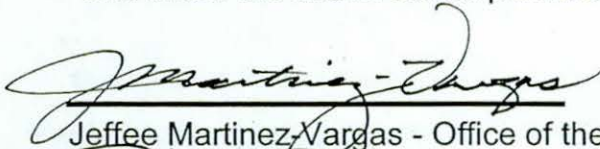
REMARKS:

- Patterson Petroleum, L.P. is requesting permanent oil and gas pooling from the top of the Buda Formation to the base of the Georgetown Formation defined as the stratigraphic interval or its correlative equivalent occurring from 9,198 feet TVD to 9,605 feet TVD as seen in the unit well log. The requested effective date is October 4, 2006.
- On April 4, 2006, the School Land Board approved 6-month temporary oil and gas pooling from the top of the Buda Formation to the base of the Georgetown Formation. On July 12, 2006, the applicant completed a dual lateral horizontal oil well, with completions in the Buda and Georgetown Formations. The well is currently shut-in awaiting pipeline connection.
- The applicant previously submitted \$150.00 per acre for a total of \$2,250.00 for the unleased Navasota River acreage.

- With approval of the unit the State's unit royalty participation will be 1.89%.

POOLING COMMITTEE RECOMMENDATION:

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



Jeffee Martinez-Vargas - Office of the Attorney General



Peter A. Boone - General Land Office

10-25-06

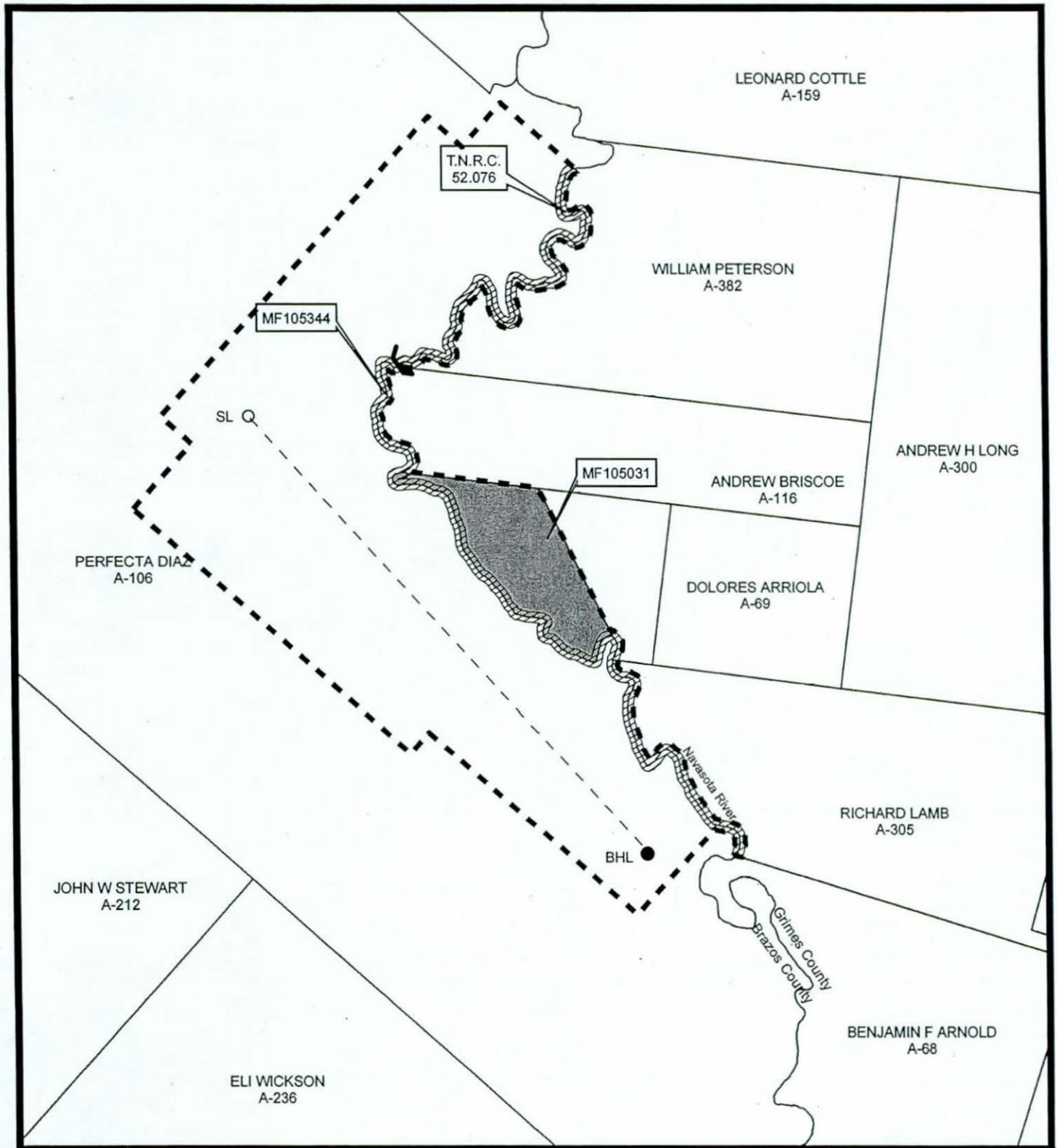
Date:

10-25-06

Date:

Vacant - Office of the Governor

Date:



