ODA #4, #9276

STATE LEASE MF105456

CONTROL	BASEFILE	COUNTY
07-032846	144072 -	CULBERSON /055

SURVEY : PUBLIC SCHOOL LAND
BLOCK : 113
TOWNSHIP : 00
SECTION/TRACT: 23
PART :
ACRES : ~~640~~ 320 gross/~~480~~ 240 net acres (E/2)
DEPTH LIMITS : ~~NO~~ 0-15,422'

Rentals: MS

Lease Admin: JB

Mineral Maps: JH

GIS: JP

LESSEE : HALLWOOD ENERGY, II, L.P
LEASE DATE : Jul 25 2005
PRIMARY TERM : 3 yrs
BONUS ($) : 38400.00
RENTAL ($) : 1.00
ROYALTY : 0.11500000
VAR ROYALTY :

E

M F 1 0 5 4 5 6

F1035133

CONTENTS OF FILE NO. M-F105456

1. Letter, bonus, + fees 7/15/05
2. Lease 8/1/05
3. BAL Review 8/9/05
4. BLO letter 11/16/05

See MF104328#8 for merger + Name Change. 6/5/06

See MF104328 #10 for assignment 6-20-07

5. Well Report 7/30/08

ASSIGNMENT FILED IN MF 104793#8+#9. 10/31/08

ASSIGNMENT FILED IN MF 104752#10. 7/24/09

~~6. ASSIGNMENT FILED IN MF 7/26/09~~

ASSIGNMENT FILED IN MF 104752#11. 10/22/09

ASSIGNMENT FILED IN MF 102703#16. 10/23/09

7. Harrison State #2302 Well info 5/5/10

Ck lease 7-25-10 at 2 yr past PT for status 5/5/10

8. Cert of Fact (2011-10) 11/30/10

9. Reconciliation Ltr 10/26/11

Scanned sm 8/15/13

10. DIVISION ORDER 6.11.12

11. PT Termin Ltr. 2-13-15

Item #6 moved to MF 104871. It was not part of this file.

scanned PJ 9-20-16

12. Production Data 10/28/16

13. Flip Whitworth Ltr 10/28/16

scanned PJ 11-10-16

14. Ltr. Agrmt with Energuest 11/15/17

scanned PJ 11-16-2017

15. Corrected Ltr. Agrmt. 11/29/17

scanned PJ 11-29-2017

See #s 34 & 37 in M-111132 for the 2018 Plan of Dev. & the 2nd Amd to the Horseshoe Springs State Unit, ODA #4

scanned PJ 5-22-2018

See # 25 in M-104752 for the State Hope Springs 113-23X14 Unit #9276

scanned PJ 6-29-2018

See #41 in M-111132 for the 2019 Plan of Dev for the Horseshoe Springs State Unit

scanned PJ 7-12-2019

See MF104752 #30 Division Order

scanned sm 10/09/2019

See MF104752, Assignt # 1237 Merger BPX et al to BPX Opr 2/28/23

Scanned SM 03/06/2023

Woods Petroleum
Land Management, Inc.

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

July 12, 2005

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

CC:
State of Texas General Land Office
Drew Reid
1700 North Congress Avenue
Austin, Texas 78701

Re: Oil & Gas Lease Offer Culberson County

Dear Sir:

I am writing you to offer you a three-year paid up Oil & Gas Lease for $150 per acre and a 23% Royalty for all your Culberson County Mineral Classified Lands. Please let me know if you are willing to lease at the above terms. I can be reached at the above address or 432-413-5743.

The Mineral Classified Lands are as follows:

7680 acres – Block 113 PSL Sections: 13,14,15,20,21,22,23,24,8,10,16, &19;

3200 acres – Block 114 PSL Sections: 12,13,22,23,24;

880 acres – Block 111PSL Sections 1,N2 of Section 4, N1/4 SEC 5

Contact – 775
Trans. – 4767
Pins – 07 –
see attached yellow stickies

Sincerely,

Bert Dorr

Bert Dorr
Woods Petroleum

Hallwood Petroleum, LLC 5835

	VENDOR	CHECK DATE
TX GLO/STATE OF TEXAS	TXGLO	07/27/05

INVOICE NUMBER	INVOICE DATE		DISCOUNT TAKEN	AMOUNT PAID
72605	07/26/05	29386 HALLWOOD HEII AREA	$0.00	$752,758.50
		Total:	$0.00	$752,758.50

121

05050837

attn: Drew Reid

1.

File No. MF105456
Letter, forms, & fees
Date Filed: 7/15/05
Jerry E. Patterson, Commissioner
By JB

54585

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

The State of Texas

THE STATE OF TEXAS

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 25 day of July ,2005 , between the State of Texas, acting by and through its agent, Harrison Trust, Roddy L. Harrison, Trustee

of P.O. Box 1908 Pecos, TX 79772

(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Hallwood Energy II, L.P..

of 3710 Rawlins Street, Suite 1500, Dallas, TX 75219 hereinafter called Lessee.

(Give Permanent Address)

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

Section 23 Block 113, PSL

containing 640 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Thirty Eight Thousand Four Hundred and no/100

Dollars ($38,400.00)

To the owner of the soil: Thirty Eight Thousand Four Hundred and no/100

Dollars ($38,400.00)

Total bonus consideration: Seventy-Six Thousand Eight Hundred Dollars and no/100

Dollars ($76,800.00)

The total bonus consideration paid represents a bonus of One Hundred Sixty Dollars and no/100 Dollars ($160.00) per acre, on 480 net acres.

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

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: Linda McDonald
LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS
BY DEPUTY

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

______________________________ Bank, at ______________________________,
or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: **PLEASE SEE ADDENDUM "A", THIS IS A PAID UP LEASE

Dollars ($______________________)

To the State of Texas: ______________________________

Dollars ($______________________)

Total Delay Rental: ______________________________

Dollars ($______________________)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 23% part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is the greater. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the royalty owners through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived, in writing, by the royalty owners upon such terms and conditions as they prescribe.

(B) NON PROCESSED GAS. Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (A) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 23% part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is the greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(C) PROCESSED GAS. Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 23% part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is the greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent *(50%)* or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is the greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons), whichever is the greater. In no event, however, shall the royalties payable under this paragraph be less than the royalties which would have been due had the gas not been processed.

(D) OTHER PRODUCTS. Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be 23% part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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

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

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

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

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

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

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

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

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

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: Linda McDonald
LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS
BY ____________ DEPUTY

9-7-02

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

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

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

14. SHUT-IN ROYALTIES. For purposes of this paragraph, "well" means any well that has been assigned a well number by the state agency having jurisdiction over the production of oil and gas. If, at any time after the expiration of the primary term of a lease that, until being shut in, was being maintained in force and effect, a well capable of producing oil or gas in paying quantities is located on the leased premises, but oil or gas is not being produced for lack of suitable production facilities or lack of a suitable market, then Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in the lease, but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. To be effective, each initial shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the Lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after Lessee completes a drilling or reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one year from the end of the primary term, or from the first day of the month following the month in which production ceased, and, after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four more successive periods of one (1) year by paying the same amount each year on or before the expiration of each shut-in year.

15. COMPENSATORY ROYALTIES. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir, or in any case in which drainage is occurring, the right to continue to maintain the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the lease for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in the lease of the market value of production from the well causing the drainage or which is completed in the same producing reservoir and within one thousand (1,000) feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month following the month in which the oil or gas is produced from the well causing the drainage or that is completed in the same producing reservoir and located within one thousand (1,000) feet of the leased premises. If the compensatory royalty paid in any 12-month period is an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 9 of this lease. None of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in Texas Natural Resources Code 52.173; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties can satisfy the obligation to drill offset wells.

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

(A) VERTICAL. In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall then terminate as to all of the leased premises, EXCEPT (1) 40 acres surrounding each oil well capable of producing in paying quantities and 320 acres surrounding each gas well capable of producing in paying quantities (including a shut-in oil or gas well as provided in Paragraph 14 hereof), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or (2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code 52.151-52.154, or (3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. If at any time after the effective date of the partial termination provisions hereof, the applicable field rules are changed or the well or wells located thereon are reclassified so that less acreage is thereafter allocated to said well or wells for production purposes, this lease shall thereupon terminate as to all acreage not thereafter allocated to said well or wells for production purposes. Notwithstanding the termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress to and egress from the lands still subject to this lease for all purposes described in Paragraph 1 hereof, together with easements and rights-of-way for existing roads, existing pipelines and other existing facilities on, over and across all the lands described in Paragraph 1 hereof ("the retained lands"), for access to and from the retained lands and for the gathering or transportation of oil, gas and other minerals produced from the retained lands.

(B) HORIZONTAL. In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall further terminate as to all depths below 100 feet below the total depth drilled (hereinafter "deeper depths") in each well located on acreage retained in Paragraph 16 (A) above, unless on or before two (2) years after the primary or extended term Lessee pays an amount equal to one-half (1/2) of the bonus originally paid as consideration for this lease (as specified on page 1 hereof). If such amount is paid, this lease shall be in force and effect as to such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9-I-02

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

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

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

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

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

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

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

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

LESSEE

BY: Jaymie Munchinski

Title: District Land Manager

Date: 7-25-05

STATE OF TEXAS

BY: Jerry Patterson ... Hunt ... Fowler

Individually and as agent for the State of Texas

Date: 7-25-05

STATE OF TEXAS

BY:

Individually and as agent for the State of Texas

Date:

STATE OF TEXAS

BY:

Individually and as agent for the State of Texas

Date:

STATE OF TEXAS

BY:

Individually and as agent for the State of Texas

Date:

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: Linda McDonald
LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS
BY _______ DEPUTY

<u>Addendum A</u>

Note that all rentals were paid up in the lease bonus. The lease bonus is $150 per acre, and the delay rentals are $5 per acre totaling $160 per acre seen paragraph 1 of the granting clause.

STATE OF ____________________ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF ____________________

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

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

____

Notary Public in and for ____________________

STATE OF Texas (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Johnson

BEFORE ME, the undersigned authority, on this day personally appeared Jaymie Munchinski known to me to be the person whose name is subscribed to the foregoing instruments as District Land Manager of Hallwood Energy II, L.P. and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 27th day of July, 20 05.

KARI NAZWORTH
Notary Public
STATE OF TEXAS
My Comm. Exp. 10/18/2007

Kari [signature]

Notary Public in and for Texas

STATE OF Texas (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Reeves

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

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

Given under my hand and seal of office this the 25 day of July, 20 05.

JOHN ROBERT DORR JR.
Notary Public, State of Texas
My Commission Expires
May 22, 2007

[signature]

Notary Public in and for 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 ____________________

File No. MF105456

Lease

Date Filed: 8/1/05

Jerry E. Patterson, Commissioner

By JP

2.

THE STATE OF TEXAS

COUNTY OF CULBERSON

I, Linda McDonald, Clerk of the County Court in and for said County and State, do hereby certify that the foregoing is a true and correct copy of Oil + Gas Lease dated 7-25-05, filed for record in my office this 29 day of July, 2005 at 11:45 A.M., under Clerk's File No. 59585, to be recorded in the Oil + Gas Records of Culberson County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Van Horn, this 29 day of July 2005

By L. [illegible], Deputy.

LINDA McDonald, COUNTY CLERK
CULBERSON COUNTY, TEXAS.

RAL REVIEW SHEET

Transaction # 4811

Geologist: R. Widmayer

Lessor: Harrison Trust, Roddy L. Harrison, Trustee

Lease Date: 7/25/2005 **UL:** ☐

Lessee: Hallwood Energy II, L.P.

Acres: 640

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
CULBERSON	07-032846	144072	ALL	23	113	00	PUBLIC SCHOOL LAND	6462
	640 Ac.							

TERMS OFFERED

Primary Term:	3 years
Bonus/Acre:	$150.00
Rental/Acre:	$5.00
Royalty:	23%

TERMS RECOMMENDED

Primary Term	3 years
Bonus/Acre	$150.00
Rental/Acre	$5.00
Royalty	23%

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance Last Lease

Comments: Paid up rentals.

Approved: PAB 8.9.05

Tuesday, August 09, 2005

RELINQUISHMENT ACT LEASE APPLICATION

Texas General Land Office | Jerry Patterson, Commissioner

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

DATE: 09-Aug-05

M-104752

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

Applicant:	Hallwood Energy II, L.P.			County:	CULBERSON
Prim. Term:	3 years	Bonus/Acre	$150.00		
Royalty:	23%	Rental/Acre	$5.00		

Consideration
Recommended: PAB Date: 8.9.05
Not Recommended: ____
Comments: Paid up rentals.

Lease Form
Recommended: RJH Date: 8/09/05
Not Recommended: ____
Comments:

Louis Renaud, Deputy Commissioner Date: 8-9-05
Recommended: CGR
Not Recommended: ____

Bill Warnick, General Counsel Date: 8/10/05
Recommended: RJH for WFW
Not Recommended: ____

Larry Laine, Chief Clerk Date: 8/11/05
Approved: JJK
Not Approved: ____

Jerry Patterson, Commissioner Date: 16 AUG 05
Approved: JEP
Not Approved: ____

3.

File No. MF 105456
Both Review

Date Filed: 8/9/05
Jerry E. Patterson, Commissioner
By [signature]

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

November 16, 2005

Attn: Bert Dorr
Woods Petroleum Land Management, Inc.
P.O. Box 51194
Midland, Texas 79710-1194

Re: RELINQUISHMENT ACT LEASE No. M-105456
480 acres out of Sec. 23, Blk. 113, PSL
Culberson County, Texas

Dear Mr. Dorr:

The certified copy of the Relinquishment Act lease covering the above referenced tracts has been approved and filed in our records under mineral file number M-105456. Please refer to this number in all future correspondence concerning the lease.

Your remittance of $38,525.00, has been applied as the state's portion of the cash bonus $38,400.00, along with a processing and filing fee in the amount of $125.00. Please let me know if you should have any questions.

Sincerely,

Drew Reid by MS

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

MS/DR

4.

File No. MF 705456

GLO letter

Date Filed: 11/16/85

Jerry E. Patterson, Commissioner

By [signature]

MF 105456

PLEASE DO NOT STAPLE

DEPTH C SABLE-QUALITY GROUND WATER T E PROTECTED MAY 27 2008

PLEASE READ ALL INSTRUCTIONS

The information requested is essential in order for this agency to provide an appropriate response. Please allow for receipt of this form in our offices at least two weeks before your operation begins. Due to the volume of these requests, at times, it may be difficult for us to handle telephone inquiries. Complete, keep the bottom sheet (goldenrod) for your files, and mail the top 3 sheets of the 4-sheet set of carbon-backed forms with a map to the address below. One sheet bearing our response will be returned to you. Another will be sent to the appropriate district office of the Railroad Commission. Individuals are entitled to request and review their personal information that the agency gathers on its forms. They may also have any errors in their information corrected. To review such information, contact us at 512/239-3282 If you have questions on how to fill out this form or about the Surface Casing program, please contact us at 512/239-0515.

Surface Casing - MC 151
TCEQ
P.O. Box 13087
Austin, TX 78711-3087

Date ______ **TCEQ File No.: SC-** 821

Kari Nazworth 214-523-1269
Name of person preparing this request & phone No. (with area code)

Hallwood Petroleum, LLC
Company (operator's name as on RRC form W-1)

3710 Rawlins St. Suite 1500
Mailing Address

Dallas TX 75219
City and State ZIP Code

FOR TCEQ USE ONLY

ALWAYS INCLUDE A MAP SHOWING YOUR WELL SITE AND ALL SURROUNDING SURVEYS

COUNTY Culberson Survey Name Block 113 Public School Land
Block No. 113 Township ______ Section or Survey No. 23 (or) Lot No. ______
Abstract No. A- 64/62 LEASE Name Harrison State Well No. 1-23
Distances, in feet, and directions measured at right angles from each of two intersecting ☐ Section or ☐ Survey lines
(NOT LEASE LINES) 1964 feet from South line and 1018 feet from ~~West~~ EAST line.
Distance (in miles) and direction from a nearby town in this County (name the town)
15 miles Southwest from Orla, TX

THE ABOVE INFORMATION IN THIS BLOCK MUST BE COMPLETE AND CORRECT

API # ______ RRC Lease No. ______ RRC Dist. No. 09
GPS Coord.(long/lat or X-Y state plane) 104.120921°W (Long) 31.705963°N (Lat) NAD 27

Elevation 3190' Total Depth 14,826' Geologic Fm. at T.D. Devonian
Purpose of the Request : ☒ New Drill ☐ Re-entry ☐ Plug & Abandon ☐ Other (specify) ______
Is this an amended request? ☐ Yes ☒ No Previous File No. for this well: SC- ______
☐ Log included of same or nearby well (The applicable type of well log that shows the aquifers.) Please provide a location map or API# for attached log.
ALWAYS attach the electric log of any well that is to be reentered.
Additional remarks: No Known Log

TYPE OR PRINT IN INK

To protect usable-quality ground water at this location, the TEXAS COMMISSION ON ENVIRONMENTAL QUALITY recommends:

CO-CULBERSON.SUR-PSL,BLK-113,SEC-23,LSE-HARRISON STATE,#9/RUSTLER,375

The interval from the land surface to the base of the RUSTLER, which is estimated to occur at a depth of 375 feet, must be protected.