Patterson Petroleum, L.P.
 Patterson-Peters No. 5 Unit
 Kurten (Buda) (Georgetown)
 MF105301, MF105344 and a part of
 the Navasota River is being pooled
 under T.N.R.C. 52.076
 Brazos and Grimes Counties
 PA06-164

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

GCS_North_American_1927
 0 1,000 2,000 Feet



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



Map Compiled By:
 Ferrel Taylor
 Information Systems - GIS
 April 4, 2006

**POOLING AGREEMENT PURSUANT TO TNRC § 52.076
STATE OF TEXAS / PATTERSON PETROLEUM LP
PATTERSON-PETERS NO. 5 UNIT
M-106093
BRAZOS AND GRIMES COUNTIES, TEXAS**

THIS AGREEMENT ("Agreement") is made and entered into effective the 4th day of October 2006, by and between the Commissioner of the General Land Office of the State of Texas ("State"), and Patterson Petroleum LP ("Patterson").

WITNESSETH THAT:

WHEREAS, the State owns the minerals under approximately 15 acres of the Navasota River contained within the boundaries of the 1,280-acre, Patterson-Peters No. 5 Unit ("Unit"), said 15 acres hereinafter referred to as the ("unleased interest"); and

WHEREAS, pursuant to Texas Natural Resources Code § 52.076(a)(4), the School Land Board has authority to pool unleased riverbeds and channels owned by the State; and

WHEREAS, Patterson and the State desire to pool the above-referenced unleased interest into said Unit; and

WHEREAS, The School Land Board at its regular meeting on November 7, 2006 determined that pooling said unleased interest as to oil and gas from the top of the Buda Formation to the base of the Georgetown Formation as described on Exhibit "2" is in the best interest of the State.

NOW, THEREFORE, in consideration of the mutual agreements hereinafter set forth and together with other valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, and for the purposes and upon the terms and conditions contained herein, the parties hereto agree as follows:

1. This Agreement is entered into pursuant to the authority granted in Chapter 52, of the Texas Natural Resources Code and Chapter 9 of Title 31 of the Texas Administrative Code and is intended to be performed pursuant to and in compliance with all applicable statutes, decisions, regulations, rules, orders and directives of any governmental agency having jurisdiction over the production and conservation of minerals from the Unit and in the interpretation and application hereof this Agreement shall be, in all things, subject thereto.

2. The State and Patterson agree that nothing herein shall be construed as granting a leasehold interest to Patterson in the unleased interest, but rather this Agreement affects a contractual pooling of interests with the respective rights and duties of the parties defined in paragraph 3, below.

3. The rights and duties of the State and Patterson with respect to the State's unleased interest within the boundaries of the Unit shall be established, governed and controlled by the terms, conditions and covenants contained in Exhibit "1" and Exhibit "2" attached hereto and incorporated herein, wherein the State shall be considered the Lessor and Patterson the Lessee and the State shall receive its share of unit production in the form of a royalty as provided in Exhibit "1" and allocated to the State as provided in Exhibit "2" with no obligation to the State for operating costs of any kind, including but not limited to exploring, drilling, equipping, completion, treating, transporting, marketing, plugging, abandonment or restoration.

4. This Agreement shall remain in effect for a term of one year from the effective date (herein called "primary term") and so long as the pooled mineral is being produced in paying quantities from the Unit, or so long as this Agreement is maintained in force by payment of shut-in oil or gas well royalties on a unit well, by drilling or rework operations on a unit well, or by other means in accordance with the terms of Exhibit "1" to this Agreement, or so long as the instrument creating the Unit remains in effect; provided that this Agreement shall automatically terminate on the date production of the pooled mineral ceases and there are no further operations on the unit to re-establish production of the pooled mineral, even though the instrument creating the pooled unit may remain in effect because a dissolution of unit has not been filed of record.

5. Inasmuch as the parties may not be able conveniently to execute one original hereof, it is agreed that a counterpart hereof may be executed by each party to this Agreement, each of which shall be considered an original, and all of said counterparts shall be construed together as one instrument.

6. The terms and provisions hereof shall extend to and be binding upon the heirs, legal representatives, successors, and assigns of the parties hereto.

7. This Agreement is to be performed in the State of Texas, and the substantive laws of the State of Texas will govern the validity, construction and enforcement of this Agreement.

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

Date Executed 12/7/06

STATE OF TEXAS

legal MS
geol. AM
cont. AM
exec. AM

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

Date Executed 11/21/06

PATTERSON PETROLEUM LP

By: Cloyce A. Talbott
Cloyce A. Talbott, CEO

STATE OF TEXAS

COUNTY OF SCURRY

This instrument was acknowledged before me on November 21, 2006, by Cloyce A. Talbott as CEO of Patterson Petroleum LP, a Delaware limited partnership on behalf of said partnership.



Brenda A. Gillisley
Notary Public in and for the State of Texas

CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on November 7, 2006, the foregoing instrument was approved by said Board under the provisions of Chapter 52 of the Natural Resources Code all of which is set forth in the Minutes of the Board of which I am custodian.

IN TESTIMONY WHEREOF, witness my hand this the 21st day of December, 2006.

Stephanie Crenshaw
Secretary of the School Land Board

EXHIBIT "1"

§52.076 Exhibit 1, Revised 10/06

1. RESERVATION AND GRANT: There is hereby excepted and reserved to Lessor the full use of the property covered hereby and all rights with respect to the surface and subsurface thereof for any and all purposes except those granted to Lessee, being the right to explore for, drill and produce the pooled mineral from the pooled area, and Lessor further reserves the rights of ingress and egress and use of said lands by Lessor and its mineral lessees, for purposes of exploring for and producing the minerals and zones which are not covered by this Agreement. All of the rights in and to the pooled area retained by Lessor and all of the rights in and to the pooled area granted to Lessee herein shall be exercised in such a manner that neither shall unduly interfere with the operations of the other.

2. PRODUCTION ROYALTIES: Upon production of the pooled mineral Lessee agrees to pay or cause to be paid to the Commissioner of the General Land Office in Austin, Texas, for the use and benefit of the State of Texas, during the term hereof:

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

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

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

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

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

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

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

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

(H) MINIMUM ROYALTY: The royalties paid to Lessor each year in no event shall be less than \$5.00 per acre pooled; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of first production a sum equal to \$5.00 per acre pooled less the amount of royalties paid during the preceding year.

3. 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 to each lease number. If Lessee pays his royalty on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% on the royalty or \$25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or \$25.00 whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.

4. (A) RESERVES, CONTRACTS AND OTHER RECORDS: Lessee shall annually furnish the Commissioner of the General Land Office with its best possible estimate of pooled mineral reserves underlying the pooled area 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 pooled

mineral produced from the pooled area, including the books and accounts, receipts and discharges of all wells, tanks, pools, meters, and pipelines shall at all times be subject to inspection and examination by the Commissioner of the General Land Office, the Attorney General, the Governor, or the representative of any of them.

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

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

6. CESSATION, DRILLING, AND REWORKING: If at the end of, or after the primary term, production of the pooled mineral should cease from any cause, this agreement shall not terminate if Lessee re-establishes production in paying quantities within sixty (60) days after such cessation or commences additional drilling or reworking operations within sixty (60) days after such cessation, and this agreement 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. For a cessation of production prior to the end of the primary term, Lessee may use the expiration of the primary term as the date of cessation of production. If such drilling or reworking operations result in the production of the pooled mineral, the agreement shall remain in full force and effect for so long as the pooled mineral is produced from the pooled unit 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, this agreement 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 agreement 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.

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

8. 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 a well capable of producing the pooled mineral in paying quantities is located on the pooled area, but the pooled mineral is not being produced for lack of suitable production facilities or lack of a suitable market, then Lessee may pay as a shut-in oil or gas royalty an amount equal to \$10.00 per acre pooled, but not less than \$1,200 a year for each well capable of producing the pooled mineral in paying quantities. To be effective, each initial shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term (2) 60 days after the Lessee ceases to produce the pooled mineral from the pooled area, or (3) 60 days after Lessee completes a drilling or reworking operation in accordance with the terms of this agreement; whichever date is latest. If the shut-in oil or gas royalty is paid, this agreement shall be considered to be a producing agreement and the payment shall extend the term of the agreement for a period of one year 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 pooled mineral exists, Lessee may extend this agreement 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.

9. COMPENSATORY ROYALTIES: If, during the period the agreement is kept in effect by payment of the shut-in oil or gas royalty, the pooled mineral is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the pooled area and completed in the same producing reservoir, or in any case in which drainage of the pooled mineral is occurring, the right to continue to maintain the agreement by paying the shut-in oil or gas royalty shall cease, but the agreement shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the agreement for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in this agreement 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 pooled area. The compensatory royalty is to be paid monthly to the Commissioner beginning on or before the last day of the month following the month in which the pooled mineral 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 pooled area; if the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period; and none of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in N.R.C. Section 52.034; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties shall satisfy the obligation to drill offset wells. Compensatory royalty payments, which are not timely paid, will accrue penalty and interest in accordance with Paragraph 3 of this agreement.

10. USE OF WATER; SURFACE: Lessee shall have the right to use water produced on said land necessary for operations hereunder and solely upon the pooled area; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for water flood operations without the prior written consent of Lessor. Subject to its obligation to pay surface damages, Lessee shall have the right to use so much of the surface of the land that may be reasonably necessary for drilling and operating wells and transporting and marketing the production therefrom, such use to be conducted under conditions of least injury to the surface of the land.

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

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

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

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

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

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

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

15. FORFEITURE: If Lessee shall fail or refuse to make the payment of any sum within thirty (30) days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this agreement, or if this agreement is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this agreement 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 or pooling. However, nothing herein shall be construed as waiving the automatic termination of this agreement by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this agreement 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 agreement and the rules and regulations that may be adopted relative hereto.

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

17. APPLICABLE LAWS AND DRILLING RESTRICTIONS: This agreement shall be subject to all rules and regulations, and amendments thereto, promulgated by the Commissioner of the General Land Office governing drilling and producing operations on Permanent Free School Land (specifically including any rules promulgated that relate to plans of operations), payment of royalties, and auditing procedures, and shall be subject to all other valid statutes, rules, regulations, orders and ordinances that may affect operations under the provisions of this agreement. Without limiting the generality of the foregoing, Lessee hereby agrees, by the acceptance of this agreement, to be bound by and subject to all statutory and regulatory provisions relating to the General Land Office's audit billing notice and audit hearings procedures. Said provisions are currently found at Texas Natural Resources Code Sections 52.135 and 52.137 through 52.140.