DO NOT WRITE HERE FOR TCEQ USE ONLY

STATE OF TEXAS
Jack M. Oswalt
Geology
897
LICENSED PROFESSIONAL GEOSCIENTIST

Very truly yours,

Jack M. Oswalt, P.G. May 19, 2008

Geologist, Surface Casing, TCEQ Date typed by TCEQ

NOTE: Unless stated otherwise, this recommendation is intended to apply only to the subject well and not for area-wide use. Approval of the well-completion methods for protection of this ground water falls under the jurisdiction of the Railroad Commission of Texas. **This recommendation is intended for normal drilling, production, and plugging operations only. It does not apply to saltwater disposal operations into a nonproductive zone (RRC Form W-14).**

TCEQ-0051 (Rev. 02-13-2003)

7/03

APPLICATION FOR ALTERNATE SURFACE CASING PROGRAM
Statewide Rule 13(b)(2)(g)
RRC District 8/8A

Operator's Name and Address:	Lease: Harrison State	Well No.: 1-23
Hallwood Petroleum, LLC 3710 Rawlins Street, Suite 1500 Dallas, TX 75219	Field:	
	Drilling Permit No.:	
	County: Culberson	RRC District: 08
	Location: Sec. 23 Block 113	Sur. Twp.
	Proposed TD: 14,786	

Distance and Direction from nearest town: 42.3 miles NW from Pecos.

Proposed injection or disposal well? ☐Yes ☒No NOTE: Special conditions may apply. See PROVISIONS below.

Usable-quality water strata (as determined by TCEQ "Waterboard" letter) occur to a depth of 375 ft, and from ____ ft to ____ ft, and from ____ ft to ____ ft.

Note: Please submit copy of TCEQ "Waterboard" letter with this request. Request cannot be processed without this information.

Distance and direction of nearest water well (within ¼ mile): No water well within ¼ mile.

Type of water well (domestic, public, irrigation, stock, etc.): ____ Depth: ____

Proposed Casing and Cementing Program

Note: You may attach a wellbore diagram or cementing proposal to this application.

This application is for (check applicable boxes): ☐Short surface casing ☒excess surface casing ☐no surface casing

The proposed surface casing depth: 2,500' Multi-Stage tool depth (if applicable): 450'

Intermediate or production casing depth: 9,500' Multi-Stage tool depth (if applicable): N/A

Centralizer number and placement: 18 – Every 4th joint.

Does the cement across the critical zone have 72-hr compressive strength of at least 1,200 psi? ☒Yes ☐No

Does the filler cement have 24-hr compressive strength of at least 250 psi? ☒Yes ☐No

Do you plan on circulating cement to the surface on all casing strings protecting usable-quality water? ☒Yes ☐No

Reason for this request: SC set deeper for casing seat.

PROVISIONS APPLICIBLE TO RULE 13 EXCEPTIONS:

1. Caution: If this well is being drilled for injection or disposal purposes, an injection or disposal well permit may be denied unless surface casing is set and cemented through all zones of usable-quality groundwater.
2. Centralizers must be used through all usable-quality waters. Refer to Rule 13(b)(2)(F).
3. Notify District Office 8 hours prior to setting casing.

Signature: Melissa Clark Print Name: Melissa Clark Date: 07.09.08 Phone: 214.393.0236

IF CEMENT IS NOT CIRCULATED TO THE GROUND SURFACE AS REQUIRED BY THIS EXCEPTION, YOU MUST IMMEDIATELY CONTACT THE DISTRICT 8/8A OFFICE AT 432-684-5581, AND FOLLOW THE PROCEDURES AS SET OUT IN RULE 13(B)(2)(g)(III) OR AS RECOMMENDED BY THE DISTRICT OFFICE.

RRC Use Only▶

RRC District Office Action:		
☒Approved ☐Approved as Modified ☐Denied	By: [illegible signature]	Date: 7/18/08
Remarks/Modifications:		

5.

File No. MF105456

Well Report

Date Filed: 7/30/08

Jerry Patterson, Commissioner

By [signature]

March 26, 2009

Shirley Ryan-Ameller
Graves & Co.
1415 Louisiana, Suite 2100.
Houston, TX 77002

RE: GLO Assignment ID # 6746

Dear Ms. Ameller,

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

> Assignment, Conveyance and Bill of Sale, executed December 15th, 2008, from Hallwood Energy, LP, as Assignor, to FEI Shale LP, as Assignee. Reeves County Vol. 811, P. 326.

Filing fees of $50.00 were received in connection with the above lease. If you have any questions, please feel free to call me at (800) 998-4GLO, or at my direct number at (512) 463-6521.

Sincerely,

Beverly Boyd

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

MF105456
105848
109998 - D.R.

Exhibit "A"

GLO ID	*County*	*Lease*
6746	*Reeves*	MF105456
6746	*Reeves*	MF105848
6746	*Reeves - Free Royalty Leases*	MF109998

BOOK 811 PAGE 326

FILE # 5716

Reeves

ME 109998-FR
105848
104292

ASSIGNMENT, CONVEYANCE AND BILL OF SALE
(SECTION 3.3 INITIAL MILESTONE)

STATE OF TEXAS §

COUNTY OF REEVES §

This ASSIGNMENT, CONVEYANCE AND BILL OF SALE (this "Assignment") dated October 1, 2008, is from HALLWOOD ENERGY, L.P., a Delaware limited partnership ("Assignor"), with offices at 3710 Rawlins, Suite 1500, Dallas, Texas 75219, to FEI SHALE L.P., a Delaware limited partnership ("Assignee"), with offices at c/o 2000 888 3rd St. S.W., Calgary, Alberta, Canada T2P 5C5, upon and subject to the following terms and conditions:

1. Certain Definitions. For purposes of this Assignment, the following capitalized terms shall have the meanings herein ascribed to them below:

"Acquisition Agreement" means that certain Acquisition and Farmout Agreement dated as of June 9, 2008, by and among Assignee, Assignor, Hallwood Gathering, L.P., Hallwood Petroleum, LLC, and Hallwood SWD, LLC, as heretofore amended, supplemented, restated or otherwise modified from time to time.

"Applicable Percentage" means that percentage of the Assets which, when combined with the interests in the Assets previously assigned to Assignee pursuant to the Acquisition Agreement, will result in the ownership of the Assets to be held in the following proportions: 80% by Assignor, and 20% by Assignee.

"Assets" means (i) the Subject Properties and (ii) the Related Properties, but specifically excluded from the term "Assets" and the transactions contemplated by this Assignment are the Excluded Interests and Assignor's (x) real property assets located in the State of Nevada and (y) corporate offices located in Dallas, Texas and production offices located in Searcy, Arkansas and Lafayette, Louisiana, including associated leasehold interests, real property and furniture, fixtures and equipment.

"Disposition" means the sale, exchange, conveyance, assignment, transfer, farm-out or other disposition of a property.

"Effective Date" means 7:00 a.m., Dallas, Texas time, on June 9, 2008, at the location of the Assigned Interests.

"Encumbrance" means any option, pledge, mortgage, deed of trust, security interests, lien, charge, encumbrance or restriction (whether on voting, sale, transfer, disposition or otherwise), whether imposed by agreement, understanding, law or otherwise, except those arising under applicable federal or state securities laws.

"Equipment" means all equipment, fixtures, physical facilities or interests therein (including but not limited to gathering lines, pipelines, and gas plants but excluding the Hallwood Gathering System) of every type and description.

"Excluded Interests" means (i) the Hallwood Gathering System and (ii) that portion of the Assets with respect to which Assignor conveyed an undivided 33.33% of Assignor's interest to Assignee pursuant to Section 3.2 of the Acquisition Agreement on or before the date of this Assignment, which Assets are more particularly described in Exhibit B attached hereto and incorporated herein by reference.

"Governmental Entity" means any federal, state, municipal, domestic or foreign court, tribunal, administrative agency, department, commission, board, bureau or other governmental authority or instrumentality.

"Hallwood Gathering System" is defined in the Acquisition Agreement.

"Hydrocarbons" means oil, natural gas and/or other liquid and gaseous hydrocarbon substances (including shale gas) or any combination thereof.

"Oil and Gas Contracts" means all area of mutual interest agreements, farmout or farmin agreements, bottom hole or acreage contribution agreements, operating agreements, unit agreements, unit operating agreements, water flood agreements, unitization declarations or orders, joint venture, exploration, participation or acquisition agreements, division orders, Production Sales Agreements, exchange, processing, gathering or transportation agreements, easements and rights-of-way, salt water disposal agreements, surface leases and surface use agreements, water leases and water usage rights and all other contracts and agreements affecting or relating to the ownership or operation of any Oil and Gas Properties or the Disposition of Hydrocarbons produced therefrom.

"Oil and Gas Leases" means oil, gas and mineral leases, oil and gas leases, subleases, assignments of operating rights and similar agreements, and any extensions and renewals thereof.

"Oil and Gas Properties" means (i) Oil and Gas Leases and (ii) all other oil, gas or mineral properties, mineral servitudes and mineral rights of any kind (including, without limitation, mineral fee interests, overriding royalty and royalty interests, net profits interests, oil payment interest, production payment interest and other types of mineral interests).

"Permitted Encumbrances" is defined in the Acquisition Agreement.

"Person" means an individual, partnership, corporation, association, limited liability company, joint stock company, trust, joint venture, unincorporated organization, or Governmental Entity (or any department, agency, or political subdivision thereof).

"Production Sales Agreements" is defined in the Acquisition Agreement.

1.21.09

"Records" means all geographical and geophysical maps, seismic data and information, records, land records, division orders, production files and all other records and files.

"Related Properties" means, at any date, with respect to the Subject Properties, a corresponding interest in and to all other property (tangible or intangible), rights and interests incident to the ownership and operation thereof, including without limitation, (i) all presently existing and valid unitization and pooling declarations, agreements, and/or orders and the contractual right to the properties covered in the units created thereby (including all units formed under orders, regulations, rules, or other official acts of any Governmental Entity having jurisdiction) insofar as the same relate to or affect the Subject Properties , except to the extent such properties constitute Subject Properties; (ii) all Equipment, goods and other personal property insofar as the same are located on or used or held for use in connection with the Subject Properties; (iii) all Oil and Gas Contracts insofar as the same relate to the Subject Properties; (iv) all permits, franchises and licenses insofar as the same relate to the Subject Properties; (v) all (A) proprietary Seismic Data and (B) to the extent in Assignor's possession and transferable without material restriction on, or payment of a transfer or licensing fee by, the transferee (unless Assignee for its own account agrees to observe any such restriction or pay any such fee if Assignee cannot, through the exercise of reasonable commercial efforts, obtain a waiver thereof if requested to do so by Assignee), all Seismic Data jointly owned by Assignor with, or licensed by Assignor from, other Persons; and (vi) the Records related thereto.

"Seismic Data" means, to the extent covering or affecting the Subject Properties, all seismic, geological and geophysical data, together with Assignor's proprietary interpretations thereof.

"Subject Properties" means all of Assignor's rights, title and interests in and to the Oil and Gas Properties described in Exhibit A attached hereto and incorporated herein by reference for all purposes.

2. Assignment. For Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby transfers, grants, conveys and assigns the Applicable Percentage of the Assets to Assignee, effective as of the Effective Date. The properties, rights and interests being conveyed to Assignee pursuant to this Assignment are sometimes referred to herein as the "Assigned Interests".

3. Further Assurances. Assignor agrees to execute and deliver such other and further instruments and will do such other and further acts as may be necessary or desirable to carry out more effectively the intents and purposes of this Assignment. Furthermore, in the event that, under applicable federal or state statutes or regulations or by virtue of contractual obligations, a separate assignment of any of the Assigned Interests is required to be executed by Assignor on an approved form or on a separately executed instrument, such separate assignment shall be so executed on such approved forms or on such separate assignment in sufficient counterparts to satisfy any such statutory, regulatory or contractual requirements.

4. Substitution and Subrogation. This Assignment is made with full substitution and subrogation of Assignee, its successors and assigns in and to all covenants and warranties

60·12·1

heretofore given or made in respect of any of the Assigned Interests, and Assignor hereby assigns and conveys to Assignee all such covenants and warranties and all of Assignor's rights thereunder which relate to the Assigned Interests.

5. Warranties. This Assignment is made without covenant or warranty of any kind except that, subject to Permitted Encumbrances, (i) Assignor warrants title to the Assigned Interests, by, through or under Assignor, but not otherwise, and (ii) Assignor warrants that the Assigned Interests are free and clear of all Encumbrances. Additionally, to the extent that this Assignment constitutes an assignment of personal property or fixtures, Assignor expressly disclaims and negates (a) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, (b) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, and (c) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIAL.

6. Acquisition Agreement. This Assignment is expressly made subject to the terms and provisions of the Acquisition Agreement.

7. Successors and Assigns. This Assignment shall bind and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

TO HAVE AND TO HOLD the Assigned Interests unto Assignee, its successors and assigns forever.

[Signature Page Follows]

EXECUTED as of the date set out above, but effective as of the Effective Date.

ASSIGNOR:

HALLWOOD ENERGY, L.P.

By: Hallwood Energy Management, LLC, its general partner

By: [signature]
Name: Tony Strehlow
Title: CFO/Secretary

ASSIGNEE:

FEI SHALE L.P.

By: FEI Shale GP Inc., its general partner

By: Shirley Rattray
Shirley Rattray
Team Leader, Contracts and Lease Administration

[*Signature Page to Assignment*]

STATE OF TEXAS §
§
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me on December 15, 2008 by Tony Strehlow, CFO/Secretary of Hallwood Energy Management, LLC, a Delaware limited liability company, in its capacity as general partner of Hallwood Energy, L.P., a Delaware limited partnership, on behalf of said limited partnership.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 15 day of December 2008.

Katrina L. Chappell
NOTARY PUBLIC, State of Texas
Katrissa L. Chappell

My commission expires:
01/13/2010

PROVINCE OF ALBERTA §
§
COUNTRY OF CANADA §

The foregoing instrument was acknowledged before me on December 16, 2008 by Shirley Rattray, Team Leader, Contracts and Lease Administration of FEI Shale GP Inc., a Delaware corporation, in its capacity as general partner of FEI Shale L.P., a Delaware limited partnership, on behalf of said limited partnership.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 16th day of December 2008.

NOTARY PUBLIC, Province of Alberta
DEAN W. McCLUSKEY
BARRISTER & SOLICITOR

My commission expires:
At the pleasure of Her Majesty Queen Elizabeth II

[*Notarization Page to Assignment*]

1-12-09

Exhibit A

Attached to and made a part of that certain Assignment, Conveyance and Bill of Sale (Section 3.3 Initial Milestone), dated effective June 9, 2008, between Hallwood Energy, L.P. as Assignor, and FEI Shale L.P. as Assignee.

LESSOR	COUNTY	LEASE DATE	RECORDING BK/PD
James O. Griffin, Jr.	REEVES	10/15/2004	687/456
Ronald G. Griffin	REEVES	10/15/2004	687/460
Donita Griffin Hunter	REEVES	10/15/2004	687/464
Rex C. Griffin, Jr.	REEVES	10/15/2004	687/468
Jocelyn McAlpine Greeman, et al	REEVES	10/25/2004	694/556
X State of Texas	REEVES	10/25/2004	694/556
Jocelyn McAlpine Greeman, et al	REEVES	10/25/2004	694/570
State of Texas	REEVES	10/25/2004	694/570
Clifford Robertson, III	REEVES	10/25/2004	694/791
Clifford Robertson, III	REEVES	11/1/2004	694/591
Carol Hall Majzlin	REEVES	10/25/2004	694/587
Clifford P. Robertson	REEVES	10/25/2004	696/212
X State of Texas	REEVES	10/25/2004	696/212
Joseph S. Billeiter	REEVES	12/10/2004	696/537
David J. Billeiter	REEVES	12/10/2004	696/541
Lisa Ann Hughes	REEVES	12/10/2004	696/545
Bessie V. Hays	REEVES	12/10/2004	696/549
David H. Mitchell, Jr.	REEVES	12/10/2004	696/553
Betty B. Armstrong	REEVES	12/10/2004	696/557
Dorothy Jean Hill	REEVES	12/10/2004	696/561
Diana J. McCabe	REEVES	12/10/2004	696/565
Peter Craig Billeiter	REEVES	12/10/2004	696/569
Charles W. Benson	REEVES	1/5/2005	697/38
X State of Texas	REEVES	1/5/2005	697/38&48
David Shelton	REEVES	1/5/2005	697/48
Eugenia Benson	REEVES	1/5/2005	697/58
X State of Texas	REEVES	1/5/2005	697/58&68
Mary Ann Shelton	REEVES	1/5/2005	697/68
Harrison Trust	REEVES	4/27/2005	699/29
X State of Texas	REEVES	4/27/2005	699/29
Jocelyn McAlpine Greeman	REEVES	10/25/2004	699/340
A. R. Eppenauer, III	REEVES	3/28/2005	699/58
Edwin H. Eppenauer	REEVES	3/28/2005	699/58
George Brackenridge Foundation	REEVES	11/7/2005	717/130
X State of Texas	REEVES	11/7/2005	717/130
Michael D. Leonard Trustee	REEVES	9/30/2005	718/498
State of Texas	REEVES	5/3/2005	718/498&508
Carolyn Crockett Bell	REEVES	9/30/2005	718/508

60-12-1

EXHIBIT B

EXCLUDED INTERESTS

The "Assets", as such term is defined in any instrument captioned "Assignment, Conveyance and Bill of Sale (Section 3.2)" and executed by Assignor and Assignee on or prior to the date hereof, specifically including the Oil and Gas Properties described below to the extent covered by the Proration Units established for the following Wells:

WELL NAME	AR LEASE #	Lessor	Lease Date	COUNTY	RECORD BK/PG
Harrison 56-38-#3 Re-entry/re-drill Limited to Section 38, Block 56, T&P RR Co. Survey	R111-1	Harrison Trust	4/27/2005	REEVES	699/29
	R111-2	State of Texas	4/27/2005	REEVES	699/29
Brackenridge State 57-44 #1 Section 44 Block 57 PSL Survey 105848	R113-1	George Brackenridge Foundation	11/7/2005	REEVES	717130
	R113-1	State of Texas	11/7/2005	REEVES	717/130
Robertson 71 Section 15 Block 71 PSL Survey 104792	R106-1	Jocelyn McAlpine Greeman, et al	10/25/2004	REEVES	694/570
	R106-2	State of Texas	10/25/2004	REEVES	694/570
Robertson 265 #1 ST Section 265, L. Cargill Survey	R101-1	Carol Hall Majzlin	10/25/2004	REEVES	694-791
	R101-2	Jocelyn McAlpine Greeman	10/25/2004	REEVES	699/340
	R101-3	Clifford Robertson, III	10/25/2004	REEVES	694/587
Pelican Ranch #2 SWD	R101-1	Carol Hall Majzlin	10/25/2004	REEVES	694/791
	R101-2	Joyce M. Greeman	10/25/2004	REEVES	699/340
	R101-3	Clifford Robertson, III	10/25/2004	REEVES	694/587

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

FILE# 5716

FILED FOR RECORD ON THE 23RD DAY OF DECEMBER A.D. 2008 2:29 P M.