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

19. FORCE MAJEURE: Should Lessee be prevented from complying with any express or implied covenant of this agreement, from conducting drilling operations thereon, or from producing the pooled mineral therefrom, after effort made in good faith, by reason of war, rebellion, riots, strikes, fires, acts of God or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended upon proper and satisfactory proof presented to the Commissioner of the General Land Office in support of Lessee's contention and Lessee shall not be liable for damages for failure to comply therewith (except in the event of operations suspended as provided in the rules and regulations adopted by the School Land Board); and this agreement shall be extended while and so long as Lessee is prevented, by any such cause, from drilling, reworking operations or producing the pooled mineral from the pooled area; provided, however, that nothing herein shall be construed to suspend the or to abridge Lessee's right to a suspension under any applicable statute of this State.

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

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

22. ANTIQUITIES CODE: In the event that any site, object, location, artifact or other feature of archaeological, scientific, educational, cultural, archeological or historical interest are encountered on Permanent School Fund Land during the activities authorized by this agreement, Lessee will immediately cease activities and will immediately notify the General Land Office (ATTN: Archaeologist, Asset Management Division, 1700 N. Congress Ave., Austin, Texas 78701) and the Texas Historical Commission (P.O. Box 12276, Austin, TX 78711) so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate. Lessee is expressly placed on notice of the National Historical Preservation Act of 1966 (PB-89-66, 80 Statute 915; 16 U.S.C.A. 470) and the Antiquities Code of Texas, Chapter 191, Tex. Nat. Code Ann. (Vernon 1993 & Supp. 1998).

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

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

EXHIBIT "2"

PURPOSES:

1.

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

UNIT DESCRIPTION:

2.

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

MINERAL POOLED:

3.

The mineral pooled and unitized ("pooled mineral") hereby shall be oil and gas including all hydrocarbons that may be produced from an oil well or a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to those depths underlying the surface boundaries of the pooled unit from the top of the Buda Formation to the base of the Georgetown Formation defined as the stratigraphic interval or its correlative equivalent occurring from 9,198 feet true vertical depth to 9,605 feet true vertical depth as seen on the log of the Patterson Petroleum LP, Peters Unit No. 5 well ("unitized interval").

POOLING AND EFFECT:

4.

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

- (a) The unit, to the extent as above described, shall be operated as an entirety for the exploration, development and production of the pooled mineral, rather than as separate tracts.
- (b) All drilling operations, reworking or other operations with respect to the pooled mineral on land within the unit shall be considered as though the same were on each separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.
- (c) Production of the pooled mineral from the unit allocated to each separate tract, respectively, as hereinafter provided, shall be deemed to have been produced from each such separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.
- (d) All rights to the production of the pooled mineral from the unit, including royalties and other payments, shall be determined and governed by the lease or other contract pertaining to each separate tract, respectively, based upon the production so allocated to such tract only, in lieu of the actual production of the pooled mineral therefrom.
- (e) A shut-in oil or gas well located upon any land or lease included within said unit shall be considered as a shut-in oil or gas well located upon each tract or lease included within said unit.
- (f) If the Railroad Commission of Texas (or any other Texas regulatory body having jurisdiction) shall adopt special field rules providing for oil and/or gas proration units of less than 1,280 acres, then Lessee agrees to either (1) drill to the density permitted by the Railroad Commission, (2) make application to the School Land Board of the State of Texas to reform the unit to comply with Railroad Commission unit rules, or (3) make application to the School Land Board of the State of Texas for such remedy as may be agreeable to the Board.
- (g) This Agreement shall not relieve Lessee from the duty of protecting the State lands within the boundaries of the pooled unit described in Exhibit "B" from drainage from any well situated on privately owned land, lying outside the unitized area described in Exhibit "B", but, subject to such obligation, Lessee may produce the allowable for the entire unit as fixed by the Railroad Commission of Texas or other lawful authority, from any one or more wells completed thereon.
- (h) There shall be no obligation to drill internal offsets to any other well on separate tracts within the pooled unit, nor to develop the lands within the boundaries thereof separately, as to the pooled mineral.

ALLOCATION OF PRODUCTION:

5.

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

DISSOLUTION:

6.

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

RATIFICATION/WAIVER:

7.

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

EXHIBIT "A"

Attached to and made a part of State Of Texas Pooling Agreement Pursuant To TNRC §52.076 for Patterson Petroleum LP-Peters No. 5 Unit, Brazos and Grimes Counties, Texas

1. Oil, Gas and Mineral Lease dated December 24, 1975, from Diane Peters, Edgar Duane Peters and Patricia Kay Peters to Jack E. Havard, covering 1008.25 acres, more or less, recorded in Volume 22 at Page 435 of the Oil and Gas Lease Records of Brazos County, Texas; as amended.
2. Oil, Gas and Mineral Lease dated December 24, 1975 from The City National Bank of Bryan, Texas, as Trustee of the Diane Peters, Edgar Duane Peters, Patricia Kay Peters Trust #205 to Jack E. Havard, covering 524.48 acres, more or less, recorded in Volume 22 at Page 437 of the Oil and Gas Lease Records of Brazos County, Texas, as amended.
3. Oil, Gas and Mineral Lease dated July 22, 2002 from Charles E. Foltin, a.k.a. Charles Edward Foltin et al to Patterson Petroleum LP, Limited Partnership, covering 361.913 acres, more or less, recorded in Volume 4818 at Page 267 of the Official Records of Brazos County, Texas, as amended.
4. Oil and Gas Lease No. M-105344, dated July 19, 2005 from The State of Texas to Patterson Petroleum LP, Limited Partnership, covering 30.00 acres, more or less, recorded in Volume 1141 at Page 187 in the Real Property Records of Grimes County, Texas.
5. Oil and Gas Lease No. M-105301, dated July 19, 2005 from The State of Texas to Patterson Petroleum LP, Limited Partnership, covering 72.3 acres, more or less, recorded in Volume 1141 at Page 194 in the Real Property Records of Grimes County, Texas.
6. Oil, Gas and Mineral Lease dated June 8, 2003, as extended, by and between Clear Lake Properties, Inc. as Lessor and Patterson Petroleum LP, Limited Partnership, a Memorandum of which is recorded in Volume 5666 at Page 295 of the Official Records of Brazos County, Texas; as amended by Amendment of Oil, Gas and Mineral Lease dated July 22, 2004 and being recorded in Volume 6190 at Page 214 of the Official Records of Brazos County, Texas.
7. Ratification of Amended Oil, Gas and Mineral Lease dated August 10, 2004 executed by Nancy Jean Arnold, et vir, recorded in Volume 6547 at Page 200 of the Official Records of Brazos County, Texas.
8. Ratification of Amended Oil, Gas and Mineral Lease dated August 12, 2004 executed by Carolyn Kindt Benjamin, recorded in Volume 6547 at Page 201 of the Official Records of Brazos County, Texas.
9. Ratification of Amended Oil, Gas and Mineral Lease dated August 13, 2004 executed by Mary Lois Bland, recorded in Volume 6547 at Page 202 of the Official Records of Brazos County, Texas.
10. Ratification of Amended Oil, Gas and Mineral Lease dated November 5, 2004 executed by Danice Deegan Corbin, Attorney-in-Fact for Ina Dyess Browning, and as Remainderman, recorded in Volume 6547 at Page 210 of the Official Records of Brazos County, Texas.
11. Ratification of Amended Oil, Gas and Mineral Lease dated August 20, 2004 executed by Bobby Russell Carter et ux, recorded in Volume 6547 at Page 203 of the Official Records of Brazos County, Texas.
12. Ratification of Amended Oil, Gas and Mineral Lease dated January 25, 2005 executed by James Lee Carter, recorded in Volume 6547 at Page 204 of the Official Records of Brazos County, Texas.

13. Ratification of Amended Oil, Gas and Mineral Lease dated August 10, 2004 executed by Joseph T. Carter (a/k/a J. T. Carter) et ux, recorded in Volume 6547 at Page 205 of the Official Records of Brazos County, Texas.
14. Ratification of Amended Oil, Gas and Mineral Lease dated December 22, 2004 executed by William Benton Carter et ux, recorded in Volume 6547 at Page 206 of the Official Records of Brazos County, Texas.
15. Ratification of Amended Oil, Gas and Mineral Lease dated September 29, 2004 executed by Central Baptist Church, recorded in Volume 6547 at Page 241 of the Official Records of Brazos County, Texas.
16. Ratification of Amended Oil, Gas and Mineral Lease dated August 17, 2004 executed by Edward L. Cobb et ux, recorded in Volume 6547 at Page 207 of the Official Records of Brazos County, Texas.
17. Ratification of Amended Oil, Gas and Mineral Lease dated August 11, 2004 executed by Sammye Kay Collier, recorded in Volume 6547 at Page 208 of the Official Records of Brazos County, Texas.
18. Ratification of Amended Oil, Gas and Mineral Lease dated August 11, 2004 executed by Robert Henry Conaway, Jr., Guardian of the Person and Estate of Mary Frances Conaway, mind, recorded in Volume 6547 at Page 209 of the Official Records of Brazos County, Texas.
19. Ratification of Amended Oil, Gas and Mineral Lease dated August 12, 2004 executed by Patsy Ruth Cox, recorded in Volume 6547 at Page 211 of the Official Records of Brazos County, Texas.
20. Ratification of Amended Oil, Gas and Mineral Lease dated August 10, 2004 executed by Dorothy Jean Carter Davis et vir, recorded in Volume 6547 at Page 212 of the Official Records of Brazos County, Texas.
21. Ratification of Amended Oil, Gas and Mineral Lease dated August 24, 2004 executed by Leola Todd Davis, recorded in Volume 6547 at Page 213 of the Official Records of Brazos County, Texas.
22. Ratification of Amended Oil, Gas and Mineral Lease dated August 31, 2004 executed by Linda Edling Andrews, Successor Co-Trustee of the Glenn Edward Edling Trust, recorded in Volume 6547 at Page 238 of the Official Records of Brazos County, Texas.
23. Ratification of Amended Oil, Gas and Mineral Lease dated August 13, 2004 executed by Lillie Maurine Edwards et vir, recorded in Volume 6547 at Page 239 of the Official Records of Brazos County, Texas.
24. Ratification of Amended Oil, Gas and Mineral Lease dated September 11, 2004 executed by Linda Ruth Fayard et vir, recorded in Volume 6547 at Page 240 of the Official Records of Brazos County, Texas.
25. Ratification of Amended Oil, Gas and Mineral Lease dated November 5, 2004 executed by First Baptist Church of Bryan, Texas, recorded in Volume 6547 at Page 214 of the Official Records of Brazos County, Texas.
26. Ratification of Amended Oil, Gas and Mineral Lease dated August 27, 2004 executed by Leah Elizabeth Gelber, recorded in Volume 6547 at Page 216 of the Official Records of Brazos County, Texas.
27. Ratification of Amended Oil, Gas and Mineral Lease dated September 22, 2004 executed by Joseph R. Gelber, Jr., recorded in Volume 6547 at Page 215 of the Official Records of

Brazos County, Texas.