DULY RECORDED ON THE 29TH DAY OF DECEMBER A.D. 2008 10:00 A M.

BY: [signature], DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

60·12·1

GRAVES & CO.

The Energy Transaction Specialists

January 16, 2009

Ms. Beverly Boyd
Texas General Land Office
1700 N. Congress
Austin, TX 78701

Re: HALLWOOD ENERGY, LP

Dear Ms. Boyd:

Please find the following two (2) certified copies of the conveyances between Hallwood Energy, L.P. and FEI Shale L.P. recorded in the Real Property records of Reeves County, Texas for filing in your office:

1. *Assignment, Conveyance and Bill of Sale* (Section 3.2)
   OPR Book 811 — Page 334 thru 341 DATE RECORDED 12/30/2008;

2. *Assignment, Conveyance and Bill of Sale* (Section 3.3 Initial Payment)
   OPR Book 811 Page 326 thru 333 DATE RECORDED 12/30/2008.

Please find the enclosed firm check numbered 6062 in the amount of $50.00 to cover the fee for filing two (2) documents at $25.00 each.

Thank you in advance and please let us know if we should provide anything additionally at this time.

Regards,

Shirley Ryan-Ameller

1415 Louisiana, Suite 2100 • Houston, Texas 77002
Phone: 713/650-0811 • Fax: 713/650-0840 • www.graves-co.com • Email: gravesco1@aol.com

Graves & Co. ✓ 6062

Commissioner of Texas General Land Office 1/16/2009

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
1/16/2009	Bill	fort/11609	50.00	50.00		50.00
				Check Amount		50.00

09008292

129

Bank Of America Filing fees for 2 documents for Fortuna/Hallwood 3301040 50.00

From: "Shirley Ryan" <sryan@graves-co.com>
To: "'Beverly Boyd'" <Beverly.Boyd@GLO.STATE.TX.US>
CC: <gdarnell@graves-co.com>
Date: 2/10/2009 12:44 PM
Subject: RE: Mineral number request please

Thank you Beverly,
The lease that they sent me is attached and a 2005 lease. We found out recently that they re-leased some of the properties and perhaps this was one. Thank you and again I apologize for the errors that have made your work more cumbersome. I will be mailing out the assignment to you.
Regards,
Shirley

-----Original Message-----
From: Beverly Boyd [mailto:Beverly.Boyd@GLO.STATE.TX.US]
Sent: Tuesday, February 10, 2009 12:31 PM
To: sryan@graves-co.com
Subject: Re: Mineral number request please

That lease number is MF 106580, the lease date is 5/3/06 not 5/3/05.

>>> "Shirley Ryan" <sryan@graves-co.com> 2/10/2009 9:17 AM >>>
Good morning Beverly,

Per my phone message of yesterday, I am forwarding to you a request to obtain a mineral lease number for the attached lease so that we may submit a subsequent assignment.

Please let me know if you need anything additionally. Again, thank you for all of your help in figuring out the last assignment. We have found out that many of the leases have not been filed and assignments have not been recorded. We are in the process of taking care of all of that and we will soon be able to request those mineral numbers as well.

Regards,

Shirley

Shirley Ryan-Ameller

GRAVES & CO.
The Energy Transaction Specialists
2100 Wedge International Tower
1415 Louisiana
Houston, Texas 77002
Ofc: 713/650-0811
Fax: 713/650-0840

sryan@graves-co.com

www.graves-co.com

FACSIMILE

Texas General Land Office • Jerry Patterson • Commissioner

Date: 2/2/09

To: Shirley Ryan-Ameller
Company: Graves
Fax No.: 713-650-0840
Phone No.:
Re: Free Royalty Leases

From: Beverly Boyd
Sender's Fax No.: 512-463-6521
Sender's Phone No.:
Pages: 4

Notes:

All the tracts list are on
Free Royalty Land.
EXCEPT - tract 11a, 12b.

FREE ROYLTY
FOR GRAVES
+ Co

1700 North Congress Ave. • Austin, Texas 78701-1495
P.O. Box 12873 • Austin, Texas 78711-2873
512-463-5001 • 1-800-998-4GLO

R110

DRAFT

PERRY & PERRY, INC.
Oil and Gas Lease Purchase Report
WEST REEVES PROSPECT

LESSOR: The Frost National Bank, Trustee for the A.R. Eppenauer Trusts 1 and 2; and the Rachel L. Eppenauer Trusts A and B

ADDRESS: P. O. Box 1600, San Antonio, Texas 78296-1400

TELEPHONE:

DEPOSITORY:

SSN OR TAX ID#:

LEASE DATE:	3/10/2005	**EFFECTIVE DATE:**	3/10/2005	**EXPIRATION DATE:**	3/10/2010
PRIMARY TERM:	5 yr	**ROYALTY:**	22.50%	**RENTALS:**	Paid up

LESSEE: Perry & Perry, Inc.

CLIENT: Hallwood Energy

COUNTY: Reeves **STATE:** Texas

DESCRIPTION:

TR 1: All of Section 18, Block 55, T&P RR Survey, TWP-7 (680 acres) – FR 150619 → No Lease No permits
TR 2: All of Section 14, Block 56, T&P RR Survey, TWP-7 (732.35 acres) – FR 150623 → " "
TR 3: N/2 NW/4 and the E/2 of Section 30, Block 56, T&P RR Survey, TWP-7 (494 acres) – FR 150626 → " "
TR 4: NE/4 Section 22, Block 57, T&P RR Survey, TWP-7, SAVE & EXCEPT 40.00 acres, being the NE/4 NE/4 - (NE/4 s/e 40 ac). (139.5 acres) } FR 150635 → " "
TR 5: All of Section 2, Block 56, T&P RR Survey, TWP-8 (697 acres) – FR 150629 → " "
TR 6: East Three-quarters (E 3/4) of Section 8, Block 56, T&P RR Survey, TWP-8 (547 acres) – FR 150630 → " "
TR 7: The South 519 acres of Section 20 (S/519), Block 56, T&P RR Survey, TWP-8 (519 acres) – FR 150631 → " "
TR 8: The East 527 acres of Section 30, Block 56, T&P RR Survey, TWP-8 (527 acres) – FR 150632 → " "
TR 9: E/4 of Section 5, Block C-11, PSL Surveys (160 acres) — FR 150666 → M-102642 Deed
TR 10: All of Section 7, Block 51, T&P RR Survey, TWP-8, (640 acres) — FR 150618 → No Lease No permits
TR 11a: E/2 of Section 188, Block 13, H&GN RR Co. Survey (320.0 acres) – Private

CK these 4 R's ? Run Rev

TR 11b: S/2 NW/4; N/2 SW/4, less and except that certain 2.5 acres, more or less out of the southwest corner of the S/2 NW/4, and more fully described in that certain Deed recorded in Vol. 43, page 539, Deed Records, and further excepting that certain 3.00 acres of land, more or less and being a part of that certain strip of land, the West line of which bounds the West line of the S/2NW/4 and N/2SW/4 of Section 188 and conveyed for Railroad purposes pursuant to that certain Deed recorded in Vol. 24, page 376, Deed Records, all lands being a part of Section 188, Block 13, H&GN RR Co. Survey (154.5 acres)

TR 12a: S/2 NE/4 of Section 248, Block 13, H&GN RR Co. Survey (80 acres) FR 150611 → " "
TR 12b: S/2 E3/4 of Section 248, Block 13, H&GN RR Co. Survey (240 acres) – Private

25.00 per lease

10
x25

Free Royalty Leasing

Energy Resources

Alternative Fuels
Border Resources
ELLIS
Energy Marketing
Mineral Leasing
Royalty Reporting System
State Power Program
Sustainable Energy
Related Links

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Contact Info

If you have a question that can't be answered by reading through the Natural Resource Code, our staff would be happy to assist you:

Please send all correspondence related to Free Royalty leasing, including certified copies of leases, to:

Texas General Land Office
Attn: Drew Reid
1700 N. Congress Ave., Suite 600
Austin, TX 78701-1495

The primary Free Royalty leasing contacts are:

Drew Reid	512-475-1534
Daryl Morgan	512-305-9106

Free Royalty Leasing | Hard Minerals | HROW Leasing
Oil Field Development | Pooling | RAL Leasing
Sealed Bid Sales | Seismic Permitting

Mineral Leasing | Energy Home | GLO Home

Send comments to Jonathan Painter

2710

ORIGINAL

MEMO SENT FOR RECORDING

OIL AND GAS LEASE

THIS AGREEMENT made this 10th day of March, 2005, by and between **THE FROST NATIONAL BANK, Trustee for the A.R. Eppenauer Trusts 1 and 2 Account No. F0564700; and the Rachel L. Eppenauer Trusts A and B Account No. F0676300,** as Lessor, whose address is P.O. Box 1600, San Antonio, Bexar County, Texas 78296-1400, and **Perry and Perry Inc.**, whose address is **214 W. Texas, Suite 1200, Midland, Texas 79702**, as Lessee,

WITNESSETH:

1. Lessor, in consideration of Ten and No/100 Dollars ($10.00) and other good and valuable consideration in hand paid, the receipt of which is hereby acknowledged, of the royalties herein provided, and of the covenants, agreements and obligations hereinafter contained on the part of Lessee to be kept and/or performed and upon the conditions and with the limitations hereinafter set forth and contained, hereby GRANTS, LEASES and LETS exclusively unto said Lessee for the sole and only purpose of investigating, exploring, prospecting, drilling and operating for, developing and producing oil and gas (oil and gas, for all purposes of this lease, being defined to include oil, gas, casinghead gas and the by-products thereof, and such other hydrocarbon substances and sulphur as are necessarily produced with and incidental to the production of oil and/or gas) laying pipelines, building roads, tanks, and electric lines thereon to produce, save, take care of, treat, store, transport and own said products, all of Lessor's interest in those certain lands situated in Reeves County, Texas, and described as follows ("said lands"), to-wit:

See Attachment for Exhibit A, and made a part hereof;

This lease is expressly made subject to any and all instruments affecting said lands as reflected by the records of Reeves County, Texas, as of the date hereof to which reference is here made.

2. (a) Subject to the other provisions herein contained, this lease shall be for a term of five (5) years from the date hereof (called "primary term") and as long thereafter as oil or gas is produced from said lands, or from lands pooled therewith, in paying quantities or this lease is maintained in force by virtue of some other provision hereof. If prior to discovery and production of oil or gas on said lands, or on lands pooled therewith, Lessee should drill a dry hole or holes thereon, or if after discovery and production of oil or gas the production thereof should cease from any cause, this lease shall not terminate if Lessee commences drilling or reworking operations within one hundred twenty (120) days thereafter or, if it be within the primary term, commences or resumes the payment or tender of rentals as provided for herein or commences drilling or reworking operations on or before the rental paying date next ensuing after the expiration of thirty (30) days from the date of completion of the dry hole or cessation of production. If within thirty (30) days prior to the expiration of the primary term hereof, or at any time or from time to time after the expiration of the primary term hereof, oil or gas is being produced from said lands, or from lands pooled therewith, and all such production ceases and this lease is not otherwise continued in force, this lease shall not terminate if additional drilling or reworking operations are commenced or resumed on said lands, or on lands pooled therewith, within one hundred twenty (120) days after such cessation of production, and this lease shall continue in force so long as any such operations on the same or successive wells are prosecuted in good faith and in a workmanlike manner with no cessation of more than one hundred twenty (120) consecutive days; and, if such operations result in production of oil or gas, then this lease shall, subject to the other provisions hereof, continue in force as long thereafter as oil or gas is produced from said lands, or from lands pooled therewith, in paying quantities. If at the expiration of the primary term of this lease oil or gas is not being produced from said lands, or from lands pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon or Lessee shall have completed a well thereon within one hundred twenty (120) days prior to the end of the primary term then this lease shall remain in force so long as operations on such well or drilling or reworking operations on any additional well are prosecuted in good faith and in a workmanlike manner with no cessation of more than one hundred twenty (120) consecutive days; and, if any such operations result in production of oil or gas, so long thereafter as oil or gas is produced from said lands, or from lands pooled therewith, in paying quantities, subject, however, to the other provisions hereof.

(b) Notwithstanding any of the provisions of Subparagraph (a) above to the contrary, in order to maintain this lease in force and effect after the primary term as to such of said lands not then ascribed to a producing well or shut-in well pursuant to the provisions of Subparagraph (c) below, Lessee shall be required to continuously drill a well or wells on said lands with no cessation of more than one hundred twenty (120) consecutive days between the completion of one well and the commencement of a subsequent all to the end that Lessee maintains a continuous development program on said lands after the end of the primary term. Commencement of the first well in the continuous development program shall be on or before the last to occur of (i) the expiration of the primary term, or (ii) one hundred twenty (120) days after completion of the last well drilled on said lands within the primary term. Upon Lessee's failure to continuously drill wells after the primary term in accordance with the above time schedule, the provisions of Subparagraph (a) above shall control the time for commencement of subsequent drilling and reworking operations on any of said lands on which a producing well or shut-in well may be located and retained by Lessee under the terms of this lease.

GRAVES & CO.
The Energy Transaction Specialists

January 16, 2009

Ms. Beverly Boyd
Texas General Land Office
1700 N. Congress
Austin, TX 78701

Re: HALLWOOD ENERGY, LP

Dear Ms. Boyd:

Please find the following two (2) certified copies of the conveyances between Hallwood Energy, L.P. and FEI Shale L.P. recorded in the Real Property records of Reeves County, Texas for filing in your office:

1. *Assignment, Conveyance and Bill of Sale* (Section 3.2)
OPR Book 811 Page 334 thru 341 DATE RECORDED 12/30/2008;

2. *Assignment, Conveyance and Bill of Sale* (Section 3.3 Initial Payment)
OPR Book 811 Page 326 thru 333 DATE RECORDED 12/30/2008.

Please find the enclosed firm check numbered 6062 in the amount of $50.00 to cover the fee for filing two (2) documents at $25.00 each.

Thank you in advance and please let us know if we should provide anything additionally at this time.

Regards,

Shirley Ryan-Ameller

1415 Louisiana, Suite 2100 • Houston, Texas 77002
Phone: 713/650-0811 • Fax: 713/650-0840 • www.graves-co.com • Email: gravesco1@aol.com

60.12.1

Graves & Co.

2100 Wedge International Tower
www.graves-co.com
1415 Louisiana
Houston, Texas 77002
Phone: (713) 650-0811
Fax: (713) 650-0840

FACSIMILE TRANSMITTAL SHEET

TO: BEVERLY BOYD	FROM: SHIRLEY RYAN-AMELLER
COMPANY: GENERAL LAND OFFICE	DATE: 1-29-09
FAX NUMBER: 512.475.1543	TOTAL NO. OF PAGES (INCLUDING COVER): 18
RE: EPPENAUER LEASE	

☐ URGENT ☐ FOR REVIEW ☐ PLEASE COMMENT ☐ PLEASE REPLY ☐ PLEASE RECYCLE

NOTES/COMMENTS:

Hi Beverly,
Please find attached a copy of the letter and lease in question. If possible, please provide a mineral lease number. Please phone with questions. Thank you very much for your attention to this matter.
Regards,
Shirley

■ NEW □REVISED □ SUPPLEMENT

AFE TITLE:			AFE NUMBER:	REV/SUPP NO.:
Texas Leasehold Purchase			110202	
LEGAL DESCRIPTION: Reeves County, Texas			PROPERTY NUMBER:	
FIELD: Barnett Shale/Woodford	COUNTY: Reeves	STATE: Texas	WELL NUMBER: 111002	
OPERATOR: Hallwood Energy, L.P.		AFE CLASSIFICATION: Undeveloped LHC	COMMENCEMENT DATE: 6/1/08	COMPLETION DATE: 12/31/08

DESCRIPTION (including AFE history if revision or supplement):

Acquire proportionate share of renewal lease covering 5280 net acres @$250/acre (40% Hallwood, 60% CHK)

Pay proportionate share of delay rentals

Pay brokerage costs for leasing acreage

PROJECT COST DESCRIPTION	GROSS PROJECT COSTS	PARTICIPANTS	PERCENTAGE	SHARE OF COSTS
Lease bonus, brokerage costs, recording, title work	600,000	Hallwood Energy, L.P. FEI Shale, LP	66.67% 33.33%	$400,020 $199,980
AFE TOTAL	$600,000	AFE TOTALS	100%	$600,000

		PARTICIPANT APPROVAL
		DATE:
		PARTICIPANT NAME:
MANAGEMENT APPROVAL William H. Marble VP - Engineering & Land	MANAGEMENT APPROVAL Russell P. Meduna VP - Operations	PARTICIPANT ADDRESS:
SIGNATURE DATE	SIGNATURE DATE Russell P. Meduna 08/13/08	PARTICIPANT INTEREST:
MANAGEMENT APPROVAL Tony Strehlow Chief Financial Officer	MANAGEMENT APPROVAL William L. Guzzetti President	APPROVED BY (Authorized Signature):
SIGNATURE DATE [signature] 8/14/08	SIGNATURE DATE [signature] 13 Aug 08	ELECTION OF CONTROL/BLOW OUT INSURANCE: N/A ___ Accepts HEC's Insurance Policy ___ Rejects HEC's Insurance Policy (Certificate Attached)

F:\Land\TEXAS WELLS & LEASING\AFE Leasing Reeves 2008 080808.doc

Inv #:	Vendor #:	Vendor Name:	CHK
Inv Dt: 7/21/08	Trans Dt:	Inv. Total:	$528,498.99
Due Dt: 8/14/08		Total Below:	528,498.99

Acct # / Sub Description:	Well # or Name:	AFE Name:	AFE # Deck	Amount
Eppenhauer lease renewal	#111002	Texas leasehold	#110202	528,498.99

Special Instructions: please give the ck back to John

Prepared By/Date: K. Chappell 8/14/08	Entered By/Date:
Approved By/Date: RPM 08/14/08	

July 21, 2008

VIA CERTIFIED MAIL (7004 2510 0000 3928 3994)

Mr. John Hott
Hallwood Energy, L.P.
3710 Rawlins Street, Suite 1500
Dallas, TX 75219

Re: Notice of Renewal Lease Acquisition
Offer to Participate
Oil and Gas Lease dated June 17, 2008
The Frost National Bank For The
A.R. Eppenauer Trusts 1 and 2
And The Rachel L. Eppenauer Trusts A and B
Reeves County, Texas

Dear Mr. Hott:

Chesapeake Exploration, L.L.C., ("Chesapeake") has acquired a renewal lease from the Frost National Bank for the A.R. Eppenauer Trusts 1 and 2 and the Rachel L. Eppenauer Trusts A and B covering 5,930.35 gross acres and 5,278.945851 net acres ("Renewal Lease"). The Renewal Lease was acquired at a bonus cost of $1,319,736.46 based on $250.00/net acre ($250.00 x 5,278.945851 net acres = $1,319,736.46) and broker related costs of $1,511.00 for a total acquisition cost of $1,321,247.46. Copies of the Oil and Gas Lease, Lease Purchase Report, Broker Invoice, and evidence of the wire transfer are attached for your records. Please refer to these attachments for further details.

Pursuant to the terms of that certain Operating Agreement dated April 1, 2006 by and between Chesapeake and Hallwood Energy, L.P. ("Hallwood"), this will serve as notice that Chesapeake has secured the Renewal Lease and Chesapeake hereby offers Hallwood the opportunity to elect to participate for its 40.0% working interest share. If Hallwood elects to participate in this acquisition, please indicate such election where provided below and return a copy of this letter to my attention along with Hallwood's payment of $528,498.99 ($1,321,247.46 x 0.40 = $528,498.99) within thirty (30) days from receipt hereof. Failure to elect and pay within said period shall be deemed an election not to acquire an interest in the Renewal Lease.

Chesapeake Energy Corporation
P.O. Box 18496 • Oklahoma City, OK 73154-0496 • 6100 N. Western Avenue • Oklahoma City, OK 73118
405.879.1568 • fax 405.767.4251 • james.wimmler@chk.com

Chesapeake Exploration, L.L.C.

James W. Wimmler

Enclosures

__✓__ Hallwood hereby elects to participate in the acquisition of the Renewal Lease.

_____ Hallwood hereby elects **not** to participate in the acquisition of the Renewal Lease.

HALLWOOD ENERGY, L.P.

By: D. John Hatt

Name:

Title: Dist. Lands Mg.

Date: 08/14/08

THIS AGREEMENT made this 17th day of June, 2008, by and between THE FROST NATIONAL BANK, Trustee for the A.R. Eppenauer Trusts 1 and 2 Account No. F0564700; and the Rachel L. Eppenauer Trusts A and B Account No. F0676300, as Lessor, whose address is P.O. Box 1600, San Antonio, Bexar County, Texas 78296-1400, and Chesapeake Exploration, LLC whose address is 6100 N. Western Avenue, Oklahoma City, Oklahoma 73118, as Lessee,

WITNESSETH:

1. Lessor, in consideration of Ten and No/100 Dollars ($10.00) and other good and valuable consideration in hand paid, the receipt of which is hereby acknowledged, of the royalties herein provided, and of the covenants, agreements and obligations hereinafter contained on the part of Lessee to be kept and/or performed and upon the conditions and with the limitations hereinafter set forth and contained, hereby GRANTS, LEASES and LETS exclusively unto said Lessee for the sole and only purpose of investigating, exploring, prospecting, drilling and operating for, developing and producing oil and gas (oil and gas, for all purposes of this lease, being defined to include oil, gas, casinghead gas and the by-products thereof, and such other hydrocarbon substances and sulphur as are necessarily produced with and incidental to the production of oil and/or gas) laying pipelines, building roads, tanks, and electric lines thereon to produce, save, take care of, treat, store, transport and own said products, all of Lessor's interest in those certain lands situated in Reeves County, Texas, and described as follows ("said lands"), to-wit:

See Attachment for Exhibit A, and made a part hereof;

This lease is expressly made subject to any and all instruments affecting said lands as reflected by the records of Reeves County, Texas, as of the date hereof to which reference is here made.

2. (a) Subject to the other provisions herein contained, this lease shall be for a term of three (3) years from the date hereof (called "primary term") and as long thereafter as oil or gas is produced from said lands, or from lands pooled therewith, in paying quantities or this lease is maintained in force by virtue of some other provision hereof. If prior to discovery and production of oil or gas on said lands, or on lands pooled therewith, Lessee should drill a dry hole or holes thereon, or if after discovery and production of oil or gas the production thereof should cease from any cause, this lease shall not terminate if Lessee commences drilling or reworking operations within one hundred twenty (120) days thereafter or, if it be within the primary term, commences or resumes the payment or tender of rentals as provided for herein or commences drilling or reworking operations on or before the rental paying date next ensuing after the expiration of thirty (30) days from the date of completion of the dry hole or cessation of production. If within thirty (30) days prior to the expiration of the primary term hereof, or at any time or from time to time after the expiration of the primary term hereof, oil or gas is being produced from said lands, or from lands pooled therewith, and all such production ceases and this lease is not otherwise continued in force, this lease shall not terminate if additional drilling or reworking operations are commenced or resumed on said lands, or on lands pooled therewith, within one hundred twenty (120) days after such cessation of production, and this lease shall continue in force so long as any such operations on the same or successive wells are prosecuted in good faith and in a workmanlike manner with no cessation of more than one hundred twenty (120) consecutive days; and, if such operations result in production of oil or gas, then this lease shall, subject to the other provisions hereof, continue in force as long thereafter as oil or gas is produced from said lands, or from lands pooled therewith, in paying quantities. If at the expiration of the primary term of this lease oil or gas is not being produced from said lands, or from lands pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon or Lessee shall have completed a well thereon within one hundred twenty (120) days prior to the end of the primary term then this lease shall remain in force so long as operations on such well or drilling or reworking operations on any additional well are prosecuted in good faith and in a workmanlike manner with no cessation of more than one hundred twenty (120) consecutive days; and, if any such operations result in production of oil or gas, so long thereafter as oil or gas is produced from said lands, or from lands pooled therewith, in paying quantities, subject, however, to the other provisions hereof.

(b) Notwithstanding any of the provisions of Subparagraph (a) above to the contrary, in order to maintain this lease in force and effect after the primary term as to such of said lands not then ascribed to a producing well or shut-in well pursuant to the provisions of Subparagraph (c) below, Lessee shall be required to continuously drill a well or wells on said lands with no cessation of more than one hundred twenty (120) consecutive days between the completion of one well and the commencement of a subsequent all to the end that Lessee maintains a continuous development program on said lands after the end of the primary term. Commencement of the first well in the continuous development program shall be on or before the last to occur of (i) the expiration of the primary term, or (ii) one hundred twenty (120) days after completion of the last well drilled on said lands within the primary term. Upon Lessee's failure to continuously drill wells after the primary term in accordance with the above time schedule, the provisions of Subparagraph (a) above shall control the time for commencement of subsequent drilling and all of said lands, SAVE AND EXCEPT from the surface down to 100 feet below the stratigraphic equivalent of the deepest producing perforations in, to and under:

(1) each well situated on said lands producing oil in paying quantities, together with forty (40) contiguous acres of said lands around each such well,

(2) each well situated on said lands producing gas in paying quantities, or capable of producing gas in paying quantities with all shut-in royalties having been paid thereon, together with one hundred sixty (160) acres for wells above the depth of 8,000 feet; and three hundred twenty (320) acres for wells below 8,000 feet,

(3) if the well is classified as a horizontal drainhole well by the Railroad Commission, the Production Unit shall be limited to the following maximum amount of acreage depending on the length of the lateral horizontal drainhole displacement within the productive formation:

Horizontal Drainhole Displacement	Horizontal Oil Well	Horizontal Gas Well
100' – 1,500'	80 acres	160 acres
1,501' – 3,000'	160 acres	320 acres
3,001' – 5,000'	320 acres	640 acres
5,001' and longer	640 acres	640 acres

(4) in the event pooling authority is granted under the provisions of Paragraph 4 hereof, and Lessee exercises such authority, each well producing oil or gas from a pooled unit in paying quantities, or if a gas well, capable of producing gas in paying quantities with all shut-in payments having been paid thereon, together with all of said lands included in such unit pursuant to the provisions of Paragraph 4 of this lease,

the acreage around oil wells and gas wells to be in as near the form of a square or rectangle as is practicable with the well at all points being located at a legal spacing distance within its boundaries or at a location approved by the Railroad Commission of Texas. Notwithstanding the above, in the event governmental authority having jurisdiction should prescribe a density pattern of a greater or lesser number of acres than the number of acres specified above for the drilling or operation of a well at a regular location or for obtaining the maximum allowable production from the category of well herein above specified, then Lessee may, upon written notice to Lessor, retain around each such oil well and each such gas well such number of acres out of the particular tract covered by this lease on which a well is located as is so prescribed by governmental authority but only from the surface down to 100 feet below the stratigraphic equivalent of the deepest producing perforations in the particular well as to which acreage is ascribed for production purposes. Upon termination of this lease except as to each oil well and each gas well and the number of acres hereinabove specified around each such well or included within a unit formed pursuant to the provisions of Paragraph 4 hereof, each separate tract ascribed to an oil well and each separate tract ascribed to a gas well shall be treated as a separate lease tract subject to the provisions of this lease, and the continuation of this lease as to each such separate lease tract shall be determined by the provisions of this lease applied to each such separate lease tract.

(d) It is further agreed and understood that in the event this lease is in force and effect on the date of the expiration of the primary term, then on such date this lease shall no longer remain one lease covering the entirety of all the lands and subsurface rights herein above described, but rather shall be divided on such date into three (3) equal size, separate leases. In no event shall Lessee be obligated to sub-divide a specific survey tract in order to create equality to the three separate leases required herein, but shall be obligated only to divide the acreage in a manner as to create three separate lease blocks in as near equality as is reasonably practical. From and after such date, each such block or area shall be treated as a separate lease that is subject to the provisions hereof; the continuation of this lease as to each such separate block or area shall be determined by the application of the provisions hereof to each particular separate block or area. Within the period of thirty (30) days immediately following the date of the expiration of the primary term, Lessee shall designate and file for record a plat and legal description of the particular acreage included within each separate block or area, furnishing Lessor a copy of such instrument. In the event of Lessee's failure to timely designate and file such instrument, Lessor shall have the right to designate such acreage of record and the decision of Lessor in so doing shall be final and Lessee shall pay Lessor the sum of $1,000.00 for each such designation so filed by Lessor.

(e) Upon the occurrence of any partial termination of this lease under the foregoing provisions Lessor shall have and expressly reserves an easement through the said lands and the depths and

Lessor. The easement reserved herein shall be fully assignable by Lessor to any party, including any oil, gas and mineral Lessee of depths or lands not then subject to this lease and to any party desiring to conduct geophysical operations with respect to depths or lands not then subject to this lease, and in the event Lessor assigns such easement to any third party, Lessee herein shall look only to such third party, and not to Lessor, for any claims, costs, expenses or damages occasioned by such third party's use of the easement herein reserved, specifically including, but not limited to, any claims that such third party's activities interfered with or damaged Lessee's wells, reserves, equipment, operations or other rights hereunder.

(f) In conducting any drilling, testing, producing, or reworking operation authorized herein, Lessee shall not be allowed the use of any existing abandoned wells and well bores located on the acreage covered hereby which were drilled for the purpose of exploring for and producing oil, gas or other minerals and were subsequently abandoned and/or plugged, without express written consent of Lessor. A well shall be deemed to be commenced under the terms of this lease on the date the drill bit enters the earth for the drilling of a validly permitted well. A well shall be deemed to be completed under the provisions of this lease (1) three days after the well reaches total depth in the event no attempt is made to complete the well as a producer of oil and/or gas by the running of production casing (a dry hole) or (2) thirty (30) days after the date production casing is cemented in the well (as reflected by the cementing affidavit required to be filed with the Railroad Commission of Texas) in the event an attempt is made to complete the well as a producer of oil and/or gas.

3. The royalties to be paid by Lessee are:

(a) On all oil and on all liquid hydrocarbons extracted from gas under the provisions of Subparagraph (b) below, Twenty-five percent (25%) of that produced and saved from the said lands, the same to be delivered to Lessor into the storage tanks or into the pipeline to which the wells may be connected, or, at Lessor's option, such oil and liquid hydrocarbons shall be sold with Lessee's oil and liquid hydrocarbons at the same price received by Lessee (but in no event for less than the value thereof), or, at Lessor's option, such products shall be delivered to Lessor at the wells into tanks or other receptacles to be furnished by Lessor. Lessor's options hereunder may be exercised from time to time, and the exercise or failure to exercise an option at any time shall not constitute a waiver of Lessor's right to exercise further options.

(b) On gas produced from said lands, including casinghead gas and residue gas at the tailgate of any plant through which gas produced from said lands may be processed, Twenty-five percent (25%) of the value of the gas at the place of use or sale by Lessee, or at Lessor's option, Twenty-five percent (25%) of the gas, in kind, either at the well or at the outlet side of the separator, hereinafter provided for, or at the tailgate of any plant through which gas is processed. Prior to the use or sale of any gas produced from said lands, Lessee shall run such gas through a field-type separator or other comparable equipment ordinarily used in the industry for the purpose of separating, extracting and saving liquid and liquefiable hydrocarbons recoverable from the gas, and royalties shall be payable on the remaining gas under the provisions of this Subparagraph (b) and royalties on the extracted liquids shall be payable under the provisions of Subparagraph (a) above; provided, however, Lessee shall not be required to run the gas through a field-type separator or comparable equipment if the gas is to be processed in a recycling, absorption, pressuring or other plant belonging wholly or in part to the Lessee or any affiliated or subsidiary company, or if the liquid hydrocarbon content of the gas is so small as to make the installation and operation of field-type separators or comparable equipment unprofitable, or if the pressure of the gas is such that running the gas through separators or comparable equipment would diminish the ability to sell and deliver the separated gas against existing gathering system or pipeline pressures.