28. Ratification of Amended Oil, Gas and Mineral Lease dated August 18, 2004 executed by Morris J. Gelber, recorded in Volume 6547 at Page 217 of the Official Records of Brazos County, Texas.
29. Ratification of Amended Oil, Gas and Mineral Lease dated August 10, 2004 executed by Gladys Jeske, recorded in Volume 6547 at Page 218 of the Official Records of Brazos County, Texas.
30. Ratification of Amended Oil, Gas and Mineral Lease dated August 13, 2004 executed by Georgia Kay Jones, recorded in Volume 6547 at Page 219 of the Official Records of Brazos County, Texas.
31. Ratification of Amended Oil, Gas and Mineral Lease dated August 9, 2004 executed by Kenneth John Kindt et ux, recorded in Volume 6547 at Page 220 of the Official Records of Brazos County, Texas.
32. Ratification of Amended Oil, Gas and Mineral Lease dated September 28, 2004 executed by Bernerd Krause, Trustee for Cory Krause, Cameron Krause and Kristin Krause, recorded in Volume 6547 at Page 221 of the Official Records of Brazos County, Texas.
33. Ratification of Amended Oil, Gas and Mineral Lease dated August 6, 2004 executed by Paul Levy, Individually and as Trustee of the Paul Levy Trust, recorded in Volume 6547 at Page 222 of the Official Records of Brazos County, Texas.
34. Ratification of Amended Oil, Gas and Mineral Lease dated June 4, 2005 executed by Linda Sue Lingwall, recorded in Volume 6718 at Page 43 of the Official Records of Brazos County, Texas.
35. Ratification of Amended Oil, Gas and Mineral Lease dated September 28, 2004 executed by Kathy S. McBride, recorded in Volume 6547 at Page 223 of the Official Records of Brazos County, Texas.
36. Ratification of Amended Oil, Gas and Mineral Lease dated August 16, 2004 executed by Angus S. McSwain, Jr., recorded in Volume 6547 at Page 224 of the Official Records of Brazos County, Texas.
37. Ratification of Amended Oil, Gas and Mineral Lease dated August 13, 2004 executed by Mary Lois Bland, Co-Trustee of The James Brooks McSwain Trust, recorded in Volume 6547 at Page 243 of the Official Records of Brazos County, Texas.
38. Ratification of Amended Oil, Gas and Mineral Lease dated August 16, 2004 executed by Angus S. McSwain, Jr. (a/k/a A. S. McSwain, Jr. and Angus Stewart McSwain, Jr.), Co-Trustee of The James Brooks McSwain Trust, recorded in Volume 6547 at Page 245 of the Official Records of Brazos County, Texas.
39. Ratification of Amended Oil, Gas and Mineral Lease dated August 9, 2004 executed by Betty Ann Pate et vir, recorded in Volume 6547 at Page 225 of the Official Records of Brazos County, Texas.
40. Ratification of Amended Oil, Gas and Mineral Lease dated August 9, 2004 executed by Willie E. Pieters, Jr., recorded in Volume 6547 at Page 226 of the Official Records of Brazos County, Texas.
41. Ratification of Amended Oil, Gas and Mineral Lease dated August 9, 2004 executed by Cecil Gelber Reese, recorded in Volume 6547 at Page 227 of the Official Records of Brazos County, Texas.

42. Ratification of Amended Oil, Gas and Mineral Lease dated October 6, 2004 executed by John Alex Riley et ux, recorded in Volume 6547 at Page 228 of the Official Records of Brazos County, Texas.
43. Ratification of Amended Oil, Gas and Mineral Lease dated August 27, 2004 executed by Martin Luther Riley, Jr. et ux, recorded in Volume 6547 at Page 242 of the Official Records of Brazos County, Texas.
44. Ratification of Amended Oil, Gas and Mineral Lease dated February 11, 2005 executed by Claude W. Rosier, recorded in Volume 6547 at Page 229 of the Official Records of Brazos County, Texas.
45. Ratification of Amended Oil, Gas and Mineral Lease dated February 18, 2005 executed by James M. Rosier, recorded in Volume 6547 at Page 230 of the Official Records of Brazos County, Texas.
46. Ratification of Amended Oil, Gas and Mineral Lease dated January 26, 2005 executed by James Edward Rumfield, recorded in Volume 6547 at Page 231 of the Official Records of Brazos County, Texas.
47. Ratification of Amended Oil, Gas and Mineral Lease dated January 26, 2005 executed by Michael Lynn Rumfield, Sr., recorded in Volume 6547 at Page 232 of the Official Records of Brazos County, Texas.
48. Ratification of Amended Oil, Gas and Mineral Lease dated August 13, 2004 executed by The Saxon Trust, recorded in Volume 6547 at Page 233 of the Official Records of Brazos County, Texas.
49. Ratification of Amended Oil, Gas and Mineral Lease dated August 11, 2004 executed by Clyde D. Sides et ux, recorded in Volume 6547 at Page 234 of the Official Records of Brazos County, Texas.
50. Ratification of Amended Oil, Gas and Mineral Lease dated August 27, 2004 executed by Larry W. Sides et ux, recorded in Volume 6547 at Page 235 of the Official Records of Brazos County, Texas.
51. Ratification of Amended Oil, Gas and Mineral Lease dated January 26, 2005 executed by Cindy Lou Smith, recorded in Volume 6547 at Page 236 of the Official Records of Brazos County, Texas.
52. Ratification of Amended Oil, Gas and Mineral Lease dated August 9, 2004 executed by Ruby M. Watson, recorded in Volume 6547 at Page 237 of the Official Records of Brazos County, Texas.
53. Oil and Gas Lease No. M-106093 (Pooling Agreement) dated October 4, 2006 covering 15 acres, more or less, in Brazos and Grimes Counties, Texas, by and between the Commissioner of the General Land Office of the State of Texas, as lessor and Patterson Petroleum LP, Limited Partnership, as lessee.