(c) On condensate and all other products separated, extracted or manufactured from gas produced from said lands by any extraction, absorption, pressuring or other plant belonging wholly or in part to Lessee or any affiliated or subsidiary company, Twenty-five percent (25%) of the market value of all such condensate and other products so separated, extracted, or manufactured, or, at Lessor's option, Twenty-five percent (25%) of such condensate and other products in kind shall be delivered to Lessor at the plant outlet. In the event of the blending of any part of such condensate or other products with chemical additives for making any product therefrom, the royalty on such products, whether paid in kind or at market value, shall be calculated at the plant outlet on the resulting blended product, less Lessor's proportionate share of the direct cost of such chemical additives and the blending thereof.

(d) On condensate and all other products separated, extracted or manufactured from gas produced from said lands by an extraction, absorption, pressuring or other plant belonging to a third party or parties, Twenty-five percent (25%) of the amount received by Lessee from the sale of condensate and other products separated, extracted or manufactured by said plant and credited to Lessee under the terms of Lessee's contract with such plant.

... produced and saved, same to be delivered to Lessor, free of all costs, or, at the option of Lessor, Lessee shall account to Lessor for Twenty-five percent (25%) of the gross amount received by Lessee from the sale of such sulphur.

(f) While there is a gas well or wells on said lands, or on lands pooled therewith, but gas is not being sold or used, Lessee may pay, as royalty, commencing on or before one ninety (90) days after the date on which each such gas well is shut-in, the sum of Fifty Dollars ($50.00) for each acre of said lands ascribed to such gas well pursuant to the provisions of Paragraph 2(c), and, if such payment is made or tendered, this lease shall continue in force and effect for the full ensuing year after such payment as to all of said lands ascribed to such gas well pursuant to the provisions of said Paragraph 2(c) above and for which such payment is made, and the intermittent production of gas from any such well during such year shall not render necessary any new or additional payments of shut-in gas well royalty with respect to such well, but Lessee shall account to Lessor for the royalty on any such gas actually produced in accordance with the other provisions of this Paragraph 3, and this provision shall be recurring (the time for subsequent annual payments for each shut-in well to run from the date the first payment is made on such well); provided, however, that this provision shall not be effective to continue this lease in force and effect as to any shut-in well for a period of more than two (2) consecutive years after the date the first well is shut-in or for shorter periods of time from time to time which aggregate two (2) years in all, but it is further provided that the two (2) year period shall be extended for such length of time, if any, as may elapse because of Lessor's failure to consent to a gas contract negotiated by Lessee and submitted to Lessor as provided in Paragraph (g) below. Any shut-in gas well royalty payment may be made by the check of Lessee delivered to Lessor in The Frost National Bank, P.O. Box 1600, San Antonio, Texas 78296, ATTN: Trust Minerals. This provision as to the payment of shut-in gas royalty is a condition and not a covenant, and the failure to pay any shut-in gas royalty as herein provided shall effect an automatic termination of this lease as to the lands ascribed to the well as to which the failure to pay is applicable.

(g) In computing royalties to be paid Lessor, the value of any oil or gas, condensate or other products of gas shall never be less than the total proceeds received by Lessee or by any affiliated or subsidiary company by reason of the sale of such oil or gas, condensate or other products and/or the dedication of reserves. The total proceeds received shall include, but not be limited to, the fair value of all consideration received by Lessee or by any affiliated or subsidiary company related to the marketing and/or dedication of oil or gas, condensate, other products or reserves (such as take or pay payments, take or pay settlements and awards, dedication payments, advance payments, contract adjustments, gas exchange consideration, contract buy out/buy down payments and similar consideration). Lessee shall be solely responsible for insuring that all such proceeds are received in accordance with all applicable laws and regulations. Except as specifically provided in Subparagraph (c) above, all royalties payable under Subparagraphs (a), (b), (c), (d) and (e) of this Paragraph 3 shall be without deduction for any costs of marketing, gathering, transporting, separating, processing, dehydrating, compressing or other costs involved in making the oil or gas ready for sale or use. In the event Lessor does not elect to take Lessor's royalty oil or gas in kind, as provided for herein, Lessee shall act in a fiduciary capacity on behalf of Lessor in negotiating and implementing sales arrangements for royalty oil or gas in accordance with the provisions of this lease; provided that no contract negotiated by Lessee for the sale of gas produced from said lands under this lease and extending for a period in excess of one (1) year shall be valid and effective without Lessor's written consent to such contract. Upon Lessor's written consent to a contract covering the sale of gas produced from said lands, it shall be considered, as between Lessor and Lessee, that such contract reflects the value of gas at the place of sale specified in the contract, and Lessor's royalty on gas sold pursuant thereto shall be calculated in accordance with the price or value provided in such contract. It is expressly provided that Lessee shall not have the right to dedicate said lands or gas reserves in and under said lands to the fulfillment of any public service obligation, and any dedication of gas required to fulfill Lessee's obligations under any gas purchase contract shall be specifically limited to only such gas as may be produced through the wellhead of gas wells on said lands during the period that this lease is being maintained in force and effect in accordance with its terms.

(h) Lessee is unconditionally obligated to Lessor to make and shall be liable for the payment of royalties hereunder irrespective of the failure or bankruptcy of any third party crude oil or gas purchaser, and irrespective of the execution by Lessor of a division order or any similar agreement in favor of any such third party purchaser. Accounting and payments to Lessor of royalties from the production of oil and gas from any well shall commence and thereafter be paid in full compliance with the applicable provisions of the Natural Resources Code of Texas, and failure to so comply shall entitle Lessor to the remedies therein provided. In addition, should Lessee at any time fail to make royalty payments to Lessor in compliance with the applicable provisions of the Natural Resources Code of Texas, Lessor may, at Lessor's election, cancel this lease as to such well and said lands ascribed to such well by giving Lessee twenty (20) days advanced written notice of such cancellation. Lessee may avoid such cancellation by paying Lessor all sums (including interest) then owed by Lessee to Lessor prior to the expiration of said twenty (20) day period. Acceptance by Lessor of royalties which are past due shall not act as a waiver or estoppel of Lessor's right to receive or recover any and all interest due thereon under the provisions hereof unless the written acceptance or acknowledgment by Lessor to Lessee expressly so provides. Any tender or payment to Lessor deemed an offer of settlement or accord and satisfaction unless accompanied by such a Notice of Settlement Offer. Lessee shall pay all costs of litigation, including reasonable attorney's fees, expert witness and consultation fees incurred by Lessor in connection with any lawsuit in which Lessor is successful in recovering any royalties or interest or in terminating this lease due to Lessee's failure to pay royalties within the period set forth herein.

(i) Lessor shall have the right at all reasonable times, personally or by representative, to inspect the books, accounts, contracts, records and raw but not interpreted data of Lessee pertaining to the development, production, saving, transportation, sale and marketing of the oil and gas from said lands.

(j) In the event that the leasehold estate created hereby is jointly owned in common by more than one leasehold estate owner and one or more co-owners desire to separately meter and market their gas from the other co-owners (commonly referred to as split-streaming), then it is agreed that: (1) The value for all gas produced from said lands shall never be less than the highest price received by any of the co-owners of this leasehold estate; (2) the co-owners of said leasehold estate agree that there will be only one gathering system and one metering system on said lands and all split-streaming and separate transporting and metering of gas shall take place off said lands; (3) in the event one or more co-owners of said leasehold estate elect not to sell their share or portion of gas under this lease, and other co-owners do sell gas from said lands, Lessor shall nevertheless be entitled to its 100% royalty share of revenues from the production, distribution and sale of such gas computed on the terms called for in Paragraph 3; and (4) the operator of each well producing under this lease shall be responsible for the payment to Lessor and/or royalty owner of all royalties accruing under this lease.

(k) Lessee shall not reduce any royalty payment due hereunder based on any adjustment relating to royalties paid in a prior period unless and until Lessee provides Lessor a full, complete, and detained statement and explanation of the bases for any such prior period adjustment. No royalty payment due hereunder for any one month of production shall be reduced by more than Thirty percent (30%) based on adjustments relating to royalties paid in prior periods. Provided however, as long as Chesapeake Exploration, L.L.C. remains the operator of this lease, this paragraph shall have no application.

4. (a) Subject to the limitations herein contained in this lease, Lessee, at its option, is hereby given the right and power to pool or combine Lessor's interest in said lands or any portion thereof (and only Lessor's interest in said lands or any portion thereof as Lessor recognizes and acknowledges that Lessor does not have the right, power or authority to permit the interest of any third party in said lands, or any portion thereof, to be pooled or combined) with other land, lease or leases in the immediate vicinity thereof when in Lessee's judgment it is necessary or advisable to do so in order to properly explore, develop and operate said lands so as to promote the conservation of the oil and/or gas in, under and that may be produced from said lands, insofar as pooling for either is provided for herein. Any such pooling may be into a unit or units not exceeding one hundred sixty (160) acres for wells above 8,000 feet and three hundred twenty (320) acres for wells below 8,000 feet as nearly as practicable in the form of a square or a rectangle around each well producing gas in paying quantities, including condensate; and not exceeding 40 acres each for exploration, development and production of oil; provided however, if the well is classified as a horizontal drainhole well by the Railroad Commission, the Production Unit shall be limited to the following maximum amount of acreage depending on the length of the lateral horizontal drainhole displacement with the productive formation:

Horizontal Drainhole Displacement	Horizontal Oil Well	Horizontal Gas Well
100' – 1,500'	80 acres	160 acres
1,501' – 3,000'	160 acres	320 acres
3,001' – 5,000'	320 acres	640 acres
5,001' and longer	640 acres	640 acres

and further providing, that if any governmental authority prescribes a larger unit as a spacing pattern for the orderly development of the field, or shall allocate a producing allowable based in whole or in part on acreage per well, any unit may be formed to embrace acreage up to the content so prescribed and allocated. The effective date and term of each such pooling shall be as set forth by Lessee in an instrument filed for record in the county or counties in which the pooled land is situated, which instrument shall describe the acreage, zones, formations and substances pooled. A copy of the recorded instrument shall be furnished to Lessor within thirty (30) days from its date. Production, drilling or reworking operations anywhere on any such unit shall be treated as production, drilling or reworking operations on land covered by this lease. Unless otherwise stated herein, there shall be allocated to this lease the proportion of the pooled production from any such unit (whether or not from land covered by this lease) that the number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit; royalties shall be paid hereunder only upon that portion of such production so allocated, and as to pooled production from land in such unit such royalties shall be in lieu of any other royalties. Notwithstanding anything to

(b) If this lease now or hereafter covers separate tracts, no pooling, unitization or communitization of mineral or royalty interests as between any such separate tracts is intended or shall be implied or result from the inclusion of such separate tracts within this lease, and the rule of non-apportionment shall be applicable to this lease and to all lands covered by this lease; but Lessee shall nevertheless have the right to pool Lessor's interest in any separate tract or tracts, as provided in Subparagraph 4(a) above, with consequent allocation of production as therein provided. The inclusion of Lessor's interest in any separate tract within this lease shall not constitute an offer on the part of Lessor to any party who may now or hereafter have an ownership interest in the minerals or royalties in any such separate tract to pool, unitize or communitize any such interest with other interests covered by this lease, and with respect to Lessor's interests in said lands, or in any separate tract, and any other party's interest in said lands, or in any separate tract, such interests shall remain separate ownerships with neither party having any rights, interests or ownership whatsoever in the rights, interests or ownership of the other. Any attempt by an owner of any mineral or royalty interest under a separate tract, now or hereafter, to ratify, adopt or confirm this lease, or any provision herein contained, by any means and thereby effect a pooling, unitization or communitization of any separate tract covered by this lease with any other interests shall by such action specifically ratify, adopt and confirm the entire contents of this Subparagraph and such attempt to effect a pooling, unitization or communitization shall be ineffective, null and void for all purposes. As used in this Subparagraph, the words "separate tract" means any tract with mineral or royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the lands covered by this lease.

(c) Notwithstanding anything herein to the contrary, if Lessee completes a well on any of the tracts covered by this lease, then it is herein agreed that there shall be no pooling of that tract unless and until all of said tract shall have been developed to the extent that either all of said tract is included in a pool or unit, or there is not sufficient remaining acreage for an additional well to have allocated to it the full amount of acreage being allocated to an oil or gas well, as the case may be, under the spacing pattern authorized by the Texas Railroad Commission. All of any portion of such remaining tract may then be included in an additional pool or unit formed hereunder. For wells completed off of the lease premises at a legal location, all or any part of said leased premises may be included in said pool or unit.

5. Any payments for royalty as set in Paragraph 3 hereof shall be paid to Lessor or to the credit of Lessor in the Frost National Bank, P.O. Box 1600, San Antonio, Texas, 78296; ATTN: Mineral Asset Management. Lessee may at anytime of times execute and deliver to Lessor or place of record a release or releases covering any portion or portions of said lands and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered, except obligations theretofore accrued.

6. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent lands not owned by Lessor, or on any lands adjacent to any unit formed under the terms of this lease and not owned by Lessor, or on adjacent lands owned by Lessor which are being explored and developed for oil and gas by a third party or by Lessee under a different lease, and within four hundred sixty-seven feet (467') from or draining said lands, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances; provided, however, Lessee shall not be required to offset any such gas well on adjacent lands unless the gas therefrom is being produced; and, provided further, that, in lieu of drilling an offset to any such well, Lessee shall have the option of paying Lessor, as royalty, a sum equal to the royalties which would be payable under this lease on the production from such well had same been drilled and produced under this lease, and, as long as Lessee may elect to pay such royalty in lieu of drilling an offset well, it will be considered that gas is being produced from said lands within the meaning of Paragraph 2 hereof.

7. The rights of either party hereto may be assigned in whole or in part (except that oil rights shall never be severed from gas rights) and the provisions hereof shall extend to their heirs, successors and assigns, but no change or division in the ownership of said lands or royalties or other payments hereunder or the right to receive same, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. It is provided, however, that Lessee may not assign this lease, or any portion thereof, without the prior written consent to such assignment by Lessor, and no attempted assignment by Lessee shall be effective without the written consent of Lessor. Further, it is specifically provided that Lessee shall not have the right to assign to any third party, nor permit any third party, the right to conduct any type of seismograph surveys over or upon said lands without the prior written consent of Lessor. If the ownership of the royalties or other payments hereunder becomes changed into separate divided portions of said lands, Lessee shall not be required to offset wells on such separate tracts or portions or to furnish upon or as to any such tract or portion separate measuring or receiving tanks. Notwithstanding any actual or constructive knowledge of or notice to Lessee thereof, no change or division in ownership or right to receive any payments hereunder shall be binding upon Lessee for any purpose until sixty (60) days after the receipt by Lessee by registered mail at Lessee's place of business, from the party acquiring an interest or right, of the duly

... change in ownership of right to receive any payments hereunder shall be binding on Lessee until sixty (60) days after Lessor shall have furnished Lessee, as above provided, proof satisfactory to Lessee that an appropriate representative has been appointed by a court of competent jurisdiction or until Lessee is furnished other evidence satisfactory to it of the party entitled to receive such payments. In the event of assignment or sublease hereof, in whole or in part, liability for breach of any obligation expressed or implied hereunder shall rest exclusively upon the owner or sublessee of this lease or a portion thereof who commits such breach. Drilling or production on any portion of said lands shall inure to the benefit of the owners of this lease and of any and all portions thereof.

8. With respect to actual operations conducted by Lessee on said lands, it is agreed by and between Lessor and Lessee as follows:

(a) Prior to the commencement of any operations, Lessee shall give Lessor notice of Lessee's intentions to commence operations on said lands, or lands pooled therewith, the type of operations to be conducted, the approximate date of such commencement and the approximate location of same; such notice to be given within a reasonable time prior to the actual commencement of operations.

(b) Lessor shall have the right, personally or by representative, at Lessor's risk, to have access to the derrick floor together with the right to observe all operations on all wells drilled on said lands, or lands pooled therewith, with the further right to inspect and take samples of all cores and cuttings and witness the taking of all logs and drill stem tests. Lessee agrees to furnish Lessor with copies of all logs and surveys taken promptly after taking same. Lessee agrees to divulge to Lessor true and correct raw and non-interpreted information as requested by Lessor as to each well, the production therefrom and such raw and non-interpreted technical information as Lessee may acquire and which is readily available with respect to the sands and formations encountered in such wells. Lessor shall have the right to be present when wells and/or tanks are gauged and production metered and shall have the right to examine all run tickets and to have full information as to production and runs, and to receive copies of all run tickets upon written request. In addition, Lessee shall furnish Lessor with true copies of all applications and reports made by Lessee to the Railroad Commission of Texas and to any other governmental agency having jurisdiction, such copies to be furnished to Lessor upon written request.

(c) Lessee expressly consents and agrees to indemnify and hold Lessor harmless from any and all claims, damages and causes of action asserted by any person or persons for damages which are a result of Lessee's operations conducted under this lease.

(d) Lessee shall install and maintain all equipment and conduct all operations in an environmentally sound manner, and in accordance with all federal, state and local environmental laws, regulations and ordinances, including those enforced by the Railroad Commission of Texas, the Texas Natural Resource Conservation Commission, the U.S. Environmental Protection Agency and any other governmental authorities ("Environmental Laws"). Lessee shall not use, store, manage or dispose of any hazardous materials (as defined below) on said lands, except to the extent such substances are contemporaneously required for, or produced by, actual oil or gas operations on said lands and any such substances shall be used, stored, managed and disposed of in a safe manner, in compliance with all Environmental Laws. Lessee shall insure that all contractors comply with the terms of this Subparagraph. In the event Lessee is notified of any environmentally harmful or dangerous conditions or alleged violations of Environmental Laws on said lands resulting from, or in connection with, Lessee's operations, Lessee, at its sole expense, shall promptly take, and diligently prosecute to completion, all actions required to investigate, clean-up and correct such dangerous or harmful conditions, and to comply with all Environmental Laws. Lessor shall have no responsibility to inspect or oversee Lessee's operations or to identify or correct any potentially harmful, dangerous or damaging conditions, and Lessor shall have no right to control any details of Lessee's operations, nor to designate or control Lessee's contractors. Neither Lessee nor any contractors shall have any right of contribution or indemnity from Lessor for any matters relating to operations on or off said lands by Lessee or conditions on said lands. Lessee hereby releases Lessor from any claims, costs, expenses and liabilities arising out of or relating to conditions on said lands at the beginning of the lease term and agrees to indemnify and hold Lessor harmless from any and all costs, expenses and liabilities, including without limitation, any civil, criminal or administrative fines or penalties, investigation, remediation and monitoring costs, cost of property damage and personal injury, and attorneys and consultant fees and expenses arising from, relating to or in connection with (i) Lessee's operations hereunder or (ii) a breach of this Lease. Lessee shall immediately advise Lessor in writing of any event which could constitute a breach by Lessee of matters addressed in this Subparagraph. By commencing any such operations, Lessee shall acknowledge its consent to the terms of this Subparagraph. In the event Lessor or any third party alleges damage due to an alleged breach of this provision, Lessee agrees to post a bond payable to Lessor for the amount of the alleged damage, such bond to be maintained at Lessee's expense for the benefit of Lessor's interest until such claim of damage is resolved. The term hazardous materials shall mean any waste, substance or material identified as "hazardous", "hazardous substance", "hazardous material", or "pollutant", or otherwise is regulated by Environmental Laws, including without limitation, salt water, naturally occurring radioactive material

... having jurisdiction, the time of such delay or interruption shall not be counted against Lessee. All express or implied covenants or conditions of this lease shall be subject to all valid federal and state laws, executive orders, rules, or regulations of any governmental agency, state or federal, having jurisdiction, and this lease shall not be terminated in whole or in part, and Lessee shall not be liable in damages for failure to comply therewith, if compliance is prevented from, by or if such failure is a result of any such law, order, rule or regulation. If from any of the above causes, Lessee is prevented from conducting drilling or reworking operations or producing oil or gas from such lands, the time during which Lessee is so prevented shall not be counted against Lessee, and this lease shall be extended for a period of time equal to that during which Lessee is so prevented from conducting such operations. Lessee shall promptly notify Lessor in writing of any such delaying cause that prevents Lessee from complying with the terms and provisions of this lease and steps taken by Lessee to alleviate the same. It is provided, however, that no such law, order, rule, or regulation shall eliminate the necessity for, nor extend the time within which rentals, royalties and other payments provided for herein are to be paid.

10. This lease is executed without warranty by Lessor either express or implied, and without any recourse against the Lessor in the event of any failure of title, not even for the return of any consideration paid. If Lessor owns an interest in the oil and gas in and under said lands less than the entire fee simple estate therein, then the rentals and royalties herein provided shall be reduced proportionately. Lessor hereby agrees that Lessee, at Lessee's option, may purchase and discharge, in whole or in part, any tax, mortgage or other lien upon said lands and thereupon be subrogated to the rights of the holders thereof and may apply royalties and other payments accruing hereunder toward satisfying same or toward reimbursing Lessee.

11. Should Lessee have title to said lands, or any portion thereof, examined and have a title opinion(s) rendered, Lessee shall furnish to Lessor at the above address, a copy of each such title opinion and any supplements thereto. A copy of each such opinion rendered shall be mailed to Lessor at the above address within thirty (30) days after the date of each opinion. Lessee shall not be liable in any way for the contents of any such opinion rendered and delivered to Lessor.

12. The Frost National Bank is acting herein only in its fiduciary capacity and not in its individual capacity. Lessee represents that he is not an employee, officer, or director of Frost National Bank and he does not represent such persons.

14. Upon expiration of any portion of this lease either by lapse of term, cessation of production or failure to continue development as provided under Paragraph 2 Lessee shall promptly execute, place of record and deliver to Lessor a release of the appropriate acreage. Should Lessee fail to do so, Lessee shall pay a penalty of $100.00 per day to Lessor commencing on the 61st day after Lessor has mailed to Lessee a request for such release. This penalty shall not exceed the total sum of $10,000.

15. Lessor and Lessee have executed a Memorandum of Oil and Gas Lease contemporaneously with the execution of this lease, and Lessor and Lessee agree that such Memorandum of Oil and Gas Lease, which makes reference to this lease, may be recorded in the appropriate records of the County in which said lands are located in lieu of the recording of this lease in its entirety. The recording of said Memorandum of Lease shall be binding upon Lessor and Lessee, and their respective heirs, successors, legal representatives and assigns, the same as if this lease was filed of record in its complete text.

16. Texas law shall govern any actions brought with respect to this lease thereto, and venue for any suit brought hereunder shall be in either Bexar County, Texas or the county in which the leased premises is located, such county to be chosen exclusively by Lessor. The applicable Texas statutes of limitation shall govern the filing of suits brought hereunder, however, all causes of action relating to or arising out of this lease shall be tolled during the existence of this lease.

17. To the extent that Lessors and Lessee have contracted herein for the performance of certain duties upon the Lessee which are implied by law, it is not the intention of Lessors and Lessee to limit or lessen the duties implied by law upon the Lessee, but Lessors and Lessee expressly agree and intend that Lessee's duties under such implied covenants be those contracted herein or those implied by law, whichever is the greater duty upon the Lessee. Lessee agrees to make a good faith effort to give notice to Lessors of the existence of any potential claim or cause of actin against a third party who is, or may be draining, overproducing, unlawfully depleting, or otherwise damaging any reservoir underlying the leased premises, in a timely fashion so that Lessors may assert Lessors' own claim, or cause of action in a court of appropriate jurisdiction, or before a regulatory agency. Lessee must give such notice to Lessors within 120 days of the date that Lessee becomes aware of the existence of such potential claim or cause of action. If such claim or cause of action is asserted and if Lessee recovers damages from such third party, then the Lessors will be entitled to their fractional royalty share of any such recovery.

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

THE FROST NATIONAL BANK, AS TRUSTEE OF
the A.R. Eppenauer Trusts 1 and 2 Account No. F0564700; and the Rachel L. Eppenauer Trusts A and B Account No. F0676300

By: Jack Nahoum Jr.
Jack Nahoum Jr., Vice President

"LESSOR"

By: ______________________________
Chesapeake Exploration L.L.C.

"LESSEE"

STATE OF TEXAS §
§
COUNTY OF BEXAR §

BEFORE ME, the undersigned authority, in and for said county, Texas, on this day personally appeared **JACK NAHOUM, VICE PRESIDENT,** known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said **FROST NATIONAL BANK,** a corporation, and that he executed the same as the act of said corporation for the purposes and consideration therein expressed, and in the capacities therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 17th day of June, 2008.

____
Notary Public, State of Texas

TERESA D. ZDUNCZYK
Notary Public
STATE OF TEXAS
My Comm. Exp. 02-12-2011

STATE OF TEXAS §
§
COUNTY OF ____________ §

BEFORE ME, the undersigned authority, in and for said county, Texas, on this day personally appeared __________________, __________________ known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said ____________________________, a corporation, and that he executed the same as the act of said corporation for the purposes and consideration therein expressed, and in the capacities therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this _____ day of __________________, 2008.

COUNTY OF REEVES §
§

BE IT REMEMBERED that on this 17th day of June 2008, **THE FROST NATIONAL BANK, Trustee for the A.R. Eppenauer Trusts 1 and 2 Account No. F0564700; and the Rachel L. Eppenauer Trusts A and B Account No. F0676300**, as Lessor, whose address is P.O. Box 1600, San Antonio, Bexar County, Texas 78296-1400, and **Chesapeake Exploration, LLC** whose address is 6100 N. Western Avenue, Oklahoma City, Oklahoma 73118, as Lessee, whereby Lessor granted, leased and let unto Lessee for the sole and only purpose of investigating, exploring, prospecting, drilling and operating for, developing and producing oil and gas, all of Lessor's interest in those certain lands situated in Reeves, County, Texas, described below and made a part hereof for all purposes.

See Exhibit A, Attached hereto and made a part of hereof

The above described oil and gas lease is for a primary term of Three (3) years from its date and contains other terms and provisions which are by reference incorporated herein and made a part hereof in all respects as though the same were fully set forth therein.

Executed copies of said Oil and Gas lease are in the possession of Lessor and Lessee.

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

THE FROST NATIONAL BANK, AS TRUSTEE OF
the A.R. Eppenauer Trusts 1 and 2 Account No. F0564700; and the Rachel L. Eppenauer Trusts A and B Account No. F0676300

By: Jack Nahoum Jr.
JACK NAHOUM JR.
VICE PRESIDENT

"LESSOR"

CHESAPEAKE EXPLORATION, L.L.C.
an Oklahoma limited liability company

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

"LESSEE"

STATE OF TEXAS §
§
COUNTY OF BEXAR §

BEFORE ME, the undersigned authority, in and for said county, Texas, on this day personally appeared **JACK NAHOUM JR., VICE PRESIDENT,** known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said **FROST NATIONAL BANK**, a corporation, and that he executed the same as the act of said corporation for the purposes and consideration therein expressed, and in the capacities therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 17th day of June, 2008.

Teresa D. Zdunczyk
Notary Public, State of Texas

TERESA D. ZDUNCZYK
Notary Public
STATE OF TEXAS
My Comm. Exp. 02-12-2011

STATE OF TEXAS §
§
COUNTY OF OKLAHOMA §

BEFORE ME, the undersigned authority, in and for said county, Texas, on this day personally appeared Henry J. Hood, Senior Vice President and General Counsel known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said **CHESAPEAKE EXPLORATION, L.L.C.**, a corporation, and that he executed the same as the act of said corporation for the purposes and consideration therein expressed, and in the capacities therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 25th day of June, 2008.

REBECCA A. YOUNG
NOTARY PUBLIC
04007282
EXP. 8/12/08
IN AND FOR
STATE OF OKLAHOMA
CANADIAN COUNTY

Rebecca A Young
Notary Public, State of Texas

1. All of Section 18, Block 55, T&P RR Survey, TWP-7 (680 acres)

2. All of Section 14, Block 56, T&P RR Survey, TWP-7 (732.35 acres)

3. North One Half of the Northwest One Quarter (N1/2 NW1/4) and the East One Half (E1/2) of Section 30, Block 56, T&P RR Survey, TWP-7 (494 acres)

4. Northeast One Quarter of Section 22, Block 57, T&P RR Survey, TWP-7; SAVE & EXCEPT 40.00 acres of the Northeast One Quarter of the Northeast One Quarter thereof (NE/4 s/e 40 ac). (139.5 acres)

5. All of Section 2, Block 56, T&P RR Survey, TWP-8 (697 acres)

6. East Three-quarters (E 3/4) of Section 8, Block 56, T&P RR Survey, TWP-8 (547 acres)

7. The South 519 acres of Section 20 (S/519), Block 56, T&P RR Survey, TWP-8 (519 acres)

8. The East 527 acres of Section 30, Block 56, T&P RR Survey, TWP-8 (527 acres)

9. East One Quarter (E1/4 of Section 5, Block C-11, PSL Surveys (160 acres)

10. All of Section 7, Block 51, T&P RR Survey, TWP-8, (640 acres)

11. The East One-half (E/2); the South One-half of the Northwest One-Quarter (S/2NW/4); and the North One-half of the Southwest One-Quarter, less and except that certain 2.5 acres, more or less out of the southwest corner of the South One-half of the Northwest One-Quarter, and more fully described in that certain Deed dated May 26, 1918 from H.T. Collier, et al to James Carswell, recorded in Vol. 43, page 539, Deed Records (N/2SW/4 l/e 2.5 acres), and further excepting that certain 3.00 acres of land, more or less and being a part of that certain strip of land, the West line of which bounds the West line of the S/2NW/4 and N/2SW/4 of Section 188 and conveyed for Railroad purposes pursuant to that certain Deed dated December 26, 1908 from H.T. Collier, et al to M.L. Swinehart, recorded in Vol. 24, page 376, Deed Records, all lands being a part of Section 188, Block 13, H&GN RR Co. Survey (474.5 acres)

12. The South One-half of the Northeast One-quarter (S/2NE/4) and the South One-half of the East Three-quarters (S/2E3/4) of Section 248, Block 13, H&GN RR Co. Survey (320 acres)

* All of the above tracts are located in Reeves County, Texas.

File No. MF105456 6 assignment

ASSIGNMENT FILED IN MF-

Date Filed: 3/26/09

Jerry E. Patterson, Commissioner

By

See MF 104752 for more well info.

Well Inventory Detail

RRC Well Number:	**2302**	RRC Field Name:	**TOYAH NORTHWEST**
RRC Number:	**245762**	Pool Name:	**SHALE**
RRC District:	**08**	Formation:	**DEVONIAN**
RRC Lease Type:	**WELL**	Primary Product Code:	**G**
API Number:	**4210932303**	Well Type:	**A**

Last Month Oil Production:	Last 12 Months Oil Production:
285	**1121**
Last Month Gas Production:	Last 12 Months Gas Production:
5307	**64875**
Last Month Water Production:	Last 12 Months Water Production:
0	**0**

Current Well Status:	**A**	First Production Date:	**04/01/2009**
Well Completion Date:	**05/02/2009**	Last Production Date:	**11/30/2009**
Total Measured Depth:	**15322**	Top Depth:	**14714**
Wellbore Direction:	**V**	Base Depth:	**14775**
Surface Latitude:	**31.7057300000**	Surface Longitude:	**-104.1210100000**
GLO Lease Number:	**MF105456**	GLO Unit Number:	

RRC Lease Name: **HARRISON STATE**

RRC Operator: **HALLWOOD PETROLEUM LLC**

Oil Purchaser/Transporter:

Gas Purchaser/Transporter: **HALLWOOD PETROLEUM LLC**

Last IHSE Update: **02/25/2010** County: **CULBERSON**

Field 90890 700
Harrison State #2302 Well

7.

File No. MF 105456
Well info

Date Filed: 5/5/10
Jerry E. Patterson, Commissioner
By [signature]

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

December 3, 2010

I, Jerry E. Patterson, Commissioner of the General Land Office of the State of Texas, do hereby certify that the papers, records, and documents of said office show;

This Certificate of Fact is limited, as requested by Mike Curry, and covers Mineral Files, M-104752 and MF-105456 only;

****

That on November 24, 2004, MARY JANE BARRON, REV LIVING TRUST, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease M-104752, covering "Section 23, Block 113, PSL," with additional tracts, 1600.00 total acres in Culberson County, to THE SCREWBEAN, L.P., for a primary term of Five (5) years, with a cash bonus of $10,000.00, and an annual delay rental of $10,000.00, with like amounts payable each to landowner and State, and a royalty of One-Fifth (1/5), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on December 1, 2004, in Mineral File M-104752;

That on October 1, 2005, HALLWOOD ENERGY, L.P., assigned to FEI SHALE L.P., various interests in lease M-104752, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in Volume 98, Pages 205-212, Culberson County Records, Culberson County, a certified copy of which was filed in the Texas General Land Office on February 24, 2009, in Mineral File M-104752;

That on September 30, 2009, effective date May 7, 2009, ROSETTA RESOURCES OPERATING, L.P., assigned to DAVIS PETROLEUM CORPORATION, various interests in lease M-104752, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in Document Number 2009038762, Official Public Records, Jefferson County, a certified copy of which was filed in the Texas General Land Office on October 22, 2009, in Mineral File M-104752;

That on February 25, 2010, effective date July 1, 2009, HALLWOOD ENERGY, L.P., assigned to FEI SHALE, L.P., various interests in lease M-104752, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in Volume 100, Page 569, Oil & Gas Records, Culberson County, a certified copy of which was filed in the Texas General Land Office on May 5, 2010, in Mineral File M-104752;

That on June 9, 2008, HALLWOOD ENERGY, L.P., assigned to FEI SHALE L.P., various interests in lease M-104752, with additional tracts, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in Volume 96, Pages 361-369, Oil & Gas Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on October 31, 2008, in Mineral File M-104793;

That on June 9, 2008, HALLWOOD ENERGY L.P., assigned to FEI SHALE, L.P., various interests in lease M-104752, with additional tracts, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in Volume 96, Pages 370-378, Oil & Gas Records, Culberson County, a certified copy of which was filed in the Texas General Land Office on October 31, 2010, in Mineral File M-104793;

That on October 15, 2009, PALACE EXPLORATION COMPANY, FREEDOM RESOURCES, INC., THE BISTATE OIL COMPANY, INC., and OIL & GAS TITLE HOLDING CORPORATION assigned to DAVID W. WILSON, TRUSTEE, RODA DRILLING, L.P., various interests in lease M-104752, and was filed in the Texas General Land Office on October 23, 2009, in Mineral File M-102703;

That on August 2, 2010, the following information was entered into the General Land Office's Energy Division Database relating to M-104752, "RAL LEASE - SEE LEASE FOR ACREAGE INFORMATION. FOR WELLS ON SECTION 23 BLOCK 113 THIS LEASE SHARES AN UNDIVIDED INTEREST WITH MF105456. 75% OF PRODUCTION AND SALES ALLOCATED TO MF105456 AT 11.5% RD AND 25% OF PRODUCTION AND SALES ALLOCATED TO MF104752 AT 10% RD. CK LEASE 11/29/11 AT END OF 2 YR PAST PT."