EXHIBIT "B"

Attached to and made a part of the State of Texas Pooling Agreement
Pursuant to TNRC §52.076 for the Patterson Petroleum LP - Peters No. 5 Unit
Brazos and Grimes Counties, Texas

1,280 acres, more or less, out of the Perfecto Diaz Survey, Abstract 106, Brazos County, Texas and the J.R. Gaines Survey, Grimes County, Texas, more particularly described as follows:

Beginning at a fence corner marking the most southerly corner of a called 427 acre tract described in a Warranty Deed from J.E. Newcomb, et al to Edward H. Foltin, et ux dated February 15, 1956 and recorded in Volume 173 at Page 34 of the Deed Records of Brazos County, Texas, then North 42°09'46" East 1126.98' to the Place of Beginning herein;

Then North 47°34'40" West 5443.42' to a point for corner;

Then North 42°25'20" East 1449.28' to a point for corner on the fence line between the Foltin called 427 acre property and Peters called 451.25 acre property;

Then North 47°34'40" West 1060.25' to a point for a corner;

Then, across the Peters property crossing a called 451.25 acre tract and onto a called 557 acre tract, North 42°25'20" East 6557.40' to a point for a corner;

Then South 48°53'14" East 1143.00' to a point for corner;

Then North 42°25'20" East 1143.30' to a point for corner on the northeast line of the Peters property;

Then South 48°53'14" East to the western high bank of the Navasota River and continuing across the river to the high bank on the east side of the Navasota River for a corner;

Then down the Navasota River, along the high bank on the Grimes County side of said river, in a general southerly direction to the intersection of said high bank and the common northwest corner of the J.R. Gaines Survey and the southwest corner of the A. Briscoe Survey, Abstract 116;

Then in an easterly direction along the common survey line of the J.R. Gaines Survey and the A. Briscoe Survey, Abstract 116, to the northeast corner of the J.R. Gaines Survey;

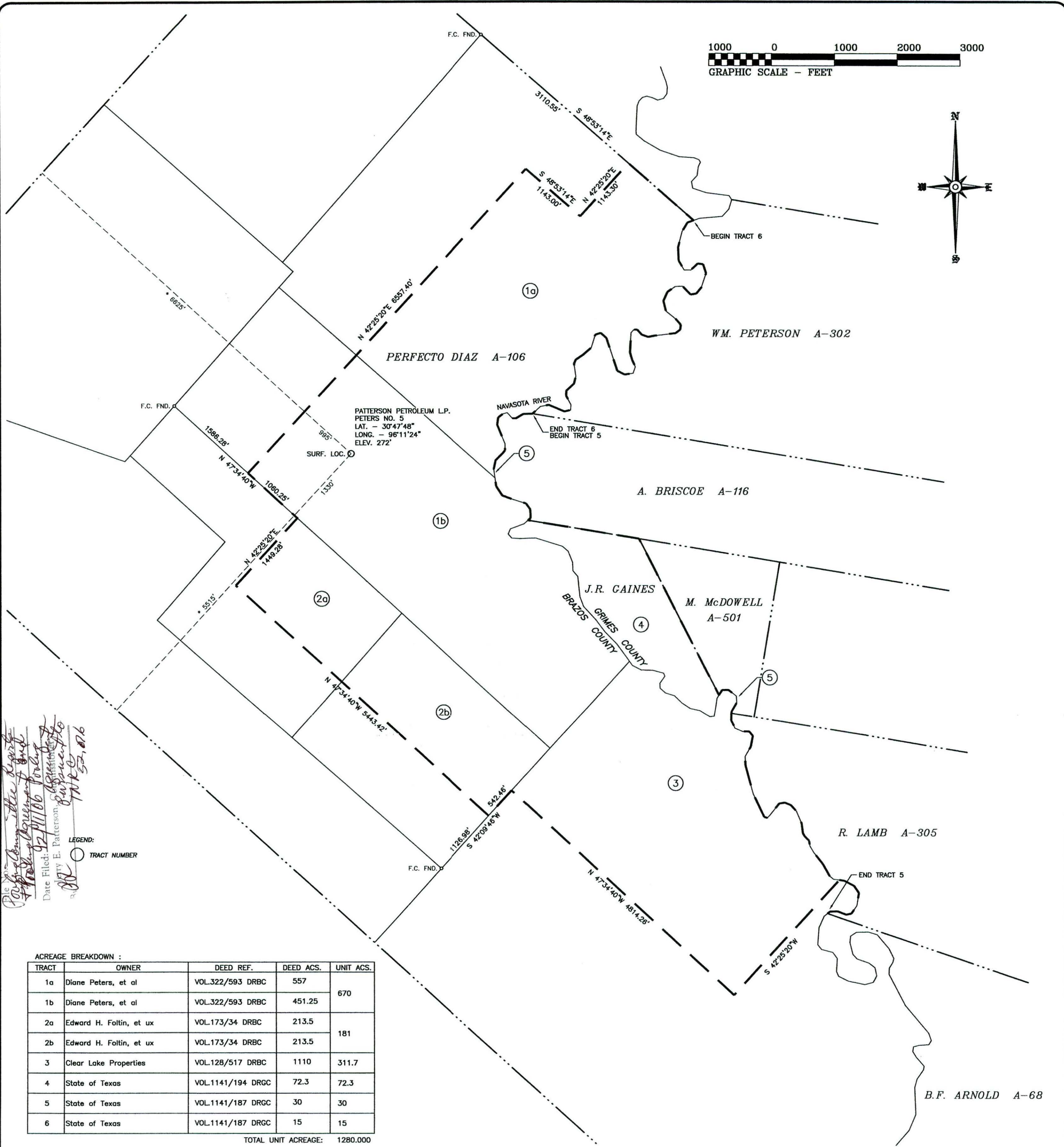
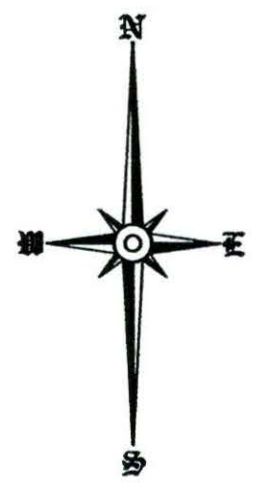
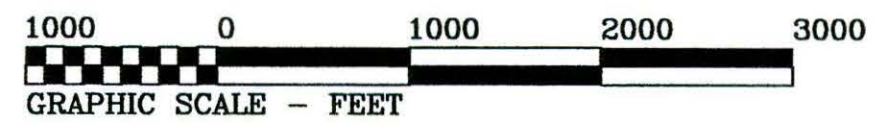
Then in a southeasterly direction along the common survey line of the J.R. Gaines Survey and the M. McDowell Survey, A-501 to the high bank of the Navasota River;