That the latest royalty payments for lease M-104752, were received in the Texas General Land Office on November 4, 2010, for oil produced during September 2010, and on October 13, 2010, for gas produced during August 2010;

****

That on July 25, 2005, HARRISON TRUST, RODDY L. HARRISON, TRUSTEE, individually, and as agent for the State of Texas, executed and delivered a **PAID-UP** State Relinquishment Act Oil & Gas Lease M-105456, covering "Section 23, Block 113, PSL," 480.00 net acres in Culberson County, to HALLWOOD ENERGY II, L.P., for a primary term of Three (3) years, with a cash bonus of $76,800.00, with like amounts payable each to landowner and State, and a royalty of twenty-three percent (23%), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on August 1, 2005, in Mineral File M-105456;

That on December 15, 2008, HALLWOOD ENERGY, L.P., assigned to FEI SHALE L.P., various interests in lease M-105456, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in Volume 811, Pages 326-333, Official Public Records, Culberson County, a certified copy of which was filed in the Texas General Land Office on March 26, 2009, in Mineral File M-105456;

That Mineral File M-104328, contains a copy of Certificate of Merger, dated December 31, 2005, between HALLWOOD EXPLORATION, L.P., and HALLWOOD ENERGY II, L.P., which agreement provides that the surviving corporation is HALLWOOD ENERGY, L.P., and said copy was filed in the Texas General Land Office on June 5, 2006;

That on July 21, 2006, HALLWOOD ENERGY, L.P., assigned to CHESAPEAKE EXPLORATION, L.P., various interests in lease M-105456, and others, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in Volume 93, Pages 192-197, Official Public Records, Culberson County, a certified copy of which was filed in the Texas General Land Office on June 20, 2007, in Mineral File M-104328;

That on October 1, 2005, HALLWOOD ENERGY, L.P., assigned to FEI SHALE L.P., various interests in lease M-105456, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in Volume 98, Pages 205-212, Culberson County Records, Culberson County, a certified copy of which was filed in the Texas General Land Office on February 24, 2009, in Mineral File M-104752;

That on September 30, 2009, effective date May 7, 2009, ROSETTA RESOURCES OPERATING, L.P., assigned to DAVIS PETROLEUM CORPORATION, various interests in lease M-105456, and others, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in Document Number 2009038762, Official Public Records, Jefferson County, a certified copy of which was filed in the Texas General Land Office on October 22, 2009, in Mineral File M-104752;

That on October 15, 2009, PALACE EXPLORATION COMPANY, FREEDOM RESOURCES, INC., THE BISTATE OIL COMPANY, INC., OIL & GAS TITLE HOLDING CORPORATION, assigned to DAVID W. WILSON, TRUSTEE, RODA DRILLING, L.P., various interests in lease M-105456, and others, and a certified copy of said assignment was filed in the Texas General Land Office on October 23, 2009, in Mineral File M-102703;

That on August 2, 2010, the following information was entered into the General Land Office's Energy Division Database relating to M-105456, PAID-UP RAL LEASE. DRILLING ACROSS PRIMARY TERM. FOR WELLS ON SECTION 23 BLOCK 113 THIS LEASE SHARES AN UNDIVIDED INTEREST WITH MF-104752. 75% OF PRODUCTION AND SALES ALLOCATED TO MF-105456 AT 11.5% RD AND 25% OF PRODUCTION AND SALES ALLOCATED TO MF-104752 AT 10% RD. CK LEASE 07-25-10 AT 2 YR PAST END OF PT.

That the latest royalty payments for lease M-105456, were received in the Texas General Land Office on October 13, 2010, for gas produced during August 2010;

****

IN TESTIMONY WHEREOF, I hereto set my hand and seal of said office the first date above written.

JERRY E. PATTERSON
COMMISSIONER OF THE GENERAL LAND OFFICE

JEP/wt

Name	Mike Curry/COTTON BLEDSOE TIGHE & DAWSON, P.C. 500 West Illinois, Suite 300 Midland, TX 79701
Dicta No.:	2011-10
Fee:	$200.00
Files:	MINERAL FILE M-104752, M-105456

g. 8.

File No. M-105456

Cert of Fact

Date Filed: 11/30/10

Jerry E. Patterson, Commissioner

By [signature]

Texas General Land Office
Reconciliation Billing

PO Box 12873
Austin, TX 78711-2873
(800) 998-4456
7:30 - 5:30 M-F

Jerry Patterson, Commissioner

COPY

FEI SHALE L P
337 DANIEL ZENKER DR
HORSEHEADS, NY 14845 1008

Billing Date: 10/26/2011
Billing Due Date: 11/25/2011
Customer Number: C000049230

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
12I00103	MF105456	$0.00	$8,927.83	$892.79	$1,858.01	$11,678.63
12I00104	MF104752	$0.00	$2,587.79	$258.78	$538.55	$3,385.12
12I00105	MF104752	$0.00	$843.34	$84.34	$52.63	$980.31
12I00110	MF105456	$0.00	$2,909.52	$290.96	$181.59	$3,382.07
Total Due .		$0.00	$15,268.48	$1,526.87	$2,630.78	**$19,426.13**

Penalty and interest have been calculated thru 10/31/2011. Payment remitted after 10/31/2011 will result in additional penalty and interest charges.

Contact Info: Shirley Chou (512) 463-5408 or shirley.chou@glo.state.tx.us

NOTICE

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

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

Detach and return with payment

Reconciliation Billing
FEI SHALE L P
Billing Date: 10/26/2011
Billing Due Date: 11/25/2011
Customer Number: C000049230

Remit Payment To:
Texas General Land Office
PO Box 12873
Austin, TX 78711-2873

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
12I00103	MF105456	$0.00	$8,927.83	$892.79	$1,858.01	$11,678.63
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Total Due		$0.00	$15,268.48	$1,526.87	$2,630.78	**$19,426.13**
Amt. Paid						

Customer ID: C000049230
Invoice Number:
Glo Lease: MF105456
GLO Review: FEI SHALE LP
Review Period AUG 2009 THROUGH DEC 2009

Auditor/AE: schou
Billing Date: 10/21/2011
P&I Calculation Date: 10/31/2011
Royalty Rate: 11.50%

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Month / Year	**Oil Volume** (A)	**MF105456** 75%	**Price** (B)	**Gross Value** (2)x(3)	**Royalty Due** 4) * Royalty Rate	**Royalty Paid**	**Additional Royalty Due**	**Number of Days Late**	**Penalty From Additional Royalty** (C)	**Interest From Additional Royalty** (C)	**Revenue Due** (7)+(9)+(10)
Aug-09	266.00	200	$ 70.750000	$14,114.63	$1,623.18	$0.00	$1,623.18	756	$162.32	$371.95	$2,157.45
Sep-09	285.00	214	$ 68.380000	$14,616.23	$1,680.87	$0.00	$1,680.87	725	$168.09	$368.04	$2,217.00
Oct-09	285.00	214	$ 74.770000	$15,982.09	$1,837.94	$0.00	$1,837.94	695	$183.79	$384.31	$2,406.04
Nov-09	285.00	214	$ 76.920000	$16,441.65	$1,890.79	$0.00	$1,890.79	664	$189.08	$376.09	$2,455.96
Dec-09	295.00	221	$ 74.480000	$16,478.70	$1,895.05	$0.00	$1,895.05	633	$189.51	$357.62	$2,442.18
TOTALS	1416.00			$77,633.29	$8,927.83	$0.00	$8,927.83		$892.79	$1,858.01	$11,678.63

COMMENTS: (A) VOLUME - REPRESENTS OIL SALE VOLUME FROM RRC 08-245762 (HARRISON STATE).

(B) PRICE - OBTAINED FROM NYMEX PRICE LIST DUE TO NO GLO-1E PRODUCTION REPORT RECEIVED.

(C) SEE ATTACHMENT III, SUMMARY OF PENALTY/INTEREST ASSESSMENT RULES", FOR EXPLANATION OF PENALTY AND INTEREST CALCULATION.

NOTE 1 : PAYMENT OF THIS INVOICE SHOULD BE SUBMITTED SEPARATELY FROM MONTHLY ROYALTY PAYMENTS, THE PAYMENT CAN BE SUBMITTED BY A HAND CHECK OR A WIRE, DO NOT SUBMIT THE GLO-3E REPORT FOR THIS PAYMENT.

NOTE 2: NEED TO FILE THE ORIGINAL GLO-1E PRODUCTION REPORTS.

NOTE 3: MF105456 SHARES UNDIVIDED INTEREST WITH MF104752, 75% OF TOTAL PRODUCTION AND SALE VOLUME ALLOCATED TO MF105456, AND 25% OF TOTAL PRODUCTION AND SALE VOLUME ALLOCATED TO MF104752.

ATTENTION: KELLY KALNAS

CERTIFIED MAIL: 70111150000124187232

MF 105456

Customer ID: C000049230

Invoice Number:

GLO Lease: MF105456

GLO Review: FEI SHALE LP

Review Period: JAN 2010 THROUGH FEB 2010

Auditor/AE: schou

Billing Date: 10/21/2011

P&I Calculation Date: 10/31/2011

Royalty Rate: 11.50%

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Month / Year	Oil Volume (A)	MF105456 75%	Price (B)	Gross Value (2)x(3)	Royalty Due (4) * Royalty Rate	Royalty Paid	Additional Royalty Due	Number of Days Late	Penalty From Additional Royalty (C)	Interest From Additional Royalty (C)	Revenue Due (7)+(9)+(10)
Jan-10	295.00	221	$ 77.530000	$17,153.51	$1,972.65	$0.00	$1,972.65	605	$197.27	$125.41	$2,295.33
Feb-10	143.00	107	$ 75.960000	$8,146.71	$936.87	$0.00	$936.87	574	$93.69	$56.18	$1,086.74
TOTALS	438.00			$25,300.22	$2,909.52	$0.00	$2,909.52		$290.96	$181.59	$3,382.07

COMMENTS: (A) VOLUME - REPRESENTS OIL SALE VOLUME FROM RRC 08-245762 (HARRISON STATE).

(B) PRICE - OBTAINED FROM NYMEX PRICE LIST DUE TO NO GLO-1E PRODUCTION REPORT RECEIVED.

(C) SEE ATTACHMENT III, SUMMARY OF PENALTY/INTEREST ASSESSMENT RULES", FOR EXPLANATION OF PENALTY AND INTEREST CALCULATION.

NOTE 1 : PAYMENT OF THIS INVOICE SHOULD BE SUBMITTED SEPARATELY FROM MONTHLY ROYALTY PAYMENTS, THE PAYMENT CAN BE SUBMITTED BY A HAND CHECK OR A WIRE, DO NOT SUBMIT THE GLO-3E REPORT FOR THIS PAYMENT.

NOTE 2: NEED TO FILE THE ORIGINAL GLO-1E PRODUCTION REPORTS.

NOTE 3: MF105456 SHARES UNDIVIDED INTEREST WITH MF104752, 75% OF TOTAL PRODUCTION AND SALE VOLUME ALLOCATED TO MF105456, AND 25% OF TOTAL PRODUCTION AND SALE VOLUME ALLOCATED TO MF104752.

ATTENTION: KELLY KALNAS

CERTIFIED MAIL: 70111150000124187232

9

File No. MF-105456

Reconciliation Ltr

Date Filed: 1/18/12

Jerry E. Patterson, Commissioner

By MW

MF 105456

NADOA Model Form Division Order (Adopted 9/95)

Statoil

DIVISION ORDER

RRC-8

DATE: 03.05.2012

TO: Statoil Texas Onshore Properties LLC
2103 City West Blvd, Suite 800
HOUSTON 77042
USA

PROPERTY NUMBER: 120078
EFFECTIVE DATE: 05.01.2012
PRODUCT: All Products

PROPERTY NAME: HARRISON STATE 2302 GU
OPERATOR: Talisman Energy USA Inc.
COUNTY/PARISH/STATE: CULBERSON / TX
PROPERTY DESCRIPTION: HARRISON STATE 2302 GU
ACRES M/L
CULBERSON COUNTY, TX

OWNER NUMBER/ TAX IDENTIFICATION	OWNER NAME/ ADDRESS	INTEREST TYPE	OWNER INTEREST
9103261	State of Texas Commissioner General Land Office PO Box 12873 AUSTIN TX 78711-2873 USA	RI	0,11125000

The undersigned certifies the ownership of their decimal interest in production or proceeds as described above payable by STATOIL USA ONSHORE PROPERTIES.

Statoil USA Onshore Properties shall be notified, in writing, of any change in ownership, decimal interest, or payment address. All such changes shall be effective the first day of the month following receipt of such notice.

Statoil USA Onshore Properties is authorized to withhold payment pending resolution of a title dispute or adverse claim asserted regarding the interest in production claimed herein by the undersigned. The undersigned agrees to indemnify and reimburse Statoil USA Onshore Properties any amount attributable to an interest to which the undersigned is not entitled.

Statoil USA Onshore Properties may accrue proceeds until the total amount equals $25.00, or until July 31st of each year, whichever occurs first, or as required by applicable state statute.

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

In addition to the terms and conditions of this Division Order, the undersigned and Statoil USA Onshore Properties may have certain statutory rights under the laws of the state in which the property is located.

Special Clauses:

Owner Signature/Corporate Title	Social Security/Tax ID #	Address (if different from above)
Keep This	Copy for Your	Records
Owner Phone #	Alternate Contact	

Federal Law requires you to furnish your Social Security or Taxpayer Identification Number.
Failure to comply will result in tax withholding and will not be refundable by Statoil USA Onshore Properties.

Statoil

STATOIL USA ONSHORE PROPERTIES, INC.
DIVISION ORDER DEPARTMENT
INSTRUCTION SHEET

The enclosed Division Order represents your share of the production proceeds received by Statoil USA Onshore Properties from the referenced well and the name and address to which payments will be made. **PLEASE RETURN ONE FULLY EXECUTED COPY AT YOUR EARLIEST CONVENIENCE AND RETAIN THE OTHER COPY FOR YOUR RECORDS.** A self-addressed stamped envelope has been provided for your convenience.

SIGNATURES

- Please sign exactly as shown on the Division Order. If your signature is different, please provide legal documentation evidencing said name change.
- Signatures by Agents, Attorneys-in-Fact, Guardians or Trustees must be accompanied by a copy of the recorded document evidencing the rights vested in the signatory party.
- In the event of multiple trustees/executors, all signatures are required unless documentation is provided evidencing authority to sign on behalf of all parties.
- Companies, Corporations or Partnerships must be executed by an authorized official with the name and title of the signing party printed beneath the signature.
- The Division Order does not need to be notarized.

TAXPAYER IDENTIFICATION NUMBER OR SOCIAL SECURITY NUMBER

Include your Social Security Number or Tax Identification Number in the space provided next to your signature. **Failure to furnish your Social Security Number or Tax Identification Number will result in withholding tax in accordance with Section 3406 of the Internal Revenue Service federal law, and any tax withheld will not be refundable by Statoil.**

ADDRESS AND TITLE CHANGES

- Please note any change of address directly on the executed Division Order form.
- Any subsequent address changes or changes in title must be submitted in writing either by mail, fax or email. You must sign your request for change and include your owner number (as provided on this Division Order), social security or tax identification number, old address, new address and telephone number.
- Please also provide a phone number and an alternate contact (ie: cell phone number, work number and/or email address).
- Transfers of interest may result in a temporary suspension of funds pending receipt of recorded instrument evidencing said transfer.

PAYMENTS

- Statoil's revenue distribution checks will be mailed direct from JP Morgan Chase on or before the last day of each month. Said revenue check will reference a monthly statement number which will be mailed under separate cover. Please refer to this monthly statement for the corresponding check detail information.
- Checks must be cashed within 90 days of issue date. If your check is outdated, please write VOID across the check and return to Statoil for reissue with next disbursement.
- Our policy is to remit checks monthly when your account reaches $25.00, or July 31st of each calendar year; whichever occurs first. Upon written request, this $25.00 amount can be further reduced.

CONTACT US

The following information found on the division order form will assist us in serving you:

- Owner Name and Owner Number
- Property Name and Property Number
- County/Parish and State where Property is located
- Nature of your inquiry
- Telephone Number with area code

Revenue Inquiries
1-866-697-0454
Royalty@statoil.com

Division Order and Title Inquiries
1-866-697-0454
divor@statoil.com

www.statoil.com/ownerrelations.com

Correspondence
Statoil USA Onshore Properties, Inc.
2103 CityWest Blvd, Suite 800
Houston, Texas 77042
ATTN: Land Department

Statoil

May 1, 2012

Dear Interest Owner:

Pursuant to HB 981 passed by the Legislature of the State of Texas, we are required to provide you with the following information:

Section 91.504, Texas Natural Resources Code, gives an owner of a royalty interest in oil or gas produced in Texas the right to request from a payor information about itemized deductions, the heating value of the gas and the Railroad Commission of Texas identification number for the lease, property or well that may not have been provided to the royalty interest owner. The request must be in writing and must be made by certified mail. A payor must respond to a request regarding itemized deductions, the heating value of the gas or the Railroad Commission of Texas identification number by certified mail not later than the 60th day after the date the request is received. Additional information regarding production and related information may be obtained by contacting the Railroad Commission of Texas' office of Public Assistance or accessing the commission's website.

Statoil Texas Onshore Properties LLC

2103 CityWest Blvd., Suite 800
Houston, Texas 77042

Telephone: 1-866-697-0454
divor@statoil.com

Statoil

Dear Interest Owner:

Please find enclosed Statoil Texas Onshore Properties LLC's (Statoil) Division Order for the well(s) listed in the enclosed Division Order (the "Well"). Talisman Energy USA, Inc. ("Talisman") drilled the Well under the provisions of your lease and other leases, or assumed operatorship of the Well from another company. You may have already been asked by Talisman to sign a Division Order for the Well. If you have been receiving royalties from this Well, it was based upon the Division Order that you signed with Talisman.

Statoil owns an undivided interest in your lease with Talisman. Statoil has now determined that it will start to sell its share of production from the Well and will remit your revenue payment on its share of such production directly to you starting with May 2012 production. Statoil has prepared the enclosed Division Order for your execution covering the products which Statoil will sell and/or pay royalties on from the Well. Statoil's Division Order will not change Talisman's Division Order as that document will still apply to the share of the production that Talisman continues to sell.

Please note that your "Owner Interest" shown in the Division Order is your full interest in the well. Statoil will pay your interest based on our proportionate share in the well. Your payment decimal will be calculated by starting with our percentage interest in the well multiplied by the amount of acreage from your lease that is contributed to the total unit acreage times your lease royalty interest. From time to time, we may process the natural gas from the Well through a processing plant to remove natural gas liquids. The price formula referenced on the Division Order applies your Owner Interest above to the natural gas and natural gas liquids processed and sold in accordance with the terms of your lease.

Unless your lease states otherwise, Statoil will be disbursing on all products using a 60 day pay cycle. You will receive a statement, separate from your check, which will include information on the volume of the condensate, natural gas and, if the natural gas is processed, natural gas liquids from the Well. From time to time, these volume numbers may be revised after the fact. There can be several reasons why these numbers need revision, but most often it will be because Statoil has been given corrected numbers by the companies operating the meters on either the leases, the gathering system, the pipeline system or at the processing plant.

Please execute the enclosed Division Order according to the Owner Instruction Sheet, return one executed copy to the undersigned in the enclosed self-addressed stamped envelope and retain one copy for your records. To the extent you are in "pay" status under your current Talisman Division Order Statoil will automatically continue that status. If you are not in pay status with Talisman, please be aware that whatever documentation you provide Talisman releasing you from suspense also needs to be supplied to Statoil to enable us to place you in pay status.

Thank you for your immediate attention to this matter. Should you have any questions, please do not hesitate to contact us as referenced on the Owner Instruction Sheet.

2103 Citywest Blvd., Suite 800
Houston, Texas 77042

1-866-697-0454
www.statoil.com/ownerrelations

File No. MF105456

DIVISION ORDER

Date Filed: 6. 11. 12

Jerry E. Patterson, Commissioner

By

TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

Certified Mail #91 7199 9991 7030 6419 5957
February 13, 2015

Tim Dunn, Member
Enerquest Operating, LLC
12368 Market Drive
Oklahoma City, OK 73114

RE: Partial Termination of State Lease MF104752 & MF105456
Harrison State #2302 (API 42-109-32303; RRC Lse 08-245762)
Culberson County

Dear Mr. Dunn:

The primary term of the referenced leases ended on November 29, 2004 and July 25, 2005 and lands covered under the leases are held only as to 320 acres surrounding the referenced well; described as the E/2 of Section 23 from surface to 15,422'. The leases have partially terminated under the terms and conditions of the lease and the laws of the state as further defined in Title 31 of the Texas Administrative Code ("TAC").

Pursuant to TAC, a recorded original or certified copy of a Partial Release of this State Oil and Gas Lease along with a processing fee of $25.00 must be sent to my attention.

In accordance with the provisions of the TAC, if you disagree with this assessment please provide evidence to this office at the address shown below within thirty (30) days of receipt of this letter. Failure to reply or failure to present sufficient evidence of the continuation of the lease outside the 320 acre proration unit and surface to 15,422' will result in the mineral file being endorsed as "partially expired." You will receive no further communication from this office prior to endorsement.

Sincerely,

Carl Bonn, CPL
PSF Income Division, Energy Resources
Office: (512) 463-5407
e-mail (carl.bonn@glo.texas.gov)

1700 North Congress Avenue, Austin, Texas 78701-1495
P.O. Box 12873, Austin, Texas 78711-2873
512-463-5001 glo.texas.gov

(11)

File No. MF 105456

P + Terms Ltr ~~County~~

Date Filed: 2-13-15

George P. Bush, Commissioner

By [signature]

PRODUCTION AND OPERATIONS HISTORY
State Lease Nos. M-105456 and M-104752
HARRISON STATE NO. 2302
API NO. 42-109-32303
Toyah, NW (Shale) Field
Phantom (Wolfcamp) Field
Culberson County

DATE	OIL Bbl	GAS PROD mcf	COMMENTS
7/2008			Hallwood commences drilling operations on the subject well
8/2008			Hallwood continues drilling operations on the subject well
9/2008			Hallwood continues drilling operations on the subject well
10/2008			Hallwood continues drilling operations on the subject well
11/2008			Hallwood continues drilling operations on the subject well reaching a total depth of 15,322' in the Devonian Lime. Obtained 10' cutting samples from the top of the Bone Springs at 5,387' to TD and ran open hole drillstem test across an interval in the Wolfcamp and recovered oil
12/2008			Drilling operations continued
1/2009			Drilling operations continued with well hydraulically stimulated and flowback obtained
2/2009			Drilling operations continued with extensive pressure build up test conducted. Well flowed 432 mcfd with flowing tubing pressure of 610 psig
3/2009			
4/2009	0	5034	Installed 3.5 mile 5" FLEXSTEEL pipeline to connect well to gas purchaser's pipeline. Ran bottomhole pressure test to record pressures during buildup and subsequent draw down test. Flowed well down gas pipeline
5/2009	0	13122	
6/2009	0	10845	
7/2009	0	8439	
8/2009	266	8207	
9/2009	285	7294	
10/2009	285	6627	
11/2009	285	5307	
12/2009	295	5986	
1/2010	295	5688	
2/2010	143	2687	
3/2010	0	5450	
4/2010	0	3793	

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DATE	OIL Bbl	GAS PROD mcf	COMMENTS
5/2010	0	3544	
6/2010	0	2875	
7/2010	0	2307	
8/2010	0	1991	
9/2010	0	2063	
10/2010	0	1478	
11/2010	0	1784	
12/2010	0	1600	
1/2011	0	1776	
2/2011	0	1855	
3/2011	0	4163	
4/2011	0	2723	
5/2011	0	2504	
6/2011	0	1660	
7/2011	0	1363	
8/2011	0	1513	
9/2011	0	1438	
10/2011	0	1397	
11/2011	0	1189	
12/2011	0	1269	
1/2012	0	1109	
2/2012	0	1029	
3/2012	0	989	
4/2012	0	748	
5/2012	0	756	
6/2012	0	830	
7/2012	0	1587	
8/2012	0	1477	
9/2012	0	1083	
10/2012	0	1052	
11/2012	0	836	
12/2012	0	671	
1/2013	0	1420	
2/2013	0	785	
3/2013	0	737	
4/2013	0	1249	
5/2013	0	1265	
6/2013	0	973	

DATE	OIL Bbl	GAS PROD mcf	COMMENTS
7/2013	0	893	Enerquest purchased the subject well and took over as operator
8/2013	0	1025	
9/2013	0	756	
10/2013	0	929	
11/2013	0	553	
12/2013	0	1236	
1/2014	0	1106	
2/2014	0	923	
3/2014	0	519	FESCO ran bottomhole pressure survey to measure remaining pressure and to quantify fluid buildup in the wellbore as well as to check for frac sand fill above the perfs. Bottom hole pressure of 3684 psia at 14,749'. Water level at 11,483' and top of fill at 14,749'. Well flowed with minimal backpressure to unload fluid from well. Lowest bottomhole flowing pressure recorded during flowtest was 2611 psia
4/2014	0	747	Evaluated all options for enhancing production performance of existing completion, including review and analysis of well data to identify potential shallower completions for testing
5/2014	0	564	
6/2014	0	910	
7/2014	0	820	
8/2014	0	803	
9/2014	0	788	
10/2014	0	752	
11/2014	0	677	
12/2014	0	575	
1/2015	0	703	
2/2015	0	651	GLO partial termination letter as to W/2 of Section 23 and depths below 15,422' sent to Enerquest
3/2015	0	659	Leases partially terminated from below 15,422' and as to W/2 of Section 23 per lease terms
4/2015	0	399	
5/2015	0	835	
6/2015	0	498	
7/2015	0	592	
8/2015	0	495	
9/2015	0	481	
10/2015	0	483	Completed preliminary design work and cost estimate for side tracking and drilling a horizontal well in the Wolfcamp
11/2015	0	344	

DATE	OIL Bbl	GAS PROD mcf	COMMENTS
12/2015	0	515	
1/2016	0	626	Contracted with geological expert to perform a detailed geological assesement of the Wolfcamp interval to identify the best target in the subject well and determined that 9120' to 9155' would be the best target for this horizontal lateral
2/2016	0	546	Continued work described in 1/2016
3/2016	0	482	Contracted with Premier Wireline to run gyro survey to determine well geometry for sidetrack design work. Also contracted surveyor Gene Smith to add lease corner coordinates to survey plat for determining the termination point for the horizontal lateral
4/2016	0	453	Solicited drilling mud cementing and directional drilling designs and recommendations from various vendors
5/2016	0	445	Analyzed performance of analog Wolfcamp horizontal wells as part of the reserve study and production profile. Built economic model to confirm profitability of the proposed well
6/2016	0	489	Continued work described in 5/2016
7/2016	0	483	Continued work described in 5/2016
8/2016	0	422	Continued work described in 5/2016

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(12)

File No. M-105456

_______________ County

Production Data

Date Filed: 10/26/16

George P. Bush, Commissioner

By ur

SCOTT
DOUGLASS
McCONNICO

October 20, 2016

VIA HAND DELIVERY
Mr. Robert Hatter
General Land Office
1700 N. Congress Avenue, Room 840
Austin, TX 78701

In Re: Request by Enerquest Oil & Gas, LLC for General Land Office confirmation of the Validity of State Lease No. M-104752 dated July 25, 2005, and State Lease No. M-105456 dated May 31, 2006, as to E/2, Section 23, Block 113, PSL Survey, 320 acres, Culberson County, Texas, (collectively "Leases")

Dear Mr. Hatter:

On behalf of Enerquest Oil & Gas, LLC ("Enerquest") the purpose of this letter is to confirm the validity of the above referenced Relinquishment Act Leases as to the E/2 of Section 23, Block 113, PSL Survey, Culberson County, Texas from the surface to 15,422'. This letter follows a meeting with you and Daryl Morgan of the General Land Office ("GLO"), Enerquest's Matt Mollman and me.

Based upon our presentation and prior GLO action we have requested your agreement that the Leases remain valid and subsisting under the terms of the Leases and applicable Texas law that Enerquest has acted as a reasonably prudent operator under the circumstances for the purpose of making a profit and not merely for speculation. We acknowledge that the Leases are currently valid only as to the E/2 of Section 23, Block 113, PSL Survey, Culberson County from the surface to 15,422' as a result of a partial termination pursuant to the terms of the Leases.

If you are in agreement that the Leases remain valid and in full force and effect as to the E/2 of Section 23, Block 113, PSL Survey, in Culberson County from the

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surface to 15,422', we would appreciate your confirmation by signing in the space provided below.

Thank you for your attention and cooperation in this matter.

Very truly yours,

Flip Whitworth

H. Philip Whitworth
Attorney for Enerquest Oil & Gas, LLC

HPW:map

cc: Daryl Morgan, *via email*
Greg Olson, *via email*
Matt Mollman, *via email*

AGREED:

RHatter 10/28/16

Robert Hatter

13

File No. M-105456

_______________ County

Flip Whitworth, Ltd

Date Filed: 10/28/16

George P. Bush, Commissioner

By ___

SCOTT
DOUGLASS
McCONNICO

November 13, 2017

VIA HAND DELIVERY

Mr. Robert Hatter
General Land Office
1700 N. Congress Avenue, Room 840
Austin, TX 78701

In Re: Request by Enerquest Oil & Gas, LLC for General Land Office confirmation of the Validity of State Lease No. M-104752 dated July 25, 2005, and State Lease No. M-105456 dated May 31, 2006, as to E/2, Section 23, Block 113, PSL Survey, 320 acres, Culberson County, Texas, (collectively "Leases")

Dear Mr. Hatter:

On behalf of Enerquest Oil & Gas, LLC ("Enerquest") the purpose of this letter is to confirm the validity of the above referenced Relinquishment Act Leases as to the E/2 of Section 23, Block 113, PSL Survey, Culberson County, Texas from the surface to 15,422'. This letter follows a meeting on November 9, 2017, with you and Daryl Morgan of the General Land Office ("GLO"), Greg Olson and Matt Mollman of Enerquest, Stephanie Kover, and me.

Based upon our presentation and prior GLO action we have requested your agreement that the Leases remain valid and subsisting under the terms of the Leases and applicable Texas law that Enerquest has acted as a reasonably prudent operator under the circumstances for the purpose of making a profit and not merely for speculation. We acknowledge that the Leases are currently valid only as to the E/2 of Section 23, Block 113, PSL Survey, Culberson County from the surface to 15,422' as a result of a partial termination pursuant to the terms of the Leases.

4834-3814-9460

If you are in agreement that the Leases remain valid and in full force and effect as to the E/2 of Section 23, Block 113, PSL Survey, in Culberson County from the surface to 15,422', we would appreciate your confirmation by signing in the space provided below.

Thank you for your attention and cooperation in this matter.

Very truly yours,

Flip Whitworth

H. Philip Whitworth
Attorney for Enerquest Oil & Gas, LLC

HPW:map

cc: Daryl Morgan, *via email*
Greg Olson, *via email*
Matt Mollman, *via email*

AGREED:

R J Hatter 11/15/17

Robert Hatter

(14)

File No. M-105456

County

Ltr. Agrmt. with Energyvest

Date Filed: 11/15/17

George P. Bush, Commissioner

By [signature]

SCOTT
DOUGLASS
McCONNICO

November 13, 2017

VIA HAND DELIVERY

Mr. Robert Hatter
General Land Office
1700 N. Congress Avenue, Room 840
Austin, TX 78701

In Re: Request by EnerQuest Oil & Gas, LLC for General Land Office confirmation of the Validity of State Lease No. M-104752 dated November 29, 2004, and State Lease No. M-105456 dated July 25, 2005, as to E/2, Section 23, Block 113, PSL Survey, 320 acres, Culberson County, Texas, (collectively "Leases")

Dear Mr. Hatter:

On behalf of EnerQuest Oil & Gas, LLC ("EnerQuest") the purpose of this letter is to confirm the validity of the above referenced Relinquishment Act Leases as to the E/2 of Section 23, Block 113, PSL Survey, Culberson County, Texas from the surface to 15,422'. This letter follows a meeting on November 9, 2017, with you and Daryl Morgan of the General Land Office ("GLO"), Greg Olson and Matt Mollman of EnerQuest, Stephanie Kover, and me.

Based upon our presentation and prior GLO action we have requested your agreement that the Leases remain valid and subsisting under the terms of the Leases and applicable Texas law that EnerQuest has acted as a reasonably prudent operator under the circumstances for the purpose of making a profit and not merely for speculation. We acknowledge that the Leases are currently valid only as to the E/2 of Section 23, Block 113, PSL Survey, Culberson County from the surface to 15,422' as a result of a partial termination pursuant to the terms of the Leases.

4834-3814-9460

If you are in agreement that the Leases remain valid and in full force and effect as to the E/2 of Section 23, Block 113, PSL Survey, in Culberson County from the surface to 15,422', we would appreciate your confirmation by signing in the space provided below.

Thank you for your attention and cooperation in this matter.

Very truly yours,

Flip Whitworth

H. Philip Whitworth
Attorney for EnerQuest Oil & Gas, LLC

HPW:map

cc: Daryl Morgan, *via email*
Greg Olson, *via email*
Matt Mollman, *via email*

AGREED:

RHtt

Robert Hatter

(15)

File No. M-105456

_____ County

Corrected Ltr. Agrmt.

Date Filed: 11/29/17

George P. Bush, Commissioner

By [signature]