Then down said high bank of the Navasota River to a point that intersects with a line whose bearings begin at the Place of Beginning and then runs North 42°09'46" East 542.46' and then South 47°34'40" East 4814.26' to a point for a corner and then North 42°25'20" East to a point on the high bank on the Grimes County side of said river;

Then South 42°25'20" West to a point of intersection for a corner that intersects with a line whose bearings begin at the Place of Beginning and then runs North 42°09'46" East 542.46' and then South 47°34'40" East 4814.26';

Then North 47°34'40" West 4814.26' to a point for corner;

Then South 42°09'46" West 542.46' to the Place of Beginning.



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 01-105301
 Patterson Petroleum L.P.
 Date Filed: 9/27/11
 City: E. Patterson
 County: Brazos
 State: TX
 111106
 111106
 111106

LEGEND:
 ○ TRACT NUMBER

ACREAGE BREAKDOWN :

TRACT	OWNER	DEED REF.	DEED ACS.	UNIT ACS.
1a	Diane Peters, et al	VOL.322/593 DRBC	557	670
1b	Diane Peters, et al	VOL.322/593 DRBC	451.25	
2a	Edward H. Foltin, et ux	VOL.173/34 DRBC	213.5	181
2b	Edward H. Foltin, et ux	VOL.173/34 DRBC	213.5	
3	Clear Lake Properties	VOL.128/517 DRBC	1110	311.7
4	State of Texas	VOL.1141/194 DRGC	72.3	72.3
5	State of Texas	VOL.1141/187 DRGC	30	30
6	State of Texas	VOL.1141/187 DRGC	15	15
TOTAL UNIT ACREAGE:			1280.000	

NOTES:

1. WELL IS LOCATED 4.5 MILES EAST OF KURTEN IN BRAZOS COUNTY, TEXAS.
2. ——— INDICATES LIMITS OF PROPOSED UNIT.
3. ALL DEED REFERENCES WERE PROVIDED BY PATTERSON PETROLEUM, INC.
4. ACREAGE CALCULATED FROM DEED AND AERIAL PHOTOGRAPHY.
5. - - - IDENTIFIES SURVEY OR LEAGUE LINE.
6. * - INDICATES DIMENSION SCALED FROM DEED OR AERIAL PHOTOGRAPHY.
7. BEARINGS ARE BASED ON GEODETIC NORTH AS DETERMINED BY GPS OBSERVATION.
8. ELEVATION, LATITUDE, AND LONGITUDE DETERMINED BY GPS OBSERVATION.

Robert C. Schmidt
 Robert C. Schmidt, RPLS
 Texas Registered Professional Land
 Surveyor No. 4705



EXHIBIT "C"

 O'MALLEY ENGINEERS 203 S. JACKSON BRENHAM, TEXAS (979) 836-7937	AS-DRILLED PLAT PATTERSON PETROLEUM L.P. PETERS NO. 5 UNIT 1280.000 ACRE UNIT PERFECTO DIAZ, A-106, BRAZOS COUNTY, TEXAS J.R. GAINES SURVEY, GRIMES COUNTY, TEXAS
	OE JOB NO. 2005.22 LC SCALE: 1" = 1000' DATE: 9-19-2006